Written off as a hopeless continent a little over a decade ago, Africa is now proving the pessimists wrong, as growing consumer spending and a rising middle class transform the region. The boom in several industries, particularly telecoms and banking, has drawn much attention from investors. But how sustainable is Africa’s rise? The world’s poorest continent still faces plenty of challenges: an overreliance on commodity exports, woeful infrastructure and endemic corruption in many countries. Africa’s considerable opportunities and challenges were examined at the Reuters Africa Investment Summit on April 8-11, when during closed sessions Reuters reporters in Johannesburg, Nairobi and Lagos interviewed top newsmakers from across the continent.
If you want to ride Africa’s business boom, choose your country well and be ready for bumps on the road. But the momentum is upward and you will be rewarded if you stay the course.

African policy-makers and chief executives of companies operating in Africa are spreading this upbeat message, qualified with some caveats, as interest in what was once dubbed the “hopeless continent” blossoms along with growth rates.

Few doubt that the Africa Rising narrative, which has grabbed the attention even of traditional skeptics, is based on solid fundamentals: growth outpacing most of the world, a rising young population of workers and consumers and global demand for the continent’s commodities.

“I absolutely believe in a consistent upward trend,” said Diana Layfield, Chief Executive Officer for Africa of Standard Chartered, the London-listed bank which is investing $100 million in Africa to double its business in the next five years.

But this bullish pitch for Africa, enthusiastically echoed by most participants at a Reuters Africa Investment Summit this week, comes accompanied with a caution that the continent remains a volatile, uneven and challenging place.

“If you were to compare it to the emergence of some markets in Asia, you’ll see ... more bumps in the road,” Layfield said.

While hubs like Nigeria and Kenya project the continent’s potential, pockets of instability and flickering violence in old and new hotspots such as Democratic Republic of Congo, Mali and, more recently, Mozambique, serve as a constant reminder of a turbulent track record.

Investors in the continent of 54 states - most of them south of the Sahara - must also get to know the different markets, cultures, and regulatory frameworks. That makes it distinct from fast growing Asian giants India and China.

“With the best will in the world, nobody can be a good investor across 44 countries,” said Marlon Chigwende, Managing Director of the Carlyle Group’s $500 million Sub-Saharan Africa Fund, which has just signed its second deal.

“But we think with a focused strategy you can make very good risk-adjusted returns in Africa.”

Even in the short term, some investors are seeing returns: stock markets in Nigeria and Kenya, west and east Africa’s biggest economies, are both up more than 20 percent this year after significant gains last year.

“A WHOLE DIFFERENT STORY”

Cheerleaders of the rising Africa message stress that it is not just an economic growth story.

Sub-Saharan Africa’s expected GDP growth - forecast at 5.8 percent this year by the African Development Bank - is the envy of much of the world as parts of the developed West struggle to climb out of recession.

But Africa-watchers say the continent is also marching forward across metrics ranging from democracy and governance to economic management and the rule of law.

“Those basic fundamentals are either in place or getting better,” said Clifford Sacks, CEO for Africa of Renaissance Capital, the Russian investment bank which has been a pioneer in opening up the business frontier in Africa.

Sacks and others said the old investors’ view of Africa as a pool of oil and minerals to be tapped as a resource play - while still significant, especially for big commodities buyers like China - is not the full picture.

Mining represented only 14 percent of Africa’s growth while 53 percent came from services such as banking and telecommunications.

A general view shows a shipping container area at the port of Halk al-Wad, in Tunis February 19, 2013. REUTERS/Anis MilI
Zimbabwe is on track for another flawed election this year unless it can refresh outdated voter lists, approve “an army” of outsider observers and find foreign donors willing to pay for the vote, Finance Minister Tendai Biti said.

However, postponing the poll to maintain a stop-gap unity government between President Robert Mugabe and Prime Minister Morgan Tsvangirai is not an option, with the fractious coalition well past its sell-by date, Biti told a Reuters Africa Summit.

“I don’t think we are in a position today, right now, of having legitimate, credible, sustainable elections,” Biti, a leading member of Tsvangirai’s Movement for Democratic Change, said.

“At the rate we are going, it is obvious that we are going to have another flawed election ... Zimbabweans cannot afford another flawed election.”

Zimbabweans last month approved a new constitution curbing presidential powers that critics say have been used by Mugabe to entrench his 33-year rule. The referendum removed the main barrier to an election in the second half of this year after a disputed 2008 poll.

But more reforms are needed to reassure investors who have withheld support over charges of human rights abuses and election-rigging by Mugabe’s ZANU-PF party and criticism of policies such as his seizure of white-owned farms for blacks.

The unity pact between ZANU-PF and the MDC has gone some way towards arresting an economy damaged by more than a decade of hyper-inflation which rendered the Zimbabwe dollar worthless. Inflation has slowed to single digits while growth is seen above 5 percent this year after contracting for a decade before the unity government was established.

TWO CAMPS
But progress has been hampered by wrangling between ministers from the two camps and investors are worried about conflicting signals on policies such as the transfer of at least 51 percent ownership in foreign-owned firms to local blacks.

“The inclusive government has done well in giving our people a timeout against the economic failures of the ZANU-PF regime,” Biti said. “But I think it has outlived its usefulness.”

“We need sustainable, legitimate, credible election outcomes in Zimbabwe, and to me that is our number one factor arresting the economy.”

The international community would have to foot the bill for the vote, Biti said, as Harare’s coffers have been bled dry by a recent census and the constitutional referendum last month.

“For any country, let alone a country like Zimbabwe with a budget of $4 billion and a GDP of $12 billion, that’s a huge strain,” Biti said.

Harare is still struggling with more than $10 billion in arrears to the World Bank, the IMF and the African Development Bank, meaning it cannot access multilateral funding needed to overhaul its dilapidated infrastructure.

“The bottom line is that the international community must accept the obligation on its shoulders. And by the international community I also include South Africa,” Biti said.

Africa’s biggest economy, which has absorbed an estimated 2.5 million Zimbabweans fleeing the political and economic downturn, would bear the brunt of another meltdown in its northern neighbor, he said.

“But that doesn’t mean the international community should give Zimbabwe a blank check. If Zimbabwe wants to be part of the international community, it has to play by the rules.”

Editing by Ed Cropley and Alison Williams
South African finance minister says central bank balancing growth with inflation “fairly well”

BY STELLA MAPENZAUSWA AND ED CROPLEY
PRETORIA, APRIL 9, 2013

South Africa’s central bank has done reasonably well to balance economic growth and the need to create jobs while also pursuing its mandate to keep inflation in check, Finance Minister Pravin Gordhan said on Tuesday.

The comments, in an interview as part of a Reuters Investment Summit, suggest President Jacob Zuma’s administration sees no need to encourage the bank to boost growth by loosening monetary policy 12 months ahead of a general election.

Gordhan also said the crisis in Europe was still a drag on the domestic economy, hurting exports that are still coping with the fallout from strikes in the mining sector last year.

The Reserve Bank left the repo rate at a historic low of 5 percent last month, but the Organisation for Economic Co-operation and Development says it has room to loosen policy further to assist the sluggish recovery by Africa’s biggest economy from a 2009 recession.

Most economists polled by Reuters expect rates to stay on hold through 2013.

