AFRICA
The Power of the Private Sector
INTRODUCTION

AFRICA: GROWTH OF IFC INVESTMENT

AFRICA

Message from the Executive Vice President and CEO

Africa is at the forefront of development. It is home to both some of the greatest challenges and the greatest opportunities for all involved in the process of raising living standards, reducing poverty, and building a more sustainable and inclusive world. This large, diverse, and fast-changing continent is one where the private sector has an especially important role to play, one that is not always fully recognized. Increasing this role—whether in creating jobs, improving infrastructure, expanding education and health care, or other essential areas—has been one of the central priorities of IFC, a member of the World Bank Group, during my six years.

We have substantially increased our commitment to Africa in this time, opening many new offices, hiring new, mainly local staff, and moving more decision-making to these local markets so we can better serve our clients. This has enabled us to increase our annual commitments from $700 million in 11 African countries six years ago to more than $3 billion in 36 countries today, supported by $189 million in advisory projects provided in collaboration with our donor partners. I am especially pleased that we will likely invest more than $1 billion in the infrastructure sector alone in Africa for the first time this year.

These trends have allowed us to help the private sector reach far more African lives. But much more must still be done. It can only be done in tandem with our clients, African governments, civil society, and others. As I come to the end of my time at IFC, I do not so much look ahead at our recent achievements in Africa, as look ahead to the base it provides for my successors to use in helping Africa meet its own development objectives.

IFC will help African countries that are achieving success in private sector-led growth reach the next level and widen the benefits to more of their people. But we must also target those that are farther behind in this process, especially the many fragile and conflict-affected states. And we must never take off our focus off climate change, an overarching issue with future implications for nearly every sector in Africa.

The stories in this collection provide clear evidence of the importance of well-designed private participation in building strong and inclusive African economies. Let us all work together so that in the near future, there will be many more such stories to tell.

LARS H. THUNELL
Executive Vice President and CEO

PROJECTED FINANCING, FISCAL 2012: $3.7 BILLION

Investment Services
IFC debt, equity, quasi-equity, and mobilizations last year helped finance:

- 59 million additional phone lines
- 6.6 million new power connections
- 500,000 students
- 218,000 new jobs

Advisory Services
A portfolio of $189 million in projects generating the following results in 2010-2011:

- $1.9 billion in projects improving access to finance, the investment climate, sustainable business, and public-private partnerships
- $716 million in new SME loans from partner financial institutions
- 56 investment climate law reforms
- $4 billion in newly facilitated private financing for infrastructure and health, improving services for approximately 19 million people between 2008 and 2011
- Environmental, social, and governance practices and technologies giving businesses a competitive edge

COUNTRIES REACHED:
24 28 25 27 36 36

PROJECTED MOBILIZATIONS (IN MILLIONS)

YEAR FY02 FY06 FY07 FY08 FY11 FY12
$275 MN 26 710 455 1,400 1,800 2,200
$700 MN 202 1,176 1,301 1,850 1,100 1,000
$1.3 BN 37 560 560 560 560 560

TOTAL
$3.7 BN 1,560 2,800 2,600 2,000 1,400 1,100

*Projected
**Both Investment and Advisory

2

3
INTRODUCTION

African economies have long provided too few opportunities for entrepreneurs and investors, yet today there is a greater sense of optimism and recognition of Africa’s potential than ever before. IFC has sought to seize on this emerging trend to demonstrate the opportunities that can be found in Africa and the enormous developmental impact of private sector development.

The urgency of IFC’s work in Africa could hardly be more pronounced. Sub-Saharan Africa is home to the fastest growing populations in the world. By 2050 it will be home to an increasingly urbanized population of between 1.5 billion and 2 billion, roughly a doubling of today’s numbers.

The issue before us is whether Africa can further realize the promise of a dynamic, youthful population, or whether the overwhelming burden of rapid population growth and associated development challenges will cause growth to seize and overwhelm fragile governments. The work of IFC, highlighted through numerous examples in this publication, offers a vision of the hopeful future we believe can become more widespread—one that unleashes domestic creativity and entrepreneurialism and taps global private capital to create new opportunities for Africans.

Africa’s new generation of young workers and consumers in rapidly expanding economies can create a better life for many. We are under no illusions that this will be easy: Africans will be demanding more basic services, including potable water, sanitation, and power, and at a much higher quality level than exists today. Recurring famines in the Horn of Africa are reminders of tragedies that can befall the continent. A rising middle class will demand greater transparency and governance in the public and private sector alike.

For many of the challenges that have vexed our continent for too long, the private sector offers solutions, innovation, and hope: Public-private partnerships in infrastructure, sustainable agricultural investment, community-oriented natural resource development, and efficiency-producing information technology are among the ways private capital can support Africa’s development aspirations.

IFC has been a committed partner in Africa’s recent development, and has positioned itself to play an even greater role in the years to come through our recent business growth and success. We hope IFC’s experiences can inspire an even greater role for a wider range of domestic and international investors to ensure greater resources and capital can be tapped for the benefit of Africans.
In helping strengthen the private sector role in Africa’s development, IFC draws on all its core functions: investing, advising, mobilizing capital, and managing assets. Combining a global knowledge of industries and markets based on more than 55 years of experience in emerging markets with the local presence that comes from having approximately 115 local staff at offices in 21 African countries, we put a major focus on the continent—part of our larger commitment within the World Bank Group to provide solutions for an inclusive and sustainable world. To be effective in a region of enormous needs, it is important for IFC to have a sound overall strategy guiding our work—helping us decide where to focus our efforts for maximum impact. In determining how best to support the private sector in Africa, we thus center our efforts around three broad needs:

- **Improving the Investment Climate**, working at both the national and regional level to remove the barriers to greater private investment, forming the basis for the increased job creation and earning power that lead to poverty reduction.

