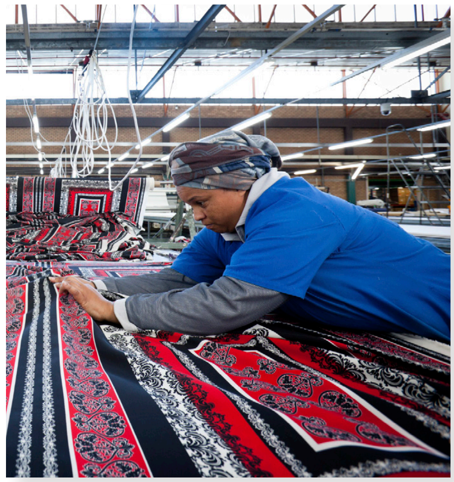
Capturing Growth Opportunities in Sub-Saharan Africa



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EVEREST CAPITAL

About Everest Capital

Everest Capital is an independent investment management firm founded in 1990. Our clients include some of the world's leading corporate and public pension funds, endowments, foundations and family offices. Everest Capital is a global opportunistic manager that pursues capital appreciation with a focus on emerging and frontier markets. Our strategies target equity-like returns and invest primarily in equities, but we also invest in other asset classes including currencies, commodities and debt.

We employ a research-driven process that focuses on global themes and benefits from our global experience and perspective. Our 53 team members bring the economic and cultural perspectives of 24 nationalities, speak 20 languages and draw on business experience gained from having worked around the world. Over the past 22 years we have conducted due diligence in over 100 countries and have invested in 96 of them, including 66 emerging and frontier markets.

The Everest Capital group of companies operates from Miami, Singapore, Shanghai and Geneva. Everest Capital LLC is a Registered Investment Adviser with the U.S. Securities and Exchange Commission. Everest Capital Pte. Ltd. is registered as a relying adviser under Everest Capital LLC's registration.

About RiceHadleyGates

RiceHadleyGates LLC is an international strategic consulting firm based in Silicon Valley and Washington, DC. The Principals of RiceHadleyGates act as Senior Advisors to Everest Capital.

RiceHadleyGates offers advice based on extensive experience in the international arena. We work with senior executives of major companies to develop and implement their strategic plans and help companies expand in major emerging markets, including Asia, the Middle East, and the Americas. In addition, we assist companies dealing with the national security and foreign policy challenges associated with offering sophisticated technologies, products, and services in these overseas markets.

RiceHadleyGates advisory services include:

- Providing the strategic and political context for international business decisions.
- Identifying political, policy, and regulatory risks presented by particular foreign markets.
- Delivering political, policy, and commercial intelligence on specific business and investment opportunities overseas.
- Helping solve specific political, policy, and regulatory problems confronting a business investment or operation in a particular country.

RiceHadleyGates does not provide investment advice and is not a registered investment adviser.

COVER PHOTOS: A locally employed surveyor at an open-pit copper mine in Zambia, Nairobi National Park in Kenya, Large clothing factory in Cape Town, South Africa.

Capturing Growth Opportunities in Sub-Saharan Africa

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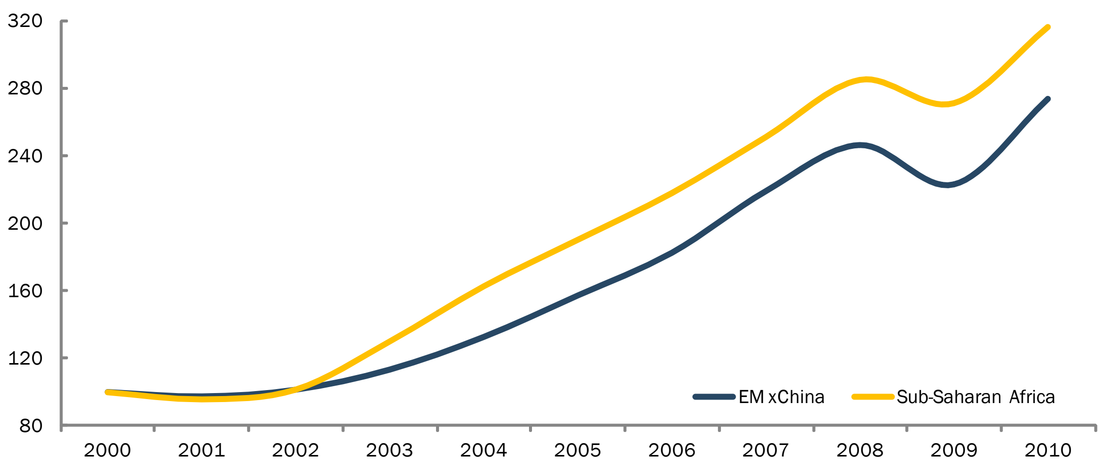
Executive Summary

For decades, Africa was a continent beleaguered by political instability, poverty, and disease; a destination for development aid rather than an investment opportunity. Today, segments of the continent, particularly sub-Saharan Africa, which includes the 11 countries that are the focus of this white paper, are beginning to realize their tremendous potential. With the help of outside investment attracted to favorable demographics and abundant natural resources, these countries and the broader region are in the midst of an economic transformation and have become a new frontier for sophisticated investors.

After barely keeping pace during the 1990's, sub-Saharan Africa's economic growth sharply outpaced that of advanced economies over the last decade, expanding 75 percent in real terms, more than four times faster than that of advanced economies. Exhibit 1 below highlights how the region has developed much more rapidly over the past decade compared to the decade before. In 2010, the average real gross domestic product (GDP) growth rate of sub-Saharan Africa alone was 5.3 percent (compared to an average of 3.2 percent for advanced economies). Six African economies were among the 10 fastest growing economies worldwide from 2001 to 2010: Angola, Nigeria, Ethiopia, Chad, Mozambique, and Rwanda.[1]

Exhibit 1: Real GDP Growth of Sub-Saharan Africa versus Emerging Markets excluding China (2000-2010, 2000 Indexed to 100)



Note: *Advanced economies as defined by the IMF.*
Source: *IMF, Everest Capital*

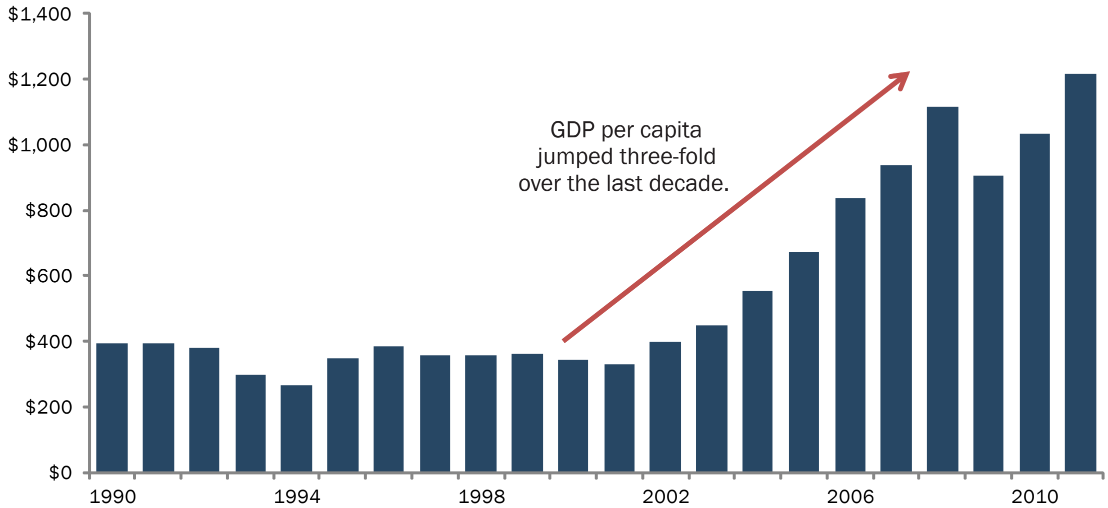
Part I of this white paper underscores the ways in which Africans have been agents of this transformation, seeks to explain why some African countries have recently shown such striking economic growth rates, and aims to identify some of the factors that may continue to enable possibilities on the continent. First, governance has improved, leading to more robust economic policy and engaged civil societies. Second, Africa's economies are maturing, transforming from agricultural- to services-based economies. Third, Africa has a youthful and large population, which will be an advantage if governments are able to educate and train their citizens. Fourth, governments have encouraged investment in the continent's natural resources, providing a source of foreign currency earnings, fiscal revenues, and employment.

Although we are optimistic about Africa's growth prospects in the longer run, we also identify a number of hurdles to progress that remain. In many countries, power continues to be concentrated in the hands of a limited number of elected officials, and institutions are relatively weak. Civil wars are less common than they were in the past, but violence can break out suddenly, and poverty and infectious diseases persist. Some of these factors account for historically uneven economic progress across the continent.

Sub-Saharan Africa offers compelling long-term debt and equity investment opportunities. In addition to factors expanded upon in this report that support this attractive long-term opportunity, these markets also present an under-researched opportunity to find secular growth stories with low foreign participation and compelling valuations. Everest Capital has extensive experience in the region and has invested in 23 sub-Saharan countries. Everest Capital believes that strong long-term nominal GDP growth rates will lead to high rates of corporate earnings growth. Coupled with attractive valuations, this earnings growth underpins expected long-term equity investment upside. In addition, the long-term potential opportunity for both local and hard currency debt markets is supported by strong macro fundamentals, attractive technicals, and relatively high yields when compared to mainstream emerging markets.

Part II of this report profiles 11 countries in sub-Saharan Africa that have both grown impressively in recent years and also have the potential for sustainable development. These 11 countries include Nigeria as the region's frontier heavyweight and ten smaller countries that we have dubbed the SSA-10. In order of economic size, this list includes: Nigeria, Ethiopia, Kenya, Tanzania, Uganda, Ghana, Senegal, Mozambique, Zambia, Rwanda, and Sierra Leone.

Exhibit 2: GDP per Capita for Nigeria and the SSA-10 (1990-2011, US dollars)



Note: 11 sub-Saharan African countries are Nigeria, Ethiopia, Kenya, Tanzania, Uganda, Ghana, Senegal, Mozambique, Zambia, Rwanda, and Sierra Leone.
Source: *IMF*

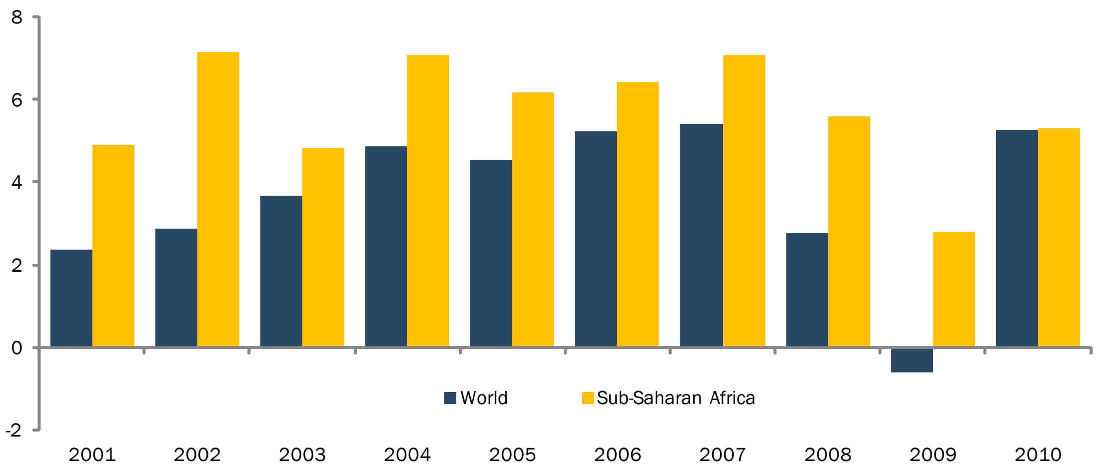
Nigeria and the SSA-10 cover a broad spectrum of sub-Saharan Africa, including the west, east, horn, central, and south. All eleven countries have not yet reached upper middle-income status as defined by the World Bank (countries whose gross national income per capita was more than $4,036 in 2011). They represent nearly 45 percent of the GDP of sub-Saharan Africa, and their economies quadrupled over the last decade with a compounded annual U.S. dollar denominated GDP growth rate of 15.5 percent over the last 10 years as they also benefited from stronger currencies. GDP per capita for Nigeria and the SSA-10 economies has also experienced a sharp expansion over the last 10 years, rising more than three-fold to an average of more than $1,218 by 2011. For each country, we highlight the sectors that are driving this growth and development: agribusiness, services, information and communication technology (ICT), minerals, oil and natural gas.

Part I: Sub-Saharan Africa's Economic Transformation

For decades sub-Saharan Africa had struggled with problems such as poor governance, statist economic policies, corruption, conflict, poverty, and disease. This was in part due to recent history as only a handful of African states were independent before the 1950's. As such, many countries in the region had to overcome the legacy of colonialism and transition to self-government and more market-oriented economies. Additionally, many of the leaders who united their countries and ended civil wars became autocrats unwilling to step down. Simultaneously, cycles of famine and drought perpetuated poverty, and HIV/AIDS and malaria reduced lifespans.

