Regional Investment Agency

COMESA's Promise

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H.E. Festus Mogae
Former President
Republic of Botswana

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Mo Ibrahim
Founder
Mo Ibrahim Foundation

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Africa Innovation Investment Governance Reforms

Mauritius

AFRICA'S AN ECONOMIC OVERVIEW

Now or Never

Right now Africa is riding high on a wave of positive sentiment and interest from investors in all corners of the world is growing. At the Africa Global Business Forum (AGBF) in Dubai, which was organised Dubai Chamber of Commerce and COMESA Regional Investment Agency (COMESA RIA), the sense of optimism and hope was palpable. Here over 3,000 delegates gathered to hear the story of a rising continent from trail-blazing government leaders and members of the private sector.

Indeed, at no other time in a long history does the continent of Africa seem more poised to deliver on the promise of economic growth. From the global media we hear less of the beleaguered, dark continent, dogged by corruption, civil wars and coups and dependent on benign donors to shell out for survival. Instead the Africa of today is painted as the 'last golden land', 'the hopeful continent', an 'Africa rising'.

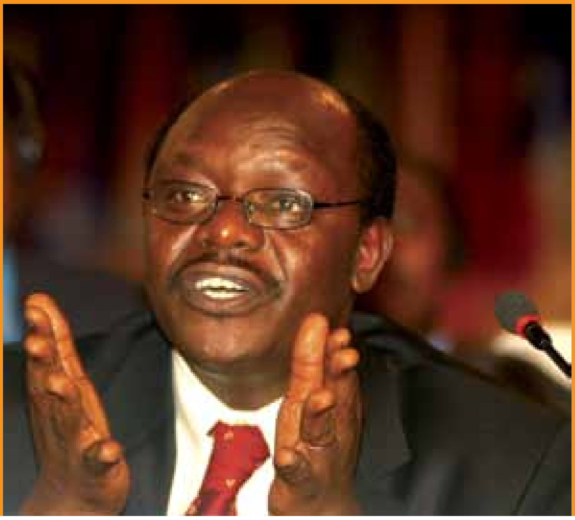
The drivers behind this change in perception have been well documented in recent months; improved governance, better social and economic policy and greater stability and accountability in some countries. Furthermore, despite the global financial crisis of 2008, Africa is still experiencing average growth rates of 5.5%. "More African countries are stable and there is greater recognition of the importance of trade," says H.E. Festus Mogae, Former President Botswana. "I'm not saying the situation is perfect, but the continent as a whole is improving." Even oil-rich countries, which have been associated with cronyism and misgovernment, are showing signs of improvement. In Angola, a long civil war has ended and while there is still much to be done to improve management of the oil resource, physical infrastructure is improving, houses are being built and healthcare, in a country where life expectancy at birth is 47, is a primary focus. "In Nigeria, thanks to Obasanjo," says Mogae, "in spite of on going problems, oil revenue is better accounted for at a federal level than it was in the past."

"More African countries are stable and there is greater recognition of the importance of trade"

It is of course impossible to talk about investment in Africa without talking about natural resources. The continent has nearly 10% of the world's crude oil and natural gas reserves and the richest deposits of precious metals and minerals. Africa is also home to 60% of the world's arable land and there is enough water in the Democratic Republic of Congo (DRC) to generate 80% of the continent's electricity. But the African story is not just a story of natural resources and agriculture, as important as they may be to economic growth. In fact not all countries in Africa that are growing at well above average global growth rates are resource rich; Rwanda and Ethiopia, where in 2013 growth rates are expected to average 7.8% and 11% respectively, are two cases in point.

“If African economies are going to diversify then connecting source markets and integrating regional production chains must be a number one priority”

Hon. Mukhasa Kituyi
Former Minister of Trade
Republic of Kenya



Indeed, what is becoming a much bigger part of the Africa story is the story of a continent’s rapidly changing demographics. There are a billion people in Africa and the population is growing faster than any other in the world. Africa’s middle class has tripled over the past 30 years and by 2020 consumer spending is forecast to hit USD 1.4 trillion. With a median age of 20 and 60% under 40, Africa’s population is also young, aspiring, ready for change and more willing than ever to hold their governments accountable. On top of that a labour force of 382 million, expected to rise to 500 million by 2020, means there is no shortage of people to help Africa become the factory of the world.

The shape of growth

Against this shifting backdrop, the two most important factors required for Africa’s success are economic diversification and job creation, both easier said than done.

“What Africa needs are the right skills in sectors where people are most urgently needed”

“The more educated you are in Africa today, the less chance you have of getting a job,” says Sudanese billionaire Dr Mo Ibrahim. “What Africa needs are the right skills in sectors where people are most urgently needed.” For example, agriculture employs the largest number of people on the continent, including women; yet less than two percent of Africa’s youth is studying agriculture. Furthermore, despite the dominant role in extractive industries, the continent has the lowest proportion of engineers, compared to elsewhere in the world.

While nobody disagrees that a fresh approach to education is essential, it is not as easy as it sounds. As president of Botswana, Mogae created incentives, in the form of bonuses and free grants, for teachers and students of maths and science. While this was, admittedly, met by some resistance, education remains a central policy objective in Botswana and rightly so.

According to the World Bank nearly half of African countries are reaching middle-income status, but youth unemployment continues to rise. In Uganda, waged jobs may have grown by 13% a year between 2003 and 2006 but by 2012 this had absorbed less than a fifth of the country’s new workers. In South Africa, unemployment has come down to a 25%, but its youth unemployment rate, at over 48%, is the third highest in the world. Meanwhile in Ethiopia, Africa’s second most populous country, youth unemployment is at 50%.

Yet it is not all doom and gloom and many governments recognise that addessing jobs for the youth must continue to be a priority for African. In Ethiopia, example, the government is actively encouraging its young people to start small businesses. Afficial data shows that in both formal and informal sectors, over 1.4 million jobs were created between 2006 and 2010, and over 1.2 million between 2011 and 2012. Many of those hired were young people.

Economic diversification may sound simple but if it was Africa would already be selling mobile phones and not just natural resources to China. Instead there are 650 million mobile users in Africa - more than the US and Europe - yet there is not a single production line in Africa.

Here is another example. Western Tanzania produces the largest crops of good quality cotton in East Africa, Uganda has the best spinning capacity and Kenya is a great base for apparel manufacturing. Yet Kenya still imports cotton from India. If African economies are going to diversify then connecting source markets and integrating regional production chains must be a number one priority, says Hon. Mukhasa Kituyi, Former Trade Minister, Kenya.

People power

As more investors look to Africa for opportunities, governments are faced with a utilitarian dilemma: how to achieve the greatest happiness for the greatest number of people.

While it is the responsibility of governments to create the right environment for investment, they must also ensure the proceeds from economic growth reach the people. "There is no single solution for every country," says Mogae, "but what is important is that the powers-that-be acknowledge the need for inclusive development, for a more equitable distribution of the benefits being derived from a country's activities – be that from natural resources or agricultural land."

"We can boast of 5.5% growth but that is not enough; 11% intra-African trade is just not good enough"

The so-called trickle-down-effect can only work in the long term if there is a mechanism in place to guide and monitor how investments are made, coupled with policies to ensure that high growth rates impact as many as possible. "There must be governance, governance, governance and appropriateness of policy," says Mogae.

It is recognised, however, that the relationship between economic growth, poverty and inequality, and income distribution is a complicated issue. In China, for example, millions of people no longer live in poverty but inequality has increased dramatically. South Africa too has lowered poverty rates, but its Gini index, a standard measure of inequality, remains unchanged since 1994.

One thing is clear, it is up to governments to ensure any resource bonanza is appropriately managed and equitably distributed.

If they can do it…

There are 54 countries in Africa, all are pluralistic and all face challenges, the scale of which varies depending on the country's stage of social, economic and political development. Yet Africa today is at a similar stage of development as Asia was 30 years ago. So what are the lessons from other fast-growing emerging economies like the BRICS (Brazil, Russia, India, China and South Africa) and the United Arab Emirates (UAE)?

Probably the biggest lesson for Africa comes from Brazil, which developed policies to build small and medium enterprises (SMEs) and to encourage women into business. SMEs, and women in agriculture, are the engine of Africa's economy. The industrial zones of China, and early industrialisation policies of Russia, are other policies to take note of.