- **Encouraging Entrepreneurship**, building micro, small, and medium enterprise owners’ access to finance, markets, and management skills, with a special emphasis on women entrepreneurs and inclusive business at the base of the pyramid.

- **Transforming Key Markets and Industries**, through strategic initiatives in priority areas where private sector participation is currently low, beginning with a major focus on infrastructure and food and agribusiness.

  We work to drive increases in incomes across Africa through sustainable, inclusive growth, building on the momentum in more successful countries, and in others helping put some of the essential building blocks of private sector development in place: basic infrastructure (especially power and transport) to support agribusiness and manufacturing competitiveness, the improved investment climates and access to finance needed to scale up business growth, and expanded private participation in health and education to serve a growing African population.

  Summarized in a few words, these far-reaching efforts all reflect IFC’s corporate goal: **CREATING OPPORTUNITY WHERE IT’S NEEDED MOST.**
PARTNERSHIPS
Collaborating for Impact in Africa

IFC works with governments, businesses, multilateral organizations, and foundations to foster innovative donor partnerships to reduce poverty and improve people’s lives. Our collaboration emphasizes the power of long-term partnerships, maintains a focus on results measurement and efficiency, and provides appropriate visibility for donor partners.

Our donor partners are vital in helping us deliver greater development impact. The financial support they provide not only leverages IFC’s own contributions to advisory services but also enhances the impact of our investment operations through strengthened collaboration and shared mutual priorities.

IFC’s partnership with our donors often extends beyond funding to a relationship based on mutual understanding, expertise, and knowledge sharing. We foster this by convening donors around thematic issues such as climate change and food security. In so doing, we strive to be thought leaders and to stimulate change and mutual priorities.

Our teams are bringing global experience to countries across sub-Saharan Africa, with an increasing focus on the poorest and those affected by conflict. Many African governments are today calling for inclusive, market-based solutions to bring social and economic benefits to growing populations.

IFC’s investment in advisory services is the Private Enterprise Partnership Africa (PEP Africa). Since 2005, IFC PEP Africa and its partners have provided more than $202.6 million in program support toward advisory services that promote private sector development in Africa. In Africa, the main funding vehicle for advisory services is the Private Enterprise Partnership Africa (PEP Africa). Since 2005, IFC PEP Africa and its partners have provided more than $202.6 million in program support toward advisory services that promote private sector development in Africa. At the end of February 2012, IFC PEP Africa was managing 113 projects with a portfolio value of $180.9 million in 34 countries across Africa.

CURRENT IFC DONOR PARTNERS

- African Development Bank
- Austria
- Australian Development Bank
- Belgium
- Belgium Sofina
- Bill and Melinda Gates Foundation
- Canada
- Cape Verde
- Copenhagen
- Côte d’Ivoire
- Denmark
- European Commission
- Finland
- First Quantum Minerals and Operations
- France
- France
- Greece
- Ireland
- Italy
- Japanese Development Bank
- Israel
- Japan
- Kenya
- Mining
- Luxembourg
- MasterCard Foundation
- Millennium Challenge Account
- Millennium Challenge Corporation
- Mozambique
- Netherlands
- Nigeria
- Norway
- Nigerian National Petroleum Company
- Netherlands
- Nigeria
- Newmont Ghana Gold Limited
- Norway
- Portuguese Petroleum Technology Development Fund
- Portugal
- Sasol Petroleum LDA
- South Africa
- Spain
- Sweden
- Switzerland
- United Kingdom
- United States
- Walvisia

IFC helps the schools obtain the commercial financing they need to expand and improve.

In the past, few banks were willing to lend to African private schools, key institutions serving middle- and lower-middle class families with affordability priced tuition. Working with donor partners, IFC helps the schools obtain the commercial financing they need to expand and improve.

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IMPROVING THE INVESTMENT CLIMATE

L
ike other parts of the developing world, Africa still has many barriers that block investment—tangling entrepreneurs in red tape, keeping them from creating jobs. Removing them one by one is an essential step on the road to stronger private sector development.

This is a core focus area for IFC. Working in close collaboration with the World Bank and our donor partners, we help African governments enact pro-business reforms that foster open and competitive markets, clearing a path for the growth of healthier, more vibrant local business communities.

Our ongoing support helps Africa’s reform leaders build on their good progress to date, while also igniting the process in those that have so far lagged behind.

This support is driven by three broad strategic priorities:

• Fostering enterprise creation and growth by reducing barriers to business entry, expansion, and exit

• Facilitating international trade and investment by improving trade logistics systems, investment policies and regulations, and supporting more effective and transparent business taxation mechanisms

• Unlocking sustainable investment in key industries in fragile and conflict-affected states

In the five years before its independence in 2011, an IFC/World Bank team helped South Sudan set the conditions for business growth—especially for the SMEs that are so critical to job creation and improved living standards.

Supported by Denmark, Ireland, Japan, the Netherlands, Norway, and the U.K., the program’s results included:

• Helping create a comprehensive framework for business law, with six laws passed to date and five more in process

• Simplifying business registration, allowing more than 12,000 businesses to join the formal sector.

• Supporting the South Sudan Investment Authority, a new agency helping attract potential investors and offering them the clear, predictable rules they need to thrive.

The program’s current focus is on further investment climate reforms, SME training and capacity building, and access to finance, supported by the Dutch and South Sudanese governments with additional funding from Denmark, Ireland, Norway and the U.S. “Nations are built by the private sector,” South Sudan Vice President Riek Machar Teny said at its launch.