Much progress has been made in recent decades, and an economic transformation has begun, one that is being closely watched by both the public and private sectors. Countries such as China, Brazil, India, and the U.S. are increasingly approaching Africa as a new frontier for foreign investment.

Exhibit 3: Real GDP Growth of Sub-Saharan Africa versus World Economies, 2001 - 2010



Note: Advanced economies as defined by the IMF.
Source: *IMF*

Sub-Saharan Africa is now growing more rapidly than the developed world after lagging for most of the 1990's (see Exhibit 1). In 2010, the average real gross domestic product (GDP) growth rate of sub-Saharan Africa alone was 5.3 percent (compared to an average of 3.2 percent for advanced economies) and more than 6.6 percent for the 11 African countries profiled in Part II of this white paper.[2] Six African economies were among the 10 fastest growing economies worldwide from 2001 to 2010: Angola, Nigeria, Ethiopia, Chad, Mozambique and Rwanda.[3]

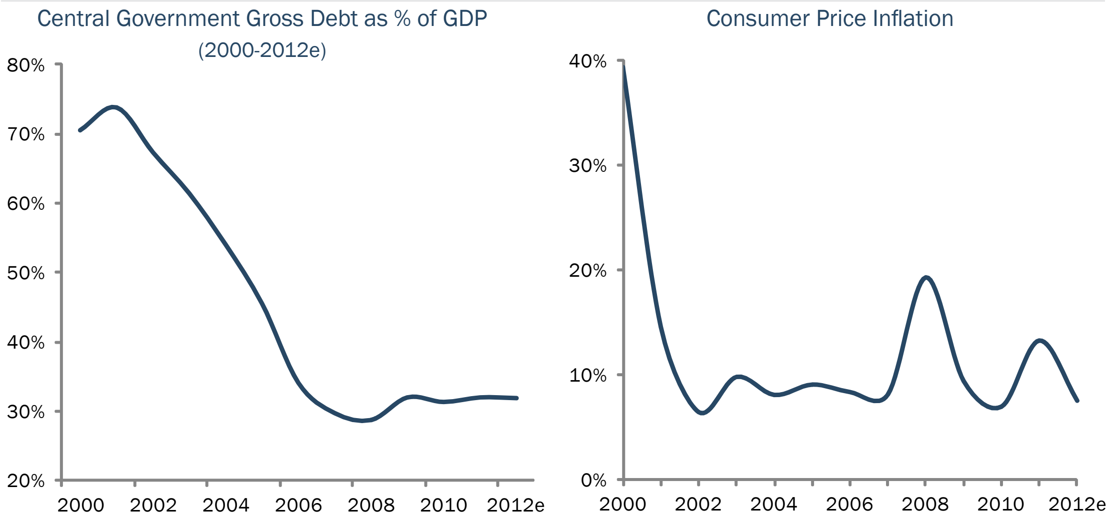
In 2010, sub-Saharan Africa's collective GDP based on purchasing-power-parity (PPP) was estimated at $1.8 trillion which, if taken as a whole, would make it the 10th largest economy in the world.[4] With a combined population of nearly 800 million, sub-Saharan Africa would also comprise the third most populous country in the world. Trade has increased over the past decade as well, with the quantity of goods and services exported rising nearly 75 percent over the period. Sub-Saharan Africa's share of global foreign direct investment (FDI) has more than quintupled since 2000, increasing from less than one percent to 3.2 percent in 2010.[5] Economic growth has been particularly notable in the 11 countries profiled in Part II of this report, which we have dubbed Nigeria and the sub-Saharan African 10 (the SSA-10).

What accounts for these promising economic indicators, and what factors can enable further possibilities in Africa?

Improved Governance

Many governments became more responsive to the demands of civil society and embraced multi-party democracy and economic liberalization in the 1990's. The end of the Cold War catalyzed some of these changes. Good governance has contributed to more responsive

Exhibit 4: Sub-Saharan African Gross Central Government Debt as a % of GDP and Consumer Price Inflation

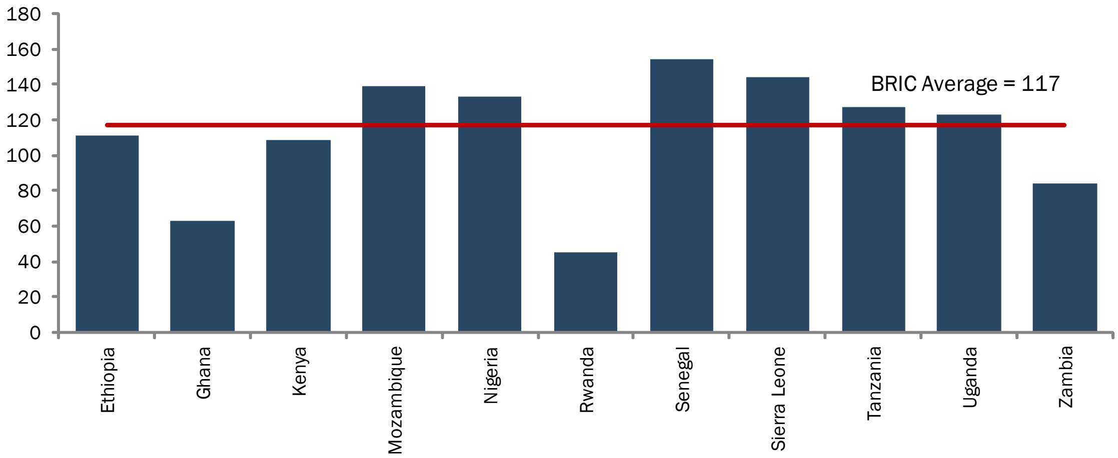


Source: *IMF*

political systems and sounder economic policy. African governments have controlled inflation, reduced foreign debt and budget deficits, pushed through privatization of protected industries and opened to trade and investment (see Exhibit 4).

The Ease of Doing Business index, compiled by the World Bank, ranks the regulatory environment of 183 different countries. A lower ranking means that the regulatory environment is more conducive to starting and operating a firm locally. Nearly half of the 11 countries that are the focus of this report, have a better ranking than the BRIC (Brazil, Russia, India, and China) average. Notably, three countries, Ghana, Rwanda, and Zambia, are not just

Exhibit 5: Ease of Doing Business in Nigeria and the SSA-10 countries (Global ranking, 1=best score)

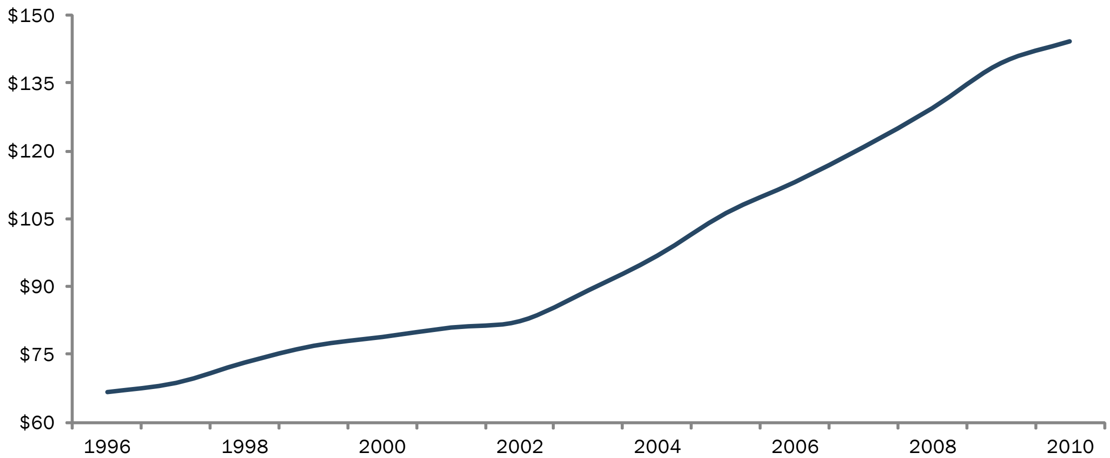


Source: *World Bank*

well below the BRIC average but also rank better than the best BRIC country, China, which had a ranking of 87 out of 183 countries (see Exhibit 5 above).

Sub-Saharan African governments have also made strides in reducing poverty and the incidence of infectious diseases,[6] although improving living standards further will remain a challenge for years to come. The growth in health care expenditures on a per-capita basis has outpaced that of GDP growth, rising at a 5.6 percent annualized rate between 1996-2010, according to data compiled by the World Bank.

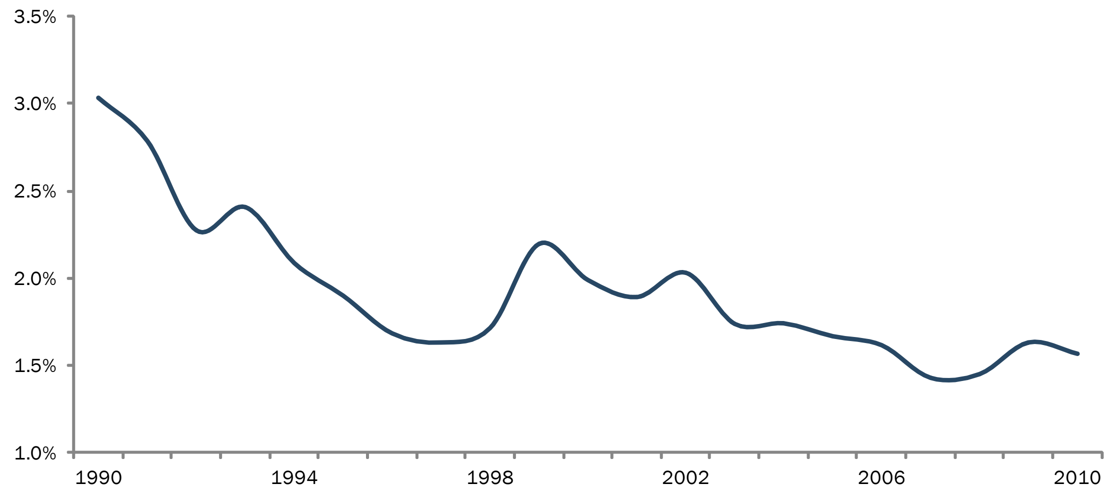
Exhibit 6: Sub-Saharan Africa Health Care Expenditure per Capita (PPP adjusted, 1996-2010)



Source: *World Bank*

Civil wars are today less common as opposed to 20 years ago. The following exhibit serves as a proxy for a reduction in armed conflict in sub-Saharan Africa with military spending as a percentage of GDP down by nearly one-half over the period.

Exhibit 7: Sub-Saharan Africa Military Spending as a % of GDP (1990-2010)

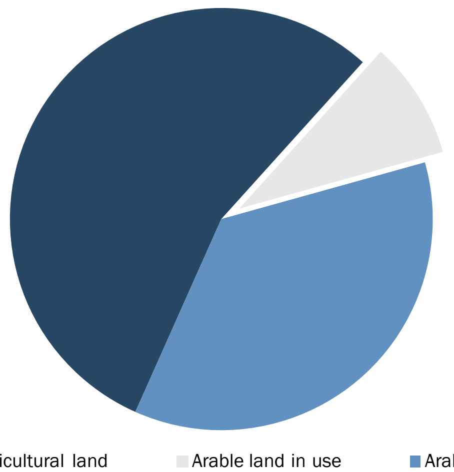


Source: *World Bank*

Economic Maturation

Sub-Saharan Africa's economies are maturing. Governments are increasingly supporting both small farmers and commercial agriculture at the same time as beginning the transition from agriculture- to services-based economies. Agriculture is currently the largest employer in all of the countries on our list, and their governments are committed to spending on agriculture as a means of moving people out of poverty. Funds are flowing into the sector from outside sources too. African governments are partnering with international development agencies such as the World Bank and private investors to expand production by equipping smallholder farmers with modern technologies such as high-yield seeds and fertilizers. There is a great opportunity for government policy and public-private partnerships to further propel growth in this sector and expand agricultural output. Only an estimated 9 percent of sub-Saharan Africa's land is in agricultural use while an additional 36 percent of sub-Saharan Africa's land is arable (see Exhibit 8). This illustrates the long-term potential to increase agricultural output and also represents one of the last large land masses available globally to increase markedly arable land in use.

Exhibit 8: Sub-Saharan Africa's Agricultural Potential (land area in million hectares)

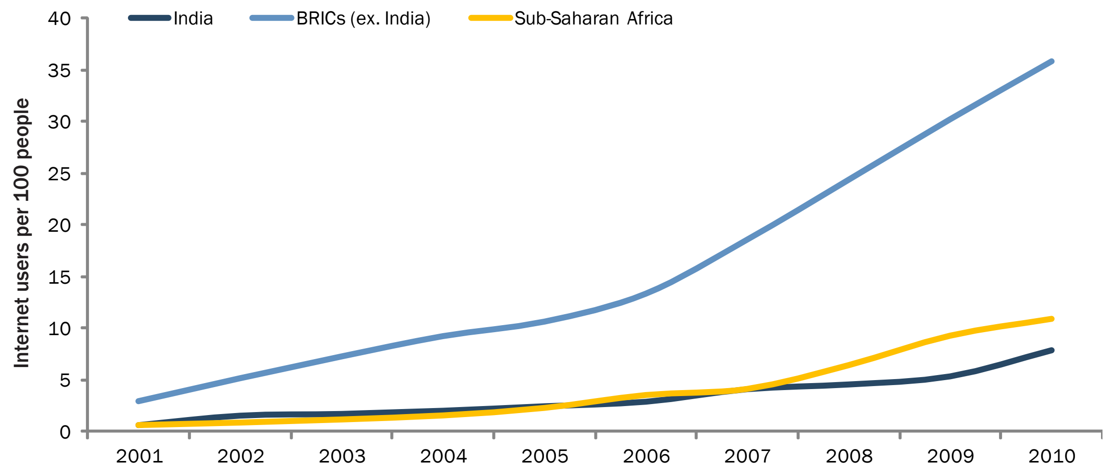


Source: *World Bank, FAO*

Longer term, the key focus is on the transition from agrarian to service-based economies. Since the mid-1960s, the contribution of agriculture to GDP has decreased by about 10 percent, roughly the same amount by which services have contributed to increasing GDP, according to data compiled by the World Bank. Entrepreneurship is also on the rise as more and more young Africans are starting businesses focused on tourism, real estate, finance, and information and communications technology (ICT).

