

# Bloomberg Invest: Focus on Africa

In Conversation with a Newsmaker:

**Jennifer Zabasajja:** Thanks, everyone for being here. Thank you so much, James, for being here. I have to start with this because you've been to London a few times over the past few months, I think two times in the past two months. Is that correct?

**James Mwangi:** That's true.

**Jennifer:** What are you doing here? Is there some investment interests here? Can you share a little bit more with the audience?

**James:** Broadly, we are trying to mobilize support for economic recovery and resilient plan for Africa. We felt London as a home for a large capital market. That's why I would really like to do. The second one is really to engage and involve with the Commonwealth. That's 54 countries, if you have the backing of 54 countries, and with 19 of those countries being in Africa, then trade and investment becomes viable. Of course, to talk to investors like the ones with us here.

**Jennifer:** Well, and what does that dialogue look like when you're talking with some of these investors in the Commonwealth specifically?

**James:** The dialogue as I said, is about trade and investment with Africa, is about the opportunities that Africa is presenting. Particularly given that the world seems to be resetting itself, we see and we had the team that was just ahead of us talking about the concentration in global production, whether like with the situation we are because of Russia and Ukraine, as regards food, when it comes to edible oils, the concentration of Indonesia and Malaysia.

The question is, can Africa help to diversify these global supply chains? Can we reset the world and get Africa to play a rightful place? Is Africa, given the last 25 years of very rapid growth, no recession until COVID hit? Is that really a testament that Africa is of age to attract capital for a return.

That is the debate and we have been surprised by the positive sentiments that have come out of it. We have had, for instance, the Commonwealth signing in and saying, yes, we'll have this as a major subject for deliberations in Kigali in June. We have had IFC and the World Bank Group saying this is a credible or plan, we shall support you to align the nation or countries in implementing the plans such that the policy coherence can support the private sector.

The big one is that maybe it is time to try the private sector to lead development. We had the conversation that was here about what is debt levels in the countries or in Africa. We are now saying the private sector really can lead transformation using trade and investment.

**Jennifer:** What makes you so optimistic about the fact that Africa could potentially be the resetting factor for the world, considering the debt challenges? You just mentioned it right there. What is the convincing factor for you here?

**James:** Two aspects. The first one is what Africa brings on the table. Africa brings a young population of 1.2 billion consumers, let's talk that really has a solid market. The second one is Africa still holds 60% of arable land. When it comes to agriculture, whether it's wheat, whether it's palm oil, Africa can bounce back. Nigeria, and DRC, in the '60s, were the largest palm oil producers in the world. The competitive advantage of Africa plugging in to solve some of those broken supply chains is real.

The second and the third aspect, is ideology. It looks we are where we are because of differences in ideology. Africa is only interested in transforming itself. That's not really bringing in the ideological issues. It's neither right nor left for Africa. The question is, Africa wants to utilize its resources.

The last one may be is then endowment Africa has in natural resources or the extractive industry. It's not just about agriculture, it's a question of value addition on African natural resources on the continent. Instead of sending Cobalt, why don't we do batteries? Instead of copper sheets, why don't we sell copper wire? That is the argument that Africa is putting on the table. As you'll see all those are opportunities for the private sector.

**Jennifer:** Regardless of ideology, there's still a problem of being indebted to other countries. That's still some of the issues that we're seeing some of these countries deal with. How do you get around that?

**James:** We're getting around that using private sector capital. We're not telling the governments to borrow, we don't want the governments to be the investors. We want the governments to be facilitators, create the enabling environment, and bring certainty about market and manage micro economic and that's it. The rest is capital markets. Let investors see the opportunity that Africa and let investors reposition themselves. There's so many investors coming out of Russia, is African the next destination. We are talking about fertilizer 35% of African fertilizer has been coming to Russia.

If you got 35% of the African market of fertilizer, that will support two or three factories in the African continent. That's all that we're asking for.

