

AIN

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AFRICA INVESTMENT NOTES

Update & Outlook



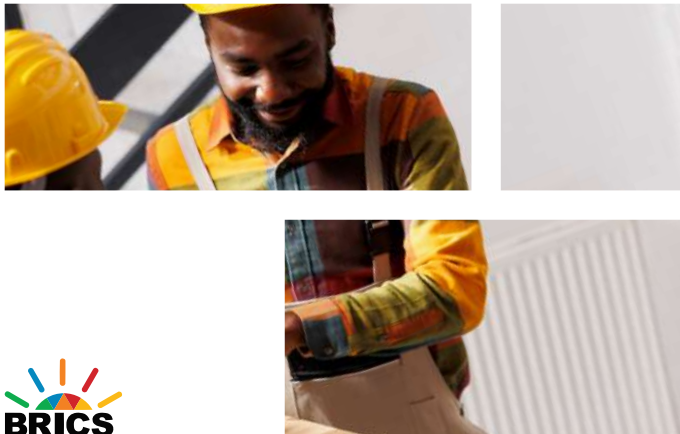
CONTINENT ON THE MOVE

The first quarter of 2024 painted a promising picture for Africa's economic future. The African Development Bank (AfDB) forecasts robust growth exceeding global averages. This surge is attributed to a focus on investment, responsible fiscal practices, and a thriving trade environment. Adding to the excitement is the potential inclusion of African nations in the BRICS economic bloc. This potential shakeup could significantly reshape global trade dynamics and open new doors for Africa's economic integration.

BRIDGING THE DIGITAL DIVIDE

A bright spot in Q1 was the rapid increase in internet access across Africa. This digital boom is driving economic growth, creating jobs, and fostering innovation. Studies even link increased internet access to a reduction in poverty and a rise in employment. However, the journey towards a fully connected Africa is not without its challenges.

Overall, Africa's first quarter of 2024 offered a glimpse of a continent on the move. While economic growth is on the horizon and the embrace of technology offers exciting possibilities, navigating debt burdens, ensuring energy security, and fostering sustainable development will be crucial for Africa's long-term success.



Economic 01 Diplomacy: BRICS

The BRICS economic bloc is in flux. Argentina recently declined membership, but Saudi Arabia, UAE, Ethiopia, Iran, and Egypt have shown interest in joining. This potential expansion, with Nigeria also eyeing membership, could reshape global trade and investment opportunities, particularly for Africa.

Africa Surges 02



- ▶ The African Development Bank forecasts a robust African economy, with GDP growth exceeding global averages at 3.8% and 4.2% in 2024 and 2025 respectively. This positions Africa as the second-fastest growing region behind Asia. Investment and fiscal responsibility are crucial for sustained progress amidst global challenges.
- ▶ Trade and investment are Africa's growth engines, with a focus on domestic industries, agricultural technology, and processing resources locally. The African Continental Free Trade Area (AfCFTA) offers a trade boom, but requires streamlined customs and empowered women entrepreneurs. Tanzania's diversification is a model for others, creating exciting opportunities in African manufacturing, agriculture, and intra-African trade.



South Africa Eyes Exit from FATF Grey List

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- ▶ South Africa's central bank governor is confident they'll be off the FATF grey list by 2025. He admits being greylisted due to anti-money laundering issues was costly, but progress is being made. The country is working to meet FATF requirements to avoid stricter financial checks.
- ▶ While tensions are simmering between West Africa and France. Military leaders in Mali, Burkina Faso, and Niger see the CFA Franc, a French-linked currency, as a chain to their economies. They're pushing for independence, even if it means economic risk. Considering a new currency union, they're willing to break free from the CFA Franc, a symbol of French control.





Debt Landscape 04

- ▶ African nations face a complex debt landscape. On one hand, Tunisia grapples with a projected 40% increase in foreign debt payments in 2024, highlighting a wider issue of crippling debt burdens across the continent. This situation is exacerbated by a lack of external funding and the potential negative impact of relying solely on internal loans.
- ▶ However, there's also a beacon of hope. Somalia recently secured a major debt relief package from the Paris Club. This agreement waives \$1.2 billion and opens the door for an additional \$815 million in voluntary relief. This signifies a positive shift in Somalia's relationship with creditors and paves the way for reaching a key IMF benchmark.
- ▶ Tanzania's government debt has risen considerably, jumping from Sh74.75 trillion (\$29.31 billion) in 2022 to Sh87.47 trillion (\$34.3 billion) in 2023. The good news is that Tanzania's debt burden remains lower than many other African nations when compared to their economies. This increase is financing development projects in education, transportation, and energy. As Tanzania continues to invest in infrastructure, we can expect their debt to keep climbing.
- ▶ While Kenya's shilling is on a roll! Investor confidence surged after the government secured funds to pay off a big loan. This means the shilling is stronger than it's been in months, wiping out losses from earlier this year. Businesses are happy because importing things will be cheaper. The government is also celebrating because their debt repayments will cost less. Overall, this is good news for the Kenyan economy.