The bank has kept rates on hold since a 50 basis point cut last July, saying the need to accelerate growth has been offset by a deterioration in the inflation outlook due to a sharp fall in the rand.

“They have done fairly well to take the economic growth and employment situation into account,” Gordhan said.

“They have been careful about balancing perceived risks on the one hand with the necessity to support the economy on the other hand. Let’s see what the next few months bring.”

South Africa’s central bank has an inflation target mandate of 3-6 percent but Gordhan in 2010 broadened its responsibilities to include economic growth and employment, although without specific targets.

EUROPE MAJOR CLOUD ON ECONOMY

Gordhan in February cut South Africa’s 2013 growth forecast to 2.7 percent from 3 percent due to lower demand both locally and from Europe, which absorbs about a third of South African exports.

“Europe still acts as a major cloud over both our own economy and the economies around the world,” Gordhan said, vowing to maintain a cyclical fiscal policy that has allowed South Africa to keep money flowing to social benefits and infrastructure.

But President Jacob Zuma’s government will not yield to pressure to increase spending ahead of next year’s election, despite growing pressure at the polls from opposition parties, he added.

“We are one of the few developing economies that don’t rely on external debt too much. It’s an important prop to the fiscal sovereignty we enjoy,” Gordhan said. “We will guard that very jealously at all times.”

Gordhan also said he saw no immediate threat to the foreign portfolio flows into local bonds that have helped plug a current account deficit of more than 6 percent of gross domestic product.

The gap, coupled with concerns about domestic industrial unrest and weak growth, have put pressure on the rand, which hit a four-year low of 9.3655 on March 21.

However, increased flows in the last week have pushed the rand to 8.944 against the dollar, a five-week high, as global investors have sought yield after the announcement of aggressive bond-buying, or quantitative easing, from the Bank of Japan.

“There is no immediate danger to those flows,” Gordhan said. “At the same time we are working hard at a global level to ensure any retreat from quantitative easing is managed in such a way that it doesn’t send shock waves through the global system.”

Editing by Matthew Tostevin/Jeremy Gaunt
growth in the eight-nation West African Economic and Monetary Union will hit 6.5 percent this year thanks to a post-crisis recovery in regional powerhouse Ivory Coast but governments need to press ahead with reforms, the Central Bank chief said.

Speaking as part of a Reuters Africa Investment Summit, Tiemoko Meyliet Kone said strong commodities demand from emerging economies such as China and India would help the currency bloc shrug off the effects of an economic slowdown in Europe, traditionally its main trading partner.

The currency bloc’s $80 billion economy grew by 5.8 percent last year as Ivory Coast - the world’s largest cocoa producer - bounced back from a brief civil war, growing by 9.8 percent. Ivory Coast’s economy makes up over one-third of the bloc.

“Faced with the current slowdown in global growth, Africa is an important region for both emerging and developed economies,” Kone said in an interview. “In 2013, the West African Monetary Union expects growth of 6.5 percent despite the current difficulties in Mali and Guinea-Bissau.”

Gold- and cotton-producer Mali is mired in conflict as a French-led coalition battles to eliminate Islamist rebels which captured the country’s north last year. Tiny Guinea-Bissau, meanwhile, is struggling to organize elections after a military coup last year, which froze crucial aid payments.

Kone appealed for regional governments to press ahead with reforms to trim deficits, improve transparency, invest in infrastructure and diversify their economies away from reliance on commodities such as cocoa, gold and iron.

Kone said the central bank, which cut its base lending rate to 2.75 percent last month, also was pursuing schemes to encourage private-sector lenders to lower their own interest rates and increase the scant supply of credit, which the IMF has cited as a drag on West Africa’s growth potential.

With regional governments having reduced their debt and deficits, thanks partly to the IMF and World Bank’s Heavily Indebted Poor Countries’ initiative (HIPC), Kone said their economies would continue to pick up speed.

“In 2014, growth should reach 7 percent for the first time,” he said. “But despite this potential and the promising outlook, African economies are confronted by important challenges.”

The central bank, which has its headquarters in Dakar, serves Benin, Burkina Faso, Ivory Coast, Mali, Niger, Senegal, Togo and Guinea-Bissau.

Kone said governments should take steps to secure regional peace, warning that conflicts had proven the main obstacle to Africa’s economic development. He also called for an improvement in governance to ensure resources were dedicated to fighting poverty, and improving education and healthcare.

“We need to prioritize economic sectors with high value-added, like manufacturing and new technologies,” he said. “This would reduce our economic dependence on exporting commodities.”

Member states must improve infrastructure - particularly roads, energy and ports - to lower production costs and improve regional economic competitiveness, Kone said.

Whereas member countries had previously invested using their own budgetary resources, Kone said they must seek private partners to ease the burden on public finances. The region also needed to accelerate economic integration, he said.

“Integration allows increasing economies of scale and trade. Not all countries produce the same things nor have the same production potential,” Kone said. “The political will is there for these reforms, it just remains to put them into action.”

Kone said the bank was pursuing schemes to encourage more lending and lower interest rates by banks, which were often deterred by the risk of lending to individuals and small businesses amid scarce information over their creditworthiness.

As a result, interest rates often reach 7 to 8 percent in the region, hindering businesses. The IMF noted in a report on the bloc last year that only 5 percent of its population had bank accounts and lending to the private sector was less than 18 percent of GDP, one of the lowest levels in sub-Saharan Africa.

“We must make banks rethink their arguments for not lowering rates,” Kone said. “We’re establishing mechanisms to better coordinate credit distribution and lower interest rates little by little.”

He said the central bank was in talks with private sector lenders to establish credit bureaux, which would amass information on borrowers’ creditworthiness, giving banks more visibility on who they were lending to.

The central bank was also considering compiling a database of all the guarantees offered by borrowers, to make these legally binding, thereby offering lenders more security.

A report by a panel of experts, approved by regional leaders last year, contained 43 proposals for increasing credit. Some of these have already been adopted, such as increasing the percentage of short-term deposits which banks can convert into long-term loans from 25 percent to 50 percent.

“It is quite possible that there are understandings between the banks and this contributes to keeping rates at a certain level,” Kone said. “We’ve explained that high interest rates actually make it less likely loans will be paid back.”

*Editing by Richard Valdmanis; Editing by Michael Roddy*
MTN could spend up to $8 billion on acquisition: CEO

BY HELEN NYAMBURA-MWAURA AND ZANDI SHABALALA
JOHANNESBURG, APRIL 10, 2013

MTN Group, Africa’s largest listed firm, could spend up to $8 billion on an acquisition and is looking for targets on the continent, the Middle East and Southeast Asia, its chief executive said on Wednesday.

The South African mobile operator is also one of around 15 telecom providers to make it to a second stage of bidding for an operating license in Myanmar, Sifiso Dabengwa also told the Reuters Africa Investment Summit.

“Growth through M&A is still an important part of our strategy,” he said.

“Anything between $4 and $8 billion is something that we could look at.”

Johannesburg-based MTN, which has a market value of $34 billion, has operations in 22 countries across Africa and the Middle East.

The company is now looking to Southeast Asia, and was one of 90 operators to initially express interest in a license in Myanmar, which is seen as having a high potential for growth.

From the remaining roughly 15 candidates, only around four will be short-listed and eventually two will be awarded the licenses.

