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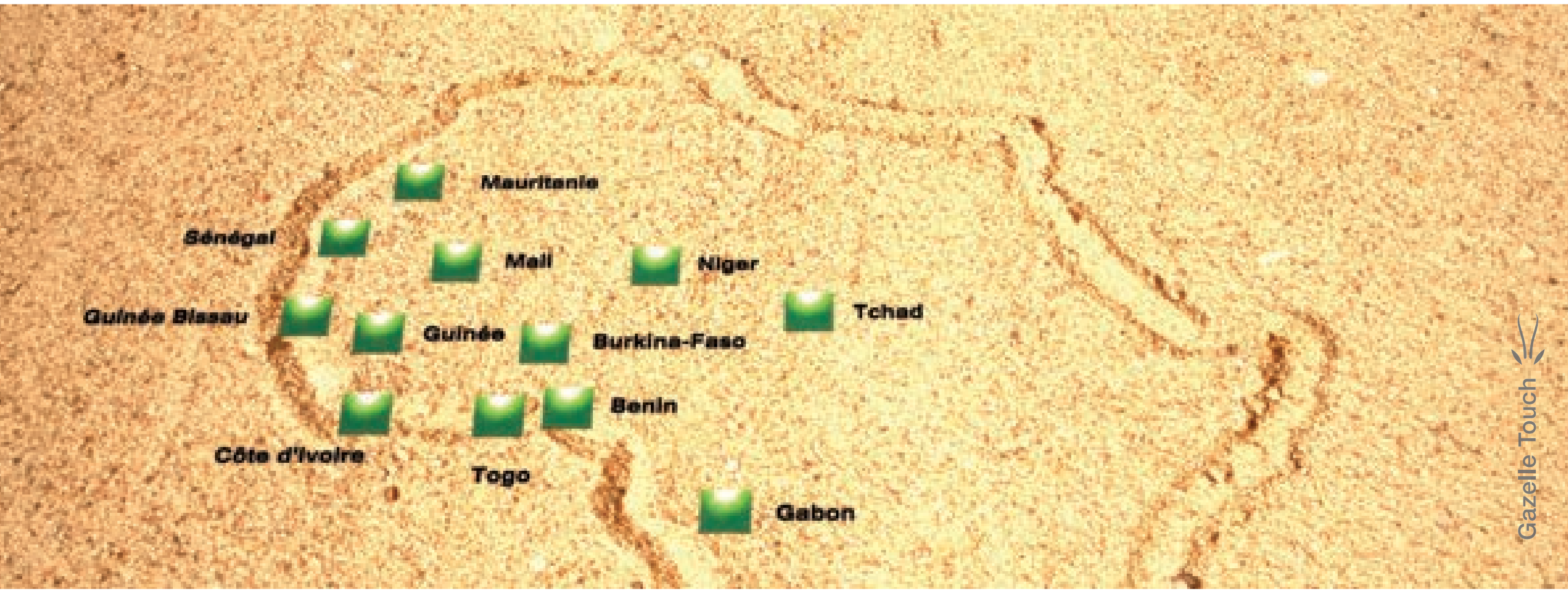

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Africa 2014

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Lake Turkana Wind Power – Kenya

KENYA POWER

The Government of Kenya's Least Cost Development Power Plan shows Lake Turkana Wind Power (LTWP) to be one of the least cost power generation options available in the country, along with geothermal power, and at even less cost than the feed in tariff for other wind projects set at US$12 cents/kWh. The project will replace the need for Kenya to spend approximately Ksh 15.6 billion (€120 million) per year on importing fuel.

OBJECTIVES

The Lake Turkana Wind Power Project ("Project") involves the implementation of a 300 MW wind farm near Loyangalani in Marsabit County, approximately 12km east of Lake Turkana in north-eastern Kenya. The location is particularly favorable, as it lies in the "Turkana Corridor" where a low-level jet stream originating from the Indian Ocean creates strong and predictable wind conditions aided by the presence of Mount Kulal to the North and Mount Nyiru to the South, which act to produce a Venturi effect accelerating the winds across the proposed location where the wind turbines are to be located.

The transmission line, which will be built by the National Electricity Transmission Company, KETRACO, aided by concessional financing from Spain, will also include a fibre-optic cable that will allow high-speed communication access to the region. In the long term, the project will help decrease the cost of energy to end-users, increase access to energy in rural areas, increase the national electrification rate, reduce CO_2 emissions, and decrease fossil fuel dependence.

The Project is of significant strategic benefit to Kenya, and at Ksh75 billion (€625 million) will be the largest single private investment in Kenya's history.

COMMUNITY DEVELOPMENT

In addition to providing reliable low-cost power, the project will bring numerous macroeconomic, community and social benefits for the region, one of the poorest regions in Kenya. During the 32-month construction period, up to approximately 2,500 jobs will be created followed by over 200 full-time jobs throughout the period of operations, mainly targeting local Kenyans. LTWP will be implementing a comprehensive training and international skills-transfer program, for which it will not only build capacity for individuals, but intellectual benfit for Kenya as a whole.

AFRICAN DEVELOPMENT BANK

The African Development Bank is the Lead Debt Arranger and has played an important strategic role in the development of the Project. In April 2013 The Board of Directors of the African Development Bank (AfDB) approved USD149.5 million in financing for Lake Turkana Wind Power.

The AfDB has taken a lead role in developing what will be the largest wind power project in Africa. Spearheading the project's transactions, the Bank has built the confidence of potential investors on mitigation of environmental and governance risks, ultimately attracting additional investors in the project such as commercial banks.

In October 2013, the AfDB also approved the Lake Turkana Transmission Line Delay Partial Risk Guarantee for €20 million, the first of the African Development Fund's Partial Risk Guarantees (ADF PRG).

KENYA VISION 2030

The Kenya Vision 2030 is the national long-term development blue-print that aims to transform Kenya into a newly industrialising, middle-income country providing a high quality of life to all its citizens by 2030 in a clean and secure environment.

Kenya is set to further develop as the hub of trade and logistics in Sub-Saharan Africa in line with the Vision 2030 outcomes, of which LTWP has signed a Memorandum of Understanding. The inclusion of a wind farm in Kenya increases the industrialization efforts for the country, which are necessary to helping Kenya realize a middle-income status by 2030 by ensuring that there is access to reliable and cost-effective electricity.

LAKE TURKANA
WIND POWER

For further information please go to www.ltwp.co.ke


KIM LUDBROOK/ALAMY

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Vale is working
together with Africa
to build a better future
Future

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RANDY PLETT/ISTOCK PHOTO

EMIL VON MALTITZ/GETTY IMAGES

HE Dr Nkosazana Dlamini Zuma

Chairperson of the African Union Commission

XINHUA/EYEVINE

It is with pleasure that I welcome you to *Invest in Africa 2014*, the fourth edition of this annual publication that celebrates progress in Africa and highlights investment opportunities across the continent.

Last year, we celebrated 50 years of African integration, development and partnerships, and we carry these achievements into 2014.

This year, the economy of sub-Saharan Africa is forecast to grow by 6.1 per cent – a significantly higher rate than that of the global economy, which is forecast to expand at four per cent. Middle-income countries continue to grow, to increase investments and diversify their economies, while the growth and development environment is looking better for fragile states and countries with low incomes. Stability is crucial to the growth and development of Africa's nations, and events over the past few months have consolidated dialogue and action across Africa to build and maintain peace.

The African Union is concentrating efforts to facilitate continental transformation by prioritising inter-Africa cooperation and integration; agriculture and agro-processing; education, health and skills development; industrialization and growth; and investments in youth and women. As well as achieving sustainable economic growth, it is important that we keep the Millennium Development Goals in sight as 2015 draws closer and we set in place the post-2015 agenda and the agenda for the next 50 years.

This year, the economy of Mozambique is set to expand by eight per cent – the greatest growth in the region. Nigeria, our top oil producer, will grow by seven per cent, while South Africa's growth should reach 3.3 per cent as mining production recovers.

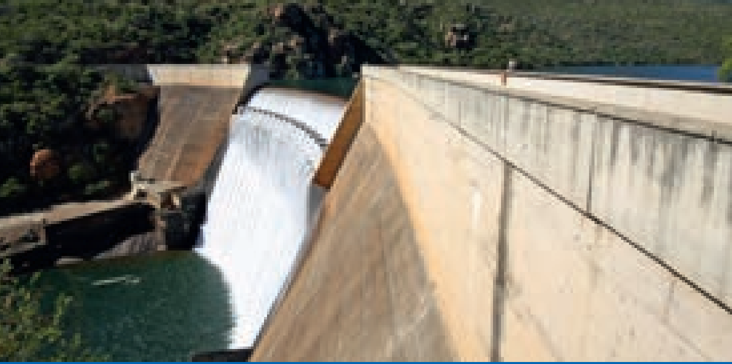
We have identified the key challenges to be addressed in the acceleration of Africa's economic transformation. Central to this development is the full-scale implementation of infrastructure projects that will augment agricultural activity, advance industrialisation, promote job creation and connect the people and economies of Africa. There is a good foundation for the belief that Africa can become a leading continent in innovation and creativity, and the concept of pan-Africanism lies at the heart of this. Collective determination and solidarity are key to Africa's success.

We have long posed the question of how Africa can fund its transformation, and it is clear that we must mobilise domestic resources to use as levers and drivers of growth. We must also assist the private sector in enhancing innovation. Businesses and SMEs have the ability to advocate reforms that boost competitiveness, while governments have the power to create and maintain a favourable business climate in which companies can succeed.

> Africa can become a leading continent in innovation and creativity

Education and training, as well as investments in science, technology, research and innovation, are critical to achieving these goals – to create shared prosperity, eradicate poverty and deliver equitable and inclusive growth. The means to finance the development of our continent are available – Africa's resource potential is huge, and if we work sustainably, the transformation of our continent is within reach. Investment in our human resources is fundamental to any positive change, and all efforts must be connected to our broader economic transformation programmes.

These realisations and objectives are significant as we look back on a period of powerful consultations on Agenda 2063, focusing on building the future today. Our global strategy



INTEGRATING & ADVANCING THE REGION'S ECONOMIES

PTA Bank, the Eastern and Southern African Trade and Development Bank, is an award-winning, regional development bank. Established in 1985, the Bank's mandate is to finance and foster trade, socio-economic development and regional economic integration across its Member States. It offers a broad range of products and services across both the private and public sectors, including debt, equity and quasi-equity finance, as well as guarantees. Its investments cut across agriculture, trade, industry, infrastructure, energy and tourism, among others and are made on a commercial basis following sustainability principles. To complement its existing trade, project and infrastructure finance activities, the Bank's recently launched fund-management and advisory services business includes key initiatives, such as the emerging COMESA Infrastructure Fund and a new Trade Finance Fund still under consideration.

In recent years, the Bank has achieved strong growth in excess of 30% and yielded returns consistently above 10% on equity returns over the past 5 years. It has a current balance sheet of USD2.3 billion with NPLs under 5%. The Bank has successfully issued bonds on the International capital markets and in various African Member States. In 2013, the Bank's international credit ratings were upgraded.

In the past 2 years, the Bank has successfully attracted new sovereign and institutional shareholders raising record levels of tier 1 capital. The Bank's capital is open to sovereigns, Central Banks, DFIs and institutional investors, such as pension funds, insurance companies and other financial institutions. Currently, the Bank's authorized capital is USD3 billion, of which USD1 billion is in recently introduced Class B shares suitable for institutional investors.

PTA Bank's diverse shareholding includes 18 African Member States, the African Development Bank - the pioneer institutional investor - and the People's Republic of China, which is the first non-regional member country. The Bank is further expanding its shareholder base as it repositions itself as a more inclusive Regional Development Bank, serving all countries in or adjacent to Eastern and Southern Africa – subject to membership – across the EAC, IGAD, and SADC, in addition to its founding regional economic community, COMESA. This Grand Free Trade Area covers 26 countries and represents an attractive market of 530 million people and GDP of close to USD1 trillion, which is about half the continent's output.

The Bank's current African Member States are: Burundi, Comoros, DRC, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Malawi, Mauritius, Rwanda, Seychelles, Somalia, Sudan, Tanzania, Uganda, Zambia, and Zimbabwe. The Bank operates out of four locations: Bujumbura, Nairobi, Harare, and Ebene.

PTA BANK
BANQUE DE LA ZEP

PTA BANK

THE EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK

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The opening ceremony of the 50th anniversary Summit of the African Union. HE Dr Nkosazana Dlamini Zuma says the organisation will carry the achievements of the past 50 years into 2014

seeks to elevate the use of Africa's resources to benefit each African, by using lessons learned from the past to ensure positive socio-economic transformation. Institutions involved include the UN Economic Commission for Africa, the African Development Bank and the NEPAD Agency. Together we rededicated ourselves to ensuring the development and economic and technological progress of the African continent. We are asking some difficult questions about our vision for Africa over the next 50 years, and in our answers we continue to draw on the pan-Africanist values that endure in our decisions and still inspire us today.

Investment in our human resources is fundamental to any positive change

The African Union maintains that decisions made and actions taken today will have a considerable effect on Africa's route to prosperity and peace. We are at a promising moment in history – the continent has an unprecedented opportunity to drive regional integration and increase investments, which will lead to employment, security and growth. By coordinating our efforts, we open up the prospect of eradicating debilitating poverty in Africa within a generation, and leaving a lasting legacy of opportunity, solidarity and shared prosperity. ■

Innovation
that excites

INNOVATION AND EXCITEMENT FOR AFRICA

With a network spanning 50 African countries, and focusing on innovation to build on an existing strong reputation, Nissan is on the road to delivering significant growth in the midterm.

DRIVING 50 MARKETS IN AFRICA

Nissan's representation in African markets has been re-organised into two regional business units empowering local management, increasing integration of Africa-based functions and enhancing regional expertise, while enjoying the continued support from Nissan's global headquarters in Yokohama Japan.

Nissan, with just under 8% share in the African automotive market, is strongly positioned to contribute to the global midterm plan, called Nissan Power88. Sales growth last year was close to 20% for the continent as a whole and there was a significant 50% increase in Egypt. In support of the continent's huge potential for growth, Nissan will continue with new model introductions and expand the existing retail network.

NEW MODELS IN THE COMING THREE YEARS

Japanese brands have a strong legacy of enduring quality in Africa, which ensured continued strong sales despite increased competitive activity and exchange rate challenges. To continue to meet the demand for increased mobility in Africa, a number of new Nissan models can be expected in 2013-2016, including an all-new pickup truck produced in South Africa and built for the Africa markets; and the award-winning, zero-emission Nissan LEAF electric vehicle, which was introduced in South Africa in 2013. The new-generation Sentra, Tiida, Qashqai and Pathfinder will bring cars packed with innovative features that reflect Nissan's passion for bringing accessible technology to a broader audience.

DELIGHTING OUR CUSTOMERS IN AFRICA

Nissan has been innovative since its start in 1914, and 100 years later continues to rewrite the rules to bring innovation and excitement to customers. Nissan vehicles are designed for people to drive and enjoy every day, by making the practical exciting and the exciting practical. This approach extends beyond products. Nissan shares advanced business innovation and technologies across the world, so that customers can expect consistent and innovative sales and service solutions no matter where they find themselves.

As the African Union celebrates 50 years of progress, Nissan is proud to be in the company of many innovative and committed organisations that are contributing to the growth and stature of the African continent.

INNOVATION AND EXCITEMENT IS IN OUR DNA.

50 REASONS TO GET EXCITED

HERE ARE JUST A FEW

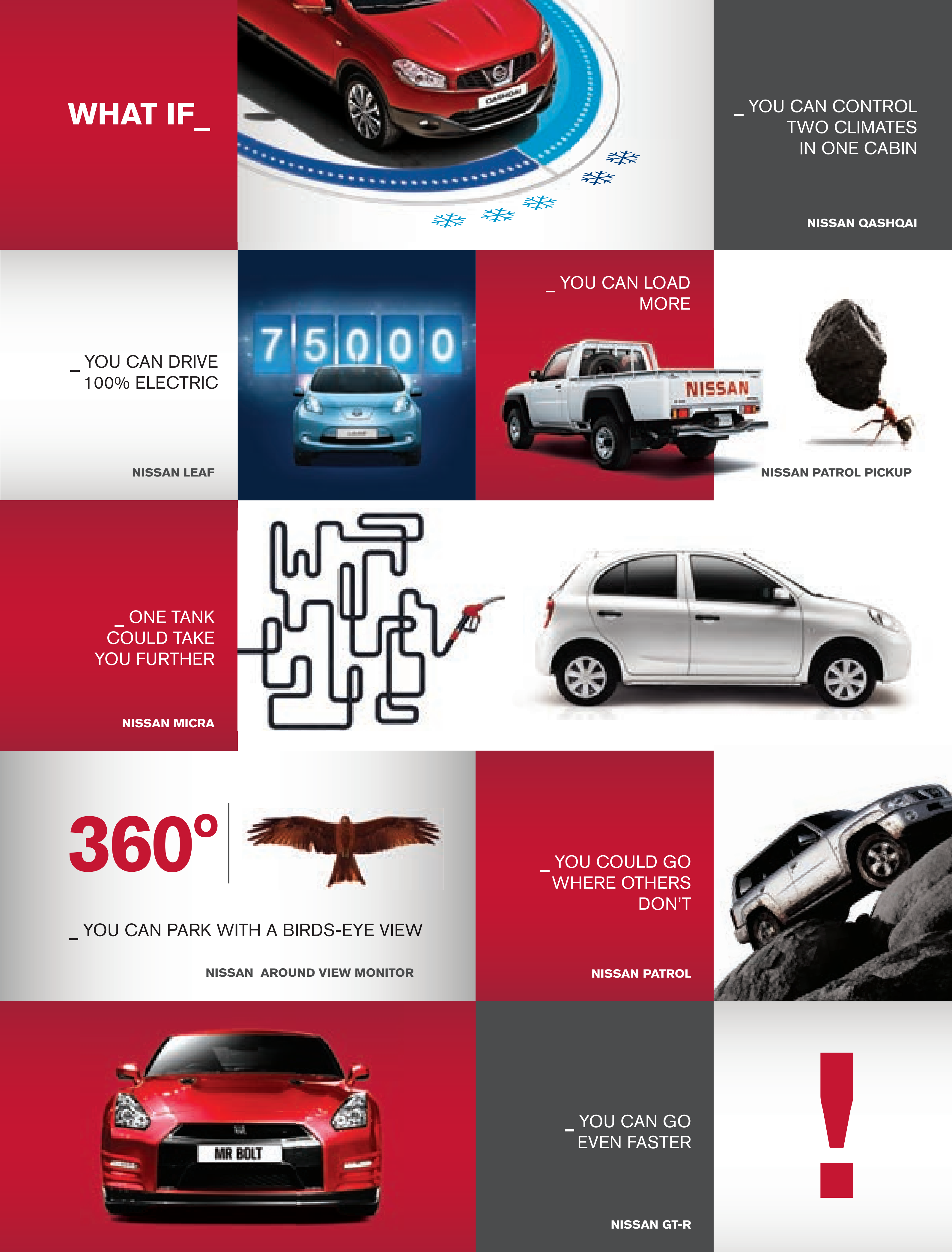
We combined 'robust' and 'sporty' to create a whole new species of car - the crossover - as our global best sellers QASHQAI and JUKE testify.

We made the **first affordable supercar** that can be enjoyed on the open road and for fun we teamed the GT-R up with Olympic winner Usain Bolt, to make the world's fastest man go faster.

We were the pioneers to bring a purpose-designed **100% electric family sedan** to market, and today more than 50,000 Nissan LEAF owners are contributing globally to a cleaner environment.

We **invented self-healing paint** and use nanotechnology to reduce engine friction, but we also took a gamer from his sofa and put him into a car at Le Mans, crowd-sourced a 370Z in the USA, and used 16 QASHQAI fan cars to convey 24,000 cheers to the 16 teams playing in the 2013 Africa Cup of Nations.

We've won awards, many awards, not just for our cars, but also for engineering and business excellence. GT-R has garnered performance, track and technology awards. Nissan LEAF was named by Time as one of **the top 50 inventions** in 2009, and awarded World Car of the Year in 2011.


WHAT IF_
_ YOU CAN CONTROL TWO CLIMATES IN ONE CABIN
NISSAN QASHQAI
_ YOU CAN DRIVE 100% ELECTRIC
NISSAN LEAF
75000
_ YOU CAN LOAD MORE
NISSAN
NISSAN PATROL PICKUP
_ ONE TANK COULD TAKE YOU FURTHER
NISSAN MICRA
360°
_ YOU CAN PARK WITH A BIRDS-EYE VIEW
NISSAN AROUND VIEW MONITOR
_ YOU COULD GO WHERE OTHERS DON'T
NISSAN PATROL
MR BOLT
_ YOU CAN GO EVEN FASTER
NISSAN GT-R
!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HE Erastus Mwencha

Deputy Chairperson of the African Union Commission

MICHAEL TEWELDE/CORBIS

Fellow Africans, partners and friends of Africa, it is with pleasure that I welcome you to the 2014 edition of *Invest in Africa*.

Over the past year we have advanced enabling conditions for security, political stability and growth, and the African Union Commission's Strategic Plan 2014-17 has been adopted as a vehicle to achieve accelerated progress towards an integrated, prosperous and inclusive Africa. We strive to achieve peace across Africa and enable the continent to play a dynamic role in the global arena.

Our priority areas focus on development in all corners of the economic space. Improving health and education; creating a peaceful and stable environment; mainstreaming women and youth in all pursuits; mobilising resources; and building people-centred institutions are crucial considerations for Africa going forward.

Modern Africa is characterised by constant change, the drivers of which include competitiveness, innovation and technology, and we remain poised to become a key growth pole. Africa has great potential in profitability for investors, and regional integration is helping to create wide economic areas and market spaces. Bringing together economies and markets will enable Africa to establish markets of scale, where industrialisation is possible and private investment is encouraged.

Challenges that are regional or global in scale require respective regional and global solutions, and the African Union Commission is in the process of articulating key priorities. Maintaining a secure environment; underpinning African integration; ensuring food security and nutrition for the continent's rising population; and realising our industrial capacity are points central to our development objectives. Safeguarding processes of democratisation is also crucial to achieving sustainable growth.

In the face of rising industrialisation, agriculture has upheld its foremost position as an effective sector for boosting economic growth. Disentangling the continent from cycles of poverty is a significant task, but one that is surmountable given Africa's wealth of arable land and supply of agricultural skill and knowledge. The most conservative estimates suggest that Africa's agricultural output will reach $1 trillion by 2050. Greater coordination, shared knowledge and joint efforts are necessary, and the African Union is moving towards this through its Comprehensive African Agriculture Development Programme.

The Programme for Infrastructure Development, executed by the African Development Bank, is working to reduce poverty and promote greater socio-economic development across Africa by improving access to infrastructure networks and services, at both regional and continental levels.

Africa has come a long way, and last year the successes of the continent were celebrated on the 50th anniversary of the African Union. While our priorities have evolved and our needs have changed, we continue to convey unity and common purpose as instrumental to achieving greater integration. Africa has embraced the changing landscape and is committed to tackling the challenges that this new environment poses. The African Union is reinforcing those partnerships that support the ongoing development of states and their gradual integration into the world economy. It is resolute in advancing investment into our emerging markets, and encouragingly, there is increasing recognition that Africa's economies hold significant promise. ■

Dr Carlos Lopes

United Nations Under Secretary-General and Executive Secretary, United Nations Economic Commission for Africa

UNITED NATIONS ECONOMIC COMMISSION FOR AFRICA

There is a well-known and oft-quoted proverb that says: 'If you want to go quickly, go alone, if you want to go far, go together.' This is particularly apt now that Africa, a continent on the rise, is seeking to continue its growth trajectory.

Much has been said about Africa's potential as the growth pole of the world. Much has also been said to counteract this claim. It is, however, undisputed that the 21st century will be Africa's best century yet. Digging deeper into the statistics, we see the truth in this optimism. Since the mid-1990s the economy of Africa has grown by an average of five per cent a year. This remarkable performance, although largely commodity driven, is underpinned by a variety of factors, such as tightening trade and investment ties with emerging economies, strengthening domestic demand associated with rising incomes and urbanisation and post-conflict economic recovery in several countries. The onus, therefore, is on key actors to go both 'fast and far' to make the most of the immense opportunities offered by the continent's human and natural resources.

As Africa turns the corner on its fortunes, moving steadily into a period of growth, many indicators point to advancement and continuous development. For example, intra-African investment is growing, with South Africa as the second-largest investor in Africa, with a total of up to $19 billion in various sectors. Diversification is catching up, with the extractive industries as a percentage of foreign direct investment (FDI) reducing from 8.1 per cent of FDI and 26.1 per cent of capital invested in 2007, to a mere 1.8 per cent of projects and 12 per cent of capital in 2012. And while 27 African countries have already attained 'middle income' status, at current growth rates, as many as 40 could reach that status by 2025. Most interestingly, in 2011, Africa's rate of return on inward FDI was the highest at 9.3 per cent compared with other regions of the world, such as 7.2 per cent globally, 8.8 per cent in Asia, 7.1 per cent in Latin America and the Caribbean and 4.8 per cent in developed economies.

Given these favourable economic trends, the time is ripe to build on Africa's current performance and use it as a foundation for structural transformation. A strong and aggressive industrialisation drive is indispensable to this objective. Industrialisation, which is commodity based, will help to ensure the continuity of Africa's growth trajectory by generating employment, increasing incomes and thereby reducing social inequality. These factors will contribute significantly towards a recomposition of Africa's GDP with a greater part focused on industry and services.

It is in this regard that the Economic Commission for Africa (ECA) is pleased to be working with the African Union Commission as a dedicated partner as we embark together on this journey of structural transformation within the context of the Africa Agenda 2063. By uniting for a common interest, the ECA commits to ensure that our continent will not only go far, but also fast to achieve the Africa Union Commission's vision of 'an integrated, prosperous and peaceful Africa driven by its own people and representing a dynamic force in the international arena'.

We have much ground to cover in a very short time. With the spirit of Pan-Africanism and African Renaissance inspiring us forward, I have no doubt that Africa's future will be fruitful and productive. ■

VOCATIONAL TRAINING TO EMPOWER TECHNICIANS ACROSS AFRICAN CONTINENT

In a unique collaboration, Swedish International Development Co-operation Agency (SIDA), the United Nations Industrial Development Organization (UNIDO) and Volvo Construction Equipment joined forces in 2012 to launch a new technician training program at a college in the Ethiopian capital of Addis Ababa. Project Manager at UNIDO, Dejene Tezera said: "The infrastructure and construction industries are in full swing at the moment, but the technical and vocational schools cannot keep up with the demand for skilled manpower. Courses such as this will certainly help address this shortfall."

Sustainable growth

Thirty pupils enrolled in the Heavy Duty Equipment and Commercial Vehicle Vocational Training Program at Selam Technical College in February 2013. Volvo provided equipment, teacher training and curriculum development for the three-year course.

Each year every student will serve a total of four weeks of apprenticeship at a workshop for heavy equipment and commercial vehicles. The first year of study focuses on workplace ethics, how to identify parts and read instructions, and the basic principles of engines, hydraulics and electrics. During the second year, students start to look at components and learn how to use tools, as well as read and understand instructions. In their third year, the students will be expected to disassemble and reassemble the main components of a machine or truck.

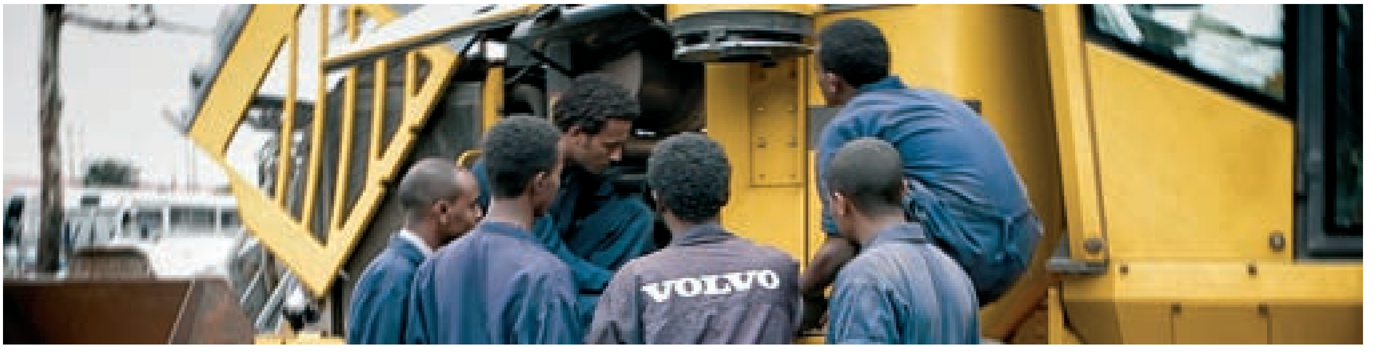
Over the long term it is hoped that the college will provide a stream of skilled technicians to address the shortage in Ethiopia, as well as offering children a brighter future, encourage sustainable growth and boost the local economy. It will also provide a model for other similar colleges and courses across the African continent.

