



# SHAPING THE FUTURE OF AFRICA

Markets and Opportunities for Private Investors

IN PARTNERSHIP WITH



*Creating Markets, Creating Opportunities*

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# Executive Summary

## AFRICA IS ON THE REBOUND

The end of the commodity super cycle in 2014 hit Sub-Saharan economies hard, sending economic growth to a two-decade low by 2016 as prices of crude oil, commodities, and other African exports fell dramatically. In addition, global financial factors reduced the interest of international investors in the region.

But after a few years of sluggish growth, most of the region's economies are returning to previous levels of expansion.

Capital flows into the region, in the form of bank lending and equity and bond offerings, have strengthened considerably, reflecting improved global sentiment toward emerging markets in general and in Africa in particular. Remittances, an important source of capital and foreign exchange for all developing countries and no less so for Africa, are also improving.

Progress is uneven across the continent, as resource intensive economies—especially oil exporters such as Angola and Nigeria—continue to lag, while agricultural exporters enjoy stable growth. And several large economies—Ethiopia, Côte d'Ivoire, Senegal, Tanzania, and Ghana in particular—have posted growth rates of over 6 percent over the last few years.

Overall, the economic outlook for the region is positive, with economic growth expected to rise to 3.2 percent this year and 3.6 percent in 2020, according to World Bank Group data.

## AN OPPORTUNITY FOR THE PRIVATE SECTOR

Despite the recent economic drag, Africa is a rapidly expanding market that represents significant economic opportunity for private enterprises and investors around the world.

The region's economic potential is about more than recovering commodity prices. Other forces are at work,

including favorable demographic trends, economic reforms, infrastructure investment, buoyant services sectors, and strong agricultural production.

Africa's demographics are unique and brimming with potential. In an aging world, the region has a young and growing population. Rapid urbanization is expected to double the population of cities within 25 years, raising hopes for the productivity, innovation, and economic diversification that such trends have brought to other regions.

By 2030, Africa's middle- and high-income groups are expected to grow by 100 million, boosting them to over 160 million people across the region. These rapidly expanding groups of consumers will spend smaller portions of their income on basic necessities such as food and beverages and more on transportation, information and communication technologies, housing, education, clothing and footwear, pharmaceuticals, and other products and services.

Technology is a particularly bright area for Africa. Innovative technology adaptations are creating opportunities for economies to “leapfrog,” or skip conventional development steps to more rapidly catch up with advanced economies. Africa continues to lead the world in innovative financial services based on mobile telephony, a trend that is rapidly bringing banking and other financial services to the unbanked and underbanked.

The overall climate for business continues to improve, as African reforms tracked in the World Bank Group's *Doing Business* annual survey continue to rise. The growth of local capital markets, though still nascent in most countries, continues apace across the region.

All in all, private enterprises and investors that are prepared to take advantage of these trends and serve Africa's burgeoning consumer classes stand poised to tap new markets and reap significant gains.

## OBSTACLES REMAIN

However, significant obstacles stand between African economies and full-tilt growth and progress.

A general lack of financing continues to constrain growth and development in the region, as less than a quarter of adults have access to formal financial services. The region's infrastructure gap—a lack of electricity, roads and other transportation, and

sanitation, for example—is not closing as quickly as regional governments had hoped. Growing cities, despite their potential, continue to struggle in terms of costliness, housing availability, efficient delivery of services, and other issues.

These can be overcome or mitigated through joint efforts by regional governments, the World Bank Group and other multilateral development banks, and private enterprises.

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The many positive developments across Africa—including progressing economic reforms in many countries, technological advances, urbanization, and growing middle classes—could prove to be significant opportunities for both African economies and businesses seeking to engage with them.

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## CASE STUDIES

A multitude of private and public-private initiatives across Africa—many of them assisted by IFC and World Bank financing—seek to serve a region now being transformed by technological advances, urbanization, and growing middle classes.

### Côte d'Ivoire | Azito and CIPREL

IFC invested and mobilized a total of \$785 million to expand independent electricity producers Azito Energie and CIPREL in Côte d'Ivoire. The result is a more competitive power market that meets growing consumer demand with improved service and lower prices. Projects included a new 300-megawatt gas-fired plant and a technology upgrade of an existing plant. Blackouts and brownouts in the country have been dramatically reduced.

### Ghana | Sankofa Gas Project

An offshore oil and natural gas project financed by IFC, the World Bank, and private lenders will start producing natural gas this year, transforming Ghana's energy sector and dramatically reducing carbon emissions.

The Sankofa Gas Project is expected to generate \$2.3 billion in revenues for Ghana's government and provide a stable, long-term source of domestic gas that will help solve the country's chronic gas supply constraints.

### Senegal | Transport Eiffage Toll Road

A partnership between government, development finance institutions including IFC and the World Bank, and the private sector brought West Africa's first public-private partnership toll road to Senegal. The 24-kilometer highway initially connected Dakar and Diamniadio, reducing commuting times dramatically and creating an important source of employment and income. It has now been extended to the nation's new international airport.

### East Africa | Mobisol

Mobisol is a pay-as-you-go solar energy service company delivering renewable energy solutions to off-grid communities in East Africa. Mobisol's high-quality systems have been conceived to meet the deep and wide-ranging needs of off-grid communities by leveraging access to mobile money and phones.



## West Africa | Caisse Régionale de Refinancement Hypothécaire

Rapid population growth in West Africa is accelerating demand for housing and housing finance. By investing in a regional mortgage finance company and its bonds, IFC and the World Bank are helping to attract profitable, stable, and responsible institutional investors to the region's housing finance market, thereby improving the affordability of home ownership.

## Zambia | Metalco

Once the site of a lead mine, Zambian city Kabwe suffers from dangerously high lead pollution levels and associated health problems. An IFC investment into a private recycling and waste management company is helping to dispose of lead, recycle other scrap products, and create jobs and economic growth.

## Ethiopia | Afriflora

Flowers are blooming in Ethiopia. IFC client Afriflora, the East African nation's largest producer and exporter of roses, has become the world's largest rose grower, exporting 900 million roses to Europe each year. A recent IFC investment helped the company expand, install new water recycling systems, and create 5,000 new jobs.

## Madagascar | Beef Production

Despite its natural beauty and biodiversity, Madagascar continues to suffer from stubborn poverty, with much of the population subsisting on less than \$2 a day. Agribusiness, however, has the potential to help. IFC is supporting an investment in a local, private agriculture equipment company to help transform poultry and beef production on the island, while an IFC supported feedlot and slaughterhouse facility will create a new market for livestock farmers. The result could be better food security and resilience, and higher export revenues.

*IFC's activities support global emerging markets. Beyond Sub-Saharan Africa, IFC has supported projects that demonstrate the power of maximizing finance for development. These include important recent projects in North Africa, including the following:*

## Egypt | Power

A massive solar energy park with 32 power plants in Egypt's western desert is poised to disrupt the country's energy market. The project should allow the country to generate 20 percent of its power from renewable sources within five years and dramatically lower energy costs for its 90 million residents. It is financed by IFC and a consortium of lenders, supporting 13 private companies that will complete and operate the plants. ■







# Markets and Opportunities for Private Investors in Africa

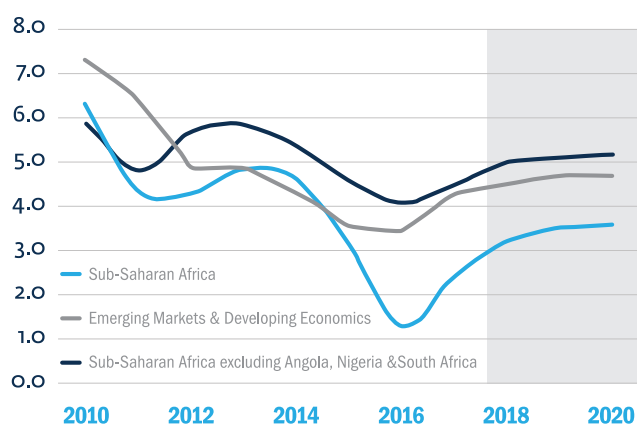
By Dilek Aykut and Monika Blaszkievicz-Schwartzman

## RECENT ECONOMIC DEVELOPMENTS

Following a sharp economic slowdown in 2016, a recovery is underway in Sub-Saharan Africa, especially among non-resource intensive economies. Growth in the region recovered from a two-decade low of 1.3 percent in 2016, to an estimated 2.4 percent in 2017, as global economic activity and trade gained momentum, commodity prices recovered, and global financing conditions remained favorable (Figure 1). Oil and metal prices strengthened in 2017, as did agriculture prices relevant to the region, with the exception of cocoa prices, which fell sharply last year. The region's access to international capital markets also improved, with a notable increase in sovereign bond issuance. Reinforcing these favorable external developments, ongoing infrastructure investment and monetary policy accommodation supported economic

