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Africa's Growth: Booming Commerce Becomes a Continent's Catalyst

In January 2014, 27-year-old Nigerian Obi Uche attended a two-day General Electric (GE) project management training in Lagos. Uche had recently been hired by Weltek Limited, a local engineering company selected to fabricate power-generation equipment for GE's new manufacturing facility in Calabar in southeastern Nigeria. Once up and running, the Calabar plant will produce critical components—turbines, wellheads, compressors—for GE's core infrastructure in Nigeria. The training was the first of several for Uche, preparing him to liaise as a business development officer between Weltek and the U.S. conglomerate. "Working with GE is a big deal. The professional expertise I am gaining is a boost of confidence to my career," said Uche, who finished his MBA in 2013 and now supervises a small team.

The skills exchanged between GE and Weltek have not been limited to midlevel employees. In August 2014, GE hosted Uche's manager, Chuck Umeh, and Weltek CEO Pedro Egbe at a three-day workshop in Italy. There they fine-tuned Calabar design plans and production standards with GE technicians.

Weltek CEO Pedro Egbe expects "the Calabar collaboration will raise our standards and allow us to bid for more business and hire more workers." He anticipates the deal will create $5 million a year in revenue and double the company's staff of 50. "We are interviewing candidates across Nigeria—fabricators, engineers, welders. Obi will supervise a number of them, who will also go through GE training," confirmed Chuck Umeh. A father of three, Umeh's been with Weltek since 1991 and has a photo of himself and GE CEO Jeff Immelt hanging in his office. They met at a dinner in Abuja in 2014 to sign the memorandum of understanding between the two companies. "It's exciting. Nigeria has 170 million people who need the things GE makes, like turbines, locomotives, and medical technology," said Umeh.

In a country with double-digit joblessness, daily power outages, an average life expectancy of 52, and whose citizens coined the hashtag #MyRoadIsWorseThanYours to share photos of the country's worst highways, GE's capabilities have been welcomed. The company's Nigeria CEO Lazarus Angbazo expects "the Calabar initiative will create 2,300 jobs," supplying the equipment and expertise "to upgrade Nigeria's power, roads, and healthcare system." It's part of a broader aim "to make Nigeria a center for GE technology and expertise; an export center for talent and skills, and a model for GE's commitment to Africa," said Angbazo. "GE goes where the growth is," he added, noting the company operates in 25 Sub-Saharan African (SSA) countries, with plans to expand to more.

The benefits of GE's Nigeria manufacturing hub will extend to the direct parties and broader Africa. For GE, the billion-dollar Calabar investment establishes a production facility to support its business expansion in Nigeria and across the continent. For the young professional Obi Uche, Weltek, and Nigeria, the project creates skills transfer, upward mobility, and vital jobs. From Nigeria to greater Africa, GE-Calabar will bring electricity, improved health, and new bridges, roads, and trains to millions.

Before the company's recent moves in Africa, many pieces of a larger economic puzzle were aligning. There were several links in a chain of events that brought such job-creating partnerships to a country like Nigeria. One is found four years earlier in the vision expressed by GE's CEO, Jeffrey Immelt.

Revenue in Africa, Recovery in Rest of the World

While opening the April 2011 Council on Foreign Relations Corporate Conference in New York, Immelt surprised many with a comment that was definitely off the beaten path for the typical CEO-speak of the preceding years. "We see Africa as one of GE's top growth regions moving into the coming decades," he told then-CNBC anchor Maria Bartiromo before a packed auditorium of business and policy leaders. What was particularly salient about Immelt's statement was that the session's theme had nothing to do with Africa. Neither did the question that prompted his remarks. Previously, blue-chip corporate leaders at Jeff Immelt's level had rarely made references to Africa—if at all.*

At the time we had already begun sourcing info supporting our premonition that the continent was about to come online strongly in global business. Sitting in the audience that evening, I (*Jake*), remember thinking, "Wow, one of the most powerful CEOs in the world just named Africa a top strategic priority," and I quickly shared the news with Aubrey.

Immelt's statement would become often referenced in escalating buzz about Africa in business circles starting in the early 2010s. Contributing to the buzz were ripples of data emerging from the continent on Africa's economic growth. These numbers,

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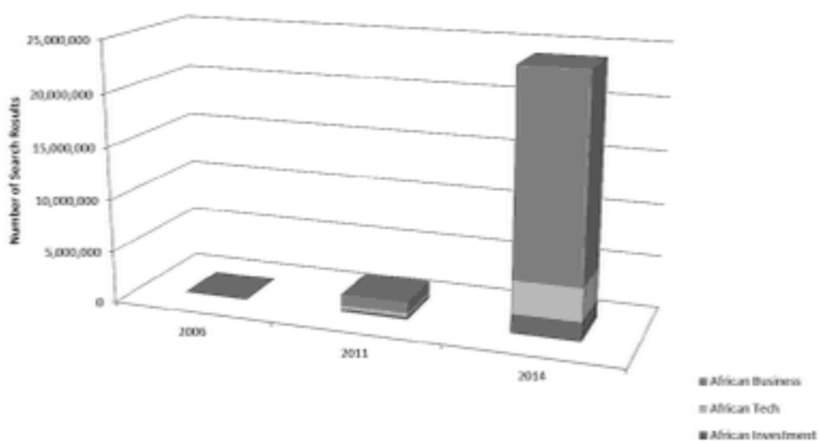
* We subsequently learned from GE Nigeria CEO Lazarus Angbazo that Immelt's 2011 CFR Africa statements followed a 2010 trip he made to Nigeria, Ghana, and South Africa (followed by several others by senior GE employees) aimed at upping the company's business on the continent.

which first influenced murmurs in think tanks and esoteric policy circles, would eventually reach corporate boardrooms, investment seminars, and CEOs such as Jeff Immelt—creating a roar of opportunity around Africa's rapidly expanding economies.