The majority of pupils on the initial course are from Addis Ababa, but some have been recruited from the college's sister organization, the Selam Children's Village, a combined orphanage and school. Among the class of 2013 is Hana Nigussie Belete, 19, who entered the orphanage in 2004 with her younger brother when their mother died from illness in 2004. She aims to use the skills she learns at the training centre to start her own business one day.

While Volvo will benefit from a wider pool of skilled workers like Hana and will have the chance to build relationships with potential employees, none of the pupils who graduate from the course are obligated to take a position with the company. Head of Bilateral Development Co-operation at the Embassy of Sweden in Ethiopia, Anneka Knutsson said: "Volvo may be the company that has moved in but that doesn't mean that these mechanics are only for Volvo, they are for the country."

Expertise

"Volvo is looking to put something back into Africa," explained Jonas Rönnebratt, Hub South Aftermarket Director for Volvo Construction Equipment Sales Region EMEA (Europe – Middle East – Africa). "We're doing this because we think we can make a real difference by empowering and educating local people. This vocational training programme also means we can work alongside national authorities to help establish standards in terms of technical education within a framework of safety, quality and the environment," he added.



Expansion

Following the success of the vocational training school in Addis Ababa, the Volvo Group will from 2014 introduce vocational training schools for mechanics and vehicle operators in ten more African countries over the coming five year period.

The aim is to promote growth in these countries, while creating a market for the Group's products. "Through these training schools we are contributing to local financial development as our business grows. This is a win-win situation, made possible by a public-private partnership," said Volvo President and CEO Olof Persson.

In consultation with local authorities, the Volvo Group and SIDA will design and finance vocational trainings through which students can become mechanics, and learn to operate construction equipment, vehicles, trucks and buses.

The education and training modules will also be supported by the US Agency for International Development (USAID) through a memorandum of understanding to promote sustainable development on the African continent.

"The generation of decent jobs in this way gives people the ability to support themselves in the long term. By working in public / private partnerships we can generate more resources for sustainable development and contribute together in actions against poverty," said Charlotte Petri Gornitzka, Director-General of SIDA.

By contributing expertise, manuals, products and exchanges, the Volvo Group is helping to build up the network of dealers and mechanics that will be required for future sales of its products in these countries. The Group contribution to the vocational training schools will total SEK 30 million.

Sustainable business

The training schools will be set up in countries that are both business-critical for the Volvo Group and eligible for grants. "A sustainable development within social, financial, and environmental dimensions is something that we see as a necessary prerequisite for long-term profitability. By training local labour to sell, drive and serve our products we are broadening our own market and at the same time contributing to sustainable growth in the countries in which the Volvo Group is active," concluded Olof Persson. ■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HE Amina S Ali

Permanent Representative of the African Union Mission to the United States

Friends and partners of Africa, it is a pleasure and a privilege to welcome you to the 2014 edition of *Invest in Africa*.

Africa is playing an ever-greater role on the global stage, and *Invest in Africa* is an annual opportunity to highlight the wealth of ventures available to both foreign and domestic investors. It is a chance to showcase Africa's prospects and consider what has been achieved across the continent in the past year. The ongoing drive by Africa's governments and the African Union to create a strong, peaceful, secure and prosperous continent is having a positive effect, with economic development accelerating and expansion occurring in sectors that have previously been stagnant.

Reinforcing regional cooperation will enable us to further drive investment into Africa, for both our traditional sectors and industries that are innovative. Enhancing cooperation and driving greater consolidation between member states will serve to further promote Africa as a key investment destination. It is our mission for Africa to have a greater presence in the international arena – an achievable objective given the breadth of opportunities for both foreign and domestic companies.

Establishing partnerships of mutual benefit is a key objective of the African Union, as the support of the international community underpins the economic growth of our continent. In recent years, we have worked to redefine our groundbreaking partnerships, while invigorating and strengthening them in order to advance the continent's critical interests.

Commendable efforts have been made to impart a new momentum to the US-African Union strategic partnership, and to lay a firm foundation for an effective and sustainable cooperation. The signing on 1 February 2013 of the Memorandum of Understanding between the two Parties to further cement their strategic cooperation on four important pillars of mutual interest – Peace and Security, Democracy and Governance, Economic Growth, Trade and Investment and Promotion of Opportunity and Development – was an important milestone in the bilateral relationship.

In addition to the high-level meetings and the broad and close consultations between the African Union and the US leaders in both the executive and legislative branches of the government, 2013 witnessed newly launched initiatives that will further enhance our relationship with the US. President Barack Obama's Trade Africa and Power Africa have the potential to usher in a new model of collaboration that could be replicated across the continent in the coming years.

In this regard, Power Africa seeks to double access to power in sub-Saharan Africa by building on the continent's substantial power potential, using both Africa's vast reserves of oil and gas and its potential in renewable energy. Further reforming Africa's energy sector will pave the way for investment and growth, and allow partners of the initiative greater opportunity to achieve energy security.

> Power Africa seeks to double access to power in sub-Saharan Africa

Regarding cooperation in the important sector of agriculture, which we consider as crucial for economic growth and poverty reduction, the US Government has been very supportive through Feed the Future Initiative and agricultural technical assistance in helping many African countries accelerate the productivity of their agriculture sector and reduce hunger and poverty.

The African Union-US bilateral relationship witnessed a new dynamic in 2013, marked by a spirit of partnership that holds so much promise for a very fruitful and productive relationship. ▸▸

THEMBA HADEBE/PA IMAGES

HE Dr Nkosazana Dlamini Zuma, Chairperson of the African Union Commission, meets with US President Barack Obama in 2013

We will spare no effort in 2014 to reinforce our international cooperation with the US in a strategic manner in order to advance our mutual interests and shared values. The upcoming Summit of Africa's Heads of State announced by President Obama during his historic trip to the continent in 2013 is a unique opportunity to promote the enormous trade and investment opportunities that Africa offers, as a global growth pole, to the US. Investments in Africa are investments in the future, and we are moving closer towards securing a strong and prosperous future for Africa and beyond.

The African Union-US relationship witnessed a new dynamic in 2013

To this end, let me seize this opportunity to welcome Africa's existing and prospective investors to take a critical look into Africa's abounding investment opportunities. You, our current and future partners, will find numerous possibilities listed in this exciting resource guide, as well as our three previous *Invest in Africa* publications. This well-researched and professionally published title brings free information about Africa to your doorstep. Please enjoy reading the 2014 edition of *Invest in Africa*. ■

PIUS UTOMI EKPEI/AFP/GETTY IMAGES

The continent of opportunity

As the middle class continues to expand, investors and entrepreneurs are eyeing the huge opportunities in Africa's dynamic emerging markets, writes **Andrew Chilvers**

Anyone looking for a reason to invest in Africa would do well to study the career of Tunde Kehinde. The Nigerian-born entrepreneur typifies the way in which the continent – and particularly sub-Saharan Africa – is changing, and how canny business people are exploring the opportunities these changes offer investors, at home and abroad.

Kehinde, who is a graduate of Harvard Business School, co-founded online retailer Jumia in Nigeria in June 2012 with a view to creating an African version of Amazon. With backing from blue-chip investors, including JP Morgan Asset Management and Summit Partners, Kehinde and his co-founder Raphael Afaedor had the ambitious vision to change the shopping habits of more than 160 million Nigerians.

Since then, Jumia has grown to more than 400 employees, the company stocks 100,000 items in its enormous new warehouse in Lagos, and its vehicles deliver goods to every one of Nigeria's 36 states. With 170 million Nigerians, Kehinde told business website *How We Made It In Africa*, "everyone is always going to need a shirt for an occasion, a phone to contact somebody or a book to read. And we said, 'let's not wait to build malls, let's launch online'. It worked in other countries – it has to have an edge out here."

The consumer boom is not only happening in Nigeria. Across sub-Saharan Africa, investors are eyeing the increasing power of the middle class. Ghana opened its first shopping mall, Accra Mall, in 2008, and it now attracts 135,000 visitors a week, with South Africa's Shoprite and Game the anchor tenants. In 2012, Marina Mall, a multipurpose shopping and office hub, opened in the city, while in the city of Kumasi to the north-west of Accra the $48 million Garden City mall is soon to open, with French supermarket Carrefour its anchor client.

Consultants McKinsey & Company estimate that by 2030, Africa's top 18 cities will have spending power of $1.3 trillion, while according to the African Development Bank (AfDB) the middle classes will total 1.1 billion people by 2060 – which is almost the size of the current population.

Jumia, Nigeria's answer to Amazon, attracted $70 million in funding from blue-chip investors and now has a presence in six countries


JUMIA
Nigeria's No.1 Online Retailer
JUMIA
UMIA
ria's No.1 Online Retailer
www.jumia.com

This new wealth is being driven by a combination of economic stability and the discovery and extraction of oil, gas and minerals across the continent. The top performers include Côte d'Ivoire, which is predicted to grow by eight per cent in 2014, while the Democratic Republic of the Congo is expected to reach double-digit growth of 10.5 per cent by 2014.

Adding to the sea change in shopping habits is the continent's revolution in communications. Across Africa, mobile-phone penetration has soared from just two per cent in 2000 to a predicted 84 per cent by 2015. Little wonder that Jumia has negotiated exclusive deals with Nokia and Samsung to supply the hungry mobile-phone market.

"Before mobile phones, Nigeria had 600,000 lines for 120 million people," said Phuthuma Nhleko, chairman of Africa's leading telecommunications provider, MTN Group, to the *International Business Times*. "Today, there are over 70 million lines. Evolution is an understatement."

Despite pockets of instability, overall economic growth forecasts for much of Africa by leading analysts are overwhelmingly positive. The IMF estimates that GDP growth in sub-Saharan Africa will hit 5.7 per cent in 2014, exceeding the global average of four per cent, and projections by Citibank show that Africa's share of the world's output will increase to seven per cent by 2030 and 12 per cent in 2050. Africa's collective GDP, at $1.6 trillion, is roughly equal to Brazil's. While countries such as Egypt are still wracked by economic and political uncertainties, Libya's economy expanded by well over 100 per cent in 2012 and is forecast to continue its healthy growth – provided it can keep a lid on the protests that disrupted exports in 2013 – as oil output moves closer to pre-war output levels.

Africa's collective GDP, at $1.6 trillion, is roughly equal to Brazil's


NADINE HUTTON/BLOOMBERG VIA GETTY IMAGES

Africa's rapid-growth markets

Ajen Sita, Ernst & Young's managing partner for Africa, believes that there is growing confidence that Africa as a whole is on a sustainable upward trajectory. "A critical mass of African economies will continue on this journey," says Sita. "Despite the fact that there will undoubtedly be bumps in the road, there is a strong probability that a number of these economies will follow the same development paths that some of the Asian and other rapid-growth markets have over the past 30 years.

"By the 2040s," Sita continues, "we have no doubt that the likes of Nigeria, Ghana, Angola, Egypt, Kenya, Ethiopia and South Africa will be considered among the growth powerhouses of the global economy." Much of this growth is driven by the private sector on the back of improved economic governance and a better business climate on the continent, according to the AfDB.

Indeed, the recent establishment by the Nigerian Stock Exchange (NSE) of a Corporate Governance Index for listed companies is just one example of how African governments are enthusiastic about building further foreign investor confidence in governance procedures. The move is designed to improve corporate disclosures and root out corruption.

"This progress has brought increased levels of trade and investment, with the annual rate of foreign investment [in Africa] increasing fivefold since 2000," says the AfDB. "For the future, improvements in such areas as access to finance and quality of infrastructure should help improve Africa's global competitiveness."

This urgent need to develop infrastructure is key to deeper regional trading integration, which is seen as critical for Africa's long-term competitive success. The continent is home to some 30 regional trade agreements or trade blocs, many of which are part of deeper regional integration schemes.

In October 2013, the African Economic Conference, which was organised jointly by the AfDB, the United Nations Economic Commission for Africa and the United Nations Development Programme, attracted heads of state and experts in business and development from all over the world to discuss regional integration in Africa, as well as its own role in strengthening the economic growth and investment opportunities.

With mobile-phone penetration in Africa expected to reach 84 per cent by 2015, the telecommunications revolution is playing an important part in the continent's economic and social development

All analysts agreed that speeding up the establishment of the Continental Free Trade Area, a significant initiative that is being driven by the African Union, would considerably increase trade between countries across Africa, while at the same time attracting overseas interest and acting as an engine of growth and sustainable development.

Free trade and common markets

Free trade areas such as the Common Market for Eastern and Southern Africa or the proposed Continental Free Trade Area offer members and partners a range of benefits, including a more competitive market; greater industrial productivity and competitiveness; more unified monetary, banking and financial policies; and more reliable transport and communications infrastructure.

Similarly, the Southern Africa Development Community helps to further socio-economic cooperation and integration, as well as political cooperation, among 15 Southern African states in order to complement the role of the African Union. Others include the East African Community common market, which provides five partner states (Burundi, Kenya, Rwanda, Tanzania and Uganda) with the free movement of goods, labour, services and capital.

1.1 billion Africans will be categorised as middle class by 2060

"After 10 years of improved stability, sound macroeconomic policies and blossoming trade links, growth has made African nations freer than ever to choose their own development paths and implement active policies for economic transformation," says Professor Mthuli Ncube, chief economist and vice president of the AfDB.

Continent of opportunity

Deepening regional integration and the building of sound financial systems will create economies of scale and encourage investors from as far apart as China, Europe and Brazil. Furthermore, the costs of starting a business on the continent have fallen by more than two-thirds since 2006, while delays that accompany starting a business have been halved. And business leaders are taking note of the new climate. In 2013, Sir Martin Sorrell, head of advertising giant WPP Group, told CEO Summit Africa in London: "We are very big believers. It is the continent of opportunity."

The next few years are looking set to be Africa's chance to emerge as a leading market for frontier investors on the world stage. ■

Africa: the final frontier market?

With rewards now outweighing risks, investors see sub-Saharan Africa as the last great emerging market, explains **Andrew Chilvers**

A farmer rests near power lines in Mekelle, north of Addis Ababa, Ethiopia. Africa's largest wind farm was built with French investment and will help Ethiopia to become a significant exporter of energy

Anyone eager to understand Africa's frontier markets should follow the lead of Gabriel Schulze and take a close look at Ethiopia.

In 2012, despite warnings by colleagues about the huge risks of doing business in the country, the chief executive officer of Beijing-based Schulze Global Investments set up Ethiopia's first private-equity fund. The $100 million fund – which includes a $15 million contribution from CDC Group, a UK government-owned development finance institution – will invest in 22 Ethiopian companies in the agriculture, manufacturing, energy and tourism sectors.

"The market is ripe and ready for private equity capital," Schulze said in a 2012 broadcast. "Ethiopia has the second-largest population in Africa [...] Its mineral resources have never been explored and it's surrounded by countries like Kenya, which are also tremendous markets for business [...] Ethiopia is at the crossroads of the continent."

Other investors have also noticed this potential. Africa's largest consumer-foods firm, Tiger Brands, expanded into Ethiopia in 2011, while Diageo and Heineken recently spent $400 million between them to buy the country's state-run breweries. Such investment has helped Ethiopia to join Nigeria as one of the Africa's best-performing economies, growing in 2012 by some seven per cent. This is expected to continue in 2013/14.

Indeed, sub-Saharan Africa is one of the fastest-growing emerging markets in the world at the moment. Its output is expected to expand by 5.4 per cent in 2013 and 5.7 per cent in 2014, according to the International Monetary Fund (IMF). Furthermore, nearly half of the continent's countries have now achieved middle-income status, according to the World Bank.

Key to sustaining this strong performance will be national and cross-border economic and financial integration. Indeed, this was the focus of the October 2013 IMF-sponsored conference in Accra, Ghana, where West African policymakers gathered to talk about developing the sub-regional financial sector, in addition to other topics.

Speaking shortly after the event, Antoinette Sayeh, director of the IMF's African department, said that the expansion of banks across the West Africa had led to the need for the sub-region to develop common banking rules and regulations in order to integrate its financial markets.

Reforming for growth

Sayeh referred to efforts by members of the Economic Community of West African States (ECOWAS) over the past 10 years to create a single currency in order to promote trade and investment in the region. Financial integration would make it easier for the people and

KUMERRA GEMECHU/REUTERS

organisations in the sub-region to access capital and would also reduce the cost of credit. "The political will of West African governments would go a long way in achieving the financial integration agenda," Sayeh said. "This is what we expect governments in the sub-region to do. Financial integration comes with risk, and managers of the various economies in the sub-region must come out with strategies and policies to manage those risks," she continued.

Much of this financial integration is linked to prudent fiscal planning and corporate-governance issues. The chief executive of the Institute of Directors in Southern Africa, Ansie Ramalho, recently acknowledged that Africa's growth would only be realised if countries developed strong governance procedures, instilling confidence in the business environment in order "to compete successfully in home and overseas markets". Ramalho added: "We know from the experience of the developed world that governance is essential to sustained corporate success." This success would in turn initiate a virtuous cycle of improved infrastructure, growing intra-African trade and better opportunities for investment and economic development.

Nigeria, sub-Saharan Africa's second-largest economy, recently took a crucial step towards instilling confidence in its reporting structure by establishing a corporate governance index for listed companies. The move was a sign that the government seeks to improve both investor confidence in corporate disclosures and the understanding of fiduciary responsibilities by directors of Nigerian firms. Analysts forecast that this move will be replicated across the region as economies grow and financial institutions mature.

Meanwhile, global investors have been looking favourably at Africa's sovereign wealth funds (SWFs). The continent now has the world's strongest growth in SWFs, investing in assets such as infrastructure and real estate, airports and utility companies. During the past two years, 15 state funds have been set up or are being considered in Africa, and more are predicted.

While North Africa leads the way with SWFs – Algeria's $77.2 billion fund is the biggest, followed by the $65 billion Libyan Investment Authority – sub-Saharan Africa has also been busy. In October 2012, Angola set up a $5 billion fund, while Nigeria established its fund in 2011. Elsewhere, Tanzania, holder of the second-largest natural-gas reserves in East Africa, is considering starting a state-owned investment vehicle using income earned from the fuel, while Uganda and Mozambique both plan to create their own investment pools.

In July, Nigeria raised its $1 billion fund through a dual-tranche issuance split equally between five-year and 10-year bonds. The deal illustrated the high level of investor interest in the country. The five-year bonds attracted $1.73 billion-worth of orders and the 10-year bonds $2.22 billion, giving a total order book that was almost four-times oversubscribed in just three hours.

Maryam Khosrowshahi, head of sovereign debt capital markets for Central and Eastern Europe, the Middle East and Africa at Deutsche Bank, told *EMEA Finance*: "There was only praise from investors on what Nigeria has done and what they've achieved from an economic perspective." This includes reforms that are designed to encourage industrial diversification or the strengthening of the banking sector. Khosrowshahi added: "If you look at the final distribution and allocation, a very large percentage is asset managers and fund managers."

7%

– Ethiopia's economic growth in 2012

In addition, recent significant oil and gas discoveries in both East and West Africa are likely to yield fresh opportunities for more African SWFs in the mid-term to foster the management of revenues from these newly discovered resources. Rating agency Moody's recently said that confidence in sub-Saharan Africa will continue to grow as a result of these financial initiatives. Moody's believes that the creditworthiness of the region's SWFs will be supported by expectations of continued growth during the next few years.

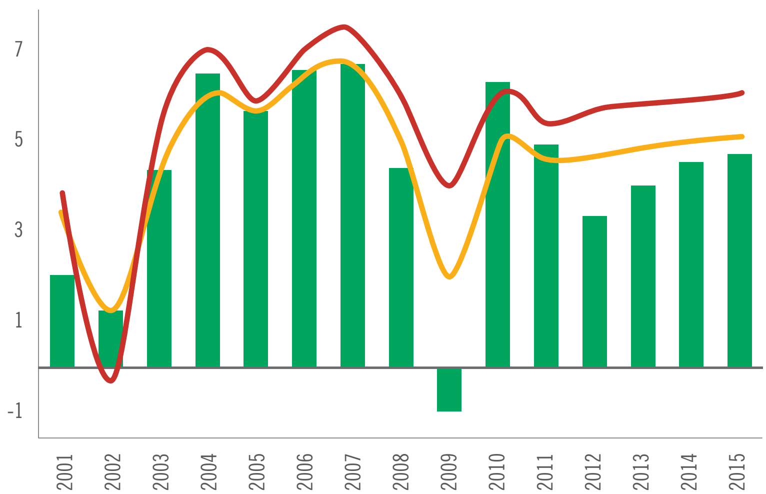
The sub-Saharan countries have been able to absorb a larger share of the continent's resource wealth during the past decade, and Moody's expects this favourable trend to continue. This will be driven by a set of structural factors that include net foreign direct investment inflows, improved resource wealth management and favourable funding conditions.

Importantly, many foreign investors are forecast to come from the 'BRIC' economies (Brazil, Russia, India, China), according to Ngozi Okonjo-Iweala, Nigeria's finance minister. In 2012, the minister said: "Infrastructure investments are still needed on the continent, especially in power generation, roads and railways. Much of this will be financed by other emerging-market economies, such as China, Brazil and India." She predicted that, in future, "the issue will not be the usual trade-off of fiscal consolidation versus growth. Rather, it will be fiscal consolidation and growth, with priority investments concentrated in those areas, such as infrastructure, most likely to drive growth."

Real GDP growth and prospects

(Real GDP growth, % change)

Growth in sub-Saharan Africa (excluding South Africa) remained robust in 2012 at 5.8 per cent



source: Development Prospects Group, World Bank

Technology: transforming economies

Along with infrastructure, digital technology is also seen to be key to growth. Google, for example, recently said that it intends to finance, build and help to operate wireless networks across sub-Saharan Africa. The plans would speed up connection in populated areas and get rural communities online for the first time. Meanwhile, commentators are now talking about a digital revolution across Africa to transform its regulatory framework, improve transparency and disburse resources cheaply, safely and more effectively. Cash-strapped economies could well become high-tech, cashless economies, with transactions taking place in a virtual currency.

In Ethiopia, meanwhile, the government recently unveiled plans to build a $250 million technology park, Ethio ICT, in order to encourage foreign investment and domestic enterprise. Gabriel Schulze is no doubt already eyeing the development with interest. ■

Partnering with the world

Wendy Atkins explores Africa's existing trade partnerships and looks at the mutually beneficial agreements that are on the horizon

ZOONAR GMBH/ALAMY

Africa is broadening its relationships with global partners to help propel growth across the continent. While it continues to maintain firm links with historical partners, such as the United Kingdom and France, it is also forging new strategic relationships – particularly with the United States and China. Africa has a lot to offer, including greater long-term opportunities for global partners looking to develop their trade and find fertile ground for their investments.

It is plain to see that Africa is strengthening its ties with China, which – thanks to a series of major projects across the continent – is now its largest trading partner. One of the catalysts for this development is the Asian superpower's rapid industrialisation, which has resulted in the growth of its citizens' incomes and created a huge demand for oil, gas, iron ore and other raw materials. The sheer volume of this demand is evident from the size of investments by Chinese companies in countries such as major copper producer Zambia, which has already attracted billions of dollars in funding.

The transformative impact that this level of investment could have throughout the continent is encouraging many African governments to court

Chinese money. This funding – which comes from private investors and state agencies, as well as hybrid organisations – is proving essential in getting major infrastructure projects off the ground in areas such as airport, hospital, railway, road, school and stadium construction. In Malawi, for example, China is backing enterprises investing in agriculture, fishery, mineral resource exploration and infrastructure construction.

However, Chinese interest in Africa has attracted a mixed response from commentators. Some argue that it has brought huge benefits to local economies, with big investments in new and vital infrastructure, while others suggest that it can have negative side-effects.

Two-way trade between China and Africa has escalated in recent years, reaching $166 billion in 2011, a massive increase on 1992's figure of $1 billion.

Capacity building organisation tralac says that the top-20 products exported to China from Africa in 2012 accounted for 96 per cent of its total imports from all African countries, while the top-five imports accounted for 89 per cent of the total African imports for the year. China's key imports from Africa in 2012 comprised mineral products (55 per cent); other unclassified goods (26 per cent); base metals (four per cent); precious stones and metals (three per cent); and textiles and clothing (one per cent). Tralac says: "The top-20 products China exported to Africa in 2012 represented only 34 per cent of the total China exports to Africa. This is an indication of the diversity of China's [exports], supported by the fact that [its] top-five accounted for only 13 per cent of total exports to African countries in 2012. The main exports – which are largely value-added manufacturing products – were transport equipment (three per cent); textiles and clothing (three per cent); machinery (three per cent); footwear (two per cent); and plastic products (two per cent)."

Visitors to Africa are often staggered by how much the landscape is changing, thanks to investments that China has made in major development projects. These include the construction of school and erection of buildings in a number of countries; the construction of Malawi's new parliament building, national conference centre and five-star Golden Peacock hotel; the creation of Nigeria's massive Lekki Free Zone development; the project to build a railway linking Abuja to Kaduna in Nigeria, which is backed by $900 million in Chinese loans; and the construction of new headquarters for the African Union, Ethiopia. The list goes on.

According to tralac, in 2012 Chinese exports to the Southern African Development Community (SADC), the Common Market for Eastern and Southern Africa (COMESA) and the East African Community (EAC) accounted for 29 per cent, 26 per cent and six per cent respectively of its exports to all African countries.

32%

– the annual growth rate of African exports to India

AGOA exports to the US totalled $34.9 billion in 2012, four times 2001's figure

Africa's relationship with the US has also been transformed over the past two decades, thanks, in part, to major trading agreements.

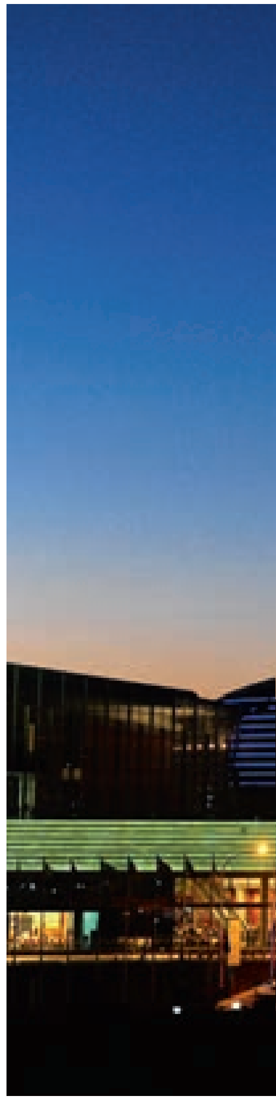
In 2012, total US two-way goods trade with Sub-Saharan Africa was $72 billion, according to the Office of the United States Trade Representative. US goods exports to the region in that year were $22.5 billion, up by 6.3 per cent ($1.3 billion) on 2011's figures, and up by 273 per cent since 2002. Its goods exports to sub-Saharan Africa accounted for 1.5 per cent of its total in 2012.

US-African trade

The 2012 top export categories were: machinery ($4.4 billion), vehicles ($3.9 billion), aircraft ($2.1 billion), mineral fuel (oil) ($1.9 billion), and cereals (wheat and rice) ($1.4 billion).

US goods imports from the sub-Saharan Africa region totalled $49.6 billion in 2012, a 33.2 per cent decrease ($24.7 billion) on 2011, but up by 177 per cent on the figure for 2002.

The five largest import categories in 2012 were: mineral fuel (crude) ($36.7 billion), precious stones (platinum and diamonds) (at $3.4 billion), vehicles ($2 billion), cocoa ($1 billion), and ores, slag, ash (titanium, chromium, and uranium) ($937 million).


DING HAITAO/PA IMAGES

The African Growth and Opportunity Act (AGOA) has been the cornerstone of Africa's commercial relationship with the US since the days of the Clinton administration. A total of 39 Sub-Saharan African countries currently qualify for AGOA benefits. The act came into effect in May 2000 with the objective of expanding US trade and investment in sub-Saharan Africa, and it was extended in 2004 until September 2015. Further aims of AGOA are to stimulate local economic growth and facilitate the region's integration into the wider global economy.

The act also set up the annual US-Sub-Saharan Africa Trade and Economic Cooperation Forum (known as the AGOA Forum) to promote a high-level dialogue on trade and investment. At the AGOA's heart is a raft of substantial and valuable trade preferences that, along with those covered by the Generalized System of Preferences, allow virtually all marketable goods produced in eligible countries to enter the US duty-free.

A night-time view of the African Union Conference Center, which was constructed with Chinese assistance. China is now Africa's biggest trading partner, with two-way trade reaching $166 billion in 2011

The US Congress requires the president to determine annually whether sub-Saharan African countries are eligible for AGOA benefits based on how well the region is doing in meeting certain criteria, including progress towards the establishment of a market-based economy, rule of law, economic policies to reduce poverty, protection of internationally recognised worker rights, and efforts to combat corruption.

AGOA exports to the US for 2012 totalled $34.9 billion, more than four times 2001's figure. Petroleum products accounted for the largest share of AGOA exports at 86 per cent. Non-oil imports were $4.8 billion, more than triple the amount in 2001. Several non-oil sectors experienced sizable increases during this period, including agricultural products.

In addition to the AGOA, the US engages with sub-Saharan African countries and regional economic organisations through programmes such as Trade and Investment Framework Agreements (TIFAs). The US also has a Trade Investment and Development Cooperative Agreement with the five countries of the Southern African Customs Union (Botswana, Lesotho, Namibia, South Africa and Swaziland) and bilateral investment treaties with six sub-Saharan African partners.