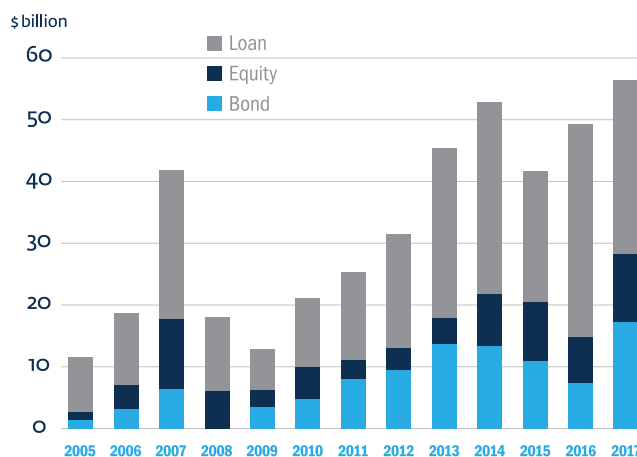
activity, while improved weather conditions triggered a rebound in food production across the region. In turn, easing food price inflation has helped boost household demand in some countries.<sup>1</sup>

Improved external conditions buoyed international capital flows into the region, leading to a build-up of foreign currency reserves, especially in oil exporting countries. In particular, 2017 saw strong gross capital flows to Sub-Saharan Africa in the form of syndicated bank lending and bond and equity offerings, all of which reflect improved global sentiment toward emerging markets (Figure 2). Sovereign bond issuance was at a record high, with Nigeria, Senegal, and Côte d'Ivoire selling bonds in international capital markets. Looking at the sectoral composition, capital flows to the private sector were driven largely by natural resources and financial



**FIGURE 1** Sub-Saharan Africa's growth prospects

Source: "Global Economic Prospects," World Bank Group, January 2018



**FIGURE 2** Gross flows to Sub-Saharan Africa, by instrument

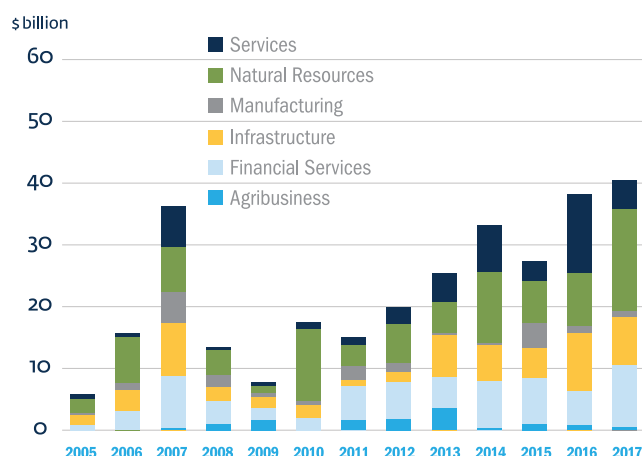
Source: Dealogic, IFC Global Macro, Market & Portfolio Research



services (Figure 3). Foreign Direct Investment (FDI) inflows, which fell in 2016 in tandem with weaker commodity prices, also rebounded, according to high-frequency data (Figure 4).

**Formal remittance inflows to Sub-Saharan Africa increased by 12 percent, from \$34 billion in 2016 to an estimated \$38 billion in 2017.** Remittance flows are an important source of external funding and foreign exchange for some countries, including Liberia (accounting for 25 percent of GDP), Senegal (15 percent of GDP) and Togo (8.5 percent of GDP). In Nigeria in 2017, remittances amounted to \$22.3 billion, or 5.6 percent of GDP. The country also successfully raised \$300 million in diaspora bonds in June 2017 to finance development projects.<sup>2</sup>

**The pattern of growth across countries is far from homogeneous.** While the SSA region's three largest economies—Nigeria, South Africa, and Angola—continue to exhibit low growth, their performances in 2017 improved from the previous year, marking a potential turning point that may be linked to recovering commodity prices. On the other hand, growth in non-resource intensive countries—which consist mostly of agricultural exporters—has remained broadly stable over the last few years, even during the tepid 2016 season.

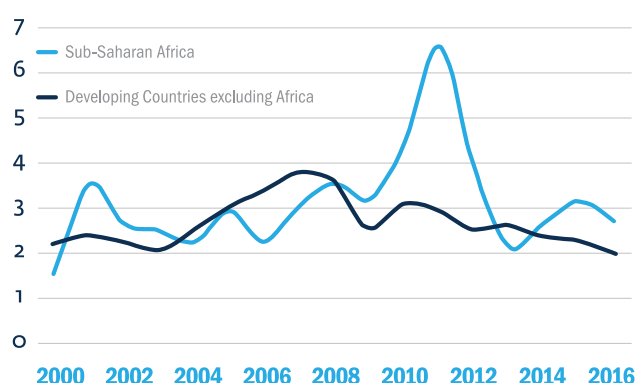


**FIGURE 3** Gross flows to the private sector in Sub-Saharan Africa, by sector

Source: Dealogic, IFC Global Macro, Market & Portfolio Research

Several large African economies—Ethiopia, Côte d'Ivoire, Senegal, and Tanzania—have posted annual average growth rates of more than 6 percent since 2015. In Senegal, growth remained strong and was supported by broad-based economic reforms. Growth moderated somewhat in Côte d'Ivoire, declining from 8.3 percent in 2016 to 7.6 percent in 2017—a result of lower cocoa prices. Similarly, in Tanzania, growth dropped from 7 percent to 6.6 percent, partly due to the delayed execution of fiscal plans. Among other large African economies, Ghana's growth recovered significantly in 2017 on the back of its expanding oil sector, while drought has taken a toll on economic activity in Kenya.

**The medium-term economic outlook for the region is positive. Economic growth is forecast to rise to 3.2 percent in 2018, and increase further to 3.6 percent in 2020 (Figure 1).** Again, the regional average masks considerable heterogeneity among countries. In fact, excluding South Africa (which has been negatively affected by domestic political and economic developments) and two large oil dependent economies (Angola and Nigeria), Sub-Saharan Africa should continue to expand at a robust pace of around 5 percent, supported in part by infrastructure investments which is above the average for emerging



**FIGURE 4** FDI inflows to Sub-Saharan Africa, percent of GDP

Source: IFC Global Macro, Market & Portfolio Research

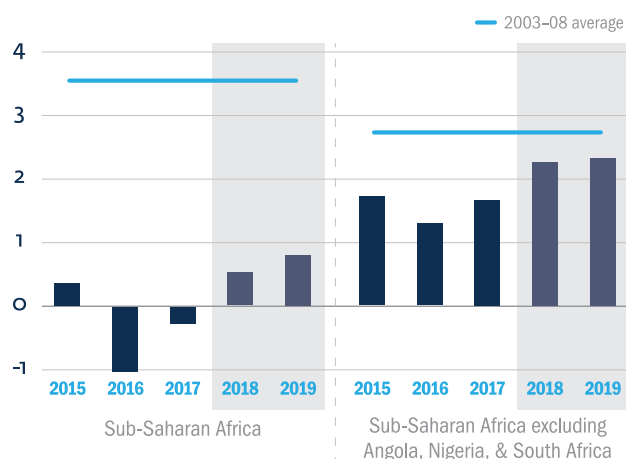
market and developing economies (EMDEs) (Figure 1). Moreover, the growth rate in these economies is expected to surpass population growth, with per capita income growth approaching its long-term level (Figure 5). Yet, per capita income growth in the region's largest economies—South Africa, Angola and Nigeria—is expected to be near zero in the medium-term.

**Rapidly rising debt levels have clouded Africa's positive medium-term outlook.** Favorable global financial conditions and investors searching for higher yields in a low interest rate environment have allowed African nations to rapidly accumulate debt over the last decade. Government debt in African countries has grown by 10 percent of GDP, on average, since 2014. Debt levels have risen even faster in several African nations, including Mozambique, Republic of Congo, and Angola, with an increase of over 20 percent of GDP in just two years (Figure 6). This rapid debt accumulation occurred after the debt relief and debt clearance mechanisms such as the Heavily Indebted Poor Countries (HIPC) Initiative of the late 1990s and early 2000s. As many African countries accessed international capital markets over the last decade, their external debt also increased, with the composition of debt shifting toward higher priced non-concessional financing. The external debt burden has increased

further due to large currency depreciations against the U.S. dollar since 2014. Poor revenue collection in many African countries may limit their ability to service debt and exert significant pressures in terms of attracting additional capital and could pose some debt sustainability concerns. For these reasons, high debt levels represent a significant vulnerability for the economies in Sub-Saharan Africa, and they may be triggered or amplified by global policy tightening or a sharp repricing of credit spreads.

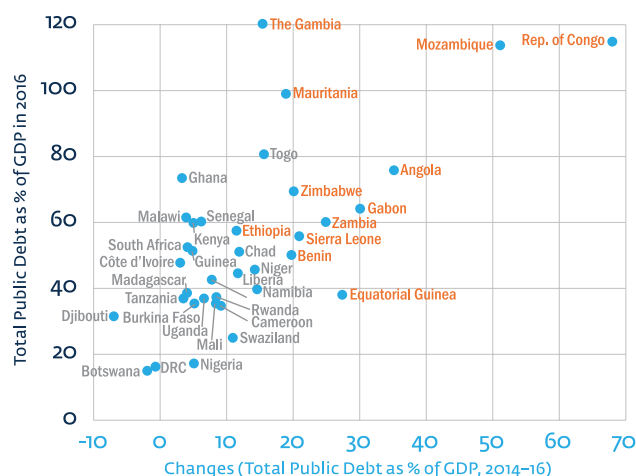
## OPPORTUNITIES

**Despite the recent economic drag, Africa is a rapidly expanding market.** Sub-Saharan Africa's regional economy has quintupled over the last two decades, from \$300 billion in 2000 to \$1.6 trillion in 2017, and is projected to surpass \$2 trillion within two years (Figure 7). This rapid growth has been driven by Africa's services sector, which represents a tremendous economic opportunity as it contributes more than half the region's output. The sector grew at an average 6.6 percent over the last decade as the middle class in the region continued to expand. Conversely, the region's manufacturing sector, which has grown on average 3.1 percent over the last decade, has played a less prominent role in driving economic development.