**Jennifer:** How is that working particularly, you're in Kenya specifically, tell us how that's working in East Africa, specifically, and you mentioned the mobilization of governments. Everybody has to work together. How is that playing out right now?

**James:** We've been very lucky that the governments for particularly Kenya, Uganda, Rwanda, Tanzania, DRC, have come up front and said, this is our priorities. This is what we believe our competitive advantage. Kenya has come out with health, it has come out with low cost housing, it has come with agriculture, and food security, and it has come with low cost manufacturing. It wants to manufacture building materials in the continent.

Uganda have said, we have very good agricultural potential, let's unlock that potential. We can do our health and we can also develop our oil and gas. Every country has come out with what it's good at. Essentially, then this is coming at a time when the continent has come together and said, can we promote cross border trade, the African continental free trade area.

It's neither an export oriented or import substitution, it's more about trade within the region based on comparative advantage. When six countries that forms a market of 600- 300 million people come together and say you produce what you are good at, and we produce and let's trade across the border, then it means that the advantage that we are leveraging on is that commitment by the governments.

**Jennifer:** Where, in what ways are we seeing that working specifically?

**James:** I think we have seen that working very well in the six countries, because if you look at DRC, for instance have come up together with Zambia and said, let's sign a joint agreement and we start producing batteries. You can see that collaboration. You see DRC doing road shows. Look at Rwanda, Rwanda has already passed, have said yes, we ourselves, we want to host Kigali International Finance Center, this development will require a lot of financing. We have the right policy, we have the right investment policy, let's attract international capital to Kigali, then can facilitate it.

Kenya has said, yes we have the right infrastructure, can we also hub most of companies because we have good education system, we have good health, we have good infrastructure, and we are logistics hub for the region. Everybody seems not to be competing with others, just broadly, but competing on the basis of competitive advantage. That is why we think-- That's what the private sector is looking for.

**Jennifer:** What are the hurdles then to getting, I know, you and your team have the Africa 2025 resilience and recovery plan. What are the hurdles to getting there? Because it all does sound great, but how do you actually take the right steps and ensure that you have your partners who are on the same page with you?

**James:** The first step was us coming on the table with demonstration. 25 years ago, Equity Group was non existent. It was number 66 out of 66 in the ranking of financial- in the financial sector in Kenya. Today, it's not just the largest bank in Kenya, but is the second largest bank in DRC, second largest bank in Rwanda, the fifth largest bank in Uganda, and on and on.

That really demonstrates, in just those short 20 years, we have built an asset base of nearly \$13 billion. We have demonstrated that yes, you can manage the risk of Africa and can have a reasonable return. That's the first thing that this development plan is being sponsored by a private sector who is playing in the six countries that we are starting there.

The second one is coherence in government policy. We have brought the governments on the table. We have discussed with them and said yes, if this is your forecast, then put the right policies, and we will handhold the global investors as they come to the region to get what is necessary.

Now, what are the challenges, but just before the challenges, the fact that we have managed to get to the Bretton Woods institutions led by IFC as a private sector arm, to sign up to the plan and say, we want to be part of this. African Development Bankers signed in, Exim Bank has signed in and 16 development banks in Europe and says, we want to participate in a project financing. We want to participate in syndication.

Now, what remains is convincing the investing community around the perception and I've had these last comments was about how do we change the perception that exist? If you look, the six countries, we are fronting as the test case together maybe constitutes the fastest-growing region anywhere in the world.

**Jennifer:** Even now?

**James:** Even as we speak, if you look, Kenya registered 7.5% GDP growth rate last year, Rwanda 10.5, so when you put- all of them are above six. When you put them together, a market of 300 million people, they're in one integrated economic block, movement of goods and services is facilitated, then it shows the market seems to be ready. But the perception out there is still about Africa. We are not talking about specific countries, we're not talking about region. We need to help people to overcome that risk.