Other deals are in the pipeline with the Africa Office of the US Trade Representative (USTR) leading US efforts to forge a new trade and investment partnership with the EAC. The two parties have now agreed to explore a regional investment treaty and a trade facilitation agreement. They are also considering establishing a commercial dialogue.

President Barack Obama's Trade Africa initiative, announced in June 2013, is a US-sub-Saharan Africa partnership that seeks to increase internal and regional trade within Africa and expand economic ties between the continent, the US and other global markets. In its initial phase, Trade Africa aims to double intra-regional trade in the East African Community (EAC) and increase EAC exports to the US by 40 per cent. The US also hopes to expand its collaboration with other regional economic communities in Africa, as well as expanding cooperation with other partner countries.

The European Union

The framework for current relations with the European Union was established in the Joint Africa-EU Strategy, which was officially adopted at the December 2007 Lisbon Summit. The strategy sets out principles of African unity, interdependence between the two partners, ownership and joint responsibility, placing more emphasis on the political dimension of the relations between the EU and Africa. The African Union maintains regular dialogue with the EU in order to discuss the practical implementation of the strategy.

Meanwhile, the EU is continuing to build Economic Partnership Agreements with African countries and trading blocs, aiming to develop trade, sustainable growth and poverty reduction. The EU Trade Commissioner said in November 2013 that Africa has "the opportunity to seal agreements that will ensure the necessary access to a market of 500 million consumers for key African exports, while bringing our trade and development partnership to a more advanced stage."

The African Union also meets regularly with its Indian partners through annual Africa-India Ministers of Trade meetings. The most recent meeting, in September 2013, established that African exports to India have been growing annually at 32.2 per cent, while Indian exports to Africa grew at 23.6 per cent. Bilateral trade between the two could reach $176 million by 2015.

Trade between the two partners is supported by a number of bilateral agreements with individual countries and the African economic communities, with further arrangements currently under discussion. ■

GLYN THOMAS/ALAMY

Creating a better banking system for everyone

Banking and finance across Africa has been transformed in recent years. Meanwhile, the advancement of technology and the growth of sovereign wealth funds is giving investors confidence, writes Keyur Patel

For much of the past few decades, the overarching story of Africa's financial services industry has been one of unfulfilled promise; for all its potential, underexplored and underdeveloped. But as an integral contributor to the continent's remarkable recent growth, it is steadily gaining recognition as perhaps the most lucrative investment opportunity in the world's most exciting market.

The scale of the opportunity is unparalleled. In a continent of more than a billion people – home to the world's fastest-growing middle class, as well as seven of the 10 fastest-growing economies – barely one in five families currently has access to formal or semi-formal financial services, according to World Bank estimates.

Compared with many of their developed world counterparts, Africa's banks emerged from the global financial crisis relatively unscathed. The Banker Database 2013, an annual study of the world's top-1,000 banks, showed that pre-tax profits among Africa's lenders jumped by more than 30 per cent last year – more than double the growth rate seen in China. Return on assets, meanwhile, at 2.1 per cent, outstripped Asia-Pacific and Latin America. Looking at the longer term, there has been sustained growth, with the assets of Africa's top-200 banks growing by 34 per cent over the past five years, according to research by *The Africa Report*.

This has been complemented by major financial services reforms and improvements in governance across much of the continent. Ghana's efforts to overhaul its banking system since the turn of the century has been acclaimed by the International Monetary Fund for improved supervision and risk management, and provided a discernible boost to growth. More recently, Kenya has won plaudits for its central bank's commitment to create a better capitalised, more robust and more transparent banking sector in the aftermath of the financial crisis, even in the face of heavy domestic political criticism when the changes were implemented.

There are a growing number of lucrative investment opportunities in Africa

That is not to underplay the severity of the problems that still hamper Africa. Many regions are still grappling with underdeveloped physical infrastructure, inefficient intermediation, low competition and a weak and inadequately enforced regulatory and legal framework. There are also discrepancies between and within countries. For example, while Johannesburg's financial centre is comparable with many of the world's best, large parts of the African market, ranking among the poorest regions in the world, are still predominantly unsuitable for traditional financial products. But in the current climate, there is perhaps more optimism than ever before that these challenges can be overcome.

The transformative effect of technology

One of the main reasons for this new confidence is the emergence of relatively inexpensive technologies that can replicate the benefits of core banking services, such as a branch network and money-processing platforms, without incurring the prohibitive costs of development, which is especially valuable in areas where per-capita incomes are still low. The most notable example is in the dramatic proliferation in mobile phone ownership across the continent. According to the African Development Bank (AfDB), handset numbers swelled more than 40-fold between 1998 and 2009, to almost 43 per hundred people. Even the most basic mobile phone using only SMS can be transformed into a virtual bank card, an ATM, and a point-of-sale terminal.

Africa's financial services sector is not merely gaining ground on mature economies; in the mobile arena, it is pioneering

At this relatively early stage in its development, Africa's financial services sector is not merely gaining ground on mature economies; in the mobile arena, it is pioneering. In May 2013, *The Economist* asked: "Why does Kenya lead the world in mobile money?" – noting that it is easier to pay by mobile for a taxi ride in Nairobi than it is in New York City.

NOOR KHAMIS/REUTERS

M-Pesa, a mobile phone-based money transfer and microfinancing service, is used by millions of Africans

Consider the extraordinary growth of M-Pesa, the world's leading mobile money system. Established in 2007 – not by a bank, but by Safaricom, the country's largest mobile operator – it has already spread to more than 17 million users in Kenya and Tanzania, offering money transfer services, loans and savings products, and the facility to pay bills and salaries. Any mobile phone airtime seller – however small and remotely located – can be an M-Pesa agent, obviating the need for costly branches in regions with sparse infrastructure.

Mobile finance has also supported growth in the agricultural sector. In Madagascar, where only 5.5 per cent of the population has an account at a formal financial institution, three mobile network operators – Airtel, Telma and Orange – have partnered with several commercial banks to provide farmers with remote savings and loan services.

More widely, the world's major payments systems providers are readily offering financial institutions on the ground a full range of credit card services, bolstering their ability to compete with the global banking behemoths. At the start of 2013, MasterCard partnered with Equity Bank of Kenya to issue five million debit and pre-paid cards over the following 18 months to underbanked people in Kenya, Uganda, Tanzania, Rwanda and South Sudan.

Cross-border regional lenders are eagerly harnessing these technologies, as well as building up their branch network organically and making local acquisitions, to extend their reach across the continent's vast untapped markets. South Africa's Standard Bank, the largest Africa-based lender by assets, has operations in 19 countries on the continent. Togo-headquartered EcoBank has broadened its scope even further, to 35 countries. They are increasingly being joined by the biggest financial players on the global stage – their eagerness to tap into the continent's growth all the more urgent because of lingering sluggishness in much of the developed world – which have so far concentrated mainly on offering banking services to Africa's governments and largest corporations.

7
out of the 10 fastest-growing economies are in Africa

Another potentially transformative development is the striking recent growth in African sovereign wealth funds (SWFs). Driven by rising revenues from the continent's bountiful stock of natural commodities and its growing foreign exchange reserves, it has enjoyed the strongest growth in new funds in the world, according to JP Morgan. Over the past two years, 15 have been set up or are being considered in Africa, notably in Nigeria – which may soon become the continent's largest economy – Angola and Uganda. SWFs in Algeria and Libya already rank in the world's top-15 by size.

By allocating their assets to African sectors that are most in need of development – and with potentially world-leading returns as their incentive – SWFs can play a major role in the continent's growth story and spur further investment from within and outside. Their international counterparts are increasingly sensing the scale of the opportunity: most recently, in November 2013, one of Singapore's two SWFs invested $1.3 billion in a natural gas block in Tanzania.

Public-private partnerships

To close the infrastructure gap with the rest of the world and meet its Millennium Development Goals, the AfDB estimates that Africa needs to invest $93 billion per year over the next decade in infrastructure, doubling existing levels. The challenge is formidable, but one promising development is the growing potential for public-private. As Africa's banks have grown, so many of its leading equity markets have prospered in the past few years, weathering the impact of the global financial crisis and political instability in parts of the north. In 2012, three of the world's 10 fastest-growing bourses were in Africa. In 2013, no fewer than 10 of Africa's major indices have enjoyed double-digit growth.

In October 2013, the first public-private partnership forum was launched by NEPAD Business Foundation – an economic development programme of the African Union – and the SADC Public-Private Partnership Network. Its mission is to kickstart a transformative plan for infrastructure development on the continent, targeting cross-border projects with a combined value of $500 billion between 2014 and 2027. There are imposing challenges ahead: for one, national governments must make serious commitments to foster a healthy business environment to attract the investment they need. But, if successful, the initiative will mark a milestone in Africa's transition to a middle-income continent. ■

It is time to invest in Africa, as Kenya marks 50 years of independence

Anne Aliker
CfC Stanbic Bank Regional Head, Investment Banking

As Kenya celebrates 50 years of independence this year, the time is ripe to take stock of the country's journey so far and consider how the emergence of Africa as an investment paradise is likely to shape future developmental prospects.

Africa is emerging as one of the world's favoured investment destinations, and the recent discovery of oil has cemented Kenya's position as one of the preferred investment destinations on the continent.

Economic growth expectations are high, and investors are positioning themselves to tap into the anticipated oil-driven boom. With an average growth rate of five per cent, the future looks extremely attractive when compared with other parts of the world that continue to deal with the aftermath of the sub-prime problems in the United States and the ongoing European debt challenges.

However, for this boom to be fair, inclusive and sustainable, the involvement of banks and financial institutions is crucial. Standard Bank, Africa's largest bank by assets, is at the forefront of spearheading this renaissance and has recently renewed its commitment to the continent by putting it at the core of its strategy.

Standard Bank Group's joint Chief Executive Ben Kruger says: "The focus on Africa positions Standard Bank uniquely as the gateway to African opportunity, and also in other emerging markets that seek to participate in the considerable growth that Africa offers."

Kenya and the East Africa region in general is one of those markets being closely monitored by investors. Through its subsidiary Stanbic Bank, Standard Bank has led the way in funding critical infrastructural projects that have set the wheels of meaningful development rolling.

Recently, Standard Bank and the Industrial and Commercial Bank of China concluded a $108 million debt-financing package with Triumph Kenya for the construction of an 83 MW heavy-fuel-oil plant in Kenya. The plant is currently being built 25 km from Nairobi, and Kenya Power has signed a 20-year agreement with Triumph to purchase power from the plant, which will be a crucial supplier to the utility during times of drought when the country's hydroelectric-generating capacity becomes constrained. This follows another groundbreaking financing deal with independent power producer Aeolus Kenya, to build a $150 million wind-power plant in Kenya. The plant will be one of the largest wind-power-generation farms in sub-Saharan Africa to date.

According to Anne Aliker, CfC Stanbic Bank Head of Investment Banking, with the rising demand for electricity in Kenya, this project will go a long way in providing cost-effective power to the economy.

"The project is designed to provide a clean source of electricity to Kenya. It will not only contribute to the social and economic development of Kenya, but will also significantly help ease the energy supply deficit that the country is grappling with. It provides a perfect opportunity for Kenya to increase the production of clean energy and reduce heavy reliance on other sources of power."

She adds that although this is the first deal that Standard Bank has concluded in the renewable energy sector in East Africa, it has opened the way for similar deals in the region, as investors are increasingly looking at renewable sources to help boost power supply ahead of the anticipated investment boom.

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Sitting on a gold mine

Africa's rich mineral reserves are attracting investors, who can benefit from improving regulatory and infrastructure conditions, writes Sarah Rundell

Strong profits from mineral and mining initiatives have prompted global mining groups to pour into Africa, home to an estimated 30 per cent of the world's global mineral reserves, during the past decade. Investment in the sector has transformed local economies and fuelled economic growth.

In the face of the slowdown that was seen in global mining investment in 2012, Africa still won 14 per cent of the world's total mining-project investment. South Africa and Guinea attracted the most investment, with investment in the latter propelled by its giant Zanaga iron ore project. Latin America secured most of the global investment pipeline, according to the *Engineering and Mining Journal*'s 2013 survey into mining investment.

Investments through 2012 in African gold-mining projects include the development of the Denver-headquartered Newmont Mining's Akyem $700 million feasibility study in Ghana. In South Africa, gold-mining developments included the expansion and feasibility studies of the South Deep and Bloemhoek projects respectively, while Ivanhoe Capital's Kamoa copper project in the Democratic Republic of the Congo (DRC) in the central Africa copper belt is one of the continent's biggest copper developments. The iron-ore project at Simandou in Guinea, led by UK-based Rio Tinto and China's Chinalco, has the potential to become Africa's single biggest foreign investment. Developing the giant deposit and building a railway to transport the ore to port is expected to require an estimated

Infrastructure improvements, such as mechanisation at South Africa's gold mines, are increasing output and improving safety for workers


SIPHIWE SIBEKO/REUTERS

$20 billion in investment. Other iron ore projects include African Minerals and China-based Shandong Iron and Steel Group's Tonkolilo development in Sierra Leone. Cameroon is also winning investment in its iron-ore sector, with deposits at Mbalam and Nkout.

Mozambique's vast coal resources have helped to build the country's seven per cent gross domestic product growth. In other developments, Namibia's uranium reserves have attracted investment from China's Guangdong Nuclear Power Corp, the China-Africa Investment Fund, and Australia's Bannerman Resources. South Africa, which is the source of more than 75 per cent of global platinum production and home to the world's three biggest producers: Anglo American Platinum, Lonmin and Impala Platinum, leads global investment in the platinum group metals. Throughout 2012, mines including Bafokeng Styldrift, Twickenham and Bakubung received investment of more than $1 billion each, according to *Engineering and Mining Journal*.

Some African countries are developing their mining industries from a low base. In Nigeria, the government is trying to expand the sector to diversify the economy away from oil. It wants to see mining contribute five per cent to GDP by 2020, from current levels of less than one per cent. The country is thought to have meaningful reserves of iron ore, gold, coal and industrial minerals such as bitumen, limestone and clay. Coal has been flagged up as a strategic sector for development in an attempt to solve one of the country's most pressing developmental challenges: the power shortage. Nigeria's coal reserves stand at an estimated 396 million metric tonnes, according to KPMG, but at present the country relies on gas reserves and hydroelectric dams for energy.

A boost to supply

In August 2013, Nigeria signed a $3.7 billion memorandum of understanding with the Chinese HTG-Pacific Energy consortium for the development of the Ezinmo coal block in the south-east of the country. As well as mining the block, the company will build a 1,000MW power plant nearby. At the signing of the agreement, President Goodluck Jonathan of Nigeria said that electricity from coal-fuelled stations could make up 30 per cent of the country's total supply by 2020. Focus is also on value-added industries, such as iron ore, where negotiations are under way with investors to redevelop a processing industry. Reserves of the commodity are estimated to be more than 882.5 million tonnes, according to KPMG.

Australia remains one of Africa's biggest investors. A recent report from its Department of Foreign Affairs and Trade shows that there are approximately 220 Australian-listed mining and oil companies with an interest in Africa, with over 595 projects spanning 42 countries. Australian companies are among the world's leading mining exploration and production experts and Africa is now seen as the most attractive destination for these companies to explore and develop, according to the report. Chinese investment into Africa slowed throughout 2013, but it poured into the sector during the preceding years. Total Chinese investment in Africa's mining sector in 2010 amounted to just over $100 billion, but this more than doubled to $217 billion in 2011, according to the China Mining Association.

> In Nigeria, a mining bill aims to lure investors through a simplified regulatory framework

> **75%** of the world's platinum comes from South Africa

Investor-focused mining laws

Africa's regulatory climate is facilitating investment. Countries are developing new investor-focused mining laws with the assistance of the World Bank and the International Finance Corporation. These include mining concessions and specific import-duty exemptions to encourage investment and infrastructure building. In Nigeria, the previous government created a new mining bill that aims to lure investors through a simplified regulatory and legislative framework. Particularly popular with miners is the fact that, unlike other countries in Africa, Nigeria's government takes no free carried interest in mining operations. Mozambique, Senegal and Burkina Faso are among the most improved countries globally in the latest Corruption Risk Index produced by Maplecroft, the risk-analytics company. South Africa, meanwhile, is putting regulation in place to facilitate fracking opportunities, with the government poised to publish draft regulations to govern exploration for shale gas in the vast Karoo semi-desert region.

However, a recent shift in the regulatory environment is also becoming a concern for investors. According to the *Engineering and Mining Journal*, investment in South Africa's mining sector declined by seven per cent – equivalent to $23 billion – in 2012. The decline underscores the problems that the country has experienced in recent years, which include calls from the ruling ANC party's Youth League for nationalisation of the mining sector, deadly protests and severe water shortages in the Platinum Belt. South Africa is trying to rework its legislative frameworks to draw more equitable returns from its mining sector. The government is negotiating with mining companies, unions and other partners as parliament considers the bill, which is intended to reform the current 2002 Mineral and Petroleum Resources Development Act. One of the industry's main worries relates to the government's proposed ability to declare certain minerals strategic, demanding that companies curb their export and create local employment by processing them domestically.

Resource nationalism is also a concern for investors in other countries. Randgold Resources, the FTSE 100 gold-mining company, sources two-thirds of its gold output from Mali, and counts mines in the northern Ivory Coast and the DRC in its African portfolio. In the

JONNY HOGG/REUTERS

The Tenke Fungurume mine in the Democratic Republic of the Congo contains one of the world's largest known copper and cobalt reserves. The country's mineral resources will be key to its future growth

latter, its Kibali joint venture looks set to rank as one of the largest gold mines in Africa when it starts producing later this year. However, speaking at the African Mining Indaba conference in Cape Town in early 2013, the company commented on a growing tendency among African governments to increase taxes and regulations on mining investors.

Yet this has not deterred those investors keen to make the most of the opportunities that this sector holds. In November 2013, China African Precious Metals invested R600 million ($58 million) into Orkney gold mine in South Africa. The investment is designed to increase the production rate at the mine. Speaking on the resolve of the company's shareholders, CAPM's executive director Elias Khunalo, said in an interview with Mining Weekly "Regardless of the strikes that we've had in the mining industry, their commitment has not been shaken."

Infrastructure catching up

Africa's mining sector sometimes loses out on investment because of poor infrastructure. One estimate, by Standard Bank, says Africa will need $50 billion of infrastructure investment over the next 10 years if its resources are to be exploited effectively. The biggest infrastructure challenges facing the mining sector are power provision and transport links, with transport costs the highest in the world.

14% – Africa's share of global mining investment in 2012

Investment in infrastructure is growing. Mozambique's state-owned rail and ports company, CFM recently laid out a five-year strategy designed to raise export capacity. International bids are out for a $2 billion railway and port development with the goal of constructing a 525 km line from Mozambique's coal capital, Tete, to Macuse in the Zambezia province. Other mining majors in the country are building their own export infrastructure, such as Brazil's mining group Vale. It is spending $4.4 billion revamping a railway from Tete to the deepwater port of Nacala, via Malawi.

Another groundbreaking initiative recently got a new lease of life. South Africa's new energy treaty with the DRC has prompted a fresh round of talks about the Inga Dams. Harnessing the power of the world's second-largest river by volume after the Amazon, Inga is an ensemble of hydropower installations on the Congo River, which, at a cost of about $80 billion, would be the biggest such project in the world. The DRC mining industry remains the only real engine of growth for a country with few other revenue sources at present. A burst of cheap power could help the country to extract its cobalt, tantalum, diamond and copper reserves.

Investment in Africa's mining sector has slowed down in line with global trends. But the opportunity held within the continent's mineral wealth promises an exciting and buoyant market in the years ahead. And with guidance from projects such as the African Union's Mining Vision and the Extractive Industries Transparencies Initiative, there are positive partnerships waiting to be forged on this mineral-rich continent. ■

Pipelines to prosperity

Africa's political and infrastructure challenges are not deterring the oil and gas industries from expanding beyond traditional producers into new territories, finds Digby Lidstone

The oil and gas industries of Africa are as varied as the countries of the huge and diverse continent. The economy of Nigeria probably has more in common with an energy producer such as Indonesia than it does with its near-neighbour, Ghana. Yet there are some features that oil-producing African countries do share in common, from the under-explored potential of their reserves through to the mounting interest from foreign companies.

The high oil prices of 2013 drew attention to the pivotal role that many African producers play in the world market. Libya and Nigeria, which are traditionally two of the continent's largest crude exporters, are also leading suppliers of the light, sweet grades of oil that are demanded by refineries in Europe. When both countries suffered supply disruptions in the summer months, premiums for lighter varieties soared on the European and Asian markets.

Unrest in Libya since 2011 has led to wild swings in official figures for regional production; even so, the continent as a whole has seen a steady overall increase in output. Daily oil production averaged 9.4 million barrels in 2012, compared with 7.9 million a decade earlier, according to the *BP Statistical Review of World Energy*. Reserves-to-production ratios, meanwhile, have remained comparatively stable over that period, reflecting efforts to find and tap new sources of oil.

Africa's proven oil reserves stood at 130.3 billion barrels at the end of 2012, equivalent to about 7.8 per cent of the global total. On a regional basis, this puts the continent just behind Europe and Eurasia combined, though these areas are both pumping and consuming oil at a far faster rate. This in turn gives many African producers a heightened role as net exporters to the global marketplace. One-third of the members of the influential Organisation of Petroleum Exporting Countries (OPEC) are from Africa – namely Algeria, Angola, Libya and Nigeria.

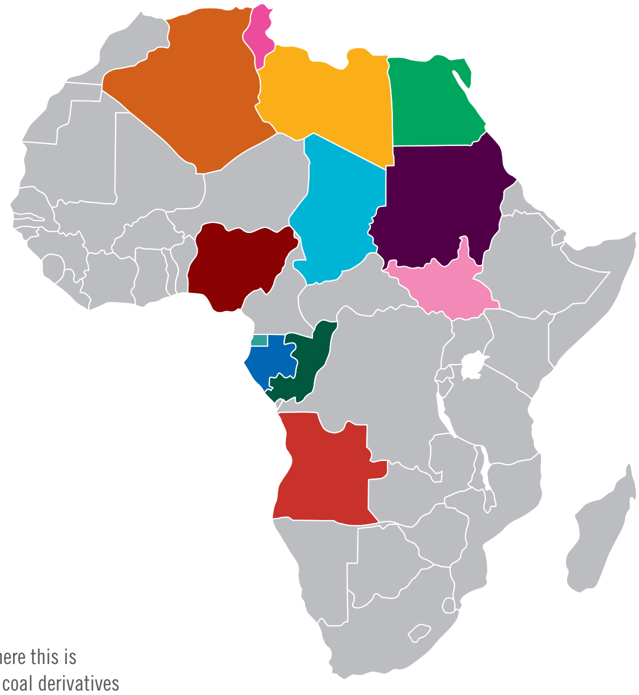
9.4 million
– Africa's daily oil production in barrels for 2012

Libya's Bouri offshore field has been unaffected by strikes and produces almost 40,000 barrels of oil a day, with operators planning to add a further 15,000 barrels a day by implementing new drilling technology


ISMAIL ZITOUNY/REUTERS

Africa's biggest oil producers in 2012

	Million tonnes
Nigeria	116.24
Angola	86.88
Algeria	73.05
Libya	71.07
Egypt	35.39
Republic of the Congo (Brazzaville)	15.29
Equatorial Guinea	13.24
Gabon	12.27
Chad	5.31
Sudan	4.05
Tunisia	3.09
South Sudan	1.53
Other Africa	11.62
Total Africa	**449.02**
World	**4,118.89**



Includes crude oil, shale oil, oil sands and NGLs (the liquid content of natural gas where this is recovered separately). Excludes liquid fuels from other sources such as biomass and coal derivatives

source: BP Statistical Review of World Energy 2013

Furthermore, the importance of Africa as a source of oil and gas is set to grow, with exploration efforts intensifying and homing in on reserves, whose potential is only hinted at by current production levels. Gabon, which withdrew from OPEC in 1995, awarded 12 offshore exploration blocks in October. Recent drilling there has provoked excited comparisons with the major deepwater oil and gas reserves off Brazil and the Gabon Government itself predicts that work on the new blocks could more than double its current crude production to 500,000 barrels a day, but it remains to be seen whether the new acreage lives up to this promise.

Pioneering new producers

Offshore exploration has provided mixed results for other West African states. 'Wildcat drilling' in the deep waters off Nigeria, Angola and Equatorial Guinea in the mid-1990s netted some major finds, but a similar wave of speculative exploration off Liberia, Sierra Leone, Namibia and Côte D'Ivoire in recent years has yielded less consistent results, with some initially promising finds proving to be difficult to exploit commercially. While Ghana and Angola continue to provoke interest from international oil companies, much of the attention of offshore explorers has begun to shift from the Atlantic to potential gas finds in the Indian Ocean.

International oil companies are also moving into onshore areas that remain comparatively under-explored due to political tensions. South Sudan, which produces about 240,000 barrels a day of oil, has been mapping out new exploration blocks with a view to holding a licensing auction for the concessions before the end of 2013. Since South Sudan gained independence in 2011 from its northern neighbour, Sudan, the African Union has been mediating between the two countries to resolve an amicable division of resources and keep a once-unified oil export industry functioning.

300 million – barrels of oil found in Kenya in 2012

The attention of foreign oil majors has also drifted further south in recent years. Investment in East Africa's oil infrastructure will reach $7 billion by 2018, according to an October forecast by Wood Mackenzie. The region's oil and gas production should triple over the next five years, from around 500,000 barrels of oil equivalent per day to 1.5 million barrels. Tanzania estimates that it has more than 40 trillion cubic feet of gas and says that this could rise substantially over the next five years, putting it on a level with some of the Middle East producers.

Until recently, Kenya did not have a reputation as a crude producer. In fact, it had no oil industry to speak of. That changed in 2012, when London-listed Tullow Energy and Canada-based Africa Oil struck oil – 300 million barrels of oil equivalent – in the country's South Lokichar Basin. Kenya is expected to start pumping its first commercial crude in 2014 and to begin exporting two years later. Tullow, a pioneer of sub-Saharan exploration, is also responsible for recent finds in Uganda. The company estimates that, together,

Uganda and Kenya have the potential to export 500,000 barrels a day through a Kenyan pipeline.

The course of oil development on the continent has not always run smoothly, however. Exploration projects in poorer, remote areas can often encounter problems with local communities. Tullow, for example, was forced to suspend drilling operations in Kenya in October after demonstrators from the northern Turkana community marched on the company's sites demanding jobs, Reuters reported. In Tanzania, meanwhile, where gas deposits have attracted firms such as the UK-based BG Group and Norway's Statoil, there were violent protests in May 2013 over the construction of a pipeline from the Mtwara region to Dar es Salaam.

The question is whether greater central-government involvement can smooth over such issues, or whether it will compound some of the obstacles faced by international oil companies. Several governments, including those of Kenya and Tanzania, are looking at toughening up state regulation of the oil and gas industry. Foreign investors will be watching the developments closely.

South Africa, meanwhile, is mulling legislation that would see it taking a 20 per cent stake without payment in new exploration and production ventures, according to the Department of Mineral Resources. While the proposed law promises a substantial revenue stream for the government if the country ever starts exploiting its shale gas reserves, it is likely to inhibit the operations of companies such as ExxonMobil and Anadarko, which hope to explore for offshore oil and gas.

7.8%
– Africa's share of global oil reserves

Egypt's liquefied natural gas programme has drawn interest from European investors

Looking further afield

The natural-gas reserves of many countries in Africa remain relatively underdeveloped, with the exception of Algeria and Egypt, which produce 2.4 per cent and 1.8 per cent of the world total respectively, much of it for the domestic market or for export to Europe. Egypt's liquefied natural-gas programme has drawn particular interest from European investors, with two terminals now operating on the Mediterranean coast, although the country has suffered significant supply disruptions during the past three years of unrest.

North Africa is also likely to be where more unconventional forms of oil and gas production are pioneered in the near future, taking a lead from North America, where new technologies such as hydraulic fracturing – or 'fracking' – have substantially increased production. Youcef Yousfi, Algeria's energy minister, has said that the country's oil and gas output is expected to double within the next decade as developing fields begin production and remote regions are explored for tight oil and gas reserves. Algeria has already been working to attract foreign investment to explore for shale deposits. Libya, meanwhile, is also looking to attract international oil majors with experience in fracking to exploit its own shale assets.

Smart speculation

Spanish oil giant Repsol, which is already operating in Algeria and Libya, has predicted that North Africa will become the next region to experience a shale boom – particularly if companies look to diversify from the overcrowded North American market. Oil majors will need to proceed with caution, however, according to Eduardo Negri, Repsol's geological studies director.

"One of the most important things required to consolidate a successful unconventional project is to have clear and stable contractual and fiscal terms specially designed for unconventionals," wrote Negri to Bloomberg ahead of an industry conference in Tunisia in October 2013. "The current drilling and completion costs are still high in North Africa. This is something that can be worked on if service companies take special effort in preliminary evaluation steps in order to show how they can reduce costs, thinking about massive operations in the future."