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Rwanda’s reforms set a good example for others to follow. It is a small, landlocked country that has made great strides, but continues to be one of the world’s poorest. To help it move farther ahead on the road to inclusive growth, an IFC–World Bank team has been helping its forward-looking government simplify the investment climate since 2008, leading to:

- **Easier business licensing** through reforms that reduce the time needed to start a business from 16 days to 3, cutting costs by 95 percent
- **Simpler taxation**, with improvements that will cut the time needed to obtain tax clearance certificates nearly in half
- **Quicker building permits** via new building regulations and a one-stop housing registration center, speeding up the process of obtaining construction permits
- **Faster trade**, by reducing the number of documents needed for cross-border trading with Uganda, Burundi, and the Democratic Republic of Congo

Landlocked and heavily reliant on imports, Rwanda is seeing immediate benefits from the moves, especially the improved trade logistics.

“Due to the reforms, everything is faster and the paperwork reduced dramatically,” says Bipin Patel, owner of a local glass business. “We can now clear our goods the same day they arrive at the border.”

“I don’t know how many times our trucks used to be stuck at the border because they arrived after 5 p.m.,” adds importer John Rusagara, whose employer East Africa Breweries operates from plants in Uganda and Kenya. “But now the borders are open 16 hours a day. Doing trade in and out of Rwanda is certainly faster and less costly than it was a few years ago.”

Even those who do not trade notice the improvement. Garage business owner Mouhamud Kwitanda recalls losing valuable time while his construction permit application sat unanswered for a year, then was rejected without explanation.

“Following the reforms, I resubmitted my application and got my construction permit issued within just one month,” he says.

A recent independent evaluation found the program had resulted in:

- $5.1 million in time and cost savings to the private sector
- 8,000 new and formalized enterprises
- 16,250 new jobs created
- $51 million in new investment generated

“The achievements have given a lot of motivation and have become a trigger for the mindset of reforming all the time,” says Clare Akamanzi of the Rwandan Development Board.

The program was developed in partnership with Denmark, the European Union, France, Ireland, Norway, and Trademark East Africa. Its next stage will target longer-term strategic initiatives such as the development of special economic zones in Kigali.
Some of the poorest countries in the world are those comprising the region of West Africa, where outdated business laws and procedures are among the key impediments to prosperity. But with the help of the World Bank Group, the French government, the Investment Climate Facility for Africa, and other donor partners, OHADA—the Organization for the Harmonization of Business Law in Africa—is now making great strides toward removing those barriers to business.

OHADA is an association of 16 member countries (soon to be joined by the Democratic Republic of Congo), sharing a set of nine laws designed to regulate business in the region. Over the last four years, the World Bank Group has lent its hand toward helping OHADA upgrade those laws to better serve West Africa’s private business owners and attract more domestic and foreign investment.

The efforts have already begun to bear fruit. In December 2010, OHADA enacted two crucial revisions to its laws and adopted a strategic plan to modernize its business procedures through electronic technology. With more reforms soon on the way, the prospects for better business and investments in West Africa have suddenly taken a welcome turn.

One of the fundamental premises of OHADA is the power of the private citizen to fuel prosperity. “SMEs are the heart of the African economy. It is essential that everything is done to encourage them to formalize, so that small entrepreneurs can then turn to banks for loans,” says Togo’s Minister of Justice, M. Biossey Kokou Tozoun.

The new rules—updating the General Commercial Law and the Law on Secured Transactions—now allow lending banks to accept a much wider range of assets as collateral, rather than just real estate, to which most people lack formal title. Prior to the reform, half of all African private companies seeking loans were blocked by such constraints. The revised law will mean cheaper loans and easier credit, spurring new businesses and expanding national economies.

Under the new and leaner legal regime, entrepreneurs, especially small business owners, will more easily register and operate their businesses. Women have the most to gain from this new status, especially in rural and semi-urban areas, as it will ease their access to formal credit and social benefits.

OHADA is improving the investment climate in 16 countries.
The private sector drives job creation, productivity gains, and innovation in Africa and throughout the developing world. It accounts for roughly 90 percent of employment, creating the jobs and tax revenues that set the foundation for poverty reduction.

These jobs are created by entrepreneurs—bold, risk-taking business owners with vision for a much-needed new product or service, and a plan for bringing it to market, then scaling it up over time. But a lack of access to finance, market information, and management training too often holds them back. To reach their full potential, they need special support.

IFC helps fill these gaps as part of our larger work carrying out the G20’s global financial inclusion agenda. In Africa, our focus includes:

- **Microfinance**: investments in 23 institutions that have together enabled 1.5 million people to open saving accounts with an average balance of $237, while also making small loans to 350,000 borrowers.
- **SME Finance**: IFC’s Africa MSME Finance program is a combined investment/advisory effort in 15 countries that typically helps banks increase their SME lending by at least 30 percent over three years, then continue to grow profitably on their own, and providing trade finance guarantees to support SMEs’ import/export transactions.
- **Management Training**: partnering with Austria, Canada, the Netherlands, Portugal, and Switzerland to offer our Business Edge classroom courses and Web-based SME Toolkit in 23 countries.

Alfred Duwor has taken out three loans from Access Bank Liberia, his country’s first commercial microfinance institution, since it opened in 2009, using the money to expand his small grocery store and buy four vehicles he leases to clients. He has hired 10 more workers in this time. Access Bank targets rising small business owners like Alfred. It typically processes their loans in just 48 hours with flexible collateral terms—unlike the larger Liberian banks that could take weeks or months, if they served them at all. Meeting a great need at the base of the pyramid, it now serves more than 6,000 clients.

IFC is a founding shareholder, part of our larger relationship with Germany’s Access Holding that has also led to the creation of similar banks in Madagascar, Nigeria, and Tanzania. Working with a network of microfinance holding companies, we help introduce commercial microfinance across Africa, fueling the growth of local entrepreneurship.