Dabengwa said he would also be interested in acquiring a north African operator, to help diversify earnings.

MTN expects to repatriate some 1.2 billion rand ($135 million) of its funds tied up in Iran this year, Dabengwa said.

The company has been in talks with the Iranian central bank and U.S. authorities on sending back its dividends without violating sanctions.

Dabengwa, however, said MTN would exit its Iran operation if there was any clear indication the U.S. government would impose sanctions on the business.

MTN is facing a $4.2 billion lawsuit in a U.S. court over a rival Turkcell’s allegation that it used corrupt practices to win the Iranian operating license.

An external committee appointed by MTN has, however, found the allegations to be false and Dabengwa said the company’s lawyers were confident the Washington court would throw out the case because it did not fall under its jurisdiction.

Editing by David Dolan
Malawi sees annual inflation at 18 percent: Finance Minister

BY MABVUTO BANDA
LILONGWE, APRIL 8, 2013

Malawi expects inflation to slow to an average of 18 percent this year, helped by a bumper crop and strong tobacco prices, its finance minister said, as the destitute southern African country continues on a painful path to righting its finances.

Ken Lipenga also told Reuters he was optimistic Malawi would be able to meet a growth target of 5.5 percent this year, adding it was committed to pushing through structural reforms and drawing foreign investment.

“For the first time in many years we are so much looking forward to a bumper harvest this year and good tobacco prices,” Lipenga told Reuters in an interview as part of the Reuters Africa Investment Summit.

“The two will help us prop up the reserves and a good crop will help stem inflation.”

Lipenga, a former Reuters journalist and newspaper editor who turned to politics, said he expected inflation to average 18 percent in 2013. It averaged 21.3 percent last year, but this year has spiked as high as 37.9 percent.

Soaring food and fuel prices have been stoking inflation since President Joyce Banda eased the kwacha's peg against the dollar and devalued the currency by 49 percent.

Since taking the helm of one of the world’s poorest countries last year, Banda has been working to restore foreign aid withheld during the final days of her predecessor’s tenure after he picked a fight with key donors.

Overseas aid traditionally accounts for about 40 percent of the national budget.

In December the central bank raised the benchmark lending rate by 400 basis points to 25 percent in an attempt to stabilize the kwacha and rein in price increases.

The policies have pleased donors and the International Monetary Fund but have angered many voters who blame Banda for soaring food prices.

“Our biggest challenge now is to stem inflation and slow the depreciation of the kwacha,” Lipenga said.

“In order to correct the past mistakes and put the economy on a sustained path to recovery, tough policy decisions - many of them painful and unpopular - had to be made to avoid us being another Zimbabwe,” he said.

Zimbabwe nearly crumbled under hyperinflation before ditching its own currency and adopting the dollar in early 2009.

Lipenga said a recovery in agriculture, manufacturing and retail should help the economy expand 5.5 percent this year, from 1.9 percent in 2012.

“We will continue implementing structural reforms designed to remove regulatory hurdles and improve the investment climate.”

Editing by by David Dolan

Motorists pumps fuel into his vehicle in the commercial capital Blantyre in this picture taken March 26, 2012.

REUTERS/ELDSON CHAGARA
Standard Chartered expands in South Africa

BY HELEN NYAMBURA-MWAURA AND BENON OLUKA
JOHANNESBURG, APRIL 9, 2013

Standard Chartered (STAN.L) has opened two new branches in South Africa to target Cape Town and Durban-based companies looking to expand across the continent, its chief executive for Africa said on Tuesday.

The London-listed bank saw 28 percent growth in its South African business last year and is now looking to court local retailers, many of which are based in Cape Town, and trading houses operating in Durban, Diana Layfield told the Reuters Africa Investment Summit.

While Standard Chartered is dwarfed in South Africa by domestic powerhouses like Standard Bank (SBKJ.J) and FirstRand (FSRJ.J), it is looking to use its presence in at least 15 African countries to win business from companies looking north.

“In South Africa, we have seen real opportunity recently,” Layfield said.

Standard Chartered is also scaling up its business in Angola, where it recently inked a deal for a 60 percent stake in a joint venture bank with state-owned insurer ENSA.

The bank is investing a $100 million in Africa aimed at doubling the size of its business in the next five years. Profit from the continent jumped 23 percent to $771 million in 2012.

Layfield also said the bank had submitted a proposal to Harare for Zimbabwe’s so-called indigenization plan.

President Robert Mugabe’s government requires international companies operating in Zimbabwe to hand over a majority stake to black Zimbabweans.

Local press reported on Tuesday that Standard Chartered was one of three companies that could be shut down for non-compliance of the indigenization program, citing Zimbabwe government officials.

“We have submitted a plan to the government we believe complies with the indigenization requirements and now we are discussions with them over that plan. That is all the formal communication we have had,” Layfield said.

South Africa’s Standard Bank (SBKJ.J) said last month it wants to keep a majority stake in its Zimbabwe business.

The indigenization program has drawn criticism from both international investors and some Zimbabwe politicians, including Finance Minister Tendai Biti, who said the program was flawed because most Zimbabweans could not afford to participate.

“The problem with the indigenization model of Zimbabwe is that it’s based on certain fundamental fault lines,” Biti told the Summit.

“The local people become innocent bystanders to the Indigenization and Empowerment offer.”

Editing by David Dolan

Standard Chartered Africa CEO Diana Layfield attends the 2013 Reuters Africa Investment Summit in Johannesburg, April 9, 2013. Standard Chartered has opened two new branches in South Africa to target Cape Town and Durban-based companies looking to expand across the continent, its chief executive for Africa said on Tuesday. REUTERS/MICHELE HUTCHINGS

See the video: http://reut.rs/10JIRtU
Carlyle says eyeing banks in fast-growing Africa

BY HELEN NYAMBURA-MWAURA
JOHANNESBURG, APRIL 10, 2013

Carlyle Group (CG.O) is looking at a number of banks in east and west Africa for a potential investment, its Africa co-head said on Wednesday, as the U.S. private equity firm focuses on the continent’s growing consumer market.

Carlyle, which last year invested in a pan-African grain trading firm, has recently signed a second deal, Marlon Chigwende also told the Reuters Africa Investment Summit.

“Banking is very interesting today, and that is the general statement across a lot of sub-Saharan Africa,” Chigwende told the Reuters Africa Investment Summit in Johannesburg.

“Certainly, there are several opportunities of fast-growing banks, good management teams, interesting market positioning.”

Although private equity is still at a nascent stage in Africa, investor interest in the fast-growing continent is growing by bounds, drawn by a commodities boom and an expanding consuming population.

Carlyle is looking for banks with sound management teams, and will then consider regional or niche lenders, Chigwende said.

Large private equity deals are still rare in Africa, where unstable government and macroeconomic mismanagement have put off some investors.

But the tide is turning as democratic political systems start to take root and an emerging middle class begins to demand more consumer goods.

Last year Carlyle was part of a group that invested $210 million in Tanzania’s Export Trading Group, one of the largest private equity deals in Africa to date.

Chigwende said the Africa fund had signed another deal to be announced soon - although he declined to specify the region or the industry - and was looking at a few others.

Carlyle launched its $500 million fund last year and focuses on South Africa, Nigeria, east Africa and Ghana for potential deals.