**FIGURE 5** Per capita GDP growth prospects

Source: "Global Economic Prospects," World Bank Group, January 2018



**FIGURE 6** Total government debt in Sub-Saharan African countries, 2014–2016

Source: World Bank, IMF, IFC Global Macro, Market & Portfolio Research

Africa's manufacturing growth has been slower than manufacturing in the Latin America and East and Southeast Asia regions.<sup>3</sup>

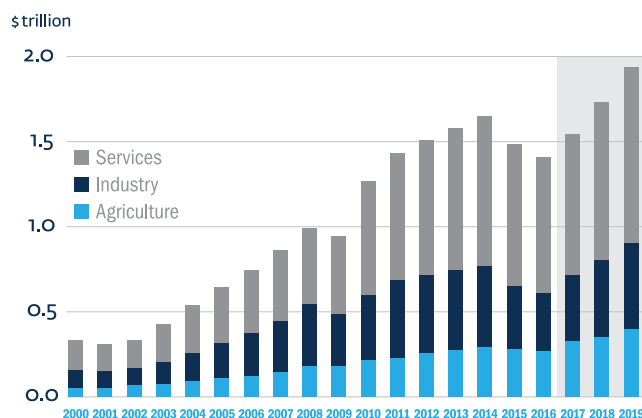
**In an aging world, Africa has a young and growing population, and the region will soon have the fastest urbanization rate in the world.** Between 1990 and 2016, Africa's population grew at an average annual rate of 2.9 percent, compared with the world average of 1.7 percent, in contrast to the rapidly slowing population growth patterns in other developing regions such as Asia and Latin America (Figure 8). Africa's working age population will increase by 1.7 million monthly until 2030, the highest among developing regions. Similarly, cities in Sub-Saharan Africa are rapidly expanding. The urban population is expected to double over the next 25 years, which could provide excellent opportunities for economic growth. By generating agglomeration economies—the benefits of close proximity—cities can enhance productivity and spur innovation and national

economic diversification. Productive jobs, affordable housing, and efficient infrastructure will be urgently needed for residents and newcomers alike.

**The region's growing labor force can also supercharge economic growth.** In fact, together with rapid capital accumulation, solid labor supply growth has already contributed to the region's potential long-term growth, which rose to 3.3 percent in the past five years, above the pre-crisis and longer-term averages.<sup>4</sup> Excluding South Africa, potential growth of the region was 5 percent on average, above the average for developing and emerging countries (Figure 9).

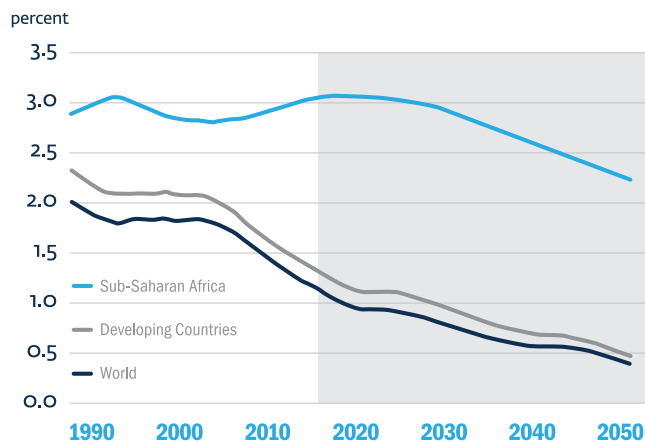
**Africa's productivity growth and productivity's contribution to potential growth were subdued from 2013 to 2017.** This came after Africa's productivity growth—measured as Total Factor Productivity (TFP) growth—rose above its long-term average during 2003–07, supported by improvements in health and education outcomes, as well as by a shift in the labor force from agriculture to higher productivity sectors.<sup>5</sup> During the post-crisis period a slowdown in productivity reflected an apparent slowdown in the rate of absorption of new technologies as well as a decline in investment.

### Africa's young and growing population can power economic growth



**FIGURE 7** Sub-Saharan Africa's market is growing after the recent drop (nominal GDP in US dollars by sector)

Source: World Bank, IMF, IFC Global Macro, Market & Portfolio Research



**FIGURE 8** The fastest population growth has been in the Sub-Saharan Africa region

Source: United Nations



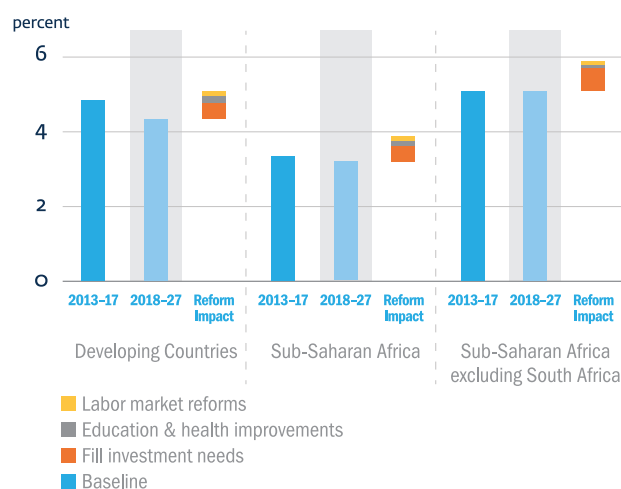
**There is a considerable scope for boosting the region's potential growth.** Under current trends, the long-term potential growth in Sub-Saharan Africa is projected to remain stable (Figure 9). Yet potential growth can be significantly increased through structural reforms that increase investment, improve health and education outcomes, and raise female labor force participation. The World Bank's analysis shows that, if the region (excluding South Africa) is able to replicate its best historical health, education, and investment level improvements over the next decade, it could boost potential growth by around 0.7 percentage points, to 5.7 percent, on average over the next decade.<sup>6</sup> Other productivity-enhancing reforms—including diversification to reduce reliance on commodities, stronger property rights to encourage productivity-enhancing investment, and greater transport connectivity to spur competition—could safeguard and bolster these gains. Robustly implementing such policies will be critical if the region is to capitalize on its demographic dividend.

**In addition to conventional policies to improve productivity, adopting innovative practices and technology can also help Africa's productivity growth through 'leapfrogging.'** Several recent

examples have shown that disruptive solutions and embracing innovations not currently widely used can help African countries skip rungs on the development ladder—a phenomenon also known as leapfrogging.<sup>7</sup>

Technology spillovers, entrepreneur-driven innovation, and environmental and sustainability concerns are disrupting the traditional ways that technology is diffused.<sup>8</sup> Through innovative adaptation, an existing technology can be leveraged to create a new product with the potential for rapid scaling. Such adaptations have generated notable recent examples of leapfrogging in Africa, including mobile money (for more detailed discussion see the section on financial markets), and pay-as-you-go off-grid solar.<sup>9</sup> Leapfrogging innovations in financial services are also occurring as financial institutions compete or collaborate with non-bank financial technology firms (fintechs) that often do not follow traditional business models.

Africa is home to a growing number of countries where a “race to the finish” is on between these actors to reach the unbanked and underbanked.<sup>10</sup> Nevertheless, leapfrogging is similar to conventional productivity expansion in that it requires physical and institutional infrastructure to function, as well as the education systems necessary to teach skills for absorbing technology and developing and applying innovation.



**FIGURE 9** Prospects for Africa's potential growth under reform scenarios

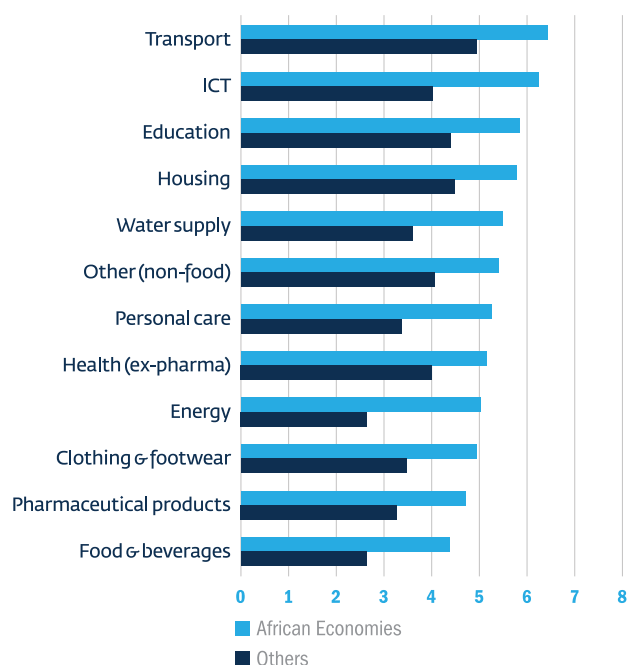
Source: “Global Economic Prospects,” World Bank Group, January 2018

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**As Africa's middle class expands, so does consumption growth of a wide range of goods and services.**

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By 2030, 100 million new people are expected to join Africa's middle- and high-income groups, boosting them to over 160 million across the region. Household spending in Africa is projected to grow at an average rate of 5 percent, surpassing the 3.8 percent average growth among other developing countries.<sup>11</sup> The robustness of Africa's consumption growth potential is present across all sectors (Figure 10). While consumption growth in Africa is expected to exceed 6 percent in most sectors, spending on



**FIGURE 10** Projected consumption growth in developing countries between 2014 and 2030, by sector

Source: IFC Global Macroeconomics, Markets and Portfolio Research.  
Note: World Bank Household Survey Data covers 82 developing countries, of which 34 are in the Sub-Saharan Africa region.

transportation and information and communication technologies (ICT) is expected to grow faster than spending on other sectors. Expenditures on food and beverages—the largest share of total spending for African households—should continue to grow much slower, but will remain the most important component of total household spending.

