

Africa High Definition

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Abstract

The so called 'scramble for Africa' towards the end of the 19th Century saw all Africa Nations, except Ethiopia & Liberia, colonized by European countries. The BRIC (Brazil, Russia, India and China) intend to make their respective marks in the African continent. They have realised the potential in Africa. The end goal remains the same, access to Africa's converted natural resources. This is the 2nd 'scramble for Africa'.

Today more African governments are stable and implementing policies to attract foreign investments. Previously investors avoided Africa because of unstable governments, poor infrastructure, diseases and poor population.

The global recession has contributed positively to the renewed focus on Africa. As a result, the growth in sub-Saharan Africa has generally been strong over the past decade. In 2009, when the world economy shrank, sub-Saharan Africa continued to expand. The IMF predicts that the region will grow at 5% or more in 2010 and 2011 (Source the Economist September 2010).

This good performance has led some to speculate that Africa may be on the cusp of joining other emerging markets in sustained catch-up growth. That would be a most welcome development; few trends would do more to improve human welfare. As a result, leading Multinationals like TNS, Diageo or Unilever now appreciate the benefits of increasing focus and investments in Africa.

Is Africa poised for steady growth, is this a realistic hope? Many times before Africa's prospects have brightened only to fall prey to war, kleptocracy, and crashing resource prices. This paper will show case what sets Africa apart from other continents from a business perspective; what investment opportunities exist in Africa and identify how African's can be in control of their continent and be the end winners of investments into Africa? Therefore making the growth in Africa sustainable.

Evidence of investment interests in Africa;

Africa's need for new and better roads, school buildings, computer networks, telecoms systems and power generation has opened a lucrative window of opportunity for foreign firms. There is evidence that Africa is attracting high ranking visitors with investment interests. Some of these include; former Brazil President Lula da Silva who made nine trips to Africa while in office; China president Hu Jiantao who has made four trips to Africa since taking office in 2002; President Obama visited Ghana in 2009 to name but a few. In Ghana within days of Obama visit to Ghana 2009, IMF approved a \$603m loan to Ghana, to tackle budget imbalances. In Kenya the Chinese are changing the Kenyan's driving experience with invests in Road infrastructure.

(Part of this is sourced from The standard Newspaper and BBC News)

What are the investment opportunities in Africa?

The economy of Africa consists of the trade, industry, and resources of the people of Africa. The world bank reports the economy of Sub-Saharan African countries grew at rates that match global rates. The economies of the fastest growing African nations experienced growth significantly above the global average rates. The top nations in 2007 include Mauritania with growth at 19.8%, Angola at 17.6%, Sudan at 9.6%, and Mozambique at 7.9% and Malawi at 7.8%. Many international agencies are gaining increasing interest in emerging modernizing African economies, especially as Africa continues to maintain high economic growth despite current global economic recession.

Technology

As of 2006, Africa had approximately 922m people in 54 countries (now 55 including Southern Sudan), approximately 54% of whom are below the age of 20 years in comparison to the “ageing populations” of some countries developing countries. These are youth growing up in the **digital** age, and are therefore willing to **adopt new technology**.

These youthful Africans should fuel the fast spread of new technology across Africa. There is opportunity for investment in Information communication technology (ICT). To achieve this we need to increase penetration of grid electricity, Mobile phone, computers or internet. To increase these, it will require huge investments across Africa. African governments need to make sure that they only adopt technology that is relevant to African needs.

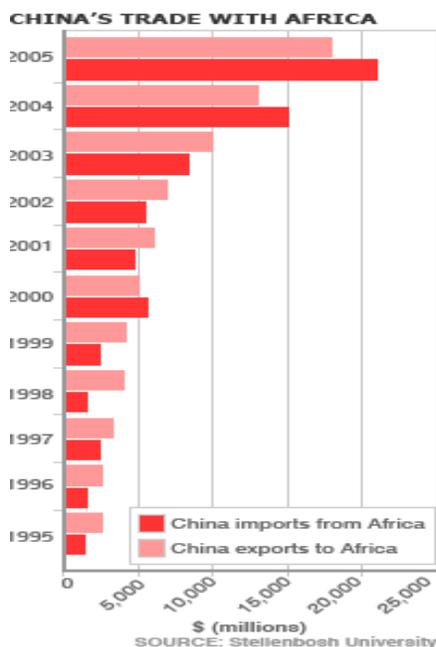
Service	1990s	2000s	% change
Telephones (per 1,000 people)	21	90	328.6
Improved water (% households)	55	65	18.1
Improved sanitation (% households)	31	37	19.3
Grid electricity (%)	16	23	43.8

households)

Source: World Bank 2006

Natural resources

Africa is Mineral and Oil rich; 10% of the world's reserves of oil are in Africa, 60%-80% of worlds the chromium and platinum group metals while 40% of world's gold is found in Africa. This is attracting and will continue to attract foreign investments into Africa. In 2009, China became South Africa's biggest trading partner and Beijing's main source of African Iron, Cooper, Manganese, Chrome and Diamonds. While Russia is now in control of 45% of South African Uranium market. In Nigeria, in May 2010 Beijing signed US\$23bn agreement with Abuja, to build three oil refineries.