It generally looks for businesses in Africa with an enterprise value, a measure of combined debt and equity, of around $200-$300 million, he said.

“The first three or four transactions that we are looking at in earnest, the general themes are fast growth, they tap into the consumer theme and trade theme,” he said.

Editing by David Dolan and Matthew Tostevin

See the video:
http://reut.rs/ZgU4j9
Toyota targets growing consumer market in Africa

BY TOSIN SULAIMAN
JOHANNESBURG, APRIL 9, 2013

Toyota Motor Corp (7203.T) is increasing its focus on African consumers as private sector growth reduces its dependence on government business, its top executive on the continent said.

The Japanese automaker, which has a presence in all 54 African countries after entering South Sudan last year, expects the east and west African auto markets to grow by up to 5 percent this year, Toyota Africa CEO Johan van Zyl told the Reuters Africa Investment Summit.

“In many countries now consumer marketing is becoming very important,” he said, adding that in many African countries Toyota previously dealt almost exclusively with governments.

The world’s top-selling automaker sold 237,000 vehicles on the continent last year, giving it a 14 percent market share.

But it faces growing competition from Chinese and Indian rivals like Chery Automobile and Tata Motors, which arguably have more experience in building and marketing budget cars in emerging markets.

However, van Zyl said Toyota was also focused on affordable cars and its Etios brand, launched in India in 2010, is targeted at cost-conscious consumers.

The company is selling about 2,000 Etios cars a month in Africa, where consumers are concerned about quality and durability as well as cost, he added.

“People tend to think if you sell things to Africa, you can sell them inferior things. I think that will be the biggest mistake you can make,” he said.

“The consumer in Africa is as much aware of quality than anybody else.”

Reporting by Tosin Sulaiman; editing by David Dolan
SABMiller plans to boost beer sales by 7-9 percent a year by slashing prices, using more local grains and cheaper packaging and negotiating better tax terms with governments, the South African company said on Wednesday.

“On average the African continent (in terms of GDP) will grow 5-6 percent per annum we think ... we would expect to capture maybe 2-3 percent (beer volume sales) above that,” SABMiller Africa’s Finance Director Jonathan Kirby told the Reuters Africa Investment Summit in the Nigerian capital Abuja.

Kirby said the world’s second-largest brewer plans to invest $400 million to $500 million a year outside South Africa and open one to two new breweries in Africa in each of the next three years, with countries such as Ghana, Nigeria, Mozambique and Zambia the likely targets for expansion.

Home to some of the world’s fastest growing economies, Africa’s thirst for beer is surging: analysts estimate beer volumes rose around 7 percent last year. Excluding the mature South African market, growth reached more than 10 percent.

This growth is spurring increased competition. SABMiller wants to gain an edge over rivals like Diageo and Heineken by luring consumers who drink cheap locally made home brew that comprises 75 percent of alcohol consumed in the region, according to company estimates.

African consumers pay more for beer brands than the global average, Kirby said, despite being the poorest continent.

“I think price is a key area. The African consumer will pay on average about $1 a serve and if you benchmark that against the rest of the globe that is at the top end,” he said.

“If we could make beer say 80-85 cents a serve I think the volume opportunity would just jump at you.”

Kirby said the company was looking at using cheaper local crops to make its beer and providing more draft beer to cut the cost of packaging. This has the double effect of reducing its import bill and stimulating local economies, which gives the company more opportunity to negotiate with governments on taxes.

“One of the things we want to try and do is develop a long term local supply structure (to reduce) our reliance on expensive imported and highly tariffed crops,” Kirby said.

He said SABMiller currently gets around 30 percent of its supplies locally but plans to increase this to 50 percent within the next 2-3 years.

SABMiller began selling a beer using the starchy root cassava in Ghana last month. It mirrors a similar product launched in Mozambique in 2011, where SABMiller was able to negotiate a reduced excise tax on the cassava and produce a brew 75 percent cheaper than other mainstream beers.

Kirby said the cassava brew now makes up 8 percent of the beer consumed in Mozambique.

Nigeria, Africa’s most populous nation with around 170 people, in which Diageo and Heineken are vying for dominance, is the biggest producer of cassava in the world. Kirby said it was a less viable business there because Nigeria already has low excise on the root.

Reporting by Joe Brock; Editing by Tim Cocks and Mark Heinrich
Newly oil-rich Ghana struggles to please

BY KWASI KPODO
ACCRA, APRIL 9, 2013

When Ghana struck oil in 2007, citizens expected the industry would bring them better lives and investors anticipated hefty profits from a rising African economic star. Six years later, all of them are complaining.

Lower-than-expected production from the offshore Jubilee field and funding a costly presidential election process in 2012 have left the West African nation struggling to deliver promised development projects while keeping its finances in order.

The situation underscores the complex reality of translating raw materials into prosperity on a continent notorious for the “resource curse” of graft, strife and mismanagement that has hit oil-rich countries like Nigeria, Angola and Equatorial Guinea.

Newly elected President John Dramani Mahama is walking a fiscal tightrope between ordinary Ghanaians demanding swift change and investors alarmed by the country’s ballooning debt.

A stumble could prove politically costly for Mahama and financially disastrous for Ghana as it seeks to retain its access to credit to fund rapid growth.

“Because of oil production, rising expectations in Ghana will have to be met. But at the same time, past policy choices constrain the room for maneuver and Ghana is toeing a very delicate line,” said Razia Khan, Africa analyst at Standard Chartered Bank in London.

Eschewing the deepest of cuts, Ghana’s 2013 budget plotted a middle-of-the-road route intended to trim the deficit while using increased revenues to fund a jump in public spending.

Last month, Finance Minister Seth Terker unveiled plans to pare the government’s deficit to 9 percent of gross domestic product (GDP) this year from 12.1 percent in 2012, while cranking up expenditures by 20 percent.

That disappointed economists who were expecting Ghana to reaffirm its commitment to a deficit of 6 percent of GDP - the target it set and then widely missed in 2012.

Rating agency Fitch had already downgraded the outlook for Ghana’s credit rating to negative from stable in February after details emerged of deteriorating public finances - a blow to its reputation as a model of African potential.

“"Our children are still attending school under trees."
Total public debt rose by more than a fifth last year to $18.8 billion, versus $15.3 billion in 2011.

**STUDYING UNDER TREES**

Rare in a region where coups, civil wars, disputed elections and strong-arm rulers are the norm, Ghana has distinguished itself with six peaceful transfers of power via the ballot box.

That reputation allowed it to launch a $750-million eurobond in 2007 and helped it secure the accolade of hosting Barack Obama for his first African trip as U.S. president in 2009.

Across the capital Accra, evidence of new resource wealth abounds - brightly-lit multi-storey buildings, cranes looming over construction sites, well-paved roads and billboards advertising banks, cars and mobile phones.

But many Ghanaians remain excluded. An influx of rural workers hoping for jobs in Accra, has spawned a sprawl of outlying shanty towns and spilled vendors across the streets.

Standing in a trash-strewn courtyard, 49-year-old school teacher Monica Quansah wonders where the oil money is going.

“Our children are still attending school under trees,” she said. “Those of us in the city don’t have reliable power and water, let alone those in the regions.”