The growth of ICT is also enabling new possibilities similar to those that helped transform India's economy following the Information Technology (IT) revolution there. A number of African countries without abundant natural resources including Rwanda and Kenya are attempting to emulate India's success and transform themselves into ICT hubs. Currently, the internet penetration rate is higher in sub-Saharan Africa than in India, although it lags the rest of the BRICs (see Exhibit 9). Mobile technologies have been adopted particularly rapidly, and penetration rates are quickly catching up to the BRICs (see Exhibit 10).

Exhibit 9: Internet Penetration is in Line with India but Lags the Rest of the BRICs (Internet Users per 100 People)



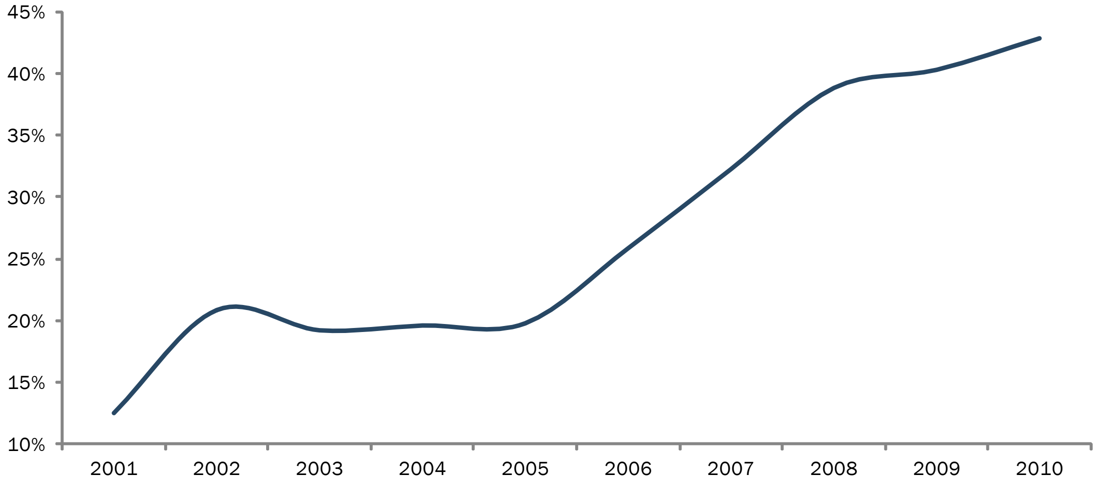
Source: *World Bank*

Mobile phone subscribers per 100 people in Nigeria and the SSA-10, as a percentage of BRIC penetration rates, has increased dramatically over the last decade. Penetration rates are nearly one-half those of BRIC countries, up from just over 10 percent of BRIC penetration rates in 2001.

The international community has also played a role in Africa's economic development. Sub-Saharan African governments have had notable success attracting sustained foreign aid and investment. Total aid to Africa was $47.6 billion in 2011.[7] Aid to Africa from the United States alone increased from just over $1 billion a year in the mid-2000s to nearly $7 billion a year in 2011, the vast majority going to countries in sub-Saharan Africa.[8] Whether current levels can continue under budgetary constraints is open for debate.

Foreign investors are building massive infrastructure in Africa that will enable future FDI to be more productive (see Exhibit 11). Chinese companies in particular are responsible for this development, and their investments in roads, rail, and electricity are reshaping the

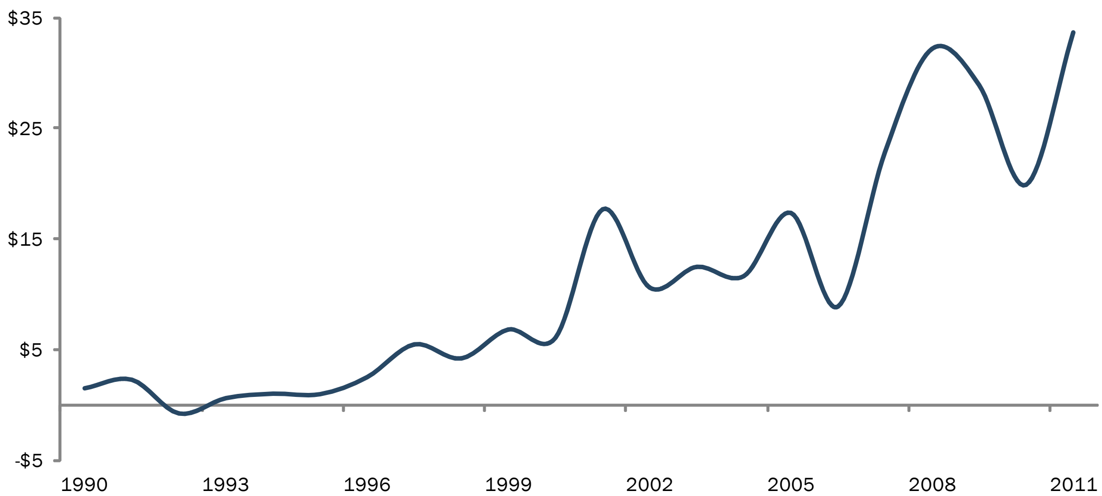
Exhibit 10: Mobile Phone Penetration in Nigeria and the SSA-10 is Catching up to BRICs (Penetration as a Percentage of BRIC Mobile Phone Penetration)



Source: *World Bank*

possibilities on the continent. China has come under some criticism for consuming the region's natural resources without being transparent about its dealings with African governments. Other BRICs are also investing in the region; for example, the Brazilian government has opened an antiretroviral plant in Mozambique, and a Brazilian construction company is one of the largest employers in Angola.[9] The U.S. is also in the game, as executives from Boeing, Walmart, FedEx, and G.E. accompanied Secretary of State Hillary Clinton to South Africa in the summer of 2012.[10]

Exhibit 11: Foreign Direct Investments into Sub-Saharan Africa (US dollar billions)

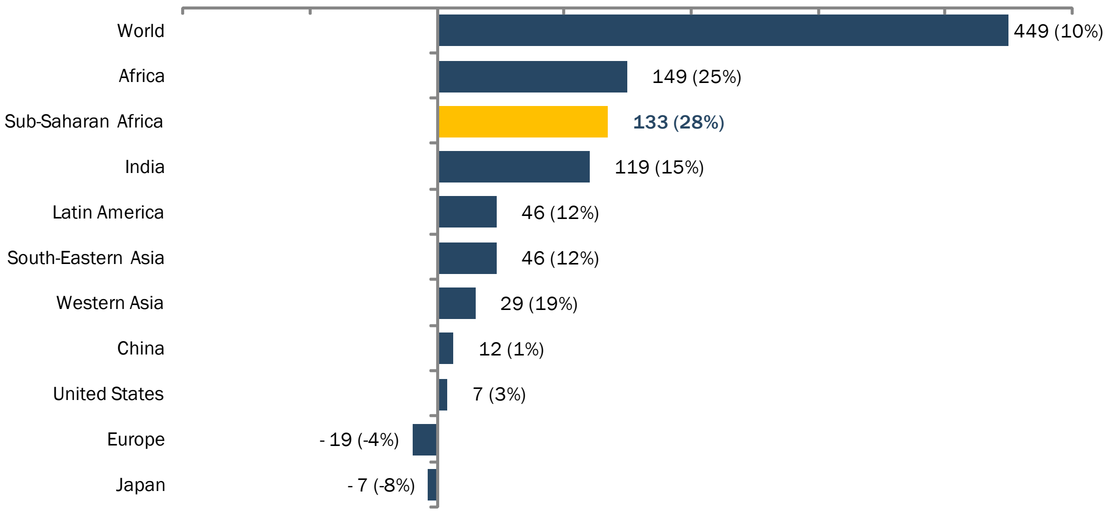


Source: *IMF*

Favorable Demographics

The continent's demographics are also an advantage. Sub-Saharan Africa's population is estimated to increase from approximately 800 million today to 1.1 billion by 2040.[11] The region offers one of the most attractive global demographic opportunities according to data published by the United Nations. Sub-Saharan Africa's labor force is expected to grow 28 percent by 2020, which will account for nearly 30 percent of the growth in the global working age population over the next decade alone, a greater percentage than India (see Exhibit 12).

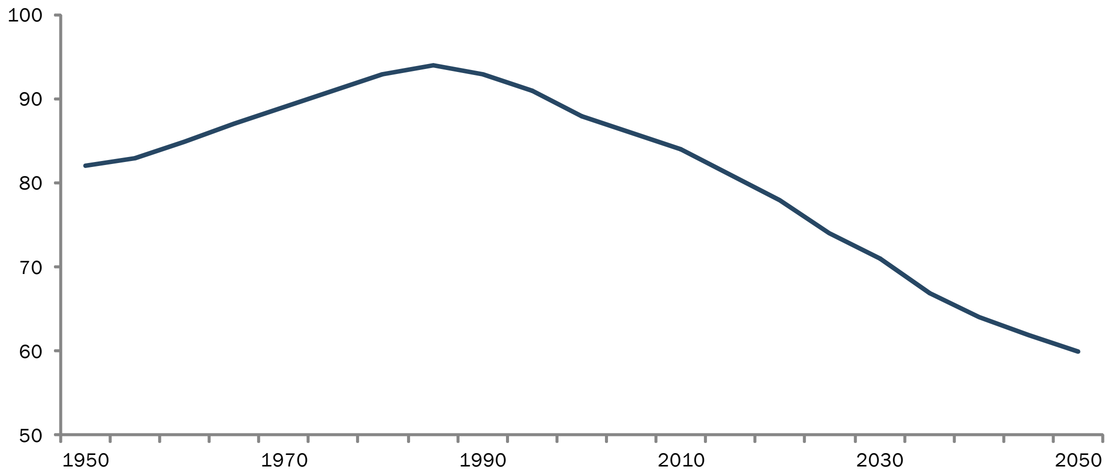
Exhibit 12: Regional Growth in Working Age Population (ages 15-64) by 2020 (in millions) and Percent Growth 2011-2020



Source: *United Nations Population Division, Everest Capital*

Age dependency ratios—the number of children and elderly to every 100 working people—are improving (i.e. going down), which should lead to more productive societies and higher growth rates, if the continent's governments can take advantage of this demographic dividend by educating their citizens and encouraging investment and hence greater job opportunities.

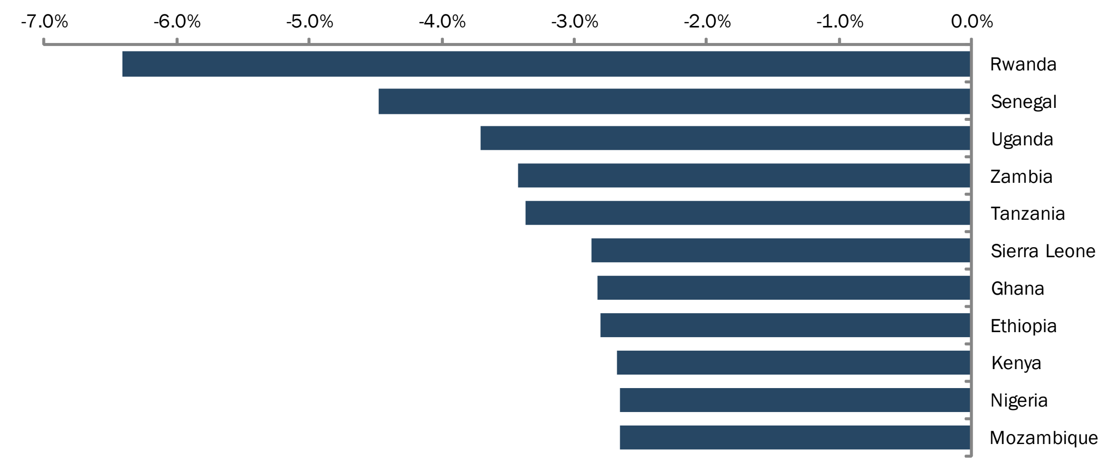
Exhibit 13: Sub-Saharan Africa Age Dependency Ratio
(Number of Dependents per 100 Working-Age Population)



Source: *World Bank*

Lower infant mortality is another key demographic factor driving the ability of these countries to increase productivity and wealth. Government efforts have successfully reduced the under-five mortality rate per 1,000 births by nearly one-third over the last decade for the 11 countries that are the focus of this report, outpacing the gains made in the rest of sub-Saharan Africa.

