COMMERZBANK

Renaissance in Sub-Saharan Africa

(2nd edition)

Country Information – Group Risk Research

The bank at your side

Contents

Foreword

The popular demand for our previous study on Sub-Saharan Africa encouraged us to compile a second edition which not only comprises updates of the economic facts and figures but also covers feasible crisis scenarios of the region and comments on the recent financing activity on the international capital markets.

A glance at the map reveals that Sub-Saharan Africa, with its abundance of various raw materials, is home to no less than 48 countries with a combined population of 1 billion, each country different in size and market specialities.

After the lost decade of the 90s and a relative state of underdevelopment in the region thereafter, Sub-Saharan Africa has leapt into the limelight since the middle of the last decade. With real economic growth of 5 percent in 2013 and a predicted 6 percent in 2014, Sub-Saharan Africa has ranked second behind front-runner Asia since 2012. This overall favourable development let the area emerge as a promising market with attractive locations, creating unprecedented opportunities for exports and imports and attracting increasing numbers of foreign investors, thus brightening Sub-Saharan Africa's long-term prospects. In addition, the large and growing consumer sector provides excellent business prospects in the domestic market. The size and heterogeneity of the Sub-Saharan Africa's economies, however, raise numerous questions for foreign business people and investors. Our study is based on fundamental macro-economic data and socio-political perceptions and aims to introduce the economic climate in the most important countries of Sub-Saharan Africa, highlighting developments in specific sectors and markets, and to provide practical information for those interested.

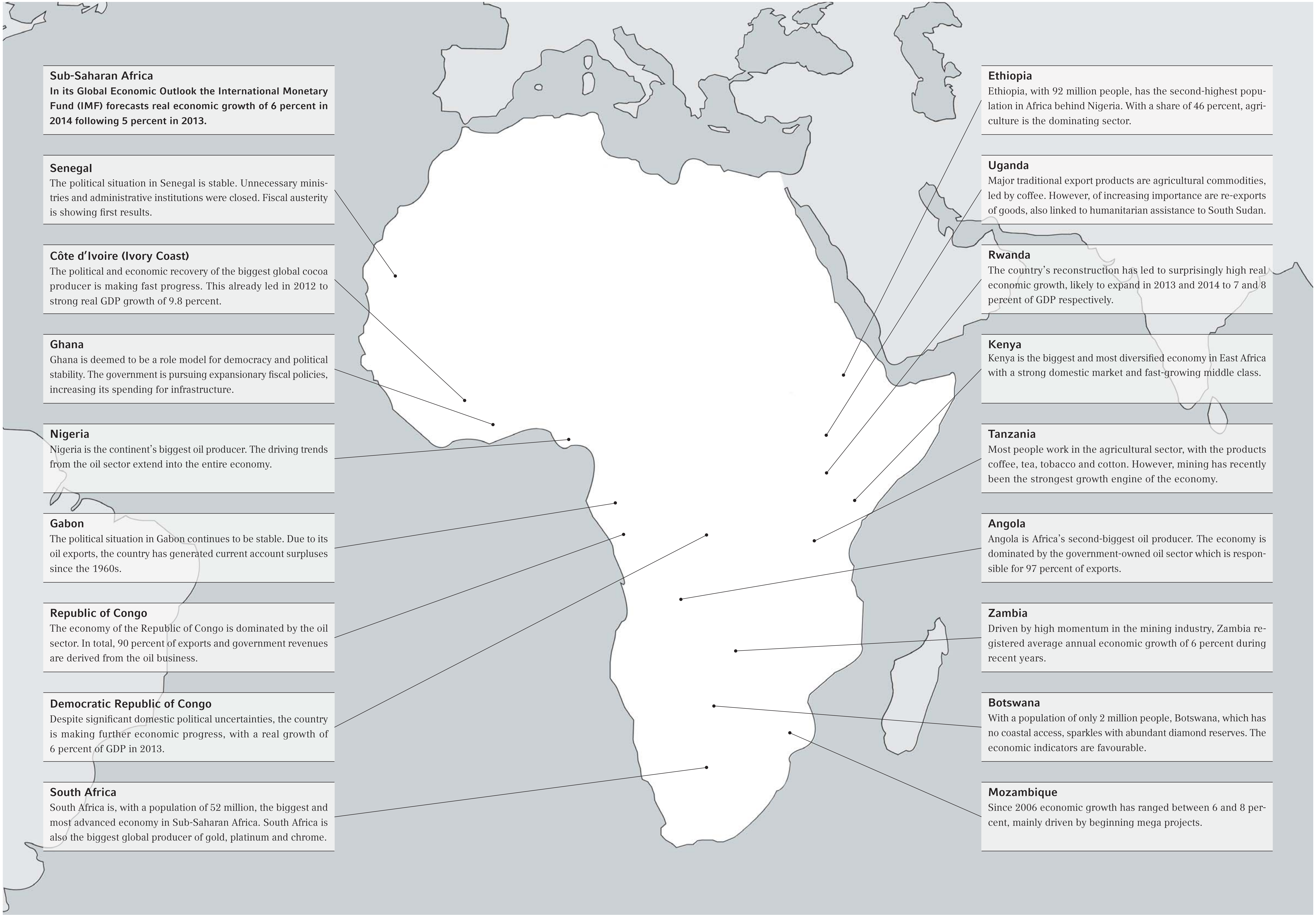
Commerzbank has a long tradition of doing business in various countries of Sub-Saharan Africa. We are active in trade and project financing and manage key capital market transactions while maintaining partnerships with African banks, central banks and government agencies. This enables us to provide the necessary financial advice and services also to our corporate customers in our core markets in Europe and Asia. Sub-Saharan Africa's growing status as an important new emerging market has prompted us to expand so we may meet the changing needs of our German, European and of course international clients.

With our expertise and representative offices in Lagos/Nigeria covering West and Central Africa, Addis Ababa/Ethiopia for East Africa, Johannesburg/South Africa for Southern Africa, Luanda/Angola for DR Congo, and Tripoli/Libya and Cairo/Egypt for North Africa, we look forward to offering our institutional and corporate clients a wide range of banking services. And we will continuously develop our local presence further: we soon expect to establish a presence in francophone Africa as well.

We invite you to discover Sub-Saharan Africa with us or – if you are already present on this continent – to discuss with us your expansion plans. As "the bank at your side" we are keen to become your partner of choice as regards financial advice and service in Sub-Saharan Africa.

Florian Witt
Head of Africa
Wholesale Banking

Dr. Rainer Schaefer
Head of Group Country Research
Global Risk Management



Sub-Saharan Africa

In its Global Economic Outlook the International Monetary Fund (IMF) forecasts real economic growth of 6 percent in 2014 following 5 percent in 2013.

Senegal

The political situation in Senegal is stable. Unnecessary ministries and administrative institutions were closed. Fiscal austerity is showing first results.

Côte d'Ivoire (Ivory Coast)

The political and economic recovery of the biggest global cocoa producer is making fast progress. This already led in 2012 to strong real GDP growth of 9.8 percent.

Ghana

Ghana is deemed to be a role model for democracy and political stability. The government is pursuing expansionary fiscal policies, increasing its spending for infrastructure.

Nigeria

Nigeria is the continent's biggest oil producer. The driving trends from the oil sector extend into the entire economy.

Gabon

The political situation in Gabon continues to be stable. Due to its oil exports, the country has generated current account surpluses since the 1960s.

Republic of Congo

The economy of the Republic of Congo is dominated by the oil sector. In total, 90 percent of exports and government revenues are derived from the oil business.

Democratic Republic of Congo

Despite significant domestic political uncertainties, the country is making further economic progress, with a real growth of 6 percent of GDP in 2013.

South Africa

South Africa is, with a population of 52 million, the biggest and most advanced economy in Sub-Saharan Africa. South Africa is also the biggest global producer of gold, platinum and chrome.

Ethiopia

Ethiopia, with 92 million people, has the second-highest population in Africa behind Nigeria. With a share of 46 percent, agriculture is the dominating sector.

Uganda

Major traditional export products are agricultural commodities, led by coffee. However, of increasing importance are re-exports of goods, also linked to humanitarian assistance to South Sudan.

Rwanda

The country's reconstruction has led to surprisingly high real economic growth, likely to expand in 2013 and 2014 to 7 and 8 percent of GDP respectively.

Kenya

Kenya is the biggest and most diversified economy in East Africa with a strong domestic market and fast-growing middle class.

Tanzania

Most people work in the agricultural sector, with the products coffee, tea, tobacco and cotton. However, mining has recently been the strongest growth engine of the economy.

Angola

Angola is Africa's second-biggest oil producer. The economy is dominated by the government-owned oil sector which is responsible for 97 percent of exports.

Zambia

Driven by high momentum in the mining industry, Zambia registered average annual economic growth of 6 percent during recent years.

Botswana

With a population of only 2 million people, Botswana, which has no coastal access, sparkles with abundant diamond reserves. The economic indicators are favourable.

Mozambique

Since 2006 economic growth has ranged between 6 and 8 percent, mainly driven by beginning mega projects.

Admassu Tadesse

President and Chief Executive, PTA Bank

For a good decade now, Africa's economy has been growing sustainably, and increasingly briskly, with real GDP growth reaching an all-time high of 6.6 percent in 2012, as in 2008. At the turn of the millennium, Africa's GDP was USD 600 billion. Currently, it is about USD 2.2 trillion, an almost fourfold increase. Adjusted for inflation, Africa's GDP has doubled in 10 years, and per-capita GDP has tripled. And the growth outlook remains bullish for both 2013 and 2014, and indeed the medium term, though one must acknowledge the downside risks associated with conditions and potential shocks in other regions of the world with which Africa has strong trade and investment relations.

Several of the economies of eastern and southern Africa, PTA Bank's market, are amongst the fastest-growing economies in Africa, notably Angola, Ethiopia, Mozambique, Rwanda, Tanzania and Zambia, with Uganda picking up. Investment as a percentage of GDP is now well above 30 percent in most of these countries, and is growing in others, which is a good lead indicator of continued growth. In the first half of 2013, private equity firms, an untraditional source, invested USD 850 million through 36 deals in sub-Saharan Africa according to a recent review by the EMPE Association – a growth of 6 percent in the number of deals and 45 percent in capital over the same period in 2012. The lion's share was in our region.

Apart from strong investment, the external financial position of the region is being supported by strong external flows in the forms of foreign direct investment, remittances and official funding flows, all of which are at historic highs, with the former two now higher than the latter – a significant inflection point in terms of the composition of external financial flows to the region. Many of our economies are also leading the way as the best reformers in terms of the environment for doing business and strong centres of innovation in banking.

The performance and financial position of PTA Bank reflects the region's economic performance. Our balance sheet, in USD terms, grew by 35 percent, with profits increasing by 51 percent. This trend has continued so far in 2013, with non-performing loans coming down to around the 4-percent level, the lowest in our history. Our shareholders continue to plough the bank's profits into further growth, while adding record levels of fresh new capital into the bank. Much of our growth over the past 15 months has come from non-traditional markets, such as Burundi, Ethiopia, Kenya, Tanzania, Sudan and Malawi, with the bank booking innovative and transformative ICT and power projects in infrastructure and agriculture, in addition to financing growing volumes of trade in strategic commodities.

With strong momentum, and growing capital, PTA Bank is strengthening and growing its funding partnership with long-standing commercial banks such as Commerzbank, which has been a reliable and valued partner for many years, notably late last year during our debut international syndicated loan, where it was one of the MLAs. We salute Commerzbank for its commitment and increased appetite to do more with us and also others in eastern and southern Africa, one of the most exciting investment destinations in the world.

1. Executive summary

- While there are still deficits with respect to democracy and efficiency of political institutions, the **political and economic stability in Sub-Saharan Africa as a whole has improved.** Some countries achieved major progress in education, the fight against corruption and improvement in the business climate.

- So far, **few issuers from Sub-Saharan Africa have tapped the international capital markets**. There are several reasons why this is unlikely to change in the future.

- Similar to other developing regions, **external shocks can potentially impact economic trends** in Sub-Saharan Africa. A continuous fall in commodity prices to much lower levels, which is currently not a realistic scenario, would have a disastrous impact. The region is less exposed to negative global economic growth trends. The region is also not very vulnerable to massive capital outflows.

- The **manufacturing sector is likely to focus on the processing of mining-based and agricultural commodities**. A growing share in value added lowers the countries' exposure to commodity price volatility. Strong export growth of industrial products, similar to the Asian model, is an unlikely scenario. This is because the Sub-Saharan region is divided into many small countries, which allow only for small economies of scale, and is also due to the lack of poorly working international free trade agreements, uniform jurisdictions and major economic hubs.