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Africa's trade with China has multiplied by 10 since 2001, reaching over USD 100 billion in 2008. In almost every corner of Africa there is something that interests China. The continent is rich in **natural resources** that promise to keep China's booming, fuel-hungry economy on the road. There is copper to mine in Zambia, iron ore to extract in Gabon and oil to refine in Angola. In other countries less blessed by natural resources, Chinese companies have spied trading and investment opportunities. Sudan, with its vast oil reserves, is a recipient of Chinese investment, and sells some two-thirds of its oil to Beijing. In Angola, China invested US\$6bn in infrastructure deals in 2010. Angola is China's 3rd largest oil supplier (Bahrain, Iran and Saudi Arabia). *Source Wikipedia.*

As the BRIC countries take their share of African minerals as did the Europeans in the 19th century, African nations must organise themselves to benefit from these foreign investments. Sub Saharan African oil producers except Nigeria are not members of OPEC, which means they

have not been able to negotiate favorable terms because they negotiate each on its own and cannot therefore extract the best terms. African Nations need to come together and form a trading block for their oil and other minerals and sell at their terms.

Tourism

In Africa's 55 nations, over 2000 languages are spoken in Africa. These are both local and international languages. Interesting to note, Africa has more French speakers than anywhere else in the world. The African people have **diverse cultures** and are friendly and welcoming. Some of these African people have not adapted to the Western way of life and keep attracting cultural **tourists** into Africa, good example are the Maasai of Kenya,

Africa is a continent of great beauty and **wildlife**. Most of these are in their natural habitats under tropical weather. The big five (Lions, Leopards, Elephants, Buffalos and Rhinos) are found in many African countries particularly Kenya. These are major attraction to Africa. Africa is also home to many manmade and natural tourist attractions. Some key attractions to Africa includes the sunny and sand beaches souring Africa, the scenic mountains, the Ethiopia rich cultural heritage, the Pyramids in Egypt, the Victoria fall in Zimbabwe and the Maasai Mara wild beast migration in Kenya.

Africa, particularly Eastern Africa, is widely regarded within the scientific Community, it is believed it could be the origin of humans, as evidenced by the discovery of the earliest hominids and their ancestors, as well as later ones that have been dated to around seven million years ago – including Australopithecus Africanus, Homo erectus and Homo sapiens (modern human) found in Ethiopia.

Africa has Christian associations. Jacob the biblical father of the Israelites migrated Egypt in search for food. His descendants historic escape from the Pharaohs of Egypt under the leadership of Moses across the Red and thereafter across River Jordan to the Promised Land form a great part of Christian teachings. Jesus himself was hidden by his parents as a child in Egypt to avoid being killed by King Herod. This makes Egypt a great attraction to Christian pilgrims making it a leading tourist destination in Africa.

This represents diverse investment opportunities in tourism sector or related industries. These can be investment in hotel and lodges; investments air, road or rail travel and training facilities in hospitality industry. African tourist industry has to market itself to attract high spending tourists and keep control of the growing industry to avoid environmental degradation and moral degradation.

Agriculture

It is interesting to note that 60% world's total amount of uncultivated, arable land (600 million hectares) is in Africa. Africa is also rich in black volcanic soils that are full of minerals. There are many opportunities for large scale farming to feed Africa 1 billion people and the rest of the world. Africa can invest in large scale farming like horticulture, food crops (rice, wheat, and bananas), cash crops and forestry. The weather is appropriate for farming throughout the year with minimal carbon emissions. *Source Wikipedia.*

In agriculture there is need for African governments to ensure all Africa produce are processed in Africa and not exported as raw materials and sold with a country of origin certification. This means consumers can look out for authentic Ghana cocoa, Ethiopia coffee, Kenya coffee or Kenya meat etc.

If agriculture products are processed and branded in Africa, this will bring **industrial revolution**.

There are industrial development opportunities in Africa in modern housing, road and rail infrastructure, ports. Africa still lack skilled manpower to support this industrialization. Literacy levels in Africa are still low. This represents opportunities for investment in schools and colleges across Africa.

Finance and Banking

A strong banking industry will be necessary to finance the investment projects in the region. 'Africa has the potential, if the proper investments take place ... to become a new centre of demand. It can become a solution to the world's problems in the next ten years,' South African Finance Minister Pravin Gordhan...Source Reuters.).

For Africa to benefit from these investments it will require more democratic, accountable, open and transparent governments, that are corruption free to allow the proceeds of all these investments to be re-invested wisely to benefit of the African people. These continent's political leaders will need to show more maturity and more forbearance if we are to see an end to political disruption, armed conflict and displaced populations that remains Africa's greatest challenge to economic development.

Will Africa benefit from these investments?

It is unlikely that these foreign investors are investing in Africa for Africa. It is to grow their economies and feed themselves or fuel their industries. The Africans therefore, must negotiate very well to avoid a second exploitation and ensure that prices paid for African exports are in line with global market prices. Trading advantage will only be obtained if African states form effective trading blocks, are well governed, negotiate from a point of strength with foreign investors, manage repatriation of funds, and have educated people with skills and capital to take part in this investment opportunities.

One concrete step the advanced economies can take to help Africa get started on the road to higher growth is to open their markets to African products, including agricultural commodities that Africa is capable of exporting at this nascent stage of industrial development. Sadly, piety and aid flows seem to be easier solutions for advanced economies to muster, holding back rather than helping Africa in the long run.

If these foreign and local investments are managed effectively, basic benefits are expected to trickle down to ordinary Africans; these include increased investments in education, health care and infrastructure