Grace Asantewaa, who voiced hope three years ago that oil would improve people’s lives, said she had yet to see any benefit: “Nothing has changed. We are even worse off than before because prices have shot up significantly,” she said behind her stall of tomatoes and chili peppers at the teeming Agbogbloshie market along a potholed road in the seaside capital.

Mahama won the presidency in December by tapping into public frustration at the slow pace of change for ordinary Ghanaians.

Among other things, he promised to build 200 new school blocks within his first four years, bolster crumbling water and power infrastructure, pave roads outside Accra and sustain economic growth at 8 percent or more.

But he was dealt a tough hand.

Technical hitches meant Tullow Oil’s Jubilee field, 80 km (50 miles) offshore and the prime engine for revenue growth, produced 72,000 barrels per day in 2012, well shy of a 90,000 bpd target.

A report last month showed Ghana received $540 million from the oil industry last year, far short of a projected $774 million. About $32 million of that was saved in Ghana’s two-year-old sovereign wealth fund, which was valued at about $72 million at the end of 2012.

Nigeria’s oil-fed sovereign wealth fund, by comparison, is worth about $1 billion.

A public pay hike and election spending after the sudden death of President John Atta Mills in July further squeezed finances. Simply organizing the voting last year cost $125 million - over one percent of planned annual public spending.

Ghana has missed its budget deficit target in every election year since constitutional rule was restored in 1992.

Vice President Kwesi Amissah-Arthur said the government chose slow fiscal consolidation to balance growth and stability.

“An attempt to correct the fiscal imbalance in one year would be extreme,” he said. “We’d be putting the brakes on at a time when we also have the responsibility to ensure economic growth to create employment opportunities for our people.”

The West African country ranked among Africa’s fastest growing economies in 2011 and attained a lower middle-income status, propelled by the 2010 start up of oil production.

With reserves of 800 million barrels of high-quality oil and potential for at least one billion more, the field makes Ghana one of sub-Saharan Africa’s top 10 oil producers. Tullow hopes to produce 120,000 bpd this year and 200,000 bpd by 2015.

**TOUGH DECISIONS**

Despite the budgeted spending jump, Ghana will struggle to fulfill the social projects...
Will Nigerian boom babies feed prosperity or entrench poverty?

BY TIM COCKS
LAGOS, APRIL 9, 2013

In the time it takes to read this article, Nigeria will have added 50 people to its population, or about 11,000 a day. While some see these new consumers feeding an engine of prosperity, others fear they will create a crisis of poverty and unrest.

By 2050, the global Population Reference Bureau (PRB) projects it will be the world’s fourth most populous country, with 400 million people - just less than the projected figure for the United States, but with only a tenth of its territory.

While Africa’s most populous nation has long had business leaders salivating over its potentially huge market, especially retailers of fast-moving consumer goods, it is not clear whether it can turn a growing population - already at 170 million - into a richer society with widespread higher living standards.

Nigeria is often used by promoters of an “Africa Rising” narrative urging investors to buy into the continent’s potential to reap a “demographic dividend” from an expanding population of young people of working age.

Yet in the waterside slum of Makoko, where 100,000 residents huddle together in homes on stilts that spill right out into the Lagos Lagoon, few feel on the verge of prosperity.

“We’re poor, and not much is changing,” said Benedicta Hunkpe, as she stirred a cauldron of fish stew over smoking charcoal while children swept along the water in canoes.

Demographers fear a crisis of poverty and social upheaval could offset gains from the birth of new consumers.

The 3,000 naira ($19) a week that the 55-year-old Hunkpe earns from selling fish helps feed her eight offspring and 10 grandchildren; her house sleeps 40 people at a time.

“The money is never enough,” she said. “I wanted my children to go to school to give them a better life, but I couldn’t afford it.”

Skeptics say services and the environment can’t keep pace with a population rising at 2.4 percent a year, according to U.N. figures. They fear swelling numbers of jobless and uneducated youths threaten the stability of a country already suffering an Islamist uprising in the north and oil theft, piracy and kidnapping by criminal gangs in the south.

“If we keep growing our population at this rate, without also growing our means to sustain it, we are heading towards catastrophe,” says Owoye Olumide, a demographer at southwest Nigeria’s Bowen University.

“We have to do something very fast ... or we face more poverty and agitation or worse - disease, hunger, war.”

NIGERIA RISING?

Few investment funds share this view. Banks like Renaissance Capital believe African demographics will spur an economic transformation of the sort Asia has seen.

“Only sub-Saharan Africa is positioned to experience 15-20 percent growth in the crucial 15-24 age range over the coming decades, which will provide the plentiful labor force the world economy will rely on,” the bank said in a 2011 report entitled “The bottom billion becomes the fastest billion”.

This will provide huge opportunities for retailers and the auto industry, for which “demographic data alone suggest Africa will be overtaking China within two generations”.

Nigeria is already a big market for basic goods, like the soap, beer or flour sold by PZ Cussons, Nigerian Breweries and Flourmills of Nigeria.

And some are preparing for the next step up; South African supermarket chain Shoprite has plans for 700 stores in Nigeria, up from only a handful at the moment.

Yet countries that reap the “demographic dividend” usually do so only once population growth starts to slow.

While fertility rates are crashing across Asia and Latin America - mirroring falls in Europe a generation ago - in sub-Saharan Africa they remain high. A 2012 World Bank study put them at five children per woman; in Nigeria, it is 5.6.

The United Nations predicts sub-Saharan Africa’s population will double by 2045 to 2 billion. Nigeria will account for a fifth of that, and some fear city infrastructure, education and the job market won’t keep up.

“RUNNING TO STAND STILL”

Sprawling around a lagoon and the Atlantic coast, Nigeria’s commercial hub of Lagos - a steamy, tropical city of some 21 million people, according to its government - receives hundreds of thousands of new arrivals each year from rural areas.

The city grows by 672,000 people a year, state data shows.

“It’s like we’re running just to stand still,” said Ben Akabueze, the Lagos commissioner for Economic Planning and Budget, a sharply dressed, bespectacled man whose phone trills constantly with demands from state governor Babatunde Fashola.

“You roll out services, then so many more people arrive,” he says. “Sometimes we can’t quite cope.”

Two thirds of Lagosians live in what are effectively slums with no reliable electricity or water. Most crowd into “face me, face you” accommodation squeezing whole families into seven- square meter rooms (75 square feet) sandwiched together along thin corridors.

Noah Semedi, head teacher at one of only two schools serving Makoko’s tens of thousands, is lucky he can read at all.

“My dad has 22 children. I am the last born in the family, so I am the only guy that went to school,” he told Reuters at the wood-hewn school, where 117 children in
blue and yellow uniforms huddled around a jetty over the filthy water of the lagoon.

Residents of such areas are a long way from consumerism.

The 7UP that Owolala Elijah, 27, a fisherman, slurps at a village meeting was paid for by the local chief - he is rarely able to afford branded fizzy drinks himself, he says.

A Standard Bank study last year questioned Nigeria’s potential as a mass consumer market. It showed that in some of the urban centers seen as promising, like Lagos, household incomes are far below the threshold for a retail boom.

It found 93 percent of Lagos households were in the poorest category, with monthly income lower than $390, compared with only 38 percent in Johannesburg.

