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THE WAY WE DO

AFRICA BECKONS

THE CONTINENT IS POISED
FOR GROWTH



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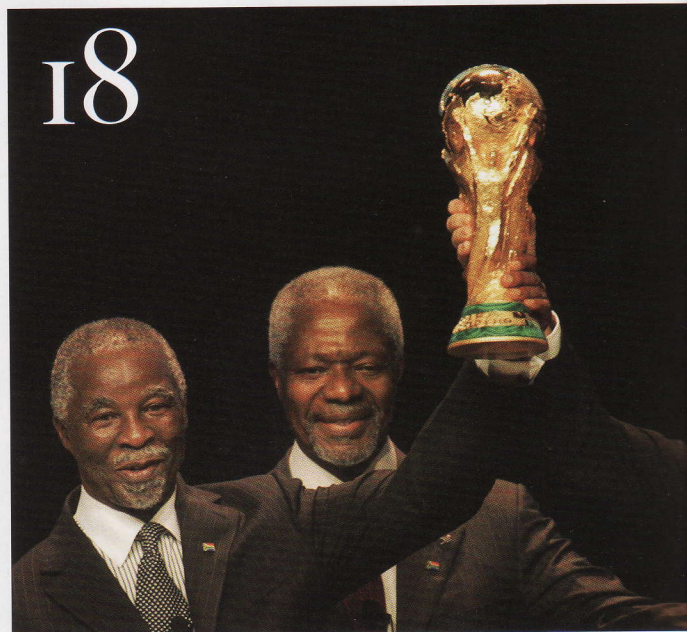
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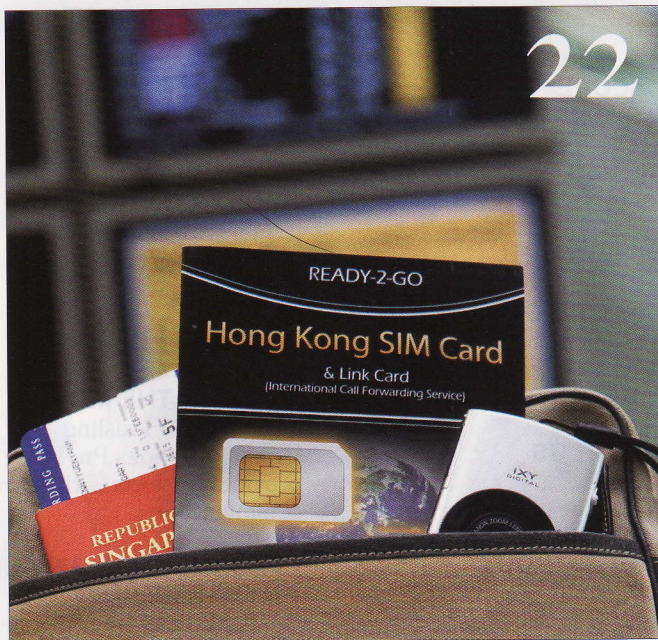


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"Where older persons were seen as burdens on society, they are now increasingly recognised as an asset that can and should be tapped. If we invest in the health of people throughout their lives, then we do not have fear for the advent of individual and population ageing. Longevity can be a source of human capital and wealth."

UN Secretary-General Ban Ki-moon

While the 2010 World Cup is drawing attention to South Africa, the rest of the continent is poised for growth as well.



PHOTO: REUTERS

The Final Frontier

AFRICA IS THE PLACE TO INVEST IN, WITH PLANS TO SET UP THE AFRICA AND SOUTH-EAST ASIA CHAMBER OF COMMERCE IN SINGAPORE THIS YEAR.

TEXT ANUSHA K

The Africa and South East Asia Business Forum 2010 recently took place in April with plans for the Africa and South-East Asia Chamber of Commerce to be set up in Singapore revealed – with follow-up information to be out during an Africa and Singapore business forum later this year, the first of its kind. The forum saw top leaders coming together to discuss opportunities and growth in Africa as well as plans going forward.

Africa is well-known for its rich natural resources and burgeoning population and with the FIFA World Cup 2010 to be held in South Africa, investors everywhere are sitting up and taking notice. “With the population around 900 million, it just means that there are that many consumers,” says Mr Paulo Gomes, Founder of the Constelor Group, an investment management firm established in 2006 to harness investment opportunities in Africa. While on an economic level it may seem as if Africa is the newest of the emerging market cluster, corporate governance issues also look to be improving, making it an attractive sector for investors and businessmen alike. Mr Gomes cites the Africa and South-

East Asia Chamber of Commerce as an example of how this could work: While South-East Asian investors can benefit from the numerous investment opportunities available on the African continent; they can also share and sell their knowledge. “There first needs to be a mapping of risks for risk management and mitigation,” he emphasizes. “There is a problem of perception,” he adds, referring to long-running corporate governance issues that the country has been thought to be affected by, which might not necessarily be the case in current times. He believes that risks must be considered realistically before investments are made. Following which, there needs to be an assessment of said risks, prioritization and understanding of the risks and finally, pooling together of important players who are able to effectively mitigate these risks. With these processes put in place, the environment will be ideal for investment.