To better understand the weight of the growth stats that began to emanate from Africa, it helps to have some context. First, there's the centrality of economic growth to business, juxtaposed to the general dissociation of Africa to global commerce that existed at the time, as illustrated in Figure 1.1. Then there's the broader milieu of the early 2010s, a low-growth world still reeling and deleveraging from the Great Recession.

Figure 1.1: African Business in the News
1,000 Percent Increase in Google News Hits for Africa and Key Business Terms from 2011–2014



Source Data: *Google News Search, TNA Analysis*

When it comes to global business gauges, strong economic growth is where every country wants the needle. Summarized by gross domestic product (GDP), growth is the central measure of whether the core parts that make up an economy (consumption, investment, government spending, and global trade) expanded or contracted over a set period.* GDP growth serves as a dial for investors, CEOs, and stock markets around the world. It reflects and influences massive movements of commercial activity—things like executive decisions on which countries to expand into and investor determinations on which stocks or bonds to buy, hold, or sell. GDP growth is also closely correlated to the capacity of local and national governments, as it determines how much tax revenue is available based on corporate and personal income. Low growth equals lower tax revenues and less revenue to play with. Higher growth puts more money in public coffers that governments can spend on services and infrastructure—which also spreads more demand around in an economy. Because of this impact, GDP forecasts and results are among the most anticipated economic information released—the stuff that makes international business media interrupt news to cover updated growth estimates by bodies such as the U.S. Federal Reserve or the Chinese central bank.

While GDP forecasts are firmly tied to global business, neither had been strongly associated with Africa the 15 to 20 years prior to 2010. Much of the post–Cold War wave that became the globalization of business, technology, and finance passed by large parts of Africa. In many commercial respects (global trade, securities markets, or digital commerce), the continent was more disconnected than any other.† And these facts, added to roughly 40 years

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* The official macroeconomic equation is $GDP = C + G + I + NX$, where C is all private consumption; G is all government spending; I is investment, or companies' capital spending; and NX is a country's total exports minus imports. There are a number of sub-components in all these letters, which means each one is a pretty weighty meter on massive amounts of activity in an economy.

† This excludes post-apartheid South Africa, which has been much more globally connected digitally, financially, and commercially (and maintained more complete infrastructure) than the rest of SSA. This is why many SSA economic averages are routinely done with an asterisk denoting "ex-South Africa," so as not to skew the results.

of consistently negative media coverage, certainly translated unfavorably to commercial agendas and perceptions toward Africa.

For those tracts of Washington focused on international business, Africa was largely a backwater during the early years that I (*Aubrey*) spent around the U.S. capital working to drum up commercial interest in the region.* In many ways, given the Whitaker Group's rare focus on African markets, being a big fish in a small pond was beneficial. Yet in other ways, working as an African business specialist in the 2000s' Beltway occasionally felt akin to being D.C.'s lonely Maytag repairman, my phone ringing much less than those of market advisers focused on Asia, Eastern Europe, or Latin America.

When I told people that I worked to help companies do business in Africa, the business part often went in one ear and out the other. Most responded by asking if I worked for an NGO, the Peace Corps, or USAID, the development assistance arm of the U.S. government. When explaining that I managed a for-profit consulting firm that had never done business with the aid community, I might as well have been saying that I came from a planet a little beyond Jupiter.

In late 2010 and early 2011, one publication and a short article on Africa would begin to shift many of these conversations, arousing serious attention at the highest levels in international business circles. The first was global strategy consulting firm McKinsey Company's bullish "Lions on the Move" report, which

* The U.S. National Intelligence Council's 2015 Global Trends Report (released in 2000) predicted the following for SAA: "In Sub-Saharan Africa, persistent conflicts and instability, autocratic and corrupt governments, overdependence on commodities . . . low levels of education, and widespread infectious diseases will combine to prevent most countries from experiencing rapid economic growth . . . [and] increasing international marginalization. . . . Most African states will miss out on the economic growth engendered elsewhere by globalization and by . . . scientific and technological advances."

the 2000s (around 32 percent), the continent's economic expansion was more than a cyclical resource boom: "Two-thirds [of Africa's GDP growth] came from other sectors, including wholesale and retail, transportation, telecommunications, and manufacturing." This piqued the interest of the business community even more.

Suddenly there was economic diversity to Africa's newfound growth. To global business executives coming off the Great Recession, this translated to profit opportunities in fresh markets in an otherwise income-flat world. And of all regions, it was where most expected it least, Africa. New associations were beginning in the mainstream media. In 2010, as the IMF characterized the world's major economies by "recovery," McKinsey, an elite source for cutting-edge business trends, was equating Africa with "revenue."

For me (*Aubrey*), "The Lions on the Move" report was a welcome validation of all that I had been observing in my work in African countries. It also caught my (*Jake's*) attention. I had started to pick up on Africa's new business momentum beginning in 2007, on the first of several trips back to post-war Sierra Leone and traveling in West and East Africa. Business opportunities and economic expansion came up in just about every conversation with friends, government officials, and local media. In Accra, Ghana, and Freetown, Sierra Leone, shiny new Nigerian and Pan-African bank branches had sprouted up in finance rows throughout each city. In 2009 in Nairobi, I saw the recently built offices of multi-national companies, while construction equipment lined the horizon, building Kenya's eight-lane Thika Super Highway.

The McKinsey report was forwarded to me (*Aubrey*) dozens of times by friends and associates, all expressing surprise, as if it were the first time they had heard of Africa in a business context, even though I'd been raising the topic for years. Suddenly my phone began ringing more often. The group of doubters who previously asked *why* they should do business in Africa was becoming a growing chorus of individuals inquiring *how* they could do business in African markets.

