Pedestal Africa
INVESTORS FOR AFRICA



AFRICA INVESTMENT NOTES

Q2

2024



AFRICA'S Q2 2024

EXPANDING ENERGY AND STRATEGIC INVESTMENTS



In Q2 2024, Africa made significant strides in energy production and strategic investments.

Senegal launched oil production at the Sangomar field driving its economic development. Nigeria's Ubeta Field Development Project aims to boost oil and gas output by 2027, highlighting the continent's commitment to leveraging natural resources for growth.

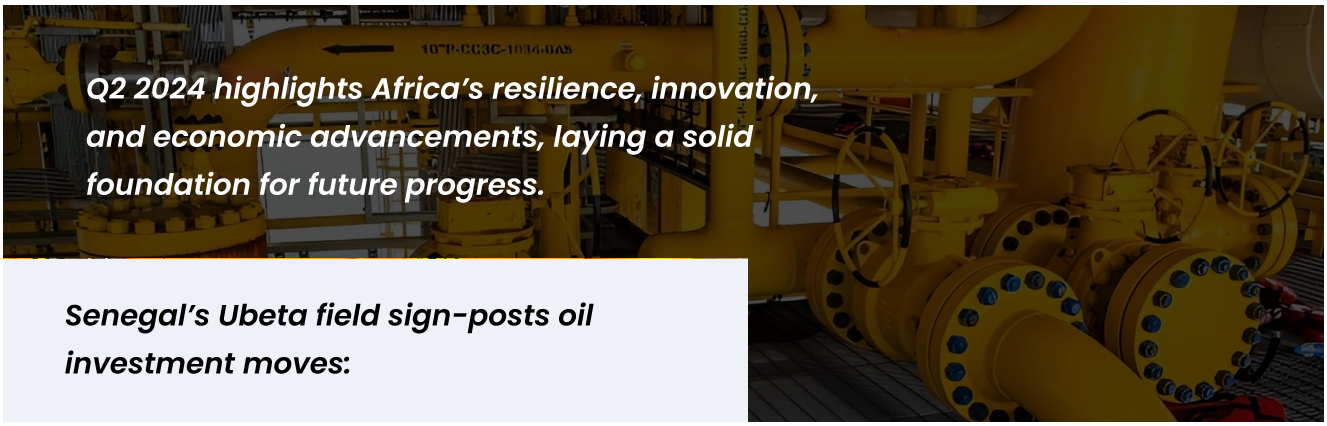
Green energy projects are also gaining traction. Central Africa's Danzi solar power facility is leading the way towards sustainable energy solutions. The African Development Bank's Desert to Power initiative was launched in the last quarter of 2023, aiming to promote regional trade and reduce reliance on fossil fuels.

These milestones showcase Africa's proactive approach to addressing energy challenges and promoting long-term sustainability while focusing on low-carbon expansion.

Economic Resilience and Financial Support

Africa continues to attract substantial financial commitments, with loan support and debt restructuring helping to boost economic stability and growth. Despite logistical challenges, Africa's travel industry, spearheaded by countries like South Africa and Ghana, is showing resilience and significant growth potential.





Q2 2024 highlights Africa's resilience, innovation, and economic advancements, laying a solid foundation for future progress.

Senegal's Ubeta field sign-posts oil investment moves:

- *The Ubeta Field Development Project is designed to boost Nigeria's oil and gas production for $550 million as part of the NNPC Limited-TotalEnergies Joint Venture. The project, which is based on development plans for the Ubeta field discovered in 1964, is said to deliver the first gas and condensate liquids in 2027. This is a win-win situation as it uses current facilities, favors inexpensive, low-carbon expansion, and is also in line with the vision of the Nigerian government.*

- *Nigeria's national oil company, NNPC Limited signed a settlement agreement involving ExxonMobil's divestment of its 40% stake in the Joint Venture to Seplat Energy, an indigenous producer. This development comes two years after Seplat announced its $1.2 billion acquisition of ExxonMobil's offshore shallow water business in Nigeria. President Bola Tinubu had previously directed efforts to resolve the stalled divestment issue between Seplat and ExxonMobil, to help free up stalled production and shore up constrained government revenues.*

- *Senegal now pumps oil, aiming for lower energy costs and economic growth. It is starting with 100,000 barrels a day from the Sangomar field, a $5 billion project, involving investment by Australian energy giant, woodside, and the nation's oil company, Petrosen.*