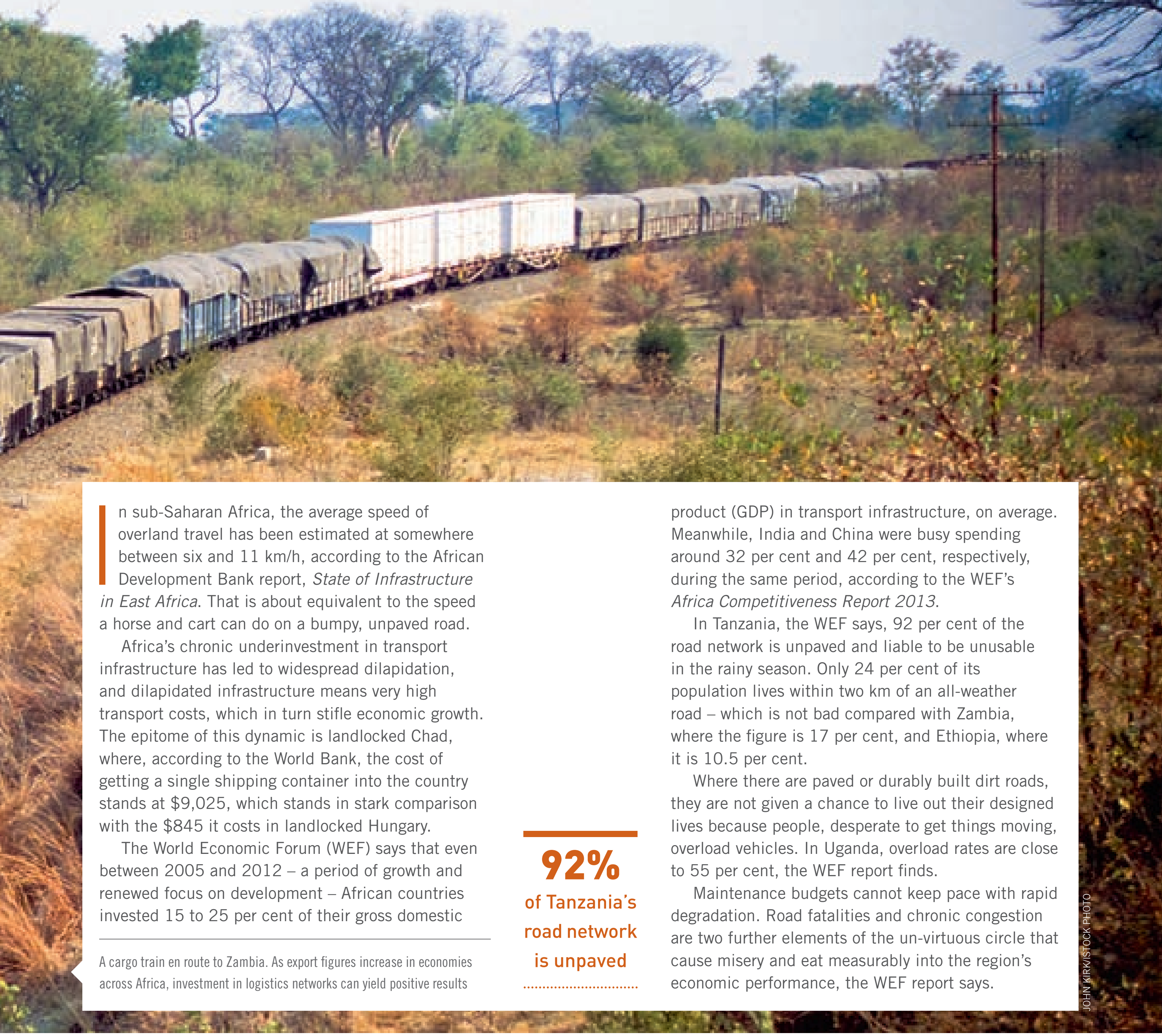
One recent trend may work to the advantage of independents looking to fund their field-development plans. In West Africa in particular, crude-oil traders have become a potential source of financing as they invest in upstream acreage, and are buying oil even before wells are drilled in countries including Nigeria. Anglo-Swiss trader Glencore, for example, recently acquired participating interests in three production-sharing contracts in Chad, as well as stakes in two fields in the same country, from Caracal Energy International, the operator. Under the agreement, the trader will fund some $300 million of Caracal's development costs over three years. In return, Glencore gets the offtake rights for crude produced in those fields. Under a similar pre-financing deal, the trader has also acquired export offtake rights for 90 per cent of Chad's government oil production.

Downstream, opportunities abound for foreign companies as producing countries expand and consolidate their pipeline networks. In West Africa, Ghana is currently building a series of pipelines to transport natural gas from its offshore fields, while Nigeria has invested more than $2 billion in new infrastructure to pipe gas from the Niger Delta basin to power plants in the east and west of the country, according to Lagos-based *Africa Oil & Gas Report*.

With many countries – particularly those in East Africa – on the verge of a rapid expansion of their oil and gas industries, it remains to be seen whether they can avoid the problems that can accompany the discovery of new oil. While future revenues will swell government coffers, transparency, better governance and better resource-sharing models will be essential to ensure that everyone benefits from the coming boom. ■

The locomotive of progress

As African economies expand, exporting more goods and searching for new markets, efficient transport and logistics networks become the gatekeepers of success. And there is much ground to cover in this sector, finds **Rod Sweet**



A cargo train en route to Zambia. As export figures increase in economies across Africa, investment in logistics networks can yield positive results

JOHN KIRK/ISTOCK PHOTO

In sub-Saharan Africa, the average speed of overland travel has been estimated at somewhere between six and 11 km/h, according to the African Development Bank report, *State of Infrastructure in East Africa*. That is about equivalent to the speed a horse and cart can do on a bumpy, unpaved road.

Africa's chronic underinvestment in transport infrastructure has led to widespread dilapidation, and dilapidated infrastructure means very high transport costs, which in turn stifle economic growth. The epitome of this dynamic is landlocked Chad, where, according to the World Bank, the cost of getting a single shipping container into the country stands at $9,025, which stands in stark comparison with the $845 it costs in landlocked Hungary.

The World Economic Forum (WEF) says that even between 2005 and 2012 – a period of growth and renewed focus on development – African countries invested 15 to 25 per cent of their gross domestic product (GDP) in transport infrastructure, on average. Meanwhile, India and China were busy spending around 32 per cent and 42 per cent, respectively, during the same period, according to the WEF's *Africa Competitiveness Report 2013*.

92%
of Tanzania's road network is unpaved

In Tanzania, the WEF says, 92 per cent of the road network is unpaved and liable to be unusable in the rainy season. Only 24 per cent of its population lives within two km of an all-weather road – which is not bad compared with Zambia, where the figure is 17 per cent, and Ethiopia, where it is 10.5 per cent.

Where there are paved or durably built dirt roads, they are not given a chance to live out their designed lives because people, desperate to get things moving, overload vehicles. In Uganda, overload rates are close to 55 per cent, the WEF report finds.

Maintenance budgets cannot keep pace with rapid degradation. Road fatalities and chronic congestion are two further elements of the un-virtuous circle that cause misery and eat measurably into the region's economic performance, the WEF report says.

At the Port of Djibouti, a large container vessel discharges its cargo. Djibouti has become a major global shipping hub, and plans are under way to develop the country's ports and associated infrastructure

The scale of the challenge is huge, but so too are some of the visions for improvement. Most ambitious is the Trans-African Highway (TAH), which comprises nine interlinked highways criss-crossing the continent and spanning a total length of 56,683 km.

Other planned or ongoing regional projects include the Abidjan-Ouagadougou-Bamako transport corridor, connecting Côte d'Ivoire, Burkina Faso and Mali. There is also the African North-South Corridor, an African Union project to build roads and railways through eight countries from Cairo to Cape Town. Such plans face many obstacles, however. At the national level, legislative and financial issues need to be addressed.

With the exception of a few countries, including Senegal and South Africa, toll roads are yet to be completed. More importantly, since transport corridors must cross borders if they are to make a difference to economies, then technical, financial and political cooperation between countries must improve.

The challenge may be huge, but it is in proportion to the opportunity. Investment is already pouring into Africa, particularly from China.

The case for investing in African transport infrastructure has been made with particular clarity by Professor Justin Yifu Lin, chief economist and senior vice president, development economics at the World Bank from 2008 to 2012. He believes that the developed world should invest in African infrastructure because it will spark profound growth there, which, in turn, will create the markets that the developed world desperately needs in order to sell its goods and services.

Infrastructure as an economic enabler

Professor Lin used his tenure at the World Bank to promote the idea of a 'global infrastructure initiative' for the developing world, particularly Africa. Now professor and honorary dean at the National School of Development, Peking University, he is still campaigning.

Interviewed in early 2013 after a tour of Tanzania, Rwanda and Ethiopia, Professor Lin said these countries were poised for take-off in the way that China was in the early 1980s. He believes the cyclical forces that propelled Korea, Taiwan, Singapore, Hong Kong and then China to developed world status – namely global capital seeking cheap, productive labour – are ready to touch down in Africa.

Ethiopia is a good example. Professor Lin said a World Bank study showed that wages in the light manufacturing sector there were just 20 per cent of what they were in China and 50 per cent of what they were in Vietnam, but the level of productivity was about 70 per cent of China's and the same as Vietnam's. That means Ethiopia will be seen as an attractive location for production facilities.

Indeed, in October 2011, a delegation of shoe manufacturers from Guangdong province in China went to Ethiopia to investigate its potential. One firm, manufacturer Huajian, was impressed: labour was economical and, because Ethiopia is a significant livestock producer, raw materials – leather – are plentiful. Within three months the company had set up two production lines in Ethiopia, employing 600 workers. By May 2012, Professor Lin said, Huajian had become Ethiopia's largest exporter.

This, he says, is why the time is right to invest in African infrastructure. Roads, rail and ports do not in themselves create wealth, but when background conditions are ripe, infrastructure propels progress and generates returns for investors.

"I see infrastructure bottlenecks everywhere," Professor Lin said. "In Dar es Salaam [Tanzania] I understand cargo ships can wait a month before being unloaded. Blackouts may occur daily. And even small investments can generate a high return in those countries." In landlocked Ethiopia, a project to build a toll road from the capital Addis Ababa to the nearest port in neighbouring Djibouti is being watched with keen interest. "If it is successful, it will be an incentive," he says. "It will increase the private sector's involvement."

Positioned between Africa, Asia and Europe, Djibouti has become a major global shipping hub and the natural gateway to the Common Market for Eastern and Southern Africa. In order to increase maritime-related business activities, plans are currently under way to develop Djibouti's ports and associated infrastructure. Djibouti's existing Dolareh container port will expand to double its capacity to three million containers annually by 2015. Among other construction projects, the country is building three more specialised ports to handle commodity exports: the Port of Ghoubet will provide for the export of salt and gypsum deposits from Lake Assal (the world's largest undeveloped salt reserve), the Port of Tadjourah will handle bulk commodities such as potash and the Damergo Port will facilitate livestock traffic. In addition, a new airport is under construction, which will significantly increase sea-to-air cargo business to landlocked countries and will reduce the time taken for Asian products to be delivered to West African countries. In total, these developments will cost around $6 billion, about 43 per cent of which has already been secured.

$484 million – the contract value for construction of the first three berths of Lamu Port

When background conditions are ripe, infrastructure propels progress

A foreign investment priority

Other landlocked African countries are also looking for connections to major ports and regional markets. Newly independent South Sudan is set to benefit from market links through the Lamu Port and Lamu-Southern Sudan-Ethiopia Transport Corridor programme.

The Lamu free port project, which is being headed up by the Kenyan Government, is expected to add two to three per cent to the country's economic growth. Work on the port is already in the planning stages, and a $484 million contract to build the first three berths was awarded to a Chinese consortium led by China Communications Construction Company in April 2013.

It is no secret that China has led the world in investing in Africa's transport and logistics networks. In 2013 alone, Chinese grants and loans were funding four new international airport terminals and a railway in Nigeria, a rail link from Djibouti to South Sudan, and a major upgrade of Zimbabwe's Victoria Falls airport. These are to name but a few of the projects under way.

In the United States, too, attention is turning to large-scale projects in Africa. A 2013 report by the US Government Accountability Office, *Sub-Saharan Africa: Trends in US and Chinese Economic Engagement,* encouraged 'reprioritization' towards more commercial engagement in sub-Saharan Africa. Indeed, in June 2013, President Barack Obama pledged $7 billion of US money for the 'Power Africa' initiative, which will include a contribution towards developing the transport infrastructure associated with electricity distribution across the continent.

Meanwhile, the European Union aims to connect the trans-European and African transport networks, and is sharing policy experience with its African Union partners. In this way, it hopes to help with the drive to make African transport systems more efficient. ■

Potential energy

With staggering potential in renewables, solid policy frameworks and $300 billion in investment required to meet universal electricity access targets by 2030, there are many reasons to look closely at the African energy market, writes Andrew Williams

For many countries in sub-Saharan Africa the provision of adequate energy infrastructure remains a pressing issue, and more than two-thirds of the region still lacks access to electricity. However, a number of ambitious hydroelectric and renewable energy schemes are promising new, or more reliable, energy supplies. And across the continent these projects are gaining increasing attention from governments and policymakers, who are looking for sustainable solutions to the energy shortfall.

Vast untapped potential

Africa is fortunate in possessing massive renewable energy potential that can help it to meet growing demand. According to the African Development Bank's (AfDB) *African Development Report 2012: Towards Green Growth in Africa*, the exploitable hydropower resource of the African continent is currently estimated at 1,844 TWh/year – three times Africa's current electricity production. Some estimates suggest that 95 per cent of that hydropower potential remains untapped.

For many countries, the development of hydropower remains the lowest cost option for meeting demand, as shown by several large-scale hydropower projects in Ethiopia, Tanzania, the Democratic Republic of Congo (DRC) and Cameroon. Furthermore, the AfDB reports that the proposed establishment of the Grand Inga hydroelectric dam in DRC holds the potential to serve as a 'key element' in a transition towards a cleaner energy future in Africa in general and southern Africa in particular.

There is also a great deal of potential for the development of more solar, wind and geothermal energy projects. The positioning of the African continent means that it is exposed to huge amounts of solar radiation – offering impressive potential for exploitation using a wide range of solar technologies.

According to the AfDB, the 'indicative potential' for wind power in Africa also runs to some 1,000 GW, five times greater than Africa's current total installed power generation capacity. Although challenges with data availability remain, it is increasingly evident that there are 'significant' wind energy resources that could be tapped by many countries on the African continent. At present, only a small fraction of this

The Gariep Dam in South Africa. The continent's exploitable hydropower is estimated at 1,844 TWh/year, of which only five per cent is currently used

EMIL VON MALTITZ/GETTY IMAGES

Sithe Global's projects generate more than electricity

We empower economic growth through sustainable development

Sithe Global

Sithe Global is an international power development company whose management team has a vast depth of experience and a proven history of success with over 80 power plants globally totaling 19,000 MW of installed capacity. In the past decade, Sithe Global has closed financing on projects totaling US$3.7 billion in capital cost. Our experience spans generating technologies, including world-class thermal and renewable facilities in North America, Asia and Africa. In Africa, Sithe Global's strengths have been demonstrated in its role as co-sponsor of the 250 MW Bujagali Hydropower Project in Uganda, the largest privately financed hydropower project in Africa. Sithe Global is wholly owned by the Blackstone Group, one of the world's leading investment firms with US$230 billion in assets under management, providing access to significant capital to support future development projects.

Bujagali Hydropower Project

Bujagali, which doubled peak generation capacity and eliminated load-shedding in Uganda, is a prime example of the type of projects in which Sithe Global excels. Bujagali reduced the cost of power by two-thirds as compared to existing generating sources. The project has operated continuously since the first unit was commissioned in February of 2012, achieving an average contractual project availability of 99%. Bujagali is the largest renewable Clean Development Mechanism project in Africa, generating 900,000 certified emission reduction credits per year. In addition to direct job creation, the project included considerable social investments such as the construction of health centers and schools, the extension of water and electricity services, and vocational, agriculture and fisheries training.

SITHE GLOBAL

Blackstone

For more information, visit http://sitheglobal.com


Bujagali Hydropower Project

COMMUNITY HEALTH

Constructed and supplied community health centers and administered medical programs.

FISHERIES

Trained and organized hundreds of local fishermen and equipped them with fishing gear, boats and nets.

AFFORESTATION

Planted more than 1,000 acres of trees along the Nile River to combat soil erosion.

TOURISM

Provided funding to establish rafting and ecotourism businesses downstream of the project site.

EDUCATION

Constructed and equipped new schools and provided skills training and apprenticeship programs for local youths.

VULNERABLE PERSONS

Supported hundreds of people including orphans, the elderly, widows and people with disabilities through the provision of new household equipment and supplies.

AGRICULTURE

Organized farmers into productive agricultural co-ops and provided training, livestock and supplies, constructed market to stimulate agriculture production.

OTHER SOCIAL PROGRAMS

Including: extending municipal water supply to more than 5,000 people; renovating dozens of resettlement village houses; and implemented a program to increase local access to the national electricity grid.

potential is being tapped, mostly as a part of projects in northern Africa, but also in several programmes either under way or in development in other countries, notably South Africa, Ethiopia and Kenya (see below).

In terms of geothermal energy, Africa is blessed with a large proportion of the world's total resources, but, in comparison with regions such as North America, Europe, or Asia, has yet to exploit them to any significant extent. The geothermal potential in Africa is geographically limited, with most of it found in the East African Rift system – meaning that Ethiopia and Kenya are thought to have the best geothermal resources.

So far, only Kenya has exploited these resources significantly, with about 205 MW of capacity in place and ambitions to reach an output of 5,000 MW by 2030 – leaving a great deal of scope for further investments in the future. However, in October, the Ethiopian Government announced the country's first independent power project to build the 1,000 MW Corbetti geothermal facility as part of Power Africa.

The Power Africa initiative

Power Africa, launched by US President Barack Obama in June 2013, aims to double access to power across sub-Saharan Africa. The scheme, which is being run in partnership with a number of African governments, is encouraging private-sector investment to help meet its ambitious target. On a practical level, Power Africa is directly addressing constraints to investment, speeding up the process and creating an enabling environment. This will facilitate growth across sectors, such as in agriculture, where a reliable power supply will strengthen the capabilities of Africa's food-processing systems and support modern farming techniques.

Major efforts are under way to increase investment in Africa's renewable energy. Sub-regionally, the Economic Community of West African States and the East African Community have adopted policy and strategy papers stressing the central importance of renewable energy – and regional energy efficiency and renewable centres have recently been established in North and West Africa.

At a continental level, Africa has also made a number of political commitments to increase the exploitation of renewable energy. For example, the New Partnership for Africa's Development (NEPAD), an organ of the African Union, has established the Infrastructure Short-Term Action Plan, which includes several large hydropower investments as priorities.

In early 2012, in recognition of the fact that infrastructure plays a key role in economic growth and poverty reduction, the African Union Commission, in cooperation with NEPAD's Planning and Coordination Agency and the AfDB, established the Programme for Infrastructure Development in Africa (PIDA). A multi-sector initiative that includes energy, it is designed to facilitate continental integration by means of improved regional infrastructure. In terms of energy, the expected outcome of PIDA is a reduction in costs and a dramatic increase in access – with Africa saving $30 billion a year on electricity production costs, or $850 billion through 2040. Power access will also rise from 39 per cent in 2009 to nearly 70 per cent in 2040, benefiting 800 million people.

In cooperation with the European Union, the AU has also recently launched the Africa-EU Renewable Energy Cooperation Programme, which will provide the basis for renewable energy partnership between the continents and contribute towards ambitious targets for renewables by expanding existing activities and starting new initiatives.

At the individual country level, a number of ambitious projects have been established to develop renewable energy. One notable example is South Africa, which has created a Renewable Energy Independent Power Producer Procurement (REIPP) programme designed to contribute towards a renewable energy output target of 3,725 MW, and help the country with socio-economic and environmentally sustainable growth.

The REIPP programme is being conducted in five phases, or 'Windows', with interested parties invited to submit proposals for the finance, construction, operation and maintenance of renewable energy generation facilities, which include onshore wind, concentrated solar thermal, solar photovoltaic and small-scale hydro sources.

As part of the recently completed Third Window, the government received a total of 93 bids from interested companies and organisations around the world and, in October 2013, announced that a total of 17 'Preferred Bidders' had been selected. The South African Department of Energy estimates that by the time the Fifth Window has been completed, the REIPP programme will have attracted project proposals that total R100 billion ($9.8 billion) over its lifetime.

> Right across Africa, major efforts are currently under way to increase investment in renewable energy infrastructure

Based on the principles of the REIPP programme, the South African Government has also introduced a separate Small Projects IPP programme for electricity generation projects of less than 5 MW.

Meanwhile, in the Horn of Africa, Ethiopia is in the process of building a number of hydropower plants using billions of dollars of investment as part of an effort to raise its energy production from current levels of around 2,000 MW to 10,000 MW by 2015 under the country's 2010-15 Growth and Transformation Plan. The plan includes the 5,250 MW Grand Renaissance Dam, which is under construction on the Nile.

The country has huge resources of renewable energy. According to estimates by the Ethiopian Electric Power


JEON HEON-KYUN/ALAMY

HE Dr Elham Mahmoud Ahmed Ibrahim

African Union Commissioner for Infrastructure and Energy

In line with its long-term vision for prosperity, the African Union is pursuing sustainable development in transport, energy and telecommunications infrastructure. Increased development in these sectors will enrich business activity, foster intra-Africa trade and increase global connectivity.

The African Union Commission, in partnership with the African Development Bank, the NEPAD Planning and Coordination Agency and Africa's regional economic communities, elaborated a Programme for Infrastructure Development in Africa (PIDA). This programme encompasses several integrated projects, such as building 37,500 km of modern highways, establishing continental road corridors and laying 16,500 km of interconnected power lines.

One of PIDA's main components is the implementation of the Priority Action Plan (PAP) by 2020. This includes 15 integrated energy projects, of which nine are related to hydropower generation. Potential hydropower generation in Africa is about 1,750,000 GWh per year, of which only five per cent is exploited. The PAP will be crucial in tapping into Africa's hydropower potential, and will help us achieve our goal of reaching universal access to electricity by 2050.

Developing renewable resources will increase access to power in Africa's more remote and rural communities. One of the successful, concrete projects we are working on now is the development of geothermal energy in the East Rift Valley System Countries. A Risk Mitigation Fund has been created with support from the German Government and the European Union to support the Geothermal Energy developers in the region. For now, five projects in two countries are qualified to get that support. We are also encouraging the construction of large solar-power generation plants and small-scale hydroelectric generators. In addition, working with the United Nations Economic Commission for Africa, the African Union Commission has been focusing on promoting a viable, sustainable bioenergy sector.

There is no doubt that building safe, reliable, cost-efficient and environmentally friendly infrastructure is a critical tool for sustained development, and is instrumental in promoting both regional and continental integration. With the programmes and frameworks in place, we can look forward with confidence to a greater presence in the global arena. ■

Corporation, Ethiopia has hydropower potential of 45,000 MW, geothermal potential of 5,000 MW and wind potential of 1.3 million MW. The five-year plan also sets out targets for wind-power generation of more than 890 MW, geothermal capacity of 70 MW and solar power of 30 MW.

Africa's biggest wind farm

In October 2013, Africa's biggest wind farm began to produce electricity in Ethiopia. The €210 million ($289 million) Ashegoda Wind Farm was constructed by Vergnet SA, a French wind turbine manufacturer, with concessional loans from BNP Paribas and the French Development Agency – with a further nine per cent of the cost being met by the Ethiopian government.

Elsewhere in East Africa, Kenya has also committed itself to very ambitious renewable energy targets by 2025 – aiming to replace oil and coal generation with hydro, solar, wind and geothermal energy.

One of the major elements of this transformation is the Lake Turkana Wind Power project (LTWP). LTWP is set to inject 300 MW of green energy into Kenya's national electricity grid by making the most of a unique wind resource in north-west Kenya, near Lake Turkana. The LTWP project covers an area of 40,000 acres in Loyangalani District, Marsabit West County, in north-eastern Kenya – and, when complete, will comprise 365 wind turbines, each with a generating capacity of 850 KW, and a 33 KV electrical network.

According to AfDB, the average electricity production of the project is estimated at around 1,440 GWh per year – equivalent to the annual generation capacity of Namibia in 2010 – and will be sold to the Kenyan national grid at a price of €0.0752 per KWh.

LTWP Chairman, Carlo Van Wageningen, said in an interview with *The Wall Street Journal* that work on the wind farm is scheduled to start in 2014 and will take 32 months to complete. In October 2013, the project received a major boost following the news that the Netherlands Government has provided funds that total €10 million ($13.8 million) through the AfDB to upgrade a 200 km road that will serve the wind farm. Upgrading the service road will cost a total of €22.5 million, with LTWP providing the remaining €12.5 million.

With vast renewable power potential, policymakers at all levels supporting the development of energy infrastructure, and projects already taking place on a grand scale across the continent, the opportunity for investment is truly ripe at the moment. ■

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AFRICA

Angola
Malawi
Mozambique
South Africa
Cape Verde
São Tomé and Príncipe
Zambia
Zimbabwe
Ghana


ANGOLA · BAY OF LUANDA

32
COMPANIES
Mota-Engil Group or subsidiaries

1,479 M€
million euros
2012
ORDER BOOK

729 M€
million euros
2012
TURNOVER

137 M€
million euros
2012
EBITDA

At the rhythm of life and progress

Africa is a natural market for the Mota-Engil Group given it has had a presence on the continent for more than 6 decades. With significant recognition for the portfolio it has developed in Africa, Mota-Engil maintains a long-term strategic outlook and an expanded horizon for work in the markets of Sub-Saharan Africa, focusing on the execution of projects in the area of infrastructures, as well as the development of activity in other business areas in which it holds recognised technical skill, such as the environment, logistics, energy and transport concessions.

MOZAMBIQUE - ZAMBEZI BRIDGE

Reaching for the skies: a buoyant construction industry

The African construction sector is diverse, but one theme unites the continent – ambition. Right across Africa the construction sector is bustling with activity, fuelled by national strategic imperatives and foreign investment, as Rod Sweet explains

"The country is screaming out for experienced and qualified professionals who are registered here." So wrote British project consultant Neil Coker in *Global Construction Review* in July 2013. He was describing how the hunger for development and rehabilitation in post-war Liberia had created a near-frenzied atmosphere, with opportunities for developments of all kinds, from infrastructure and mining to leisure and retail.

While assisting a World Bank-funded scheme to build schools in the country, Coker decided to set up his own consultancy. Within days he was bidding for projects in partnership with major international firms keen to enter the Liberian construction market. His experience illustrates a dramatic uplift in construction activity and opportunities for investment in Africa.

Across a huge continent the picture will naturally vary, but the trend is clear. In North Africa, ongoing political unrest in Egypt, Libya and Tunisia has dampened activity; however, the powerful underlying trends of population growth, urbanisation and rising expectations among increasingly vocal populations is set to create the conditions for rapid growth in construction activity.

Cranes operate over a football stadium in Libya, where development plans that were pushed aside by revolution are now being revisited

ESAM AL-FETORI/REUTERS

At 80 million, Egypt has the largest population in the Arab world, and this number is forecast to double by 2050, putting pressure on the supply of housing and healthcare and education facilities. A July 2013 report by *Global Construction Perspectives* and *Oxford Economics* predicted that construction output would nearly double between 2012 and 2025 in Egypt, from $27 billion to $50 billion.

Meanwhile, elements of Libya's hugely ambitious development plans, cut short by the revolution, are showing signs of rejuvenation. In June 2013, the Libya Rail Implementation Authority met with Chinese and Russian companies to discuss reviving a $12 billion railway scheme originally tendered in 2008. Also in 2013, a consortium led by Italy's Salini Impregilo Group was appointed to build the first section of a new, $1.29 billion coastal highway that is being financed by the Italian government.

In Morocco, a slightly lower than average population growth rate is offset by rapid urbanisation, and the government has announced plans to develop around

15 new cities on the outskirts of existing hubs, providing opportunities for international investors. For example, a $40 million healthcare initiative, known as the Marrakech Healthcare City was recently launched by Abu Dhabi-based firm, TASWEEK Real Estate Development and Marketing. The initiative will include a 160-bed private hospital, as well as a 40-room hotel and 56 residential apartments.

However, it is in sub-Saharan Africa that the opportunities are making themselves most immediately clear to international investors. China has reaped the advantages of being a first-mover in African investment, but 2013 saw an unprecedented level of broader international participation in the plans that many countries have to upgrade their built environments.

Contracts for infrastructure projects

In 2013, Aecom Technology Corporation won a three-year contract to provide engineering, procurement and construction management for up to 15 infrastructure projects in South Africa, together worth more than $2.2 billion. Brazilian construction firm Queiroz Galvão Group started work on major arterial road network in Accra, Ghana – the notoriously traffic-clogged Kwame Nkrumah Circle, estimated to carry 84,000 vehicles a day. The $100 million project is jointly funded by the governments of Ghana and Brazil. In Ethiopia an Indian company, Intercontinental Consultants and Technocrats Pvt, was awarded a $1.46 million contract to construct the 133 km Kombolcha-Mille highway, currently a gravel road, in a joint venture with the Ethiopia-based Civil Works Consulting Engineers.