For Mogae, Africa's success will depend on freer interaction of human beings, on the creation of open societies and economies and he points to Dubai as an example of where this has worked. "Dubai is one of the seven United Arab Emirates which has achieved what it has because it opened doors to the rest of the world and when China opened up they increased output and doubled production," he says. "Even in South Africa, where the conditions were entirely imperfect, the presence of a wide cross-section of people with different capabilities – Europeans, Indians, Chinese, Malays and Africans – resulted in it becoming the continent's most developed economy today."

All these countries highlight, in one way or another, what is possible; as Ibrahim points out, Dubai beat Singapore at its own game, now Africa needs to play China and Brazil.

One thing Mogae believes strongly in, is that trade and investment are part and parcel of development. First and foremost, however, trade must happen within Africa. "We can boast of 5.5% growth but that is not enough; 11% intra-African trade is just not good enough," says Ibrahim. Put in perspective trade between Western European countries is around 60% and North American around 40%. If intra-African trade was happening on a larger scale, that growth that would be in double digits.

So while the economic conditions today are certainly better than they ever been. But if this really is going to be Africa's moment, then the continent's leaders must move move fast, with purpose and a sense of real urgency.

Port of Djibouti

REGIONAL INTEGRATION: THE MAGIC WAND

Keeping the Promise

Regional economic integration, the liberalisation of trade and removal of barriers to the movement of goods, services and capital are essential factors for the continent's continued economic growth. This takes time but progress is being made.

However, in assessing whether sufficient progress is being made by numerous Regional Economic Communities (RECs) across Africa to push the agenda of boosting intra-African trade, a question came up time and again at this year's AGBF: how fast is fast enough?

"If we can get consensus on just one or two harmonised policies, and this is expected next year, then the impact will be significant"

While some believe that regional economic integration is progressing at a good pace, and is gathering momentum, countries further down the development track feel somewhat hamstrung. They would like to see time bound commitments to implementing various policy declarations and promises.

One of the challenges is that there are multiple regional economic bodies in Africa. Furthermore many countries belong to more than one. Since the legal and regulatory requirements of each can vary widely, this leads to unnecessary duplication and competition. For example within the Common Market for Eastern & Southern Africa (COMESA), many countries are also members of the East African Community (EAC) and the Southern African Development Community (SADC). While this poses less of a problem for the EAC and COMESA, since the architects are similar, the customs rules for SADC and ECOWAS, the Economic Community of West African States, are quite different.

Yet for every critic of regional blocs there is "an incurable optimist", which is how H.E. Sindiso Ngwenya, the Secretary General of COMESA describes himself. He believes Africa's multiple regional economic communities are the building blocks towards a fully integrated African Union.

As the largest regional economic body in Africa, and one that is leading the charge today to create an even bigger free trade area, many agree that COMESA has come the furthest. Negotiations between SADC, COMESA and EAC to create a Tripartite free trade area are progressing well. "If we can get consensus on just one or two harmonised policies, and this is expected next year, then the impact will be significant," Ngwenya says. For example, Egypt and Sudan, both Member States, but not part of SADC or the EAC, would be able to trade freely with South Africa and Tanzania. Moreover, a COMESA-EAC-SADC market would increase from a population of around 400 million in 19 countries (the current size of COMESA) to 565 million people, comprising 26 countries with a GDP of over USD 1.3 trillion.

“African entrepreneurs are not only enterprising, but innovative and resilient too”

H.E. Sindiso Ngwenya
Secretary general
COMESA

Delivering the goods

What COMESA has already achieved since launching its free trade area in October 2000, argues Ngwenya, speaks volumes. Then regional trade within COMESA member countries stood at USD 3.1 billion, but today is around USD 20 billion. While this may still represent just 11% of all African trade, doing business at home has resulted in more jobs and has resulted in a significant change in the composition of products traded internally. In other words, while trade with the European Union, China and India is still mainly in primary commodities, intra-COMESA-trade is diversifying. Moreover, domestic firms are growing their footprint and becoming national champions. “When the free trade area was launched, multinational companies operating in a few countries rationalised to one headquarters from which to supply the region, but domestic firms looked to expand,” explains Ngwenya.

“When the free trade area was launched, multinational companies operating in a few countries rationalised to one headquarters from which to supply the region, but domestic firms looked to expand”

Bidcor from Kenya, for example, now with operations in 16 countries, is both harvesting and processing soya and continues to invest in processing plants through the African Growth Opportunities Agreement Act, a U.S.A. legal instrument for offering tangible benefits to countries that open their markets and build free economies.

“In spite of the barriers governments put in place, especially for small and medium enterprises, in spite of very difficult conditions they face, companies still survive,” says Ngwenya. “African entrepreneurs are not only enterprising, but innovative and resilient too.”

Building bridges, removing barriers

H.E. Cheick Diarra, Former Prime Minister of Mali, commends COMESA for building a necessary bridge between regions, which he believes takes the continent a step closer to an African Union that is real. “There is no point in building a road that starts somewhere and ends nowhere, you have to build it piece by piece,” he says. By this he means with trade agreements between neighbours, by building roads that connect capital cities, a communications infrastructure to share information on security related issues that can tarnish a whole region and so on. “Organisations like COMESA will provide opportunities that go beyond countries or regions because the stakeholders go well beyond borders,” he says.

While many African governments have made policy declarations and commitments to regional economic integration, liberalisation of trade and removal of barriers to the movement of goods and services, Diarra would like them to go further still. “Before doing anything else we should remove fictitious barriers such as the barrier to free movement of people around the continent and perceptions of mistrust based on language,” he

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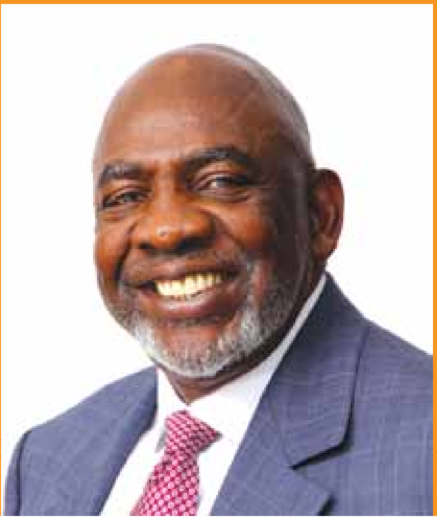
H.E Cheikh Diarra
Former Prime Minister
Republic of Mali



says. On this score ECOWAS has made more progress. It is closer to introducting a common currency which is expected to become a reatlity in 2020, and people within the region can move and work freely.

The same is not true for other parts of Africa. So instead traders go to Dubai, Delhi, even London, to find goods they could purchase in Johannesburg or Nairobi because more often than not it is easier to do so and cheaper. "It makes no sense," says Diarra, adding that, "Africa's growth can explode if we can find a solution to all these problems which we should be able to fix in a blink of an eye."

However, right now he sees many missed opportunities. Mali, for example, has a significant gold resource. "We should be able to turn to a country like South Africa [with its significant experience of gold mining] and start doing business, but that just doesn't happen," he says.

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Bricks and mortar

Ngwyena does not deny that there are challenges. The business of regional integration on a continent where countries are at very different stages of development is undeniably complicated. However, he stresses that COMESA is far more than a Secretariat and has taken significant steps to build institutions that can assist with the 'bricks and mortar' of doing business. Today COMESA has eight institutions including the PTA Bank, which has a capital base of USD 2 billion, a clearing house for processing of cross border payments within 24 hours, an insurance underwriter for political risk and other forms of cover, a regional investment agency and more.

The COMESA Customs Union, though still a work in progress with an extension for implementation given till 2014, will bring further benefits such as harmonising common external tariffs and standardised documentation at borders. This is expected to further reduce the high cost of doing business in Africa, one of the biggest barriers to growth.

The high of cost of doing business and overblown perceptions of risk are other issues Diarra would like to see addressed. When security issues flair up in a single country, for example, this can tarnish the opportunities for a number of others. "We need to find ways to react much quicker - by sharing information and intelligence - to those that handicap us," he says.

Probably the most critical deficiency holding back the economic tide is the dearth of infrastructure. On this front COMESA is pushing to mobilise investment and has established a dedicated infrastructure fund to raise USD1 billion for necessary projects. Regional bodies, including COMESA, are also looking to float regional infrastructure bonds. Roads and railways providing fast connections to cities and ports in the region will give intra-African trade a massive and much-needed boost.

"I dream of a day when the cost of transporting a container from Japan to Mombasa will equal getting that same

"We need to keep looking for ways to remove the obstacles to doing business, while taking a fresh approach to education that will address the skills shortage. This is my passion. This is what drives me"

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container from Mombasa to Kampala," says Ngwenya. Though the distance is much shorter, today it can take much longer and costs at least three times more.