At the country level, Senegal, Mozambique, Rwanda, Niger, and Ethiopia are the leaders in terms of household consumption growth in most sectors (Figure 11). Senegal's household spending is projected to grow fastest (more than 9 percent) on transport, education, ICT, and housing, whereas water supply, pharmaceutical products and ICT are the fastest growing sectors in Mozambique.

**Africa's agriculture sector holds enormous potential for economic development—and is a significant opportunity for private sector investment.**

	Senegal	Ethiopia	Rwanda	Mozambique	Niger	Tanzania	Mauritania	Côte d'Ivoire	Kenya	Uganda	Ghana	Burkina Faso	Guinea	Cameroon	Madagascar	Malawi	Mauritius	Mali	Nigeria	South Africa
Transport	9.88	9.74	8.98	8.80	8.47	8.29	8.16	8.08	7.52	7.51	7.07	7.06	6.31	6.00	5.95	5.86	5.50	4.74	4.42	2.20
Education	9.15	10.39	8.21	7.70	9.05	8.22	7.62	6.75	6.50	6.52	5.25	7.08	5.35	5.20	5.45	5.03	4.72	6.03	4.14	1.87
ICT	9.14	10.18	7.90	8.98	8.44	7.54	8.46	7.74	7.46	7.17	5.98	6.55	5.74	6.28	7.06	5.61	3.10	6.54	4.02	1.83
Housing	9.02	7.98	7.56	8.11	7.03	6.48	7.43	7.44	7.65	6.85	6.06	6.81	6.58	5.11	5.78	4.95	2.77	6.16	4.30	1.98
Energy	8.36	4.55	4.23	5.92	7.91	6.35	7.00	6.55	5.90	5.05	5.13	6.74	4.90	3.96	6.64	5.51	2.56	5.00	3.88	1.69
Clothing & footwear	8.10	6.32	6.02	7.65	6.73	5.94	5.28	5.91	5.87	5.93	4.80	5.51	4.65	5.04	4.77	5.09	3.76	5.05	3.52	1.41
Personal care	7.82	6.63	6.41	8.11	6.76	7.92	8.77	6.40	6.23	5.91	5.22	6.20	4.97	5.27	6.28	4.62	4.17	5.64	3.80	1.52
Water supply	7.28	4.77		8.29	8.14	6.80	6.31	6.30	6.03	4.45	5.41	7.17	5.81	6.00	6.31	5.85	2.56	6.45	3.84	1.88
Health (ex-pharma)	6.69	5.91	7.17	7.09	7.31	7.05	7.98	6.23	6.96	6.31	5.36	7.64	4.36	5.24	5.26	4.61	4.81	5.51	3.42	1.70
Food & beverages	6.27	5.61	5.65	5.71	6.05	5.24	5.26	5.67	4.87	5.21	4.47	5.01	4.02	4.44	4.48	4.50	2.18	4.55	3.39	1.35
Pharmaceutical products	5.14	6.25	6.66	8.01	6.78	5.99	6.11	6.07	5.22	5.67	4.25	5.52	4.52	4.80	4.48	3.92	4.81	4.86	3.57	1.65

**FIGURE 11** Consumption growth in Sub-Saharan Africa between 2014 and 2030, by sector

Source: IFC Global Macroeconomics, Markets and Portfolio Research

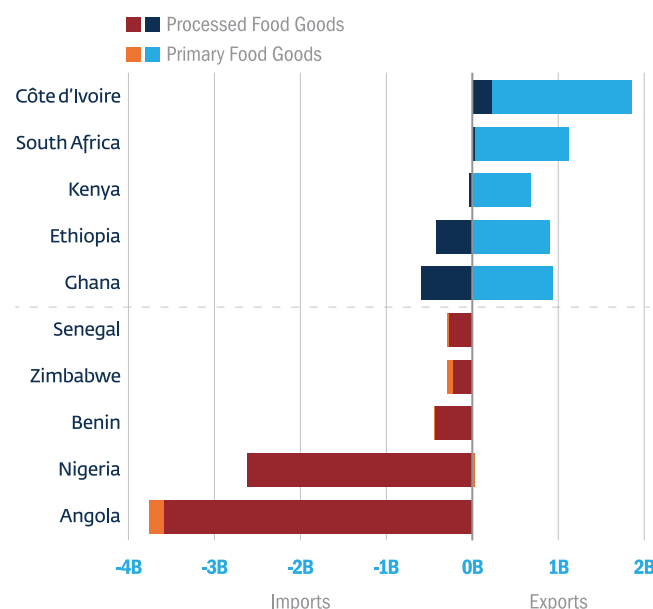
**Domestic food production in Africa is lagging despite robust demand.** Regardless of the recent increase in the service sector's share of economic activity, the agriculture sector still accounts for one-third of the region's GDP and employs large shares of the population in many African countries. Nevertheless, African countries continue to import most of their processed food products. Even countries with large agriculture sectors—Côte d'Ivoire, South Africa, Kenya, Ethiopia, and Ghana, for example—tend to export agricultural commodities as primary, unprocessed goods with little integration into global value chains, while importing processed food (Figure 12). With the projected growth of food consumption, Africa's reliance on food imports will likely intensify, raising the specter of food insecurity and external balances.

**There is significant upside potential for Africa's agriculture sector.** Agriculture in Africa has expanded in a fundamentally different way from other regions such as Asia and South America, where intensification and mechanization of food production processes have

made more efficient use of arable land. By contrast, agricultural production in Africa has largely relied on area expansion despite the productivity (Figure 13). Yet conditions are in place to increase the productivity of African agriculture with a growing regional market boosting demand.

**The mixture of available arable land, potential productivity growth, and fast-growing consumer markets provide tangible business opportunities in Africa's agriculture sector.** Unleashing productivity improvements requires adopting new technologies, investments in rural public goods such as infrastructure to improve access to markets, agriculture insurance, and irrigation technologies to manage climate challenges. Land-tenure reform and strengthening land and property rights will be crucial to bolstering private investment in the sector. Accelerating access to finance for smallholder farmers will allow the application of more advanced farming methods such as increased use of fertilizers, irrigation techniques, and crop selection suited to particular micro climates to improve yields.

Developing the agriculture sector could deliver major gains for the region in terms of economic diversification, poverty reduction, jobs, social development, and food security.



**FIGURE 12** Top five net exporters and importers of (un)processed food goods, in USD billions (averages: 2010–2015)

Source: World Bank WITS Database; IFC Global Macroeconomics, Markets and Portfolio Research

**Africa's urban population is expected to double over the next 25 years, a demographic shift that could generate dynamism and economic diversification if well-managed.**

Africa is experiencing rapid urbanization, a demographic transformation that historically has tended to enhance productivity and increase economic integration. Urban areas in Africa currently are home to 472 million people, and that population is expected to double over the next 25 years (Figure 14). Over the next two decades, the growth of Africa's urban populations will drive new



demand for infrastructure, housing and other physical structures, and for amenities. If well-managed, this urban expansion can help accelerate economic growth by enabling productive environments that attract international investment and increase economic efficiency. By generating agglomeration economies, cities can enhance productivity and spur innovation and national economic diversification.

**Yet African cities have not generated the levels of economic dynamism that expanding metropolitan areas in other regions have experienced.** Today, Africa's cities are predominantly local. They lack regional connectivity or global reach. This is because they have taken a different development trajectory—one that poses excessive costs to residents and firms.<sup>12</sup> Recent research by the World Bank on the spatial development of African cities shows that they cannot be characterized as economically dense, connected, and livable. Instead, they are crowded, disconnected, and costly for households and firms.<sup>13</sup>