Liberia
Commercial microfinance is an essential tool in the fight against poverty, providing the customized savings and loan instruments that small-scale entrepreneurs need to build their businesses from the bottom up. It may be needed the most in African countries just emerging from conflict. Their crisis conditions push most private sector activity into the informal sector, leaving mainstream commercial banks with a narrower customer base than usual and creating new opportunities for those specializing in non-collateralized lending to the poor. The faster that world-class microfinance providers can enter these war-torn markets, the greater the role they can play in supporting lasting recovery.

With IFC’s help, Côte d’Ivoire now has two of these institutions operating just a year after the April 2011 end of its civil war, each on its way to having 100,000 depositors and 25,000 borrowers. Affiliated with two major international microfinance investor/operator networks, MicroCred and Advans, they are now the clear leaders in a local market that was otherwise showing few signs of being able to meet its enormous demand. Touched since a contested presidential election in 2000 that left it divided under the control of rival factions, Côte d’Ivoire had long been cut off from the worldwide revolution in expanding access to finance for the poor. But as one of West Africa’s traditional commercial powers, it has great potential to bounce back if its entrepreneurs can find the financing they need.

To help the private sector meet this need, IFC has invested in a number of top-caliber international microfinance bank holding companies: MicroCred and Advans of France, as well as ProCredit and Access Holding of Germany, and ACCION and FINCA of the U.S.

Using standard business practices and IT systems across their various micro-banks, they are typically able to launch and scale up much faster than independently owned institutions. IFC generally invests at the holding company level and often in their individual banks as well, frequently also providing advisory services. MicroCred debuted a few months before the dramatic events of April 2011 that drove more than 370,000 people out of Abidjan, and now has nearly 12,000 clients. Advans soon followed, opening its doors in March 2012. The two IFC clients are now well on their way to opening up new avenues of finance for Ivorian entrepreneurs who hold the key to job creation at the base of the pyramid.

Photographs: Soon after peace returned to Côte d’Ivoire in 2011, IFC client MicroCred lent Salifu Bibo (above) $590 to expand his small vegetable stand and begin selling chickens as well. The extra income it generated allowed him to plan further moves—and get medical treatment for his ailing brother. Small loans from MicroCred and another microfinance institution, Advans, help fuel the entrepreneurial growth the country needs to recover from years of conflict. The first borrower at Advans, Yacouba Soro, has 11 children. Taking out a $600 loan to build a growing food-retail business after years of selling bottles providing his family with a helpful new source of income.
Bukky George makes things happen.

A true entrepreneur, she sees business prospects in Nigeria that others miss—and takes risks to turn them into reality. Investors willing to back high-growth small and medium enterprises (SMEs) like hers early on share in the rewards. This is good for development overall, leading to extensive formal sector job creation—raising incomes and improving lives.

In 2006, Bukky had just one small asset—a single Health Plus pharmacy in Lagos that she wanted to make the start of a top-quality national chain. Nigerians, she felt, deserved the same easy access to retail health care products that others in higher-income countries had, and would pay a fair price for it.

Within a year she had added three new locations and needed additional financing. But she had insufficient cash flow and collateral, and most local banks would not lend to new women-owned firms.

Then she met Access Bank, a fast-rising Nigerian lender that had just received a $15 million IFC line of credit to increase its lending to women-owned businesses that others in higher-income countries had, and would pay a fair price for it. Within a year she had added three new locations and needed additional financing. But she had insufficient cash flow and collateral, and most local banks would not lend to new women-owned firms.

Then she met Access Bank, a fast-rising Nigerian lender that had just received a $15 million IFC line of credit to increase its lending to women-owned businesses, which helped differentiate itself from other financial institutions. “Successfully reaching the women’s market in Nigeria will be key in achieving our retail and SME goals,” Access Bank CEO Aigboje Aig-Imoukhuede said at the time.

Access Bank made the loan, beginning a relationship that worked well for everyone. It now has a well-performing portfolio of almost $40 million in loans to women-owned SMEs and is a key partner of IFC, which through its Women in Business program alone has provided new loans to 2,200 such firms and trained 3,000 women entrepreneurs.

In Nigeria, Access Bank now lends to more than 550 women-owned SMEs—up from 60 at the time of the start of its program with IFC, which helped it build a new sales and marketing strategy targeted at women, set up women-focused teams in its three priority cities in Nigeria, and join the Global Banking Alliance for Women, an IFC-supported membership organization of financial institutions committed to the growth of women in business worldwide. The winner of the 2011 Financial Times/IFC Sustainable Bank of the Year—Africa and the Middle East award, Access Bank has integrated the women in business approach as part of its expansion strategy in Africa.

Its client Health Plus, in turn, now has six outlets employing 77 workers, roughly half of them women. It has received additional support from GroFin, a $256 million IFC-backed investment vehicle in Johannesburg for rising African SMEs needing $50,000 to $1 million at a time to reach the next level.

The program provided models and experiences that could eventually be built into the flagship Africa MSME Finance program, now supporting banks across the region. The Access Bank transaction benefited from the expertise provided by IFC’s Women in Business program, which has now been integrated into the Africa MSME Finance program and helps banks reach women entrepreneurs in several countries.

Such initiatives help local financial institutions see the profit potential in financing women entrepreneurs. This is why the G20 has asked IFC to co-lead a new Global Partnership for Financial Inclusion to increase access to finance—not just in Africa, but throughout the developing world.