Last year also saw an unprecedented expansion of acquisitions and joint ventures between Western and African construction firms as the former sought to tap into what would seem to be multiple, limitless markets. In April, global engineers Mott MacDonald announced its intention to acquire South Africa's PD Naidoo & Associates, saying that the proposed new 800-person practice would operate from 15 centres around South Africa, Botswana and Mozambique, and would target the entire sub-Saharan region.

So far, South Africa has proven to be the preferred point of entry. In 2013, US project and risk consultant Hill International acquired South Africa's Binnington Copeland & Associates, a $5 million-turnover consulting and training services firm. The year also saw a new joint venture between UK quantity surveyor Rider Levett Bucknall and its South African counterpart Pentad win its first major contract – the new, $243 million headquarters for South African energy firm Sasol.

Materials manufacturers are reliable bellwethers of promising markets because, in order to expand, they must invest heavily up front in fixed assets, so it is notable that 2013 saw Germany's HeidelbergCement earmark $134 million for new plants and grinding mills in Liberia, Ghana, Burkina Faso and Tanzania.

ABDALLAH DALSH/REUTERS

Newly constructed residential buildings in El Maraj, Egypt. Despite political unrest, a growing population has led to estimates that Egyptian construction output will nearly double by 2025 to $50 billion

"The countries of sub-Saharan Africa have a very high growth potential due to their early stage of industrialisation and rich natural resources," said the company's chairman, Bernd Scheifele.

Investment drivers

For the better part of two decades, the pattern of inward investment to Africa has been bilateral deals struck with China, which has led to dramatic improvements in many countries' infrastructure. Now, however, investment flows are diversifying.

In June 2013, the African Union Commission met with continental strategic partners and Regional Economic Communities in Tunis to discuss resource mobilisation for infrastructure. During that meeting, the AU Commission welcomed and endorsed the African Development Bank's Africa 50 Fund, which was created in response to a call by the AU Heads of State in 2012 for innovative solutions to Africa's infrastructure delivery. Africa 50 aims to mobilise private financing in order to accelerate the speed of project delivery, focusing in particular on high-impact initiatives in the energy, transport, ICT and water sectors.

Another example is a new fund to channel private investment into affordable housing in South Africa and Ghana, set up by private equity investor, International Housing Solutions (IHS). Upon its launch in September 2013, the fund immediately received a $63 million kick-start from World Bank Group member IFC and the National Housing Finance Corporation of South Africa. IHS hopes the new fund will eventually attract $300 million, which will be made available to local developers. The model has been shown to work before. An earlier fund raised more than $230 million from 35 separate investors, and led to 27,500 new housing

$14.5 billion is being invested in Konza Technology City outside Nairobi

GREENSHOOTS COMMUNICATIONS/ALAMY

Workers on a building site in Ghana, where the government has initiated a number of construction projects

units built by 19 local developers, IHS said. IFC said the fund offered "an attractive opportunity for private investors to gain access to a fast-growing market with significant positive social impact".

Further moves to unlock private finance for housing were seen in rapidly urbanising Nigeria, where the annual demand for homes has been estimated at 700,000. In November 2013, the federal government decided to take out a $300 million, zero-interest loan from the International Development Association, a World Bank Fund, to establish a mortgage refinancing corporation able to access the world's capital markets to raise long-term funds. The government hopes this will cut the housing deficit by raising the number of mortgages sold from just 20,000 per year now to 200,000 within three years. Its impact on the housing construction market could be dramatic.

Private finance is gaining ground in Africa, particularly through public-private partnerships, or PPPs, which are procurement mechanisms that allow, for a return, private investment in infrastructure and open new routes to participation for suppliers of financial, technical and construction services.

Private-sector involvement

That global investors are keen was demonstrated in June 2013 when the US pledged $7 billion to help expand energy infrastructure on the continent under the 'Power Africa' initiative. But even more remarkable was the accompanying pledges by private-sector partners to inject a further $9 billion over five years on the back of the initiative. Mimi Alemayehou, executive vice president of the US Overseas Private Investment Corporation, whose funds leverage private investment at a ratio of around 1:2.6, has said that in 2012, its projects in Africa comprised nearly a quarter of its $16 billion global portfolio, up from just six per cent eleven years ago in 2001.

Kenya is the most recent convert to PPPs. Indeed, in November 2013 the government approved the Public Private Partnership Act, which paved the way for 47 projects including bridges, highways, housing, airports modernisation and water infrastructure.

Many challenges remain, not least of all corruption, which can undermine investor confidence and limit the positive impact of construction investment. On this front, however, progress is being made. In September 2013, Uganda became the fifth African nation to join the Construction Sector Transparency Initiative (CoST), which works with governments, the construction industry and civil society organisations to foster transparency and accountability. Under the CoST methodology, volunteer in-country monitoring groups use 31 indicators to track all stages of a government project cycle and disclose the information to the public. Malawi, Tanzania, Zambia and Ethiopia have been members of CoST since it was piloted in 2009. The effects can be dramatic. The Ethiopian CoST team recommended an alternative design for a 33 km rural road, which saved an estimated $3.7 million.

Overall, the surge in African confidence is palpable. Last year saw Kenya announcing it would build a new, $14.5 billion technology city – Konza Technology City – on a grassy plain 60 km from the capital, Nairobi. Dubbed 'Silicon Savannah', the scheme is part of the government's Vision 2030 initiative, designed to turn East Africa's best-performing economy into a middle-income nation within 17 years. The plan envisages a university campus, hotels, housing, schools and hospitals – mostly funded through PPPs.

Not to be outdone, Ghana also announced a government-sponsored technology park of its own, which it says will employ 50,000 people in ICT-related jobs. Estimated to cost $10 billion, Hope City near Accra will comprise six towers including one that will stand at more than 270 m tall – which would make it the tallest building in Africa. Hope City is a partnership between the government and state-owned technology company RLG Communications, and developers want it to be "the sub-region's premier business location for high-performance computing".

Such schemes undoubtedly face many challenges and may never come to fruition, but the fact that African governments are making such plans – plans that are reminiscent of Dubai and Saudi Arabia before the global financial crisis – reflects a bold new sense of what is possible. ■

OLIVIER ASSELIN/ALAMY

Manufacturing optimism

The manufacturing sector holds the key to the development of trade in Africa, and projects are beginning to deliver returns both for the continent itself and for bold investors, as Wendy Atkins explains

With labour costs rising in Asia, some manufacturers are looking at relocating their factories to Africa, where all-round costs are lower and there is easy access to essential resources. For African economies, this development is translating into an opportunity to move up the value chain, benefit from industrialisation and job creation and increase output. For foreign companies, it is a chance to achieve duty- and quota-free access to US and EU markets for light manufactured goods.

Rich in natural resources, and with comparatively low labour, land and regulatory compliance costs, many areas of the continent look well placed to flex their muscles and take advantage of foreign interest in their ability to turn raw materials into manufactured goods, rather than exporting them for processing abroad. And with skills levels increasing, more global manufacturers are now taking a chance on Africa. This influx of foreign investment and expertise will also help Africa to reduce its reliance on imports when supplying its increasing numbers of product-hungry middle-class consumers.

From commodity to finished product

Sectors in which Africa could have a comparative advantage are light industries, such as textiles and food processing. Companies such as New Wide Group, which produces Adidas garments on the continent, are already wise to the opportunities of the market. In 2012, it announced plans to expand its investment in Kenya's cotton industry, including setting up a ginning unit.

According to the World Bank's *Light Manufacturing in Africa: Targeted Policies to Enhance Private Investment and Create Jobs* report, sub-Saharan Africa's potential competitiveness in light manufacturing is based on two advantages. The first is lower labour costs. In Ethiopia, for example, labour productivity in some well-managed firms can approach the levels of China and Vietnam. Yet wages are just one-quarter of China's and only half of Vietnam's, and its overall labour costs are lower still. These factors, along with the country's abundance of cattle, which provide skins for footwear, are leading to Ethiopia's rapid rise as a hub for shoe manufacturing.

With improving productivity, relatively low labour costs and favourable export conditions, Africa is primed for investment in garment manufacturing

The Chinese footwear giant Huajian opened a factory near Addis Ababa in 2012, and in 2013 committed to jointly investing $2 billion in Ethiopia's shoe industry over the next decade. This reflects the second of Africa's advantages: its wealth of raw materials – not only skins for the footwear industry, but also timber for the furniture industry and land for agribusiness.

Many African countries report high demand for locally manufactured goods. In addition, they have favourable access to regional markets through their membership of bodies such as the East African Community, the South African Development Community, the Common Market for Eastern and Southern Africa and the Economic Community of West African States. Firms that produce goods on the continent also gain duty- and quota-free access to US and EU markets through the Africa Growth and Opportunity Act and the Cotonou Agreement.

> In Ethiopia, labour productivity in some well-managed firms can approach the levels of China and Vietnam

Furthermore, the African Union's (AU) vision for a continental free trade area gives hope for greater efficiencies in the future. An AU report entitled *Boosting Intra-African Trade* describes some of the potential fruits of the African free trade area: "Pooling economies and markets together through regional integration ... provides a sufficiently wide economic and market space to make economies of scale possible." Looking specifically at manufacturing within this framework, the report says: "There is need for intensive investment in manufacturing and processing industries that add value to Africa's raw materials. Skills development and productivity enhancement support programmes will ... increase the scope for dynamic benefits from export development."

According to the UN Conference on Trade and Development's (UNCTAD) *World Investment Report 2013*, foreign direct investment (FDI) in manufacturing is increasing. Success stories include South Africa's automotive sector, Ethiopia's leather industry, Lesotho's

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COMPANY PROFILE

SENTER 360 is a South African company. We have a simple policy of doing business with the highest standards of integrity. We therefore pride ourselves on not merely selling a product, but building long term relationships. Designed and built in South Africa in 1994, SENTER 360 centre pivots are known for their superior construction quality and strength – above industry standards, and we as a company are renowned for excellent sales and after-sales service.

We have been in the irrigation industry for more than 20 years, specialising in surveying, system design, installation and commissioning of irrigation systems. We have growing business interests in South Africa, Africa and internationally and offer a turn-key project development service from feasibility study phase to implementation and project management. One of our recent achievements has been the allocation of an international tender for the supply of more than 50 centre pivots to the South African Government for the Taung irrigation scheme.

Corporate

Technical

KEY ADVANTAGES OF SENTER 360

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- Ensures constant high yields
- More than 96% water distribution accuracy
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Foreign trade agreements

The African Growth and Opportunity Act (AGOA)

A total of 39 sub-Saharan African countries currently qualify for AGOA benefits, which are aimed at expanding US trade and investment in the region, stimulating local economic growth and facilitating its integration into the global economy.

The Cotonou Agreement

The Cotonou Agreement has been the framework for the EU's relations with 79 countries in Africa, the Caribbean and the Pacific (ACP) since 2000. It aims to reduce – and eventually eradicate – poverty, while contributing to sustainable development and to the gradual integration of ACP countries into the global economy. Its principle of differentiation and regionalisation means that cooperation agreements vary according to each country's level of development, and it gives special treatment to countries considered the least developed or the most vulnerable.

A key component of the Cotonou Agreement is the Economic Partnership Agreements. These facilitate reciprocal trade deals, meaning that the EU provides duty-free access to its markets for ACP exports, and vice versa. However, because of the principle of differentiation, African nations categorised as 'least-developed countries' do not have to open their markets to EU products.

15% – the increase in Ethiopia's industrial output in 2011

clothing enterprises and East Africa's pharmaceuticals. UNCTAD says: "It is noteworthy that these cases are not limited to FDI from developed countries. In many cases, foreign investors from developing countries such as Brazil, China, India and Turkey have started to make inroads into Africa's manufacturing sector. Moreover, intra-African investment, albeit comparatively small, tends to go to services and manufacturing – in the latter case, particularly to less technology- and capital-intensive targets."

While the incredible progress that Africa has made over the past decade is to be applauded, economists agree that such growth can be sustained only with continued structural transformation that lifts workers out of low-productivity sectors and informal businesses and gives them access to higher-productivity activities.

Unlocking development

Manufacturing is key to the continent's development, as it is both labour-intensive and export-focused. The challenge for its leaders is therefore to promote investment in manufacturing so that Africa benefits from more than booming commodity prices. This means investing in entrepreneurial, managerial and technical skills developments as well as finding ways to remove the constraints of access to industrial land and finance.

Policy initiatives and investment reforms that drive free access to domestic and international markets are helping to unlock the continent's potential, putting it on the road to becoming competitive in manufacturing and attracting FDI from overseas manufacturing companies.

Steps are also being taken to 'up-skill' citizens so that they are fully equipped to work in the manufacturing sector. For example, Nigeria's National Industrial Revolution Plan is focused on skills development and helping small and medium-sized enterprises in sectors where the country has a competitive advantage. In Botswana, the National Food Technology Research Centre provides training in food processing. Promoting agro-processing in this way will play a pivotal role in increasing agricultural productivity, thereby bringing the continent closer to attaining food security for all.

Special trade zones (also known as free zones) are mushrooming across Africa, providing opportunities to attract export-oriented manufacturing investment. In Nigeria, Lekki Free Zone is attracting investments from manufacturers keen to access the enormous West African market. In Namibia, the Walvis Bay Export-Processing Zone says that it is looking for investors to establish production plants in the following priority industries:

- textiles and garments;
- footwear, bags and leather/imitation-leather products;
- non-chemical industrial-plastics production;
- electronic-equipment manufacturing and assembly;
- industrial products, foodstuffs and beverages processing; and
- household electrical products.

The special free trade zone model has already been hugely successful in other parts of the emerging world, such as Dubai's Airport Free Zone and China's Shanghai Waigaoqiao Free Trade Zone, and African governments are keen to replicate their success. Investors from the manufacturing sector find the zones attractive thanks to incentives such as exemption from taxes, customs and duties, fewer labour restrictions, state-of-the-art infrastructure and affordable land. Many zones offer a one-stop-shop arrangement in order to deal with all the bureaucracy of establishing a business in a foreign country. These also offer proactive marketing, business support and faster approval processes.

Africa has much to offer when it comes to the manufacturing sector; however, the continent also has significant challenges to address. Manufacturers are concerned by unreliable energy supplies; labour-productivity levels that are lower than many Asian competitors; difficulty in finding the right skills locally; rigid labour laws; problems 'scaling up' and quality control; corruption; bureaucracy; and expensive as well as difficult logistics.

These obstacles are surmountable, however, and Africa is on its way to building a dynamic and competitive manufacturing sector that capitalises on the continent's abundant mineral resources and agricultural riches for the benefit of all. ■

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Africa: switched on

From agriculture to banking, information and communication technology is transforming lives and boosting development in Africa, as Rod Sweet explains

To examine the take-up of information and communication technology (ICT) in Africa in the second decade of the 21st century is to witness a revolution in progress. ICT is driving inward investment, creating new businesses and changing the way services are delivered.

Some believe that ICT will allow the continent to 'leapfrog' the development stages through which other parts of the world have laboured. And while challenges certainly exist, there is excitement surrounding ICT in Africa that comes from the youth of the market and the speed with which it has so far embraced new technology.

In November 2013, Kenyan President Uhuru Kenyatta officially opened IBM's 12th global research lab at the Catholic University of Eastern Africa in Nairobi. Billed as Africa's first commercial technology-research facility, the lab is supported by Kenya's ICT Authority and will research ways to tackle what IBM calls the "grand challenges" of the African continent – energy, water, agriculture, transportation, healthcare, financial inclusion and public safety. IBM says that seasoned scientists, along with 20 new PhDs, will look for ways to develop commercially viable innovations that make people's lives better.

Far from being a mere sales outpost, the IBM Research Africa facility will be "deeply embedded into Africa's innovation ecosystem and will forge partnerships with businesses, research organisations and universities across Africa and around the world," the company says. "We are currently

Africa has more mobile-phone subscribers than either the US or the EU, and has seen massive growth in the market since 2000 experiencing the emergence of a new Africa," said Dr Kamal Bhattacharya, the new centre's director, "one where science and technology are enabling a pivotal 'leapfrog' moment, allowing governments and businesses to drive economic growth, raise the standard of living and compete with their global counterparts."

Just a few years ago, talk of an African 'innovation ecosystem' might have been greeted with scepticism. However, the announcement in 2013 of two brand new 'technology cities' – Hope City in Ghana and Konza Technology City in Kenya – which are intended as hubs for ICT research, development and start-ups, provides just one piece of evidence that an African ICT revolution is under way.

Africa is a much easier place to do business thanks to its improved connectivity

As documented in the *eTransform Africa* report, put together by the World Bank, the African Development Bank and the African Union, in the year 2000 there were fewer than 10 million fixed-line phones across Africa, with a waiting list of a further 3.5 million. Representing a penetration rate of just over one per cent, this meant that only offices and the very wealthy had telephones. The advent of the mobile phone changed that dramatically. By the end of 2012, there were over 650 million mobile subscriptions in Africa. This is more than in either the United States or the European Union, and reflects a 40-fold growth in the market since 2000. For ICT, this means that mobile phones are now being used as a platform to provide access to the internet, to applications ('apps') and to government services. Furthermore, this widespread mobile-phone usage has opened the floodgates to foreign direct investment: Africa is now a considerably easier place in which to do business thanks to its much-improved connectivity. ICT directly contributes about seven per cent of Africa's gross domestic product, which is higher than the global average. During what *eTransform Africa* calls Africa's 'mobile decade', by 2008 private-sector investment in telecommunications infrastructure totalled $56 billion.

In Africa, mobile phones are effective substitutes for other types of services, such as banking, publishing and entertainment. This is driving the rapid development of the platform, through mobile broadband, smartphones and affordable tablets, but is also changing business fundamentals though entrepreneurship, innovation and income growth. A look at some recent tech start-ups and services helps to explain why planners feel that the time has come for IBM's new centre and for new tech cities such as Konza and Hope.

Mobile phones are being used to provide financial services in Kenya through M-Pesa, which is a mobile banking technology that was set up in 2007 and has subsequently swept through the country. Mobile-phone operator Safaricom, the company behind M-Pesa, states that about one-third of Kenya's GDP goes through the service and it has 17 million active users – more than two-thirds of Kenya's adult population.

Also in the realm of financial services, Orange subsidiary, SONATEL is one of the latest operators to launch a money-transfer service in Senegal. The service has now attracted more than a million people, who use it to send and receive money using their mobile phones.

The advance of the apps

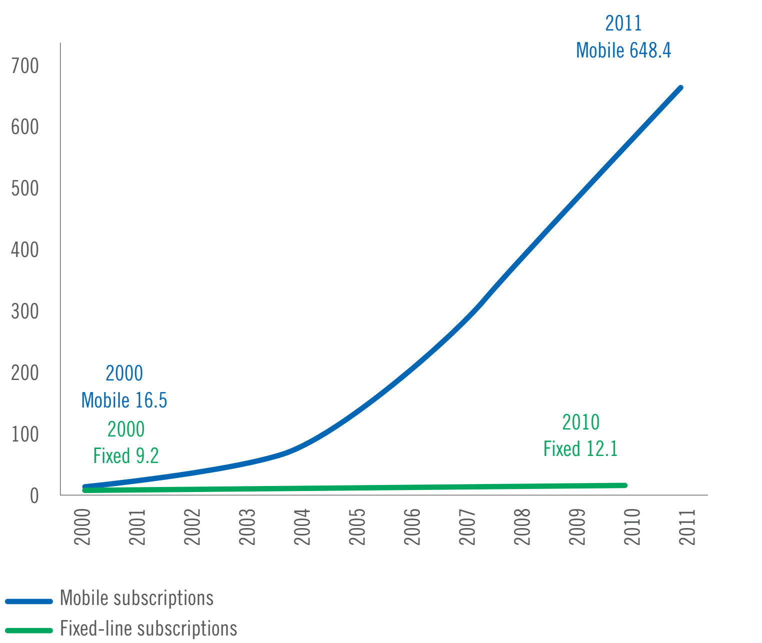
Agriculture is one beneficiary of Africa's technological revolution. An app called Esoko, which was first developed in Ghana and is now being used in 15 different countries in West and East Africa, provides users with agricultural market information, weather alerts and crop-production levels in order to help farmers improve their productivity and get their produce to market more effectively.

Uganda's MafutaGo is a mobile application that displays the locations, prices and special offers of nearby gas stations. In Niger, meanwhile, the Horticultural Remote Irrigation System allows for remote control of irrigation units from a handset, and Kenya's MedAfrica provides medical services that include symptom checkers, first-aid information, doctor and hospital directories and alert services.

Aside from apps, other technologies are helping African countries to protect the environment. In Malawi,

Mobile phone take up in Africa

Phone subscriptions in Africa, millions



source: World Bank, Wireless Intelligence and ITU

MUTUA MATHEKA/IBM

A research scientist for IBM's laboratory in Kenya. The facility reflects Africa's expanding ICT skills base

a deforestation project is training local communities to map their villages using GPS devices in order to help them develop local climate-change adaptation strategies.

The African ICT market has seen double-digit growth in recent years, and the *eTransform Africa* report says that the continent's expenditure on ICT could rise to more than $150 billion by 2016. But the study also highlights the considerable challenges involved in building a truly competitive ICT industry. These include reducing the cost of access for mobile broadband, supporting government/private-sector collaboration and enhancing ICT labour-market skills.

Here, the private sector is getting involved. For example, 2013 saw German software giant SAP sponsor 52 students in a specialised ICT skills course in Kenya, following which the students were given internships with SAP customers that include Bidco, Mumias Sugar Company and the Kenya Airports Authority.

Governments have a major role to play in laying the foundations for further ICT growth through infrastructure. As of 2010, Eastern and Southern Africa were the world's only major regions not connected to the global broadband infrastructure by fibre-optic cables, which meant that 20 countries relied on expensive satellite connectivity to link with each other and to the rest of the world. That year, African governments and financial institutions joined with the private sector to deploy the Eastern Africa Submarine Cable System, a fibre-optic cable system that now runs 10,000 km along the east coast of Africa.

7%
– ICT's contribution to Africa's GDP

Building fibre-optic networks

Another example is in Burundi, where a World Bank loan is financing the construction of a national fibre-optic network operated by private companies and internet service providers under a self-regulation model. The scheme addresses the shortage of fixed infrastructure in Burundi which, as in many African countries, is dominated by wireless operators.

Meanwhile, in Nairobi, ahead of President Uhuru Kenyatta's inauguration of IBM's new research centre, the road to the university was quickly paved – much to the delight of local citizens.

The road to a thriving modern economy in Africa still stretches into the distance, but many suspect, and with good reason, that ICT will make the journey much quicker and smoother for the continent than it might otherwise have been. ■


KIM LUDBROOK/ALAMY

In South Africa, the continent's largest producer of maize, a government programme that is designed to cut down on agricultural surpluses has seen corn exports surge to their highest level in nine years

Stepping up a gear: agriculture and food security

In 2014, which has been dubbed Africa's Year of Agriculture and Food Security, maximising the immense potential of the continent's farmland is at the very top of the development agenda, as Andrew Williams explains

Recent years have seen Africa make a great deal of progress in developing its food and agricultural sectors, with those industries now accounting for a combined output of about one-third of the continent's total GDP and employing up to 70 per cent of the population. Even so, a massive amount of untapped potential remains, and there is growing recognition of the vital importance of the food and agricultural industries in helping to drive economic growth and reduce poverty.

In view of this, organisations and governments across Africa continue to provide a range of support tools to farmers in order to strengthen the sector and give the rural poor access to the benefits of larger markets.

This support is particularly relevant given that a 2013 World Bank report, *Growing Africa: Unlocking the Potential of Agribusiness*, revealed that Africa's farmers and agribusinesses could create a trillion-dollar food market by 2030 if they expand their access to capital, electricity, better technology and irrigated land to grow high-value nutritious foods – and if African governments work more closely with agribusinesses to feed the region's fast-growing urban population. One notable example of the type of policy initiatives that are helping the continent to achieve such potential is the Comprehensive Africa Agriculture Development Programme (CAADP), which was established in 2003 to create 'a new vision for African agriculture'.

This African-led initiative was established by the New Partnership for Africa's Development (NEPAD), which is an African Union (AU) strategic framework for pan-African socio-economic development that aims to boost agricultural production and productivity.

A key goal of the CAADP is to encourage governments across Africa to increase investments in the agricultural sector and to allocate at least 10 per cent of their public expenditures to its development. In the 10 years since its inception, the scheme has shown promising results, with 32 countries outlining their priorities for meeting the CAADP goals in national agriculture investment plans.

Year of Agriculture and Food Security

The ambitious research and development schemes established under the four 'pillars' of the CAADP, which relate to land and water management, improving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African Union Commissioner for Rural Economy and Agriculture

The year 2014, declared by African Union Heads of State and Government in July 2012 as the Year for Agriculture and Food Security in Africa, will also be used to mark the 10th Anniversary of the Comprehensive Africa Agriculture Development Programme (CAADP) – the overarching framework for increasing agricultural production, productivity, food and nutrition security on the continent.

The African Union and its Member States, stakeholders and partners, will be working together more closely and vigorously towards recommitment to and boosting the drivers of the theme, 'Transforming Africa's Agriculture: harnessing opportunities for inclusive growth and sustainable development'.

We therefore look forward to heightened public-private partnerships in this regard. This will be building on the strong momentum seen over the past couple of years, as evidenced by increased prioritisation and financing by African governments, increased financial and technical support from partners, increased commitment and dynamism from all stakeholders, be they smallholder farmers, farmers' organisations, agro-dealers, agro-processors and agribusinesses, as well as pan-African institutions, including the African Union Commission, NEPAD Planning and Coordinating Agency and regional economic communities, among others.

Indeed, the private sector, both from within Africa and from outside of the continent, has demonstrated increasing interest and investment in agriculture and its value chain. We would like to see this multi-partner and multi-stakeholder investment multiplied and aligned to country-defined priorities, as enshrined in country CAADP Compacts and National Agriculture Investment Plans. This is a sure way to feed Africa's rising population and urbanising countries, and also to feed the rest of the world; to provide employment to Africa's increasing, dynamic and ambitious youth; and to improve the livelihoods of the majority of Africans involved in agriculture and rural development.

As regional economic communities continue with integration efforts while promoting trade, availability of markets will encourage farmers to invest more using modern technologies.

The African Union Commission and especially the Department of Rural Economy and Agriculture, which I head, will continue to support policy harmonisation across the continent, to strengthen partnerships and their alignment, to mobilise resources and to advocate accelerated implementation of policies, programmes and projects to enable Africa to attain a food- and nutrition-secure and poverty-free status within the African Union's vision of a prosperous citizenry. ■

market access, increasing food supply and improving agricultural research, have started to pay impressive dividends: agriculture across Africa has experienced an average annual GDP growth of four per cent over the 10 years since the commencement of the CAADP, well above the levels obtained in previous decades.

To help in building on this success, the AU has declared 2014 its Year of Agriculture and Food Security, with a theme of 'Transforming Africa's agriculture for shared prosperity and improved livelihoods through harnessing opportunities for inclusive growth and sustainable development'. In this exciting new phase, the CAADP will place a renewed emphasis on issues such as creating stronger platforms for agriculture policy formulation, encouraging private-sector development in the agriculture sector, support for climate-smart agriculture, education, food security and improved nutrition.

One way in which Africa's productivity is being improved is through the Fertilizer Programme, which has seen NEPAD working closely with the African Union Commission and the African Development Bank (AfDB) to establish the Africa Fertilizer Financing Mechanism.

85% of Africa's farms are smaller than two hectares

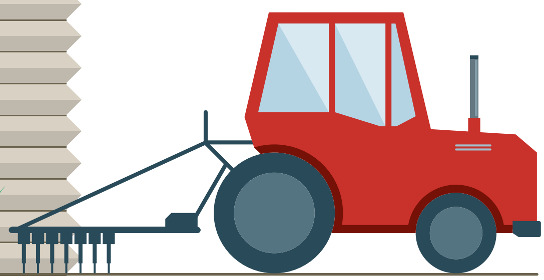
Designed to increase fertilizer use across the continent in order to boost productivity, the scheme will improve procurement and distribution processes, provide information, develop Africa's fertilizer-manufacturing capacity and maximise financing opportunities.

The success of the CAADP depends on the commitment of individual countries to the development of their own agricultural sectors. A 2013 report by the campaigning and advocacy organisation ONE, entitled *A Growing Opportunity: Measuring Investments in African Agriculture*, reveals that, by the beginning of 2013, a total of 24 countries had signed CAADP 'compacts' and launched "solid, costed and technically reviewed plans to accelerate agricultural development," while a further six countries have "committed to start the process and develop [national agriculture plans]". As the table overleaf shows, 19 countries in Africa are currently actively seeking finance for these "technically vetted and endorsed investment plans".