- *While some worry about Senegal's share of the profits, the government vows transparency and use of the revenue to benefit the country. This oil production, along with a natural gas project, marks a major economic shift for Senegal whose annual GDP currently stands at about $35 billion, mostly derived from the service sector.*





Green Energy Lighting Up African Countries

- *The largest solar power facility in the region was recently inaugurated, providing Central Africa with a brighter future. The $61 million Danzi plant funded by the World Bank offers hope for the Central African Republic's better and more sustainable energy future. This project, which is close to Bangui, the country's capital, intends to greatly increase the capacity of the national electrical provider, which has had difficulty keeping up with demand.*

- *Africa beckons with trade potential, thanks to AfCFTA and green energy. The ongoing conflict in Ukraine has made African energy an attractive alternative for European markets. While Investors remain cautious due to perceived risks, specialist trade finance institutions bridge the gap, offering risk management and local expertise. As Africa continues to integrate as a trade bloc, these specialist banks help unlock the continent's full potential by mitigating risks and building trust among international traders and investors.*

- *The African Development Bank's Desert to Power initiative tackles the Sahel's energy crisis head-on. Aiming to bring clean power to 250 million people by 2030, it harnesses solar energy to generate 10 gigawatts which is a significant step towards solving Africa's critical energy access issues and reducing dependence on fossil fuels.*

  This ambitious project fosters regional trade, combats climate change, and unlocks private-sector investment. Desert to Power has the potential to transform lives and set a new standard for sustainable development in Africa.

- *Canada, a key player in African mining, is reassessing its strategies to deepen partnerships and capitalize on opportunities emerging from the African Continental Free Trade Area (AfCFTA). Despite existing geopolitical risks, Canadian mining firms remain keen on Africa due to the potential for significant returns in the critical minerals essential for the global shift towards green energy.*



Africa's Growth Surge including Global Partnerships

- *Great news for sub-Saharan Africa as Kenya and Nigeria are on track to join the EBRD, following similar approvals for other countries in the region. This membership unlocks crucial financial resources and expertise to boost private sector investment, job creation, and sustainable development. Benin became the first EBRD member from sub-Saharan Africa in April, paving the way for a new era of economic growth across the continent.*

- *The G7 Partnership for Global Infrastructure and Investment (PGI) will focus on building a key transport corridor and improving communication infrastructure across Africa. Their summit proposed a rival plan to China's Belt and Road Initiative.*

  The G7 emphasizes PGI's sustainability and responsible financing compared to China's approach. This initiative aims to create jobs and offer long-term economic benefits for African nations.

- *BRICS's alignment with Africa's free trade goals opens doors to collaboration in key industries. BRICS serves as a game-changer as it offers a way to move beyond raw materials by creating value-added goods like processed foods. Africa can also partner with BRICS+ on clean energy and challenge the dominance of traditional institutions. The new BRICS+ bank offers funding beyond its members, and stronger business ties across the bloc can unlock Africa's economic potential.*

- *Djibouti's ports are surging after a $1.5 billion investment blitz, making them African leaders in efficiency. They've built a massive free trade zone with plans for further expansion. To diversify, Djibouti is investing in wind energy and airfreight. Seeking $10 billion to develop beyond ports, they aim for a more balanced economy. With its prime location and ambitious goals, Djibouti is on track to become a major East African trade player.*



The Bahamas' Diversification and Africa's Travel Transformation

- *Also, Ethiopia launches the Ethiopian Securities Exchange (ESX), its first stock exchange, marking a significant milestone for the country's financial system. While this step brings exciting opportunities as companies will gain access to capital for growth, and the government can reduce reliance on foreign debt through domestic bonds, challenges remain. Limited financial inclusion, lack of technological infrastructure, and currency depreciation along with political instability might scare away investors.*

  The ESX's success hinges on overcoming these challenges and convincing investors that Ethiopia's commitment to economic liberalization is genuine.