For the broader audience in the United States and beyond, the 2010 McKinsey and 2011 *Economist* Africa growth reports marked a critical juncture in the launching of new conversations about Africa. From Davos to Hong Kong, factoids, buzzwords, and taglines from each report began to pop up in just about every major speech, panel discussion, and article on Africa. New data and analysis continued to follow. Soon, it seemed, all the major global strategy consulting firms (Accenture, Ernst and Young, the Boston Consulting Group et al) were lining up to do their own reports on some component of Africa's emerging growth story. All this continued to enter the mainstream business sphere, which was evident when we both attended a 2011 New York Stock Exchange Africa investor conference. Speakers paired references to McKinsey's first report to allusions of the continent as the "new Asia" or of its young tech movement producing "the next Google." New York's corporate establishment heard forward-looking outlooks by African presidents, Wall Street analysts, and representatives of the continent's 29 stock exchanges. Much was made of the expanding power of the continent's consumer class. Africa's emerging growth story was rapidly putting it on the map for something very different than war, poverty, or a celebrity charity. And those tuning in with interest were the world's top business leaders, such as GE's CEO, Jeff Immelt.

A Primer on Africa

Before expanding on drivers of Africa's 21st century growth surge, some demographic and historical orientation is needed. Economies are driven by many things, namely, nations, geography, people, and events. As a landmass, Africa and Sub-Saharan Africa (the continent south of the Sahara Desert and the primary focus of this book) is massive.

Figure 1.3

Some reminders of this were required during the 2014 Ebola crisis, which was largely contained to three small West African countries, but extrapolated by some to the entire continent. When speaking on Bloomberg News during the crisis, we noted a conversation between two financiers, a private equity manager traveling to Nairobi and a banker cautioning him not to. The private equity manager pointed out that the distance between Ebola-free Kenya, in East Africa, and many points of West Africa, was farther than flying from New York to Los Angeles by some 1,000 miles.

Second in size only to Asia, the African continent is larger than the United States, China, and India combined. The climates and landscapes of its 54 countries (48 in SSA) are diverse and highly unique in the world. There are jungles in Sierra Leone; rain forests in Côte d'Ivoire; and deserts, such as the Danakil in Ethiopia and the Kalahari in Botswana, Namibia, and South Africa. Then, of course, there's Africa's unique wildlife and geographical wonders, such as Victoria Falls, straddling borders with Zambia and Zimbabwe. Known for its red earth in places such as Tanzania's Serengeti National Park, Africa also gets snow on Mount Kilimanjaro (its highest peak) and in South Africa's Drakensberg and Lesotho's Maluti Mountains.

Even for all its Pan-African unity, Africa is the most diverse continent on the planet by numbers of linguistic and ethnic groupings (more than 2000 in each). When it comes to population, Africa is surging forward on four global demographic milestones. It has the world's fastest-growing population (surpassing a billion in 2009), largest youth population (200 million between the ages of 15 and 24), most rapidly urbanizing population (3.09 percent going rural to urban annually), and the globe's fastest-growing consumer class, in terms of expanding individual spending power.* These trends alone speak volumes to the thesis of Africa's prominent role in the 21st century.

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* This harks back to our introduction's caveat on Africa and data. We referenced well over a thousand sources in our research and interviewed hundreds of experts. We maintain a full listing of our sources and interviews, cite many directly in the text, and add occasional footnotes with more detail. For this particular string of data, which we know may be contentious, the sources are the United Nations Population Division for number of linguistic and ethnic groups, and for population; and the African Development Bank for consumer and individual spending power.

As the continent's richest man, Nigeria's Aliko Dangote, frankly told us, "Whatever the preconceptions, the world can't ignore Africa's numbers."

On Africa's history, experts would likely agree that the continent's past has been markedly more difficult compared to that of others. Africa's development was greatly interrupted first by slavery, then by several hundred years of European colonization, extending into the 1950s, '60s, and '70s independence movements. Africa's first decades of independence were negatively influenced by colonial overhang and the proxy status of its new nations on the Cold War chess board. Finally, for Africa, the first decade of the post–Cold War era of globalization carried a great deal of instability, with a majority of the world's armed conflicts occurring in SSA through the 1990s.

On an economic level, much of Africa's commercial potential over the 20th century was either stunted or heavily driven by commodities, its natural resources among the most abundant in the world. Two additional characteristics of most SSA economies through the 1990s were global debt and global disconnect. By the late 1990s, African governments had racked up several hundred billion dollars in external debt, which was weighing down commercial prospects. Many countries were bankrupt, and SSA as a region was largely detached from the world economy. Excluding South Africa, few had linked up to global bond or currency markets, or had connected to the new digital infrastructure of the financial world. Stock exchanges were nascent or non-existent. More than 85 percent of SSA's people were unbanked. And by the start of the 21st century, SSA ranked low (when data were even available) on other global connectivity factors such as flows of goods, services, and digital communications between its countries and the rest of the world.

Entering the 2000s, as the markets and governments of the highly connected world charged toward financial meltdown and

moving very rapidly. There are also intermittent gaps and progress in data collection, and less dynamic economies, such as the heavily mining driven Democratic Republic of the Congo, are more prone to upward or downward GDP surges.

Whatever the imperfections in data, few can dispute that there's a tremendous amount of commercial activity in key SSA countries. In her research, Tufts University economist Margaret McMillan suggests that a number of structural changes are fueling Africa's economic growth—such as improvements in worker and sector output through shifts in many countries' labor forces "away from low productivity agriculture to higher productivity manufacturing and services."

While some Afro-pessimists have continued to doubt the depth and sustainability of SSA's economic performance, we join McMillan in believing the contrary: that the size and activity of many African economies (namely, Nigeria) have been underestimated.

Uncovering Africa's True Economic Power

In April 2014, Nigeria captured global business headlines. The West African nation was crowned Africa's largest economy, surpassing long-standing business beacon South Africa, after a government statistical revision nearly doubled its economic output to $510 billion. This IMF-endorsed exercise (or GDP rebasing), undertaken by the country's top statisticians, was less about capturing marked increases in Nigerian commercial activity, and more about accounting for business activity that had been flying under the country's economic radar for years. The revised metrics uncovered billions upon billions of dollars of business activity that was previously untracked: spending on consumer goods, electricity and power generation, financial services, and several billion dollars in economic activity around Nigeria's film and music industries.*

Shortly after Nigeria's 2014 GDP rebasing came Kenya's, which expanded the value of the East African nation's economy by 25 percent and moved Kenya up several rungs on SSA's largest economies list to third. The GDP revisions now under way in several other SSA countries with assistance from the IMF and the African Development Bank (AfDB) are not clever exercises in cooking the national books. What they show is that statisticians in many African countries have been missing large amounts of economic activity simply because of outdated practices.

