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INVESTMENT OPPORTUNITIES IN AFRICA

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On an occasion such as this, we believe it is proper to begin by saying that more needs to be done to spread the word of Africa as a continent of opportunity. In order to accelerate Africa's growth, all of us have a role to play, and this audience is no exception.

Programme Director, Africa's economic success story is not brand new. Over the first decade of this millennium, six of the world's ten fastest growing economies were African. Which was the fastest-growing country over those ten years? It wasn't China. It wasn't India. It wasn't Brazil. It was Angola. Of the BRICS, only China made it into the top ten. The rest were crowded out by the likes of Chad, Mozambique and Rwanda. In terms of annual average GDP growth, African countries have outstripped Asian countries throughout the 21st Century.

Evidence shows that this was not a flash in the pan. Over the first half of this decade, the trend will continue. Seven of the top ten fastest-growing economies are forecast to be African. But they are not the countries that usually spring to mind. They include - in addition to the ones I've mentioned - Niger, Guinea, and the Democratic Republic of the Congo. Ethiopia's average annual GDP growth has been above 8% since 2001 and is forecast to remain so - making Ethiopia the third fastest growing economy in the world over the next few years. This is impressive. But it is still falling short of its potential. Its rapid growth is being achieved with the lowest internet penetration rate in sub-Saharan Africa: just 0.7%. Imagine how much productivity would be added to the Ethiopian economy with more widespread internet access. A significant proportion of agricultural land remains unproductive or yielding 25% or less of its potential.

It needs to be made clear that African success is not based solely on extractives. Indeed, this is not where the majority of investment is directed. Around 70% of capital being invested into Africa is going into manufacturing and infrastructure. There is growing interest in low-carbon renewable energy. And there is increasing demand for investment in health and education, particularly where it relates to driving the achievement of human potential.

The new African economy of which we speak and that you contemplate investing in is one that has sustained many years of sound macroeconomic stability, has built the right institutions, has recognized the merit of being more transparent and has shown strong adherence to sound governance.

In an age of social media, a second round of solid investments in ICTs will ensure that the 400 million Africans who now own mobile phones can upgrade to 3G and 4G networks and that they can buy smart phones. The investments needed and the profits awaited can be gigantic judging from the needs to be filled. Some 600 million Africans still do not have a mobile phone; 94 percent of Africans do not have access to the Internet and over 80 percent await access to banking services, including mobile and online banking.

A third area of boundless opportunity is in infrastructure investments – especially infrastructure of a regional or cross-border nature – including investments to help bridge Africa's large energy deficit. Half a billion Africans currently without access to reliable and affordable power can either be seen as a problem (by the short-sighted investor) or as an opportunity. The continent needs to build its network of roads, rail and water ways that will foster trade – notably intra-African trade. Then there are infrastructure needs in water and sanitation; in building the infrastructure for a rapidly urbanizing continent; and in irrigation projects needed to boost agricultural yields, create jobs and guarantee food security, among others.

According to a World Bank study the poor state of infrastructure in sub-Saharan Africa, that is electricity, water, roads and information and communications technology (ICT), reduced

national economic growth by two percentage points every year and cut business productivity by as much as 40%.

It is estimated that about US\$93-billion is needed annually over the next decade to overhaul sub-Saharan African infrastructure. About two-thirds or \$60-billion of that is needed for entirely new infrastructure and \$30-billion for the maintenance of existing infrastructure. Only about \$25-billion annually is being spent on capital expenditure, leaving a substantial shortfall that has to be financed.

Light manufacturing is a fourth area that can address some of the unmet needs of Africa's emerging middle class. Any manufacturer and investor who is unaware of the aspirations of Africa's fast-growing middle class should take note. One recent survey in Nigeria found that nearly one-third of the 37million Nigerians in the middle class plan during the coming year or two to buy a microwave, a washing machine, a dryer or a refrigerator. These are only some of the unmet demands requiring major capital investments. Those demands can only grow and will include investments to expand the tourism sector and to fund housing.

However, it is not only financial capital that matters. Knowledge, social capital and human capital can be just as useful. Investments in light manufacturing will yield hefty profits especially if investors do more to build social capital (promote social accountability, transparency and demand-side governance) but also if they realize it is also the business of the private sector to build human capital (to develop the skills needed to staff light manufacturing positions). This area requires urgent action because rising labour costs will force firms in China to off-shore about 85-to-90 million labor-intensive light manufacturing jobs over the next three-to-five years. Africa can lure many of those jobs.

Whatever the area or sector, high rewards await the investors who take a long-term view and find strong local partners to help them understand the continent's investment market, its communities and peoples.

Why this is the time to invest in Africa and its capital markets? There is at least one obvious answer. Africa's fundamentals appear strong, and the continent's outlook

remains positive. The sheer abundance of opportunity is making stereotypes of Africa as a continent of misery, of war and of corruption less credible. The belief remains unshakeable among Africans that tomorrow will be better than today and that is the kind of infectious confidence in which investments thrive. Investors who have been looking for the right market to invest just rediscovered Africa.