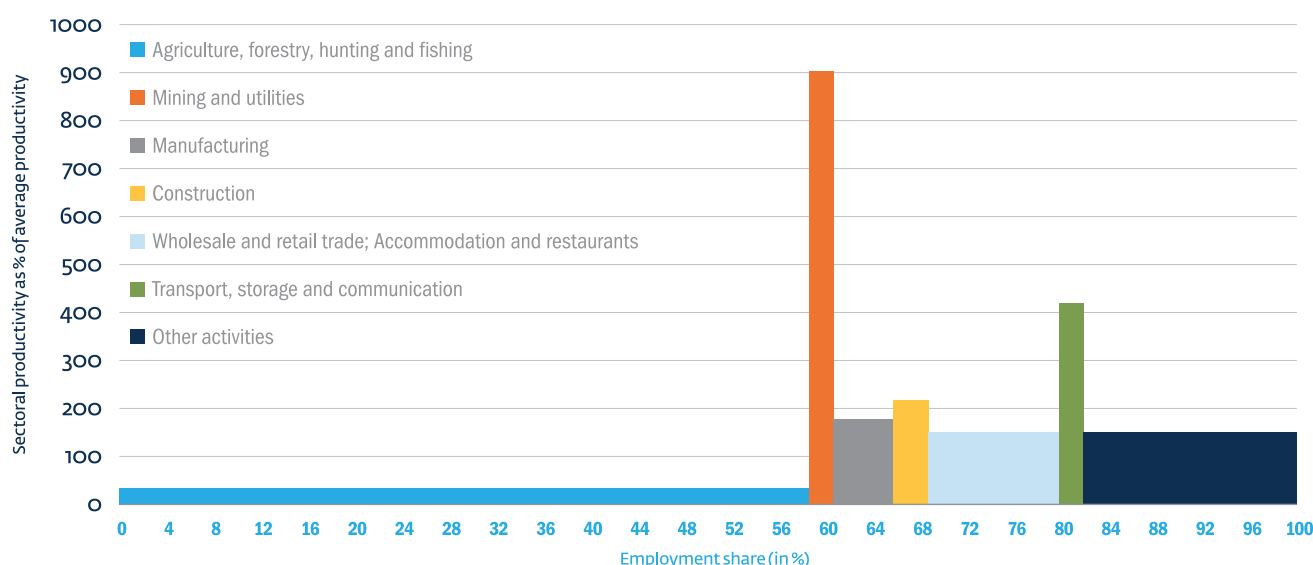
**A major constraint on Africa's urban development has been the high cost of living and doing business in cities.** This costliness lowers expected returns for investors and entrepreneurs. As a result, capital investment in Africa has remained relatively low

for the past 40 years, at around 20 percent of GDP. Specifically, housing investment in Africa has been much lower than that of other regions. Between 2001 and 2011, African low-income countries invested 4.9 percent of GDP in housing, compared with 5.5 percent elsewhere. African middle-income countries invested 6.5 percent of GDP in housing, compared with 9 percent elsewhere.<sup>14</sup>

**Effective urban planning, supported by necessary land reforms and investment in housing and infrastructure, is critical to meeting the demands of ongoing urbanization, and to converting cities into economically productive environments.**

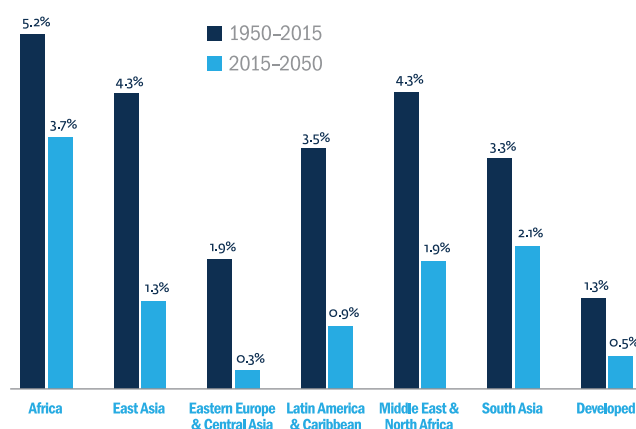
To meet this demand, city leaders and planners must use foresighted planning, realistic regulation, and predictable enforcement.<sup>15</sup> They should also simplify and clarify the transfer of property rights which is a cumbersome exercise today.

**The good news is that some African countries are taking steps to do this.** Botswana regularized customary land in 2008, partly because the land boards faced challenges to administering tribal land.<sup>16</sup> Zambia passed a new planning bill in 2015, extending planning controls across state and customary land and designating all local authorities as planning



**FIGURE 13** Large disparities in labor productivity between economic sectors in Africa

Source: United Nations; International Labor Organization; IFC Global Macroeconomics, Markets and Portfolio Research



**FIGURE 14** Average urban population growth rates by region

Source: United Nations.

authorities.<sup>17</sup> Namibia recognizes traditional leaders as part of the formal land system; they are designated by the president and details about them are published in the government's gazette.<sup>18</sup>

There has been some progress in terms of infrastructure as well, but this needs to be combined with improvements in the institutional framework—the capacities of African city governments for urban planning, regulation, and enforcement—that should shape and coordinate them. The progress in infrastructure commits a city to a specific trajectory for decades to come.<sup>19</sup> For example, if new transport systems and industrial zones are not coordinated with one another, such projects might not be supportive to urban development.

**Even after considerable progress over the last two decades, Africa's infrastructure gap remains large and is in urgent need of private investor participation.**

**Africa's progress in infrastructure development has varied widely across sectors and countries.**

Progress in telecommunications coverage in the region over the past 25 years has been substantial and rapid in

both low- and middle-income countries. The number of fixed and mobile phone lines per 1,000 people increased from three in 1990 to 736 in 2014, while the number of Internet users per 100 people increased from 1.3 in 2005 to 16.7 in 2015.<sup>20</sup> Access to safe water has also increased, from 51 percent of the population in 1990 to 77 percent in 2015. Progress was particularly notable for low-income countries and urban areas, with an access rate of 90 percent for the urban population.

**But Africa's infrastructure needs remain vast.**

For example, with the exception of a few upper-middle income countries in the region, little progress has been made in per capita electricity-generating capacity over two decades. Only 35 percent of the region's population has access to electricity, with rural access rates less than one-third of those in urban areas. Similarly, transport infrastructure lags, as Sub-Saharan Africa is the only region in the world where road density has declined over the past 20 years. As a result, transport costs are high and continue to hinder the region's intra- and inter-regional trade.<sup>21</sup> Access to sanitation facilities also remains low, at about 30 percent in 2015, despite a doubling in access to improved sanitation facilities. The largest gains in sanitation access have been in rural areas and low-income African countries.

**The potential benefits of closing the region's infrastructure gap—both in quantity and quality of infrastructure—are large.** Catching up with the rest of the world's average quantity and quality of infrastructure would increase regional per capita GDP growth by 1.7 percentage points per year. Closing the gap relative to the best performers would lift growth by 2.6 percentage points per year. Closing the gap in electricity generating capacity yields would deliver the largest potential benefit, and substantial gains would also come from extending the road network.<sup>22</sup>

**Given the limited fiscal space for increasing public investment, regional governments will need to "crowd in" private investment to close the gap.**<sup>23</sup>

There is enormous potential to improve the infrastructure in the region at the current levels of investment through operational optimization.<sup>24</sup> Nevertheless, public-private partnerships (PPPs) remain essential for providing the necessary infrastructure investment.

**PPPs in Africa remain a very small market, with projects concentrated in only a few countries and sectors.** South Africa, Nigeria, Kenya, and Uganda together account for 48 percent of the 335 total PPP infrastructure projects in the region over the past 25 years. This amounts to \$36.7 billion of investment commitments, or 62 percent of the \$59 billion in total investment commitments in the region. In the past five years, PPP infrastructure projects in the region have mainly been concentrated in the energy sector (78 percent)—mostly renewables—followed by transport (22 percent), and water and sanitation (0.5 percent). International financial institutions play a larger role in financing PPPs in Sub-Saharan Africa than in other emerging market and developing economies.<sup>25</sup>

**A robust institutional and regulatory framework is critical to attracting private investment for infrastructure projects.** Private infrastructure investment is highly sensitive to country risk, and the strength of the investment climate is closely correlated with investment levels.<sup>26</sup> Of equal importance is the proper preparation of projects—with an emphasis on the selection, quality, and management of infrastructure projects. Private investors won't be drawn to projects that are improperly chosen, prepared, and developed. Africa performs below the global average in each of the four PPP thematic coverage areas—project preparation, procurement, unsolicited proposals, and contract management.<sup>27</sup>

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## Financing is the key to achieving Sub-Saharan Africa's economic potential.

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**Despite the economic potential of the region, financing remains an important constraint on investment.** Less than a quarter of adults in Sub-Saharan Africa have access to formal financial services. This means they lack access to the financial infrastructure necessary to save money securely and to transfer it safely and efficiently, as well as access to credit and insurance. Lack of access to finance is a key constraint for small and medium enterprises

in Sub-Saharan Africa, and thus also an important limitation on employment, economic growth, and shared prosperity.

**Financial development in Africa has progressed over the last decade, yet there is considerable scope for further development, especially compared with other regions.**<sup>28</sup> The above-mentioned macroeconomic improvements in the SSA region, combined with relative political stability and reforms in the financial sector, have supported growth in financial systems in many African countries. Consequently, financial systems have become relatively more efficient and stable in recent years.<sup>29</sup> Over the last 15 years, African countries implemented some 112 reforms that have improved access to credit.<sup>30</sup> As a result, the region's median ratio of private sector credit to GDP (a measure of the size of financial depth) increased from 15 percent to 20 percent between 2008 and 2015 (Figure 15). Nevertheless, with the exception of the region's middle-income countries, both financial market depth and institutional development remain lower than in other developing regions. Closing the gap between the current level of financial development of many African countries, and those in other regions with similar structural characteristics, could increase growth by about 1.5 percentage points.<sup>31</sup>

**Africa's financial landscape is dominated by the banking sector, which is highly concentrated, with a prominent role for foreign-owned banks.**

The banking sector accounts for the biggest share of assets in most African countries, with the exception of Lesotho, Namibia, Swaziland, and South Africa. South Africa's banking sector is Africa's largest (Figure 16). Moreover, banking sectors across SSA are highly concentrated, with the top four banks usually accounting for the majority of total banking sector assets within a particular country. Within the banking system, foreign-owned subsidiaries account for the major share of assets across all country groups, particularly in some fragile countries (Guinea, Guinea-Bissau, Madagascar, São Tomé and Príncipe), while the contribution of foreign branches is minor. In several countries, state-owned banks' assets are sizable (Ethiopia, Rwanda, Seychelles, Sierra Leone).