Only retailers targeting “the bottom of the pyramid”, like brewers or Swiss food group Nestle, can tap such people, said Standard Bank’s head of equity product, Matthew Pearson.

“(Retailers) ... down in South Africa were most surprised,” said Pearson. “Received wisdom was that the middle class in Nigeria was a lot bigger than it actually is.”

That suggests retailers like high-end South African supermarket Woolworths, which set up in Nigeria in 2011, face a small market for some time. Strategies targeting middle-income groups that worked in places like India and South Africa may not yet work so well for Nigeria, Pearson said.

DANGERS OF YOUTH

Official figures say absolute poverty rose to 60 percent last year, from 54.7 percent in 2004, worsened by rapid population growth. Some 100 million Nigerians live in poverty.

“With that kind of pressure of population, the way Nigeria has worked ... would be very difficult to repeat over the next 20 years without some big catastrophe happening,” said Antony Goldman, head of Nigeria-focused PM Consulting.

The PRF says nearly half of Nigerians are under 15, and in the “Middlebelt” - a region of central Nigeria populated largely by minority ethnic groups - violence is common among youth gangs, with disputes over scarce land and water. Dozens have been killed in the past week in Plateau state.

In the Niger Delta, gangs of mostly unemployed armed youths steal tens of thousands of barrels of oil a day from pipelines.

And the biggest threat to Nigeria’s stability - the north’s Islamist insurgency - is driven by its desperate, unemployed youth population, said Mohammed Junaidu, a northern opposition politician and academic, adding that Nigeria had 12 million children of school age who were not in education.

“It's a combination of failures of governance and the ticking demographic time-bomb,” he said. “They urgently need to pacify these youths or face more instability and terrorism.”

ROOM FOR OPTIMISM?

The government has for decades tried to curb population growth through family planning, but struggles to influence a poorly educated population, many living in remote rural areas, that values having many children, officials say.

“Nigeria needs an attitudinal change,” says John Adegbite, executive director of NGO the Planned Parenthood Federation of Nigeria, adding that only around 10 percent use contraceptives.

Yet those who take a bullish view of Nigeria’s economic future argue that its growth can still eventually lift large sections of society out of extreme poverty.

Charles Robertson at Renaissance Capital says over a third of children go to secondary school, compared with just 7 percent in 1975. That is now similar to India 20 years ago, he says.

He also thinks that, as Nigeria and Africa become more prosperous, populations will naturally rise more slowly.

“As African countries get richer, birth rates will drop dramatically,” he said - as has happened in India and Egypt. As a result, he says, U.N. projections for Nigeria’s population by 2050 will be “out by tens of millions”.

For demographers like Olumide, that is too complacent.

“Without a change of reproductive behavior, I can’t see how we can slow population growth,” he said. “We are just loading more people onto the table. Very soon, it’s going to collapse.”

($1 = 157.5000 naira)

Additional reporting by Camillus Eboh in Abuja; Writing by Tim Cocks; Editing by Will Waterman
Africa’s rise pays out dividends for democracy

BY PASCAL FLETCHER
JOHANNESBURG, APRIL 5, 2013

Africa is rising not only on the growth charts of economists.
The continent that was a byword for poverty, chaos and bloodshed only a few decades ago, providing a media feast of famines and wars, is slowly but steadily notching up gains on the democracy scorecard too.

Last month’s generally peaceful Kenyan presidential election - and the Supreme Court process that confirmed Uhuru Kenyatta’s narrow win - confounded pundits’ predictions that East Africa’s biggest economy would tumble back into the same inter-tribal violence which bloodied a 2007 vote.

The Kenyan ballot, following a line of hotly-contested but broadly smooth elections last year in Senegal, Sierra Leone and Ghana, has bolstered what many see as a spreading embrace of multi-party democracy in Africa.

Combined with better economic management by many governments and a fast-growing population of young workers and consumers, this improving political maturity will underpin expected GDP growth for Sub-Saharan Africa of five percent or more this year.

“If you peel back ‘Africa Rising’, it is not just growth rates,” said John Stremlau, Vice President for Peace Programs at the Atlanta-based Carter Center and a veteran observer of African elections, including the most recent Kenyan one.

In a December outlook for Sub-Saharan Africa, Fitch Ratings called the vote in Kenya, seen as a political and economic anchor in East Africa, an “important inflection point”.

Despite technical glitches and some localized violence, Kenya passed this test without repeating the 2007-2008 bloodletting that killed more than 1,200 people, helping to mend its image as one of Africa’s most stable democracies.

Standard Bank economist Simon Freemantle said the Kenya vote added to a list of recent African elections where incumbent leaders accepted defeat, such as Zambia’s Rupiah Banda in 2011 and Senegal’s Abdoulaye Wade in 2012, or where losing challengers heeded the verdict of the ballot box and the courts.

“The momentum, the general thrust is absolutely positive ... these are all examples from very different countries ... different geographically, historically, culturally, and all showing signs of that maturation,” Freemantle told Reuters.

MOMENTUM “POSITIVE BUT PATCHY”

He cautioned that the permeation of electoral democracy across a vast and varied continent was not uniform, as Africa has not completely shaken off some of its old demons.

“The African narrative in many ways is not a single-track story, it’s very patchy,” he said.

A rebel takeover in Central African Republic last month became the latest flashpoint of regional instability. This sucked in South Africa which suffered a blow to its ambitions to be the continental superpower by losing 13 soldiers on a military training mission killed in confused fighting there.

France’s robust military intervention in its former Sahel colony Mali in January repulsed a mix of al-Qaeda allied rebels, but at the same time raised fears of an Islamist jihadist backlash in North and West Africa, not least in Nigeria where the government is battling the northern Boko Haram insurgency.

Democratic Republic of Congo’s east remains a political and ethnic tinderbox and a surprise attack by pro-secessionist rebels in March on the second city and mining hub of Lubumbashi added to the instability woes of the central African giant.

A raid by opposition Renamo supporters in Mozambique on Thursday, killing four policemen, may also worry mining firms ex-
ploring huge coal and natural gas reserves. Nevertheless, most Africa watchers say the continent has unquestionably moved on from the time when government change was more likely to come from the point of a gun than a ballot box.

In its 2012 “Africa attractiveness” survey, Ernst & Young recalled that between 1960, the milestone year for African independence, and 1990 there was only one instance of an African leader or ruling party being voted out of office. The continent gained an unenviable reputation for bloody coups, kleptocratic “Big Men” dictators, and brutal civil wars fought over resources and often featuring child soldiers - an image of chaos and conflict that has endured over the years.

“The perception is that Africa is often more politically unstable, more corrupt and more challenging to do business than anywhere else in the world,” the Ernst & Young survey said.

But it argued the facts now “tell a different story,” noting that most African countries have transitioned, or are transitioning toward, some form of participatory democracy.

In its 2012 Democracy index, the Economist Intelligence Unit said elections had become a “normal occurrence” in Sub-Saharan Africa, while coups had declined sharply. The EIU listed 22 Sub-Saharan African states classifying above Russia on its index, while 34 were listed above China.

But it noted that despite more infrequent coups, “conflict, failed government and human rights abuses remained widespread”.

**“TIPPING POINT” FOR AFRICA**

African Development Bank president Donald Kaberuka believes Africa, written off for decades as a hopeless continent always begging for aid, has now reached a milestone moment.