The removal of human non-tariff barriers – unnecessary roadblocks, weighbridges and so on – that raise the cost of business and severely slow the movement goods and services is another priority.

Aside from building roads to ports and removing physical barriers, COMESA is also improving its information technology infrastructure. The recent implementation of the COMESA Virtual Trade Facilitation System will help to integrate the systems used by regional revenue authorities, transporters, shippers, clearing agents, ports and customs to provide real-time information and facilitate uninterrupted movement of goods across borders.

On the bigger stage

It is widely agreed that by boosting intra-African trade the continent's growth can explode. As such this is a priority for regional economic communities. However, with its rich resource base and increasingly favourable demographics, investors from all over the world are lining up to secure their stake in Africa. So it is essential that RECs represent the interests of their members on the international stage too. For example, COMESA is playing an important role in negotiating a way forward for bilateral European Partnership Agreements (EPAs). Once African countries have signed these agreements, within a decade they must open 80% of their market to European goods and services. The European Union is threatening to withdraw preferential access to it markets if African countries - including Botswana, Namibia, Ghana and Kenya, among others - refuse to sign.

Adding to the pressure, the European Parliament has now pushed the deadline for agreement forward from 2016 to October 2014. For Ngwenya this deadline is far too premature and is counterproducitve to Africa's regional integration. "It exposes individual sub-Saharan African countries to demands from third countries, like those in Asia and the Americas, for the kind of reciprocity afforded European suppliers," he says.

"We need to keep looking for ways to remove the obstacles to doing business while taking fresh approach to education that will address the skills shortage"

These and other issues remain unresolved, but the pace is quickening. "It's a bit like playing a game of chess," says Ngwenya. "We need to keep looking for ways to remove the obstacles to doing business, while taking a fresh approach to education that will address the skills shortage. This is my passion. This is what drives me."

Nairobi, Kenya

COMESA MEMBER STATES ON THE MOVE

From Egypt in the north to Swaziland in the south are the 19 countries that make up the Common Market for Eastern and Southern Africa (COMESA).

All member governments have committed to regional economic integration, liberalisation of trade and the removal of barriers to the movement of goods and services. Challenges remain, however. All are at different levels of development and varying stages of removing the barriers that will make regional economic integration a reality.

Island style industrialisation

Let's start, though, with a success story – Mauritius. This is an economically diversified middle-income country, which - though geographically separated from the mainland - considers itself very much a part of Africa. "It's a nice story to tell," says Hon. Cader Sayer-Hossen, the island's Minister of Industry, Commerce and Consumer protection.

"We developed an extensive network preferential trade agreements and double tax avoidance agreements and now have these in place with 17 African countries"

When the country achieved independence in 1968, 95% of export revenue came from sugar and industry was virtually non-existent. Today sugar and by-products represent just two percent of GDP, with the balance made up by tourism, financial services, industry, and information communication technologies (ICT). Mauritius has diversified on several fronts. It went from making simple shorts to high-end wear for the European market, from jewellery to medical devices and fish processing. The result: in the 1960s GDP per capita was USD 200, today it stands at USD 9,000 per capita. "All this would not have been possible without a number of internal and external factors," says Sayed-Hossen.

Mauritius was able to surf on a number of preferential trade agreements, which allowed it to produce textiles and markets for the European market. The country is not only a member of COMESA, which "has been hugely beneficial" but also of SADC. "We developed an extensive network of preferential trade agreements and double tax avoidance agreements and now have these in place with 17 African countries," says Sayed-Hossen. As a result today Africa represents 20% of Mauritius' market for industrial products.

Internally, good governance, sound institutions, the expansion of primary education in the 1960s and the rendering of secondary education free in the 1970s have been key factors in the island's success. "We're a welfare state with more than 50% of budget allocated to free education, free healthcare and social security," says Sayed-Hossen. "This ensures that population is decently fed, clothed and educated and therefore employable."

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Hon. Danny Faure
Vice President
Republic of Seychelles

As a consequence, for the sixth consecutive year, Mauritius has been ranked first in Africa in the World Bank and IFC Doing Business Report as well as in the Mo Ibrahim Governance Index. Similarly, Forbes' business indices place Mauritius first in Africa and 19th globally. "It is our duty as government to create the right conditions but we need to let our people do business and the rest will follow," says Sayed-Hossen. "When people do business they talk, and this leads to better understanding and then eventually peace - and this is the ultimate objective."

With a sound business environment – and preferential agreements with many countries in place – Mauritius believes it is a good base for companies that want to do business in Africa and many are already doing so.

"We have moved quickly to implement reforms, making ours a business friendly environment"

Like Mauritius, Seychelles is a middle-income country, ranked 46th on the UN Human Development Index where services like transport, communications, commerce and tourism contribute 70% to GDP. Hon. Danny Faure, Vice President Seychelles believes COMESA is taking the lead in ensuring the right institutional reforms are achieved in Africa. "Because of COMESA agreements, today Seychelles is exporting its tuna to Egypt and they are buying it duty free," he says.

Seychelles was a pioneer in Africa in passing pro-business legislation that was also environmentally sustainable. However, Faure admits that this was made easier because Seychelles is a small country. Today a plan for sustainable development is in place in a country where 50% of the land is in conservation. "If you destroy the environment, you won't have tourism [which contributes 25% to GDP]," says Faure.

Faure believes there are three main questions that investors expect to answer before entering a market: Is there political stability? Is there good governance and sound institutions? Can I get my money out?

Many believe the answer to all those questions is yes, making it a viable place to do business. In Seychelles, sectors for investment include fisheries, financial services and telecommunications and drilling will begin soon to establish if the country has oil. However, Faure believes that the biggest opportunity is in fisheries, which he says is still an untapped market.

Close to the Seychelles is Comoros, an archipelago of four islands, strategically located in the Northeast of the Mozambique Channel. H.E. Nourdine Bourhane, Vice President Comoros and currently also in charge of the Ministry of Land Management, Urban Planning and Housing, says the advantages of investing Comoros are numerous. "We have moved quickly to implement reforms, making us a business friendly environment," he says.

Not only is Comoros a COMESA member, it has access to the lucrative American market through African Growth Opportunity Act, is a member of the Arab League and the Indian Ocean Commission. It is also strategically lo-

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Vice President in charge of the Ministry of Land Management, Urban Planning and Housing
Union of Comoros

cated. "We are close to the Middle East and East Africa and also well connected via daily flights from Europe," says Bourhane.

For Comoros, COMESA plays a valuable role by providing technical assistance and capacity building, and also helps to represent it at events like the AGBF 2013. The island also significantly benefits from improved customs revenues, which contribute 80% to the state budget. Bourhane hopes that with continued support from COMESA, Comoros will be able to mirror the successes of countries like Rwanda and Mauritius.

Small but fast

Swaziland, bordered to the north, south and west by South Africa, and to the east by Mozambique, is another small country that is benefiting greatly from being a COMESA member. "As a small country we need a larger market to generate meaningful economic growth and COMESA is delivering on its promise to ensure that Swaziland gets preferential market access," says Hon. Jabulile Mashwama, Minister of Commerce Industry and Trade, Swaziland. This was an essential factor in Coca-Cola's decision to base its African manufacturing plant here for instance.

Other important moves by COMESA, she says, include ongoing work to create a COMESA Customs Union and promoting programmes that address themes like science and technology. Where Mashwama believes COMESA is really leading the way is in driving the Tripartite Agreement forward. This agreement would integrate COMESA with SADC and the EAC, creating an even larger market, and is widely seen as the stepping-stone to an integrated AU.

As to where Swaziland has scope for investment Maswahama points to agricultural development and infrastructure.

Onwards and upwards

"We have found that for us to market ourselves as a country alone is not the best thing, especially because of where we have come from and the perceptions people have"

Moving into the heartland of southern Africa, the story becomes even more complex. Zimbabwe, which has significant mineral wealth and fine arable land. A coalition government formed in 2008 means the country now has a new constitution and is working to revitalise its battered economy, which this year is expected to grow at 3.2%.

Hon. Priscilla Misihairabwi-Mushonga, Zimbabwe's Minister of Regional Integration and International Cooperation, believes COMESA has a very important role to play in Zimbabwe's recovery, not least because of its history. "We have found that for us to market ourselves as a country alone is not the best thing, especially because of where we have come from and the perceptions people have," she says. "So we are marketing ourselves at events like AGBF 2013, within the context of COMESA, under the banner of

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Minister of Commerce Industry and Trade
Kingdom of Swaziland

COMESA."