- The biggest challenge for Sub-Saharan Africa is **demographic trend**. High population growth goes hand in hand with a strong labour force expansion, which requires the creation of many jobs. This will only happen if the region succeeds in improving value-added depth. This is easiest to achieve in the labour-intensive agricultural sector.

- Bigger cities are currently experiencing the emergence of a **middle class**, which increasingly demands higher quality products and services. The **services sector**, with the financial services industry in particular, will benefit from this trend as well. The **construction sector** is set for dynamic growth driven by an infrastructure expansion and housing construction. Technological leapfrogging[1] offers **opportunities in renewable energy and information and communication technologies**.

- A shift towards stability-oriented economic policies and the recent commodities boom have **improved the crisis resistance of many countries in Sub-Saharan Africa**. Several countries have current account and public sector surpluses. Furthermore, currency reserves have risen as well. These positive economic trends were supported in many countries by a generous debt relief as part of the HIPC debt initiative.

- In our base case, which relies on commodity prices remaining at recent elevated levels, we see a **medium-term growth potential** for Sub-Saharan Africa of **about 6 percent per annum** over the next several years. For countries which succeed in attracting foreign direct investments, economic growth might exceed these levels as such investment usually helps to kick off a higher growth phase. Pre-conditions for this to happen are a **stable political framework** and a **big population**, allowing for higher economies of scale at fixed investment costs, as well as **easy access to commodities**. Countries complying with these conditions are Nigeria, Ghana, Angola and Mozambique, in particular.

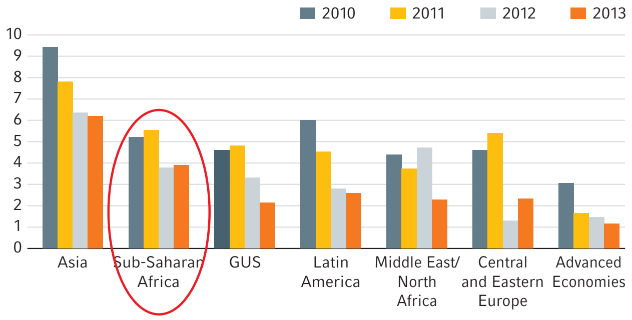
Sub-Saharan Africa at a glance

[1] **Leapfrogging** is generally defined as (voluntarily) skipping certain stages during a development process.

2. General trends in Sub-Saharan Africa

In its Global Economic Outlook, the International Monetary Fund (IMF) forecasts real economic growth for Sub-Saharan Africa of 6 percent in 2014 after 5 percent in 2013. This leaves the region in second place behind Asia (6.5 percent), showing a remarkable resilience in light of several years of weak global economic growth. The global sovereign debt crisis had a lesser impact in Africa than in other regions. This is because financial and banking markets are primarily focused on domestic markets, which eliminates a potential transmission channel. In addition, the region is not very vulnerable to economic trends in Europe, as only about 20 percent of exports go to struggling European economies. Notwithstanding a small dip in economic growth in 2009, commodity-rich countries in Sub-Saharan Africa benefitted from the high commodity prices, despite the recent downturn, and quickly developed into lucrative growth markets, spurring the interest of international investors. The outlook for **sustainable economic growth** is particularly promising for several countries in Western and Southern Africa. Furthermore, the growth potential of some dynamically growing economies in East Africa is not to be underestimated. In the following, we provide a brief description of **general trends and developments in Sub-Saharan Africa**. Thereafter, we present a detailed analysis for the individual regions and countries.

Sub-Saharan Africa resilient to the global financial crisis
Real GDP growth in percent, between 2010 and 2013

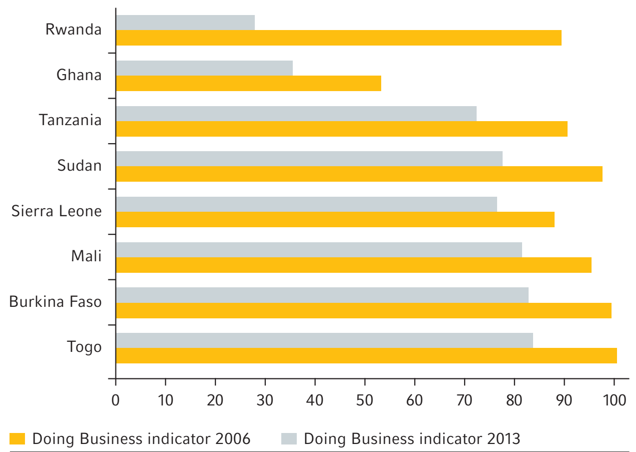


Source: IMF

Improving political stability

African history is a tale of political and economic instability, which is in part the result of colonialism. International borders, particularly in Central Africa, are largely an accident of the colonial past and hardly take into consideration whether the population is homogenous. Again and again in the past, this has been the root of ethnical conflicts and civil wars, causing severe economic damage. In recent years, **political and economic stability has increased**, though, notwithstanding the fact that a few countries, among them Somalia, Central African Republic, South Sudan and to a certain extent the Democratic Republic of Congo, continue to be in a state of political and economic chaos. An ongoing democratisation process has fostered a growing inclusion of minorities in the political decision-making process, which has contributed to easing tensions. South Africa, Nigeria, Kenya and Liberia are good examples for the progress being achieved. Regional role models, such as Botswana, Rwanda, Mauritius or Uganda, can push other countries in the right direction, as political stability usually goes hand in hand with better economic stability and higher living standards. For now, bureaucratic hurdles and corruption often continue to be a drag on economic development. Most countries in Sub-Saharan Africa find themselves low down in common rankings regarding corruption and business environment. While there is still need for further reforms, it makes sense to take a more detailed look at trends witnessed over the past several years. Quite a few countries, such as Ghana or Rwanda, have made significant progress with respect to better economic policies. This is also true for countries further down the rankings, such as Tanzania, Sudan or Burkina Faso, even if results are still unsatisfactory on a global scale.

Progress of improved business climate in selected countries
"Doing Business indicator" 2006 and 2013, scaled to 100



Read: the lower the index, the better the investment conditions
Source: World Bank, own calculations

Improved crisis resistance

Several Latin American countries, such as Brazil, Peru or Colombia, provide a good example for successful economic stabilisation in the aftermath of major debt crises thanks to stability-oriented and predictable economic policies. The commitment of multilateral financial institutions and debt restructurings in the 1990s were a major success factor as well. Similar trends can currently be observed in Africa: so far, 26 countries have benefitted from the HIPC debt relief programme (Heavily Indebted Poor Countries), initiated by the World Bank and the IMF in 2004, with the Ivory Coast being the latest beneficiary in 2012, enjoying considerable debt relief as well as new multilateral and bilateral financial help and credit commitments. Conversely, these countries had to commit to strict conditionality in terms of economic policies. Positive trends are also supported by a shift in development aid away from loans to grants (non-repayable donations) as a response to official loans made in the 1980s and 1990s, which contributed immensely to excessive indebtedness of many African countries. Crisis resistance of many countries in Sub-Saharan Africa has increased because of debt relief policies and also due to the commodity boom.

Limited financing activity on the international capital markets

Next to South Africa, which has been a frequent and steady issuer on international capital markets during the past decades, other countries, such as Nigeria, have successfully placed foreign currency denominated sovereign bonds. Overall, though, issuance activity has been limited to a few countries in Sub-Saharan Africa, with only a few bonds having been issued. The share of these issues in the total outstanding amount on the international capital markets is negligible. Debtors from Sub-Saharan Africa have issued less than half a percent of the total outstanding bond volumes issued by developing countries. The same is true for international syndicated loans. This picture is unlikely to change in the near future, although a slight pick-up in issuance activity is possible. In the following we present a few reasons why issuers from Sub-Saharan Africa are unlikely to flood the international capital markets with bonds:

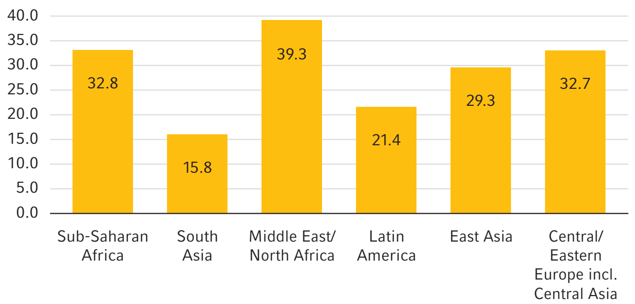
- Over the past several years, developing and emerging countries have had extremely easy access to international capital markets. As peripheral euro area economies are regaining access to the capital markets, financing conditions for emerging market issuers are likely to deteriorate, which is why this financing form will lose some of its attractiveness. An end to the low interest rate policies in the US and Europe will have a similar effect.

- In Sub-Saharan Africa, financing is mostly needed for infrastructure expansion and improvement. These investments raise economic growth and export proceeds only in the long run, which is why they should be financed with very long maturities. Long maturity loans are mostly provided by international development organisations. Instead, international bond issues often have maturities of 5 to 10 years only, which exposes issuing countries to immense refinancing risks at time of maturity.

Exposure to external shocks

Sub-Saharan Africa is highly **dependent on the global economy.** Key economic sectors usually **export** their products, generating necessary foreign currency proceeds to finance vital imports. Next to Northern Africa and the Middle East, Sub-Saharan Africa has the highest share of exports to GDP of all developing regions. Thus, apart from domestic production conditions and possibilities, the **global economic environment** has a huge impact on exports, providing the proceeds for satisfactory living standards.

Exports of goods in percent of GDP



Source: IMF

How resilient is Sub-Saharan Africa against external **shocks**? A short look at historic economic trends does not provide an easy answer. As mentioned before, the **global financial crisis** hardly impacted the countries in Sub-Saharan Africa. In contrast, the multi-year **bear market in commodities** caused severe economic damage. It would seem that next to intensity, the **duration** of a crisis is an important factor.

Crisis scenario 1: Continued weak global economic growth

The global financial crisis triggered a deep plunge in GDP in most advanced economies early in 2009. However, already by the second quarter of the same year, economic activity started to recover on a sustainable basis. At the same time, though, global trade, which had expanded extremely fast in the previous years, entered into a **slow growth period**. There are many reasons to believe that economic growth in core economic regions will remain low for a longer time to come:

- Economic growth in the **US** is very modest compared to growth rates achieved in the previous two decades. A public deficit reduction, which is unavoidable in the long term, will be an additional headwind for growth.
- **Peripheral euro area economies** will continue to deleverage from debt reduction which will weigh on real economic growth for some time to come.
- Economic momentum in **Japan** will be dampened by an ageing population and high public debt.
- Meanwhile **emerging markets** have entered a lower growth path, which was partly driven by capital outflows.
- Economic momentum in **China**, which is of increasing importance for Sub-Saharan Africa, has slowed down in particular mainly because of strong wage growth which is impacting the countries' international competitiveness.

Sub-Saharan Africa has been dealing well with the current multi-year period of **weak global economic growth**, and there are many reasons to believe it will continue to do so in future. First of all, **oil discoveries**, for example in Angola, completely changed the economic backdrop for economies in the region. The difference to the previous poorer conditions is so big that even a continued weak global economy cannot prevent the "new richer" economies from continuing to catch up. Second, **China** has defined **supply security of raw materials** as an important strategic goal, which it will continue to pursue even if GDP growth were to disappoint.

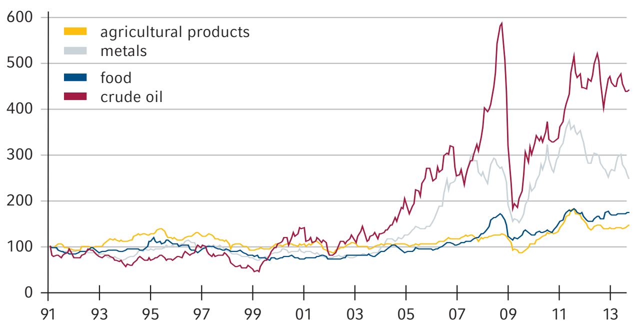
Crisis scenario 2: A sustainable drop in commodity prices

Sub-Saharan Africa would be mostly impacted by weak global growth if it were to trigger a sustainable drop in **commodity prices**. Just like in the 1980s and 1990s, a **commodities bear market** would cause severe economic harm in Sub-Saharan Africa. During previous episodes, however, the drop in commodity prices was driven by a massive **increase in supply** owing to new **exploration and development projects** instead of weak global economic growth.