“Tipping the balance towards improving governance, Ibrahim, who has created a $5 million annual prize to reward good governance in Africa, points to the record 86 percent Kenya election turnout as a sign Africans are embracing electoral democracy as a viable force. This contrasts with low turnouts in older western democracies. Tipping the balance towards improving governance, Ibrahim said, was a critical mass of Africa’s young population who were better educated and better informed than their parents.

“They ask ‘Why are we like this? Why aren’t we like the Europeans and Americans, why not like China?’,” he added.

Standard Bank’s Freemantle said this increasingly vocal “voice and agency of the people” was being strengthened by growing urbanization and access to technology across Africa.

“These dynamics for me are all suggesting that political systems are having to be more nimble and relevant,” he said.

**BEWARE EXCLUSION**

But Africa’s burgeoning growth, swelling population and blossoming wealth - for some - has a potential weakness in the widening inequality gap in most African societies today.

If the continent’s fast-growing young urbanized populations feel excluded from the material benefits of an economically rising Africa, or if these spoils are appropriated by ruling elites, then this risks touching off the same kind of social explosion that caused the “Arab Spring” in North Africa.

“We have to pay attention to inclusion. We cannot leave people behind,” Ibrahim said.

He urged governments to turn the economic boom into stable, lasting prosperity by investing in human development, education and infrastructure.

Freemantle also warned that African mega-cities like Lagos could become dangerous “pressure cookers” if visible disparities in wealth were not tackled by national and local authorities.

Nevertheless, AfDB’s Kaberuka sees Africa in a “bullish mood” as the developed West struggles with economic problems.

Clearly, as France’s intervention in Mali shows, there are still limits to this new African spirit of self-assertiveness, and capacity in security and defense is certainly one of them.

But Kaberuka says Africa can start by solving its own problems with its own resources. His AfDB is planning to launch an infrastructure bond in the coming months to raise up to $22 billion for investments in targeted infrastructure projects, to be bought by reserves held by member nations’ central banks.

“Africa is coming of age,” he said.

Reporting by Pascal Fletcher; Editing by Peter Graff
South Africa pitches “Gateway to Africa” image: not all agree

BY ED CROPLEY
JOHANNESBURG, APRIL 12, 2013

With its sophisticated banking system, decent roads and ports and top notch commercial courts, South Africa is pumping itself up as the ‘Gateway to Africa’, the ideal launchpad for foreign capital into the fast-growing but chaotic markets to its north.

However, the logic of tapping into the momentum of a “rising Africa” and finding alternatives to a flattening Europe - currently the destination of nearly a third of South African exports - does not play well north of Pretoria.

Primarily, the ‘Gateway’ label grates with African states seldom keen to roll out the red carpet for the continent’s economic giant, still regarded as somehow “less African”, even though apartheid ended nearly two decades ago.

“Can we please stop using this term because it does not pay any dividends to what we are trying to do,” said Elias Matsiela, chief executive of the Public Investment Corporation, which manages 1.3 trillion rand ($146 billion) in South African civil servants’ pension funds, with a mandate to invest 60 billion of that in the sub-Saharan region outside South Africa.

“In fact, it does the reverse,” he told this week’s Reuters Africa Investment Summit. “It would get on my nerves as well if I weren’t South African.”

The infrastructure premium that South Africa now enjoys may also be shortlived as hefty investments in telecommunications and transport in potential rival African ‘hubs’ such as Kenya start to pay dividends.

Although it is unlikely that $34 billion mobile phone giant MTN (MTNJ.J) will ever ditch its Johannesburg home, chief executive Sifiso Dabengwa conceded locations like Nairobi now “offer more to multinational businesses than 10 years ago”.

South Africa’s days as Africa’s biggest economy - a symbolic but telling label - are also numbered, with Nigeria, already the continent’s biggest oil producer and most populous nation, due to rebase its GDP figures next year.

The recalculation is expected to increase the size of the West African nation’s economy from $250 billion to $350 billion, putting it only a shade behind South Africa’s $385 billion.

If Nigeria maintains its annual growth rate of nearly 7 percent against 3 percent in much more mature South Africa, it will lay claim to the top economy spot in less than three years.

FALTERING AMBITIONS

Although the ruling African National Congress (ANC) has long-standing ties to many African nations through its years of exile during apartheid, it has struggled to translate that into friends and real influence on the vast and varied continent.

Pretoria’s faltering continental ambitions were starkly revealed last month when 13 South African soldiers were killed in Central African Republic - the worst military casualties since the ANC took power - by rebels who ousted South African-backed President Francois Bozize.

It was also visible in the huge diplomatic efforts South Africa had to expend last year to persuade the African Union to accept its candidate, Nkosazana Dlamini-Zuma, as head of the Addis Ababa-based continental body.

Relations with Nigeria are sufficiently prickly that rows can be sparked by matters as trivial as “District 9”, a 2009 science fiction film that depicted Nigerians as cannibals, or by a group of Nigerians arriving at Johannesburg airport with fake vaccination certificates.

On the South African side, too, the ‘others’ are shown by businessmen in Johannesburg commonly referring to plans for “going into Africa”, oblivious to the realities of their location in same way that Britons refer to “Europe” as something that only starts on the other side of the English Channel.

That is slowing changing as a handful of large South African companies make deep and successful - inroads into the business world’s ‘final frontier’.

Besides MTN, now present in more than 15 African markets, notable other examples are retailer Shoprite (SHPJ.J), Africa’s biggest supermarket chain, and Standard Bank (SBK.JJ), the continent’s biggest bank by assets with a presence in nearly 20 African countries.

South African logistics firms are also starting to set up intra-African operations rather than simply plying the route north from Pretoria to Zimbabwe and beyond.

“We’ve always been a north-south operator but we are also becoming more active in the east-west axis,” said Hubert Brody, chief executive of transport firm Imperial (IPLJ.J), citing the improvement in road networks that in colonial days were designed purely to get raw materials from the interior to the sea.

In a similar vein, South African commercial ties with the rest of Africa are also deepening, with a 29 percent increase in two-way trade from 2011 to 2012 to $23 billion.

But numbers do not tell the whole story.

The first-world comforts of Johannesburg and Pretoria - from hospitals and schools to shopping malls and the continent’s biggest airport - are still likely to make them locations of choice for regional corporate headquarters for years to come.

“In South Africa you have a legal sector, a financial services sector, a commercial sector that’s enormously well developed and that will continue to be a huge benefit,” said Diana Layfield, the Africa head of Standard Chartered bank.

to continue reading
Africa’s banks spread their wings

BY HELEN NYAMBURA-MWAURA
JOHANNESBURG, APRIL 12, 2013

It took Kenyan lender KCB Group (KCB.NR) less than a year to break even after opening in tiny Burundi, a country better known for explosive violence than explosive growth.

KCB’s success highlighted the hunger for financial services that the biggest local banks are turning regional to tap.

Stretching beyond home markets, they are morphing into formidable competition for established international lenders - and becoming potential acquisition targets for outsiders seeking a foothold on the fast-growing continent.

“It’s an incredibly exciting phase,” said Diana Layfield, Standard Chartered’s chief executive for Africa, where the global bank has worked for over 150 years.