The second one of course is the capital markets have not recognized. For instance, the policy reforms, look at Kenya and its new constitutional dispensation, the institutional framework that allows even nullification of presidential elections, and life goes on. Look at Rwanda, and its new investment policies and regulatory framework. That needs to be sold a little bit better. We need to speak a little bit so that people change perception. I think the biggest hurdle is perception, global capital.

**Jennifer:** Who do you think that's on then? Is it on yourself? Is it on the governments to change that messaging?

**James:** Oh, we have decided. That's why we have been in London three times in two months.

**Jennifer:** Three times?

**James:** Three times in two months, it's simple. We said we have a testimony. We have experienced this. We are listed in Kenya. We are cross-listed in Uganda, in Rwanda, can we tell the story? The narrative needs to be changed, but we felt we had a good basis of telling the narrative. Of course, the Kenya government is in town this week on a roadshow, they're looking [unintelligible 00:13:34] so essentially it is a collaborative effort.

**Jennifer:** Could that potentially mean a listing for you here?

**James:** We are saying we need to link with the global of market essentially because the private sector, if that region takes off the institutions and the company is operating in that region, if the transformation takes off, most likely they will require more liquid markets.

**Jennifer:** Let's just talk to you, because I'm from the US, and I know you mentioned the Commonwealth and the negotiations that you're having here. What about more in the west with the Biden administration? Have you had discussions with them because inevitably you want to get that perception and that messaging to them as well?

**James:** Broadly, we have brought in the American companies. Look at agriculture, we are saying John Deere they have demonstrated the resilience of their tractors on

the African continent. They have an office in South Africa. We have persuaded them to open an office in Nairobi. The question is when it comes to agriculture, we have visited Chicago twice to attract the seed multiplication companies, because we need a coordinated, coherent brand where everybody brings their competence and capability.

It is more of attracting a cluster in every sector. When it's agriculture, you have seeds, you have tractors, you have capital. The reason why we're in London is to attract capital equipment manufacturers for agro-food processing, because essentially, Europe has become maybe the most significant market for agricultural export from the region. You want to synergize and create a win-win strategy.

**Jennifer:** When we talk about opportunity, just in the few seconds that we have. I'm going to go over just a few seconds. I'm sorry. I have to ask you this because in Kenya, of course, specifically, when we think about opportunities and the youthful population that's there, crypto is a lot of the conversation that is happening globally. Is that part of your plan? Where does crypto play into long-term strategy for you and your team?

**James:** Africa will benefit substantially from leapfrogging on the fourth industrial technologies and cryptocurrency is one of them, big data is one of them. Remember, like we have seen with mobile technology, because Africa didn't have landlines when mobile phones came, it became a global leader when it came to application development, innovations using the mobile technology, Nairobi is still a global leader. We are hoping that use of technology particularly data, particular artificial intelligence, will be a major of basis of leapfrogging. We are not talking about existing manufacturing capacity.

We are saying starting afresh. The use of technology can make Africa very competitive but because of lack of legacy system. It's really leapfrogging and making a leading productivity and efficiency center.

**Jennifer:** You believe digital currencies as well play into that?

**James:** It will be part of this. The question is what role it will play. If that will be the channel for capital flow so be it.

**Jennifer:** You're open to that?

**James:** Remember, if you look like Kenya, the mobile digital transactions or digital money is bigger than now hard currency. Cryptocurrency can as well complement the mobile money wallet. Essentially, we need to talk to the regulators. What will be the readiness of the regulators? That would be the only thing to need because mobile money has been made possible because of regulation.

**Jennifer:** Absolutely. Nairobi, as we know, is a huge take up.

**James:** Absolutely.

**Jennifer:** James, thank you so much. We have a question. Do we have time for a question? No, we don't. We ask a lot of questions. James, thank you so much for

being here. We're definitely going to see you when you come back to London next time.

**James:** Thank you very much.

**Jennifer:** Thank you so much. Thank you, everybody.

**[00:18:02] [END OF AUDIO]**