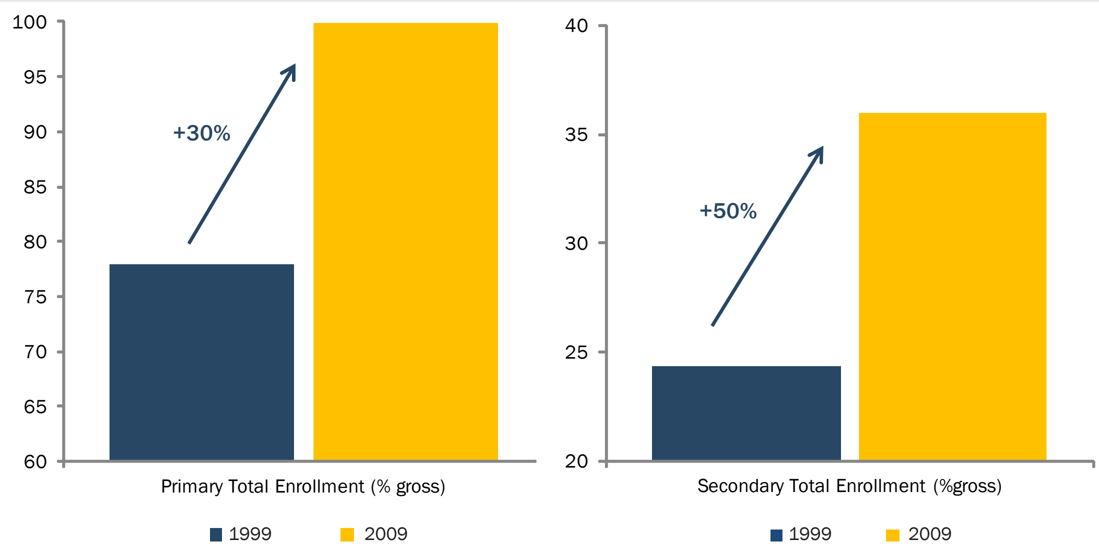
Exhibit 14: Annualized Improvement in Sub-Saharan Africa Infant Mortality Rates, Under 5 Years of Age (2001-2010)



Source: *World Bank*

Successful government policies have also resulted in a significant uptick in education indicators. Primary and secondary education total enrollment improved markedly over the last decade. Sub-Saharan African primary total enrollment is up to nearly 100 percent as a percentage of the total population of official primary age. Sub-Saharan Africa secondary total enrollment is up nearly 50 percent over the last decade (through 2009 data) to 36 percent as a percentage of the population of official secondary education age. This is broadly inline with enrollment numbers in China and India in the mid-80's. Those two countries currently enjoy enrollment rates of 80 percent and 60 percent, respectively. There are some overwhelming success stories among the countries of focus in this report, including several countries that are still below the average for sub-Saharan Africa, but are catching up fast. Tanzania has quadrupled enrollment over the last decade, and Rwanda and Mozambique have tripled enrollment over the same period. Senegal, which is roughly inline with the regional average, has also doubled enrollment levels over the last decade. These increases in enrollment rates need to be followed by improvements in the quality of education.

Exhibit 15: Sub-Saharan Africa Primary (left chart) and Secondary (right chart) Education Enrollment as a Percentage of Total Primary and Secondary Age Population



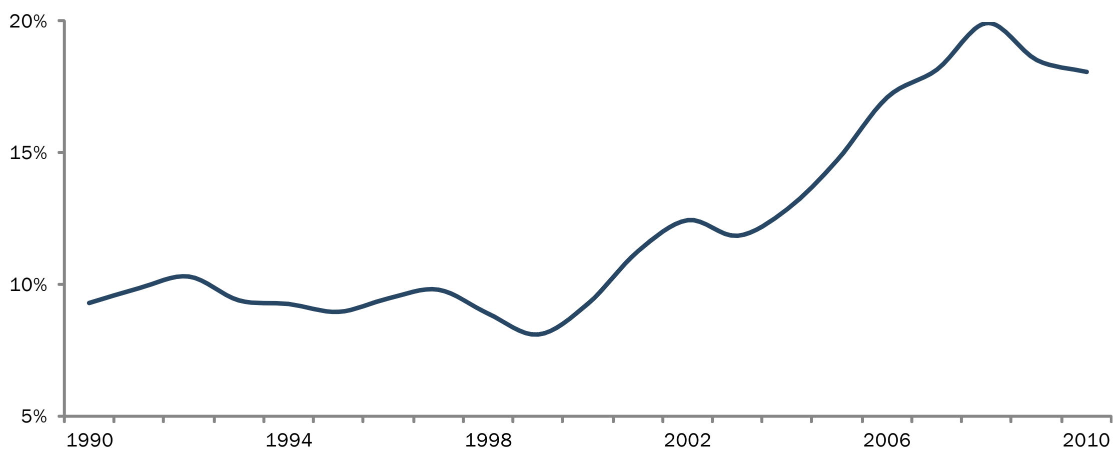
Source: *World Bank*

Natural Resource Wealth

Sub-Saharan African governments have prioritized attracting investment in the continent's abundant natural resources including minerals, oil, and gas. The countries on our list are home to some of the world's most significant reserves of copper, gold, iron ore, coal and oil and gas. Forty percent of the world's gold[12] and 10 percent of the world's oil reserves are found in Africa.[13] Nigeria, one of our focus countries, stands out as the regional leader in energy production and resources. It hosts an established energy industry and is the fifth largest exporter of crude oil and the fourteenth largest exporter of natural gas in the world. It is also home to the tenth largest oil reserves and eighth largest natural gas reserves in the world. Recent discoveries of oil and revised estimates of the size of known reserves have generated intense enthusiasm in other countries in the region such as Ghana and Uganda, both of which are among the top 50 countries for proven reserves of crude oil worldwide.[14] East Africa is believed to be one of the world's last "frontiers" for hydrocarbons.[15] Until recently, it was thought to have only a fraction of the oil reserves of West Africa. However, recent finds across the region have resulted in renewed optimism. In addition to Uganda, oil and gas finds in Kenya, Tanzania, and Mozambique are leading energy companies to ramp up exploration and production programs across East Africa.[16]

The growing importance of commodities to sub-Saharan economies is further shown in Exhibit 16. Total natural resource rents as a percentage of GDP have doubled over the last decade to more than 17 percent in 2010. Natural resource rents are the sum of oil, natural gas, coal, mineral, and forest resources.

Exhibit 16: Sub-Saharan Africa Total Natural Resource Rents (as % of GDP)



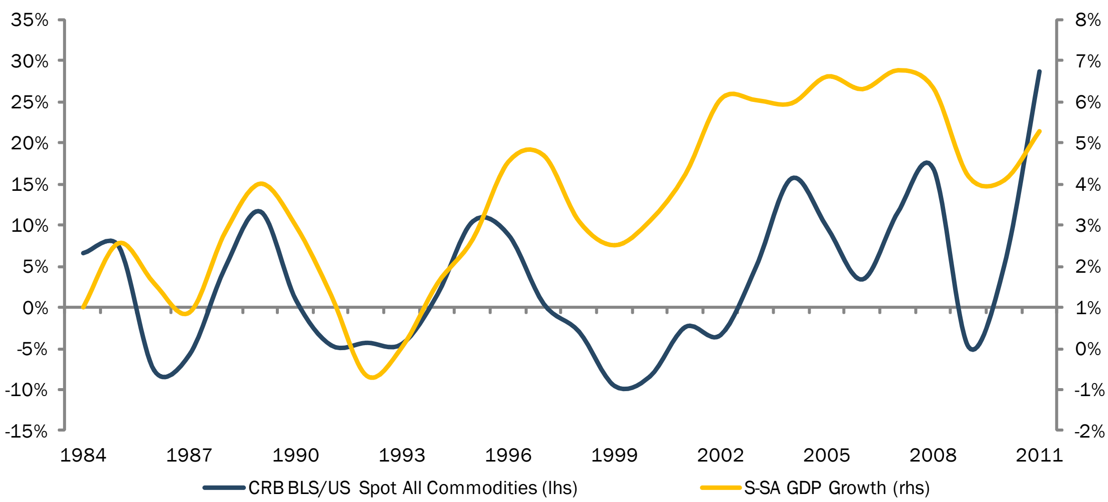
Source: *World Bank*

Many economies in sub-Saharan Africa benefit from increasing global demand for these resources. In the last decade, demand from emerging markets for raw materials has led to higher prices for nearly all commodities. While the outlook for commodities remains supportive, Everest Capital believes that future price movements will reflect specific supply/ demand issues on a commodity-by-commodity basis. This supportive backdrop is important given the fact that over the past several decades, the growth of sub-Saharan economies has been very closely tied to the value of commodities and increased economic activity. Exhibit 17 plots sub-Saharan Africa's real GDP growth versus the Commodity Research Bureau's price index.

Trade with emerging economies now accounts for half of Africa's total trade.[17] Trade and investment from emerging economies such as China, India, Brazil, Korea, and Turkey in particular have helped the region weather the impact of the global financial crisis.[18] Steady demand from emerging markets in the coming years is also likely to increase the possibilities for greater wealth creation.

However, governments need to ensure that they are taking steps both to protect their natural resources and attract foreign investment. This delicate balance will be key to increasing the efficiency, productivity and economic contribution of the sector. Although the region's vast resource base is an important component of its long-term growth potential, it also poses a challenge for policy-makers and is partly responsible for the volatility in sub-Saharan Africa's shorter-term economic growth (see Exhibit 18).

Exhibit 17: The Connection Between Economic Growth and Commodities Prices in Sub-Saharan Africa



Note: Two-year moving averages
Sources: IMF, Bloomberg, Commodity Research Bureau

Exhibit 18: Examples of several large-scale resource projects in sub-Saharan Africa

Natural resource capital expenditure plans in several countries in sub-Saharan Africa stand to transform those economies given the sheer magnitude of existing project forecasts relative to the size of the local economies.

Sierra Leone

Capital expenditures for the first two phases of African Minerals' Tonkolili iron ore mine project are expected to total $3.2 billion, according to the company's recent forecasts. This compares to a total 2011 GDP of $2.2 billion in U.S. dollars. This is only one of many iron ore projects in Sierra Leone.

Zambia

First Quantum's Kansanshi expansion and Sentinel project's capital expenditure program are estimated at approximately $3.0 billion. This compares to a total 2011 GDP of $19.2 billion in U.S. dollars. These are only two of the ongoing copper projects in Zambia.

Mozambique

Anadarko estimates $12-15 billion for the initial phase of their Liquified Natural Gas (LNG) project in Mozambique. This project would export production from their 30-50 tcf (trillion cubic feet) natural gas offshore field. By comparison, the country's total 2011 U.S. dollar GDP was $12.3 billion. This is only one of several LNG projects planned in Mozambique.

To appreciate the magnitude of these projects to the economies mentioned above, imagine that similarly sized (as a percentage of GDP) capital expenditure programs in the United States would be **greater than** $7-15 trillion dollars.

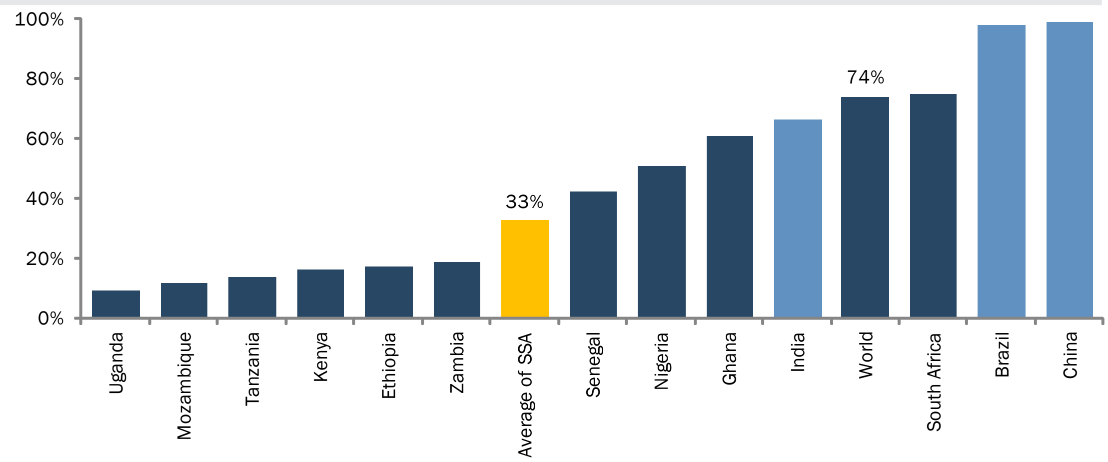
Challenges and Risks to the Development of the Region

Despite these positive trends, a number of hurdles to progress remain.