Such a scenario is quite unlikely in today's environment. New global commodity production sites are less accessible, which drives production costs higher. If prices were to fall below production costs, commodity producers are likely to halt production, at least in the medium term. As a result, supply would fall and prices would rise again. Exploration and development has been subdued in Sub-Saharan Africa compared to other regions, which is why Sub-Saharan Africa still has more accessible and less costly commodity deposits. In addition, **urbanisation** in global developing regions is often to the detriment of highly productive **areas under cultivation**, which is why producers often struggle just to maintain current production levels for many agricultural commodities, let alone increase them. Finally, **developing and emerging countries** nowadays play a much bigger role in the global economy than two or three decades ago. Commodity demand is likely to increase over time because of **high economic momentum** in these countries, despite the fact that they will surely start to use these commodities more efficiently.

In any case, price trends in the **different commodity segments** vary significantly as can be seen in the chart on the following page. While **oil prices** are still at a relatively high level, **industrial metal prices** have fallen significantly as of late. **Agricultural commodity** and **food prices** never participated in the commodity price boom anyway.

Commodity prices (indices, starting point 1991 = 100)

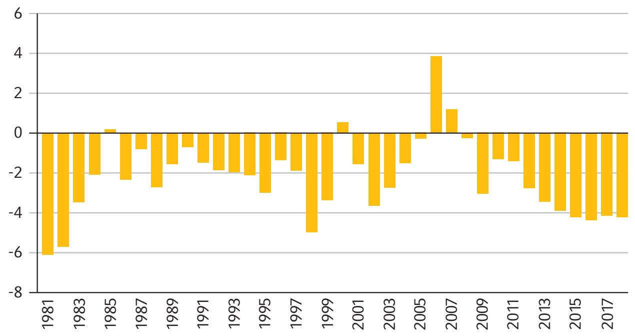


Source: IMF

Crisis scenario 3: Withdrawal of capital by international investors and creditors

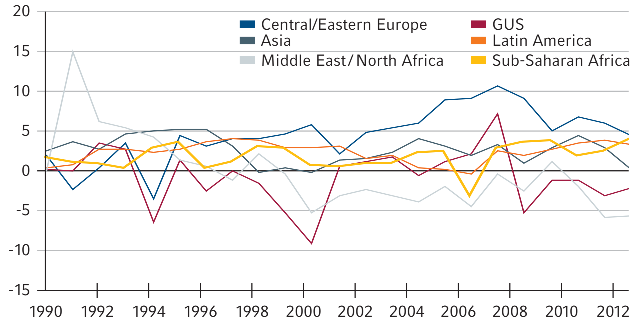
Being a developing region, Sub-Saharan Africa usually runs a **current account deficit**, which is why the region depends on **net capital inflows**. The chart below shows that total net capital flows (private and official sources) to Sub-Saharan Africa relative to GDP are in line with average flows to developing and emerging countries. With respect to the crisis scenario, the focus has to be on private capital flows only though. This is because official flows are mostly long term. Furthermore, multilateral institutions, such as the IMF, the World Bank and regional development banks, often provide more loans in times of crises, in order to limit the impact of private capital outflows (loans and investments) of the economies concerned.

Sub-Saharan Africa: Current account in percent of GDP



Source: IMF

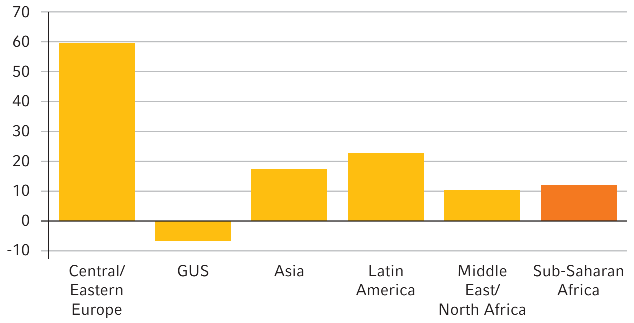
Net capital flows in percent of GDP



Source: IMF

The sudden withdrawal of **private capital** is a risk. The more private capital a region has received, the higher the exposure to a sudden turn in capital flows. Since the early 1990s, **net private capital flows** to Sub-Saharan Africa relative to GDP have been quite modest compared to other developing regions, as can be seen in the chart below. Data includes capital flows to **South Africa,** which receives the bulk of private flows to the region given the size of its economy and its high current account deficit. Excluding South Africa, Sub-Saharan Africa probably even registered **private capital outflows** during the past two decades. The region suffered significant **capital outflows** in 1998 in the aftermath of the **Asian Crisis** as well as in 2010 and 2011 in connection with the **global financial crisis and the European debt crisis**. Developments in single countries and sub-regions might differ though from the general trend. Countries with oil reserves, in particular, are likely to have received foreign direct investments for oil exploration and development projects, while other countries have suffered respective outflows.

Cumulated net private capital flows (1990-2012) in percent of 2012 GDP



Source: IMF

The potential for future capital outflows from Sub-Saharan Africa is quite low compared to other developing regions. This is because of the modest capital inflows (excluding South Africa), notwithstanding the fact that several countries successfully **issued bonds** in the international capital markets over the past few years. In addition, capital inflows to the countries in the region are often in the form of **trade financing**. Creditors mostly assign a lower risk to these financings compared to discretionary longer-term financings.

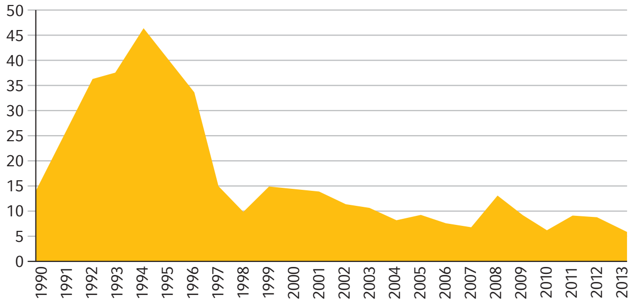
It would surely be a mistake to fully ignore potential risks of external shocks and their impact on the Sub-Saharan economies, in particular as the domestic economic policy response from the countries concerned is often inadequate. Overall, though, it is fair to conclude that the region is far less exposed to external shocks than other emerging regions such as Latin America as well as Central and Eastern Europe. Given the region's focus on commodities, without a doubt the biggest risk for Sub-Saharan Africa would be a sustainable drop in commodity prices, which would surely depress **living stan-**

dards in the countries concerned. Generally speaking, though, we put **low probabilities** on the countries in Sub-Saharan Africa being exposed to severe external shocks with dire consequences for their economies.

Improved terms of trade and lower inflation

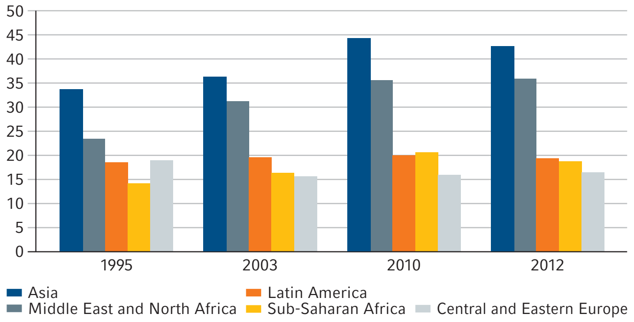
Similar to Latin America or the Gulf States, Sub-Saharan Africa benefitted significantly from an improvement in the terms of trade[2]: in many countries, export prices rose during the commodity boom, while import prices dropped because of globalisation effects. This helped to lower the foreign debt-to-export ratio to more sustainable levels, while foreign currency reserves rose substantially relative to imports of goods and services. Since a few years ago, a number of countries have even managed to generate current account and fiscal surpluses. Inflation, which had retreated in most African countries for many years, **has started to accelerate moderately again in many countries in Sub-Saharan Africa**, with the exception of the member countries of the CFA-Franc currency union[3], whose currency is linked to the euro. While this is often driven by price increases for imported food and commodities, in some countries this trend is also a reflection of loose fiscal policy, paid for by windfall profits[4] in the commodity sector. This is a risk as low and stable inflation is important to foster savings and investments: low inflation promotes investments because it makes them more predictable, lowers exchange rate risks and increases the attractiveness for foreign investors. Consequently, **foreign direct investments increase**, leading to employment gains and a transfer of know-how. This is not to be confused though with China's modern version of colonialism in Africa. Wide-spread capital flight also retreated and **domestic savings increased** because of better and more stable economic conditions. Africa is thus following a trend observed in many emerging economies. Higher domestic savings generally allow for higher investments, increasing the potential growth rate in the economies concerned. In this respect though, the role played by dominant public sector banks has been rather obstructive, as they have failed so far to mobilise sufficient risk capital. A sustainable increase in inflation in some countries would threaten the progress made over the past several years.

Inflation generally on the decline – with some recent setbacks
Inflation rate in Sub-Saharan Africa, annual average in percent



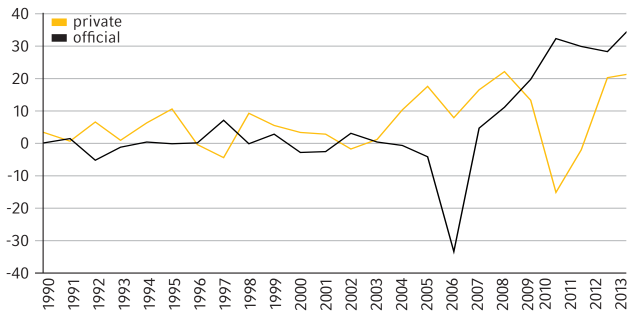
Source: IMF

Savings in Sub-Saharan Africa on the rise (savings as a percentage of GDP)



Source: IMF

Rising capital inflows to Sub-Saharan Africa
Private and official net capital inflows in USD billion



Source: IMF

[2] The terms of trade measure the real exchange ratio of imports and exports over a certain period of time. When export prices rise, while the import prices fall or remain constant, the terms of trade improve because a country can import more for the same amount of export volume.

[3] Following political independence of former colonies in the 1960s, the CFA-Franc (Franc de la Communauté Financière de l'Afrique) was introduced in 14 Western and Central African countries with the goal to maintain monetary relations to France. It was linked to the French franc until December 31, 1998. On January 1, 1999, the euro took over the role as anchor currency from the French franc.

[4] Windfall profits are profits based on unexpected or lucky events or trends. When global oil prices rise because of economic or political trends, the cost base of some oil producers might not change. Additional profits resulting from the oil price increase are windfall profits.

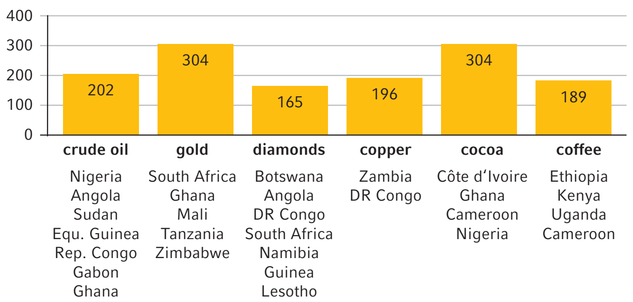
Investment backlog in infrastructure, but opportunities through technological "leapfrogging"

There is no other continent than Africa where **economic growth is so closely linked to commodity prices**. In the 1980s and 1990s, low commodity prices eroded Africa's economic growth potential, resulting in disappointing economic trends compared to other regions. In addition, high commodity prices don't help, when energy, such as oil and coal have to be imported. Commodity prices are likely to remain stable or move higher. For some countries, such as Burundi, Gambia and the Seychelles, this results in a negative terms of trade effect, which has the potential to weigh on economic growth.

Nevertheless, from a general perspective, the **abundance of natural resources** is the essential driver of economic growth in Sub-Saharan Africa. A high exposure to general price trends on the international commodity markets is not by definition a negative factor. Countries with a similar exposure, such as Chile and Peru, have achieved sustainable economic growth at a satisfying level. Furthermore, Sub-Saharan Africa could grab the opportunity and increase the value-added of domestically produced commodities by further processing. A **higher share of value added inputs reduces the exposure to commodity price changes, increasing the stability of economic trends**. In addition, it is highly unlikely that commodity prices will drop substantially for the foreseeable future, as economic momentum is still high in the Asian emerging economies in particular, resulting in a high demand for commodities (see also crisis scenarios 1 to 3). Copying the economic growth model of the Far East of producing mass products for export demand with the help of low wage workers is not a viable option. This is because the region is split into many small countries, reducing potential economies of scale in industrial production, particularly as existing international free trade agreements work poorly and jurisdictions are hardly uniform. In contrast to Asia and Latin America, Sub-Saharan Africa is also lacking major economic hubs. These are slowly developing only now, either in areas with big commodity reserves or at key transportation hubs. In terms of infrastructure, Sub-Saharan Africa has made some progress, for example with respect to the number of ports. However, existing infrastructure remains focused on the transport of mineral resources or agricultural products and also needs a qualitative upgrade. Many land-locked countries, for example, have only limited access to direct and inexpensive sea transportation.