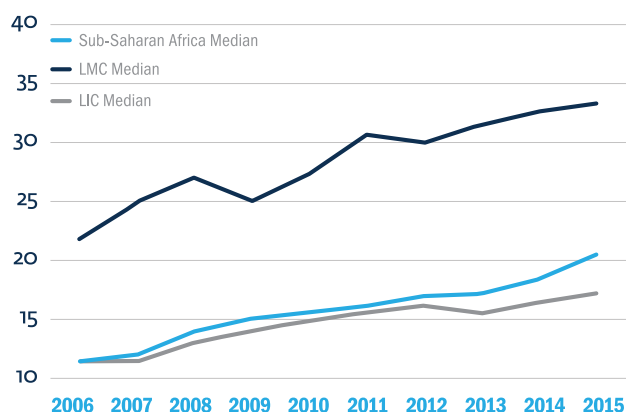
**Pan-African banks (PABs) have helped drive the continent's financial development, but they also bring a number of challenges.** These banks have increasingly filled the gap left by European and U.S. banks, which dominated Africa's financial landscape before the global financial crisis. Out of six pan-African banks domiciled in the region, all have a presence in at least 10 countries, while some are represented in more than 30 countries. The PABs have not only facilitated financial inclusion, providing customers with an increased number of products and services (including mobile banking services), but have also promoted economic integration across the continent and contributed to increased competition. However, their rapid growth also poses risks, especially those related to the lack of adequate supervisory oversight on a consolidated basis, as well as relatively weak internal governance frameworks.<sup>32</sup>

**Despite its financial development gap relative to other regions, Africa has led the world in innovative financial services based on mobile telephony.** The development of mobile telephone-based systems has helped to bring a significantly larger share of the population into the financial system, especially in East Africa and Ghana. In these countries, mobile money has become a key feature of the financial services landscape, promoting financial inclusion and contributing to the use of financial intermediation services. For example, services such as M-Pesa and

M-Akiba allow mobile-based payments and bidding for government bonds, respectively. There is still significant untapped potential in the financial services sector in many countries in the region, which, if fulfilled, can compensate to some extent for the infrastructure gap and other shortcomings these countries face. At the same time, microfinance has grown rapidly, providing services to customers at the lower end of the income distribution. It is worth noting, however, that these rapid financial developments also pose potential financial stability risks and thus require appropriate regulation.<sup>33</sup>

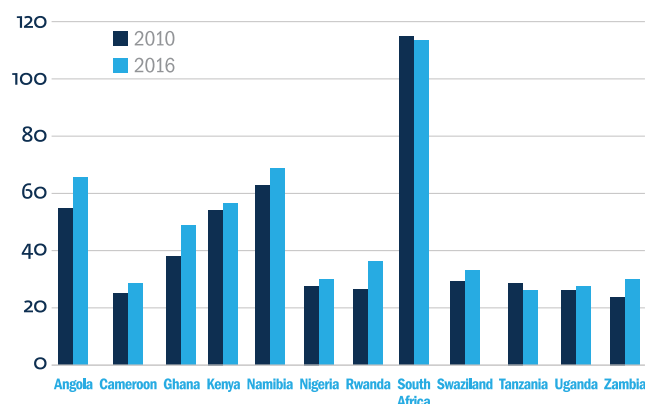
### Capital markets in Africa are slowly developing, with significant room for further growth.

Since the 1990s the number of active SSA stock exchanges has increased from five (South Africa, Zimbabwe, Kenya, Nigeria, and Uganda) to 18 today. However, only a few of these stock markets are active and well developed. Nevertheless, the depth of capital markets—measured by the median stock market capitalization as a share of GDP—has risen significantly and is now around 50 percent (Figure 17). The Johannesburg Stock Exchange dominates the region, with a capitalization of more than three times national GDP in 2016. The stock market capitalization in Nigeria—the second largest market in SSA—did not exceed 16 percent of Nigeria's GDP in recent years. Moreover, except for Nigeria and South Africa, all sub-Saharan stock exchanges are characterized by a relatively low number of listed companies.



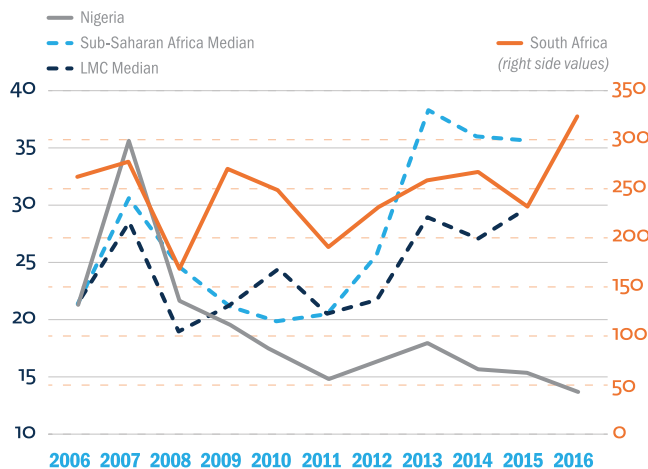
**FIGURE 15 Private credit to GDP (percent)**

Source: FinStats The World Bank



**FIGURE 16 Total bank assets % of GDP**

Source: IFC Global Macro, Market & Portfolio Research



**FIGURE 17** Stock market capitalization (percent of GDP)

Source: FinStats, The World Bank

Several countries in Africa have established domestic bond markets, with instruments denominated in local currencies. While South Africa's market for local currency denominated debt is by far the continent's largest, Nigeria and Ghana also have growing debt markets in their respective currencies. Although these markets may become attractive to African issuers, local currency bonds present certain challenges to international investors, including illiquidity within local markets and greater exposure to fluctuations in local currencies.

The last few years have also witnessed an increase in Africa's access to international financial markets. South Africa has historically dominated international bond issuances among African countries. It has a broad investor base with a large number of high-quality established issuers. Outside of South Africa, Côte d'Ivoire, Ghana, Nigeria, Angola, Zambia, and Kenya have also successfully issued sovereign debt. According to World Bank estimates, sovereign debt issuance increased from an average of \$3.5 billion in 2010–2013 to \$6.2 billion in 2014–2017, with a weighted average coupon rate of 6.5 percent, and an average maturity of 20 years.

Developing domestic capital markets is crucial to generating alternative sources of funding for investment across Africa. Deep, efficient local capital markets create access to long-term local currency finance, mobilize funds for key sectors such as infrastructure, reduce dependency on foreign debt, and protect economies from sudden swings in international capital flows. Local capital markets are essential to a thriving private sector—and they are a key engine of growth and jobs. Lowering the vulnerabilities associated with local currency financing and fostering the development of local capital markets can stimulate economic growth in all sectors. To support governments in their efforts to develop local debt and equity capital markets that increase and diversify financing for the real economy and reduce reliance on traditional bank lending, the World Bank and IFC launched the Joint Capital Markets Program (J-CAP) initiative in June 2017.

### World Bank Group Joint Capital Markets Program (J-CAP) Initiative

The Joint Capital Markets Program (J-CAP), launched by the World Bank and IFC in June 2017, promotes the development of such markets in a coordinated way. The program leverages the collective expertise of World Bank Group institutions to accelerate capital markets development wherever it is most needed, beginning with Bangladesh, Kenya, Morocco, Peru, Vietnam, and the countries of the West African Economic and Monetary Union (WAEMU). The program also supports three other countries that had previously initiated capital markets development efforts—Argentina, Indonesia, and South Africa.

J-CAP will streamline and coordinate activities among key delivery teams to increase the World Bank Group's capital market building efforts in J-CAP's priority countries. It scales up ongoing successful in-country World Bank-IFC cooperation funded by the Swiss Government (SECO). JCAP is also working to establish mechanisms for sharing knowledge and lessons by building a capital markets Community of Practice across the World Bank Group.

## Africa is becoming more business friendly.

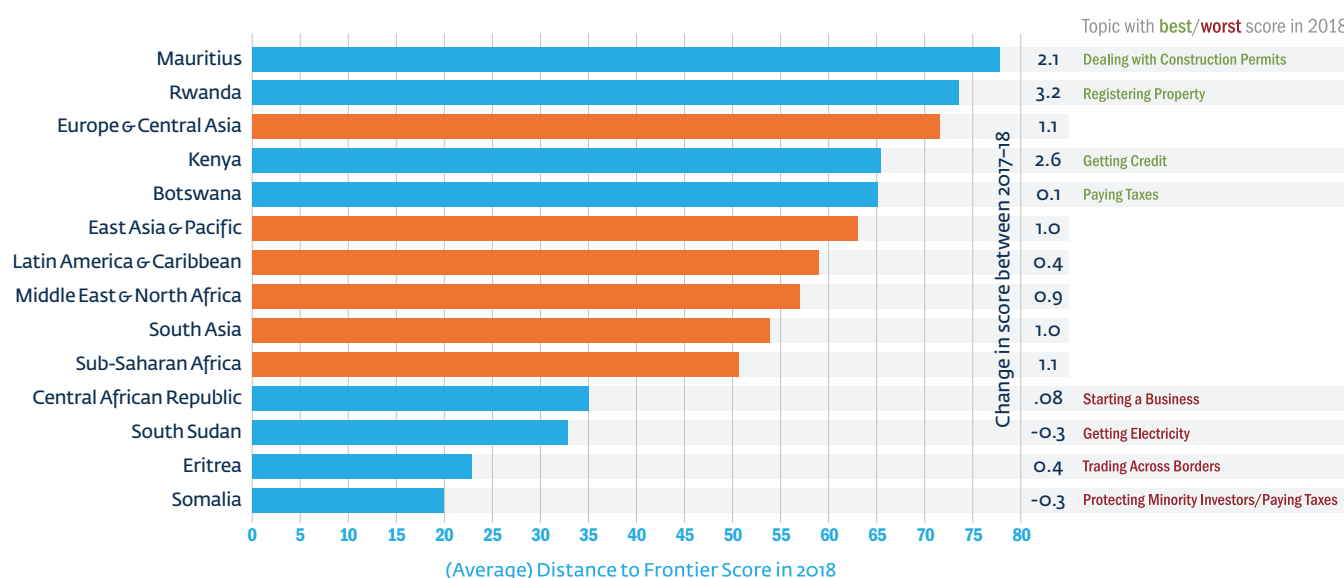
### African countries have long struggled with the perception of being unfriendly to business.