For anyone who's spent time in Africa's major cities, the notion that there is much more business occurring than economists are accounting for probably comes as little surprise. A walk through capitals such as Abuja, Nairobi, or Dakar reveals tremendous day-to-day commerce and individual entrepreneurship brimming from all corners. On the streets of Accra, Ghana, or Lagos, Nigeria, girls and boys run their own portable businesses, with bowls of bananas, bread, and other goods stacked on their heads—Africa's vertically integrated version of lemonade stands. They chant their slogans in local English-based pidgin—*col wata de* ("cold water for sale") or *fine kola de* ("fine kola nuts for sale")—serving as all-in-one portable showrooms, sales clerks, and cash registers. And many of these young vendors report back to parents, aunts, or grandmothers who may be running two or more ventures in local markets or at roadside kiosks. Bustling commerce did not fall out of the sky or discover Africa over the last decade. Large amounts of economic activity have always existed across the continent, just not necessarily on a formal grid or captured by IMF statistics.

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* Detail on Nigeria's creative industries is included in this book's part four, "Africa's Growing Global Cultural Influence."

This brings us to three important themes in Africa's contemporary growth story:

1. Increased formalization of Africa's informal economies;
2. Efforts to quantify new business activity versus existing commerce; and
3. Constraints of GDP alone in determining which countries surge forward and deliver dividends to their people.

In SSA, informal economies have little to do with the black market or what may be considered nefarious activities in the United States or Europe. Informal economic activity, at its basic classification, consists of commercial transactions that are not recorded by formal structures, such as government agencies or official exchanges. It is business that is not taxed or officially accounted for in GDP, and it sometimes includes barter outside the use of currency. While paying the neighborhood babysitter is Americans' most likely interaction with an informal economy, in SSA informal markets typically eclipse the formal economy in size and significance. In 2014, AfDB chief economist Mthuli Ncube estimated that the informal sector accounted for roughly 55 percent of SSA's economic activity and 80 percent of its labor force.

Even as it grows, this large catch-all sector is beginning to change in structure. Many African governments have worked hard over the past 15 years to introduce reforms that make it easier to start, own, and operate a business. Reducing business-registration times from months to several days and minimizing licensing requirements brought many informal businesses into the formal economic realm for the first time.

Africa's informal sector bears both challenges and opportunities. For analysis and projections, this enormous, opaque commercial space is problematic because it represents so many unknowns. Imagine central bank officials of the European Union attempting to set monetary policy, or the CEO of a major multi-national company planning an expansion into a new market with only 25 percent accurate data. Lots of business is happening in Africa; it is just hard to measure who is selling what to whom and where in a consistent manner. Efforts are under way by governments across the region to better account for true GDP, including the value being created by the informal businesses. Until measures are improved, some questions will remain as to how much growth in African economies derives from new activity versus existing business previously uncaptured.

Despite their challenges, the informal economies of SSA present big possibilities. While informal economies are efficient at meeting many market needs, they often fail to unleash greater productivity and profits. A number of small commercial entities in African markets may be disconnected from basic small business banking services, accountants, or the benefits of enterprise technology. These disconnects present opportunities for new players to enter the market and for existing businesses to reap large productivity gains. There are also multitudes of consumer and business needs in SSA that have only marginal, if any, formalized sectors serving them. From hair care to dry cleaning to Internet services, so much is wide open. Expect the formalization of Africa's informal economies to bring some of the most profound change and opportunities in the continent's transformation story.

Finally, as the growth of African economies factors more heavily in media coverage of the continent, we believe there are limitations to GDP alone in determining progress in many SSA countries. In some cases, the economies of African nations are so dynamically different that GDP comparisons can become misrepresentative. Take, for example, the trajectory of Sierra Leone over 2014. In January 2014, the small West African nation was featured in a *Washington Post* global business article as the second-fastest-

2014 U.S.-Africa Leaders Summit. Organized by the White House and hosted by U.S. secretary of commerce Penny Pritzker and Mayor Mike Bloomberg, the Washington, D.C., summit brought together more than 200 African and American CEOs as well as two U.S. presidents and multiple African heads of state.

Among some $14 billion in new deals between American and African firms unveiled, the most significant business announcement, both in dollars and symbolism, came from Africa's most recognized billionaire, Aliko Dangote, and U.S. private equity moguls Stephen Schwarzman and David Rubenstein. During an investment panel moderated by Bill Clinton, Dangote unveiled $6 billion in joint ventures with Schwarzman's Blackstone Group and Rubenstein's Carlyle Group to fund African infrastructure projects. Seated next to Dangote on the panel was GE CEO Jeff Immelt, who quipped, "Just remember who sells power-generating equipment," gesturing to Dangote and then Schwarzman and Rubenstein in an auditorium packed with some of the world's most prominent business leaders.

As we illustrate throughout this work, there are many facets to Africa's transformation. The economic growth narrative that started small in 2010 has continued to gain momentum, credibility, and scope—intersecting with many fast-moving demographic, political, and cultural currents in SSA and the world. There's certainly more to the 21st-century Africa story than commerce. Business statistics are not simply numbers. Those numbers reflect trends being driven by some extraordinary people. Africa's economic performance has served as the catalyst to putting the continent front and center on the world's business stage. Growth has opened another vital link to Africa's imminent status as a global powerhouse: that of record investment in its economies and people. When it comes to financial flows, if Africa's past was heavily characterized by foreign aid, its future is quickly becoming more defined by foreign direct investment.