The **insufficient infrastructure** is reinforcing one of the most urging problems in Africa: the scarcity of food. The global increase in food prices, which is also caused by the use of land under cultivation for the productions of bio-fuels, is aggravated by the fact that many countries have failed to grow and improve their own agricultural sector over many years. As a result, nearly all 48 countries have turned into net importers of food, in particular for basic staples such as manioc, maize, yams, rice and wheat. One half of the Sub-Saharan population is hit particularly hard by high food prices, as this is not only draining their household budgets but also often results in malnutrition. This is despite the fact that **sufficient productive land** is available, but cannot be used due to the lack of value added chains for local production in the form of harvest, storage, transport and marketing. After having ignored their agricultural sectors for decades, countries such as Nigeria, Angola and Zambia have begun with targeted investments in agriculture aimed at sustainably increasing their food self-sufficiency. There is even enough land to export agricultural products. The Gulf States are already buying areas under cultivation to grow rice and wheat for their domestic markets. This is particularly the case in Sudan and Ethiopia because of their geographical proximity.

Commodity price increase between 2005 and 2013
Market price index 2005 = 100



Source: IMF, own calculations

Apart from its agricultural and commodities sector, there are areas in which Africa benefits from its role as a laggard in the global race for economic development. This is because **technological "leapfrogging"** allows for the use of environmentally friendly, inexpensive and effective technologies, providing foreign investors with the necessary know-how with opportunities as well: current energy shortages are a major drag on economic growth. Blackouts are fairly common, even in economically well-developed South Africa. Over the past several years, energy supply problems have even increased because of robust economic growth in many countries and a subsequent increase in energy demand. The imbalances in the domestic energy markets could be overcome by a more intense use of renewable energies, such as solar, wind and water energy, which could catapult even underdeveloped rural areas into a new age. Another attractive alternative is biogas production from biomass. Ethiopia, Malawi and Mozambique putting faith in biodiesel based on the jatropha plant, which grows even on low-yielding soils.

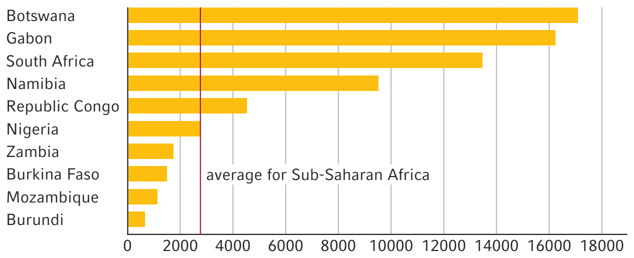
With respect to communication infrastructure in the form of fixed-line or satellite connection, the region has made huge progress. Wireless communication is expanding, quickly compensating for previous failures and hurdles. In the Sub-Saharan countries, the wireless business has been growing at exorbitant rates. Deep-sea fibre-optic cables and comprehensive broadband networks provide access to the internet and to cable TV. In Kenya and Somalia, banking services are already being offered through wireless phones. 16 million people take advantage of this and use their mobile phone for monetary transactions.

A better education is the key to higher sustainable economic growth

Compared to other developing regions, **Sub-Saharan Africa, generally speaking, doesn't rank very highly in terms of economic and social core indicators**. The region has just a slightly higher per capita income than South Asia, and this is including the economic heavyweight South Africa, which contributed 30 percent to total GDP in Sub-Saharan Africa in 2012. In addition, the remaining African countries also suffer from **massive income inequalities**. Notwithstanding economic progress in many countries, a major part of the urban and rural population will continue to live below the poverty line. Africa is the developing region with the fastest population growth. The World Bank, though, forecasts a fall in population growth rates until 2015 because of a high exposure to epidemics and terminal diseases, such as malaria or HIV, despite help from medical programmes, which are slowly taking effect. Particularly in southern Africa, high HIV infection rates have caused life expectancy to drop to about 50 years. High **population growth can be a blessing or a curse**: it is a disadvantage that fast growth of the young population raises the share of the economically inactive population. In other words: relatively few people have to support the many. In light of a low average age of the population however, over time more and more people enter the labour force, which lifts **future potential growth rates**. For this to work, though, another condition has to be satisfied: the young population has to be sufficiently educated. With this respect, Sub-Saharan Africa is **lagging far behind** other developing regions, not only in terms of education indicators, but also in terms of progress made with education initiatives. While the overall picture is quite subdued, it needs to be pointed out that education efforts differ widely between countries, with **some making enormous progress** and others nearly ignoring the issue. Improving educational levels, a precondition for productivity growth, is not a mere question of time but a function of efforts undertaken. With this respect, Tanzania and Ghana as well as Ethiopia and Mozambique, albeit at a much lower level, provide a good example. Nevertheless, even in these countries it will be a challenge to create sufficient jobs to meet the demands of the growing workforce.

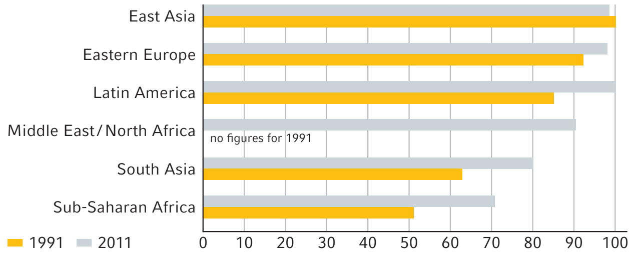
Migration into urban areas, which in Africa is among the fastest within the developing regions, is also a double-edged sword: on the one hand, migration, population growth, bad education and a lack of jobs are the root of growing crime, as can be witnessed in big cities, such as Lagos and Nairobi. On the other hand, major urban hubs attract manufacturing and service companies as they allow for a better division of labour, which helps create a more productive economic structure. Therefore, high population countries are a particularly attractive place to invest, as higher economies of scale help to lower relative fixed investment costs. In addition, a **middleclass with strong consumer power** has been emerging in major cities, increasingly demanding high-quality products and services. The service sector is the main beneficiary of this trend, including the financial sector. Some African regions are lagging behind in the supply of financial services, both in retail banking as well as in corporate banking. Social security systems, including private pension insurance, for example are rarely established. The construction sector enjoys high growth rates because of infrastructure expansion and housing construction.

Living standards differ widely
Per capita income in USD in 2012, based on purchase power parity



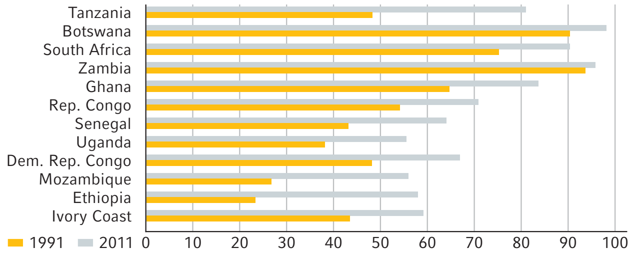
Source: World Bank

Sub-Saharan Africa a laggard in educational standards …
Share of pupils with a primary school graduation in a global comparison in percent



Source: World Bank

… but with partial improvement
Share of pupils with a primary school graduation in selected Sub-Saharan countries in percent



Source: World Bank

Strengths

- abundant natural resources/fertile soils
- macro-economic stabilisation
- democratisation
- rising savings

Weaknesses

- weak institutions
- low per capita income
- impact of colonialism (monocultures, fragmentation and ethnical conflicts)
- low education standards
- weak infrastructure, particularly in the energy sector

Opportunities

- growing middle class
- unsaturated markets
- debt relief for HIPC countries
- rising domestic and foreign investments
- know-how transfer
- sectors: infrastructure, commodities, financial services, trade, transport, consumer goods, new technologies

Risks

- high population growth
- high income inequalities
- modern colonialism (China)
- commodity price volatility
- inflation

Dr. Hartmut Nitschke

Partner for international cooperation at Freshfields Bruckhaus Deringer

"Africa is becoming more and more popular as an investment target for companies from all over the world which are looking for new expansion opportunities. In contrast to the general global decline in M & A activities, over the past ten years the continent has witnessed a marked increase in commitments from non-African investors, as revealed by a study carried out by our law firm *). The most active foreign investors during this period came from Great Britain, France and China. The fact that Great Britain and France are leading the way here is hardly surprising on account of their legal and cultural links with many of the African countries.

There are many different reasons which make Africa increasingly appealing to international investors. In comparison with other markets and regions, the middle class is growing rapidly in African states, and thus creates rising demand. In keeping with this is the fact that foreign investments here are flowing increasingly into consumer-facing sectors such as telecommunications, retail and food. The investment volume in these areas has thus doubled over the past decade, amounting to 569 transactions and USD 58 billion; in 2012 alone there were 71 acquisitions worth USD 3.8 billion here.

The main industries – metals, mining and oil and gas – naturally remain of paramount importance. From 2003 to 2012, USD 87.6 billion in 1,190 transactions flowed into African investments in these areas alone.

However, growth is also supported by the fact that the overall economic environment in Africa is gradually becoming more investor-friendly. Many governments are improving the legal framework for investors and removing bureaucratic obstacles."

* http://www.freshfields.com/de/insights/Africa_M_und_A/

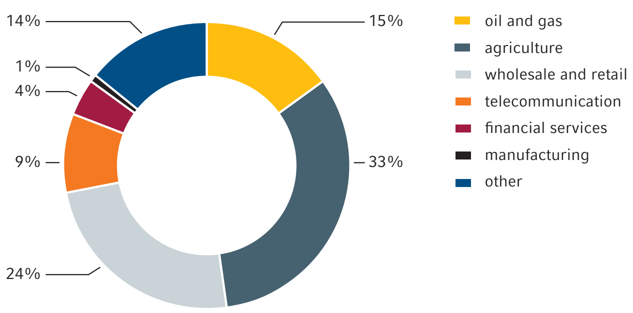
3. Developments in selected countries

3.1 West Africa – Nigeria and Ghana as growth engines

Nigeria: Continued robust economic growth

Nigeria is the most populous country in Africa, with 169 million people. The country is also the continent's biggest oil producer. This is despite the fact that oil production has been declining since 2011 mainly because of acts of sabotage in the Niger Delta. The **oil sector is the driving factor** in the economy as a whole, which is likely to experience another year of robust real gross domestic product (GDP) growth of more than 7 percent in 2014. A modest fall in oil production was more than compensated by production growth of above 10 percent in the construction, mining (e.g. coal, tin ore, titanium or limestone) and real estate sectors. The telecommunication sector, though, experienced by far the highest growth, at more than 30 percent. The **agricultural sector**, with a share of 34 percent of GDP, is of growing importance. In total, 60 percent of the country's labour force is employed in this sector. The agricultural sector has been strongly neglected since the early 1970s with Nigeria's beginning oil boom. Nigeria, which was once self-sufficient, turned into a food importer. The Agricultural Transformation Action Plan (ATAP), designed by the Nigerian government, aims at creating a significant number of jobs by 2015 in agriculture, in the agro-industrial sector and in the food processing industry. There is definitely potential for growth, as plenty of uncultivated fertile farmland can be found in the northern part of the country.

Nigeria: Gross domestic product by sector (2012)

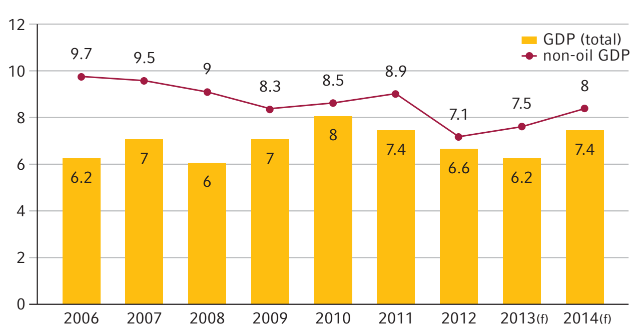


Source: National Bureau of Statistics, Nigeria

Oil and gas sales account for 96 percent of export proceeds and 75 percent of government revenues. This helped Nigeria to achieve a current account surplus of 7 percent of GDP in 2012 and 3 percent of GDP in 2013. The current account surplus could be at a much higher level if Nigeria didn't have to import much of its refined oil requirement because of domestic capacity constraints. High foreign direct investments are going into the oil and gas sector and increasingly into infrastructure projects.