Intra-African trade is a priority for Zimbabwe and Misihairabwi-Mushonga wants investors coming to the country to know they are not investing in Zimbabwe alone but potentially in the region as whole. She believes the country could be a gateway to southern Africa.

As a resource-rich country Zimbabwe will always have suitors. What is less clear is whether or not Zimbabweans themselves benefit from this interest. According to Misihairabwi-Mushonga one objective is to ensure that beneficiation of diamonds – cutting and polishing – happens in Zimbabwe rather than elsewhere, as is now the case.

Perceptions about Zimbabwe's investment climate have been one stumbling block. Misihairabwi-Mushonga acknowledges that there has been some confusion around Zimbabwe indigenisation policy which requires that 51% of any investment remains in local hands. "This policy only applies to mining and not other sectors," she says.

"We are marketing ourselves at events like AGBF 2013, within the context of COMESA, under the banner of COMESA"

One sector ripe for investment is real estate. Zimbabwe has abundant land and a favourable climate, says Misihairabwi-Mushonga, who hopes to see cranes dominating the skyline – an indication of economic growth – very soon.

Small-scale agribusiness that is pro-poor is another focus. The Minister believes there are lessons to be learnt from the United Arab Emirates on developing small businesses, in particular those run by women. "Mangoes, tomatoes, bananas literally just grow up from the soil in Zimbabwe, and value addition for some of these crops doesn't require much investment," says Misihairabwi-Mushonga "We have the sun to dry tomatoes, all you need then is packaging and a market."

According to Misihairabwi-Mushonga, Zimbabwe has always been very strong on pharmaceuticals. "With better capacity we can become a hub for the best pharmaceuticals - like generic antiretroviral drugs," she says.

The financial services sector is another area of focus, as access to capital in Zimbabwe will be required to harness the country's abundant opportunities.

Simple steps, measurable results

Thinking as a region, rather than a single country fighting a lone battle, is something Zimbabwe's neighbour Zambia and nearby Malawi have bought into.

"We have simplified the trade regime between Zimbabwe and Zambia," says Hon. Felix Mutati, Member of Parliament, Zambia. "This means that clothing traders can bring in goods to the value of USD 400 without any documentation."

In doing so, Mutati says, there have been measureable results. By introducing a one-stop border post with common documentation and procedures at Chirundu, which

“We need to be able to prove that governments can make more money from trade, than from customs collections”

Hon. Felix Mutati
Member of Parliement, Former Minister of Trade
Republic of Zambia

accounts for 60% of trade, Zambia saw a 50% increase in revenues in the first six months. “Before we did this it was taking almost 72 hours for a truck to be cleared which meant customs revenue was tied up,” he says. This relatively simple measure led to revenues being collected faster (the time at the border was reduced to 12 and then three hours) and more trade taking place. Another advantage is that by reducing bureaucracy and red tape, it is hoped that people will be less inclined to make any unofficial payments.

The agreement between Zambia and Zimbabwe was coordinated under COMESA, and today this strategy is gathering momentum in the region. Zambia has introduced similar reforms on the Democratic Republic of Congo border. Furthermore, according to Hon. Sosten Gwengwe – Minister of Trade and Industry of Malawi – Malawi, Mozambique (not a COMESA member) and Zambia are pushing for a so-called ‘intra-growth triangle’ which is steered towards small and medium enterprises. This will mean that nearby cities in these countries can trade with each other. “Much of our trade is informal and many people were put off because of the red-tape,” says Gwenge. In Malawi there used to be 14 forms to fill in at the border, now there are just five.

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Both Mutati and Gwengwe agree that COMESA has played a significant and practical role in facilitating the introduction of one-stop border posts and proving that revenue leakages do not happen as a result. “For me this is a practical role that a regional body should be able to play,” says Mutati. “We need to be able to prove that governments can make more money from trade, than from customs collections.”

Other recent reforms introduced in Zambia to encourage foreign direct investment include reducing the time it takes to register a company. What used to take two to three weeks, now takes approximately one hour. And for the purpose of taxation, if your turnover is USD100,000 or less in Zambia, you do not have to keep books. The aim was that by keeping things simple, a large part of the informal sector could be formalised, a challenge also faced by Malawi.

Creating the right business environment is essential for investment and Mutati, believes Zambia has taken several important steps. As a result, the country has attracted as much as USD 2 billion in foreign direct investment and has delivered impressive returns on investments in construction, mining, tourism and agriculture. If an investor is going to get a 20% return and be able to get money out the country, then, as Mutati points out, “he can deal with being bitten by a mosquito”.

Creating the right buiness conditions is something that Malawi has also taken on board in recent years. After the 2011 election, Malawi had no forex reserves, no fuel and the country was growing at just 1.8%, says Gwengwe. The first step for the new government was a recovery plan to rescue and reform the economy. Reforms are finally bearing fruit with the IMF forecasting growth of 5.5% in 2013 and 6.3% in 2014. At the heart of this

"We believe that the development of our continent depends on interconnecting markets, developing our infrastructure, integrating economies and facilitating intra African trade but also being part of a larger global market"

Hon. Raymond Ntungamulongo
Minister of Foreign Affairs
Democratic Republic of the Congo

is Malawi's calling for investment in five main sectors: agriculture, energy (renewable and hydro), mining (the country is currently only mining uranium but has proven reserves of rare earth, nobium and some gold), oil and gas exploration; infrastructure and tourism. Recognising the importance of investors accessing the right information, it has also established the Malawi Investment and Trade Centre, the first point of inquiry for new investors. Malawi and Mozambique have also introduced the 'National Single Window': a computer system which allows importers and exporters to enter a single document that can then be accessed by all government agencies.

Central to Africa

To say that Africa's second biggest country, after Nigeria, is blessed with natural resources is something of an understatement. Yet the Democratic Republic of Congo (DR Congo) has few roads connecting potential markets and is still developing. But where there are resources, investors will come. "Think of anything in the mining sector and we have it - copper, diamonds, gold, nickel, coltan, oil and so on," says Raymond Ntungamulongo, DR Congo's Minister of Foreign Affairs, International Cooperation & Francophonie and Vice-Chairperson of the COMESA Council of Ministers. In fact estimates are that DR Congo's untapped deposits of raw minerals are worth in excess of USD 24 trillion. It is also home to over 30% of the world's known diamond reserves and 70% of the world's coltan.

"Think of anything in the mining sector and we have it - copper, diamonds, gold, nickel, coltan, oil"

Moreover, the Inga Dam project has the capacity to generate 40,000 megawatts of power which would satisfy half the continent's electricity requirements. This is one of the biggest investment opportunities in the Great Lakes Region according to Ntungamulongo and one he is keen to highlight. The DR Congo is working with South Africa on the project and is looking for new partners for construction, financing and technology. The initial study has been completed, a phased strategy is in place (5,000-6,000 MW will be produced in phase 1) and work is expected to commence in October 2015.

Climate change is relatively new area of focus for COMESA, which is pressing for the UN's Clean Development Mechanism Programme to be extended to farming. "You cannot think about the future of the planet without factoring in the Congo. People are concerned with food shortages, people are concerned with energy and climate change on a global level. And the DR Congo can facilitate the solution," says Ntungamulongo.

Although there are concerns over DR Congo's current situation, economic growth will be driven by expanding mining activities. R Raymond Ntungamulongo. eal GDP is expected to grow by 7.6% in 2013.

While there are undoubtedly challenges in DR Congo, Ntungamulongo has this to say: "We believe that the development of our continent depends on interconnecting markets, developing our infrastructure, integrating economies and facilitating intra African trade but also by

"We are now targeting even higher growth rates over the next eight years to take Rwanda from least developed to medium income status by 2020"

Hon. François Kanimba
Minister of Trade and Industry
Republic of Rwanda

being part of a larger global market." In this, COMESA has a valuable role to play.

The rising East

In East Africa, where some COMESA members are also part of the East African Community, most countries have moved relatively quickly to establish business friendly policies. Though it varies slightly from country to country, the significant investment opportunities here are in infrastructure development (roads, railways, air, and ports), power generation and agribusiness. ICT, financial services and tourism are other priorities.

Although Ethiopia has a bigger aggregate GDP, Kenya is the biggest economy in East Africa on a per capita basis and, having implemented all COMESA recommended policies, can boast of having the most pro-business environment. Kenya also has a well-regulated financial sector which is attracting investors. Hon Mukhasa Kituyi, Kenya's former trade minister, believes regional blocs like COMESA have played an important role in the region, but would now like to see the pressure stepped up. The next steps, he says, must be harmonisation and rationalisation of the customs rules that exist in different regional blocs. For example, both SADC and ECOWAS have very different rules than COMESA. "We have increased trading in the different blocs but now we must increase trading between the respective regional economic communities," he says.