Spotlight on Africa: Forests, 05 Biodiversity, Trade, and Freedom

- ▶ Africa's forests are vital for the environment, providing clean air, water, and regulating the climate. Sadly, deforestation is a problem, but Africa still has a lot of forests. Here are the countries with the least forest area according to a 2020 report: Egypt, Djibouti, Libya, Mauritania, Algeria, Niger, Lesotho, Cabo Verde, Western Sahara, and Chad.
 - ▶ Africa's rich biodiversity fuels food security, ecotourism, and contributes significantly to global GDP. However, this treasure is unevenly distributed. While boasting some of the world's most diverse ecosystems, Africa also has regions with very low biodiversity. This paradox necessitates both celebrating and conserving Africa's natural wealth.
 - ▶ The Wisevoter Freedom Index shows Western Europe as the freest region due to democratic traditions. Conversely, Middle Eastern and North African countries score lower.
- In Africa, Mauritius, Botswana, and Seychelles top the rankings for their strong individual rights protections. This index highlights the importance of promoting freedom in Africa.
- ▶ A report by the UK's Department for Business and Trade reveals trends in trade between the UK and Kenya for the four quarters ending in September 2023. While Kenya remains a minor trading partner for the UK, some interesting shifts occurred. UK imports from Kenya leaned towards services (nearly half), but both services and goods saw contrasting trends. Import of services from Kenya boomed, with a near 50% increase compared to the previous year. On the other hand, imports of goods from Kenya dipped slightly. This resulted in a wider trade deficit for the UK with Kenya compared to the previous year. Notably, the UK also shifted from a surplus to a deficit in trade specifically for services with Kenya.



Internet Boom Cuts Poverty, But Hurdles Remain 06

- ▶ A World Bank report shows promise for Africa's development. Internet use has skyrocketed 115% in just five years, spurring economic growth and job creation. Studies in Nigeria and Tanzania even linked internet access to a 7% drop in extreme poverty and an 8% rise in employment. But hurdles remain. Affordability is a challenge, with mobile devices and internet plans costing too much for many. A significant gender gap exists, with women far less likely to use mobile internet. Additionally, nearly half a billion people lack proper ID, and despite decent coverage, infrastructure is under-
- utilized. The World Bank is actively involved, investing in projects to bridge the digital divide and unlock Africa's full potential.
- ▶ Nigeria's digital economy is set for a significant boost with the landing of the 2Africa subsea cable. This 45,000km cable brings improved internet capacity which will supercharge economic growth and benefit millions. This reflects a major investment in African infrastructure and a positive sign for companies operating in Nigeria's growing digital landscape.

Lights Out 07 ▶



- ▶ Despite progress, almost 600 million Africans could lack electricity by 2030. The World Bank blames the ongoing energy crisis and lingering effects of COVID-19. While the efforts by African leaders is recognized, the pace needs to triple to achieve universal access by the next decade. The World Bank highlights its role in supporting Nigeria, including using existing systems to deliver aid to over 50 million people during COVID.



Hope for Health care and Social Initiatives 08

- The fight against malaria receives a major boost with the WHO's approval of the first malaria vaccine, RTS,S. This lifesaving tool will be used alongside existing methods. Millions of children are expected to be vaccinated in the next two years, with Cameroon leading the initial roll out. Additionally, a second malaria vaccine is in development, offering renewed hope for eradicating this devastating disease.
- Tanzania's president met with Pope Francis to discuss social issues and strengthen ties between the Catholic Church and Tanzania. The president expressed appreciation for the Church's contributions to education and health care. This friendly meeting highlights the significant role the Catholic Church plays in Tanzania, where it educates over 31,000 students and provides social services across the country.

UK Offers Asylum Seekers £3,000 to Relocate to Rwanda09



- The UK government has sparked controversy with a new plan to offer asylum seekers £3,000 to relocate to Rwanda voluntarily. This comes after their initial plan to forcibly deport rejected asylum seekers was met with legal challenges. Human rights groups have criticized the policy, raising concerns about the safety and welfare of asylum seekers in Rwanda. The UK government, however, defends the plan as a cost effective way to deter illegal immigration and manage a backlog of asylum applications.