The **biggest financial centre** in West Africa is located in Nigeria. The country also has the second-biggest equity exchange with about 200 publicly traded companies. During the global financial crisis in 2008, the Nigerian equity market crashed, with prices dropping between 30 percent and 60 percent. Unrestricted lending for high-risk purposes (such as debt-financed equity speculations) by banks, most of them publicly traded, turned out to be a huge mistake. Credit defaults exploded, pushing the banks close to a collapse. Since then the stability of the Nigerian financial system has been restored by government rescue packages for undercapitalised banks, by transferring non-performing loans to the newly established Asset Management Corporation of Nigeria (AMCOM) and by issuing shares to new investors. Following radical reforms imposed by the central bank, establishing tighter regulations modelled on the reform of the banking sector in Malaysia in the aftermath of the Asian financial crisis, banking sector consolidation has seemingly been successfully concluded. Nigeria also managed to build up currency reserves, which had temporarily fallen significantly. As at December 2013, they climbed to a comfortable level, covering imports for five months.

Nigeria: Real GDP growth in percent year by year



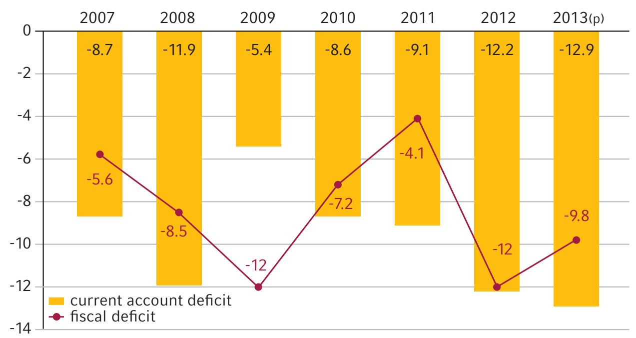
Source: IMF, Institute of International Finance

President Goodluck Jonathan who came into power in 2010, is still trying to impose reforms which had been delayed for years. Corruption and mismanagement are widespread issues. **Fiscal consolidation** is progressing. Nevertheless, in our view, the government will fail to meet its 2014 deficit target of 1.9 percent of GDP because of a reduced oil output and a massive public infrastructure programme. After a two-year break, Nigeria returned to the international capital market in July 2013 and issued bonds with a 5-year and a 10-year maturity for a total amount of USD 1 billion. The proceeds have been flowing into the electricity sector, where improvements are urgently needed as electricity demand is nearly twice as high as electricity production. The **decentralisation of electricity providers** is making progress. After a successful auction, at the end of September 2013, transfer certificates and licences of 15 electricity production and distribution companies were handed over to private investors and their foreign partners. In contrast, no progress has been made with respect to a potential **privatisation of the oil sector**. The government-owned oil company, which generates most of the foreign currency for the country, is ailing and non-transparent.

Ghana – fiscal deficit explodes, Cedi depreciates

Ghana is deemed to be a **role model for democracy and political stability** among African countries. In July 2012, President John Atta Mills suddenly passed away. John Dramani Mahama from the governing National Democratic Congress Party won the previously scheduled Presidential election in December 2012. The government is pursuing **expansionary fiscal policies**, increasing its spending for infrastructure. Despite considerable international financial support for the general budget and for infrastructure spending, the public sector deficit reached an unsustainable 12 percent of GDP in 2009. A government plan to reduce the deficit to 6.7 percent of GDP in 2012 was a complete failure. The deficit nearly doubled again because of spending related to the presidential election, a sharp increase in public sector wages, a drop in tax revenue coming from oil companies as well as high public investments. The government implemented austerity measures, among them the full elimination of fuel subsidies. The public-debt-to-GDP ratio has been strongly increasing. In June 2013, it stood at 53 percent, of which about half is owed to foreign creditors.

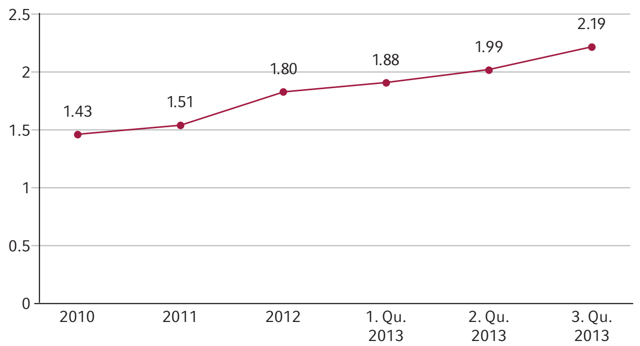
Ghana: Current account deficit and fiscal deficit in percent of GDP



Source: IMF

Real GDP expanded by 15 percent in 2011, the highest growth rate in Africa, driven by strong domestic and foreign demand. In 2013 and 2014 GDP growth is likely to slow down to 8 percent as well as 6 percent. Ghana is the continent's second-biggest gold producer behind South Africa. Gold export proceeds make up 42 percent of total exports. Furthermore, Ghana is the second-biggest cocoa producer worldwide behind the Ivory Coast. Cocoa contributes 21 percent to total exports. Since the end of 2010, Ghana's ascent to the league of oil-producing countries has boosted the economy. By now the share of oil exports has risen to 22 percent of total exports. Despite rising exports, high import demand for fuel, food and especially oil- and mining-related capital goods have been generating chronically high current account deficits. In 2012 and 2013 the deficit ranges between 12 percent and 13 percent of GDP. More than 60 percent of the financing needs resulting from the deficits are covered by foreign direct investments.

Ghana: Cedi loses value
Local currency per US dollar



Source: IMF

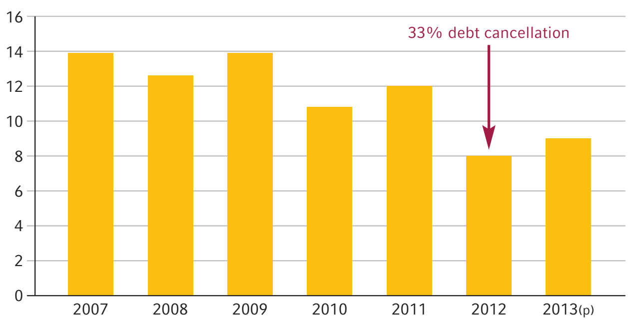
The huge current account imbalance, driven by high import demand and earnings repatriations led to a high demand for foreign currency in the past year. This has caused the domestic currency to depreciate by about 35 percent since early 2012. Inflation accelerated to 11.9 percent year on year as at September 2013. Foreign currency reserves are low, covering imports for 2.2 months only. In 2007, Ghana issued a USD denominated bond with a volume of USD 750 million and a maturity of 10 years in international capital markets. In July 2013, the country issued another global bond with a 10-year maturity for USD 750 million. While foreign indebtedness is rising, it is still at a low level of 37 percent of GDP.

Côte d'Ivoire (Ivory Coast): A quick economic recovery – banking sector in need of reform

It took a long time for the biggest global cocoa producer to finally start a **political and economic recovery**, after ethnical conflicts had broken out in 1999 followed by a few years of political infighting. Now, however, the country is making fast progress. In 2011, when President-elect Alassanne Oattare was able to enter office only in December after a long delay because of a failed coup against the constitution by President Gbagbo, the economy contracted sharply by 4.7 percent. In 2012, pent-up demand for public and private investments as well as private consumption led to strong real GDP growth of 9.8 percent. In 2013 and in 2014, the economy is likely to expand by about 8 percent.

Cocoa contributes 28 percent to total export proceeds, followed by crude oil or oil-related products, with a share of 25 percent. The country also exports coffee, cotton and gold. Since 2012 the **current account is in deficit** ranging between 1 percent and 3 percent of GDP. This has been driven by a weaker cocoa harvest because of a drought following a record harvest in 2011 as well as a drop in oil exports. The latter was a result of dwindling reserves as well as oil well maintenance work. In addition, the country experienced a sharp increase in capital goods imports. As a response to a restoration of political stability, foreign direct investments have been starting to increase again. The fiscal situation has improved as well, as part of the fiscal deficit of 3.4 percent of GDP in 2012 was also financed by foreign financial support. Furthermore, the country is benefitting from **debt service relief** as a result of a USD 6.5 billion debt reduction under the HIPC initiative, which was combined with the provision of USD 1.5 billion in fresh funds in the form of bilateral and multilateral grants and loans, improving the liquidity situation substantially. Since then, Ivory Coast has been making semi-annual interest payments on the remaining outstanding USD-denominated eurobonds (formerly Brady bonds), maturing in 2032, as scheduled. Structural reforms in the coffee and cacao sector have progressed well with establishment of the Conseil du Café Cacao in 2012. This new government-controlled institution takes care of international marketing and guarantees cacao farmers a fixed price for their production.

Ivory Coast: Foreign debt
in USD billion



Source: IMF, own calculations

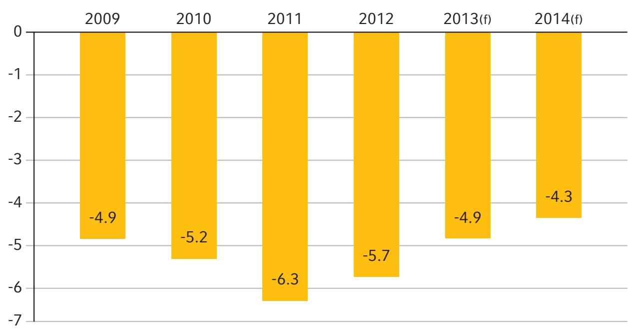
As a result of the political crisis the **banking sector is ailing** and needs to be restructured. Public banks suffer from high default ratios in particular. Reform measures, recently developed by renowned international consulting companies, are currently being implemented. Public banks are merging or are being liquidated. The joint central bank of West Africa is considering a significant increase in minimum capital requirements to make sure improving liquidity is being used for new credits which are adequately underpinned with capital. These reforms have to be implemented in a fast and consistent manner. The next several months will show whether policymakers actually have the power to do what is desperately needed. The Ivory Coast, just like Senegal, Gabon and the Republic of Congo, is a member country of the **West and Central African Economic and Monetary Community**, whose currency is linked to the euro at a rate of 655.957 CFA francs per euro. This has helped to keep annual inflation at a low level in these countries.

Senegal: Fiscal austerity is showing first results

The political situation in Senegal is stable. This was confirmed by elections held in 2012, when the population demonstrated against another term of President Wade. A runoff election ended in a peaceful and democratic shift of power. The new President Macky Sall with his Alliance pour la République (APR) is trying to govern in a more efficient way. This is why

he has closed or merged unnecessary ministries and administrative institutions. He also dissolved the Senate and eliminated the position of vice president. **Fiscal austerity** is showing its first results. The public deficit, which stood at 5.7 percent of GDP in 2012, is likely to drop to 4.9 percent of GDP in 2013 and 4.3 percent of GDP in 2014.

Senegal: Fiscal deficit in percent of GDP

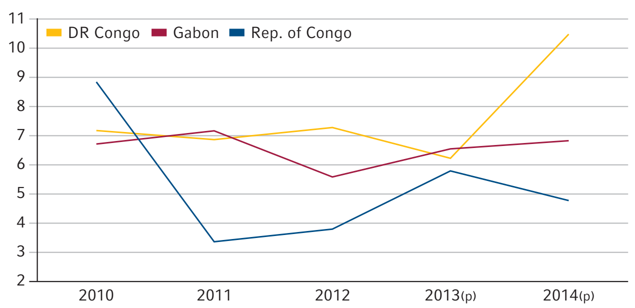


Source: IMF

Financial services, trade and telecommunication are expanding, while the construction sector is benefitting from high **infrastructure investments**. In 2013, GDP will expand by a moderate 4 percent, with growth likely to pick up slightly to 4.6 percent in 2014. Foreign trade suffers from a **high dependency on imports** of food, such as rice, grains, palm oil or sugar, as well as of other consumer and capital goods. Crude oil imports from Nigeria, however, at 56 percent form the bulk of Senegal's imports. The local oil refining industry covers two thirds of domestic needs and also exports to Mali which has no coastal access. Other important export goods comprise fish products, oil as well as semi-manufactured goods such as phosphoric acid or fertilisers, with the latter almost exclusively being exported to India. Tourism income and transfers by international donors reduced the current account deficit to about 10 percent of GDP in 2012. Foreign direct investment is at fairly modest levels. In 2007, Senegal issued a first international bond with a volume of USD 200 million. This was followed by a second international bond issue in the amount of USD 400 million, with the money raised predominantly targeted for road construction projects. Foreign debt, at 34 percent of GDP, is at a comfortable level.