"We have increased trading in the different blocs but now we must increase trading between the respective regional economic communities"

Most importantly, however, he says he would like to see countries in the region "walk the talk" on infrastructural integration. "We've had too many promises about taking advantage of productive competencies without doing anything about it," says Kituyi. A good example is East Africa's cotton industry. Although Tanzania produces cotton, and Uganda has spinning capacity, Kenya, which manufactures clothing, still imports cotton from India. Regions need to address supply side constraints to service more efficient production – and they need investment to do so, he says.

Rwanda, a landlocked nation, is another country that would like to see more countries walking the talk. Rwanda is now ranked the third easiest place to do business in Africa, after South Africa and Mauritius, by the World Bank. In April, it raised USD 400 million in its first ever Eurobond, which was oversubscribed 80 times. "This is the first time an African country has received such positive recognition from the financial markets," says Hon. François Kanimba - Rwanda's Minister of Trade and Industry. He puts this down to significantly improved governance, greater political stability and sustained growth rates of around 8% over a period of eight years. "We are now targeting even higher growth rates over the next eight years to take Rwanda from least developed to medium income status by 2020," says Kanimba.

A look at public spending indicates that the Rwandan

“Young people who left ten to 15 years ago are returning with new energy and perspective and bringing with them their expertise”

Hon. Victoire Ndikumana
Minister of Commerce, Industry and Tourism
Republic of Burundi

government appears committed to achieving this goal. It is investing in domestic infrastructure and in improving productivity in agriculture. It is also investing heavily in both vocational and technical education and training, and health systems to improve the quality of the workforce. Another priority has been investment in ICT which contributes to growth by improving productivity. In Rwanda, broadband coverage is at around 30% versus the rest of Africa at seven percent.

Rwanda may be moving fast, but its geographical position means it requires access to markets to fully realise its true economic potential. It wants COMESA members and those within the EAC, which are all moving at different speeds, to move faster. “COMESA has achieved some tangible results in removing barriers to trade but still there is room to improve,” he says. For Kanimba, there is a need for COMESA member countries to agree on a timeframe for a legally binding framework across the region that would greatly help the free movement of goods and services. “For us to access the sea, we have to cross several countries and on these roads you still have a huge number of weighbridges and roadblocks,” he says. “When we meet together as ministers, we agree these must be removed but after five or six years these things are still there. This is a very serious issue.”

“COMESA has achieved some tangible results in removing barriers to trade but still there is room to improve,”

Kanimba also points to the need for improved efficiency at the East African ports of Mombasa and Dar es Salaam. “Global experience shows us that that management of ports is not necessarily most effective in the hands of the public sector,” he says. Putting the management of ports into private hands is something that COMESA acknowledges and is involved in negotiations to move this forward.

Neighbouring Burundi, another small land-locked country may not have moved quite as fast as Rwanda but as Hon. Victoire Ndikumana, Burundi’s Minister of Commerce, Industry and Tourism, points out, the improved ranking on the UN Human Development Index is a sign that change is afoot. “There is a strong sense from the people of Burundi that the future depends on them,” she says. “On top of that, young people who left ten to 15 years ago are returning with new energy and perspective and bringing with them their expertise.”

All this puts pressure on governments to deliver. Ndikumana says that the deep mistrust between government and the private sector has dissipated and they are now “working hand in hand, trusting each other and trying to move in the right direction”.

Doing business here is certainly easier today; it used to take a month to register a company, now it takes less than a day, and the government has put in place relevant business friendly policies such as relaxing exchange controls and offering tax incentives. “COMESA has provided valuable technical assistance in this process,” says Ndikumana.

However, there are still significant hurdles to overcome

"We have revitalised our cooperatives, because we believe these are the cradle of our economy"

Hon. Amelia Kyambadde
Minister of Trade and Industry,
Republic of Uganda

in a country where agriculture accounts for 30% of GDP and employs 90% of the people. For example, exports like tea and coffee are still sold in their natural form, and then processed elsewhere. "Diversification is absolutely key," says Ndikumana. In addition, while Burundi has five percent of world nickel reserves, it lacks the energy required to get it out the ground. So with a budget deficit of 49%, Burundi is actively seeking investment in the sectors of agribusiness, energy, infrastructure (road, rail, and ports), tourism and ICT. "As a small country we stand to benefit massively from a bigger market," says Ndikumana. In this respect, the country strongly supports the work being done by COMESA.

Becoming Africa's bread basket

If any country in East Africa highlights the potential benefits of intra-African trade, it is Uganda. "When the global financial crisis struck in 2008, we were able to weather the storm because our neighbours rely on Uganda for their food supply," explains Hon. Aston Kajara, Minister of State Privatisation Finance in the Cabinet of Uganda.

Although Uganda recently discovered oil, which is expected to boost growth (currently forecast at around 5.7% in 2013), 70% of Uganda's workforce is currently employed in the agricultural sector, one that needs investment. "We have revitalised our cooperatives, because we believe these are the cradle of our economy," says Hon. Amelia Kyambadde, Minister of Trade and Industry, Uganda.

"As a small country we stand to benefit massively from a bigger market"

With 52% of East Africa's most arable land within its borders, Uganda certainly has the potential to become the breadbasket of Africa but agricultural skills are still rudimentary and yields low. "We urgently need to improve farming skills through mechanisation and to boost productivity of the land," she says. As such, foreign direct investment is welcomed particularly in the areas of processing and adding value to products, commercial farming experience and technical transfer.

In Uganda, business incentives as recommended by COMESA and the EAC are in place. Exchange controls have been relaxed, investors benefit from a ten-year tax holiday on foreign direct investment and can import necessary materials tax-free. However, Kyambadde acknowledges that the business environment in Uganda is still being held back by a number of non-tariff barriers and unnecessary bureaucracy (such as the fact that the formation of Public Private Partnerships, require parliamentary approval). Corruption is another challenge and Kyambadde is calling for more punitive action and dismissal where necessary for those found guilty of graft. As in Rwanda, Ugandan trade is hampered by unnecessary weighbridges and roadblocks between Kampala and Mombasa. Finally, there is a lack of information. "When we tell investors we have phosphates we should be able to say how much we have. This is a work in progress," she says.

On one thing Kajara is clear: "We need to engage in

"We need to engage in regional investment projects like interstate roads, railway connections and airways to reduce the cost of doing business"

Hon. Aston Kajara
Minister of State Privatisation
Republic of Uganda

regional investment projects like interstate roads, railway connections and airways to reduce the cost of doing business." Indeed, anything – from transport and communications infrastructure to the sharing of security information – if done at a regional level will have greater benefits. If and when this materialises, then Uganda may just have a point, that being landlocked may not be such a bad thing. With more neighbours to trade with, roads to transport goods and easy access to ports, the more positive term 'land-linked' may just stick.

There are certainly plenty of opportunities for investment in Uganda – apart from agriculture. The burgeoning oil industry will attract unprecedented levels of investment. Oil production is expected to reach more than 100,000 barrels a day in 2017, providing a large economic boost and lifting the real GDP growth rate into double figures. Construction will also benefit as work on a pipeline to the Kenyan coast and an oil refinery gets underway. "Those that come will find a myriad of opportunities to tap," says Kyambadde. For example, the country is rich in as yet unexploited phosphates and nitrates used in many fertilizers, which Uganda currently imports at a cost of billions of Kenyan shillings. Other areas of interest include, tourism, ICT and financial services. With unemployment rates high, Kajara sees the development of business process outsourcing units as one way to employ its youth.

We have opened our borders to trade and transportation. We no longer have no solutions to the challenges we are facing"

Although electricity shortages are expected to become less frequent, as the 250 MW Bujagali hydroelectric dam bumps up national supply to around 600 MW, there could be more opportunities for investors. Peak demand is currently around 450MW and is increasing by 10-15% annually; it will therefore outpace supply by 2014. Power outages will return and further investment needed.

Desert treasures

When Sudan split from what is now known as South Sudan, it parted company with three-quarters of its productive oil fields. Luckily for Khartoum, however, South Sudan still depended on its neighbour to transport the oil via its pipeline to the Red Sea. Although South Sudan has signed oil transport agreements with Ethiopia and Kenya, these pipelines must still be developed and this takes time. However, according to H.E. Osman Omer Ali El Sherif, Minister of Trade in Sudan, relations between the two countries are much improved and are getting progressively better, help along by technical assistance from COMESA. "We have opened our borders to trade and transportation. We no longer have no solutions to the challenges we are facing," he says.

