

It is still possible to gain access to attractive investment targets with relatively low capital input



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I think investment prospects in Africa are favorable right now. Africa is the last uncharted territory on the investor's map and opportunities abound. The political climate is improving steadily and the countries are growing strongly.

When visiting, it is fascinating to feel the spirit of the people who want to leave their history behind and trust in a better future. You can even see that the construction sector is booming and new buildings are shooting up. Nevertheless, fundamental knowledge about the country, its background and system, is necessary to be successful in Africa as a foreign investor.

I think big misperceptions about Africa still exist, especially in the mainstream media where Africa is still considered as a place of civil unrest and war. Often, the big success stories of African countries are not even mentioned. What makes me confident is that within the last year, Africa was able to gain increased attention, not just in the media but also from large think tanks, research institutes, blue-chip companies and even from big global investors. For the first time also, conservative institutional investors and pension funds are starting to explore the opportunities on the continent. There is still a long way to go in order to dismantle prejudices but I think that we are on the right track and everybody who is supportive of Africa should contribute to close the gap of misperceptions.

One of the specific advantages of operating in Africa is that it is still possible to gain access to attractive investment targets with relatively low capital input, due to the

infancy of the industry. Early investors are therefore still able to catch the worm.

I think that finding qualified staff is still the most critical issue that Africa is facing. Especially in our focus, the financial services industry, you need qualified staff to ensure the growth of a well-governed institution. We developed our own approach to alleviate this problem by sending out our own managers to our portfolio companies, taking over the senior management positions and restructuring the institution according to the standards we know within the duration of their stay. A fundamental building block is that our managers transfer knowledge to the local staff, thus preparing the middle management for a future takeover of the top management. This is the time when our management staff leave the company.

So far, telecommunications is the biggest success story in Africa but the market shares are already secured by several big companies in most markets. Commodities are certainly something to talk about in many regions of Africa.

But the figures are clear. Independent forecasts tell us that the largest growth, 8% a year, can be seen in the financial area – even ahead of the commodities sector. It is simple: one of the main factors for the continued growth of economies is a functioning financial system, and that's exactly what we're doing.

Only 20% of the population of sub-Saharan Africa currently has access to the formal financial sector. But that will change with

the rise of a middle class, as purchasing power goes up and, in general, the gross national product continues to grow apace.

From an investor's point of view, sub-Saharan Africa has some quite developed capital markets among them South Africa, Nigeria and Kenya. Considering an investment in these markets is an interesting starting point, but so are others, and therefore valuations are high and to gain influential stakes, large investments are required. Therefore, we focus on smaller frontier markets with strong future growth potential and strengthening political environments. Frontier markets within sub-Saharan Africa are at a much earlier stage of economic and financial market development than emerging markets and are often at a turning point showing strong fundamentals. The less mature economies and capital markets typically leave room for growth, offering high, long-term returns and low correlations with other markets, but also bear higher risks, for example, higher political or liquidity risks.

Standard Chartered Bank, which has its origins in Africa, Asia and India and possesses the corresponding expertise, predicts that over the next 20 years, Africa's economy will grow by an average of 7% annually – more rapidly than China's. And most importantly: while the whole world is already looking toward Asia and is investing there, most investors don't even have Africa on their radar. Africa, so to speak, is the better Asia and still has good gains to shower on investors.