2
Capital Is King: Global Investment in Africa

We don't look at the past. We are all looking forward.
—Joseph Ntambara, 42, Rwanda Trading Company senior procurement officer

The key is continued investment in building our people's capacity.
—Rwandan president Paul Kagame

From Little Rock to Kigali

Before Africa's growth story became well publicized in 2010, some American businessmen from Little Rock, Arkansas, were already viewing the continent through an investment lens. The country they were focused on was not South Africa, Ghana, or Kenya. It was Rwanda. Years past its devastating 1994 war and genocide, Rwanda was one of the African nations that would make the list of the world's 10 fastest-growing economies from 2001 to 2010. The country's president, Paul Kagame, who had led the small East African country out of the war, had plotted Rwanda on a new path. The core tenets of which were to reduce poverty and improve living standards by embracing private-sector growth, modernize the country's business infrastructure, and supplant foreign aid with foreign direct investment (FDI). As neither Kagame (a former military commander) nor Rwanda had extensive experience with the global private sector, the president began making overtures to U.S. business leaders, urging them to advise and invest—including approaching some Americans from Little Rock.

In 2005, U.S. executive Scott Ford found himself in an unanticipated conversation with Rwandan president Kagame. At the time, Ford was the CEO of Arkansas telecom firm Alltel. He was in Rwanda with his wife and three boys visiting the Sonrise School for at-risk youth and orphans of the genocide, an institution, founded by Rwandan bishop John Rucyahana, that Ford supported. The Southern CEO and African president were brought together by investment banker Dale Dawson, Ford's former boss, who helped organize the Friends of Rwanda network, a small group of American business leaders dedicated to Rwanda's private-sector development.

Kagame heard that an American telecom CEO was in Kigali and sought Ford out for a meeting to discuss modernizing Rwanda's telephone company. "I wasn't actually too tuned to go and didn't really know who he was at the time," recalled Ford. "I sent word, 'No thanks, I am here with my family and kids.' They came back, 'Great, the president has family and children too. Sunday dinner, seven p.m., his house. He'll send a car to the hotel for everyone.'"

After the dinner, as First Lady Kagame hosted Mrs. Ford and the Kagame and Ford kids played soccer in the presidential yard, the American CEO and the Rwandan president bonded over a discussion of the freedoms of Western civilization: political, religious, and economic. "He told me the state alone could not bring economic freedom," said Ford. "That required entrepreneurs who know how to make money teaching other people how to make money." The two also agreed that businesses and markets, if harnessed properly, could empower Rwanda and its people much more effectively than foreign aid. Kagame gave Ford a challenge: "If you can find just one person to invest in Rwanda's economy, you will have done more for this country than anyone has the right to ask of you."* After their initial four-hour dinner meeting, Kagame would call Ford from time to time for business counsel. This eventually led to Ford joining Rwanda's Presidential Advisory Council, a commitment he had more time for after brokering the $28 billion sale of Alltel to Verizon in 2007.

In 2009, Scott Ford determined that the best way to help Rwanda attract investors would be to invest in a business venture himself, "checking that box per the president and my dinner conversation" and "creating that example it can be done." After doing some due diligence on the country's various sectors, he decided to get into Rwanda's coffee export business, a stretch from his background in telecoms and banking.

Ford tapped another Arkansan, Todd Brogdon, to lead the effort. Brogdon had already been enlisted through the Friends of Rwanda network to set up microfinance lender Urwego Opportunity Bank of Rwanda in Kigali. A CPA by training, with a career in private equity, Brogdon had as much experience in the coffee business as Ford—none—and no more experience in Africa when recruited to set up Urwego. "At the time, I didn't have a passport and couldn't have told you much about Rwanda, except that it was somewhere in Africa," recalled Brogdon. "And when people started talking to me about aid and development, the only thing I could think of was that '80s Live Aid concert." Brogdon and Ford assembled a team, became quick studies in the coffee trade (Rwanda's second-largest export), and soon targeted an underperforming government-owned coffee mill for purchase.

* Ford also recalled Kagame's view that the West, in its persistent advocacy of human rights, was often overlooking the power of economic freedom in bringing about other freedoms in a country such as Rwanda, telling him, "The key test is when the poorest of the poor can taste the benefits of the system economically, they won't settle for a political system that denies them political or religious rights."

In April 2009 they arranged the $2 million acquisition of the Rwandex coffee factory, a 8,000-square-foot facility in the hills of Kigali, which had been taken over in bankruptcy from its European owners by Rwanda's central bank.* The foreign direct investment was funded by Scott Ford's U.S.-based Westrock Capital, and created the Rwanda Trading Company (RTC), and subsequently Westrock Coffee.

At first many in the coffee trade establishment didn't quite get Todd and his team. "We didn't know people in the industry . . . and found the primary U.S. trade group, the Green Coffee Association, through Google. Three of us signed up and went to their annual meeting in Atlantic City," explained Brogdon. "Here are three hicks from Arkansas . . . showing up and saying, 'We're from this new company called Rwanda Trading Company and we're going to export coffee here from Africa.'" The initial reception? "Those guys looked at us like 'What?' In the industry everything about us didn't fit the typical coffee-trading businesses that had been around for decades. We did not fit in," said Brogdon. The two felt, Todd recalled, like the unpopular kids in the high school cafeteria, people quietly snickering, "There are those guys from Arkansas who think they're going to sell coffee from Rwanda," when he and his team walked by.†

Establishment skepticism aside, the novice American coffee traders who purchased the mothballed mill in April 2009 exported their first containers by August of the same year. They also began their most important relationship in Rwanda—the one with their employees. While sizing up strategy and facility upgrades

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* Westrock Capital paid $1.6 million for the plant and invested $500,000 in fixed assets to make it operational.

† According to Brogdon, the story of their showing up at the Green Coffee Association (founded in 1923) is now fondly told among board members and the establishment players who were there. Association contacts have since assisted in expansion of RTC's global distribution network.

do is build some proper employee facilities and pay our workers as much above the minimum market wage that we can." According to Brogdon, Rwanda Trading Company started compensating its workers about 25 percent (on average) above Rwanda's market rates, with performance-based options for bonuses. It also began offering skills training and opportunities for many seasonal (three-month) employees to work throughout the year.