Foreign direct investment in the region is mostly directed to a small group of countries,[19] and economic prospects vary considerably by country and sector. Further, despite increased levels of FDI that are largely commodity driven, the region continues to attract less than five percent of global FDI.[20] Sub-Saharan Africa would benefit from deeper financial markets and greater access to financial services. Increased investment in transportation and electricity infrastructure is also crucial. For example, expanding road connectivity could significantly increase agricultural productivity. Produce currently spoils on the way to market because of poor transportation infrastructure and logistics such as administrative delays at border crossings. In cities, road construction has not kept up with the pace of urbanization, and traffic accidents are a leading cause of death.[21] Access to electricity in sub-Saharan Africa is well below world-wide levels(see Exhibit 19), and the region's power sector faces a financing gap and high costs.[22] This could be a hindrance to growth and investment in the region.

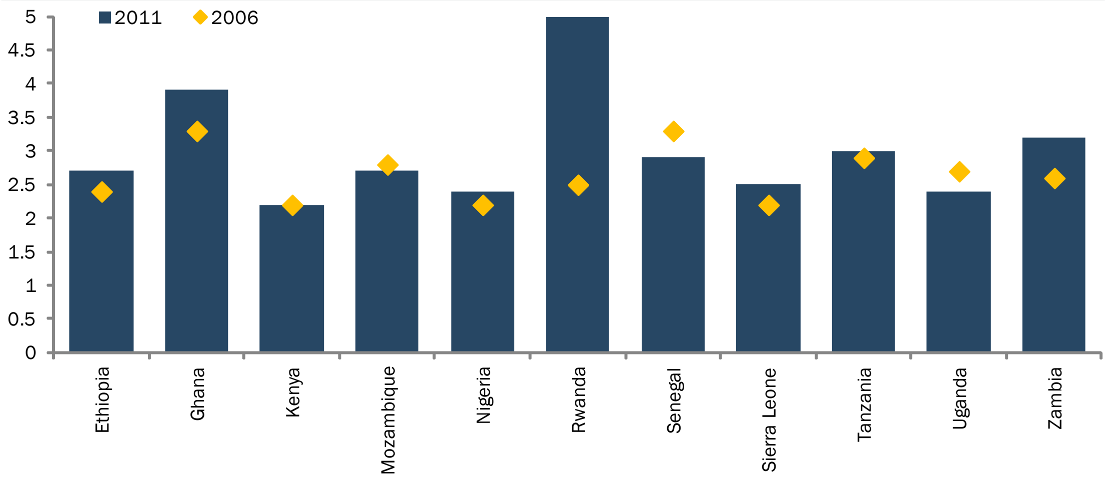
Continued economic progress depends on simultaneous political reforms. In many countries, power remains concentrated in the hands of a limited number of elected officials (especially in the presidency) who are often immune from prosecution for wrongdoing.[23] Civil society continues to play an important role in advocating more accountability and transparency. But many institutions, such as those set up to check corruption, remain weak and under-resourced.[24]

Exhibit 19: Access to Electricity (% of population, 2009)



Note: Data unavailable for Sierra Leone, Rwanda and Russia.
Sources: World Bank

Exhibit 20: Corruption Perceptions Index (0-10, 0=highly corrupt, 10=very clean)



Source: *World Bank*

Transparency International publishes the Corruption Perceptions Index, which measures the perceived levels of public sector corruption around the world. Although scores remain relatively low for Nigeria and the SSA-10 (see Exhibit 20 above), the majority of these countries have experienced an improvement in perceived levels of corruption since 2005. Rwanda showed the most remarkable improvement, standing out with its high Ease of Doing Business score.

National elections can intensify social and ethnic tensions, and violence can break out suddenly, as it did in a 2012 coup in Mali. Some of this volatility may be on display in the coming year. Ten African countries are holding presidential or parliamentary elections in 2013.

The relative underperformance of Africa's powerhouse South Africa is in part due to governance challenges. South Africa is by its size and weight important to the future of the continent. South Africa is the continent's fourth largest country by population and the most advanced economy, representing more than 30 percent of sub-Saharan Africa's GDP, according to data compiled by the World Bank. It accounts for many of the promising statistics on investment and trade emerging from the continent.

South Africa inherited major challenges from the apartheid era and, despite the governing African National Congress (ANC) government's tremendous efforts to bring services to the poor and education to the majority of the population, poverty and income inequality remain widespread.[25] Unemployment is a severe drag on the economy—at nearly 25 percent among the general population and 50 percent among the youth.[26] Land reform has also faltered. South Africa had planned to redistribute 30 percent of land within five years of the end of apartheid. As of 2010, only eight percent of land had changed hands.[27] Populist president Jacob Zuma's ANC party is sometimes criticized for caring more about wealth redistribution than about increasing the competitiveness of the economy.[28] Balancing providing services to the majority of the population and strengthening the economy is a sizable challenge.

Investment Opportunities and Risks

LONG TERM INVESTMENT OPPORTUNITIES

Markets in sub-Saharan Africa, like their frontier market peers, are best characterized as developing market economies that have yet to reach more advanced emerging market status. These markets offer compelling investment opportunities as they develop and deepen their equity and debt markets. Several factors, as explained above, support this attractive long-term opportunity, including improved governance, maturing economies, attractive demographics, and natural resource wealth. They also offer an under-researched opportunity to find secular growth stories with low foreign participation and compelling valuations.

On the risk side, the markets are relatively less developed and less liquid than advanced emerging markets. They lack market depth, some have restrictions on foreign ownership, and some offer less transparency and disclosure. All are potentially prone to state intervention.

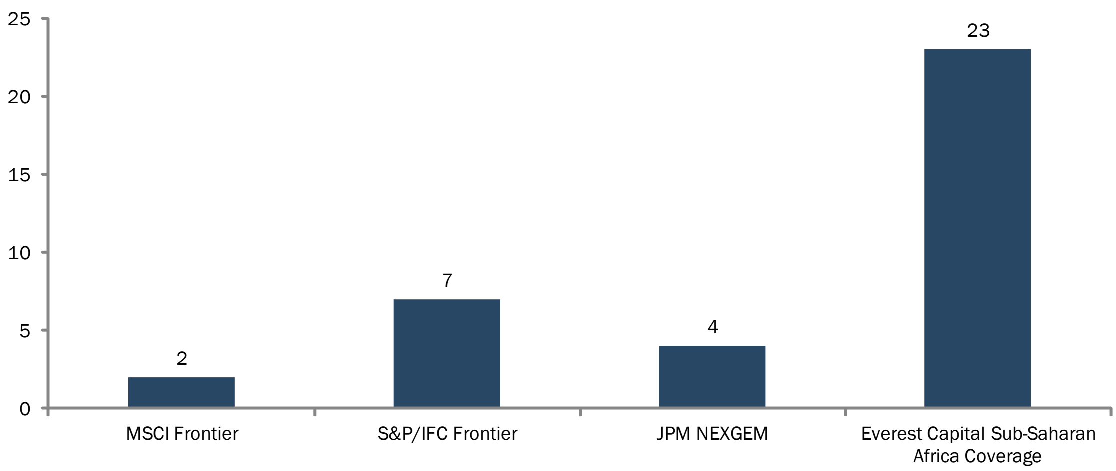
Sub-Saharan African markets are under-represented in bond and equity benchmark indices. For example, the MSCI Frontier Markets benchmark includes only two sub-Saharan countries; the S&P/IFC Frontier Markets Index includes seven sub-Saharan countries; and the JP Morgan NEXGEM fixed income index includes only four countries in the region. In contrast, Everest Capital has researched and made investments in 23 sub-Saharan countries (see Exhibit 21).

EQUITY MARKET OPPORTUNITY

Everest Capital believes that sub-Saharan African equity markets offer an attractive universe for investors seeking superior long-term investment returns. Secular growth stories coupled with attractive top-down valuations support this positive long-term view. The universe includes 25 stock exchanges in sub-Saharan Africa, including a West African Regional Exchange that lists equities for an additional 8 countries. Of the 11 countries that are the focus of this report, six have listed equities on five country exchanges and one regional exchange.

Strong economic growth informs our positive long-term outlook for sub-Saharan equities and Nigeria and the SSA-10 in particular. Nominal earnings growth, which tends to track nominal GDP growth, supports an equity market's performance over the long term. According to IMF forecasts, nominal GDP growth for Nigeria and the SSA-10 is expected to outpace that of the rest of sub-Saharan Africa over the next five years (2011-2016), growing more than 15 percent annually versus approximately 10 percent annually for the rest of the region. This growth supports the relative attraction of the region and these select 11 countries for equity investors, as they are expected to grow 2.5-4.0 times faster than advanced economies over the same five-year period.

Exhibit 21: The Number of Sub-Saharan African Countries in Major Equity and Debt Indices versus Everest Capital's Research and Investment Universe



The compounding effect of expected annual growth rates of 15 percent for Nigeria and the SSA-10 points to a more than doubling of nominal GDP over the next five years and by extension a possible more than 100 percent growth in earnings for equities.

Everest Capital's positive long term outlook for the performance of equities over the period is due to our forecast of strong nominal earnings growth, which should produce significant equity returns over the next five years. These returns are further supported by attractive valuations and a potential to re-rate as investors recognize and make greater investments in frontier markets. For the six countries with equity markets, the market capitalization to GDP ratio, a very broad measure of equity market valuations, is equal to approximately 19 percent, just over one-half the level of mainstream emerging market countries.

FIXED INCOME OPPORTUNITY

The long-term potential opportunity for both local and hard currency fixed income markets is based on our view that these markets are supported by macro fundamentals, are under-owned, and offer relatively attractive hard currency and local currency yields versus both developed markets and the broader emerging market universe.

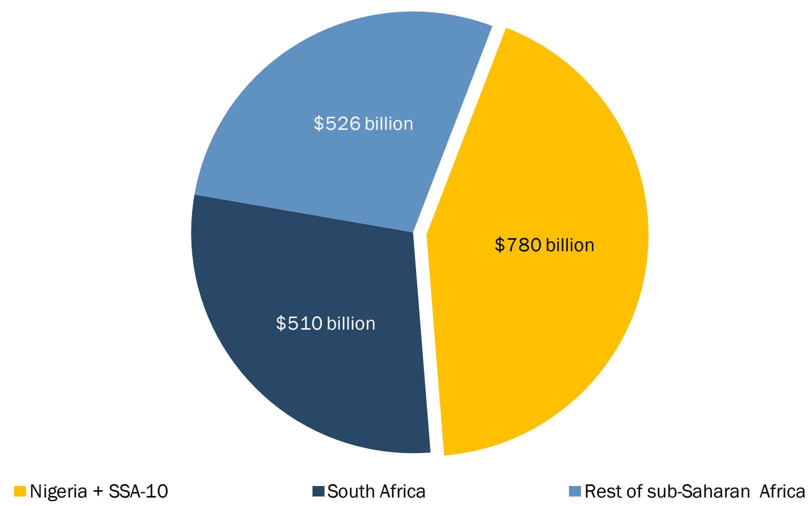
The sovereign Eurobond market is developing and still small both in absolute size and relative to the issuers' respective economies. There are only eight countries in sub-Saharan Africa, excluding South Africa, that have issued sovereign Eurobonds. Hard currency bond issuance currently totals just over $6 billion, equivalent to only 1.5 percent of GDP. Yields vary from approximately 3.5 percent to 11.2 percent, partly reflecting differences in macro fundamentals and credit ratings. Liquidity and benchmark representation are also important determinants of the differences in yields of sub-Saharan sovereign debt. Countries seek to issue a minimum of $500 million given that this amount meets the minimum threshold necessary to be considered for inclusion in the JP Morgan Emerging Markets Bond Indices, which tends to increase liquidity and reward those issuers with a benchmark premium. Part of the attraction of investing in some frontier markets, and particularly some sub-Saharan African bond issues that may not be in bond indices, is the relatively higher yields available without, we believe, necessarily assuming greater risk.

Part II: Nigeria and the Sub-Saharan African 10 (SSA-10)

The continent's transformation is best understood if one looks through the lens of specific government initiatives and economic sectors that we think will drive growth in 11 African countries worth watching: Nigeria, Ethiopia, Kenya, Tanzania, Uganda, Ghana, Senegal, Mozambique, Zambia, Rwanda, and Sierra Leone.

These 11 countries, which we have dubbed Nigeria and the SSA-10, had a combined GDP of $780 billion (PPP adjusted) in 2010, equivalent to nearly 43 percent of sub-Saharan Africa's total GDP. According to IMF forecasts, the projected GDP growth rate for these 11 countries of 9.5 percent on a US dollar compounded annual basis over the next five years (2011-2016) is expected to outpace that of the rest of sub-Saharan Africa's forecasted GDP growth of 6.5 percent over the same period.