RESOURCE RICH

The continent is at an undeniable stage of growth. Already it is responsible for a significant portion of the world’s bauxite, iron and gold supplies. In soft commodities, it

is the world's largest producer of cocoa. "Cocoa is in such high demand, both from around the world and domestically in Africa itself, that it is close to facing a shortage," says Ope Babalola, Managing Partner at Constelor Investment Holdings. He goes on to say that the world's demand for commodities and raw materials that Africa can provide is insatiable. It proves beneficial for the nation as it is a significant driver of the economy; simultaneously, the world benefits from these resources.

But commodities are not the only thing investors should be looking at, as Mr Gomes explains. He highlights infrastructure, information technology and communications as three high-growth areas. For instance, he describes ongoing plans for connecting the entire country of Rwanda via means of a national backbone fibre optic cable. This alone creates numerous opportunities for investors. He further explains that as the country develops, proper infrastructure, even as basic as roads, electricity and buildings, will see increasing demand; infrastructure is one area that has definite potential for enormous growth. The communications industry is also open for investors to leverage on. Demand for communication, both personal and business, is increasing as populations across the continent soar and more business take root.

The nation is poised for foreign investment – banks have ample reserves and there are EU-like agreements in place that make things a lot easier. For instance, there is the West African Economic and Monetary Union (UEMOA) that comprises eight West African states that share a common currency, the CFA franc, which is pegged to the Euro. "For a bank to be established there, all you need is one license and you can operate in any of the eight states," shares Didier Acouetey, the CEO of Africsearch Group. Capital markets are large relative to GDPs, and there are strong debt markets. Indexes are also doing well with high growth potential, especially South African ones. Africa is already one of the top areas that other emerging markets such as China, India and Brazil are investing in. In fact, about 13 per cent of Africa's total oil production is traded with China and Africa now makes up 10 per cent of China's total foreign direct investment. In Singapore, Temasek Holdings has expressed interest in investing in the country, while Olam International is already successful in Nigeria and several areas in West Africa. Recently, OM Holdings Limited, a Singapore-based ASX-listed miner and metals trader, signed a S\$82 million investment agreement, representing a 26 per cent interest in South Africa-based Ntsimbintle Mining (Proprietary) Ltd.

"WE ARE NOT LOOKING AT USAIN BOLT, BUT RATHER THE SLOW AND STEADY KENYAN RUNNERS!"

**Ope Babalola, Managing Partner,
Constelor Investment Holdings on growth in Africa**

ROCKY ROAD

Of course, challenges exist. Mr Gomes identifies the three areas specifically: Human capital (or the lack thereof), infrastructural challenges and leadership challenges. He also acknowledges concerns regarding corporate governance, especially relating to the government and the overall political climate, not just within businesses. Things are slowly changing, though. As Mr Babalola puts it – "We are not looking at Usain Bolt, but rather the slow and steady Kenyan runners!" Changes have been underway the past decades in the right direction as political stability seems closer. "There is intelligent politics taking place. Growth has been consistent if you look as recent as the past ten years," he adds. "There is more vigilance. Corruption is like an endangered species and things will continue to change for the better," agrees Mr Gomes.

As for human capital, Mr Gomes is convinced that while more of Africa's young talent are getting higher education and practical experience overseas, a good portion of them are also coming back to set up businesses and participate in their homeland's economy, contributing to its growth and sharing their knowledge. He believes that infrastructure and development go hand-in-hand; the two depend on each other. Business leadership needs to involve a change of mindset, both from locals as well as foreigners looking to invest. Events such as the Africa and South East Asia Business Forum are ideal platforms for this to take place. "This forum is private-sector driven. It will provide ammunition to the government, such as by suggesting suitable policies they can implement. It is a process of both public and private taking place," says Mr Gomes. While the private sector may be growing faster and seeing more changes in leadership than the government, he believes that with sufficient corporation, this could translate to something big.

"Things will not change overnight," cautions Mr Gomes. "It is up to Africa and Africans to determine what to follow, which models to take on," he adds. But one thing is clear. Africa is a growing market that is steadily gaining increasing recognition from the world. As the continent progresses, the world benefits. Already the emerging markets are driving the global economy and themselves developing at astounding rates. It might not be far off before Africa does indeed become the Final Frontier. **SI**