The New Alliance for Food Security and Nutrition, which was launched at the 2012 G8 summit, has seen a number of companies agree to invest in countries 'that have committed to make policy and regulatory

Total cost of national agriculture investment plans

Country	Plan length (years)	Total cost ($million)	Financing gap ($million)
Benin	5	983	707
Burkina Faso	5	2,700	730
Burundi	5	975	585
Cape Verde	6	250	129
Ethiopia	10	18,000	3,600
Gambia	5	296	200
Ghana	5	799	536
Kenya	5	3,100	8
Liberia	5	948	742
Malawi	4	1,752	614
Mali	5	792	510
Niger	3	1,100	341
Nigeria	5	13,500	1,500
Rwanda	3	848	325
Senegal	5	2,700	1,344
Sierra Leone	5	403	156
Tanzania	5	5,400	2,900
Togo	6	1,100	737
Uganda	5	1,000	225
	Total	**56,646**	**15,889**



sources: CAADP and Nigeria's Technical Review Report

reforms to enable more investment and agriculture productivity'; more than 60 companies – half of which are from Africa – have committed investment that totals to more than $4 billion.

Successful partnerships

The Grow Africa partnership reports that countries are increasingly establishing innovative 'multi-stakeholder partnership initiatives' in order to stimulate additional investment in agriculture. For example, Mozambique has designated three regions as 'agricultural growth corridors' to act as catalysts to promote agricultural development and attract public as well as private-sector investment. Burkina Faso, meanwhile, has established a national committee to coordinate dialogue with donors and investors in Bagré, a region that it views as exhibiting potential for agribusiness, horticulture, livestock, fish farming and staple crops production.

> Mozambique has designated three regions as 'agricultural growth corridors'

In addition to the ongoing promise of these regional and national initiatives, many countries in Africa have attracted significant investment from global companies. In 2013, Swiss company Syngenta announced plans to invest $500 million in Africa as part of a drive to increase sales and encourage more efficient food production. Its goal is to increase productivity for more than five million farmers by 50 per cent.

Also in 2013, US company DuPont Pioneer entered into a partnership with South Africa-based seed company Pannar Seed in an effort to increase the pace and scope of research and development in the African seed industry. As part of the collaboration, the US company will invest about $6 million in a 'world-class technology hub', which it expects to become a global centre of innovation in seed breeding; it is thought that bringing together Pioneer's high-yielding corn with Pannar's disease-resistant hybrids will help to increase yields on the 86 million acres available for corn production in Africa.

Project funding

Another part of the effort to maintain momentum is the Africa Fast Track Fund, a multi-donor trust fund that is managed by the AfDB that is now accepting grant applications for projects that are targeted at agricultural infrastructure, with a total investment size of $1.5 million in Burkina Faso, Côte d'Ivoire, Ghana, Tanzania, Ethiopia and Mozambique.

The enormous potential of Africa's agriculture is steadily being unlocked by a combination of astute investment from abroad and targeted development programmes at the national, continental and international levels. With governments agreeing to allocate a minimum of 10 per cent of their budgets to agriculture investment, this vital generator of growth is poised to take a leading role in poverty reduction and Africa's ongoing development. ■

Working on the water challenge

Across Africa, essential projects to improve access to safe drinking water are gathering pace, backed by investment from development institutions and aid agencies, finds Wendy Atkins

With more than 328 million people in Africa lacking access to safe drinking water, improving supply is high on the agenda. Access to clean, safe water is one of Africa's most basic development targets – it is the difference between life and death for millions of families. The issue of safe water is everyone's concern – from humanitarian organisations to big business. The UK-based charity WaterAid states the facts in its headline-grabbing banners, which use stark statistics from World Health Organization (WHO) and United Nations Development Programme reports. These include: "For every $1 invested in water and sanitation, an average of $4.3 is returned in increased productivity," and "Lack of water, sanitation and hygiene costs sub-Saharan African countries more in lost GDP than the entire continent gets in development aid."

Water is a priority in agricultural development, where irrigation schemes have the power to boost incomes and food security. In 2013, *The Guardian* newspaper reported that small-scale agriculture holds big promise for Africa, and claimed that supporting smallholder irrigation through finance and technical assistance could significantly improve productivity and incomes.

Securing supplies

Water is plentiful in many parts of Africa, but massive infrastructure investment is still needed to cope with the continent's huge fluctuations in precipitation – a challenge set to be exacerbated by climate change.

Money is still going into the quest for new water sources. Recent finds include two aquifers in Kenya's drought-hit Turkana region that the government believes could supply the country with water for 70 years. In 2012, an even more promising aquifer was uncovered in Namibia – the driest country in sub-Saharan Africa – which some analysts say could supply the north of the country for 400 years at current rates of consumption.

The challenges are enormous. Some of Africa's river basins, including those of the Nile, the Niger, the Orange and the Volta, are going to be put under increased ecological pressure over the coming years. Considerable investment in the sustainable management water is therefore needed, such as developing multi-purpose dams and building the capacity of Africa's lake and river basin organisations so that they can plan and manage the infrastructure. Further investment is also needed in order to construct high-quality water-storage and irrigation facilities.

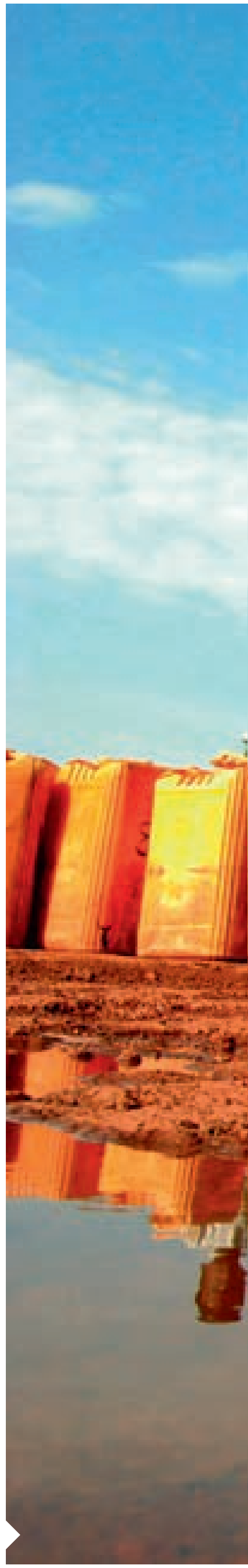
Slowly but surely, projects are getting off the ground. In Southern Africa, the Lesotho Highlands Water Project aims to transfer water from the Senqu/Orange River catchment area in Lesotho to meet the growing demand for water in South Africa, generate hydroelectric power for Lesotho in conjunction with the water transfer and undertake ancillary developments such as providing a supply of water for drinking and irrigation.

Meanwhile, in the Ethiopia/Sudan region, the African Development Bank (AfDB) has approved a €2 million ($2.7 million) grant from the African Water Facility to finance the development study for a multi-purpose water resources project. The scheme includes water supply and sanitation, hydropower, irrigation, flood control, drought management, navigation, fisheries, watershed management as well as tourism in the Baro-Akobo-Sobat area of the Nile basin. The project is also being jointly supported by the African Union's New Partnership for Africa's Development (NEPAD).

> Regional cooperation on water infrastructure is central to ensuring water security across the African continent

The AfDB is also intervening in Mali, where only about one-third of the population of the capital, Bamako, has access to drinking water. In October 2013 the Bank approved a loan of $75.5 million for a wide-ranging four-year infrastructure project that aims to produce an extra 144,000 cubic metres of water every day – 68 per cent of current production.

Regional cooperation on water infrastructure is key to ensuring water security across Africa. Africa's 63 international river basins, for example, are shared by two or more countries and "require careful coordination of water-resource management and associated infrastructure investments," says the World Bank.



In Mali's capital, Bamako, which is suffering from chronic water shortages, just 36 per cent of the population has access to safe drinking water

AMADOU KEITA/CORBIS

Agriculture is the engine of growth in Africa. Water is the fuel.

Many parts of Africa have enormous reserves of water that could help drive a continent-wide boom in food production and economic growth.

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- Improved policy and governance arrangements for agricultural water use.
- Increased investment in agricultural water infrastructure by the public and private sectors.
- Enhanced resilience of African agriculture to climate change.
- Increasing the use of research results in decision making.

IWMI shares the aims of the African Union Commission's Comprehensive Africa Agriculture Development Programme (CAADP) of the New Partnership for Africa's Development (NEPAD), which is committed to improving economic growth in the continent through agricultural development, and eliminating hunger and reducing poverty through agriculture.

The end users of our research results include rural and urban smallholder farmers, policy advisors, non-governmental organizations (NGOs), development organizations, agribusiness investors and financial institutions.

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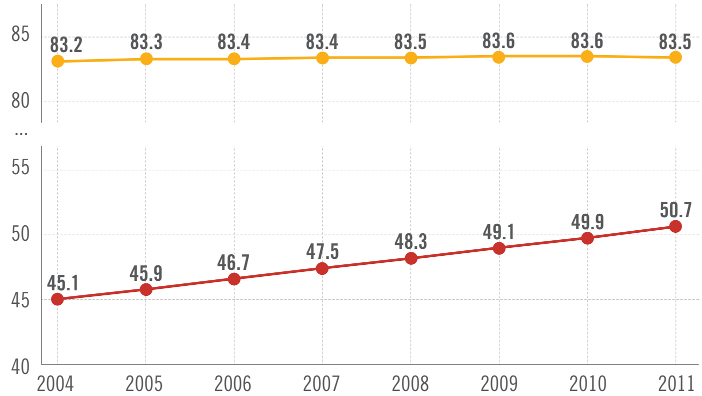
Improving water access in sub-Saharan Africa

Improved drinking water sources include piped water inside the user's dwelling, plot or yard, as well as sources such as public taps or standpipes, boreholes, protected dug wells, protected springs and rainwater collection



Percentage of urban population with access to an improved water source
Percentage of rural population with access to an improved water source

source: World Bank

Indeed, organisations such as the African Ministers' Council on Water (AMCOW) are making efforts to cooperate in the management of trans-boundary water resources. AMCOW, which has the status of 'specialised committee for water and sanitation in the African Union' has been mandated by the African Union to develop an implementation strategy for achieving Africa's water and sanitation goals. During World Water Week in September 2013, AMCOW representatives – including Nigeria's minister of water resources, Sarah Reng Ochekpe – discussed Africa's water resources, of which about 90 per cent are trans-boundary. They warned that the individual management of this all-important resource within national lines would increase conflict and create tension in and among countries.

The former president of Ghana and chair of the global Sanitation and Water for All partnership, John Kufuor, added that better access to water and improved sanitation are critical to attaining all of the Millennium Development Goals (MDGs), and called on every African country to make achieving the MDGs a priority.

The size of the water challenge is summed up by the *Progress on Drinking Water and Sanitation 2012* report by the WHO/UNICEF Joint Monitoring Programme for Water Supply and Sanitation. The report reveals that, although globally the MDG target of halving the proportion of people without sustainable access to safe drinking water has been attained, well in advance of the 2015 deadline, the target for improving sanitation is far from being met. Although 63 per cent of the world's population currently has access to improved sanitation – an increase since 1990 of 1.8 million people – on current trends this figure is projected to increase to only 67 per cent by 2015. This is well below the MDG target of 75 per cent. Furthermore, only 61 per cent of the population of sub-Saharan Africa has access to improved water supplies, compared with 90 per cent in Latin America, the Caribbean, northern Africa and large parts of Asia. In fact, more than 40 per cent of people globally who lack access to drinking water live in sub-Saharan Africa. Even more worryingly, the report reveals that many countries in Africa are not on track to meet the 2015 targets, with some actually falling back to pre-1990 levels of coverage.

40%
of those who lack access to safe drinking water live in sub-Saharan Africa

According to the AfDB's 2013 *State of Infrastructure in East Africa* report, although East Africa's overall performance in water and sanitation supplies (WSS) has improved and is comparable with that of the regional leader, southern Africa, progress has slowed in recent years. Access to improved sanitation over the past two decades has improved greatly in Uganda and Tanzania and there has been a steady improvement in Kenya, but in Rwanda it has declined. The report says: "A further drag on momentum is the significant access differential between urban and rural areas. On a positive note, disparities between lagging and leading areas within individual East African countries are narrowing."

One of the main challenges preventing Africa from improving its water infrastructure more quickly is the excessive costs caused by operational inefficiencies. This is particularly true in rural areas, where it is harder to achieve economies of scale. Access to finance is also an issue with water infrastructure rarely attracting sufficient corporate investment.

Investment sources

So most of the investment is coming from multilateral organisations such as the AfDB. Gilbert Mbesherubusa, a vice president of the AfDB, told delegates at the Presidential Summit on Innovative Funding of the Water Sector held in Nigeria in February 2013 that in eight years, the Bank had increased its annual water and sanitation investments 10-fold, from $70 million in 2003 to $700 million in 2011. He said: "Our water portfolio currently stands at $2.4 billion, financing close to 70 projects on the continent. In Nigeria, the bank's water portfolio includes both rural and urban water and sanitation projects and amounts to $277 million. Additional projects are in the pipeline."

The African Development Bank is also expediting development of water infrastructure through the Africa50 Fund after the AU Heads of State called for innovative solutions to the infrastructure deficit.

Aid agencies, governments and bonds are also providing funding. In 2011, for example, auctions of a percentage of Kenya's infrastructure bonds were earmarked for the country's diaspora to invest in, and these were tied to water, sewage and irrigation, as well as energy and roads schemes – all sectors in which such investors appear interested. ■

Education, skills and qualifications for accelerated and sustainable development in Africa

The Association for the Development of Education in Africa (ADEA) is first and foremost a forum for policy dialogue, composed of all 54 Ministers of Education in Africa and 16 development partners. Established in 1988 as a framework for better coordination among development agencies, ADEA has morphed into a pan-African institution built on a genuine partnership between African ministries of education and training and their technical and external partners. Since its inception, it has acted on processes that have had a profound impact on policymaking in Africa through evidence-based policy dialogue, capacity building, advocacy and networking.

Over the years, ADEA's work has expanded to focus more on the development of skills and competencies across all education sub-sectors. It addresses key thematic areas related to the improvement of both the quality and relevance of education and training systems, such as: technical and vocational skills development; higher education early childhood development; non-formal education; teacher professional development; integration of information and communication technologies; books and learning materials; education statistics covering education management and policy support; peace education; literacy and national languages; education for sustainable development; and communication for education and development.

Sustainable development

In spite of its abundant human and natural resources, as well as dynamic economic growth, Africa still faces persistent and emerging challenges that can stifle the achievement of the continent's vision of becoming "An integrated, prosperous and peaceful Africa, driven by its own citizens and representing a dynamic force in the global arena". Chief among them are the still high levels of illiteracy, abject poverty, and emerging challenges such as global warming and the ever-increasing chasm of scientific and technological capability between the continent and the rest of the world. These are antithetical to the achievement of both the African vision for sustained progress and the dream of catching up, technologically and economically, with developed nations.

Human-capital development is fundamental to effectively dealing with the challenges Africa is facing. It is precisely for this reason that ADEA organised a Triennale in Ouagadougou, Burkina Faso in February 2012, on the theme: 'Promoting critical knowledge, skills and qualifications for sustainable development in Africa: how to design and implement an effective response by education and training systems.'

Education is everybody's business and it is a social investment with a promise of awesome returns

The Triennale brought together four Heads of State, representatives of a further three Heads of State, 43 African Ministers, and numerous representatives of development partners, the private sector, civil society and other stakeholders. The overarching message of the policy dialogue was that any change aimed at accelerating economic growth – whether it be innovation, competitiveness, job creation, youth employment and entrepreneurship, structural transformation, or sustainable development – must equip the African youth and adults with critical skills. The message specifically called for a break with the existing education and training systems, precisely because these have had a limited impact on the needs of African society, and cannot effectively engineer the kind of shift in paradigm that is required. Therefore, there was consensus at the Triennale that the critical skills that African children and adults need to acquire in order to accelerate sustainable development are: (i) common core skills, which enable the seamless integration of people into society and the world of work; (ii) technical and professional skills, which enhance the productive and creative performance of workers; and (iii) scientific and technological skills, which facilitate the emergence of knowledge-based economies and societies.

For the education and training systems to be able to develop these critical skills, there is a need for, among others: (i) a shift from supply-driven to demand-driven learning; (ii) a holistic approach that recognises the acquisition of skills outside the formal school system; (iii) adaptation of opportunities for every youth and adult according to their needs and circumstances; and (iv) inculcation of a scientific culture in education and training systems. This was the message presented by President Blaise Compaoré of Burkina Faso in the form of a Strategic Policy Framework at the Summit of the African Heads of State on 28 January 2013, where it was unanimously endorsed.

Actualising the Triennale recommendations

While recognising that the ownership and responsibility for the implementation of the Triennale recommendations rests with each African country, ADEA and its partners will support country initiatives in the implementation process. To do so, ADEA has developed a Strategic Medium-Term Plan 2013-2017, which represents

Current and former Heads of State HE Alassane Ouattara, HE Amadou Toumani Touré, HE Blaise Compaoré and HE Mahamadou Issoufou at the opening ceremony of the 2012 ADEA Triennale, which was hosted by Burkina Faso. The theme was 'Promoting critical knowledge, skills and qualifications for Africa's sustainable development'

a road map for supporting and guiding the countries in the development and implementation of policies, strategies and programmes in education. The Plan's strategic objectives are to: (i) contribute to advancing policies, strategies, practices, and programmes that promote critical knowledge, skills, and qualifications; (ii) develop and promote African-led education and training solutions to address national and regional needs; (iii) foster greater utilisation of relevant ICT to accelerate the transformation of education and training approaches and outcomes; (iv) leverage a diverse, sustainable partner network; and (v) strengthen organisational capacity and effectiveness. In 2014, ADEA will directly assist and support African countries that have begun or are about to begin implementing the shift in paradigm recommended at the Triennale and endorsed by the African Union Heads of State in January 2013, in Addis Ababa.

Conclusion

The support of African political leadership is important for the implementation of the paradigm shift outlined above for the purpose of funding priorities and partnership. Equally important is the support of the private sector, development agencies, the African diaspora and other stakeholders. Education is everybody's business and it is a social investment with a promise of awesome returns. ADEA is therefore asking stakeholders to partner with the Association to achieve the African vision.

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Towards a brighter future

The potential of universal education to fast-track economic and social development in Africa is astounding, and work is under way to realise this vision, writes Emily Eastman

The provision of quality public education is fundamental to tackling issues of inequality and poverty. Access to education gives people greater control over their future prospects, and concentrated efforts across Africa are driving a more equitable distribution of educational opportunities for the continent's communities.

One example of concrete action is the African Union's (AU) Second Decade of Education for Africa (2006-15) Plan of Action, which focuses on the role of education in determining the quality and scale of development across member states. Building upon the achievements of the First Decade of Education (1997-2006), the plan seeks to enhance political support for education across all levels; capitalise on existing structures; augment mutual assistance among African states; and institutionalise the collaboration between countries to avoid the duplication of initiatives.

Priority areas of the plan include addressing the shortage of teachers and improving teacher competence; enhancing the capacity for leadership, support and supervision; raising social and professional conditions for teachers; facilitating knowledge production; increasing quality and efficiency across primary, secondary and tertiary education; and ensuring equitable access for all.

Focusing on the relevance of subjects and providing professional support for teachers will help to raise the quality of education in Africa, particularly if realised in tandem with addressing shortfalls in system and institutional governance.

Bridging the gender gap

Attaining full gender parity at all levels of education would have a far-reaching economic impact, and would underpin efforts to secure Africa's role as a growing global power. A report published in 2004, *What Works in Girls' Education: Education and Policies from the Developing World*, found that for each extra year a mother attends school, infant mortality is reduced by between five and 10 per cent. Similarly, international development organisation Plan International reports that an increase of just one per cent in girls' secondary-education attendance adds 0.3 per cent to a country's gross domestic product.

A number of organisations are supporting efforts towards eradicating disparities in educational inclusion. One such example is the United Nations (UN) Girls' Education Initiative, launched in 2000, which is assisting national governments in institutionalising gender equality and safeguarding the right to education for both girls and boys. The initiative works to assist the most disadvantaged social groups through the promotion of strategies that see these groups put first in policies, plans and budgets. Furthermore, it seeks to remove barriers to learning, such as school fees.

Access to education in Africa can be challenged by a range of themes. Gender-based violence and discrimination; cultural norms excluding girls from educational opportunities; lengthy and dangerous commutes; a dearth of information on post-secondary opportunities; disincentives to education, such as the possibility of a child earning a short-term income outside of their education; and unaffordable fees can all contribute to persistent gaps within a child's long-term education.

> For each extra year a mother attends school, infant mortality is reduced by five to 10 per cent

One of the UN's Millennium Development Goals sets out the target of achieving universal primary education by 2015, and although primary enrolment has risen considerably over the past few years, in most African states primary completion rates remain comparatively low against global figures. According to the African Development Bank (AfDB), a number of factors affect the likelihood of a child completing primary education. While gender plays a role, location and income are also key differentiators, with those living in urban areas significantly more likely to complete schooling than their rural counterparts.

Adult education is another focus of development, with illiteracy a particular problem in some African regions. According to UNESCO, adult literacy rates are below 50 per cent in Benin, Burkina Faso, Chad, Ethiopia, Guinea, Mali, Niger, Senegal, Sierra Leone

RANDY PLETT/ISTOCK PHOTO

While primary school enrolments have increased recently, completion rates in Africa are comparatively low

and The Gambia. The provision of adult literacy programmes broadens opportunities and reduces the difference in literacy rates between youth and adults – an area in which Africa has the largest gap worldwide.

Preparing for employment

Africa has the youngest population in the world, and is expected to have a larger working-age population than China by 2040. It is therefore crucial that young Africans are equipped with the skills required for long-term employment, particularly in key development areas such as agriculture. To develop large-scale farming and modernise the agro-industrial sector, broader education is needed in agro-processing technologies, and opportunities need to be highlighted. In line with this, governments across Africa are planning policies that will deliver solid educational and employment opportunities for the continent's youth, and these investments in future generations are set to deliver considerable economic benefits.

Indeed, literacy rates among 15 to 24-year-olds in Africa are encouraging, despite inconsistencies between states and regions. The AfDB reports that in 2010, around 70 per cent of youth who completed the full cycle of primary education in Africa could read a simple sentence without difficulty.

One country delivering on education is Kenya, where President Uhuru Kenyatta has called for the greater harmonisation of training and higher-education systems to grant young East Africans access to universities of their choosing. He has also highlighted the role of the private sector in ensuring top levels of competent, skilled and enterprising human capital. Addressing the Second Academia-Private-Sector Forum in October 2013, President Kenyatta said: "This means our graduates will leave university well-equipped to spearhead our industrialisation. They will come out job creators, and not job seekers."

Young people are increasingly taking control of their education and employment opportunities. Statistics South Africa reports that up to 97.3 per cent of graduates from tertiary education are employed in the formal sector, compared with 52.9 per cent who leave schooling at the secondary level. From its findings, the organisation deduces that education is crucial to improving outcomes from the labour market, and this reasoning extends across Africa. Furthermore, with rising numbers of young people participating in the labour market, greater numbers are also gaining access to benefits such as medical insurance and pensions.

ALAN NAMBIAR/ALAMY

In South Africa, 97.3 per cent of graduates from tertiary education are employed in the formal sector

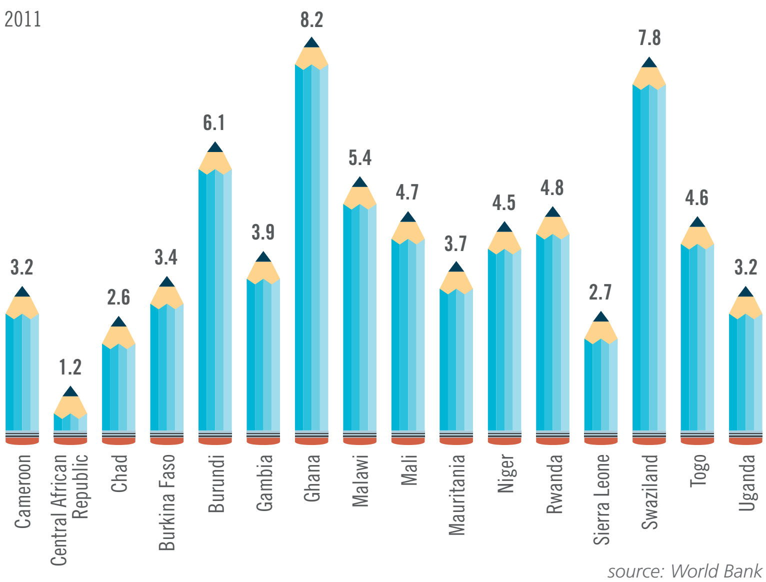
Girls in particular have been striving to broaden the opportunities that are available to them within certain sectors. In Uganda, for example, a group of girls has established GirlGeekKampala, an initiative that celebrates women in the field of technology and encourages greater participation. The group works to equip young girls with basic IT-development, programming and engineering skills, and to make opportunities within the IT sector more visible.

In South Africa, a similar enterprise has been developed, called She'sTheGeek, which works to empower women through training in technology and innovation. Across the continent, initiatives are surfacing that provide peer mentorship and education resources within the field of technology.

Investment in education will enable Africa's youth to participate in politics, business and leadership, and will also feed into positive social change across the continent. Addressing gender parity means challenging cultural and social norms that disempower girls, and education is key to development in this regard. Central to achieving broader access to education for all Africans is the streamlining of poverty-reduction strategies and educational initiatives.

Investment in Africa's education is an investment in the continent's future, and a contribution to the empowerment of all young people. Creating educational opportunities, building capacity, offering institutional support and innovation and delivering broader options will help to fuel the continent's progress towards reaching its full economic potential. ■

Total percentage of GDP spent on education



source: World Bank

Meeting demand in the healthcare sector

Slowly but surely, healthcare outcomes are improving for large numbers of people across Africa. But with considerable disparities between and within nations and regions, there is still room for improvement, finds Emily Eastman

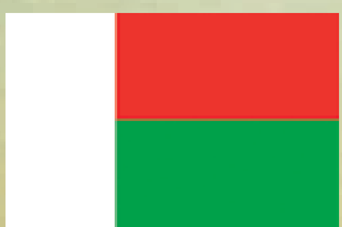
Africa's health challenges are multifaceted. Issues vary considerably between rural and urban regions, with the former often in need of basic services that are already available in towns and cities. While the continent remains burdened with communicable viruses and diseases, such as HIV, AIDS and malaria, there are also increasing incidences of chronic conditions more common in developed countries. These include cardiovascular diseases, diabetes and cancer. This combination has led to what the African Development Bank (AfDB) describes as Africa's 'double disease burden'.

Key health determinates also differ considerably between states. For example, in the *Atlas of African Health Statistics 2012: Health Situation Analysis of the African Region*, the African Health Observatory reports that, in Niger, 40 per cent of children under five years old are underweight, compared with less than four per cent in Algeria. There are also enormous disparities in the total expenditure on health as a percentage of GDP across Africa. In the Republic of the Congo, just 2.5 per cent is spent on healthcare, compared with about 19 per cent in Sierra Leone. World Health Organisation (WHO) analysis shows that for every 10,000 people in Africa, there are

The vaccination of newborn babies against diseases such as polio and measles is helping to decrease Africa's child mortality rate, which is currently the highest in the world

2014 ALMA AWARDS FOR EXCELLENCE


Cape Verde


Madagascar


Malawi


Namibia


Rwanda


São Tomé and Príncipe


Swaziland

AFRICAN LEADERS
MALARIA ALLIANCE

ALMA

Seven African countries are the recipients of the 2014 African Leaders Malaria Alliance (ALMA) Award for Excellence for their exemplary leadership in maintaining an average of 95% coverage year round, in the implementation of Long-Lasting Insecticidal Nets and/or Indoor Residual Spraying interventions against malaria. The awardees were chosen by an independent selection committee representing World Health Organization (WHO), Roll Back Malaria (RBM), the private sector, civil society and academia. The selection is based upon the data collected by RBM Partners and reflected in the ALMA Scorecard for Accountability and Action and country quarterly reports.

Recipients of the 2014 ALMA Awards for Excellence in Implementation of Vector Control are: 1) Cape Verde, 2) Madagascar, 3) Malawi, 4) Namibia, 5) Rwanda, 6) São Tomé and Príncipe, and 7) Swaziland.

As a result of this significant scaling-up of malaria control interventions, an estimated 3.1 million lives have been saved in Africa since 2000, reducing malaria mortality rates by 49%. This is an unprecedented success for Africa! ALMA member countries are urged to allocate sufficient resources from their overall Global Fund country allocation to malaria control commensurate with the size of their malaria burden to sustain these gains.

Congratulations to the recipients of the 2014 ALMA Awards for Excellence for their significant contribution in the fight against malaria.

For more information please visit the ALMA website at:

www.alma2015.org

Midwifery training is carried out in Liberia. In a recent report, the United Nations found that the number of girls who become mothers before the age of 15 is set to double by 2030 in sub-Saharan Africa

2.5 physicians and 9.1 nursing and midwifery personnel – the lowest ratio of any region globally. This compares with respective worldwide averages of 13.9 and 29.0.

Caring for women

The provision of healthcare for pregnant women is of particular concern in certain regions, and steps are being taken to improve conditions and services.

Many Africans lack access to family-planning services and prenatal medical care. But in Ethiopia, strong initiatives and programmes saw a 100 per cent increase in the country's rate of modern-contraceptive prevalence between 2005 and 2011. In November 2013, the Third International Conference on Family Planning was held in Ethiopia – a country that was selected for its enduring commitment to and success in family planning. The conference focused on developing solutions to issues that encumber family-planning efforts. The persistent issue of gender inequality contributes to 222 million women in the developing world having no access to contraceptives, while inefficient supply chains mean that supplies and services often fail to reach people. Addressing taboo subjects and catalysing broad discussion on the contraceptive needs of men and women is a crucial but difficult task.