IFC is co-leading new work on increasing access to finance for women entrepreneurs. A report that maps the size of the women’s market and analyzes the obstacles women entrepreneurs face in growing their businesses was endorsed at the G20 Summit in November in France with a set of recommendations to be endorsed by member countries.
Ghana is growing fast, showing the changing face of emerging Africa. The economy is growing by more than 7 percent a year, creating jobs and reducing poverty. The progress increases the demand for affordable, modern health care products—including medication to protect against one of Africa’s most dangerous diseases, malaria.

UNICEF research shows that Ghanaian children who suffer repeated bouts of malaria may have 60 percent of their schooling impaired, if they survive. Tragically, some 20,000 a year do not. Increasing access to antimalarial medicine, bed nets, and other modern prevention and treatment methods is an important national priority.

Accra’s Tobinco Pharmaceuticals is a top distributor of antimalarial drugs and other pharmaceuticals, supplying hospitals and pharmacies across the country. Since its founding 10 years ago, the firm has sold imported drugs. But with Ghanaian authorities now insisting on higher standards, some of its imports have begun failing the test, causing supply disruptions and delays to key clients. As a result, it planned to begin manufacturing locally, identifying the necessary equipment to import from India.

But when it went to its local bank, Tobinco encountered the same disappointing news faced by many other SMEs across Africa.

“When you are in Africa, no one wants to work with you without a confirmed letter of credit,” says Ashu Gulati, group finance director of a Tanzanian firm, Synargé. IFC helps fill just this gap. With a multibillion-dollar capital base and AAA credit rating, we could guarantee Tobinco’s letter of credit from Merchant Bank of Ghana. This immediately made the proposition more interesting to big banks overseas. The Indian exporter’s lender, Citibank, came on board once it saw IFC’s involvement, allowing the project to proceed. Confirmation of the letter of credit allowed Tobinco to start building the new manufacturing plant that will create 150 more local jobs, bringing its total to 650.

Since its beginning in 2005, IFC’s Global Trade Finance Program has supported more than $21 billion in trade in the developing world, most of it with SMEs in the lowest-income countries. The largest share of this amount, $6.4 billion, has been for guarantees of more than 4,200 transactions in Africa. To increase the impact, since 2006 IFC has also trained more than 1,300 African bankers and more than 200 local SMEs in ways to maximize the use of trade finance. Provided in partnership with Japan, Switzerland, Ireland, the Netherlands, Sweden, and Israel, the training helps bankers better understand their smaller-scale clients’ export-import needs and respond accordingly.

IFC guarantees help foreign banks take African risk.
Our strategy is to target high-priority segments of African economies, where our work can have the highest impact. Grouping individual projects into broader programs with concrete goals in mind allows us to measure results, learn as we go, and share the resulting knowledge widely with others.

Often our advisory work comes first in the sequence, laying the groundwork for subsequent investments and knowledge-sharing efforts. In special cases with either especially high risk or social impact, we can blend in concessional funds from IDA or other development partners.

The key focus areas under this approach include:

- Infrastructure
- Agribusiness
- Conflict-Affected States
- Regional Integration
- Climate Change
- Setting Standards (Environmental, Social, and Governance)
- Health
- Education
- Capital Market Development
- South-South Investment

Ghana’s Jubilee offshore oil field is a landmark project, helping transform one of West Africa’s strongest economies and take it to the next level of development. During peak production the field is expected to contribute $1 billion in new annual tax revenues, opening up a new source of government funding for health, education, and other priority social needs, while also creating employment, stimulating the demand for local goods and services, and developing associated natural gas that will be an important domestic energy.

IFC provided a $100 million loan to Kosmos Energy of the U.S. and a $165 million loan to Tullow Oil of the U.K., two of the partners developing the Jubilee field. The investment is creating jobs for skilled Ghanaian workers like Richard Bondzie (above), a production technician at Tullow’s offshore oil rig. Since our first involvement in 2009, IFC has also played a valuable role in helping ensure that the project has in place the proper social and environmental safeguards and management plans and that it will promote governance and revenue transparency in Ghana’s growing oil and gas sector. Bringing Ghana into the Extractive Industries Transparency Initiative, a global effort to help countries avoid the “resource curse” of oil, gas, and mining revenue mismanagement, is one of the ways we are pursuing this important goal.
Even as crews put the finishing touches on newly built roads, ports, and power stations across Africa, the continent’s people and its growing economies are demanding more.

Africa’s continued reform programs and IFC’s strategy are coming together at an unprecedented scale in 2012, when IFC will for the first time invest and mobilize more than $1 billion in private infrastructure in Africa. This is up from just $200 million five years ago, making IFC a leading investor in the sector.

Our focus is on the building blocks of any modern economy: ports, railways, telecoms, and power, including renewable energy.

A shortage of funding sinks some development in Africa, but a more serious hurdle is a lack of know-how to develop and guide infrastructure projects so governments can benefit from private sector expertise, management, and finance.

This is where IFC is leading the way. Developing deals requires time, effort, experience, and the ability to get the right balance between private and public interests. IFC has successfully advised African governments, including local municipalities, on ways to engage the private sector in essential public services, and on how to restructure state-owned enterprises. IFC’s PPP support between fiscal years 2008 and 2011 is expected to facilitate more than $4 billion in private financing for infrastructure and health, and to provide improved services to approximately 19 million people.

Recent highlights of the way IFC is helping Africa build its infrastructure include:

• **Senegal:** IFC was the global coordinator of financing for a €230 million ($302 million) toll road project, which, when complete in 2013, will run 25 km from Diamniadio to Dakar, cutting travel time to and from the capital city from two hours to less than 30 minutes. France’s Eiffage won the project’s World Bank–supported 30-year concession, for which IFC provided €22.5 million ($30 million) in long-term debt alongside €40 million ($52.3 million) from the African Development Bank, the West African Development Bank, and local bank CBAO.