The region has been associated with inadequate infrastructure and business-detering bureaucratic hurdles that prevent non-privileged and foreign investors from participating in economic activity. Much has happened in recent years, however, to improve the investment climate in Africa. Nevertheless, the region is far from homogeneous when it comes to starting a business, obtaining electricity, paying taxes, or enforcing contracts.

While, on average, Africa still has the lowest *Doing Business* score among the ranked regions, it has improved the most among developing countries between 2017 and 2018.<sup>34</sup> The region accounted for 83 of the 264 total business regulation reforms

in all emerging markets. Mauritius, Rwanda, Kenya, and Botswana stand out within the region, ranking higher than most other regional averages. Within the group, Rwanda and Kenya saw their scores increase significantly between 2017 and 2018, by 3.2 and 2.6 percentage points respectively (Figure 18). Nonetheless, Nigeria (+3.85), Zambia (+3.95), and Senegal (+3.75) recorded the biggest improvements on the continent. However, many African economies are still plagued by a lack of infrastructure, conflict, fragility, and other hurdles that hamper private sector development.

Improving the efficiency of trade infrastructure is critical in the African context, as higher transit times reduce the ability of firms to export, and therefore depress economic activity.<sup>35</sup> The lack of appropriate trade infrastructure has been recognized by many African nations, and the region leads global reform efforts in that area, with 46 percent of all reforms in “Trading Across Borders” being implemented in Africa. ■



**FIGURE 18** Comparing *Doing Business* scores across Africa and other regions

Source: World Bank, *Doing Business 2018 – Reforming to Create Jobs*, IFC Global Macro & Market Research, [www.doingbusiness.org](http://www.doingbusiness.org)







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# Case Studies

Growing populations with rising incomes across Africa are spurring demand for reliable electricity, affordable housing, good jobs, healthier environments in which to live and work, consumer goods, and higher quality, more resilient food resources. IFC, often working with the World Bank and MIGA, has intervened in multiple nations and regions to support private sector provision of such goods and services.

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## **AZITO AND CIPREL EXPANSIONS INVIGORATE CÔTE D'IVOIRE'S POWER SECTOR**

In Côte d'Ivoire, the recent expansion of the Azito and CIPREL power plants means more available electricity and represents an important sign of progress that followed a decade of conflict.

In 2011, just months after the end of civil and political strife in the West African nation, IFC began discussions with Ivorian authorities about expanding the size of both plants and converting them to combined-cycle technology, something that had been planned when the facilities were first built in the 1990s.

IFC invested more than \$250 million and mobilized an additional \$535 million for the two expansions. Working with other members of the World Bank Group and the International Monetary Fund, IFC was also able to support new government policies to put Côte d'Ivoire's power sector on a financially sustainable path.

The Azito expansion was completed in mid-2015, allowing the plant to generate about 50 percent more energy. CIPREL's expansion was completed in February 2016, increasing its output by 65 percent and making it the largest independent power producer in the country. Together, the two expanded plants account for about two-thirds of Côte d'Ivoire's power generation capacity.

Because the facilities are using combined-cycle technology—which consumes exhaust heat from existing gas turbines to power a new steam turbine—no additional natural gas is needed to fuel the extra power generation. The immediate payoff has been a drastic reduction in blackouts and brownouts, which plagued the nation before the expanded plants came online. ■



### GHANA'S SANKOFA GAS PROJECT—AN OPPORTUNITY TO CORRECT AN AILING POWER SECTOR

Much like its neighbors, Ghana has been plagued with an ailing power sector, with adverse effects for its population of over 28 million—and for the poorest Ghanaians in particular.

In 2015 Ghana established the Sankofa Gas Project, an integrated offshore oil and natural gas facility designed to provide the country with reliable and affordable energy. This should be a transformational project that helps Ghana achieve energy security and allows it to meet commitments set in the 2015 Paris Agreement for climate mitigation.

In 2016 IFC and the Multilateral Investment Guarantee Agency (MIGA) committed \$517 million in debt and guarantees to support the Sankofa project. That included a \$235 million loan to Vitol Ghana, one of the partners developing the project. MIGA has also committed up to \$217 million in political risk

guarantees to private lenders, including HSBC and Société Générale. Additionally, in 2016 the World Bank approved \$700 million in guarantees to pave the way for signing the legal contracts that underpin this landmark energy project.

Once the \$7.7 billion Sankofa project begins production in 2018, it is expected to supply enough natural gas to generate up to 1,000 megawatts of electricity. It will also reduce carbon emissions in Ghana by an estimated 1.6 million metric tons annually, as gas displaces heavy fuel oil. That is the equivalent of removing some 320,000 cars from the road each year.

Sankofa is also expected to generate \$2.3 billion in revenue for Ghana's government and provide a stable, long-term source of domestic gas that will address the country's chronic gas supply constraints. ■





## DAKAR TOLL ROAD DRAMATICALLY REDUCES TRAFFIC CONGESTION TO CAPITAL CITY

Senegal's capital city Dakar has been plagued by traffic congestion for decades. The impact is far greater than commuter frustration, as analysts estimate that the country's poor road infrastructure has cost Senegal about 4.6 percent of its annual gross domestic product.

In greater Dakar, traffic problems have long been a roadblock to progress. And because the capital region's economic performance reverberates throughout Senegal, better urban mobility is crucial to both local and national prosperity. The urban center's population may double to five million by 2030, according to demographic projections, and most of the expansion is expected to take place in the outer suburbs of Dakar. The area is already home to more than a quarter of the country's population and contributes about 60 percent of national GDP.

In 2010 IFC financed a €230 million Dakar-Diamniadio toll road project, a component of a broader World Bank effort to improve mobility between Dakar, its suburbs, and the rest of the country. The public-private partnership project was awarded to French firm Eiffage, following an international tender process, under a 30-year concession contract to design, build, finance, and operate the new infrastructure. The 24 km road was

inaugurated in 2013 by SENAC, the concession company. In 2014, SENAC and Senegal signed an agreement to extend the road to Dakar's new international airport, 40 kilometers outside the city, in the region of Thiès. IFC acted as the lead arranger for both projects and mobilized a total debt package of €75 million. The World Bank played a key role in encouraging a PPP solution and addressed the critical resettlement component.

These projects, which were completed on time and within budget, have had an enormous impact on the local community, and have reduced commuting time from the outskirts to the city center from two hours to 30 minutes. They also created a faster route from the capital to Senegal's second largest city, Thiès, and to seaside resorts in Saly, an important source of employment and income for the country.

As West Africa's first greenfield public-private partnership toll road, this project is widely seen as a flagship project for Senegal and its neighbors, and it demonstrates the potential of such partnerships between governments, development finance institutions, and the private sector to create innovative solutions in Africa. ■



### MOBISOL CONNECTS A CONTINENT TO CHANGE

Jacinta Auma used to stock kerosene lamps, flashlights, and candles to light her home in rural Kenya. Her story is typical.

It changed when solar panels were installed on her roof. Now that her home is powered by Mobisol—a pay-as-you-go solar energy service company delivering renewable energy solutions to off-grid communities in East Africa—she doesn't have to travel to the next village just to charge her phone, either.

Approximately 600 million people lack access to electricity in Sub-Saharan Africa. Kenya has some of the highest rates of off-grid solar use in the world—30 percent of households without access to the grid use decentralized solar-energy solutions. Mobisol's high-quality systems have been conceived to meet the deep and wide-ranging needs of this market.

For ease of installment, Mobisol has designed business kits that attach easily to a solar home system. Included in this kit is the necessary appliance (for example, a multiple phone charger or a barber's hair clipper), along with educational materials to help launch a business.

IFC's recent equity investment of €5.42 million will help accelerate Mobisol's growth in Rwanda, Tanzania, and Kenya.

Mobisol has installed over 70,000 solar home systems in households and businesses throughout East Africa, enabling approximately 350,000 people like Auma to access clean, affordable, and reliable solar energy. It offers an alternative to fossil fuels for low-income African households, reducing carbon emissions by 35,000 tons a year—equivalent to taking more than 7,000 passenger cars off the road. ■



## FRANCOPHONE AFRICA SEEKS OPPORTUNITIES IN THE HOUSING FINANCE MARKET

The West African Economic and Monetary Union—Benin, Burkina Faso, Côte d’Ivoire, Guinea-Bissau, Mali, Niger, Senegal, and Togo—faces a chronic housing shortage estimated at 3.5 million units. The problem will only worsen due to sustained population growth and rapid urbanization. The region’s population is projected to increase by 100 million over the next two decades and will require an additional 800,000 housing units each year.

