Anatomy of a Region
Investing in Sub-Saharan Africa

In FY05, IFC investments in Sub-Saharan Africa exceeded $400 million for the second consecutive year, and a new target has been set to increase investment levels to $900 million by FY09. This is in turn expected to mobilize around $3.5 billion in private sector investments. As of June 2005, IFC largest country exposures were Nigeria, South Africa, Mozambique, Cameroon, and Kenya.

Sub-Saharan Africa continues to present the world with a formidable development challenge, yet improved economic performance in a number of countries reflects important regional trends that are opening up opportunities for IFC to increase our development role in the region.

As shown by IFC’s 2005 Doing Business Report, a number of African governments are improving country policies and institutions to facilitate private sector development. Collaborative efforts at regional level, such as the African Union, the New Economic Partnership for African Development (NEPAD), and widening adoption of initiatives such as the Extractive Industries Transparency Initiative (EITI) also bode well for improved governance. With some notable exceptions, the number and intensity of conflicts have declined, and political stability has improved.

These changes are encouraging a greater interest in Africa on the part of private sector investors. The medium-term prospects for substantial increases in aid to Africa also look promising as a result of the Gleneagles G-8 Summit in July 2005, and strong opportunities are being presented for public-private partnerships in Infrastructure Development.

With this window of opportunity to step up support for sustainable private sector development in Africa, a new Strategic Initiative for Africa was approved by IFC’s Board. The new regional strategy focuses on

• Significantly expanding IFC’s program for small- and medium-scale enterprises, which constitute the majority of the private sector in Africa
• Substantially increasing IFC’s proactive engagement in project development for larger projects, especially in infrastructure and public-private partnerships
• Rapidly improving the overall investment climate, focusing on technical assistance to improve reform implementation in collaboration with the Bank

In all three pillars, IFC will continue efforts to enhance the social, environmental, and economic benefits of private investment by channeling expertise in areas such as corporate governance, gender entrepreneurship, HIV/AIDS, business school development, and support for grassroots businesses.
In 2005, IFC moved from a “retail-oriented” approach to SME development through the Africa Project Development Facility (APDF) to an integrated and broader approach to providing technical assistance through the launch of the Private Enterprise Partnership for Africa (PEP Africa). Maintaining a focus on SMEs, PEP Africa will undertake multi-year and sector-wide programs in sectors that have clear potential to significantly accelerate economic growth, job creation, and poverty reduction. These include financial markets; infrastructure; agribusiness; health and education; oil, gas, and mining; and tourism.

**EXPANDING SUPPORT FOR SMEs**

**MOZAMBIQUE**
IFC’s Mozambique SME Initiative provided financial support and technical assistance to Spectrum Graphics Limited (SGL), a pre-press design and printing services company. The company is women-owned and operated and has a staff of 58 employees.

**KENYA**
IFC provided a loan to Honey Care Africa Limited, a socially responsible Kenyan small business to upgrade its processing capacity and expand its services to rural beekeepers. The company sells hives to local subsistence farmers, many of whom are women, and buys their honey at guaranteed prices, typically doubling their income. To date, the company has benefited more than 2,500 poor farmers in rural Kenya.

**DEMOCRATIC REPUBLIC OF CONGO (DRC)**
IFC helped establish Procredit SARL, a microfinance institution in the DRC, which provides credit and other financial services to micro and small enterprises.

**MADAGASCAR**
IFC has established a Service Solution Center (SSC) offering integrated support to Malagasy SMEs. A new SME risk capital fund with Business Partners International has just been launched.

**AFRICA REGION**
Working through the AfriCap MicroFinance Fund, IFC is building capacity among African microfinance services providers to manage the business risks of HIV/AIDS.

**PROACTIVE PROJECT DEVELOPMENT FOR LARGER PROJECTS**

**SENEGAL**
With active support from the World Bank, IFC coordinated an investment in Kounoune I, a 67.5 megawatt power plant to be constructed near Dakar that will help to address the growing electricity needs of the country.

**NIGERIA**
IFC is providing $75 million for construction and operation of a greenfield cement plant with a capacity of 4.4 million tons a year at Obajana in Nigeria’s Kogi state. One of IFC’s largest investments in the region, the plant will fill a supply gap in the country’s cement market and promote investment in infrastructure, as well as in industrial, commercial, and residential construction.

**KENYA AND UGANDA**
IFC advised Kenya on the joint selection of concessionaire Rift Valley Railways Consortium to operate and manage the national railway systems of Kenya and Uganda for the next 25 years.

**GHANA**
Supporting the spread of mobile telephone access, IFC invested $40 million in Scancor, a cellular provider in Ghana.

**SOUTH AFRICA**
IFC will nearly triple its financial support to South Africa’s low-income housing sector and other sustainable project areas over the next five years.
While oil, gas, and mining can make important contributions to development and poverty reduction, their contribution is lessened when the revenues that these industries generate for governments are used poorly or misappropriated. An important step toward greater accountability and better use of the revenues in this respect is greater transparency about the funds received by governments. The World Bank Group is helping to contribute to this in a number of ways.

IFC promotes good governance and environmental and social sustainability through its direct involvement in extractive projects. In addition, through the Extractive Industries Transparency Initiative, IFC and the World Bank are working to encourage around 20 countries to improve public reporting of income from oil, gas, and minerals, including taxes and other payments. From January 2006, the World Bank Group will require all material payments to government to be made public for all extractive industries projects that it helps finance. For the very largest projects, disclosure is required now.

www.doingbusiness.org

A REPLICABLE MODEL FOR JOB CREATION

A successful voucher model from Kenya has been successfully transferred to South Africa to help disadvantaged youths gain access to training, jobs, and financing. Operated by South Africa’s largest business support initiative, the Umsobomvu Youth Fund (UYF), the project has helped around 3000 youths receive new job training and business services. In addition, an estimated 2,400 jobs have been created or sustained through business start-ups and expansions.

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IMPROVING THE OVERALL INVESTMENT CLIMATE

BURKINA FASO


www.doingbusiness.org

NIGERIA

Together with the World Bank, IFC is supporting the “Better Business Initiative,” a public-private dialogue initiative. PEP Africa will take over coordination of the initiative as it begins to focus on implementation of reforms.

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