3.2 Central Africa – Crude oil and many other natural resources

Central Africa: Real GDP growth in percent year on year



Source: IMF

Gabon: Need for economic diversification because of dwindling oil reserves

The **political situation** in Gabon **continues to be stable**. Following Omar Bongo's death, his son Ali Bongo was elected president in 2009. Gabon became an oil producer in the 1960s. Because of its oil exports the country is generating **current account surpluses**, which reached between a remarkable 10 percent and 14 percent of GDP in the years 2011 to 2013. The "black gold" generates 80 percent of export proceeds and 63 percent of tax revenue. Per capita income, at USD 12,100, is one of the highest in Sub-Saharan Africa. The share of urban population stands at 83 percent. Gabon's economy, which comprises a small population of 1.6 million people only, has a big and financially strong middle class compared to other countries in the region. Important sectors of the economy have already been privatised, such as financial services, air traffic and telecommunication.

At the end of 2007, Gabon issued a bond amounting to USD 1 billion on the international capital market. In the following year, the country used the proceeds together with windfall profits from oil revenues as well as funds from local bond issues to repurchase outstanding Paris Club[5] debt in the

[5] The Paris Club is a body representing several countries, which deals with bilateral loans made to countries that have become insolvent. This process often ends in debt restructuring or debt cancellation.

amount of USD 2 billion, in an effort to streamline its foreign debt structure. Any unbudgeted oil revenues are being transferred to a debt amortisation fund targeted for the repayment of the USD bond maturing in 2017. Public debt as well as foreign debt is a moderate 20 percent of GDP. However, the government is aiming at diversifying the economy because of falling oil production and dwindling oil reserves. This includes ongoing efforts to expand iron ore, manganese and gold production. A special economic zone, Nkok, a joint venture with Singapore, offers investors tax exemptions. Many foreign investors have already taken advantage of the incentives and started to operate businesses in Nkok. For the first time, necessary public investments are likely to result in a public deficit of about 3 percent of GDP in 2013.

Democratic Republic of Congo (Kinshasa): Abundant mineral resources

Despite significant political uncertainties President Joseph Kabila was re-elected and started his second term at the end of 2011 in Africa's largest country by area. The political situation remains difficult and the reform process has stalled. Nevertheless, the country is making **further progress in economic terms**, with GDP likely to expand by more than 6 percent in 2013 and 2014. The Democratic Republic of Congo has abundant mineral resources. Copper and cobalt reserves in the province of Katanga are a magnet for foreign investors. In addition, the country produces diamonds, crude oil, zinc, gold and silver. Since 1982, hydroelectric power plants Inga I and Inga II produce power at the Lower Congo. Following many years of negotiation, it was agreed to build a third dam dubbed Grand Inga, starting in 2015, a multi-billion investment. In the long run, the new power plant will produce 40,000 megawatts. As a future buyer of power, South Africa is a partner in planning and distribution efforts.

Mid-2010, the IMF granted the country a **debt reduction in the amount of USD 12.3 billion** because of its successful economic reform efforts. High capital goods imports for mining as well as high services imports have been causing high current account deficits. For 2013, we forecast the current account deficit to reach 13 percent of GDP. China is the country's biggest trading partner with a share of 33 percent. Foreign currency reserves remain at a structurally low level, covering a little more than one month of imports.

Republic of Congo (Brazzaville): Economy dominated by crude oil

The economy of the Republic of Congo (Brazzaville) is dominated by the oil sector. In total, 90 percent of exports and government revenues are derived from the oil business. The country's oil is located offshore, with more oil reserves being available off its small coast. The Republic of Congo produces 296,000 barrels per day and is the third-biggest oil producer in Sub-Saharan Africa. The major buyers are China and the US. Shipment and partial refining are carried out in Point-Noire, the country's economic hub, with a deep sea and container port. Economic indicators are positive across the board. **Real GDP is likely to expand by about 5 percent** in 2013 and 2014. At the same time, the country is boasting **current account and public household surpluses**. Foreign currency reserves are at a comfortable level, covering 6 months of imports, despite high services imports and earnings transfers abroad by oil companies. Since 2010 the Republic of Congo has been benefitting from a complete debt cancellation by the Paris Club as a reward for implemented reforms and privatisation efforts.

3.3 Southern Africa – Booming economies in Angola, Botswana, Mozambique and Zambia

South Africa: Economic hub

South Africa, with a population of 52 million, is the biggest and most advanced economy in Sub-Saharan Africa. Gross domestic product per capita is USD 7,336. South Africa is the biggest global producer of gold, platinum and chrome. The country generates 14 percent of its export proceeds with platinum and 12 percent with gold. The share of services in the economy, at 64 percent, is higher than in other countries, driven by a well-established and advanced banking and insurance sector, transport and tourism. The South African economy was impacted by the recession in Europe and uncertainties in other export markets. In 2013, GDP growth weakened to 2.0 percent; in 2014 a slight increase to 2.9 percent is likely. South Africa is an economic hub for neighbouring countries, which traditionally settle a significant portion of their exports and imports through South Africa's airports and deep sea ports. This is also entrenched by the South African Customs Union (SACU), which is comprised by South Africa, Botswana, Lesotho, Namibia and Swaziland. Duties and fees collected from countries outside SACU are shared with member countries depending on the extent of their intra-SACU trade and their level of development.

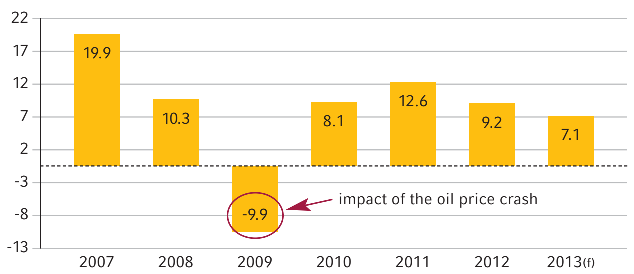
Angola: Investment boom lowers current account surplus

The governing MPLA party won the parliamentary elections in September 2012. Following a change in the constitution, long-serving President Jose Eduardo dos Santos was able to enter another term in office. This was the second election in the history of the country since the end of the civil war in 2002. Angola is Africa's **second-biggest oil producer**. The economy is dominated by the government-owned oil sector which is responsible for 97 percent of exports and 80 percent of government revenues. Therefore, the sharp drop in oil prices in 2009 caused a deep economic crisis in Angola. However, the economy managed to improve quickly thanks to an IMF programme and a gradual recovery in oil prices. In 2010, GDP expanded by 3.4 percent. In 2013 GDP growth accelerated to 5.6 percent, with forecasted growth of 6.3 percent in 2014. The booming oil sector also drives momentum in the **non-oil sector**, including transport, light industry, trade and services.

Most oil fields are located off the coast off the exclave of Cabinda, with more developments planned over the next several years. China is the biggest oil purchaser (38 percent), followed by the US (21 percent) and India (9 percent). Between 2010 and 2012, the country boasted high current account surplus of between 9 and 12 percent of GDP. In 2013 the surplus will drop to about 7 percent of GDP because of strong growth in consumer goods imports as well as capital goods imports, needed in particular for the oil industry and the growing natural gas industry. Angola is the world's fifth-biggest diamond producer. Other important natural resources include iron and manganese ore, gold, copper and platinum.

The economy is highly dollarized. According to a new foreign exchange law, foreign oil companies are obliged to settle their supplier contract through the local banking system in local currency instead of settling them offshore in US dollars, which has been the common practice before. This is aimed at providing the banking system with necessary liquidity. In August 2012, Northern Lights III, an Angolan special purpose vehicle, issued a private placement, guaranteed by the Republic of Angola, with a volume of USD 1 billion, paying an interest rate of 7 percent. While China and Brazil have provided Angola with considerable loans, foreign debt is low at 20 percent of GDP. After the economic crisis in 2009, foreign currency reserves recovered steadily, currently covering a comfortable seven months of imports.

Angola: Current account balance



Source: IMF

In 2013, the government is likely to post **a deficit, at 1.2 percent of GDP**, for the first time since 2009. This is mainly the result of the first-time incorporation of the relatively non-transparent Sonangol, the government-owned oil company, into the central government budget. High fuel subsidies of about 7 percent of GDP are a huge burden for the public households. This is also because expensive refined oil products have to be imported from abroad due to a lack of domestic refining capacities. In 2013, the government initiated a public investment programme. The programme envisaging investments in the amount of USD 8 billion is aimed at **diversifying the economy** through infrastructure investments, mainly in the areas of road construction and energy. Nevertheless, public debt is still less than 30 percent of GDP. A list of public companies to be privatised has recently been published. It excludes key public companies such as Sonangol and diamond producer Endiama. Like many other countries, Angola has recently established a **sovereign wealth fund** (Fundo Soberano de Angola), initially equipped with a capital of USD 5 billion. The government plans to spend surplus oil revenues for important social projects, investments into infrastructure and agriculture as well as to maintain a rainy day fund in case of another sharp drop in oil prices.

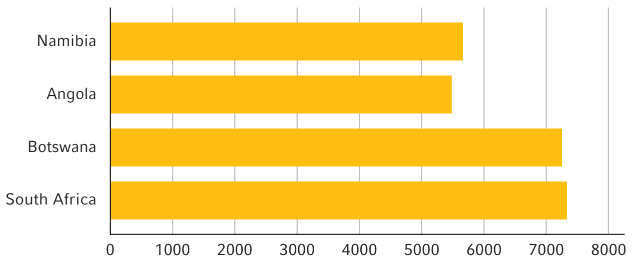
Botswana: Diamonds as the key for economic success

Since gaining independence in 1966, Botswana, with a population of only 2 million people, has been the **most stable country in Africa from a political and economic perspective**. Economic stability of Botswana, which has no coastal access, is largely owed to its abundant diamond reserves. The country has the second-highest income per capita in the Southern African region, at USD 7,252. Economic indicators are favourable: GDP growth usually varies between 3 and 4 percent and **foreign currency reserves are high** compared to other countries, covering about 11 months of imports.

Botswana is the **leading global producer of jewellery diamonds**. Diamonds generate more than 70 percent of export proceeds and about 50 percent of government revenues. Production succeeds via high-tech surface mining, with Jwaneng and Orapa being the most productive mines among the five working mines. Annual output is 23 million carats, which is equal to 20 percent of total global production. The focus is on local value-added creation. The Diamond Trading Company Botswana (DTCB), a 50:50 joint venture of De Beers and government-owned Debswana Diamond Mines, estimates and sorts the rough diamonds locally. Currently, DTCB is the world's biggest and most advanced diamond centre in terms of technology and development. At the end of 2013, a historic milestone was reached when De Beers, headquartered in London, as contractually agreed, transferred its main trading centre for rough diamonds to Gaborone. For the sales meetings ("sights"), in which only authorised international dealers (sight holders) are allowed to participate, rough diamonds are imported from other production countries, such as Canada, South Africa and Namibia, generating multiple value added services in external trade.

Abundant nickel, gold, copper, coal, silicon and soda ash resources contribute 16 percent to total exports. Another major source of foreign currency reserves is high-end tourism. Botswana generates small **current account deficits**, likely to be below 2 percent of GDP in 2013 and 2014.

Southern Africa: Countries with a high GDP per capita
(in US dollars)



Source: IMF, own calculations

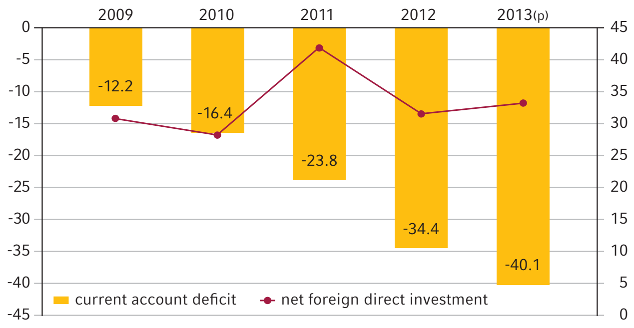
Since the country gained independence, government revenues generated by the diamond business, regarded as "the population's common good", have been used in an exemplary manner to create an efficient infrastructure as well as a modern education and healthcare system. Botswana has a literacy rate of 81 percent, which is among the highest in Southern Africa. Over the past three years, the country atypically had a fiscal deficit. This was the result of investments in Moropule, a coal power plant, which was completed in 2013. It will help to steadily increase domestic power production, hereby reducing dependence on South African power imports. For fiscal year 2013/14, the government expects a small fiscal surplus again, taking into consideration higher revenues from the South African Customs Union. Botswana is also one of the few countries in Sub-Saharan Africa with **exemplary foreign debt management**, as it has never had to restructure its foreign debt. Currently, public debt is at a low level of 18 percent of GDP. Botswana's currency is linked to a currency basket within a managed floating system. The South African rand has a high share of 65 percent in this currency basket because South Africa is Botswana's biggest trading partner.