• **Cameroon:** Since 2001, when IFC advised the government in privatizing its power sector, new owner-operator AES Sonel has invested more than $1 billion connecting close to 340,000 people to its system. The most recent transaction was the 2011 financing for the company’s 216 MW Kribi project, the first commercial use of Cameroon’s substantial offshore natural gas reserves. In addition to providing €60 million ($86 million) in direct financing to the €263 million ($360 million) project, IFC coordinated a larger loan package from partner institutions, and worked with the World Bank on an IDA partial risk guarantee to facilitate Cameroon’s first long-term, local currency loan for infrastructure.
Africa has 60 percent of the world’s remaining arable land and millions of dedicated farmers. With new tools, infrastructure, and knowledge from the private sector, they can unlock more of the continent’s great agricultural potential.

Our approach is to focus on increasing rural incomes, improving food security, and diversifying exports. We do this by addressing investment climate and policy constraints in collaboration with the World Bank, then using our investment and advisory services to help clients upgrade their supply chains and expand mechanisms for crop finance and risk management.

In Ethiopia, the focus is on coffee—the world’s favorite pick-me-up and the country’s largest export. But many Ethiopian coffee farmers struggle to take full advantage of their valuable crop. Increasing their productivity helps them climb the value chain, raising incomes and supporting new sources of growth in the rural economy.

A $10 million IFC risk-sharing facility is helping Ethiopia’s NIB International Bank make new loans to local cooperatives. These have helped member farmers increase the volume of coffee they process from about 460 to 4,000 metric tons, generating about $17 million in export revenues and creating 2,000 jobs. The financing is complemented by hands-on technical support being provided with the aid of TechnoServe, a U.S.-based NGO bringing business solutions to rural poverty.

We also support Ethiopian farmers through IFC’s Warehouse Receipts initiative, which opens new access to finance for farmers by leveraging their own production. Warehouse financing is a lending technique that allows farmers access to finance by pledging warehouse receipts issued by the Ethiopia Commodity Exchange. The receipts are issued by the warehouse operator when the commodities are stored, becoming an instrument that can be used as a form of portable collateral to request a loan from a bank. This approach is especially beneficial to farmers and SMEs, which are often unable to secure their borrowing requirements owing to lack of sufficient conventional loan collateral.

Rising regional players are emerging across the continent. In Tanzania, our client Bakhresa Group has expanded the national milling company it purchased in a privatization, and now also produces flour in Malawi that is sold both domestically and abroad. We are also helping strengthen Zambia’s Zambeef, a local agribusiness leader that is now expanding into other countries such as Nigeria.

The initiatives are part of our broader work in the industry that includes managing the private sector window of the G20’s Global Agriculture and Food Security Program, a World Bank/IFC collaboration designed to channel donor funding to public and private initiatives that will improve governance, productivity, and competitiveness in agribusiness in Africa and other developing regions. The Netherlands, Canada, and the U.S. are our donor partners in the initiative.
The Hilton does not yet exist in Bujumbura. But it is already a landmark. Ask anyone for directions downtown, and they respond “Get to the Hilton, then turn…” The “Opening Soon” banner towers over the entrance to the soon-to-be-converted Waterfront Hotel, a building that is worn down, but not out. Resurrecting the Waterfront (formerly the Novotel) is Opulent B Ltd, a hotel management company in which IFC is investing $5.5 million. The financing will support the renovation and rebranding of the Waterfront Hotel into a 4-star, 138-room DoubleTree Hotel by Hilton, employing 155 staff. Opulent is one of the region’s emerging hotel operators, having previously developed DoubleTree by Hilton hotels in Dar es Salaam and Zanzibar in Tanzania.

The investors have chosen their timing wisely. Recovering from a long history of fragile political conditions, Burundi ranked the seventh most improved economy in the world in the IFC/World Bank Doing Business 2012 report. With support from the World Bank Group’s Investment Climate team, government authorities have implemented reforms in areas such as protecting investors, paying taxes, getting construction permits, and resolving insolvency. Increased investor confidence is leading business seekers to Bujumbura, where the DoubleTree by Hilton will provide them international standard hotel rooms and conference facilities.

“The DoubleTree’s key location in Bujumbura’s central business district, along with Hilton’s quality guarantee, will build confidence among business travelers and also help place Burundi on a par with other commercial hubs in East Africa,” said Ayaz Ali Jivraj, Director of Opulent.

Burundi is currently the only member of the East African Community without an international business hotel. Having one is likely to have major multiplier effects on the economy, generating foreign currency and tax revenue, and providing a new market for local farmers and service providers. Hotel employees receive training to build their skills and earning power in management, customer service, language, and culinary arts, with the hotel refurbishment signaling to the international community that Burundi is open for investment.

IFC, a long-time supporter of hotels, has witnessed the positive trends of such transactions over time. Since 1956, IFC has invested more than $2.5 billion in 251 hotel projects—100 of them in Africa. Along with increasing investment in local economies, IFC’s hotel projects in Africa have helped boost the tourism sector, generated jobs, and contributed to economic diversification and growth.

Despite ongoing challenges with conflict and governance, IFC invested $172 million in 18 fragile and conflict-affected states in Africa. With support from our donor partners, we also manage a Conflict-Affected States in Africa initiative supporting strategy development, conflict analysis, and program design and funding in critical areas such as investment climate reform.
Connecting Countries and Markets

**Regional Integration**

Upgraded infrastructure and financial institutions bring cross-border benefits.

Strengthening the connections between African countries is good for development in many ways. To begin with, it expands markets’ size, builds their production and trade capacity, and increases their attraction to both foreign and local investors.