Despite the enormous challenges facing Sudan today, El-Sherif argues that there is every reason to invest here. "We have many advantages: access to the Red Sea, perfect highway connections, sufficient electricity and water (a bigger portion of the Nile than Egypt) and an investment climate that has drawn on the best reforms from across Africa," he says. For one, Sudan has established a special investment court, to reduce the

“It is a more complex story about Africa’s involvement with the world, and Africa’s involvement with itself. It is not just a story of resources but one of improving governance, improving lifestyles and improving consumer confidence”

John Ngumi
Head of Investment Banking
Standard Bank

bureaucracy of having to go through the judicial system.

Investments are being prioritised in three stages. Investors in anything related to infrastructure and peacekeeping and security are guaranteed a ten-year tax holiday. National projects such as agricultural processing, genetic engineering or new irrigation projects are offered seven years tax-free and service-based industries such as tourism do not have to pay tax for five years. Investors willing to step outside the capital Khartoum will get preferential treatment such as a ten-year tax holiday on any investment, secure money flows and protected transport.

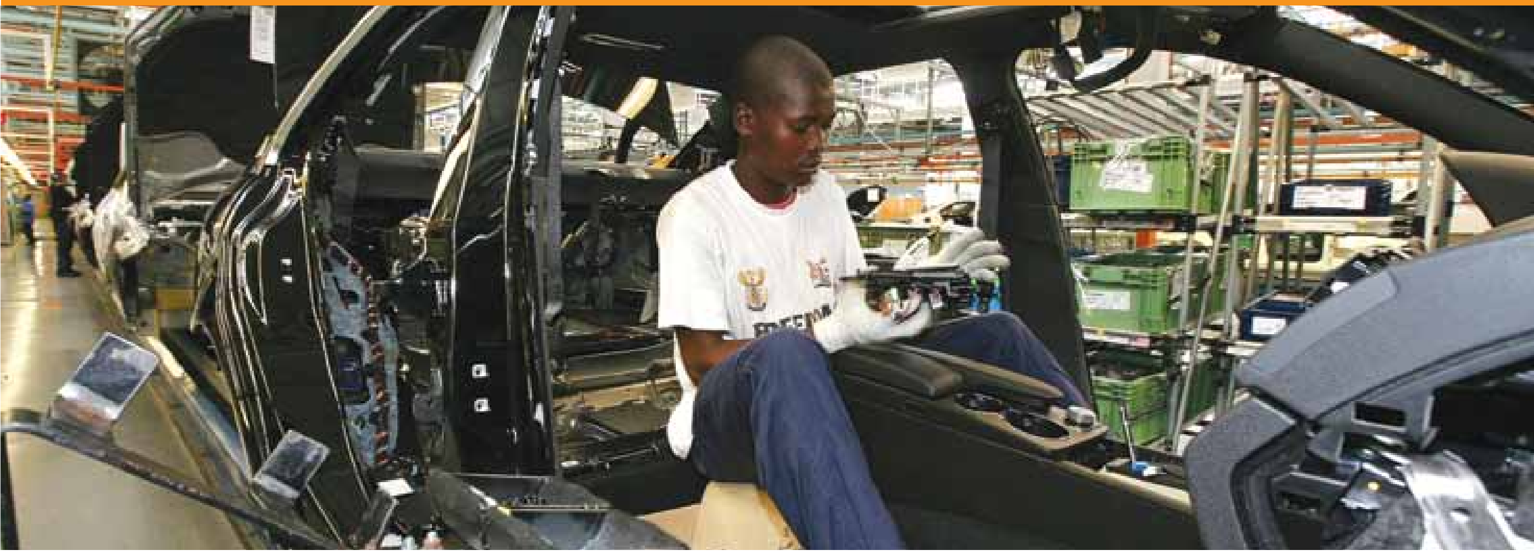
North of Sudan is Libya. This oil-rich nation is major supporter to COMESA, Libya’s new government has thrown its weight behind regional integration. “We need Africa and Africa needs us,” says H.E. Ikram Abdulsalam Bash Imam, Libya’s Minister of Tourism. While oil is the most important part of Libya’s economy, Imam sees huge potential for investments in tourism. As a country, whose foreign policy has been to invest in African hotels, Libya has some notable experience in the sector, says Abdulsalam.

“We’re at an advanced stage and are now ready for investment,”

This North African country is also home to one of the world’s richest stores of Greek and Roman treasures, and is where a 2,000 kilometre Mediterranean coastline meets the desert, making it potentially a major tourist attraction. The Sahara, which makes up 90% of Libya’s geography, is just a three-hour flight from Paris and Imam argues this proximity to Europe makes the country a potential transport hub to other parts of Africa. “We connect to most parts of Africa and while some of these have stopped, there are plans to rejuvenate air traffic,” she says.

Significant progress has already been made in developing plans and prioritising areas where property development can begin. “We’re at an advanced stage and are now ready for investment,” says Imam. There is also a government push to redesign towns with a focus on green architecture.

According to Imam, Libya benefits hugely from the technical expertise, and success stories from other parts of Africa, that COMESA brings to the table. “We need different ideas and investments from all over Africa and the ability to connect with others,” says Imam. “We are all human after all.”



THE PRIVATE SECTOR

Build Africa, Buy African

Both domestic and international private sector investors already with a foothold in Africa are buoyed by optimism, and this is being helped by the ongoing work of COMESA to create a bigger African market for goods and services.

Zemedeneh Negatu, Managing Partner and Head of Transaction Advisory for Eastern Africa at Ernst & Young in Ethiopia, is one of those one of those. "In the 1980s when I was at business school in America we used to have these endless debates about whether the US should invest in China," he says. "One group said, no, definitely not, they are dirt poor. The other wondered what would happen if the Chinese became more affluent and started moving out of poverty?"

"It is a more complex story about Africa's involvement with the world, and Africa's involvement with itself,"

We know what happened next. The smart money went into China early, says Negatu, who sees the same thing happening in Africa today.

While the smart money may be going to Africa, if COMESA has one message for potential investors it is this: Africa welcomes investment from anywhere, but investors must come to develop skills, build capacity and add local value. Investors in resources must know that the goal is for a diamond to leave Africa in a cut and polished form. Rice should be processed and packaged ready for domestic and international supermarkets. The world should start to hear about Ivorian and not Swiss chocolate.

A nuanced story

There are generally two types of investor into Africa; there are those after oil, precious metals and minerals, and there are those who see opportunities elsewhere - in infrastructure development, energy, agriculture, ICT, tourism, consumer goods and financial services. John Ngumi, Head of Investment Banking at Standard Bank, is an Afro-optimist who admits it has sometimes been difficult to get people to believe the African story, which is much more nuanced than at first appears. "It is a more complex story about Africa's involvement with the world, and Africa's involvement with itself. It is not just a story of resources but one of improving governance, improving lifestyles and improving consumer confidence," he says. He also believes that if you accept the hypothesis that the growth of Africa's middle class will be exponential, then the intra-African story should interest investors most.

Investors are coming. The USD 2.4 billion takeover of a 51% stake in the South African retailer Massmart by US giant, Walmart highlights that Africa is an increas-

"There is this view that Africa is a place of disease and corruption, but if you look to statistics right now that is not the case"

Dr. Mohamed Omran
Chairman
The Egyptian Exchange

ingly strategic play for international firms. Major domestic companies, like South Africa's SAB Miller, which is investing USD 100 million plant in Nigeria, are also expanding into Africa.

While nothing will stand in the way of investors seeking resources, for foreign director investors into other sectors, the situation is different. They want political stability, sound economic policies and institutions, access to capital and the ability to repatriate their profits. Most of all, they require as large a market as possible to sell their goods or services. As Africa's biggest economic bloc, COMESA is an important target for investors. However, Ngumi and others believe that there is a need for greater coordination. This is not a unipolar world, but a multipolar one which should have hubs and centres, like South Africa in the south and Kenya in the east, that ties together different regions, he says.

Africa was the continent least affected by the financial crisis, and according to Morgan Stanley, it delivers the highest level of returns and lower risk than many other parts of the world.

Raising money and risk

Very few countries in Africa have sophisticated financial markets although they are establishing national stock exchanges. Today there are 23 stock exchanges in Africa today, 18 more than there were just 10 years ago. Even so raising finance remains a challenge, particularly for small and medium enterprises (SMEs).