Mozambique: Mega projects drive economic momentum

Following the end of the civil war in 1992 in **Mozambique**, the economy only recovered tepidly. Since 2006 though, the economy has been growing by between 6 and 8 percent annually, mainly driven by beginning **mega projects**. The aluminium smelter in Mozal, which is the biggest and most advanced bauxite smelter worldwide, generates 27 percent of the country's total exports. Furthermore, Mozambique has the biggest coal reserves in the world. In 2010 coal production started in the province of Tete (0.6 million tons). Now that production has increased substantially, Mozambique exports 5 million tons of coal per year and aims to quadruple this volume by 2017. At the end of 2006, the government of Mozambique gained control over the Cahora-Bassa hydroelectric power plant, the biggest in Southern Africa, after more than 30 years of negotiations with Portugal. It purchased a stake of 67 percent, lifting its total stake to 85 percent. Mozambique earns 10 percent of its total foreign currency income alone by selling power to South Africa. Furthermore a 900-kilometre-long pipeline transports natural gas from the Temane and Pande fields to South Africa. A new steel rolling mill covers the needs of the domestic construction sector. In addition, the country is currently developing huge natural gas fields offshore (Rovuma Basin) which is also linked to the construction of a liquid natural gas park. An expansion of the ports in Nacala (connection to the railway line to Malawi), Beira (corridor to Zimbabwe) and Maputo (to ease some strain on the port in Durban, South Africa) provides further growth potential.

While exports of goods and services are growing, the country still imports twice as much in the form of capital goods and services. The current account deficit for 2011 was revised from about 13 percent of GDP to 23.8 percent of GDP after a statistical review. For 2013 Mozambique is likely to report a current account deficit of close to 40 percent of GDP. More than 70 percent of the financing needs resulting from the deficits are covered by foreign direct investments. The country's main trading partner is South Africa, with a share of 33 percent. The government is running fiscal deficits of between 4 and 6 percent of GDP. The data included high financial support by international donor countries. Excluding the additional financing, deficits are double the official size. Despite growing external financing needs, foreign debt, mostly comprised by long-term loans provided by multilateral and bilateral official creditors, stands at a comfortable level of only 40 percent of GDP. In September 2013, annual inflation was a low 4.5 percent. Inflationary pressures are being mitigated though heavy subsidies for fuel, public transport and basic food. The political situation is stable. President Armando Guebeza, who has held this office since 2005, was re-elected for a second term of five years in September 2009. Foreign currency reserves of the central bank currently cover about 2.5 months of imports.

Mozambique: Current account deficit and net foreign direct investment
in percent of GDP



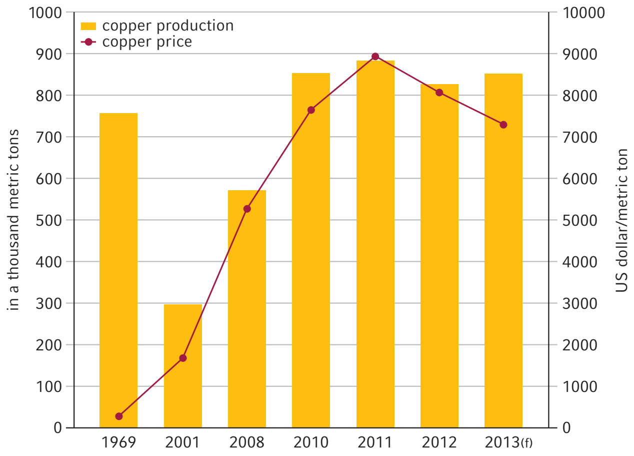
Source: IMF, own calculations

Zambia: High economic growth despite a drop in copper prices since 2012

During the past five years Zambia registered average annual economic growth of 6 percent, driven by high momentum in the mining industry. For 2013 and 2014 GDP is forecasted to grow by between 6.5 and 7 percent. Sectors currently contributing strongly to growth are food processing (including beverages and tobacco), construction, transport, communication, financial services and agriculture. However, Zambia's growth engine is the so-called **copper belt** which holds Africa's largest copper reserves on top of its cobalt reserves. In the 1970s, Zambia suffered a long-lasting, deep economic crisis caused by a drastic drop in copper prices. A strong recovery in copper prices, starting in 2004, led to significant substantial investments by government-owned Zambia Consolidated Copper Mines and foreign mining companies in the modernisation of existing copper mines and the development of new ones. Konkola-Deep, Lumwana Copper and Kansanshi are considered to be the biggest copper mines worldwide. The copper ore is refined and processed into copper ingots in state-of-the-art melting plants in Mufulira and Nchanga. The biggest purchasers are China, Switzerland and South Africa. Annual production increased by more than 200 percent between 2004 and 2011. Copper and cobalt account for more than 75 percent of total exports. Between 2009 and 2011, for the first time, the country generated **current account surpluses**, despite continued high import demand for capital goods, machinery, vehicles and services related to mining. In 2012, the current account moved into deficit again (-0.9 percent of GDP) because of weakening copper prices. The deficit is likely to increase to between 3 and 4 percent in 2013 and 2014. The deficit is fully financed by foreign direct investments.

Revenues coming from the mining sector are the biggest source of income for the Zambian government. The fiscal deficit fluctuates between 2 and 4 percent despite high financial help provided by foreign donors. Public investments are primarily targeted at the expansion of the power industry, which is important for the power-intensive copper production and melting plants, as well as transport infrastructure. In September 2012, Zambia issued a euro-denominated international bond with a volume of USD 750 million and a maturity of 10 years in order to finance these investments. Foreign debt is low, at about 55 percent of exports.

Zambia: Changes in copper production and copper prices



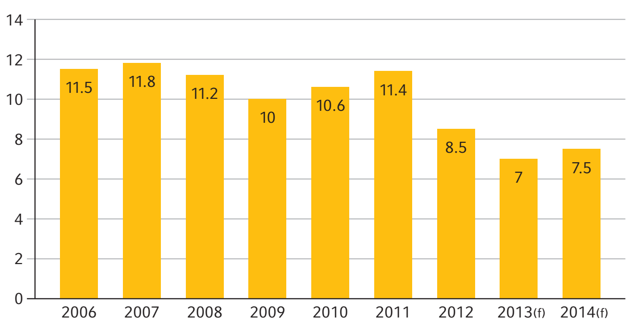
Source: IMF

3.4 East Africa – Ethiopia, Kenya, Tanzania, Uganda and Rwanda make progress

Ethiopia: Modernising efforts in the agricultural sector are taking shape

Ethiopia, with 92 million people, has the second-highest population in Africa behind Nigeria. Average annual GDP growth over the past five years was about 9 percent, with growth forecasts for the current and next year a little lower at 7 percent. With a share of 46 percent, **agriculture is the dominating sector** of the economy. In total, 84 percent of the labour force works in the agricultural sector which generates 75 percent of total exports. The Growth and Transformation Plan 2010-2015 (GTP), put in place by Prime Minister Meles Zenawi, who meanwhile passed away, triggered a wave of investments. Current Prime Minister Hailemariam Desalegn has maintained implementation of the GTP programme focusing on promotion of the agricultural sector by implementing modern cultivation techniques and introducing inventory capacity allowing for commercially-driven marketing methods which has triggered some visible success. The agricultural sector, which has historically been focused on subsistence, has allowed the country to nearly reach a state of self-sufficiency and has provided momentum to other sectors of the economy as well. The GTP is also aiming to promote the mining, textile and manufacturing sectors as well as mega infrastructure investments aimed at improving the economy's supply of hydroelectric power. The government wants to build four big dams on the Nile. Hydroelectric power plants are expected to generate sufficient power to even allow for exporting of power to neighbouring Kenya. The Grand Renaissance Dam is scheduled to be completed in 2017 with a power production capacity of 6,000 megawatts. The government plans to finance USD 5 billion in projects through local bonds and financing provided by Ethiopians residing abroad.

Ethiopia: Real GDP growth in percent year on year



Source: IMF

Ethiopia, with no coastal access has a structural trade deficit which is partly driven by high freight costs since its international trade is mostly processed via Djibouti. Coffee contributes 30 percent of total exports, followed by gold with a share of 20 percent. Oil seeds, cut flowers and rawhide are important export goods as well. A combined 47 percent of exports go to Europe alone, Switzerland (gold), Germany (coffee, textiles and clothing), the Netherlands (cut flowers and coffee), Belgium (coffee) as well as Italy (coffee, rawhide and leather products). Saudi Arabia, Somalia, Djibouti and Sudan are important export destinations as well. Ethiopia's imports are three times higher than its exports because of its **extremely high import dependency** on fuel and capital goods. Transfers, which include higher transfer payments from Ethiopians living and working abroad, are about 150 percent of total exports. While these transfers help to narrow the current account deficit it is still likely to reach about 6 percent of GDP in 2013.

Foreign direct investment is low, which is the result of high government involvement in the market economy, particularly in the banking, telecommunication and transport sectors. A cautious policy shift by the government towards more openness for the private sector has caused foreign direct investments to increase steadily, mostly driven by leasing agreements with foreign investors for areas under cultivation.

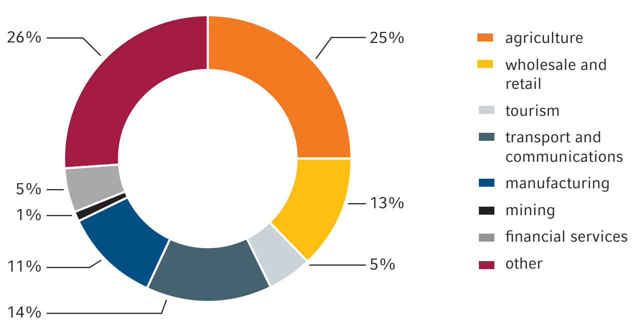
Ethiopia is highly dependent on financing from international donor countries. Without international financial help, fiscal deficits of between 1.5 and 3 percent of GDP would reach double this amount. In the past year, annual inflation accelerated dramatically, peaking at 36 percent in February 2012, which was driven by expansionary fiscal spending and generous lending by the government linked to the GTP, gradual currency devaluation and a drought in the Horn of Africa. Since then, more favourable weather conditions and optimisation efforts in the agricultural sector have triggered a sharp drop in food prices, which caused annual inflation to drop to 6.9 percent in September 2013, even below the central bank's target rate. Currency reserves are scarce, with strict currency controls imposed by the government. Foreign debt is at a comfortable level, at 120 percent of exports. Most of the overwhelmingly medium- to long-term debt is owed to multilateral institutions (IMF, World Bank or the African Development Bank).

Kenya: Successful elections prompt economic recovery

Presidential elections held in March 2013 under the new constitution established in August 2010 were peaceful. The election was won by Uhuru Kenyatta, son of Kenya's first president, Jomo Kenyatta. Concurrently, Kenya, for the first time, elected a national assembly, the senate and provincial governors. The successful election process stood in sharp contrast to the 2008 elections, which triggered ethnic conflicts and a deep recession, followed by a slow and painful recovery. The 2013 election outcome caused local equity and bond market sentiment to turn positive. Additionally, the local currency recovered from lows reached in the months prior to the election with GDP growth forecast to reach 5.9 percent in 2013 and 6.2 percent in 2014.

Kenya, which is the biggest and most diversified economy in East Africa, has a **strong domestic market** and a **fast-growing middle class**. Domestically, the agricultural sector accounts for 25 percent of total GDP. The country earns the bulk of its foreign currency reserves by exporting tea (Kenya is the biggest tea producer worldwide), coffee, cut flowers, fruits and vegetables. Kenya was able to boost agricultural production over the past several years despite unfavourable weather conditions. Mining products, e.g. gold, rubies and sapphires, only play a minor role in exports. This is despite the fact that Kenya is the third-biggest producer of soda, which is important for glass production. The services sector is the biggest contributor to GDP, at 53 percent, followed by construction and manufacturing. Because of Mombasa with its deep sea and container port and an extensive road network, Kenya is the gateway to the other members of the East African Union (Burundi, Rwanda, Tanzania and Uganda), the eastern part of the Democratic Republic of Congo, the northern part of Ethiopia and, since July 2011, the independent South Sudan. This is why transit trade is booming.