As policymakers build integration in key regional blocs like ECOWAS, COMESA, SADC, and the East African Community, IFC is doing its part with trend-setting transactions—investing in new infrastructure and financial systems that improve the flow of goods, services, and capital. With our support, private sponsors are building transport links and multicountry bank holding companies that make it easier and less expensive to do cross-border business around the continent.

With our backing, one of Africa’s largest airlines, Kenya Airways, is launching a $3.6 billion investment program to double its fleet of aircraft and add 31 new destinations. The Kenyan government’s IFC-supported 1995 privatization of this once-downtrodden state airline brought in KLM as controlling investor, turning Kenya Airways into the strong, profitable performer it is today. Now, as many European banks pull back from Africa, our $80 million loan and $25 million equity stake serves as a stamp of approval, helping it attract additional private capital so it can serve many more cities in Africa as well as India, China, and the Middle East.

In ground transport, IFC also advised in the Kenyan government’s privatization of the 2,352-km rail line linking Kenya and Uganda, then in 2011 invested alongside the new private ownership group led by Egyptian-headquartered private equity house Citadel Capital that is bringing it back to life. Turnaround times for railcars between East Africa’s biggest port, Mombasa, and Nairobi have already improved by as much as 30 percent as a result.

For similar efficiency gains in shipping, we are financing a private consortium’s new €350 ($406 million) container terminal concession in Lomé, Togo, one of West Africa’s few deepwater ports. This will increase the flow of imports and exports across coastal West Africa and into landlocked Mali, Niger, and Burkina Faso to the north.

Upgraded infrastructure and financial institutions bring cross-border benefits.

These stronger infrastructure links complement today’s stronger cross-border banking platforms. Since our initial transaction with its Ghana subsidiary 19 years ago, repeated IFC investments and advice have helped Lomé-based Ecobank Transnational Incorporated become a leading pan-African player, having subsidiaries in more African countries than any other bank.

Our $75 million multicountry loan facility is also helping South Africa’s Standard Bank Group build its subsidiaries across the continent, just as other IFC investments are doing at the sub-regional level with clients such as ABC Holdings (Southern and Eastern Africa), Diamond Trust Bank (East Africa), and Bank of Africa (East and West Africa).

In addition to these and other investments, IFC also provides advisory services to support regional integration in Africa—including helping OHADA upgrade laws to better serve West Africa’s private business owners and attract more domestic and foreign investment (see p. 14).
Helping the private sector meet the challenge of climate change is a top priority for IFC.

Last year we financed $1.7 billion of climate-friendly projects worldwide, much of it involving commercial use of wind, solar, geothermal and other forms of renewable energy. In time we will help build a first wave of utility-scale clean energy projects in Africa, investing in milestone projects in renewables, sustainable forestry, and other industries supporting the move to a low-carbon economy.

But with on-grid renewables still in the earliest stages in Africa, we are also taking other approaches—including helping the private sector build climate resilience and adapt to climate change, with a focus on agriculture, land use, and water use management, while expanding access to modern energy services and reducing the greenhouse gas emissions of two essential everyday activities, lighting and cooking.

More than 500,000 solar lamps and lanterns have now been sold through the IFC/World Bank Lighting Africa initiative, which offers those without electricity a clean, green alternative to the smoky and dangerous kerosene lights they typically use. Our market research and quality assurance support has helped private firms bring 25 affordably priced solar lighting products to market in Kenya, Ghana, Tanzania, Ethiopia, Senegal, and Mali. While providing improved lighting services with significant cost savings to over 1.5 million users, these commercially provided lanterns have so far avoided 50,000 metric tons of CO₂ emissions—the equivalent of building a new 20 MW wind power plant.

Priced between $15 and $100 and lasting up to 10 years, the solar lamps cost much less than a year’s supply of kerosene. But many users cannot pay their full cost upfront. Building the market requires new forms of consumer financing for buyers earning $1 a day. Our Kenyan microfinance client Faulu launched a new energy division for this purpose, distributing more than 3,000 solar products in the last two years.

“I took the lamp against my husband’s wishes and gave it to my children to use for their studies because kerosene was more expensive,” says Chepkoech, a woman in the Rift Valley Province town of Kitale. “When he learned about the product he advised me to go for another one, which I did. Now I don’t worry. The old kerosene lantern was sent packing and my children enjoy reading for more hours.”

Kerosene is also the primary cooking fuel for more than 3 million households in Nairobi alone, even though its fumes pollute the air and cause acute respiratory diseases. Liquefied petroleum gas (LPG) is a much safer option and cuts cooking times in half, but has usually been too costly for low-income buyers. Until now.

Backed by a $2 million equity investment from the IFC InfraVentures fund, Kenya’s Premier Gas began selling small LPG cylinders in February 2012 for just $24. Refills can be obtained for less than $1 from mobile dispensers in some of Nairobi’s poorest areas, giving buyers an easy, affordable way to upgrade their cooking standards.
Innovative approaches on the health care front.

How best to meet the health needs of a country struggling with one of the world’s heaviest caseloads of HIV and AIDS? Lesotho, a tiny mountain kingdom surrounded by South Africa, turned to the private sector to help transform its burdened health service and provide its population with modern, affordable, and reliable care.

IFC helped make it possible, as part of a broader commitment to helping extend the reach of private health care in Africa. For years, Lesotho made do with an aging main referral hospital that lacked specialized equipment. The country’s health service faced numerous cases of tuberculosis and HIV and AIDS.

“We looked at what the government was paying to run health services, and what we were receiving,” said Lesotho’s Finance Minister, Timothy Thahane. “We then went to the private sector and asked, ‘What can we get for that amount?’”

To help Lesotho deliver the best care possible for its people, IFC facilitated a 2008 PPP agreement between the government and the Tsepong Consortium, led by private South African health care provider Netcare.