When it comes to improving the operating environment for SMEs – the engines of Africa's growth - it seems that Africa's public and private sector are on the same page. Both the Johannesburg and Egyptian stock exchanges have created a platform for SMEs. The Egyptian Exchange, the biggest within the COMESA region, is the founder of the African Securities Exchanges Association (ASEA). Through this body, the Egyptian Exchange is not only able to share its experience in IT infrastructure, rules and regulations and but can help others to create a platform for SMEs. It is the second stock exchange in Africa after Johannesburg to have a platform for SMEs. "This is called mystockexchange and many countries in Africa are contacting us to get our experience on how to create access to finance," says Dr. Mohamed Omran, Chairman of the Egyptian Exchange.

In fact only recently, the Lusaka Stock Exchange approached Egypt for help in setting up its own platform for SMEs, which happened through ASEA, says Omran. Interestingly, the Lusaka Exchange has delivered a three-year 57% return. Kenya too has a thriving capital market, with Nairobi stock exchange delivering returns of 30%.

Another challenge is the perception that Africa is a very risky place to do business. "There is this view that Africa is a place of disease and corruption, but if you look to statistics right now that is not the case," says Omran. In fact Africa was the continent least affected by the financial crisis, and according to Morgan Stanley, it delivers the highest level of returns and lower risk than many other parts of the world, he says.

A handful of countries have done really well like Rwanda and Uganda. Zambia has been pretty good too, and Burundi is a newcomer not always on people's radars"

Admassu Tadesse
President and Chief Executive Officer
PTA Bank

This perception of risk has certainly been a challenge for David Bikhado Ofungi, of Blue Financial Services, a microfinance business listed on the Johannesburg Stock Exchange (JSE) with a presence in 14 countries. Blue provides bridging finance to the under-banked consumer at competitive rates. "In some corners there is limited understanding of what the [African] consumer can meet in terms of repayments, and this makes it difficult for us to raise money for expansion," he says.

While many believe that the risks are overstated, for a relative latecomer to liberalisation and a country emerging from war, Burundi is finding access to capital a challenge. Consolata Ndayishimiye, President of the Federal Chamber of Commerce and Industry in Burundi, says that securing finance for necessary long-term investments in agriculture and energy is proving difficult.

"The pace will be slow and what needs to be done enormous, but the will is there and now is the time to move it to the next level."

On this score COMESA can, and is, helping. In fact one notable achievement on the part of COMESA has been the building of institutions like the PTA Bank and The Africa Trade Insurance agency (ATI).

George Otieno, Chief Executive Officer of ATI, which was formed in 2001, understands that nobody wants to lose money, but believes the perception of risk and the reality on the ground is wider than it should be. ATI's objective is to promote trade and investment in Africa so the agency covers political risk and trade credit, and offers export credit. "This helps member countries to export competitively to other parts of the world," he explains, something that Burundi, a predominantly agriculture-based economy could benefit from. Recently ATI has moved into West Africa and today has a presence in Ghana and Benin. Otieno is pragmatic about the changing business environment: "The pace will be slow and what needs to be done enormous, but the will is there and now is the time to move it to the next level."

With assets of USD 2.1 billion, the PTA Bank is another important COMESA institution. Today the PTA Bank covers around 18 countries from Egypt to Mauritius and Zimbabwe, providing mainly medium and long-term lending for infrastructure and capital expenditure projects and short-term lending for trade finance. The bank is not restricted to any sector though it is very active in infrastructure, agriculture, industry and services. It also helps countries manage strategic imports such as fertilizers.

The challenge of transformation

For Admassu Tadesse, President and Chief Executive Officer of PTA Bank, the biggest challenge facing Africa today is structural transformation. "This is a very serious challenge which requires a long-term solution that is grounded in much more thoughtful and focused action in the short and medium term," he says.

Some of the successes of the past decade are the result of systemic reform at the macroeconomic level but there have also been improvements at the micro-economic level. "A handful of countries have done really well like

“As far as regional bodies go, COMESA is one of the regions where an economic community is working”

Jean-Louis Ekra
President
African Export-Import Bank (Afreximbank)

Rwanda and Uganda. Zambia has been pretty good too, and Burundi is a newcomer not always on people’s radars,” he says.

A lot of important steps are being taken by bodies like COMESA which not only understands that infrastructure is the most important enabler on the physical side, but also that on softer side there is a need for regulation, sound policies, the removal non-tariff barriers and so on.

However, as Tadesse points out, some of the recent, fantastic growth Africa has seen relative to history is the result of a bounce back from a time when the continent was in crisis, in the 1980s and 90s. So as much as he shares the enthusiasm and the optimism, clearly evident at AGBF 2013, he believes this should not get in the way of looking more deeply into how sustainable growth can be achieved over a period time, and lead to job creation. “We urgently need to deal with the whole question of value add and the diversification of our production and exports,” he says.

“It’s not enough to bring in components from elsewhere and then say it has been made locally”

Jean-Louis Ekra, President of the African Export-Import Bank (Afreximbank) agrees, arguing that it is imperative that African countries transform their economies. “In spite of 50 years of independence, the structure of many economies has remained the same; we’re still producing raw commodities, exporting them and letting someone else transform them,” he says.

Just look at Ivory Coast, Ghana, Cameroon and Nigeria. These four countries produce more than 75% of the world cocoa, but less 20% is transformed in Africa. Programmes like the Africa Cocoa Initiative are looking to change this, says Ekra, but African people also need to change. “Africa is the only continent that produces what it doesn’t eat and eats what it doesn’t produce,” he says.

The transformation of agricultural products and development of trade related infrastructure such as warehouses and supply chains is absolutely critical to Africa’s long-term development, which is Afreximbank can help. “What we have been doing and doing it successfully in Nigeria with oil, in Zambia with copper and in Ghana with gold is financing local companies to acquire the equipment they need.” Usually these are firms that have the necessary expertise as they have been working for the big multinationals for years, but struggle to access finance.

Ekra points to the importance of having local content laws which ensure that a proportion of oil revenues go to indigenous companies but insists that there must be more than a mere shareholding. The result should be the creation of skills and local wealth which governments, in turn, can tax,” he says. Ghana is a good example of where this is happening.

Chris Kirubi, Chairman of Haco Industries in Kenya, would also like to see the COMESA Secretariat push harder for countries to comply with the requirement that goods are made locally. “It is not enough to bring in components from elsewhere and then say it has been made locally,” he says.

“We need harmonised laws that are recognised and enforceable in the same way EU does it”

Stella Kilonzo
Founder
Astute Capital

In Kenya, government policy is very much ‘build Kenya, buy Kenyan’, which is something Kirubi and Stella Kilonzo, the founder of financial strategy and advisory firm, Astute Capital, are proud of. For example, Kenyan wood is very good quality, but people still import furniture because it is cheaper. “Now it is government policy that offices must be furnished with Kenyan made furniture,” explains Kilonzo. The textile industry will benefit from this policy too. After all one person bringing in a container load of underwear made in China, has much less of an impact on job creation than a policy integrates the regionally strong cotton industry.

Another source of pride for Kenyan business people is the fact that their country has implemented nearly all recommended COMESA protocols. However, while Kirubi believes COMESA is a bold venture and has its priorities right, now it needs to push for other countries that have ratified the common market protocols to actually implement them.

“As far as regional bodies go, COMESA is one of the regions where an economic community is working”

As far as regional bodies go, COMESA is one of the regions where an economic community is working. “There is a lot more to do,” says Ekra, “but it is working.”

Being part of COMESA is a boon for the Suez Canal Authority, which has been improving its facilities such as the width and depth of the canal. According to Admiral Mohab Mameesh, the Authority’s Chairman, today 17,000 ships carrying 780 million tonnes of goods transit the canal, which has capacity for 25,000 ships. “The Suez Canal is the mother of canals and we are hoping that COMESA countries choose this as their transit to the world,” says Mameesh. After all, it is a quicker and cheaper way of transporting goods than via the Red Sea to the Mediterranean.

Playing to the region

Astute Capital’s Kilonzo believes it is really important to stress the importance of investors thinking in terms of the whole East African region. “A regional focus is absolutely critical,” she says. For example, top infrastructure projects - in energy, rail, roads and ports - must be prioritised as they will benefit the whole region. Countries may be at different stages of development, but somebody has to take a loss and somebody has to take a gain for the benefit of all. “Let’s do away with sovereignty and just focus on the region,” she says.