“What you have seen, particularly in some of the newer local regional banks, is an ability to serve emerging mass market consumers where other financial institutions haven't necessarily been able to cover effectively,” she told the Reuters Africa Investment Summit this week.

Despite being in Africa for so long, foreign headquartered banks such as Standard Chartered and Barclays have tended to focus on businesses and the wealthiest.

African banks are seeing more opportunities at the lower end of the market. Innovations such as mobile banking offer them the chance of getting access to more people more quickly than ever.

KCB opened in Burundi in 2012, bringing the number of its east African operations to six. Equity Bank, its bigger rival by market capitalization, is in five countries and is also eyeing southern Africa.

On the opposite side of the continent, Nigeria’s Guaranty Trust Bank announced plans this week to make acquisitions in three east African countries. The $4.4 billion bank already has six operations outside its home market.

South Africa’s “Big Four” are also building up to the north - the biggest, Standard Bank, operates in 18 African countries.

While there is an average of pretty much one deposit account for every South African, according to the latest World Bank data, that falls to fewer than 220 accounts per thousand people in Burundi, a 2012 survey showed.

POTENTIAL TARGETS

Growth can be dramatic. Between 2006 and 2009, the number of accounts in Burundi’s neighbor Rwanda grew more than 20-fold.

Present in the largest number of countries is Togo-based Ecobank Transnational, a $1.6 billion lender with branches in 32 nations and plans to enter five more.

It was that wide presence which drew South Africa’s state pension fund manager, Public Investment Corporation (PIC), to pay $250 million for a stake of nearly 20 percent in 2012.

“It’s African pride to be able to start an African institution from scratch and grow it to compete with large global entities,” said Elias Masilela, PIC’s chief executive.

Although often still a straightforward deposit and loan business, African banking is starting to draw the attention of private equity firms and pension funds as well as overseas banks seeking access to some of the world’s fastest growing markets.

Carlyle Group is hunting for financial services acquisitions in both west and east Africa, according to the private equity firm’s Africa co-head.

“Less than one in four people across sub-Saharan Africa have a bank account or have access to formal financial services,” Marlon Chigwende said. “We are looking at ways of participating in that space.”

Although Africa’s poorest are so far little touched by the financial services sector, some countries have no shortage of banks. Most of Tanzania’s 43 million people have no bank account, for example, but their country has more than 50 banks - focused largely on a small urban elite.

That fragmented banking sector makes it ripe for consolidation, Standard Chartered’s Layfield believes.

“In any market a decent bank is a potential target,” she said.

Additional reporting by Duncan Miriri in Nairobi and Chijioke Ohuocha in Lagos;

Editing by Matthew Tostevin
Africa urged to drive harder bargains with China

BY DAVID DOLAN
Johannesburg, April 12, 2013

For more than a decade African governments have rolled out the red carpet for Chinese investors, trading oil, coal, iron ore and other resources for badly needed ports, roads and railways.

But policymakers and executives, worried the flood of cheap Chinese imports is sapping Africa's own manufacturing potential, say the continent must drive harder bargains with China.

The time has come, some say, to jettison the view of Beijing as Africa's benevolent partner, bound by a common resistance to the meddling West.

"The sad reality is that they are not comrades. Their companies are there to make profits like everyone else," Zimbabwean Finance Minister Tendai Biti told the Reuters Africa Investment Summit this week.

"The African textile industry has basically collapsed because of cheap Chinese imports ... Africa needs China but let's create an equitable relationship."

China's trade with Africa has surged from about $10 billion in 2000 to $166 billion in 2011, with much of that an exchange of African minerals for Chinese manufactured goods.

Nigerian Central Bank Governor Lamido Sanusi warned last month it was time for Africans to wake up to the realities of their relationship with China.

"It is a significant contributor to Africa's deindustrialization and underdevelopment," he said in an opinion piece in the Financial Times that ruffled feathers in Beijing.

Even in South Africa, the continent's largest and most developed economy, manufacturing accounts for just 15 percent of GDP. It is even lower elsewhere, under 11 percent in Kenya and 10 percent in Nigeria.

AFRICA TO BLAME?

Part of the fault may lie with African policymakers, for not demanding enough from their Chinese counterparts at the bargaining table.

"If you allow the Chinese to come and rape you and take whatever they do because you're just looking at the money they bring, and if you're looking on a short-term basis, the country will suffer, there's no two ways about it," said Sipho Nkosi, CEO of South African mining company Exxaro Resources.

Africa must demand that China transfer skills and technology to the continent instead of allowing it to simply export raw materials, he said.

For some African politicians, part of China's attraction lies in its unwillingness to criticize local governments over human rights or corruption, unlike the West.

"You can't blame the donor only. You need to blame the receiving government as well," said Elias Masilela, the chief executive of South Africa's government pension fund.

African governments also needed to do more to put in place the infrastructure - including power and transport - that can support a domestic manufacturing industry, speakers said.

Sensitive to the criticism, China has been careful to frame its role in Africa as one that is mutually beneficial.

"Africa had a long colonial history and should know the nature of colonialism," Foreign Ministry spokeswoman Hua Chunying said last month in response to Sanusi's comments.

"Comparing China-Africa cooperation to the old colonial Western powers lacks any sense of logic."

LOAN-BACKED CHARM OFFENSIVE

Beijing has also responded with a charm offensive to ease concerns about its role on the world's poorest continent, including lobbying for South Africa's addition to the group of developing countries now called BRICS.

President Xi Jinping last month visited Africa on his first trip abroad as president.

While Xi outlined his Africa policy as a partnership among equals, China clearly holds the cash: it is offering $20 billion of loans to the continent between 2013 and 2015.

China's strength in low-cost, large-volume manufacturing has also helped some local industries, most notably telecoms, where handsets and equipment from the likes of Huawei and ZTE have made mobile phones affordable for millions of Africans.

"It probably has been more beneficial if one looks at it from our industry," said Sifiso Dabengwa, chief executive of South Africa's government pension fund.

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"Comparing China-Africa cooperation to the old colonial Western powers lacks any sense of logic."

Additional reporting by Ben Blanchard in Beijing; Benon Oluka and Zandi Shabalala in Johannesburg; Editing by Pascal Fletcher
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Diamond Bank Plc

Clifford Sacks
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Renaissance Capital

Diana Layfield
Africa CEO
Standard Chartered

Frank Ireri
Managing Director
Housing Finance of Kenya

Henry Kofi Wampa
Governor
Ghana Central Bank

Hubert Brody
CEO
Imperial Holdings

Johan Van Zyl
Managing Officer and CEO of Africa
Toyota Motor Corp

Jonathan Ciano
CEO
Uchumi

Yemi Kale
Director General/CEO
Nigeria Bureau of Statistics

Tendai Biti
Minister of Finance
Republic of Zimbabwe

Jonathan Kirby
CFO
SABMiller Africa

Keith Hill
CEO
Africa Oil Corp

Ken Lipenga
Finance Minister
Government of Malawi

Patrice Backer
COO
Advanced Finance and Investment Group

Mario Spangenber
President and Managing Director,
GM Africa
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Marton Chigwende
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Pravin Gordham
Minister of Finance
Republic of South Africa

Reginald Ihjiahi
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Sfiso Dabengwa
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MTN Group

Sipho Nkosi
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Exxaro Resources

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