Five years later, a visit to the RTC in Kigali revealed that the local employees are the primary engine of the coffee factory's fairly manual operations. RTC's main Kigali location employs 120 full-time staff and approximately 300 seasonal workers—the latter being predominantly women, according to plant managing director Clay Parker. RTC has also trained a handful of local managers, some of whom have traveled to the United States for additional coffee trade training.

In and around RTC's warehouse, Rwandan men arrange masses of boxes and bags of coffee, while dozens of women work side by side on organized plots sorting coffee. Of the women, senior hand sorter Beata Kampire came knocking on RTC's factory door in 2009 looking for a job when her husband became disabled in an accident. The mother of two and grandmother said that the best part of her job "is working with and helping the other women at the company." Kampire serves as a de facto work and life mentor to many of the younger sorters. "I like teaching them how to sort and giving advice on problems they are facing in their daily lives," she said. "RTC has given my family opportunity we would never have had since my husband has been unable to work and I became the sole breadwinner," she explained. "RTC also keeps me young," she added.

RTC is shaping a budding entrepreneur in 33-year-old manager John-Bosco Nyiringabo, who is enthusiastic about the opportunity the mill gives him to learn business. He works with the farmers in the fields, advising them on how to operate the coffee-washing stations and improve basic processes, from accounting to quality control. Nyiringabo aspires someday to create his own company helping farmers build businesses around agricultural products: "Many farmers don't know how to reach the market. I do. I can teach them to do better business."

RTC's senior procurement manager, 42-year-old Joseph Ntambara, began working in coffee in 1995, hoping to rebuild his life as one of the country's many returning post-war exiles. Of the opportunities the sector has provided him and other Rwandans, the father of five said, "Coffee built my house; coffee sent my children to school." He also spoke of the beneficial cycle of economic growth that profitable companies such as RTC can create in Rwanda, including for his wife's small hardware store. "Some farmers are starting to do very well. They have choice and information. It is a free market, and they can make price comparisons on where to sell their coffee," said Ntambara. "Some make a million francs a year—they are buying cars, refrigerators, building new houses. Perhaps they will even buy from my wife's store," he explained with a chuckle. When asked about life before the end of the war and his job at RTC, Ntambara said, "We don't look at the past. We are all looking forward."

After five years of operating and growing in the country, RTC's Scott Ford and Todd Brogdon are looking ahead, too. The results generated by Ford's original $2 million acquisition of an old Rwandan coffee mill demonstrate the possibilities of foreign direct investment over foreign aid—something envisaged in Ford and Kagame's first meeting. In 2014, RTC exported more than seven million pounds of coffee, or roughly 20 percent of Rwanda's total coffee exports. Many Americans may already be drinking java sorted and brought to market by Beata Kampire, John-Bosco Nyiringabo, and Joseph Ntambara. RTC's branded coffee now sells in Walmart and Kroger stores, and their private-label coffee is sourced by Intelligentsia, Starbucks, and the Omni hotel chain. The company now employs more than 400 Rwandans, has generated \$15 million in revenue, and paid more than \$1 million in local compensation. RTC pays taxes to the Rwandan government and participates in the country's new social security program, which allows hand sorters such as Beata Kampire and hundreds of other women to log their earnings in the country's new retirement benefits system.

RTC is also credited with breaking up Rwanda's coffee duopoly, resetting prices the country's farmers could command. "Once we did that, it shifted prices on coffee from about 50 cents a pound to 80 to 90 cents a pound. That's the value of about an additional \$100 million to Rwanda's farmers," said Scott Ford. RTC's parent, Westrock Coffee Company, has expanded into Tanzania, and in 2014 it purchased Falcon Coffees, which sources from Ethiopia, Uganda, and Democratic Republic of the Congo. Collectively the Arkansas-based coffee venture now employs 500 in Africa and is approaching revenues of \$100 million.

Looking to the future, RTC CEO Todd Brogdon envisions a time when Rwandans take over the company. "We would love nothing more than someday the Rwandan Trading Company goes public on the Rwandan stock exchange, and 50 years from now it's a publicly traded company run and operated by Rwandans," he said.

Madiba as African Visionary on Investment

Through growing investments like RTC's, Rwanda has nearly tripled its FDI since 2009 to over half a billion dollars in 2014. Add that to the country's recent billion-dollar international bond issuances, and you get a country that has transcended a war-torn past to become a new destination for global capital. And in the twenty-first century's hyper-economic world, global capital—who wields it, attracts it, and uses it most wisely—is a critical determinant of national success. Nowhere is this more apparent than in emerging economies over the last two decades. As greater percentages of total global investment have flowed to emerging and frontier markets (surpassing the amount to advanced economies for the first time in 2013), so, too, has fierce competition to entice it. For countries in Asia or Latin America with critical infrastructure and employment needs, attracting foreign investment has commonly determined which nations did the most to build roads, bridges, and power plants; create jobs; raise incomes; and improve living standards. The ability to draw and manage international capital successfully has also given some countries formerly on the world's economic sidelines (e.g., India, Brazil, and China) front-row seats in elite forums of global business.

While Sub-Saharan Africa (SSA) has been late to this game, an unexpected visionary to the merits of attracting international investment was Nelson Mandela. As South Africa's first post-apartheid president, Mandela could have taken the country in a lot of directions in those early days of his tenure starting in 1994. At each juncture, he seemed to make the right call. Sometimes overlooked in Madiba's legacy was his stance on business issues. When it came to South Africa's economic policy, he chose free markets and foreign investment.

That Mandela would embrace the open-market path is somewhat remarkable given the African National Congress's (ANC) and his own Marxist-Communist leanings. As an activist, Mandela was close to Cuba's Fidel Castro and openly called for nationalization of South African companies. Yet as president, he embraced an open economy and courted international investors, miraculously realigning the ANC's socialist, development-state orientation toward trade, investment, and connecting to global capital markets.