Another thing Kilonzo would like to see is the elimination of non-tariff barriers and the enactment of legislation that supersedes national regulations. “We need harmonised laws that are recognised and enforceable in the same way EU does it,” says Kilonzo. Ofungi agrees that unified legislation is important too but wants COMESA to continue to address geographical boundaries and ensure parity in terms of access to capital.

In many ways, African countries have no choice but to regionalise, as the EU has already placed restrictions on flowers, French beans and some of vegetables that five East African countries export to Europe. “Now it really is

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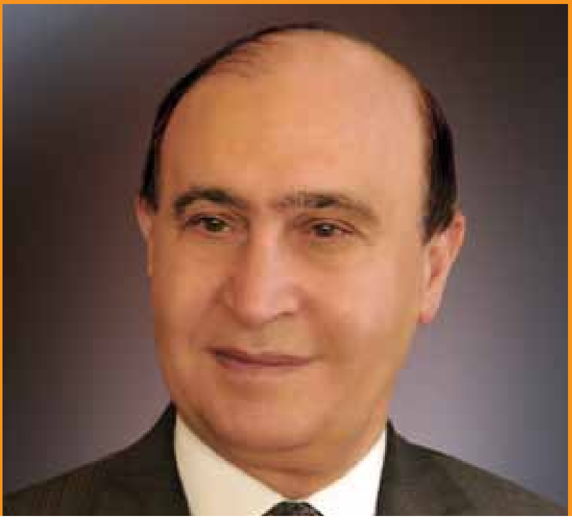
H.E. Admiral Mohab Mameesh
Chairman
Suez Canal Authority



easier for me to sell to my neighbour,” says Kilonzo. The benefits of trading with neighbours are clear. Tastes are usually similar so if the goods are cheaper and more accessible on a continent that is home to a billion people, and a growing middle class, then there is a whole new market for finished products.

Africa’s private sector also wants governments need to think more creatively too about its relationship with the world. For example, what about establishing a flower or vegetable auction at the airport? Traders could come in to purchase their wares and then return to Europe to sell it there.

Abundant opportunities

With seven of the world’s fastest growing economies in Africa, there are abundant opportunities. Many of these are in extractive industries but not all countries are resource rich. Ethiopia, where Negatu is based, is one of these. Yet in spite of the fact that it has few natural resources or minerals, Ethiopia has been one of the fastest growing economies in Africa over the past nine years. Though admittedly coming off a low base, today it is one of four countries in Africa with a GDP of over USD 100 billion. “It can no long be considered tiny,” says Negatu.

Like many other resource poor countries, the opportunities for investment here are in infrastructure development, energy, agriculture and manufacturing. Other sectors named by countries across the continent include ICT, financial services and tourism.

PPPs are big news and on long-term projects investors can expect 16-30% returns

In Kenya, a recently approved public-private-partnership (PPP) law will give further confidence to potential investors. PPPs are big news and on long-term projects investors can expect 16-30% returns. Opportunities, which have been approved, range from geothermal investments to power substations to provide electricity in tea processing factories, and a pipeline to deliver oil from South Sudan to Kenya. Recent discoveries of oil in Uganda will require yet another pipeline.

Another major project is the development of Kenya’s second seaport at Manda Bay, Lamu. Known as LAPSSET, this is a flagship project of Kenya’s Vision 2030, and forms the country’s second transport and economic development corridor that is expected to transform regional economies through increased trade, integration and interconnectivity. The development takes in South Sudan and Ethiopia and for the first time a land bridge will cross the middle of Africa from Lamu, all the way to Douala in Cameroon on the West coast.

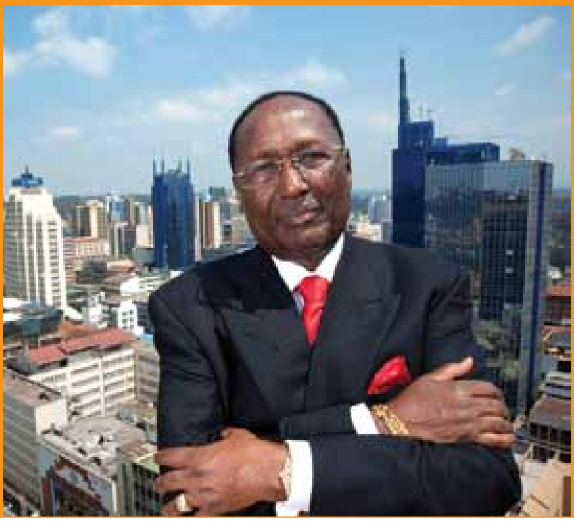
In its bid to become a regional hub within the next three to four years, transport is another priority for Kenya and here a new airport terminal has been approved and there will be opportunities for concessions.

Growing interest, high returns

Investor interest is certainly growing. In fact today there

“My bank in Switzerland says if I earned five percent on my money I should be grateful to them, but here in Africa you can add 15-20%”

Chris Kirubi
Chairman
Haco Industries, Kenya



are over 200 private equity firms investing in Africa which had investments to the tune of USD 1.3 billion. According to Negatu, Ernst & Young in Ethiopia is starting to see significant interest from big multinationals, Chinese as well as London and Wall Street based private equity firms. “Private equity is putting money into many different sectors but especially into fast-moving consumer goods,” he says.

In fact private equity is big in East Africa, says Kilonzo, who is actively looking to match make opportunities with external foreign investors. As in Ethiopia, private equity firms in Kenya are investing into fast-moving consumer goods for the rising middle class; they are also investing in broadband, telecoms as well DSTV. As the leader in mobile banking with its m-Pesa product and now m-Shwari, a product that allows you to save and borrow via your mobile phone bill, Kenya is no stranger to innovation in information technology. In Kenya’s well-regulated financial services market, a lot of private equity is taking up a stake and banks are looking to diversify, says Kilonzo.

According to Kilonzo, the returns for private equity investments are huge. Kirubi gives a nod to that. “My bank in Switzerland says if I earned five percent on my money I should be grateful to them, but here in Africa you can add 15-20%,” he says. Kirubi is looking to raise finance to develop 300 acres into shopping malls, offices and other amenities. As people become wealthier, they will want to better places to shop, better hospitals, better schools, he says.

In Kenya too, which now has 43 banks, and where capital is readily available for short to medium-term projects and investments, business for Gulf African Bank is booming. “We grew by 154% last year in terms of net income and are expecting serious double-digit growth this year,” says Asad Aziz Ahmed, Managing Director of Gulf African Bank. When asked what the challenges of challenges, he says: “There are none. After 1.5 years we have just raised USD 10 million, half from the IFC, half from existing shareholders. Not only do we think our future is great, but others do too. Venture capital funds are queuing up to invest.”

“We grew by 154% last year in terms of net income and are expecting serious double-digit growth this year,”

COMESA’s PTA bank has also had an excellent run. “We’ve grown at over 30% a year in US dollar terms, we’ve diversified our balance sheet and have expanded into countries, like Ethiopia, Sudan and Uganda, where we haven’t had such a footprint,” says Tadesse. The bank is witnessing a lot of growth in East Africa as well as further south; it has done business in Malawi, Zambia and Zimbabwe, and Seychelles and Mauritius, relative to the size of their economies, also “turn over relatively well”.

Afreximbank, which has African government shareholders, African private investors and non-African private investors, is the only multilateral institution giving a dividend, says Ekra.

Social responsibility

When it comes to investing in Africa, what COMESA really wants to see most is businesses that make a difference. This could be anything from creating essential jobs for young people to providing bridging finance for school fees or building a cooperative farming outfit for women.

Of course for such good business practice to happen, bodies like COMESA and governments must play an important role. But while the challenge for policy makers is to create an investment mechanism that ensures that high growth levels also have an impact on poverty reduction, this is easier said than done. "This was the problem for Egypt prior to the revolution," says Omran. "We were achieving fantastic growth of around six to seven percent. But poverty levels were above 20% and the gap between rich and poor was widening. The reality is that this was a cancer growth that was not sustainable in the longer term."

"For me page one is social, page two is environment, page three is health, page four is education, page five is sustainable energy and only on page six comes profit."

While Omran is referring to the actions of government, Gulf African Bank's Ahmed believes the same applies to private sector players. "One thing I have a personal problem with is the problem of intent. Banking is not about making money. Of course you make money. You make lots. But if your primary goal in life or banking is making money then you are bound to put a foot wrong," he says

For Blue Financial Services, which is now getting into social lending for renewable energy stoves, Ofungi says social responsibility is at the heart of their business. "For me page one is social, page two is environment, page three is health, page four is education, page five is sustainable energy and only on page six comes profit."

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