- *The Bahamas seeks foreign investment to diversify its economy beyond tourism and finance. Despite high GDP per capita, income inequality and high debt burden persist. Tourism employs half the workforce, and the government revamps the sector towards local culture. Financial services are also crucial, with new measures to attract skilled workers. Light manufacturing, technology, and renewable energy are target investment areas. The Bahamas offers a stable democracy, tax breaks, and free trade zones to entice investors. Over-reliance on tourism and vulnerability to external shocks like COVID-19 remain challenges.*

- *Africa's travel industry is booming! More African countries are improving their tourism offerings, creating more jobs, and using their beautiful landscapes to attract visitors. While Africa still has a lower score than richer regions, it's making big strides. Countries like South Africa and Ghana are leading the way, and the future looks bright for African tourism!*



South Africa struggles but progress in wider region

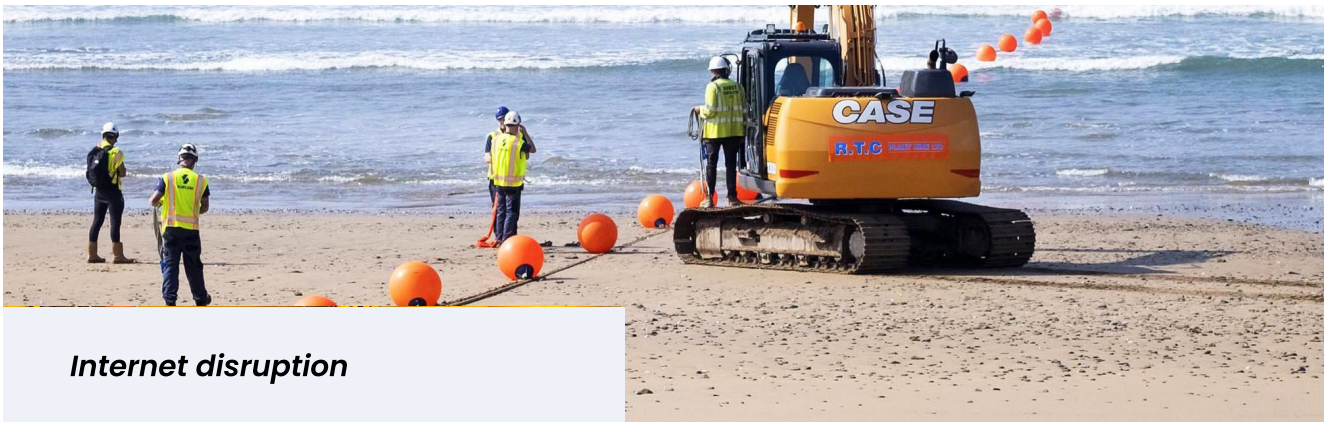
- *In 2021, African passengers paid $50 in taxes, versus $30 in Europe and the Middle East. Only 19% of potential 1,431 routes among AU's 54 countries had weekly direct flights.*

  Traveling across Africa remains complex and expensive due to intra-African flight challenges. Passengers often detour through Europe or the Gulf, inflating costs, among the world's highest. The SAATM initiatives since 2018 slowly promise 81% traffic surge, €1.3 billion, and 155,000 jobs, attracting foreign investors like Qatar Airways in RwandAir.

- *South African companies dominate the rankings in Africa's Top 250, but their value has fallen due to a weak economy. This is partly due to a decline in mining commodity prices and a lack of investment in other sectors.*

  However, other Southern African countries are showing signs of progress. Mauritius, Namibia, Malawi, Zimbabwe, Botswana, and Zambia all have companies represented in the Top 250. Afreximbank, a pan-African bank listed in Mauritius, is the biggest company in the region outside of South Africa.