There were a lot of reasons he did this. It has been suggested that he started to change his views in jail, and sealed his opinion with regard to open markets while attending and addressing the 1992 World Economic Forum annual meeting in Davos.* Surely his transformation was both visionary and strategic. He had taken note of the direction the world was heading: away from communism and toward globalized finance, businesses, and markets. He was also acutely aware of the need to create jobs for South Africa's growing youth population. In 2000, Mandela would say, "As I moved around the world and heard the opinions of leading business people and economists about how to grow an economy, I was persuaded and convinced about the free market."

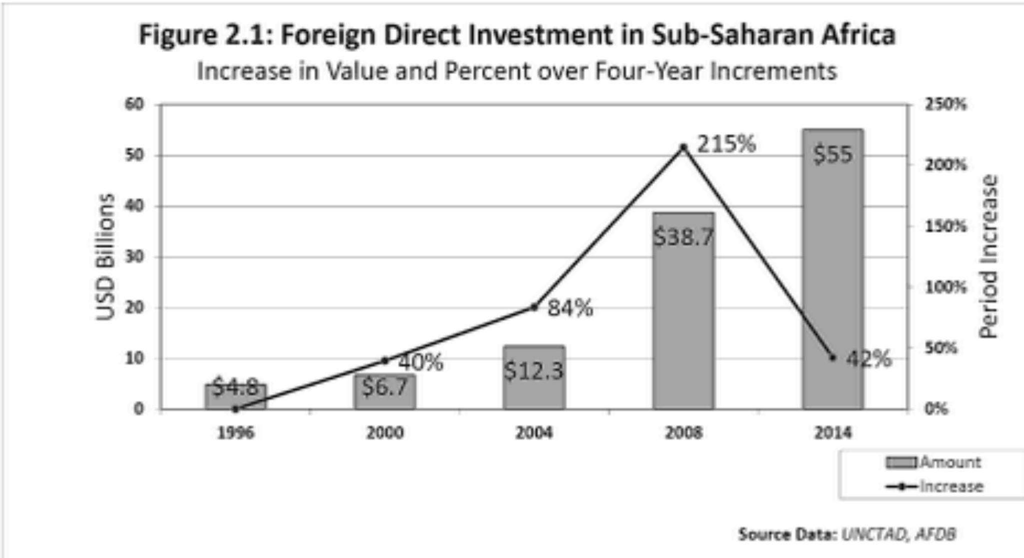
Indeed, Mandela knew he needed to open the country for business and attract foreign investment because South Africa's post-apartheid economy was in trouble. Years of sanctions aimed at divestment had left the country economically isolated and the government nearly broke. Madiba set out to reconnect South Africa commercially to the world. So he went about bringing in

* Former South African finance minister Trevor Manuel named the 1992 World Economic Forum as an important economic policy turning point for Mandela. According to Manuel (then an adviser), Madiba insisted that the advance text of his speech be altered away from ANC hard left economic rhetoric and toward attracting investors, giving the "private sector . . . a central role in . . . creation of wealth and jobs," and making six references to the need for international investment in the post-apartheid South Africa. Mandela's turn toward open markets also connects to his 1991 Davos conversations with former Chinese premier Li Peng. Former World Economic Forum director Lance Knobel recalled Mandela referencing conversations where Li told him of the ANC's early economic policy platform, "We've tried that, and it doesn't work."

billion. At the time, Airtel was pushing the limits of its Indian subscriber base (around a hundred million) and CEO and billionaire Sunil Bharti Mittal had been eying Africa as a destination to make a bold growth move. The acquisition was the largest ever emerging market cross-border transaction, claimed Airtel, expanding the company's presence in 15 African countries and making Airtel the world's fifth-largest mobile phone provider. In the deal's wake, in September 2010, came another multi-billion-dollar announcement: IBM's $1.5 billion arrangement to manage Airtel's backend technology operations in 16 African countries. Then, during the same month, Walmart announced its $4.6 billion acquisition of South African retailer Massmart, a referred to "a platform for growth and expansion in other African countries," Walmart spokesperson Andy Bond said in a statement quoted by the *New York Times.*

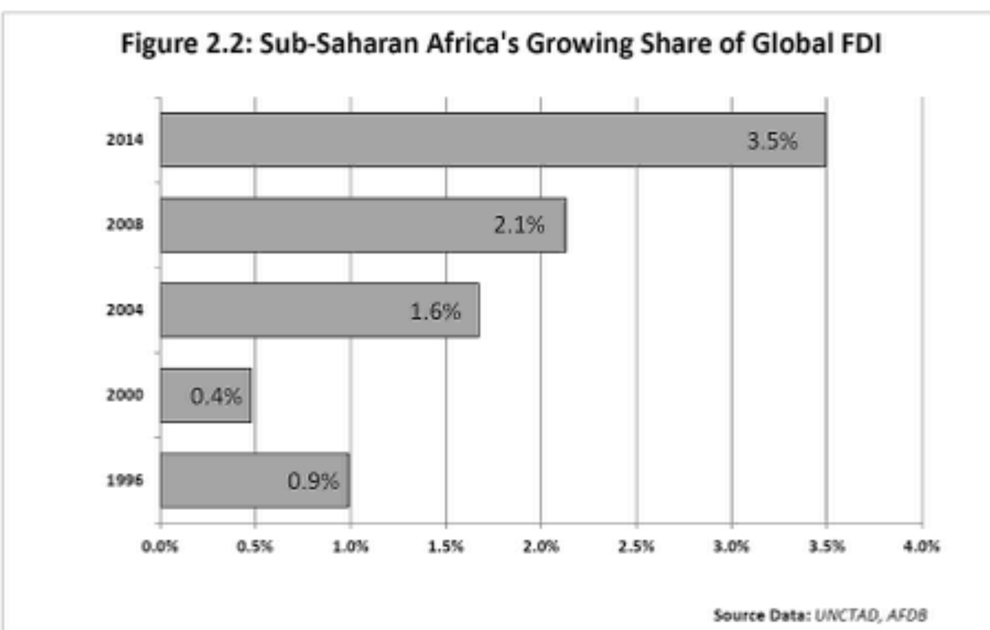
Over a span of eight months in 2010, business news reverberated with $16.8 billion in FDI-related Africa news. That definitely got our attention, along with that of many investors and CEOs, reinforcing the viability of Africa's economic narrative around things like mobile technology and consumer goods. Suddenly global business actors had more than just GDP figures to affirm Africa's economic potential. They could now connect a trail of big investments and deals, most in billions not millions, directed by very savvy companies.