While there are risks and no one should be naïve about the many challenges facing the continent, facts are stubborn. A first fact is that until the quantitative easing by the US Federal Reserve Bank, African stock markets had been experiencing resurgence and displaying an energy that had not been felt for years. A second fact is that, most African stock markets doubled their market capitalization between 1992 and 2002, from US\$113.4 billion to US\$244.7 billion. One overriding fact is that more capital is flowing to Africa because the continent has become a friendlier and more profitable market. Even more so, foreign investors have learned during the previous crisis that Africa, indeed, stayed stable.

More African governments are embracing the right reforms, building the right institutions, growing resilient economies and making the right policy choices, including diversifying their economies away from oil, gas and mining to the massive job-creating promise held by agriculture and small and medium-size enterprise creation.

Most importantly, a new generation of African policy makers understands how to address the challenges their countries face. They are building a framework of effective economic policies on a foundation of stronger institutions and improved governance. They are creating an environment in which business can flourish.

Prudent monetary policies have reduced inflation and enabled the build-up of foreign exchange reserves. Legal regimes and tax codes are encouraging investment. Good fiscal policies—coupled with comprehensive debt relief—have produced smaller budget deficits and low levels of public debt. This created the buffers that have allowed many countries in Sub-Saharan Africa to cushion their

economies against external and internal shocks. When the 2008 crisis hit, they were able to respond. Many countries were able to maintain—or even increase—social spending despite falling revenues, providing a welcome safety net for those most vulnerable to a downturn.

Financial sector development has also been an important part of the story. Across the continent, there has been a rapid expansion of financial services, including pan-African banking groups. In most countries, the financial sector remains robust. Africa also is attracting new sources of financing. Several countries have issued sovereign bonds with favorable terms in recent months. This partly reflects the low global interest rates. But it also reflects the investment opportunities that Africa offers and investors' increasing confidence in the region's long-term prospects. But financial sectors remain shallow in many low-income countries. Access, notably by small and medium-sized enterprises and in rural areas, remains limited. Mobile banking is making inroads, but much work remains to be done.

There can be no complacency about Africa's current success however at the same time we must not be naïve that many problems still persist. Conflict and instability endure in some areas. Poverty remains high even where it has come down. Sub-Saharan Africa has made the least progress toward the Millennium Development Goals and still lags other regions on measures such as primary education and maternal mortality. Decisive progress on social indicators will be crucial in the coming years. Many countries on the continent also remain exposed to market volatility, especially of commodity prices, and capital flows are notoriously fickle. But we believe that trade and investment can help spread stability, alleviate poverty and improve the business environment and reduce the likelihood of conflict.

So, what can investors, African governments and peoples, and Africa's development partners do?

Today is the day when African business is made. Tomorrow may be too late. Africa is the now, no longer the future. Any CEO who has not presented his or her board of

directors with their Africa strategy needs to get to work on such a plan. Any global player that continues to ignore Africa does so at their peril. To the people of Africa and their governments, I say foreigners – partners or investors – can help, but the ultimate responsibility of delivering on Africa's development promise is that of the peoples of Africa and their governments. Such is the unprecedented growth of the African continent that former New York Mayor, Michael Bloomberg about a week ago, hosted a conference in South Africa, Johannesburg, about investment opportunities on the African continent.

So the key message is not just that Africa is open to investment; but that we in Government know, and will do what we can to help.

Turning to our province of KwaZulu-Natal where we come from, over the past few years we have invested billions of rands in infrastructure as part of our efforts to put the province on the global and tourism map. Our province of KwaZulu-Natal is not only home to the biggest port on the African continent, the port of Durban, but also boasts the deepest port on the continent the port of Richards Bay, making KwaZulu-Natal the logistics hub of the Southern African region of the continent. In our collection of logistics platforms we have recently added the Dube Trade Port, incorporating a spanking new international airport named after the great warrior king of the Zulu nation, King Shaka.

In order to ensure that our country continues to be the gateway to the African continent, our government has embarked on the biggest infrastructure development project on the African continent which will see billions of rands being spent in building electricity power stations, dams, road infrastructure and the rehabilitation of the rail infrastructure.

Some of the catalytic projects located in our province include:

- The expansion of both the Durban and the Richards Bay Ports which will cost more than R5 billion

- Currently, our government is spending more than R5 billion in the expansion of the Dube Trade Port, incorporating the King Shaka International Airport
- Our province is also home of one of Africa's biggest renewable energy techno parks which will cost more than R4 billion
- The construction of one of the longest cable cars in the world, the Drakensberg Cable Car which will be built at the summit of the majestic Drakensberg Mountains, which is one of the province's two world heritage sites.

We urge you to come and invest in our province in order to be part of Africa's economic renaissance. While Africa is now free from the bondage of colonialism, just like you assisted us to unshackle the bondage of subjugation, we also need your help in the second struggle of ensuring that Africa enjoys the fruits of economic prosperity and it is able to take its pride of place in the family of other nations.

This is an exciting, new Africa, at a time of unprecedented opportunities for transformation. This is the Africa that is calling all responsible investors today. My question to you is: are you listening to or have you already heeded that call? The Africa economic train has already left the station. You are either on it or you risk being left behind.

I THANK YOU