For women of childbearing age in Africa, complications during pregnancy and childbirth are a leading cause of death. The AfDB reports that the chance of an African woman dying during pregnancy or childbirth is one in 16; in developed countries, the odds are one in 4,000. Yet despite the grave figures, some countries have made considerable progress, and sub-Saharan Africa has recorded a total reduction of 44 per cent in maternal mortality rates over the past 20 years.

Furthermore, in its annual *State of World Population* report for 2013, the United Nations (UN) Population Fund found that the number of girls who become mothers before the age of 15 in sub-Saharan Africa is set to double by 2030. In 15 countries around the world, more than 30 per cent of mothers are adolescents. Six countries have recorded an increase in the rate of adolescent pregnancy, and all of these are in sub-Saharan Africa. Speaking when the report was released, Dr Babatunde Osotimehin, executive director of the fund, said: "The reality is that adolescent pregnancy is most often not the result of a deliberate choice, but rather the absence of choices, and of circumstances beyond a girl's control. It is a consequence of little or no access to school, employment, quality information and healthcare."

> Between 2000 and 2010, eight sub-Saharan African countries cut malaria cases by 75 per cent or more

Taking a holistic approach to issues of prenatal and maternal care includes educating people, and global organisations, such as WHO and the US Agency for

GHANA: transforming a nation's health

- Ghana's Ministry of Health has embarked on an integrated programme of health infrastructure projects for the transformational improvement and expansion of the nation's healthcare services.
- Construction has commenced on a new generation of District Hospitals under an infrastructure design and technical partnership headed by NMS Infrastructure Limited with a cost effective, long-term and flexible financing solution provided by Barclays Bank. The transaction was awarded deal of the year by a number of organisations, including *Global Trade Review* and *The Banker* – a *Financial Times* publication.
- The Government of Ghana has implemented a number of initiatives aimed at reversing the brain drain by attracting skilled Ghanaian health workers to return to the Ghana Health Service.
- Development objectives are focused on improving access to in-patient and out-patient healthcare in district communities targeting treatment of malaria, HIV/AIDS, diarrhoeal diseases, lower respiratory infections and perinatal conditions.
- Ghana is also delivering under its Expanded Programme of Immunisation against preventable diseases, particularly for children and expectant mothers, in line with Ghana's Millennium Development Goals and WHO regional/global priorities.
- Bill Gates says "Ghana's universal healthcare system is one of the most successful on the African continent."

The NMSI project, involving a collaborative public-private consultative process, has four main components.

The first component is provision of improved hospital facilities with emphasis on low income and rural communities at district level. The objective of this component is to increase access to improved healthcare and to increase coverage of medical facilities and qualified health personnel. This component includes the development and implementation of traditional medicine and mental health facilities, supported by health awareness learning and dissemination targeted at low-income households.

The second component comprises the implementation of a Hospital Management IT System. The objective of this component is aimed at improving efficiency of hospital administration and management to minimise waste and operating costs.

The third component is planning, improvement and management of pharmaceutical supplies by the adoption of a Pharmaceutical Management System to optimise availability of life-saving drugs in order to facilitate effective patient treatment. The objective of this component is to develop integrated plans and logistics for pharmaceutical supplies.

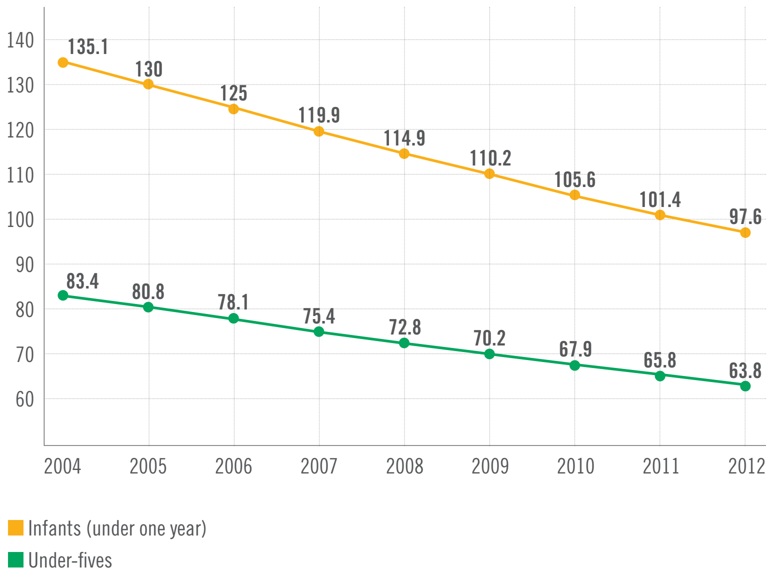
The fourth component is the strengthening of Ghana Health Service through technical training and support aimed at improving delivery of services and the environmental sustainability of the District Hospitals. This component will provide technical assistance to clinicians and support staff to ensure equipment is properly operated and maintained.

New Generation District Hospitals
UNDER CONSTRUCTION

**Government of Ghana (Ministry of Health)
working in partnership with
NMS Infrastructure Limited, UK**

NMS INFRASTRUCTURE LIMITED

Mortality rate per 1,000 births, sub-Saharan Africa



source: World Bank

International Development, are working alongside governments and health providers to help educate women and couples on how to prevent pregnancy. Closely spaced pregnancies pose the biggest risk to both mothers and their babies, and evidence indicates a significant reduction in maternal and infant mortality when pregnancies are kept more than two years apart.

The Millennium Development Goals

The UN has stipulated that, between 1990 and 2015, child mortality should be reduced by two-thirds. As reported in *MDG Report 2013: Assessing Progress in Africa toward the Millennium Development Goals*, Africa reduced its average child mortality rate by 2.4 per cent annually between 2000 and 2010, but further progress is needed – particularly in addressing the disparities between countries and the fact that Africa suffers from the highest under-five mortality rate in the world.

Since 1990, countries including Chad, Kenya, Mali and Somalia have seen increases in their absolute numbers of under-five deaths. An African Union (AU)/UN report on MDG progress attributes this to high population growth and a lack of increase in resource allocation. Eleven African countries achieved drops of at least 60 per cent in their under-five mortality rates between 1990 and 2010, which is credited by UNICEF to factors such as improvements in technology and education, and better health-service delivery, as well as economic growth.

In November 2013, the AfDB reaffirmed its commitment to strengthening Africa's health workforce. The priorities of its Human Capital Development Strategy 2012-16 echo those of the One Million Community Health Workers campaign, which seeks to provide life-saving services to Africa's rural poor through programmes for community health workers, who provide an essential link between primary healthcare systems and underserved people.

40%
– the number of underweight children in Niger below the age of five

In the developing world, UNICEF reports that pneumonia, diarrhoea, malaria, measles, HIV/AIDS and malnutrition are the primary causes of child mortality. The organisation states that every minute, a child in Africa dies from measles, despite it being preventable by vaccination, while a dearth of antimalarial drugs contributes to sub-Saharan Africa enduring 90 per cent of the world's malaria cases. Yet the bleak figures do represent an improvement. Between 2000 and 2010, malaria mortality rates fell by 33 per cent in sub-Saharan Africa, and eight sub-Saharan African countries cut malaria cases by 75 per cent or more. This has been achieved by stepping up the use of insecticide-treated nets and increasing indoor residual spraying, as well as carrying out intermittent preventative treatment on pregnant women. Removing barriers to the prevention and control of diseases is fundamental to Africa's success in delivering better healthcare, and action is taking place through initiatives such as WHO's Global Malaria Programme and the efforts of charities and non-governmental organisations.

Investing in mental health

There is also a profound need for treatments for Africa's millions of mentally ill. Mental health across the continent is severely underfunded, and WHO estimates that 75 to 85 per cent of people with acute mental illnesses receive no treatment in the world's low- and middle-income countries. On average, mental health receives just one per cent of health budgets in sub-Saharan Africa. A 2011 report from the World Economic Forum forecasts that, by 2030, non-communicable diseases will cost the global economy more than $30 trillion, with mental health conditions costing an additional $16 trillion. Integrating mental health treatment into primary healthcare will have considerable benefits. Increased investment in this often-overlooked area will boost development across Africa, particularly when paired with preparations for the post-MDG agenda.

Healthcare is intrinsic to ending dependency, exclusion and poverty, and expanding services will help to deliver high-quality, equitable healthcare across Africa. As Dr Nkosazana Dlamini Zuma, chairperson of the AU Commission, acknowledged at the organisation's special summit on AIDS, tuberculosis and malaria in July 2013, ending the continent's subjugation by such diseases "is not going to be easy, not going to be quick and not going to be cheap. It is a huge investment that is absolutely guaranteed to bring enormous returns." ■

Tourism: promising new shores

Across Africa, tourist numbers are growing at a steady pace and returns for investors are among the highest in the world. **Emily Eastman** explores Africa's growing status as a tourism hotspot

GUIZIOU FRANCK/CORBIS

South Africa receives 66 per cent of all tourists visiting Southern Africa and is working towards becoming one of the world's top-20 travel destinations by 2020. The country is also broadening its source markets

A recent report by the World Bank, *Tourism in Africa: Harnessing Tourism for Growth and Improved Livelihoods*, states that the rise of sub-Saharan Africa's tourism industry is underpinning economic growth. Directly or indirectly, the sector employs about 13 million people in Africa, and this is expected to rise to more than 16 million by 2021.

A number of factors contribute to this potential for success. Simplified tourism policies, diversified sectors, improved transport infrastructure and the liberalisation of air transport are helping to establish an attractive investment climate. At the same time, governments and policymakers are placing greater focus on preserving communities and the environment, and ecotourism is becoming an increasingly popular sub-sector.

In early 2013, Botswana Tourism developed the Ecotourism Certification System, which outlines 240 performance standards and encourages responsible environmental behaviour by tourism companies. The system comprises three tiers – 'Green', 'Green+' and 'Ecotourism' – with the highest certification awarded to companies that are engaged in all aspects of ecotourism, including involvement with local communities and environmental conservation. In Tanzania, Chumbe Island Coral Park, an island off the coast of Zanzibar that is privately run on a non-profit basis, gained UN recognition in 2012 for the innovative ways in which it is protecting its

DAN KITE/ISTOCK IMAGES

Africa's highest mountain, Mount Kilimanjaro in Tanzania, attracts about 30,000 foreign visitors every year

exceptional coral reef, and was highly commended in the 2013 World Responsible Tourism Awards. The island's buildings, which include a small 'eco-lodge' for tourists, are all run on state-of-the-art eco-technology that aims to have zero impact on the environment. Meanwhile, the Ghanaian government is developing the Achimota forest into a major ecotourism destination, offering safari walks, eco-lodges, game-viewing points and a cultural village.

Combining tourism with community-outreach programmes and environmental consciousness is a growing trend, with revenue that is plunged back into local economies helping to drive development and improve social and economic inclusion. Tourism stimulates activity such as infrastructure construction, which benefits rural communities, and many tourism companies employ local people from disadvantaged communities in enterprises, utilising their knowledge of the region in exchange for a fair wage.

The employment of local people underpins the tourism industry at Tanzania's Mount Kilimanjaro – Africa's highest mountain and a world heritage site (pictured above). Not only does revenue from the mountain contribute 13 per cent of the country's gross domestic product, but it also supports the employment of approximately 400 guides, 10,000 porters and 500 cooks. Moreover, according to the World Bank some of that revenue is used to help improve conditions for local inhabitants: at 100 per cent, the school-enrolment rate is the highest in Tanzania.

13%
of Tanzania's GDP is attributable to tourists visiting Mount Kilimanjaro

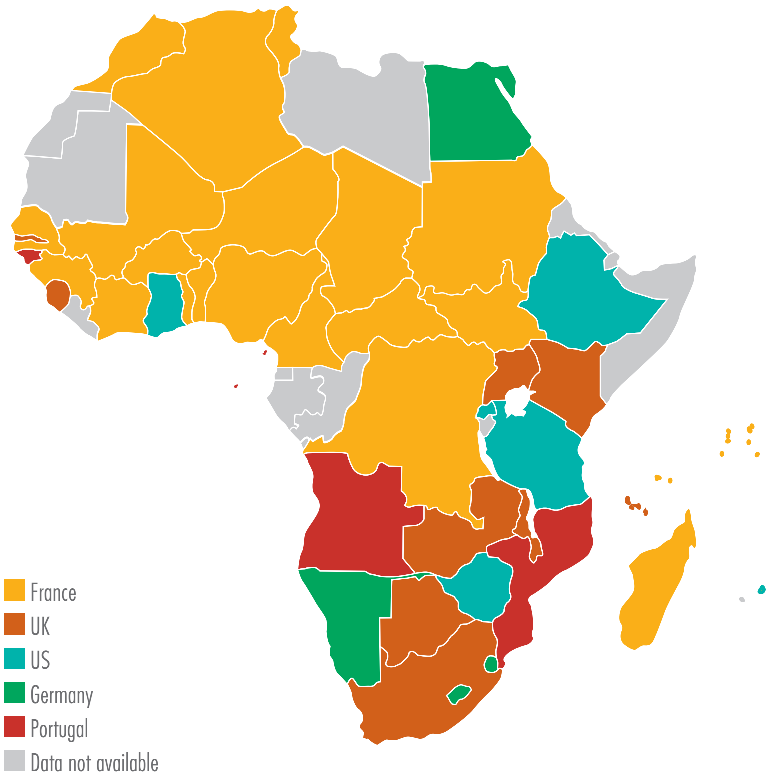
Competing in the global arena

African countries have good scope to compete with the world's tourist-rich regions if effective planning takes place. Integrating tourism into national economies will help countries to attract greater tourist numbers, and therefore greater revenue. In 2012, receipts from tourism in Africa came to more than $36 billion, and between 2009 and 2010, in spite of the global financial crisis, international tourist arrivals increased by eight per cent.

The traditional source markets of Europe and the United States contribute significantly to Africa's visitor numbers. France and the United Kingdom have particularly strong links with African countries, and both top the lists of source markets for a number of countries, while the US is the biggest source market for countries including Ethiopia, Ghana, Zimbabwe and South Africa. However, extending their reach away from traditional source markets will augment growth, and will fortify African countries in competing in the global tourism arena. In this regard, South Africa, which is working to become one of the world's top-20 travel destinations by 2020, is faring particularly well. In 2012, Chinese nationals were the fourth-largest tourist group to visit South Africa, where tourism makes up nearly 10 per cent of the country's GDP, and research firm Euromonitor International predicts that this will increase, from 132,000 in 2012 to more than 180,000 by 2017. In the first quarter of 2013, Statistics South Africa recorded a 22 per cent increase in the number of tourists from India, and strong growth can also be seen from South America.

Domestic tourism is also important. In 2013, Ghana hosted the Ghana Domestic Tourism Fair and Exhibition, which provides a platform to promote domestic tourism, encourage expansion, identify trade and investment opportunities and create new partnerships for growth. In South Africa, the Sho't Left campaign has been launched to encourage South African nationals to explore their home country. Meanwhile, the Common Market for Eastern and Southern Africa (COMESA), is seeking to build a sustainable tourism industry across its member states, and is working on the implementation of a borderless tourism market. This will help to reduce dependence on tourism from outside Africa, and is timely considering the rise of Africa's middle class.

Top tourist source markets for Africa



source: World Bank, Africa House, ATA

Creating the right environment

Harnessing tourism through joint ventures is central to unlocking sustainable wealth creation, and developing regional public and private approaches should foster more competitive and investor-friendly tourism sectors. It is important that governments work with private companies to develop and implement the facilities required for successful tourism industries. Sufficient transport systems and good infrastructure is vital, and the provision of reliable services will help to promote broad-based growth.

Barriers to investment in tourism and sustainable development include problems accessing finance, bureaucratic processes and taxes on tourism investments, but efforts to incentivise investment are wide-reaching. In many countries, including Tanzania, tourism is classified as a 'lead sector', and a number of incentives apply. Although these vary between countries, they usually include zero rates of value-added tax on tourist services, investment allowances and tax exemptions on construction materials and imports for tourism-related ventures.

In many countries, tourism is classified as a 'lead sector', with incentives for businesses

In terms of security, recent unrest in some African countries has had a measurable effect. Egypt, for example, recorded its lowest number of tourist arrivals in three decades in September 2013. Amid mounting political tension, Egypt's minister of tourism, Hisham Zazou, confirmed that the country received about 50,000 tourists that month, compared with about one million during the same period in 2012. Things are picking up, however, as some countries lift advice against travel to Egypt, and Zazou is confident that tourism numbers will soon bounce back. Kenya is also working to assuage concerns following the terrorist attack on Nairobi's Westgate Mall, and hopes to increase arrivals from one million to three million by 2017.

Tourism plays a crucial role in unlocking economic potential, and countries across Africa are acting on this; however, while tourism thrives in leading countries such as South Africa, Zimbabwe (which accounts for 16 per cent of international arrivals in East Africa), Nigeria and Senegal (which together receive 78 per cent of West Africa's visitors), there are significant disparities in the share of tourist numbers between nations. Many need greater investment to expand, and tourism ministries need to create favourable environments for investment. Facilitating investment for tourism growth also demands robust communication between policymakers and stakeholders, and between public and private entities.

It is important that African nations work to diversify their tourism offerings. Creating an environment in which tourism companies can flourish will underpin the transformation of Africa's economies, trigger long-term economic growth and enable greater numbers of people to experience all that Africa has to offer. ■

Building healthy financial markets

Over the past decade, Africa has been home to some of the world's fastest-growing economies, but more could be gained with a stronger financial structure. Nigel Gibson looks at the role of financial institutions

When a galaxy of Africa's leaders, heads of state and visiting dignitaries gathered in Ethiopia's capital, Addis Ababa, in May to celebrate the African Union's (AU) half century, there was a sense of pride in what had been achieved, as well as a sense that more could be done, particularly in modernising the continent's banks and financial markets.

True, six of the world's 10 fastest-growing economies of the past decade are in Africa, and according to consultancy McKinsey, more than half of African households will be earning enough to spend some of their income on non-essentials by 2020. Yet, many still wonder, how much more could be achieved?

The pan-African banks

It was partly to answer this question that the AU first conceived the idea of three financial institutions: the African Investment Bank, which is based in Tripoli, Libya; the African Monetary Fund, in Yaoundé, Cameroon; and the African Central Bank, in Abuja, Nigeria. These institutions were designed to foster economic growth as well as closer ties; to help eliminate restrictions against trade and monetary integration; and to build a common monetary policy.

That the institutions have yet to make their mark as their founders intended is perhaps less a reflection of the importance of their roles than the fact that, as happens when nations gather with good intentions, events tend to overtake the best-laid plans.

Indeed, in a recent strategic plan, the AU was clear about the risks and the priorities: the region's economies could suffer if commodity prices remain volatile, so unsettling financial markets; efforts to foster trade across the continent would be hampered unless transport and other links were improved; barriers to trade, technical and otherwise, would hold back the pace of economic growth; and, although the continent is rich in energy, too little of it has been traded between countries, so missing opportunities to create economies of scale.

A key, of course, is not just more finance and investment, but on the right terms. As the New Partnership for Africa's Development (NEPAD), part of the AU, and the Organisation for Economic Cooperation and Development (OECD) highlighted in a joint report, much of the continent suffers from a regulatory framework that concentrates banking, discourages intermediation – particularly to small and medium-sized businesses – and holds back the development of capital markets. With too few financial instruments and little access to them, those same small businesses are pushed towards the informal markets for finance, which, of course, are harder to regulate.

Part of the answer is to get rid of bottlenecks in regulation; to introduce more competition among a larger number of banks; to encourage capital markets, particularly in issuing and trading bonds; and to bridge the gap between the formal and informal sectors of the financial system. Fortunately, all of this is beginning to happen, as are steps to improve the registration of property rights, so that owners and banks alike have a clearer idea of who owns what and how much security such property provides.

$750 million in 10-year bonds was issued by Zambia in September

Bonds and borrowers

As events since the financial crisis of 2008 have shown, the flow of international capital can be fickle, particularly at a time when governments are reducing their deficits and big banks must meet tougher requirements for capital. For those reasons, Africa has to become more independent in generating the finance it needs – and, unsurprisingly perhaps, it is.

Governments are themselves tapping the market for eurobonds as sovereign borrowers. During the past few years, countries such as Namibia, Nigeria and Rwanda have sold bonds on international markets for the first time. Others are likely to follow, not least because of the favourable terms on offer.

In September, Zambia issued $750 million-worth of 10-year bonds at a yield of 5.6 per cent. Such a low cost of borrowing would have been quite unthinkable a few years ago. These issues not only give the government the funds it needs to invest in the country's future; they also provide guidance – in the form of a yield curve – for other borrowers to emulate. Where sovereign borrowers go, banks and other companies follow.

It is not just the banks and big business that are reaping rewards; citizens should soon find they have money to spend on more than just the essentials

JOSE LUIS PELAEZ/ALAMY

PICTORIAL PRESS LTD/ALAMY

Ecobank operates in 33 countries across Africa. Consolidation by banks such as this one, which bought Nigerian bank Oceanic in 2012, is helping to lift the prospects of businesses and deepen equity markets

Furthermore, the market for such debt has been invigorated by the policy of quantitative easing that has been pursued by the United States Federal Reserve.

So, when the country's central bank begins to 'taper' its buying of bonds, the cost of borrowing in dollars for issuers – particularly those in emerging markets – may rise. Yet the opportunity remains open and could last for longer than some expect. Certainly, the fact that two of Africa's main equity markets – those in Nigeria and Kenya – have risen in value by more than half during the past year or so is proof of the interest among international investors.

But what more should regulators do to sustain this interest? In equity markets, liquidity is key. Of the 200 or so shares listed on Nigeria's stockmarket, the largest of the so-called frontier markets in sub-Saharan Africa, only a minority are liquid enough to persuade international fund managers to buy and hold them.

Consolidation, particularly across regions, will help to boost the prospects of businesses and deepen the markets themselves. First in the queue are often banks.

Take Ecobank, which is based in Togo but has businesses in 33 countries across the continent. In 2012, it raised $250 million from PIC – South Africa's pension fund for state employees – in order to buy Oceanic Bank, a Nigerian lender. The outcome: Ecobank not only secured the finance locally to build its regional business; in the process it also helped to deepen the capital markets on which it is likely to depend in future.

Everyone's a winner

Are investment bankers poised for a surge in business, not just from helping firms issue bonds, but from raising equity and doing deals? Perhaps. In some markets, such as Nigeria, the gap in value between the top and middle tiers of banks listed there has widened of late. This has increased the pressure on some to ponder their next move. A wave of consolidation may be in the air.

With wages rising, albeit gradually, companies offering what are known as fast-moving consumer goods could be next in line to expand by tapping the equity markets and using the proceeds to buy other businesses. Indeed, the shares of international companies such as Unilever and Nestlé are already listed on exchanges in Africa and are well liked by investors. In future, there may be more such companies on offer.

However, the profitability of companies, of course, depends in part on the volume of trade and on whether or not there is money to finance it. On paper, at least, there is potential. In the North Africa region, only about 40 per cent of trade takes place within the continent; the majority is conducted with the US and Europe.

How to alter the balance? From February, for four years, the African Development Bank (AfDB) is offering up $1 billion in extra financing. Part of the money will go on short-term lines of credit for banks, part on sharing the risk of transactions with them, and part on boosting trade in commodities, particularly agricultural ones. Opening up the financial market will support the modernisation of agriculture and enable agri-businesses to grow, especially in terms of enhancing the continent's research and export capabilities.

Since most trade within Africa is done over land, it might also help to improve the infrastructure, so that transport is more efficient. The AfDB reckons that a shortage of roads, housing, water, electricity and so forth reduces sub-Saharan Africa's output by as much as 40 per cent.

> Opening up the financial market will support the modernisation of agriculture

A possibility for financing such infrastructure may be partnerships between the public and private sectors. This way, governments guarantee projects, reducing the cost of raising finance, but do not pay for them directly – so everybody benefits. ■

My future is my bond

African countries are increasingly issuing sovereign debt as an affordable means of funding development and investors are eager to buy in a region witnessing rapid growth, but other financial instruments are also proving popular, writes **Nigel Gibson**

BFG IMAGES/GETTY IMAGES

A few years ago, South Africa was the only country on the African continent to regularly tap the international market for eurobonds. But now it seems that every country with an economy that is sound enough to seek a credit rating is thinking about it.

So far, 14 African countries have issued international debt, 11 of them from the sub-Saharan region. Nigeria and Gabon were the first to take the step in 2007. They were followed by, among others, Senegal, Namibia and Zambia. Tanzania, which has big reserves of natural gas, raised $600 million through a placing of international bonds in February; and, in September, Mozambique sought $500 million by selling its first bonds denominated in dollars at a yield of 8.5 per cent.

The attractions are obvious. For investors in search of yield, dollar-denominated debt issued by sovereign states in the fastest-growing parts of Africa has appeal, particularly when compared with the low returns on offer elsewhere. For African issuers with an appetite for growth, not only is it often cheaper to issue international debt, but the pool of possible buyers is deeper too. As a result, everybody is happy – until, that is, the US Government decides to 'taper' its purchases of domestic bonds and the subsidy to borrowers in dollars implicit in its policy of quantitative easing begins to tail off. When that happens, the window may narrow but it is unlikely

A view across Johannesburg. South Africa has the continent's most liquid market for debt, followed by Nigeria

Case study: mobile money

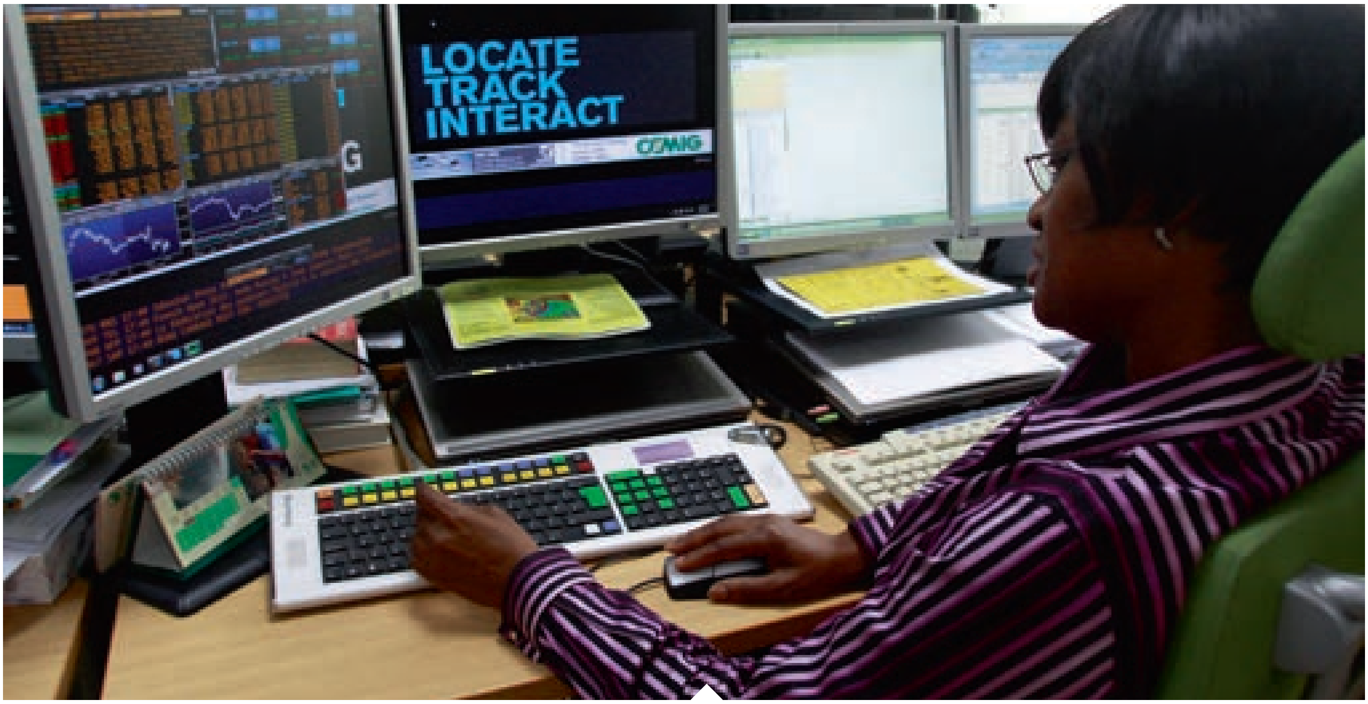
Large parts of Africa have leapfrogged traditional telecommunications systems and opted instead for mobile technologies. With the rapid adoption of such technology has come a new trend in banking – mobile financial instruments.

Safaricom, a major Kenyan mobile phone operator, has been quick to invest in new products. As a result, many of its 19 million subscribers use its service to send money from one point to another. So much so, in fact, that Swahili is spreading into the world of global finance.