Africa's 2010 investment headlines were not an anomaly. They coincided with a historic rise in FDI to SSA occurring since the 2000s. It should be no surprise that the factors fueling Africa's GDP growth (namely, greater political stability, better fiscal housekeeping, productivity gains, and diversifying economies) also foster increased investment. Since 2000, FDI to SSA increased sevenfold, more than doubling from 2004 ($12 billion) to 2008 ($38 billion) and increasing 42 percent from 2008 to 2014, to $55 billion.



This upward flow of capital to Africa has broken SSA out of one of its less than 3 percent rankings. The region gained nearly 4 percent of global FDI in 2014, compared to less than one-half of 1 percent in 2000.

Significant returns on FDI—as high as 36 percent in Nigeria



and 9 percent for Africa as a whole, versus 6 percent globally—have no doubt persuaded many investors.

While FDI into SSA is still concentrated in about a third of its countries (89 percent to 15 nations in 2013), the number of projects is increasing, and funds to non-extractive sectors are expanding. The entire African continent showed an increase in its share of global FDI projects, to a record 5.7 percent in 2013, with some 64 percent of investments going to tech, media, and telecom; financial and business services; and consumer goods sectors.* In 2013, SSA showed a marked increase (10.76 percent) in greenfield FDI (that is, investment in new, from-the-ground-up ventures). The latest 2014 numbers for Information Communication Technology (ICT) showed $5.86 billion in FDI into SSA tech infrastructure in 2014—$2.96 billion of it going to South Africa, Nigeria and Kenya, per data we sourced from the *Financial Times*' FDI Markets database.

In addition to roads, bridges, and power plants, greater investment in ICT infrastructure is part of a mounting, country-by-country commitment to digitally wire Africa's economies and citizens. FDI projects building out Africa's technology ecosystem are popping up everywhere. In Nigeria, the United Arab Emirates' phone operator Etisalat invested $1 billion in upgrades to its mobile and Internet network from 2009 to 2014. Intel's investment arm, Intel Capital, opened a Lagos office in 2013 to manage its expanding investments in African startups. In 2014, IBM opened two new mainframe centers, in Nairobi

* SSA's top four 2013 FDI recipients were South Africa ($8.1 billion), Mozambique ($5.9 billion), Nigeria ($5.6 billion), and Ghana ($3.2 billion). We sourced data for this passage directly from the United Nations Conference on Trade and Development (UNCTAD). Ernst and Young's *2014 Africa Attractiveness Survey* was also referenced. Rates of FDI return came from Deutsche Bank Research.

and Johannesburg, to offer greater big data, cloud computing, and mobile services to clients, business partners, and universities across the continent.

Across SSA, FDI flows and greenfield projects are adding up quickly, with positive ripple effects in creating jobs, professional capacity, infrastructure, and services.

Foreign Portfolio Investment to SSA

While government bond markets rarely capture the allure of stocks, each year global investors purchase trillions of dollars in sovereign securities from nations around the world. Whether U.S. Treasuries, German bunds, or Chinese 10-year notes, these fixed-income instruments generally provide investors more stable (though typically lower) returns than stocks, while offering governments a financing channel for services and infrastructure. Sovereign bonds also bring an extra measure of accountability to governments through national ratings and yields, both of which go up or down in global markets based on good or bad economic policies.

So how has SSA factored in sovereign bond markets over the last few decades? It largely has not, with the exception of South Africa. Another mark of Africa's financially disconnected past, few SSA countries even had sovereign credit ratings (a basic requisite for issuing global bonds) into the 2000s. A record boom in global African bond issuances, many maiden, over the last two years is changing this picture. Since 2013, SSA countries issued \$11.9 billion in dollar-denominated sovereign Eurobonds—more over a 15-month period in 2013/14 than the previous four years combined.

ments, through poor fiscal and economic management, bring on the scrutiny of ratings agencies and investors, that's exactly the kind of accountability that is desired.

Sovereign Credit ratings and variable bond yields provide instant and economically tangible feedback. Investors and Africa's citizens will be watching keenly how these new bond funds are spent compared to original commitments, most of them to upgrade infrastructure. Too much corruption or bad economic policy will cause investors to dump certain bonds and drive up borrowing costs. The Nigerian government realized this during its 2014 central bank whistleblower corruption scandal. When central bank governor Lamido Sanusi, a globally respected financial steward and *Time* 100 honoree, raised the issue to Nigeria's parliament of $20 billion in missing state revenue, he was fired by the country's president, Goodluck Jonathan. The affair sparked widening spreads on Nigeria's new bonds, a drop in its stock market and currency, and a Standard & Poor's sovereign credit downgrade.

There will certainly be sovereign borrowing ups and downs; similar to Argentina, some SSA nations will find it difficult to meet investor and fiscal commitments. But countries such as Greece have faced the same problems, and few suggested they simply not participate in global bond markets.

Another benefit of SSA countries connecting to national credit ratings, sovereign bond markets, and new digital trading platforms is enhanced ability to attract other forms of foreign portfolio investment (FPI). This includes Africa's stock markets, which have received more enthusiastic investor press than its sovereign bond markets, yet are still fairly nascent and relatively small by value. The entire continent has 29 stock exchanges, but most of them have fewer than 40 total listings. Prior to 2011, South Africa aside, SSA's total stock market capitalization was less than $100 billion, around double that of Starbucks today. By 2014 the