Exhibit 22: Relative Sizes of Nigeria and the SSA-10, South Africa and the rest of Sub-Saharan Africa, 2010 GDP in billions of PPP adjusted US dollars

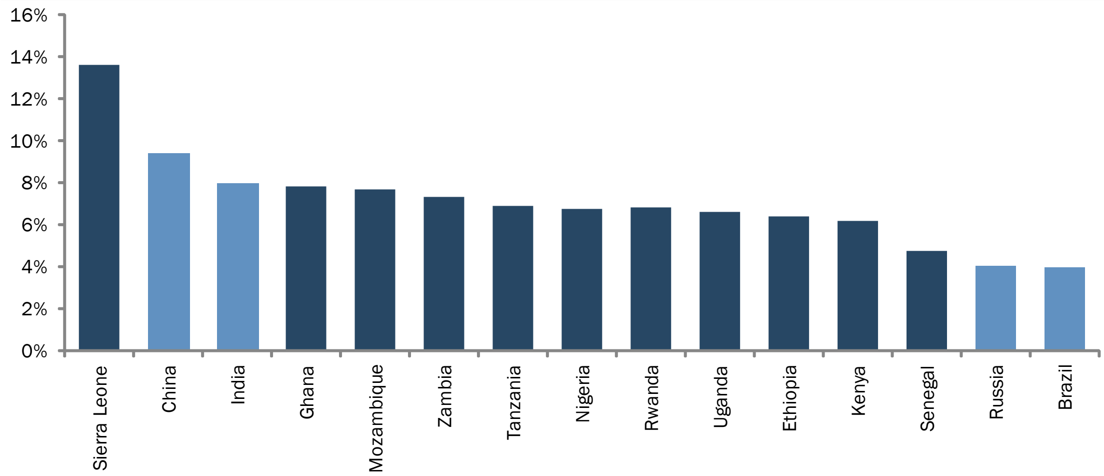


Source: *IMF*

Importantly, the countries on our list have both grown impressively in recent years and also have the potential for sustainable development. Of the 11 countries covered in this white paper, Nigeria, Ethiopia, Mozambique, and Rwanda made *The Economist's* list of 10 fastest growing economies from 2001 to 2010.[29] (*The Economist's* list excludes countries with less than 10 million population; otherwise, Sierra Leone would also have been included).

Several of our focus countries also outperformed one or more of the BRIC economies during the same time period (see Exhibit 23). Performance to date does not tell the full story of an economy's potential. Other rapidly growing countries such as Angola and Chad—both highlighted in *The Economist*—are not on our list because we believe their primary source of growth is commodities, especially oil, whereas the countries on our list have more diversified economies.

Exhibit 23: Average Annual GDP Growth of Nigeria and the SSA-10 versus BRICs (%, 2001-2010)



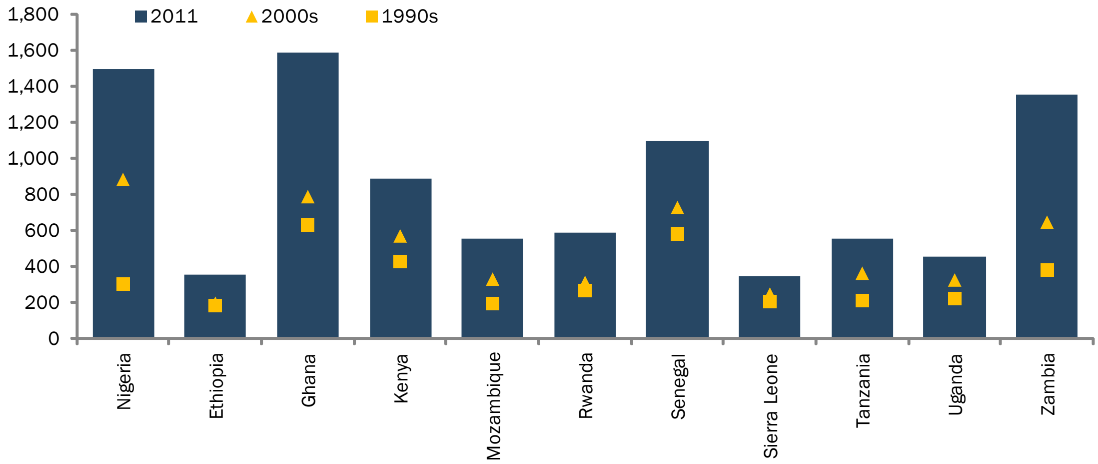
Note: Growth rates are based on gross domestic product at constant 2005 U.S. dollars.
Sources: IMF

We also chose countries that are not yet on the radar of most observers because they have yet to reach middle-income status as defined by the World Bank (countries whose gross national income per capita was more than $4,036 in 2011). For example, we believe Botswana's remarkable success becoming a middle-income country has been well documented. We similarly discussed South Africa briefly above instead of including it in our list. Most Africa observers are already paying attention to this African giant.

Finally, we exclude countries such as Guinea and Liberia, which have relatively recently emerged from civil conflict and transitioned to democracy. However, it is worth noting that improved governance is enabling both countries to take advantage of opportunities in mining, agriculture, and timber.

The above criteria lead us to focus on countries with mid-sized economies and mid-sized populations with the exceptions of Nigeria (170 million), Rwanda (11 million) and Sierra Leone (6 million). Our list covers all regions of sub-Saharan Africa (west, east and the horn,

Exhibit 24: GDP per Capita Changes by Decade for Nigeria and the SSA-10 Economies (US dollars per capita, 1990-2011)



Source: *IMF*

central, and south) and exemplifies the best opportunities on the continent. Each of these countries is investing in one or more of the above-mentioned sectors that will drive growth and development locally and across Africa: agribusiness; services; information and communication technology (ICT)—a particularly dynamic sub-sector; minerals; oil; and natural gas (see Exhibit 25).

Exhibit 25: Growth Opportunities by Sector in Nigeria and the SSA-10

	Agribusiness	Services	ICT	Minerals	Oil	Natural Gas
Nigeria	●	●			▲	●
Ethiopia	▲	▲		●	●	●
Kenya		▲	▲		▲	●
Tanzania	▲		●	●		▲
Uganda	▲			●	▲	
Ghana	▲	▲	●	●	▲	●
Senegal	▲	▲	●			
Mozambique	▲					▲
Zambia				▲		
Rwanda	▲	●	▲			●
Sierra Leone	▲			▲		

▲ Major Growth Driver
● Other Important Sector

"Mapping" the Region

The population and GDP "maps" of Africa on the following two facing pages are intended to illustrate the relative size of Africa's economies and populations. In particular, we highlight in blue the 11 countries that are the focus of this report. Taken together, these two maps capture the relatively low GDP-per-capita of Nigeria and the SSA-10 versus the major countries on the continent.

How to read the maps: Note how big the populations of Nigeria and the SSA-10 are relative to the size of their own economies on the GDP map. Note that these highlighted countries have markedly lower GDPs per capita than Northern Africa (Morocco, Algeria, Tunisia, and Egypt) and sub-Saharan heavy weight South Africa. Visually, this can be seen by comparing the shaded blue population area that is noticeably larger than that on the GDP "map" on the opposite page. This reflects the opportunity for these 11 countries to outpace the GDP growth of their continental peers and continue to generate world-leading GDP growth.

Neither of the maps on the following pages is conventional in that they don't reflect land mass. However, it is worth keeping in mind when discussing the region that sub-Saharan Africa is approximately 23.6 million square kilometers, larger than China, Brazil, and India put together, with a population of approximately one-third their combined population. Nigeria and the SSA-10 have a combined land mass of approximately 5.6 million square kilometers, over 70 percent larger than India with less than 40 of the population and less than 25 percent of the GDP (see Exhibit 26 below).

Exhibit 26: Nigeria and the SSA-10 vs India

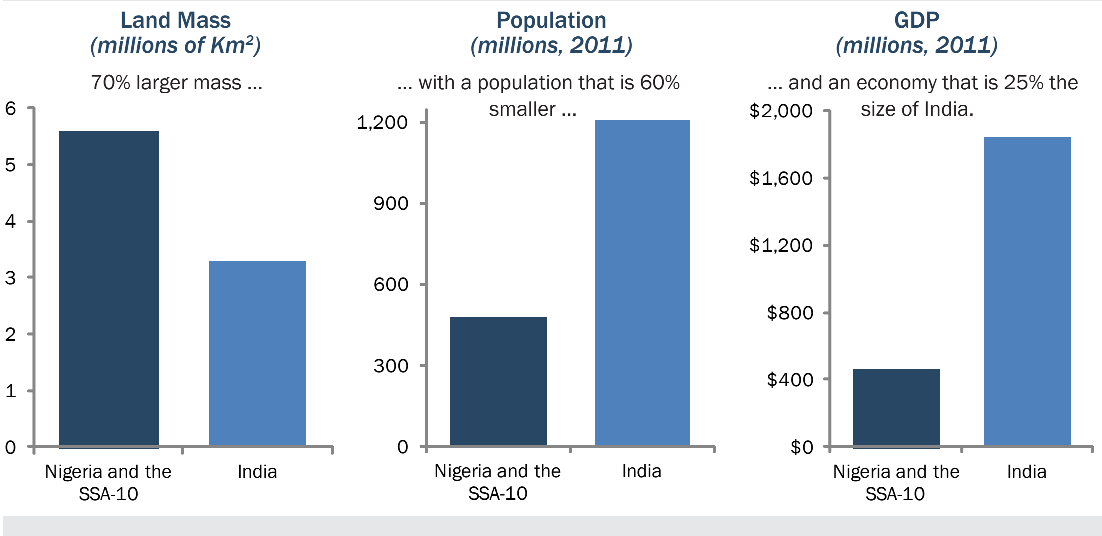
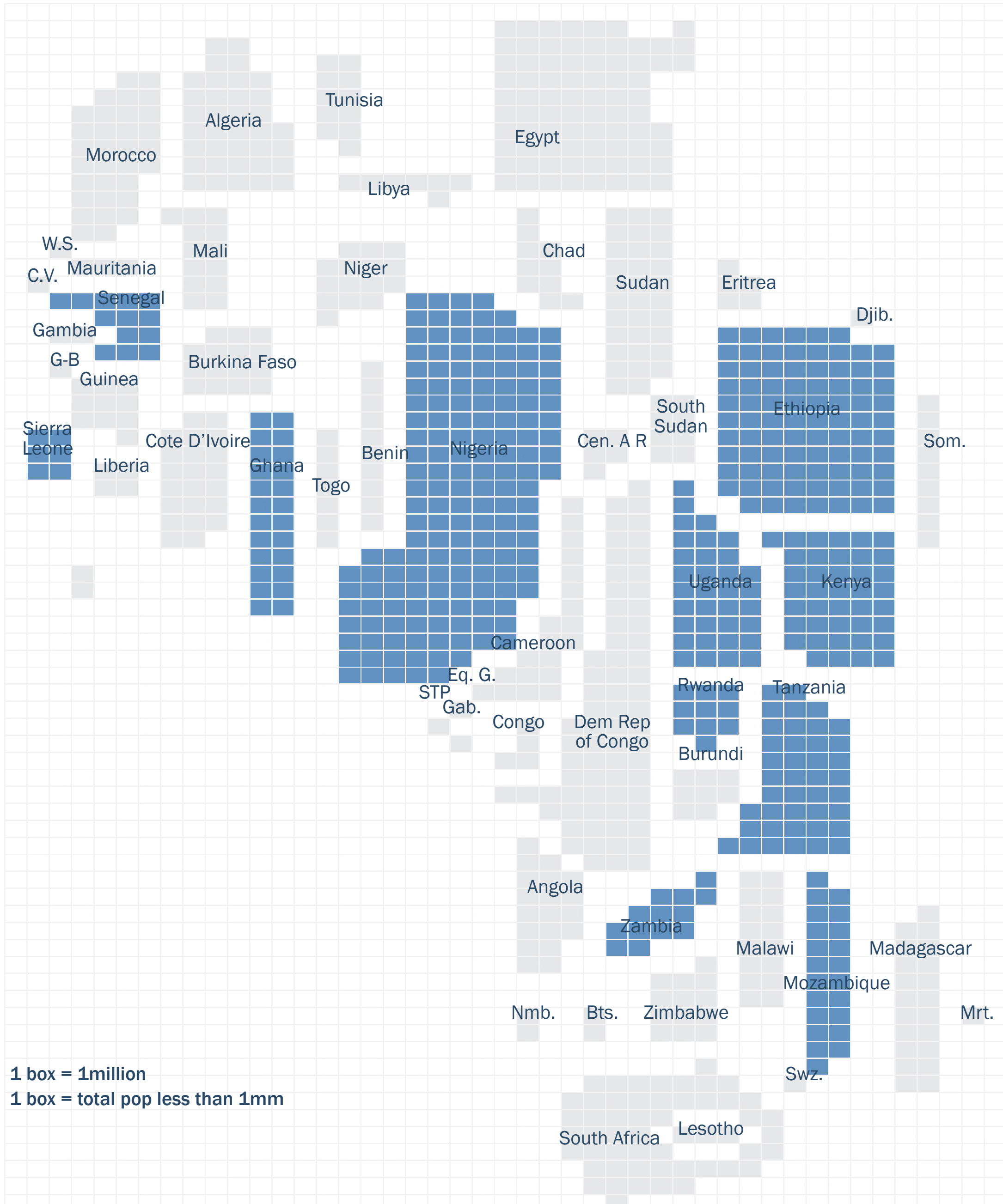