Africa Needs \$100 Billion Leap to 10 Renewables while Oil remains profitable

- Shell paid a total of \$29.51 billion to governments in 2023, with Nigeria being the top recipient at \$4.92 billion. This was a rise from the previous year and accounted for nearly 17% of Shell's global payments. However, Shell's overall contributions to governments declined compared to 2022. The breakdown of payments to Nigeria reveals various categories including production entitlements, taxes, royalties, and fees. This data suggests that Nigeria remains a crucial market for Shell and the company is a significant contributor to the Nigerian government's revenue.
- A global agreement was reached at COP28 to rapidly increase renewable energy use and fight climate change. Sub-Saharan Africa, with its low electricity access rates, needs to be a big part of this. A new study says annual investments in African renewable must jump fivefold by 2030, reaching \$100 billion. This is crucial to bring clean energy to millions and meet global climate goals. The study emphasizes that wealthier nations need to do more to help developing countries transition to renewable energy

Innovation and Security: 11 Securing Africa's Digital Future

- African fintech is booming! Nigerian fintech Piggy Vest, secured investment from Flutterwave, adding to their \$5 million pot since 2016. The estimated \$3 million injection fuels their growth – over 4.5 million users and nearly \$500 million disbursed in 2023. This likely paves the way for even more funding.
- Meanwhile, Uganda's central bank is tackling AI-powered fraud. They can't fully protect users, so they're empowering them with digital safety resources. The bank is also getting tougher on institutions by issuing cybersecurity guidelines and requiring fraud risk assessments. This focus on user education and regulation highlights a maturing African fintech landscape.

DEALS:

- Ethiopia's Red Sea access deal with Somaliland has sparked regional tensions. Somalia, claiming Somaliland as its own, is furious. The African Union urges calm. While Ethiopia hinted at recognizing Somaliland, they've grown cautious. Somaliland sees this as a path to recognition and economic gain. Landlocked Ethiopia craves Red Sea access, and this deal offers an alternative to Djibouti. It could benefit both economically, but also raise concerns about an Ethiopian naval base and Eritrea, another Red Sea nation. International recognition for Somaliland seems unlikely, and China's role is complex due to Somaliland's ties with Taiwan. This deal has the potential to reshape the region, but its outcome remains uncertain.



- The Democratic Republic of Congo (DRC) renegotiated a mining deal with China, granting its state miner Gecamines a 1.2% royalty on profits and the right to sell 32% of the mine's output. This is a win for the DRC, which previously received minimal benefit from the deal despite being rich in cobalt and copper. China still holds the majority stake in the Sicominex venture.

- India-Tanzania trade is on track to break \$7 billion in 2024, likely making India Tanzania's top African trade partner. Favorable policies and India's role as a major investor (over \$3.39 billion) and top export destination for Tanzania are driving this growth. The trade benefits both nations: Tanzania exports gold, legumes, and cashews to India, while importing vehicles, electronics, and machinery. Indian billionaire Gautam Adani is also eyeing Tanzania for business expansion.



DEALS:

- The UK and Nigeria are about to sign a brand new deal called the Enhanced Trade and Investment Partnership (ETIP). This is the first time the UK has made a deal like this with an African country. It aims to strengthen existing trade ties between the two nations, which were already doing well at £7 billion a year. The deal also focuses on making it easier for British lawyers to work in Nigeria and open doors for collaboration in education, media, and entertainment. This move shows that the UK recognizes Nigeria's growing economic power and wants to be a close partner.

**DISASTER:**

- The price of cocoa has skyrocketed due to bad harvests in West Africa, a major producer. This is driving up chocolate prices as manufacturers struggle to absorb the increased costs. The situation is unlikely to improve soon, with forecasts predicting a cocoa shortage for the third year in a row. This means chocolate lovers may have to pay more or settle for smaller bars for a while.

ABOUT PEDESTAL AFRICA

Pedestal Africa Limited (pedestalafrica.com) is a specialized investment promotion firm that works with global investment networks to design, promote and deliver large scale investment programs in Africa.

Founded by senior technocrats with over 75 years combined executive level pedigree in international corporations such as ExxonMobil, British Gas, Petrobras and more, our focus is on energy and infrastructure development particularly in Sub-Saharan Africa. We have expertise in energy, infrastructure projects, international law, investment financing, project design, policy development, business strategy, corporate law, and commercial negotiation.

Our role is typically to assist government or private parties define priorities, convert policy to investment ready programs, and take them to capital markets. Thereafter, we draw linkages with the best available expertise in policy-to-project design, investment targeting and capital raising networks across the globe. We anchor our work with deep understanding of the priorities of the developing economies such as Nigeria.