M-Pesa, named after the local word for cash, has become an easy way to transfer money. The system uses a text-based format that can be run on even the most basic of mobile handsets, which has created a wide customer base. Millions of Safaricom's customers are using M-Pesa to pay for everything from school fees to electricity bills. As a result, the company, which is part-owned by Vodafone, has now introduced something called M-Shwari, a savings account named after the Swahili word for 'cool' or 'calm'. M-Shwari uses a similar model to M-Pesa in that it can be set up quickly and accessed from most handsets. The system is part-owned by Commercial Bank of Africa; however, M-Shwari does not offer customers physical branches.

A large portion of Kenya's gross domestic product flows from mobile to mobile

Users do not require a minimum balance and can access a small overdraft if they pay a fee. Defaulters on the loan risk losing their phone numbers, which – in mobile-mad Kenya – is a fate barely worth considering.



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A trader follows market fluctuations. Stocks can open up opportunities within Africa's burgeoning economies

to shut. For example, Ethiopia is among those approaching the starting block for an issue of international bonds. Others, such as Angola and Cameroon, may follow over the coming years.

Nor are eurobonds or other conventional debt denominated in dollars the only option. Increasingly, sovereign states are considering Islamic bonds, or sukuk. In October 2013, Nigeria's Osun State raised 10 billion naira ($62 million) by issuing Islamic bonds, the first such offering in sub-Saharan Africa. Although quite modest in size compared with international issues of sukuk, it is evidence of the options opening up to borrowers across the continent as new forms of finance become available.

Indeed, Nigeria's standing as the continent's most liquid market for debt after South Africa has risen still further since J P Morgan and Barclays, both international banks, included the country's bonds in their sovereign indices. The decision was a big step in persuading investors to look again at Nigeria's debt.

The Kenyan customer base has adopted these new banking models with fervour – in the first four months alone, M-Shwari attracted 2.3 million customers.

The M-Pesa business model began life as a way for users to repay microfinance. After initial trials, it was then broadened to include money transfers of all kinds. Similar systems exist in other parts of Africa and elsewhere in the world, so why has M-Pesa taken off so rapidly? Partly it is because the cost of transferring money in Kenya by traditional means is comparatively high and partly because Safaricom has such a following.

Studies now show that a large portion of Kenya's gross domestic product flows from mobile to mobile and there is much promise in this young industry.

The cost of transferring money by traditional means in Kenya is high compared with the alternative mobile payment options, which have been quick to take off

JOSEPH VAN OS/GETTY IMAGES

Gambia has sold small amounts of Islamic bonds for several years. Now, South Africa, Kenya and Senegal are considering following suit. The latter's ambitions centre on a tie-up with the Islamic Corporation for the Development of the Private Sector (ICD), an affiliate of the Islamic Development Bank (IDB) in Jeddah.

Sukuk issued in 2014 by Senegal would be the first in a series of joint offerings in West Africa made under the auspices of the IDB and its affiliates. There is even talk of more central banks in Africa joining the International Islamic Liquidity Management Corporation (IILM), a body run from Kuala Lumpur in which the Nigeria government is a shareholder. The idea is to issue sukuk, which would be traded across borders, so helping the central banks to manage their liquidity.

Sovereign states are not the only ones looking to capitalise on opportunities to raise finance – nor are bonds necessarily the only instrument to use. Dangote Group, one of Africa's most diversified conglomerates, recently secured a syndicated loan for $3.3 billion. The money is to be used to build an oil refinery, as well as petrochemical and fertiliser plants in Nigeria. If successful, the investment will not only create products and jobs, which the country needs, but also reduce its bill for imported fuel by as much as half.

> Increasingly, sovereign states are considering Islamic bonds, or sukuk

Indeed, the Nigerian National Petroleum Corporation secured a $1.5 billion corporate deal from a syndicate of international and Nigerian banks in a move brokered in early 2013 by Standard Chartered. The idea was to give the company more flexibility in paying debts owed to trading houses such as Glencore and Mercuria.

$600 million was raised by Tanzania via international bonds in 2013

Despite efforts to tackle the problem, Africa's equity markets are notoriously illiquid, which is why some investors choose to concentrate on the shares of mining companies that are listed on exchanges in London and Toronto. But do such stocks open the door to the domestic opportunities that exist within Africa's burgeoning economies? Maybe not.

Think big – and small

Retailers such as Shoprite, South Africa's largest listed retailer of groceries, is expanding beyond its traditional base. Certainly, as the value of listed shares on local markets rise, other family businesses may be persuaded to sell more stock on the grounds that a block of shares may attract institutional investors. In turn, this would help to drive up the value of existing stocks, meaning that everybody gains.

Of course, for many, the idea of listing their shares on a stock exchange or issuing bonds to international buyers is still a long way off. Such people currently set their sights on smaller loans or even microfinance.

Take farmers in Nigeria, for example. The government plans to create 3.5 million new jobs in agriculture to boost the production of food by millions of tonnes a year. To do so, the ministry wants to attract not just $10 billion in foreign investment, but to issue vouchers via mobile phone, so that small farmers can buy cheap fertilisers. Building on this, microfinance institutions, private equity funds and banks are increasingly bringing capital to agriculture in Africa. Widening the pool of available funding for agricultural value chains is key to increasing agricultural output, which in turn, will increase the competitiveness and underlying profitability of Africa's agriculture industry. The secret, it seems, is to think both big and small at the same time. ■

A better kind of risk

With the world's fastest-growing population and an average age of just 20, Africa has much to look forward to, particularly if you are an insurer, writes **Nigel Gibson**

Consumer spending in Africa's urban centres is expected to treble by 2030 as economies expand and people find that they have more money in their pockets. Along with an increase in living standards will come higher spending on such things as insurance and financial services.

Granted, a handful of governments in Africa still own and control their national insurers. True, too, a proportion hand such companies a monopoly over business within the country; and, in some cases, banks are prevented from owning insurance firms, even though what is known as bancassurance gets a green light. For the most part, however, governments across Africa have embraced the need for competition within insurance, deregulated where they deem fit, and given the industry the encouragement it needs.

Indeed, institutions have not only made cover more accessible by offering microinsurance, but regulators have also welcomed the introduction of takaful, or insurance that complies with Islamic law. As is the case in the banking sector, insurers also realise that they must move with the times and enable people and businesses to buy insurance and other services through their mobile phones.

Demand for insurance rises with economic growth

That said, Africa's market for insurance is still relatively concentrated. Half a dozen countries from south to north – South Africa, Morocco, Egypt, Nigeria, Algeria and Kenya – account for the lion's share of premiums paid on both life and non-life insurance. South Africa, which has total annual premiums totalling more than $50 billion, dominates the industry and the continent. Next, according to ratings agency AM Best, are Kenya then Morocco, with penetration rates of 3.2 per cent and 2.9 per cent of the population respectively.

Sharing the risk

Demand for insurance continues to rise in line with economic growth. The six largest markets saw premiums increase by an average of 7.8 per cent during 2011, with Nigeria and Morocco each showing gains in double digits. So much so, in fact, that the African Insurance Organisation (AIO), a nongovernmental group, has stepped up its efforts to promote the industry, particularly by encouraging new ways to share risk and penetrate promising lines in budding markets.

Some of the largest risks insured in Africa are those offered by the oil and gas industry. Because of the scale of the cover required, insurers must usually be recognised by credit-rating agencies. Among those rated are Custodian and Allied Insurance, Leadway Assurance and Mansard Insurance (formerly Guaranty Trust Assurance), all of them from Nigeria.

Despite the size of the risks involved, laws in Nigeria require that local insurers must be offered 70 per cent of all business to do with oil and gas. The result is that much of the risk is subsequently passed on to specialist reinsurers, most of them international. An exception is General Re, which does business across the region and which benefits from the heft of its ultimate parent, America's Berkshire Hathaway.

The lion's share of the market

Unsurprisingly, perhaps, Nigeria has the largest market for insurance of all kinds in West Africa, even though the rate of penetration per head of population is still low for an economy of its size. But the industry is expected to get a shot in the arm from recent legislation, stipulating that companies with more than five employees must contribute towards pensions. Even so, non-life insurance accounts for nearly three-quarters of business across the country, with compulsory lines such as motor, professional indemnity, and public and general liability providing much of the volume.

Still, the continent's biggest market for insurance by far is South Africa – due in part to the sophistication of the financial services on offer there, but also to the fact that its economy is so self-sufficient. The rate of penetration per head of population is high too. According to surveys by Swiss Re, at the last count South Africa had the world's third-highest rate of penetration for insurance after Taiwan and the Netherlands.

That the state provides comparatively few social benefits accounts for the size of South Africa's life-assurance business. As a result, large employers provide sophisticated products akin to those on offer in Europe. Furthermore, the government is to introduce solvency standards based on risk and modelled on those being adopted in Europe. South Africa's market for insurance is relatively concentrated, with Santam, the

The Nigerian insurance industry should receive a boost, thanks to recently introduced legislation that stipulates companies with more than five employees must contribute towards staff pension funds

MBPHOTO/ISTOCK IMAGES

AIG Facts and Figures*

90+
Countries where AIG operates Worldwide

$64bn
AIG's revenue in 2011

50+
Years in Africa

$27.5 billion
Claims paid in 2011 Worldwide

60,000+
AIG employees

44

Countries where AIG transacts business in Africa

600+
Staff in Africa

30%
Percentage of revenue outside of the U.S. and Canada

10,000
Schools, organizations, and institutions of higher education insured by AIG's Property casualty business.

1,500+ MNC'S
covered by AIG in Africa

2 million+
Clients that AIG serves in Africa

*All figures are in USD unless otherwise specified.

AIG is the marketing name for the worldwide property-casualty, life and retirement, and general insurance operations of American International Group, Inc. For additional information, please visit our website at www.aig.com Products and services are written or provided by subsidiaries or affiliates of American International Group, Inc.
AIG companies in Africa : AIG Egypt Insurance Company S.A.E., AIG Kenya Insurance Company Limited , AIG South Africa Limited, AIG Uganda Limited.

Managing your risks is the key to success in Africa

George Otieno, CEO, ATI

A manufacturer recently told a cautionary tale to a room full of colleagues at a Nairobi workshop. Unsurprisingly, he suffered a significant financial loss during the 2008 global financial crisis. However, what was surprising was that the US$50,000 loss was caused by an American retailer's inability to pay his invoice. The retailer, who was previously a client that paid promptly, ended up in bankruptcy while the manufacturer received only pennies on the dollar for his debt.

This example is worth noting because it is a story that could happen anywhere – from London to Kampala or from Rome to Lusaka. If you speak to any exporter with experience in foreign markets they will likely confirm that they may have experienced similar challenges. To protect yourself, there are some important points to consider before you make the leap specifically into African markets.

First, your past experience with a client is no guarantee for the future. Even when the company itself is financially solid, markets can change, forcing them into financial difficulty, or in the worst case scenario, insolvency.

The second thing to consider is financing. When expanding a business you will likely need more money. If you do secure buyers in these new markets, the bank may hesitate to give you a loan in riskier markets – and in the event they do, their charges may make you think twice. In this situation, another key consideration is that new buyers pose a risk if you don't have information on their balance sheet and credit history – and in African markets, this can be one of your greatest hurdles.

For investors and companies, doing business in Africa for the first time can be a daunting experience. Key to your success will be research, understanding the business climate and managing your risks

If you are a bank or financier, these are all potential scenarios where risks, be they commercial or political, can cause significant damage to your investments.

Even if you establish customers and put financing in place in the new market, you may still not be out of the woods. Governments can, for instance, randomly decide to support their local companies by cancelling licenses to a particular sector or placing embargoes on your imports.

The African Trade Insurance Agency (ATI) offers solutions to cover all of these scenarios. For over a decade, ATI has become known as the 'go-to' provider of political and trade credit risk insurance in Africa for both local and international companies and investors. We have covered over $13 billion worth of trade and investments into and within Africa.

Some of our projects have included high-profile transactions providing cover to a $250 million loan facility arranged by a group of financiers to support the government of Tanzania's infrastructure development goals. ATI has also been instrumental in providing reinsurance support on transactions valued at over $500 million to export credit agencies from countries such as Australia, Canada, Italy and Norway.

Global and local manufacturers are also benefiting from ATI's unique products. In one transaction we covered an Asian-based multinational supplier of industrial chemicals against payment default risks for $50 million worth of turnover to their buyers in East Africa.

Our customers rely on us for our flexibility because we can cover both large and smaller projects. Add to this the fact that ATI is the highest-rated insurer in Africa, with an A/Stable rating by Standard & Poor's based on its strong capitalisation and ability to pay claims. We believe ATI is one of Africa's best kept secrets!

So, if you are planning to open your doors in any of our African markets, ATI should be the next call you make. Our number one objective is to protect your business and investments in any African market we cover.

To learn how ATI can protect your business or investments in Africa:
E: underwriting@ati-aca.org | T: +254 (0) 20 272 6999 | W: www.ati-aca.org

ati | aca African Trade Insurance Agency
Agence pour l'Assurance du Commerce en Afrique

ROBERT HARDING/ALAMY

Africa's insurance industries have come a long way, but there is room for development in motor cover

biggest company, accounting for 23 per cent of non-life business and Mutual & Federal for a share of around 11 per cent. Insurers are often part of larger financial groups, many of which are expanding across the continent. For example, Old Mutual – which owns Mutual & Federal, as well as businesses in Europe – has interests in Botswana, Namibia and Zimbabwe. Hollard Insurance Group, South Africa's largest privately owned insurer, has partnerships in the countries that make up the Southern African Development Community (SADC), as well as ties with such markets as Australia, China, India and Pakistan.

The Kenyan market

The other main market is Kenya – the biggest in East Africa. Insurers and reinsurers there have already had to meet stiffer solvency requirements introduced by the regulator. Apart from having to contend with a volatile market with high inflation at times, insurers in Kenya sometimes face stiff competition as well.

External competition comes mostly from regional firms that are based in eastern and southern Africa, and from India, with which there are historical ties. For example, General Insurance Corporation of India (GIC Re) has a 14.8 per cent stake in East Africa Re. As long ago as 1979, four Indian companies operating in Kenya merged to form Kenindia Assurance. Yet large international companies are few and far between, mainly because legislation prevents any one party from owning more than 25 per cent of a Kenyan insurer.

3.2%
– Kenya's insurance penetration rate

Just as the past decade has seen the industry make huge strides in improving standards right across the continent, so the next 10 years are likely to see even more change. Top of the agenda in many jurisdictions is a need to introduce solvency systems that are based on risk. South Africa is already some way down this road. Others will doubtless follow.

Improving standards

An acceptance by more and more companies of the advantages of opening their books to rating agencies is also likely to lead to more consistency in reporting, as well as higher standards of governance. Furthermore, it will mean cheaper and easier access to finance.

And with the population of African countries rising and real insurance premiums growing – at an average of 10.8 per cent across the continent in 2012 – this seems an opportune time for investment.

Certainly, the insurance industry has a long way to go in improving its coverage of motors and the other, everyday things that help societies and businesses tick over safely and more efficiently. Indeed, Sierra Leone has recently introduced a board game called *The Drivers' Way,* which seeks to instil a greater sense of awareness of safety among those applying for driving licences. Even if it raises driving standards only a little, it could still help to save some of the hundreds of lives lost each year from accidents on the roads. ■

Open for business

Investment promotion agencies across Africa are encouraging new business and fostering smooth transitions for companies seeking to establish a presence on the continent. Investors have never had so much choice, as **Emily Eastman** explains

With Africa's economies on the rise, the continent's macroeconomic landscape and business environments are changing shape. Growth in sub-Saharan Africa was recorded at five per cent in 2012, and the continent's governments are offering incentives to attract foreign investors to strategic sectors. Policies are becoming more finely tuned, offering additional fiscal concessions to investors who help to boost job creation, while the recent resource boom in Africa is drawing record levels of investment to the continent's extractive sectors.

Greater political stability is underpinning a business-friendly environment in some countries, while the generally robust growth that has been seen in sub-Saharan Africa has contributed to increased interest in the investment opportunities on offer. Africa is very much open for business, and a number of factors are acting to reinforce and promote this position.

The World Bank reports that the investment climate plays an important role in determining how effective incentives are in attracting foreign direct investment (FDI). The organisation found that lowering effective tax rates has a significantly greater impact in countries that have good investment climates, which provides an explanation as to why investment incentives have seen more success in some countries than in others.

A number of African governments are offering short-term investment incentives, from which they hope to gain long-term economic benefits – and this tactic is receiving global attention. Emerging global economies, such as the BRICS (Brazil, Russia, India, China and South Africa) countries, are identifying investment opportunities across the continent, through which they can gain market share, secure

A night view of a shipyard in Cape Town. A positive investment climate and rapidly expanding consumer market are attracting a broad base of investors


CULTURA RM/ALAMY


MOHAMED ABD EL-GHAN/REUTERS

Investments in Africa's busy roads are set to facilitate trade in growing urban areas. By 2050, Africa will be home to 60 per cent of the world's total urban population, making such infrastructure development vital

access to resources and boost infrastructure. Meanwhile, Africa's unprecedented growth is diluting the importance of traditional trading partners, and a drive to lower tariffs, align regulatory policies, encourage diversification and increase labour mobility is adding to this effect.

Intra-continental trade

Governments in Africa are working to accelerate the integration of regional economic communities. In 2012, the African Union announced plans to unite the East Africa Community (EAC), the Common Market for East and Central Africa (COMESA) and the Southern African Development Community (SADC) in a single continent-wide Free Trade Zone by 2017. The zone will help to promote cross-border trade in Africa and facilitate the development of a large market that supports diverse economies. In line with this, investments are being made in Africa's roads, railways and the energy sector, which will reinforce its 'connected' status and foster long-term growth. Eliminating tariffs and non-tariff barriers is considered a major pawn in increasing intra-Africa trade and moving towards economic freedom.

> There are great opportunities for companies that can provide the goods and services Africa needs

Today, 70 per cent of Africa's people are under the age of 30, making it the world's youngest continent. Of the total number of young people globally, 18 per cent live in Africa, and the United Nations (UN) estimates that this figure could reach 33 per cent in 2050, rising to 45 per cent by 2100. Projections from the UN imply that Africa's share of the world's workforce population will almost double by 2050, from 12 per cent to 23 per cent – equal to approximately one billion people.

An expanding consumer and labour market

These figures underline the possibility of extraordinary economic growth in Africa, and the provision of employment through start-ups and sustained investment will be mutually beneficial for both Africa's people and businesses entering the expanding market.

Speaking in her first address to the International Labour Conference, chairperson of the African Union Commission Dr Nkosazana Dlamini Zuma said: "We are determined to step up our efforts to promote job creation, work for the eradication of poverty, achieve growth and allow equitable distribution … If we properly invest in youth and women, they can become a great asset to drive Africa's social, economic and cultural development … The African Union is committed for the next 50 years – and beyond – to modernise Africa, industrialise, continue to transform our economies so as to ensure social services, as well as decent work and decent remuneration for all African workers, regardless of their sector of activities."

Over the coming decade, consumer spending in Africa is expected to almost double, driven by a rise in real incomes, population growth, increasing rates of urbanisation, falling poverty levels, as well as the continent's emerging middle class.

The number of people with a disposable income in Africa is mounting, and this is spurring a positive cycle of supply and demand that is helping to raise wealth. The *Euromonitor Africa Consumer Spending 2010* report projects that in Ethiopia, consumer spending will more than double from a rate of $20 billion in 2010 to $43 billion in 2020, while Ghana's will rise from $15 billion to $29 billion in the same period.

The market-research agency also reported that Africa's states had a combined income of $1,268 billion in 2012, which is expected to rise to $1,134 billion by 2020.

Africa's emerging consumer markets

EAC & COMESA	Population (2009)	2010 Consumer spending*	2020 Consumer Spending**
Kenya	40m	$23bn	$37bn
Ethiopia	83m	$43bn	$43bn
Uganda	33m	$30bn	$30bn
ECOWAS			
Nigeria	151m	$115b	$167bn
Ghana	24m	$15bn	$29bn
Senegal	13m	$10bn	$16bn
SADC			
South Africa	49m	$215bn	$315bn
Angola	19m	$14bn	$18bn
Zambia	13m	$10bn	$23bn

* In constant 2010 prices
** Projections

source: Euromonitor Africa Consumer Spending 2010

Tailored strategies

These developments are enabling the continent to take position as an increasingly important consumer market. There are significant opportunities for companies that can provide the goods and services Africa is demanding, and an appropriate, country-tailored strategy is key.

For the best chance of success, companies should adapt their business strategies to suit the needs and demands of the individual regions. Furthermore, adapting business strategies to local areas will deliver the best chance of success.

Today, annual urban growth in Africa sits at about 3.5 per cent, and this rate is expected to retain its hold up to 2050. The African Development Bank (AfDB) has reported that from 2010 until 2025, some African cities will account for as much as 85 per cent of the population.

In 2010, Africa's share of the global urban population was about 36 per cent. By 2030, this is expected to increase to 50 per cent, rising to 60 per cent by 2050. Ensuring that inclusive growth occurs is fundamental to Africa's long-term development prospects, and in this sense, the key drivers of productivity include small and medium-sized enterprises, which aid the distribution of wealth.

Implemented alongside the development of human resources, skills and technological innovation, these small and medium-sized enterprises have the potential to underpin the advancement of trading activities across Africa, and help drive higher value-added work.

23%
– Africa's predicted contribution to the global workforce by 2050

The AfDB advocates key reforms to tackle the challenges posed by greater urbanisation. Integrating infrastructure and services is crucial, and the provision of services that target specific demographics will assist positive urban development. While much lies with Africa's governments, investment opportunities are expanding as a new era of African living descends.

Some of the highest returns in the world

The emergence of more economic hubs in Africa is driving the diversification of economic activities, and there is higher demand for education and healthcare services and sanitation. With urbanisation comes greater demand for job opportunities in the formal sector – the provision of which enables people to escape cycles of poverty and contribute more to the economy.

Opportunities in Africa are being reinforced by the business-friendly investment climate, and the continent continues to offer some of the highest returns in the world. With the extractive sector remaining strong and emerging sectors presenting new prospects, investors have never had so much choice or opportunity for success on the continent. ■

Entering African markets

A snapshot of companies that have successfully launched in African economies

Onfon Media

In 2007, entrepreneur Dennis Makori founded Onfon Media – a Kenyan value-added telecommunications service provider that specialises in computer systems design and development, IT consultancy and SMS solutions.

Having studied electrical and communication engineering at Kenya's Moi University, Makori developed a passion for technology. He began to take freelance computer programming jobs and by the time he completed his studies in 2003, Makori set out to establish his first business – Comb Soft Developers. In 2005, Makori changed the company name to Onfon Media Limited, with the intention of pursuing mobile advertising. Having sought the involvement of his former classmate, Andrew Mbuya, Makori moved Onfon Media to a small office and in 2007 the Communications Commission of Kenya granted the company a licence.

The two businessmen went on to form partnerships with a number of companies, agreeing revenue-sharing deals and making considerable profits. In 2007, Onfon Media's turnover was one million KES ($11,554). Between 2008 and 2009, this figure rose to 30 million KES ($347,000), reaching 86 million KES ($994,000) the following year. The company's rising profits were underpinned by factors that included its online banking model, and it is now valued at $50 million.

$50 million – Onfon Media's estimated value

Onfon Media has expanded its market offering through a number of services and technologies. These include mobile banking, custom applications and interactive voice response, which enables people to interact with computers through voice input.

Onfon Media is based in Mombasa, Kenya, and the company has extended its operations to the Democratic Republic of Congo, Ghana, Tanzania and Uganda. Makori has a number of charitable commitments, and the company mission statement highlights its aim to create effective solutions in information and entertainment through technology and innovation.

Ultimately, Makori hopes that Onfon Media will become the leader in its field, adding value to people's lives through the provision of corporate solutions and services for individual consumers.

Onfon Media offers mobile banking, custom applications and an interactive voice response computer service

Helvetic Solar Contractors

Tanzania's fastest-growing solar energy contractor came into being when Patrick Ngowi realised that just a tiny fraction of people in his country had access to a reliable electricity supply. The entrepreneur launched Helvetic Solar Contractors – an endeavour that would see him secure a position on the Forbes 2013 list of 30 Under 30: Africa's Best Young Entrepreneurs.

The company provides custom solar-power kits and a comprehensive range of solar products, which are designed to deliver on the needs of Tanzania's people and offer an alternative source of energy to address the country's power-supply issues. These products include solar panels, solar water heaters and solar lighting, and the company also provides installation services.

Helvetic Solar Contractors was named the fastest-growing and number one company in the 2012-2013 survey of Tanzania's Top 100 Mid-Sized Companies, conducted by KPMG, NBC BANK and Mwananchi Communications. In 2012, the company made about $3 million in revenue, and it counts the Tanzanian Government and the United Nations among its clients.

The company's approach to corporate social responsibility offers a good model for new start-ups in the region. Helvetic Solar Contractors outlines in its vision its belief that company operations should be beneficial to society, and this aim is reflected in its management philosophy. In late 2013, Ngowi was one of six people invited to speak before the President of Tanzania at the FURSA (a Swahili word meaning opportunity) seminars, which serve to equip Tanzanians with the necessary knowledge to benefit from opportunities and support the fight against poverty in the country.

Providing East Africa with a reliable, renewable power supply is a core tenet of Helvetic Solar Contactors's company mission, and its network is continuing to grow across the region.

TOM GILKS/ALAMY

Helvetic Solar Contractors offers an alternative energy source, addressing power supply issues in Tanzania

$3 million was made in revenue in 2012

Nokia

Towards the end of 2013, it was announced that Nokia plans to fund 16 African start-ups as part of its AppCampus programme.

Selected from more than 3,500 submissions, the start-ups will work with Nokia to increase the number of mobile apps on the Windows Phone app store. For the three-year life of the programme, Nokia and Microsoft have earmarked $24 million, which will fund the development of new mobile apps.

It is hoped that Nokia's increasing engagement in Africa will help foster a more business-friendly environment for African developers, and the company is already supporting start-ups on the continent by providing training in business and technology.

Nokia hopes that its partnership with African start-ups will mirror the success seen in the app economies of other regions, such as Europe. Ultimately, the company seeks to encourage innovation, engage with developers and open up the value-added services market within the continent.

Nokia is funding the development of new mobile apps in Africa

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State of Eritrea

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Federal Democratic Republic of Ethiopia

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PO Box 2313
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Finatra – La Financière Transafricaine
Bord de Mer, BP 8645, Libreville

Gabonese Republic

T: +241 77 40 82
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Fodex – Fonds De Développement Et D'expansion Des Pme-Pmi
Route de l'aéroport
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APIP – Agence De Promotion Des Investissements Privés
Boulevard du bord de Mer
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T: +241 76 87 65
gabon.golden-trade.com/cnt/gt

Republic of the Gambia

The Gambia Investment and Export Promotion Agency
GIEPA House, 48a Kairaba Avenue
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T: +220 4377377
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Republic of Ghana

Ghana Investment Promotion Centre
Public Services Commission Building
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T: +233 302 665 125
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www.gipcghana.com

Republic of Guinea

Guinea Private Investment Promotion Office – OPIP
T: +224 41 49 85

Republic of Guinea-Bissau

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Rua Justino Lopes
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Republic of Kenya

Kenya Investment Authority
Kenya Railways Headquarters
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Workshop Road, PO Box 55704-00200
City Square, Nairobi
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T: +254 (20) 2221 4014
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Kingdom of Lesotho

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Republic of Liberia

National Investment Commission
Airfield, New Road, Chesseman Avenue, Sinkor, Monrovia
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Republic of Madagascar

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Republic of Mauritania

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Republic of Niger

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Kingdom of Swaziland

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DJIBOUTI PORTS & FREE ZONES LINKING THE CONTINENT

Transport Synergy:

At the crossroads of three continents and being near one of the busiest maritime routes in the world, Djibouti has prioritised the synergy between ground, sea and air transportation to unleash the economic potential of Africa.

The government's aim is to position its ports as a trans-shipment point of choice, with an increased multimodal connectivity. This has led to increased efforts with an investment exceeding US$6.3 billion to modernise its current facilities and construct new modern infrastructure in response to the growing needs of the continent.

Facilities:

· International corridors to connect Djibouti to the regional market such as COMESA

· Improved supply chain for seamless transit procedures

· Three new additional ports for the export of potash, salt, and livestock, while dedicated ports for crude oil and LNG are currently under study

· International airport hub located at sea level and a brand new airport scheduled to be operational by 2017

· New air cargo operation to commence by mid-2014

· Leaders in the region in accommodating ULCV (Ultra large container vessels)

· A telecoms hub with major submarine cables connecting the continent to the rest of the world

Business Opportunities:

· Proximity to a growing regional market

· Potential growth in the International Transport sector

· Manufacturing and processing of products for exports

· Preferential access to COMESA market

· Preferential access to EU markets with ACP partnership (Africa Caribbean and Pacific countries)

· Preferential access to US markets with AGOA convention (African Growth & Opportunity Act)

· Up to ten years tax exemption

Djibouti Free Zone:

· 0% corporate tax

· Duty free environment

· No currency restrictions

· Stable currency pegged to the US dollar

· 100% repatriation of capital and profit

· 100% foreign ownership

Djibouti, The Natural Gateway to Africa

DJIBOUTI PORTS & FREE ZONES AUTHORITY
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Djibouti
Ports & Free Zones Authority

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