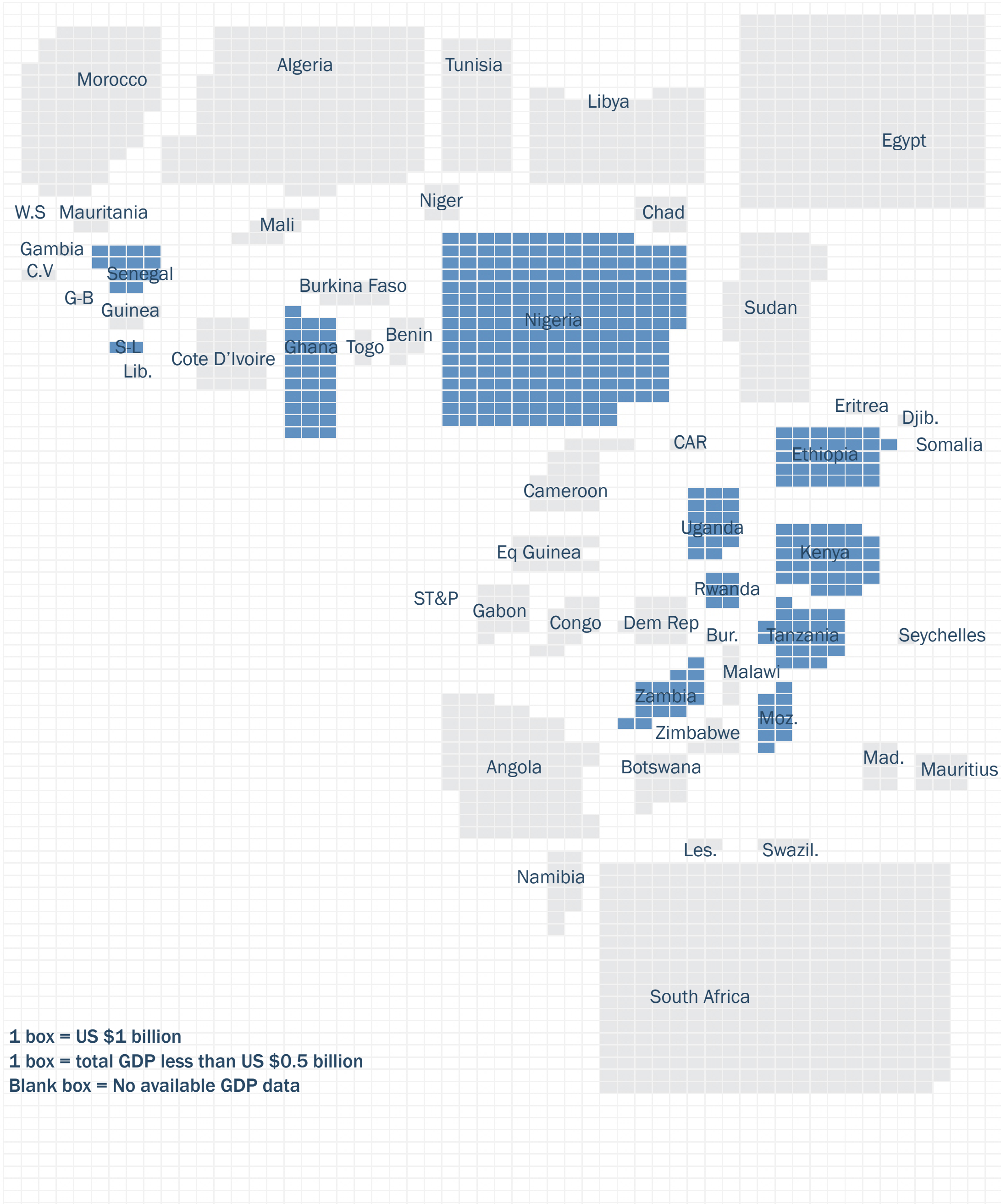
Exhibit 27: Africa Population Size in 2010 (millions)



Source: *Renaissance Capital, IMF*

85mm Ethiopia = Germany (82) = Egypt (78)
40mm Kenya= Algeria (36) = Poland (38) = Canada (34)
24mm Ghana = Saudi Arabia (26) = Australia (23)
Zambia (13) = 14mm Zimbabwe = Cambodia (14) = Greece (12)
10mm Rwanda = Hungary (10) = Czech Republic (11)

Exhibit 28: GDP Size in 2010 (billions, current US dollars)

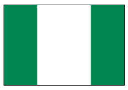


Source: *Renaissance Capital, IMF*

Part III: Country Profiles

Country profiles are ordered by economic size. A box summarizing key economic indicators accompanies each country profile.

NIGERIA



CAPITAL | ABUJA

ECONOMIC STRUCTURE

GDP (PPP)	$391 billion
GDP per capita (PPP)	$2,500
GDP by sector	Services 31%, Agriculture 35%, Industry 34%
Exports	$73.7 billion
Imports	$53.5 billion

DEMOGRAPHICS

Population	171 million
Population Growth Rate	2.6% (2005-2010)
Literacy	61% (2009 est)
Urban Population	58% of total population
Age Dependency Ratio	86 (2010), 57 (2035)
Labor Force	52.2 million
Labor Force - by occupation (2005 ests)	Agriculture 70%, Industry 10%, Services 20%

EQUITY AND DEBT MARKET SNAPSHOT

Equity Market Size	$55.2 billion
Main Index	Nigerian Stock Exchange All Share Index
Listed Companies	198
Valuation (Market Capitalization to GDP)	14%
Long-term Foreign Currency Credit Rating	B+ (S&P), BB- (Fitch)
Currency (versus the U.S. Dollar)	Nigeria Naira = 157.55

BUSINESS DEVELOPMENT INDICATORS

Corruption Perceptions Index (2011)*	143/182
Global Competitiveness Index (2011-12)*	127/142
Ease of Doing Business (2011)*	131/183
Human Development Index (2011)*	156/187
Ibrahim Index of African Governance (2011)**	41/100

Data is in $ US and for 2010 unless otherwise noted. FDI data is annual inflows, not stock.
Sources: World Bank, IMF, UN, CIA, World Economic Forum, Transparency International, and Mo Ibrahim Foundation.
* Best Ranking = 1; ** Best Score = 100

SNAPSHOT

As Africa's most populous country, Nigeria offers tremendous opportunities, and many Nigerians who were educated abroad are returning to Nigeria to embrace the possibilities there. However, economic expansion needs to keep pace with population growth. Unemployment is high, and around two thirds of the country's population lives on less than one dollar a day.[30]

President Goodluck Jonathan's government is investing in transportation and energy to promote growth. For example, Jonathan campaigned on electricity reform and has taken some steps to unbundle and privatize power companies. He faces resistance from Nigerians with vested interests in the status quo. The government says the power sector needs $100 billion of investment over the next ten years.[31]

The government is also pursuing financial system reforms to attract foreign investment, such as modernizing the banking system and strengthening public financial management. Earlier this year, Nigeria announced plans to revamp its stock exchange by adopting the NASDAQ platform and opening into U.S. trading hours, among other measures to facilitate investment.[32] President Jonathan has appointed a strong finance and economics team, including former World Bank managing director Ngozi Okonjo-Iweala as finance minister.[33]

The legacy of military rule, which did not end until the 1990's, has fed rent-seeking behavior and corruption. Nigeria also faces a worsening security situation. Bouts of communal violence in the north between Christians and Muslims have long contributed to instability. Terrorism from the militant Islamic group Boko Haram is a new threat. The group is thought to be tied to Al Qaeda in the Islamic Maghreb and claimed responsibility for more than 500 deaths in 2011 alone. The government has sent thousands of troops to Nigeria's northeast in response.[34] For now, the threat remains confined to the north, but increased violence could hurt investor confidence and could overstretch Nigeria's government and military resources.

GROWTH SECTORS

Nigeria has the world's tenth-largest proven oil reserves and eighth-largest natural gas reserves.[35] The country's oil and gas industry is the largest in Africa, generating tens of billions of dollars per year from oil and gas exports. Despite previous violence in the oil-producing area of the Niger Delta, which has limited oil output, the government wants to increase transparency and is debating a Petroleum Industry Bill to reform the energy sector.[36]

The banking sector has been substantially reformed post the credit crisis of 2008. The government took significant measures including the formation of a bad bank, the Asset Management Corporation of Nigeria (AMCON), and forced the consolidation of the sector from 89 banks to less than 30. This reform has returned the sector to a healthy position and has allowed credit to flow into the economy again. Less than 20 percent of the country has a bank account, which Everest Capital estimates could grow to 35 percent in a decade based on historical experiences of other emerging markets.

Agriculture accounts for 35 percent of Nigeria's GDP, and 70 percent of Nigerians are involved in farming.[37] More than 80 percent of Nigeria's land is arable,[38] and the government is hoping to develop crops such as cassava, yam, maize, cocoa, and cashew to generate income and jobs for farmers and increase food security. For example, the government wants to substitute cassava (a subsistence crop grown in sub-Saharan Africa) for some of the wheat in bread, reducing Nigeria's dependence on imported wheat and saving the country more than $250 million a year. The government has partnered with the International Fund for Agricultural Development on a value chain development program for cassava in several states.[39]

POLITICAL LEADERSHIP AND NEXT ELECTIONS

Goodluck Jonathan, who was then vice president, became acting president in May 2010 upon the death of President Umaru Yar'Adua. Jonathan was subsequently elected in April 2011, and parliament increasingly holds the executive branch in check. Further, Nigeria's judiciary and courts are quite strong. The next presidential election will be held in 2015.

ETHIOPIA

CAPITAL | ADDIS ABABA

ECONOMIC STRUCTURE

GDP (PPP)	$29.7 billion
GDP per capita (PPP)	$1,041
GDP by sector	Services 46%, Agriculture 41%, Industry 13%
Exports	$3.4 billion
Imports	$9.7 billion

DEMOGRAPHICS

Population	82.9 million
Population Growth Rate	2.2% (2005-2010)
Literacy	30% (2009 est)
Urban Population	17% of total population
Age Dependency Ratio	81 (2010), 50 (2035)
Labor Force	37.9 million
Labor Force - by occupation (2005 ests)	Agriculture 85%, Industry 5%, Services 10%

EQUITY AND DEBT MARKET SNAPSHOT

Equity Market Size	Everest Capital gains country exposure through stocks listed elsewhere, but with revenues from Ethiopia.
Main Index	
Listed Companies	
Valuation (Market Capitalization to GDP)	N/A
Long-term Foreign Currency Credit Rating	B+ (S&P), B+ (Fitch)
Currency (versus the U.S. Dollar)	Ethiopian Birr = 17.81

BUSINESS DEVELOPMENT INDICATORS

Corruption Perceptions Index (2011)*	120/182
Global Competitiveness Index (2011-12)*	106/142
Ease of Doing Business (2011)*	111/183
Human Development Index (2011)*	174/187
Ibrahim Index of African Governance (2011)**	46/100

Data is in $ US and for 2010 unless otherwise noted. FDI data is annual inflows, not stock.
Sources: World Bank, IMF, UN, CIA, World Economic Forum, Transparency International, and Mo Ibrahim Foundation.
* Best Ranking = 1; ** Best Score = 100

SNAPSHOT

Ethiopia is transitioning from an agriculture-based to a service-based economy and is already reaping the rewards of this transformation. Ethiopia was the world's fifth fastest growing economy from 2001 to 2010 with average GDP growth of 8.4 percent. The country has been praised for reducing rural poverty and increasing life expectancies through increased spending on education and health. Prime Minister Meles Zenawi, who died in August 2012, strongly pushed for rural development, and electrification in particular.

The country's legacy of socialism and feudalism still remains, which has historically limited investment opportunities. The state owns and leases land, controls electricity generation, and operates the country's major banks. Insecurity in neighboring Somalia and North and South Sudan and an unresolved issue along the Ethiopian-Eritrean border may undermine investor confidence. Yet, the government has taken some pro-business steps—making it easier for businesses to register, offering special incentives to boost exports, and building roads. There is significant foreign investment into oil and gas exploration and the beginning signs of interest in the textile and footware sector based on Ethiopia's historic artisanal skillset.

GROWTH SECTORS

Agriculture accounts for 41 percent of GDP[40] and 85 percent of employment[41] and has historically been Ethiopia's dominant sector. Coffee is the country's most important export crop; sugar is also lucrative. Ethiopia's Sugar Corporation is building 10 new factories and intends the country to be among the 10 largest sugar exporters globally.[42] Ethiopia also has the largest cattle population in Africa, which could create opportunities to export leather products.[43] A debate about land giveaways is ongoing. The government sees granting large tracts of underutilized lands to foreign agribusinesses run by Indians and Saudis (among others) as a way of increasing productivity. But critics contend that land grabs are displacing local populations, who are not fairly compensated.[44]

Services—such as real estate, hotels, and retail trade—accounted for nearly half of GDP growth in recent years and have now surpassed agriculture as Ethiopia's largest sector.[45] That said, economists are unsure about the sector's capacity to absorb workers and the government's ability to train a skilled workforce. Only 10 percent of the population was employed in services as of 2005.[46]

The country is also endowed with gold mines and oil and natural gas reserves.[47]

POLITICAL LEADERSHIP AND NEXT ELECTIONS

Prime Minister Meles Zenawi, who died in August 2012, had ruled the country with a strong hand since 1991. Zenawi's Ethiopian People's Revolutionary Democratic Forces Party (EPRDF) dominated 2010's national and regional elections, winning 99 percent of legislative seats.[48] This, coupled with the fragmentation and infighting of opposition groups, has led to some concern that the country will become a one-party state.[49] The EPRDF had said Prime Minister Zenawi would retire by 2015 as would other senior leaders.[50] Deputy Prime Minister Hailemariam Desalegn, who is from the same party and likely to continue the same policies, was sworn in as prime minister in September. Elections will next be held in 2015.