Despite high and rising demand for housing, the region has failed to develop a robust housing market. A lack

of access to affordable finance, especially housing finance, is a major impediment. Mortgage financing in the region tends to be limited to short maturities because regional banks have short-term liabilities that limit their ability to lend long-term. And local capital markets tend to be underdeveloped, small, and illiquid.

To overcome these obstacles, IFC, working with the World Bank, provided equity that supported the creation of a regional housing finance company, Caisse Régionale de Refinancement Hypothécaire. IFC’s assistance helped the company lengthen the maturity of mortgage loans through participation in benchmark bond issues and an equity capital infusion. IFC tapped into the \$2.5 billion IDA18 IFC-MIGA Private Sector Window—a development finance tool created to catalyze private sector investment in the lowest-income countries eligible for financing from the World Bank’s International Development Association. IFC purchased the equivalent of \$9 million in an approximately \$45 million 12-year local currency bond issued by the mortgage refinancing company. In 2018 IFC will make an anchor investment the company’s planned 15-year, 30 billion CFA Franc benchmark bond issue—the longest-dated bond on the regional market.

IFC made a \$2 million equity investment in the refinancing company in January 2017, and will also provide upstream support to strengthen the region’s housing markets. The project will provide technical assistance to support the construction of cheaper housing. This will be achieved by strengthening national housing policies and supporting increased provision of secured and serviced land.

IFC and the Bank are improving the affordability of home ownership by reducing the cost of—and expanding access to—long-term finance. In addition, each housing project is estimated to create at least five direct and indirect jobs. The region has a young and growing population that will benefit from opportunities for both skilled and unskilled laborers. ■





### ZAMBIA'S METALCO RECYCLES KABWE'S TOXIC LEAD WASTE

With a long history of lead mining but no formal mine closures and a lack of rehabilitation, the Zambian city of Kabwe is one of the world's most polluted cities in terms of lead, with all the associated health problems for the local population. Needless to say, toxic waste has not typically been an area for private investment.

Metalco Industries, a Kabwe-based recycling and waste management company, originally traded in non-ferrous scrap metal and copper ore. Over the years, the company has diversified to venture into other activities including recycling of lead and aluminum, manufacture of solar and automobile batteries, processing of plastic and paper, steel processing, and copper wire manufacturing.

To help address lead pollution in Kabwe, IFC will invest up to \$10 million in Metalco, which it will use to recycle metal scrap to manufacture copper cables, lead-acid batteries, and aluminum sheets and utensils.

Metalco is also using the new capital to upgrade environmental standards, expand operations, and create over 250 new jobs and support the local economy.

IFC will advise Metalco on energy efficiency, quality control, and corporate governance. In addition, the World Bank is working with the Government of Zambia to clean up Kabwe by building infrastructure to manage waste, and by financing clinics where companies can test and treat workers for lead exposure.

As a result of IFC and World Bank assistance, Metalco can dispose of its hazardous material by-products, including lead slag and tailings from copper processing, at waste management sites to be financed by the World Bank project. Metalco's workers can now test for lead in blood levels at new health clinics, and the company can monitor ambient air for lead using their own testing facilities at their factory location, and share results with local authorities. ■





## ETHIOPIAN ROSE PRODUCER AFRIFLORA IS BOOSTING EXPORTS... AND JOBS

Ten years ago, the Ethiopian village of Ziway was little more than a fuel stop on the long road to Kenya. Yet Ethiopia has an ideal climate and labor force for the cultivation and export of cut flowers—roses in particular—and the East African nation is located near a giant market for them in Europe.

Ethiopian company Afriflora was established by the Dutch Barnhoorn family in 2005 at the invitation of the Ethiopian government. Flower farmers themselves in the Netherlands, the Barnhoorns understood that success meant investing in more than just roses. It also meant cultivating local labor and talent.

Afriflora used an IFC investment of €90 million to expand production by 60 percent, install water recycling systems, and create jobs for 5,000 more

people. The company is increasing sales by tapping into new technologies such as an automated web platform to directly reach wholesalers.

As a result, Ziway today boasts a modern hospital—the only one in a 100-kilometer radius—a school, and a top-notch football stadium. Thanks to foreign investment, tax incentives, good air links, and a favorable climate, Ethiopia is quickly becoming a major exporter of flowers. Its floriculture sector, in which 85 percent of its employees are women, earned \$218 million in export revenue in 2017.

Afriflora has become the world's largest grower of roses, and demand for its flowers remain high in Europe, where 4.3 billion roses are traded each year. ■



### MADAGASCAR SEEKS TO CREATE A MARKET IN BEEF EXPORTS

Madagascar has long endured high levels of poverty. Some 80 percent of the population subsists on less than \$2 a day, and most residents lack regular access to basic services such as roads and electricity. Malnutrition and unemployment are widespread and stubborn, especially in rural areas.

Despite the island nation's rich biodiversity and fertile soil that can support the world's best-loved vanilla as well as large coffee, cassava, and sugarcane harvests, Madagascar struggles to present an environment conducive or attractive to private enterprise.

Recognizing Madagascar's challenges—as well as its enormous potential—IFC and other members of the World Bank Group are helping the country leverage its natural endowments to speed development. In agribusiness, for example, IFC is exploring an investment of up to \$10 million to help SMTP Group, a Madagascar-based agriculture equipment company, build facilities that will transform poultry and beef production on the island.

Building on its donor-funded advisory capacity to support conflict-affected states, IFC is also supporting a livestock project called Bovima to build a feedlot and slaughterhouse for 8,500 cattle that will create a new local market for livestock farmers and increase their incomes. In parallel, the World Bank is addressing the lack of adequate veterinary services by supporting a public-private partnership to operate a world class laboratory, issue animal health certificates, and create a functioning livestock survey system.

The Bovima facility is expected to help create a meat export industry to markets in the Middle East, enabling the sector to grow up to \$500 million over the next ten years.

Encouraged by international partners, the Malagasy government is making food security and resilience a priority, to supplement the nation's export revenue and provide affordable food resources for the local population. ■





## SOLAR ENERGY BRINGS AFFORDABLE ELECTRICITY TO EGYPT

Electricity prices in Egypt have become unsustainably high for low-income families. After the government curbed energy subsidies, prices rose by 27 percent in 2017 over the previous year. In a bid to provide a less expensive energy alternative, the government has turned to one of the country's most abundant resources—the sun—through the construction of the Benban solar park in Egypt's western desert.

The facility is named after a Nile River village nearby and will house 32 power plants, all of which are scheduled to be operating by mid-2019 and together will be capable of producing 1,650 megawatts of electricity—enough to power hundreds of thousands of homes and businesses.

The ultimate goal, which Benban is a major part of, is to generate as much as 42 percent of the nation's electricity from renewable sources by 2025. Doing so will bring electricity costs down and make Egypt's energy market more competitive. That will help provide this rapidly growing country of more than 90 million with the clean energy it needs to drive growth and fight poverty.

As part of a multifaceted World Bank Group program in Egypt's energy sector, IFC and a consortium of other lenders pledged \$653 million to finance the Benban project, which will support 13 private companies to build and operate power plants at the site. IFC's loan is part of a broader effort to create a market for renewable energy in Egypt and draw private investment to the sector. The project will boost Egypt's economic landscape by providing more employment opportunities, and reduce the country's carbon footprint by as much as two million tons of greenhouse gases a year, the equivalent of taking 400,000 cars off the road.

Because of the country's abundant sunshine, the potential of solar energy in Egypt has long intrigued investors and officials. Yet for decades the high cost of constructing solar plants kept the country dependent on fossil fuels to power its towns and villages. With the cost of solar components falling, Egyptian officials now believe the nation can generate 20 percent of its power from renewable sources by 2022. ■





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## IFC in Sub-Saharan Africa

Sub-Saharan Africa is home to half of all people in extreme poverty. It also has the largest number of countries torn by conflict and instability, complicating the fight against poverty. IFC helps address these challenges by working with the private sector to support private investment, strengthen local capital markets, and promote sustainable development.

IFC's strategy in Africa is to use its global expertise and financing to bridge the infrastructure gap, build a productive real sector, and lead inclusive business approaches. Four priorities cut across these areas: climate change, investment climate, gender, and partnerships.

These strategic priorities are deployed, in collaboration with the other World Bank Group institutions, to create new markets while prioritizing private sector solutions across the region. Specifically, considering the market potential and readiness of each sector in each country, this entails pursuing value chain approaches across sectors, such as enlisting financial institutions to support farmers.

IFC is increasingly using new products and solutions to achieve development goals through the private sector. A particular emphasis is on leveraging internal and external stakeholders, including capital market solutions and disruptive technologies.

In the 2017 fiscal year, IFC's long-term investments in Sub-Saharan Africa totaled about \$3.5 billion, including nearly \$1.2 billion mobilized from other investors. In addition, IFC supported the region through short term financing and mobilization on behalf of MIGA. Our clients supported more than 250 000 jobs, created opportunities for more than 800,000 farmers, and treated more than 560,000 patients.

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