IFC worked closely with Lesotho on the feasibility, structuring, and implementation of the landmark project, which called for the construction of a world-class hospital and three filter clinics in Maseru, Lesotho’s capital.

To help realize the project, the World Bank Group provided technical assistance, and the Global Partnership for Output-Based Aid extended a grant of $6.25 million. When the new, 425-bed Queen ’Mamohato Memorial Hospital was inaugurated in October 2011, it transformed health services in the country at a stroke.

The hospital and clinics—representing $100 million in new investment—provide a full range of services, from basic care to dental and emergency facilities. More patients are being treated and they are receiving better care—all without increasing public sector expenditures.

The Lesotho Hospital PPP is evidence that a low-income country can undertake an ambitious, affordable, and high-quality health project. It is seen as a replicable model to boost health care provision in other parts of Africa, with IFC now advising in a similar project in Nigeria’s Cross River state.

IFC places a high priority on supporting health projects, and is the world’s largest multilateral investor in the private health care sector in emerging markets.

To deepen its support for Africa’s health sector, the World Bank Group, supported by the Bill and Melinda Gates Foundation, launched the Health in Africa Initiative in 2009. The initiative is helping mobilize up to $1 billion over five years in investment and advisory services to boost socially responsible health care in Sub-Saharan Africa. One of the initiative’s first projects was a $2.6 million investment in Nairobi Women’s Hospital to build three hospitals that will provide more than half of its services to Nairobi’s poor.
Financing Africa’s development requires significant amounts of long-term investment—especially in key sectors such as infrastructure, industry, housing, and microfinance.

Local financial institutions are increasingly stepping up to meet this need, in many cases able to provide more capital, and at longer maturities, than they could before. But they are not the only source.

In other regions such as Asia and Latin America, local bond markets have proved important as well. While still in their nascent stage in Africa, they have great potential there as well.

Popular with deep-pocketed local institutional investors, Africa’s existing bond markets are largely dominated by government paper. Heavy regulatory requirements often block potential private sector issuers from tapping them, cutting off access to much-needed funds.

Helping open the doors is the Efficient Securities Markets Institutional Development (ESMID) program, a joint initiative of Sweden’s SIDA, the World Bank, and IFC that provides advisory services to strengthen the regulatory framework, market infrastructure, market participants, and regional markets. A key part of its role is to support landmark transactions, overcoming special challenges and creating a demonstration effect for others to follow.

In Tanzania, ESMID’s enabling environment advice supported the first local currency bond issue by a microfinance institution: PRIDE Tanzania’s 2010 transaction that raised TZS 17.7 billion ($12.2 million). A 75 percent risk-sharing guarantee from the U.S. Agency for International Development allowed lead arranger Standard Chartered Bank to place the security with local investors.

ESMID similarly helped Kenyan investment bank NIC Capital receive regulatory approval for the country’s first equity-linked bond, allowing issuer Athi River Mining to raise the Kenyan shilling equivalent of $22 million in 2010 to build a large-scale cement plant in Tanzania.

Linking policy advice with support for these kinds of precedent-setting transactions, ESMID has helped reduce the time needed to approve bond issues from an average of 270 days in East Africa to 60 days in Tanzania and 45 days in Kenya. It is also active in Nigeria, and considering expansion in other parts of Africa.
SOUTH-SOUTH INVESTMENT
A Key Source of Capital

IFC acts as regional catalyst for investment in Africa.

South-South investment—the flow of private capital from one emerging market to another—is growing worldwide at three times the rate of investment from developed countries. As a result, IFC now provides considerable support to investor companies from the global South. Many Southern multinationals are IFC clients, working closely with us to expand into new markets.

African companies themselves are also increasingly investing cross-border. While South Africa is often noted as the largest foreign investor in Africa, increasingly African multinationals are emerging from other countries.

In 2011 IFC mobilized a $155 million financing package for Vodafone Ghana, much of it sourced from the China Development Bank and the Export-Import Bank of China. Vodafone Ghana CEO Kyle Whitehill credited IFC with introducing his firm to “new partners and sources of financing,” which are helping enhance its telecommunications network and spread the benefits of mobile phone and broadband services in Ghana, especially in rural areas.

Another $285 million ($9.5 million) IFC loan to Apollo Tyres South Africa supports the investment by an Indian company into South Africa. It continues IFC’s support for Apollo Tyres’ growth into a global tire company, which began with financing in India and has continued as it has become one of the world’s fastest-growing players in its industry.

IFC is also helping Morocco-based insurance provider Saham Finances expand into parts of Africa where many people lack health, life, and business insurance coverage. IFC and the IFC ALAC Fund, managed by IFC Asset Management Company, are investing the Moroccan €90 million in Saham Finances. The investment will support the growth of the company, with a focus on improving service across Africa, where rates of insurance coverage are among the lowest in the world.

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SUB-SOUTH INVESTMENT
A Key Source of Capital

IFC acts as regional catalyst for investment in Africa.
OUR VISION
That people should have the opportunity to escape poverty and improve their lives.

OUR VALUES
• Excellence
• Commitment
• Integrity
• Teamwork
• Diversity

OUR PURPOSE
To create opportunity for people to escape poverty and improve their lives by catalyzing the means for inclusive and sustainable growth, through:

• Mobilizing other sources of finance for private enterprise development
• Promoting open and competitive markets in developing countries
• Supporting companies and other private sector partners where there is a gap
• Helping generate productive jobs and deliver essential services to the poor and vulnerable

To achieve its purpose, IFC offers development-impact solutions through firm-level interventions (direct investments, Advisory Services, and the IFC Asset Management Company); promoting global collective action, strengthening governance and standard-setting; and business enabling environment work.

Creating Opportunity Where It’s Needed Most