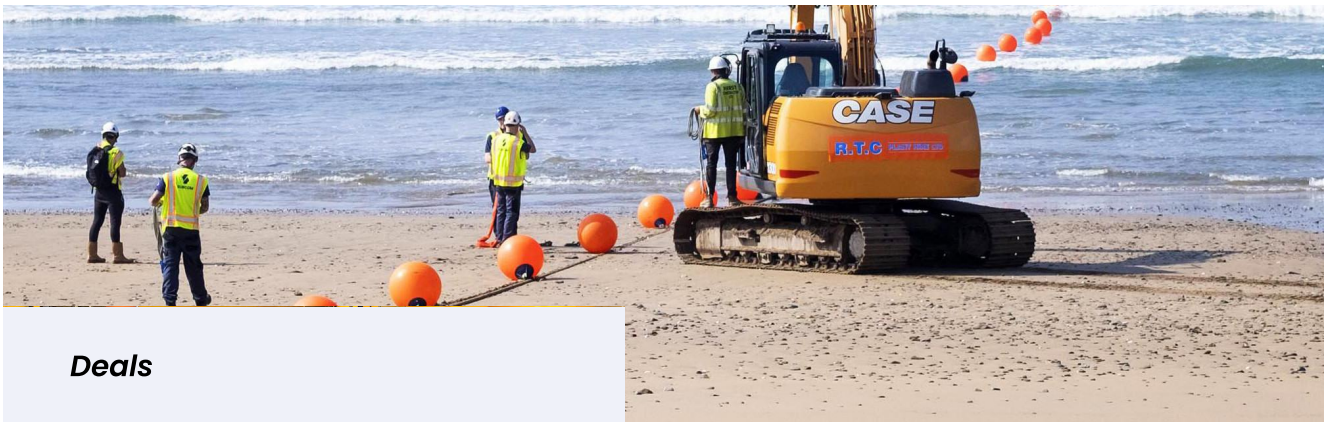


Internet disruption

- *Several West and Central African countries, including Ivory Coast, Liberia, Ghana, and Burkina Faso, were hit by a major internet outage. The cause is suspected to be failures in undersea cables, impacting internet connectivity across the region. Disruptions were also reported in other regions as even South Africa experienced some internet connectivity issues which is likely due to the same undersea cable problems.*

Key Financial Injections

- *Afreximbank provided an additional $925 million loan to Nigeria, bringing the total amount to $3.175 billion. This latest disbursement in May follows an initial $2.25 billion released in 2023. This loan is backed by Nigeria's crude oil and aims to support Nigeria's economic stability and growth, enhancing industrialization and trade development.*
- *Nigeria received a $2.25 billion lifeline from the World Bank to ease its economic crisis. This is to help the government manage the tough reforms it's implementing, resulting in short-term inflation in everyday commodities, especially fuel, food, and medicines. It will be used to bolster government revenue through better tax collection and protect oil income threatened by theft. While Nigeria has a significant debt burden, the World Bank believes the reforms can ultimately stabilize the economy and improve the lives of its people.*
- *Ghana is finalizing a debt restructuring deal for $13 billion in Eurobonds, alongside a previous agreement with bilateral creditors, which unlocks $360 million in IMF support. This will likely reduce Ghana's debt burden and inject vital funds for economic reforms, signaling a brighter outlook for the country's recovery.*



Deals

- *A major partnership between American Express and Ecobank, a West African lender, is set to transform financial accessibility across Africa. American Express cardholders will gain access to a wider network, with 12 new African countries accepting their cards for the first time. Ecobank strengthens its position in the card market with this strategic alliance, adding American Express to its existing network. It sees this as an opportunity to expand its strong-performing consumer and SME segments, with benefits further amplified by ATM access for American Express cards across most of Africa.*

  This partnership is pitched as positioning both companies for growth and a significant step forward for financial inclusion and economic development in Africa.

- *Qatar Airways announced its intention to acquire a stake in a Southern African airline, a move designed to solidify its presence in the African market. While South African Airways (SAA) emerges as a potential candidate due to its brand recognition, its past financial difficulties and South Africa's regulations restricting foreign ownership of airlines might complicate any potential deal structure. Additionally, Qatar Airways' track record of unfulfilled investment promises could raise concerns.*

  Whether Qatar Airways can navigate these hurdles and make the investment a reality remains to be seen.

Disaster

- *The civil war in neighboring Sudan has severely impacted South Sudan's oil output. Attacks on critical infrastructure in Sudan have reduced South Sudan's oil production from 152,000 barrels per day to just 86,000, even though it has been stable for more than a year.*

  With the suspension of peace negotiations, South Sudan has had to look for other export avenues and may have a difficult recovery path ahead of it.

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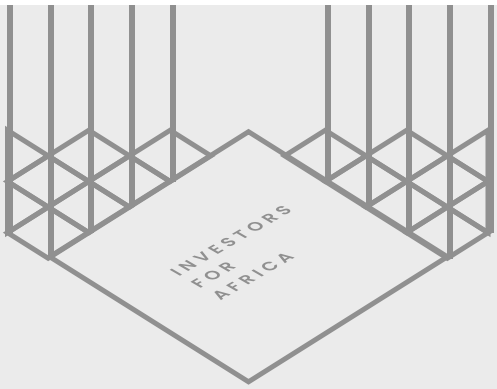
ABOUT PEDESTAL AFRICA

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.



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