Kenya: Gross domestic product by sector (2012)



Source: Kenya Bureau of National Statistics

Over the past few years, Kenya registered current account deficits of about 9 percent of GDP. Imports are twice as high as exports. Remittances of Kenyans working and living abroad are remarkably high. In 2012, for the first time in many years, foreign direct investments increased significantly, to USD 0.8 billion. They are expected to rise again in 2013 to

USD 1.2 billion. FDI is mostly comprised by oil exploration projects in the north western part of the Turkana region as well as gas explorations off the coast of Lamu Basin. Despite the fact that these projects cause high capital goods imports, the current account deficit is expected to drop to 7.8 percent of GDP.

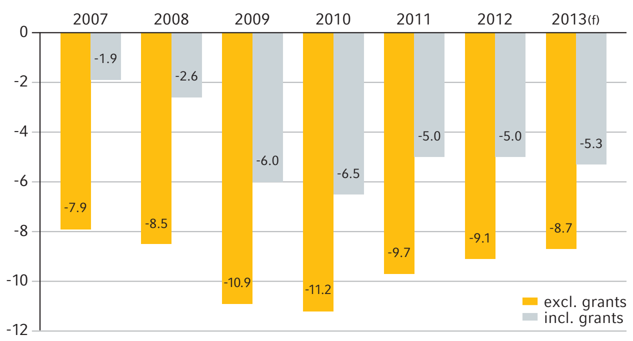
External financing needs are high. Kenya virtually depends on multilateral credits to stay afloat. Since 2009, fiscal deficits have been exceeding 5 percent of GDP, partly driven by an economic stimulus package, comprising infrastructure investments (road and railway construction, power industry in order to expand power supply). In 2013, the fiscal deficit is likely to increase to nearly 7 percent of GDP, as the administrative switch to a two-chamber system has been causing additional government expenditures. Total public debt has increased to 53 percent of GDP, while foreign debt is at a low level of 30 percent of GDP.

Tanzania: Robust economic growth paid for with high deficits

For years, Tanzania has been growing at rates of between 6 and 7 percent of GDP, and growth is likely to remain at this level in 2013 and 2014 as well. Economic momentum in the service sector, including telecommunications, transport and financial services, contributing 50 percent to total GDP, is particularly high.

Most people work in the agricultural sector, though, which contributes 30 percent to GDP. The main agriculture products are coffee, tea, tobacco and cotton. **Mining** has recently been the **strongest growth engine** of the Tanzanian economy. Gold accounts for 46 percent of total exports, providing the bulk of foreign currency proceeds. Tanzania has developed into the **fourth-biggest gold producer** in Africa, behind South Africa, Ghana and Tanzania. Tourism accounts for 65 percent of total services income. While it is still smaller than Kenya's tourism sector, tourism has been growing steadily. Tanzania's current account deficits have been stagnating at a level of 15 percent of GDP because of high capital goods imports related to mining and high fuel imports. Foreign direct investments have been rising steadily because of a favourable environment and plenty of untapped uranium, diamond, nickel and cobalt reserves. About 95 percent of international trade is settled via the economic hub and port city of Dar-es-Salaam. Dar-es-Salaam has the fourth-biggest port in East Africa behind Durban, Mombasa and Djibouti and exports and imports of Rwanda, Burundi, Uganda, Zambia and Zimbabwe, which have all no coastal access, are settled here. Tanzania's biggest trading partner is Asia (43 percent), with the biggest share of exports flowing to India, followed by China and Indonesia.

Tanzania: Fiscal deficit in percent of GDP



Source: IMF

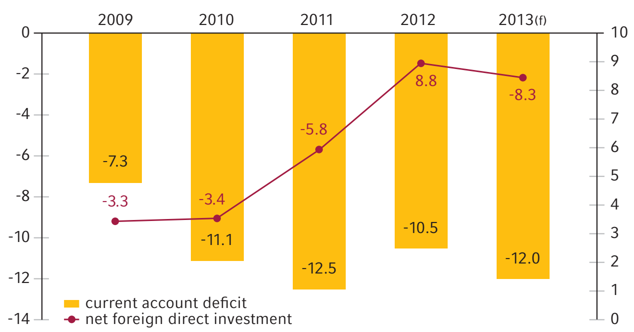
External financing needs and dependence on international donor countries is high. Foreign debt is about USD 12 billion or a comfortable 39 percent of GDP. It is mostly comprised of medium- to long-term credits provided by multilateral or bilateral lenders. In March 2013, for the first time, Tanzania issued a bond with a volume of USD 600 million and a maturity of seven years, in the form of a private placement. The proceeds are intended to flow into infrastructure investments, mainly the energy sector as well as roads and railways. Structural reform progress is sluggish. Since gaining independence, Tanzania has enjoyed political stability. President Jakaya Kikwete, who has held this office since 2005, was re-elected in 2010 for another five years.

Uganda: Economic recovery after a soft patch in 2012

Uganda, which has no coastal access, has registered economic growth between 6 and 8 percent for more than 10 years. A loose fiscal and monetary policy has gone hand in hand with **high public and private investments**, particularly in the sectors transport, trade, telecommunication, financial services and construction as well as in the emerging oil industry. In 2011, this put upward pressure on inflation, which peaked in October at an annual rate of 30 percent. In addition, the local currency depreciated. The government responded with fiscal austerity and imposing lending restrictions on the banking sector which helped to slow down inflation and currency depreciation, but also caused economic growth to weaken to 2.8 percent in 2012. In 2013, GDP growth is likely to recover to 5.6 percent, with further growth acceleration to 6.5 percent forecasted for 2014.

Kenya is an important transit trade partner. Nearly all its trade is settled through the Kenyan port Monbasa. Major traditional export products are agricultural commodities, led by coffee. Re-exports of goods, also linked to humanitarian assistance to South Sudan, which gained independence in July 2011, are increasingly important as well. During the past several years, current account deficits, driven by high capital goods imports for infrastructure projects, stood at between 10 and 11 percent of GDP. In 2012, 80 percent of the deficit was financed by foreign direct investments, which reached a record high of 9 percent of GDP. A big part of this is flowing into the emerging oil industry. Economic growth will be boosted by oil production in Lake Albert Basin, scheduled to begin in 2016/2017. In addition, a local oil refinery and an oil pipeline to the Kenyan port Lamu are to be built.

Uganda: Current account deficit and net foreign direct investment in percent of GDP



Source: IMF

The services sector (50 percent of GDP) contributes most to economic activity followed by manufacturing (26 percent of GDP). While the agricultural sector accounts only for 14 percent of GDP, nearly 70 percent of the labour force is employed in this sector, which is still based on subsistence. Uganda has a population of 36 million people and a very high population growth rate of 3.4 percent. This is making it difficult to create enough employment for the new labour force entering the labour market. High economic growth is a necessary but not alone a sufficient basis to cause a sustainable improvement in living standards. Foreign debt, at 25 percent of GDP, is at a low level. Foreign currency reserves of the central bank currently cover four months of imports.

Rwanda: Transition from an agrarian economy to a technological hub

Rwandan society is increasingly coming to terms with the genocide of the 1990s between Hutus and Tutsis. Efforts to establish a well-functioning democracy are making progress. The country's reconstruction has led to **surprisingly high real economic growth**. In 2013 and 2014, GDP is likely to expand by between 7 and 8 percent annually. Growth is driven by construction and services. The agricultural sector is still dominating though, with most farmers targeting self-sufficiency (bananas, cassava, potatoes, maize or beans). Main export products are coffee and tea, accounting for 77 percent of total exports. While the agricultural sector accounts only for 31 percent of GDP, it employs 75 percent of the total labour force. Demographic trends are challenging as annual population growth is 3 percent and population density already stands at 415 people per square kilometre. Therefore, the government is very focused on reforms and modernisation efforts. The government, led by President Paul Kagame, has adopted an ambitious programme, dubbed **"Vision 2020"**, aimed at catapulting even rural areas into a new technological era by comprehensive investments into innovative information and communication technologies. Already, a big part of the population has mobile and superfast internet access thanks to a nationwide fibre-optic cable network and a 2,300-kilometre connection to submarine cables. The whole country has transitioned to **electronic settlement of services** of all kinds, including electronic payments and mobile banking as well as e-commerce and e-government. The government aims at transforming Rwanda into a high-tech centre for East Africa. Some of the official goals might be too ambitious, though. It remains to be seen whether these efforts actually boost exports and living standards to the desired extent. In any case, reforms have progressed surprisingly fast, including the improvement of land laws and the juridical system as well as with respect to the fight against corruption. The effect is clearly visible in rising employment rates. In April 2013, for the first time, Rwanda issued a USD-denominated international bond with a volume of USD 400 million and a maturity of 10 years in order to finance these investments. Foreign debt is at a relatively high level, at 160 percent of exports.

Sub-Saharan Africa at a glance

		Population in million	Political stability	Economic stability	Primary commodities	Special features
West Africa	Nigeria	166.4	+	+	crude oil	agricultural sector drives GDP growth
	Ghana	25.6	+	+	gold, cocoa, crude oil	high infrastructure investments
	Côte d'Ivoire	20.6	0	+	cocoa, crude oil	a new political era
	Senegal	13.1	+	+	phosphate, fish, semi-manufact. goods	expanding service sector
Central Africa	Gabon	1.6	+	++	crude oil	gov. promotes mining and information technology
	DR Congo	69.6	-	0	copper, cobalt, diamonds	mining attracts investors
	Rep. Congo	4.2	-	+	crude oil	infrastructure investments scheduled
Southern Africa	South Africa	51.0	+	+	gold, platinum, chrome	economy very well diversified
	Angola	20.2	+	++	crude oil, diamonds	government programme aimed at economic diversification
	Botswana	2.1	++	++	diamonds	best environment for foreign investors
	Mozambique	24.5	+	+	coal, crude oil, bauxite	high need for capital goods imports
	Zambia	13.9	+	+	copper, cobalt	agricultural sector drives GDP growth
East Africa	Ethiopia	87.0	+	0	agricultural commodities (part. coffee)	agro industries as a driver of growth
	Kenya	42.3	0	+	agricultural commodities (part. tea, horticultural products)	growing middle class, infrastructure projects (transport, energy business) boost the economy
	Tanzania	47.7	+	+	gold, agricultural commodities	construction, mining and services sectors are booming
	Uganda	35.6	+	+	agricultural commodities crude oil (as at 2016/17)	foreign direct investment boom
	Rwanda	11.2	+	+	agricultural commodities	information and communication technologies as drivers of growth

++ very good + good 0 average - unsatisfactory

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A strong and committed partner:

Commerzbank's Corporate Social Responsibility in Africa

Commerzbank has a long tradition of corporate social responsibility. Our central aim is to integrate environmental, social and ethical criteria into our business decisions. We participate in various projects and initiatives, with a particular commitment to the fields of education and environment. In our selection of projects we concentrate on those that have a lasting impact. In particular, we believe that through quality education, the cycle of exclusion, poverty, domestic violence and breakdown of families can be broken.

In July 2012 Commerzbank Financial Institutions initiated a collaboration with SOS Children's Villages to support SOS Children's Villages in Africa. SOS Children's Villages is an international nongovernmental social development organisation, active in the field of child rights. In our partnership with SOS Children's Villages we share common objectives in the best interest of children, with tangible results that make a long-term difference to children's lives.

Since 2012, we have supported several projects in Ghana, Senegal, and Niger.

We have contributed to SOS Green Projects through the installation of the first photovoltaic systems in an SOS Children's Village in Ghana. SOS Green Projects contribute to sustainable development in Africa. The programme includes the following objectives: high-quality renovation, innovation through sustainable technologies, participation of children and staff in the decision-taking processes, as well as the inclusion of surrounding communities.

We have also supported Hermann Gmeiner International College students in Tema on their way to a successful and independent future through the purchase of new equipment for the chemistry laboratory. The college, established in 1990 to cater for up to 300 students aged 13 to 18, is attended by talented young people from all over Africa, including children from SOS Children's Villages across the continent. The students graduate with an internationally recognised certificate.

In addition, we have contributed to the IT infrastructure of the Vocational Training Centre in Tema, Ghana. Through the SOS Vocational Training Centres, offering courses in commercial training, office and IT skills, dressmaking and home economics, SOS Children's Villages increases the starting possibilities of young people so that they can become independent and able to cope with the social and economic demands made on them.

Further, we have contributed to the information and communication technologies for development (ICT4D) project in the SOS Children's Village in Kaolak (Senegal) to help improve the students' academic achievements. We have also supported a Green Project in the SOS Children's Village in Dosso (Niger) through the installation of photovoltaic systems.

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Closing date: December 2013