KENYA

CAPITAL | NAIROBI

ECONOMIC STRUCTURE

GDP (PPP)	$68.4 billion
GDP per capita (PPP)	$1,689
GDP by sector	Services 62%, Agriculture 22%, Industry 16%
Exports	$8.2 billion
Imports	$12.2 billion

DEMOGRAPHICS

Population	40.5 million
Population Growth Rate	2.6% (2005-2010)
Literacy	87% (2009 est)
Urban Population	22% of total population
Age Dependency Ratio	82 (2010), 66 (2035)
Labor Force	18.4 million
Labor Force - by occupation (2005 ests)	Agriculture 50%, Industry 25%, Services 25%

EQUITY AND DEBT MARKET SNAPSHOT

Equity Market Size	$12.4 billion
Main Index	Nairobi Securities Exchange (All Share Index)
Listed Companies	57 listings
Valuation (Market Capitalization to GDP)	34%
Long-term Foreign Currency Credit Rating	B+ (S&P), B+ (Fitch)
Currency (versus the U.S. Dollar)	Kenyan Shilling = 84.35

BUSINESS DEVELOPMENT INDICATORS

Corruption Perceptions Index (2011)*	154/182
Global Competitiveness Index (2011-12)*	102/142
Ease of Doing Business (2011)*	109/183
Human Development Index (2011)*	143/187
Ibrahim Index of African Governance (2011)**	53/100

Data is in $ US and for 2010 unless otherwise noted. FDI data is annual inflows, not stock.
Sources: World Bank, IMF, UN, CIA, World Economic Forum, Transparency International, and Mo Ibrahim Foundation.
* Best Ranking = 1; ** Best Score = 100

SNAPSHOT

Kenya is East Africa’s most developed and diversified economy, with an educated and Internet-savvy population and a government committed to public-private partnerships and further pro-business reforms. The country is also a hub for international activity and has a strong United Nations presence.

Although Kenya has relatively few natural resources compared to other African countries, its location on Africa’s eastern coast and proximity to important shipping routes have made it a regional center for trade and finance.[51] Many companies that operate in the region have headquarters in Nairobi. Kenya plans to develop a futures exchange to allow investors to trade in commodities and other assets.[52] The deepening of the country’s financial markets will be key to continued growth.

Kenya’s recent political uncertainty (see below) is the country’s largest obstacle to growing its economy and attracting further investment.

GROWTH SECTORS

Information and communications technology (ICT) has taken off in Kenya and continued investment will drive growth. A huge (by developing world standards) 21 percent of the population uses the Internet, and 62 percent uses mobile phones.[53] Kenyan entrepreneurs’ success in developing mobile payment systems means that taxi passengers can use their phones to pay for rides in Nairobi.[54] In 2010, the mobile payment company M-PESA had nine million users—twice the number of Kenyan adults who had basic bank accounts.[55]

Kenya’s core fiber optic network is the fastest growing in Africa,[56] based in part on its three undersea cables: the East Africa Marine System (TEAMS) connecting Kenya to the United Arab Emirates; Seacom, which links Kenya, Tanzania, Mozambique, and South Africa; and the Eastern African Submarine Cable System (EASSy), which travels along the east African coast.[57] These cables are increasing Internet speeds, bringing down costs, and encouraging increased investment in infrastructure expansion and coverage. As Kenya’s information and communications minister Dr. Bitange Ndemo has said, “In some places, you can’t find a good road but you can have broadband.”[58]

Kenya’s government largely deserves credit for enabling this impressive growth in the sector and is pursuing further initiatives to help the country reap the dividends of its investments so far. For example, the Central Bank of Kenya’s willingness for the private sector to take the lead in mobile payment services helped facilitate M-PESA’s success.[59] Further, Kenya has fully liberalized its core fiber-optic market, enabling competition that not only lowers prices for users but also increases incentives for businesses sensitive to operating costs.[60]

The government is even turning to information technologies to increase its own efficiency. Minister Ndemo launched an “open data” initiative in the summer of 2011 to increase transparency and contribute to economic growth. Ndemo says the portal could save as much as $1 billion a year by reducing corruption in procurement deals alone.[61] The web portal www.opendata.go.ke is the first of its kind in Africa.

POLITICAL LEADERSHIP AND NEXT ELECTIONS

Kenya is a democracy with strong institutions, but the deaths of more than 1,000 people due to violence surrounding 2007's disputed presidential election shook public and investor confidence. Civil society played a key role in checking further societal division. A power sharing agreement was reached with Mwai Kibaki as president and Raila Odinga as prime minister. A new constitution approved in 2010 reduces the amount of power concentrated in the executive branch and should help address longstanding corruption problems. Further judicial reforms are also under way. However, continued instability may arise from the International Criminal Court's investigation into the complicity of top politicians in the violence. Kenya's next general election is scheduled for March 2013.[62]

TANZANIA

CAPITAL | DODOMA

ECONOMIC STRUCTURE

GDP (PPP)	$62.7 billion
GDP per capita (PPP)	$1,433
GDP by sector	Services 48%, Agriculture 28%, Industry 24%
Exports	$5.5 billion
Imports	$8.7 billion

DEMOGRAPHICS

Population	44.8 million
Population Growth Rate	2.9% (2005-2010)
Literacy	73% (2009 est)
Urban Population	26% (of total population)
Age Dependency Ratio	92 (2010), 82 (2035)
Labor Force	24.1 million
Labor Force - by occupation (2005 ests)	Agriculture 80%, Industry and Services 20%

EQUITY AND DEBT MARKET SNAPSHOT

Equity Market Size	$1.9 billion
Main Index	Dar es Salaam Stock Exchange (All Share Index)
Listed Companies	17 listing
Valuation (Market Capitalization to GDP)	8.2%
Long-term Foreign Currency Credit Rating	NA (S&P), NA (Fitch)
Currency (versus the U.S. Dollar)	Tanzanian Shilling = 1,571.00

BUSINESS DEVELOPMENT INDICATORS

Corruption Perceptions Index (2011)*	100/183
Global Competitiveness Index (2011-12)*	120/142
Ease of Doing Business (2011)*	127/183
Human Development Index (2011)*	152/187
Ibrahim Index of African Governance (2011)**	58/100

Data is in $ US and for 2010 unless otherwise noted. FDI data is annual inflows, not stock.
Sources: World Bank, IMF, UN, CIA, World Economic Forum, Transparency International, and Mo Ibrahim Foundation.
* Best Ranking = 1; ** Best Score = 100

SNAPSHOT

Tanzania's stable politics and increasing levels of private consumption are expected to drive economic growth. Tanzania had adopted socialist economic policies after independence but began to liberalize in the 1980's. Since the mid-1990's, Tanzania has introduced structural reforms and policies to increase macroeconomic stabilization. However, the country's undeveloped infrastructure, limited access to financial services, and donor dependence pose challenges to growth.

GROWTH SECTORS

Agriculture employs 80 percent of the population[63] and accounts for almost 30 percent of GDP.[64] Longstanding challenges include drought and poor irrigation. Inadequate storage and processing facilities and poor transportation infrastructure cause produce to spoil on its way to markets.[65]

The Tanzanian government has made strides in expanding production and improving productivity. For example, the government has created a Southern Agricultural Growth Corridor of Tanzania (SAGCOT) public-private partnership to increase agricultural productivity in an area that covers one third of the country and includes some of Africa's most fertile land.[66] SAGCOT aims to transform smallholder farms into commercial farms growing crops such as coffee, tea, and bananas. Backers of the initiative say it can generate $1.4 billion in annual revenue and half a million new jobs.[67] Tanzania has also attracted investment from foreign governments. The U.S. government, for example, selected Tanzania for its Feed the Future food security initiative based on the country's level of need, on opportunities for local partnerships, and the country's potential for agricultural growth.[68] The government wants to increase agricultural growth from 2.7 percent in 2009 to 6 percent by 2015 in part by strengthening the capacity of the private sector.[69]

Tanzania has abundant energy reserves. In 2011, the government announced that it had secured a $1 billion loan from China to build a pipeline to transport natural gas from the large reserves at Songo Songo Island and Mnazi Bay to the commercial capital of Dar es Salaam to help meet domestic energy demand.[70] The government is also planning to construct a pipeline between Dar es Salaam and Mombasa to meet Kenya's growing demand.[71] Recent discoveries of natural gas off the coast have generated much excitement about prospects for further exports. Tanzania's government estimates that the country currently has an impressive 10 trillion cubic feet of natural gas reserves.[72] More than a dozen exploration companies including Petrobras, Ophir, Statoil, and BG Group operate in Tanzania's seven offshore areas.[73]

Tanzania is also blessed with minerals such as the precious gemstone tanzanite[74] and is a large gold producer.[75]

As in Kenya, mobile banking systems have spread rapidly, due in part to support from regulators and the central bank.[76]

POLITICAL LEADERSHIP AND NEXT ELECTIONS

Tanzania's stable politics distinguish it from many of its neighbors in East Africa. Although the same party has dominated politics for most of Tanzania's post-independence history, political pluralism has increased, and national unity is strong. (Political conflict has been a source of some tension in Zanzibar.) President Jakaya Kikwete was reelected with 61 percent of the vote in October 2010,[77] and his Chama Cha Mapinduzi Party held on to nearly 80 percent of parliamentary seats.[78] President Kikwete has pledged to continue the economic reforms begun by his predecessors and in 2010 set up a task force on improving the business environment.[79] The next presidential and parliamentary elections will be held in 2015.

UGANDA

CAPITAL | KAMPALA

ECONOMIC STRUCTURE

GDP (PPP)	$42.5 billion
GDP per capita (PPP)	$1,272
GDP by sector	Services 51%, Agriculture 23%, Industry 26%
Exports	$4.1 billion
Imports	$5.8 billion

DEMOGRAPHICS

Population	33.4 million
Population Growth Rate	3.2% (2005-2010)
Literacy	71% (2009 est)
Urban Population	13% of total population
Age Dependency Ratio	104 (2010), 78 (2035)
Labor Force	16.0 Million
Labor Force - by occupation (2005 ests)	Agriculture 82%, Industry 5%, Services 13%

EQUITY AND DEBT MARKET SNAPSHOT

Equity Market Size	$704 million
Main Index	Uganda Securities Exchange (USE)
Listed Companies	7 domestic issues (14 total)
Valuation (Market Capitalization to GDP)	4.4%
Long-term Foreign Currency Credit Rating	B+ (S&P), B (Fitch)
Currency (versus the U.S. Dollar)	Ugandan Shilling = 2,473.50

BUSINESS DEVELOPMENT INDICATORS

Corruption Perceptions Index (2011)*	143/183
Global Competitiveness Index (2011-12)*	121/142
Ease of Doing Business (2011)*	123/183
Human Development Index (2011)*	161/187
Ibrahim Index of African Governance (2011)**	55/100

Data is in $ US and for 2010 unless otherwise noted. FDI data is annual inflows, not stock.
Sources: World Bank, IMF, UN, CIA, World Economic Forum, Transparency International, and Mo Ibrahim Foundation.
* Best Ranking = 1; ** Best Score = 100

SNAPSHOT

Uganda has experienced a tremendous transformation since the days of Idi Amin. President Yoweri Museveni has opened Uganda to foreign investment and is one of the United States' closest allies in Africa on countering terrorism. The recently launched national development plan for 2010 to 2015 is the first of its kind in Uganda and aims to strengthen infrastructure, reform financial services, and reform public sector management.[80]

GROWTH SECTORS

Agriculture employs around 80 percent of Uganda's population, and the government is building the economy around agribusiness, in part as a means of increasing the productivity of the sector. Uganda benefits from fertile soil and regular rainfall.

However, Uganda's economy is relatively diversified with agriculture accounting for less than a quarter of GDP. Discoveries of oil in the western area of the country have spurred increasing speculation in recent years that oil will be the game changer. Enthusiasm has been even more pronounced since 2009, when an oil exploration company found that an oil field in the Lake Albert area was much larger than originally estimated: 1.1 billion barrels of oil have been discovered, and the development company estimates that 1.4 billion barrels remain to be found.[81] These amounts could generate as much as $2 billion a year, equivalent to nearly 5 percent of GDP.[82] Other experts estimate that the basin has as much as six billion barrels of recoverable oil, which could make Uganda one of the largest producers of oil in sub-Saharan Africa and double current government revenues within 10 years.[83]

Such massive cash inflows into a country that depends on international donors for 41 percent of its budget[84] would certainly turn around Uganda's economy. But managing the country's natural resources may also pose problems for the government. Several Ugandan government officials were dismissed from government after being accused of accepting millions of dollars in bribes from an oil company. (The accused company contests the charges.)[85] Uganda's parliament has voted to put new ventures on hold and develop a national oil policy in light of these accusations.[86]

Uganda also has mineral resources including cobalt and copper.

POLITICAL LEADERSHIP AND NEXT ELECTIONS

President Museveni and his National Revolutionary Movement (NRM) have led Uganda since 1986. In February 2011, Museveni was reelected with 68 percent of vote, and the NRM party won the majority of parliamentary seats. The opposition leader (and three time presidential candidate) Kizza Besigye was arrested in April 2011 for leading protests over food and fuel price increases and was temporarily under house arrest.[87] The absence of a clear successor to Museveni is a concern.

GHANA

CAPITAL | ACCRA

ECONOMIC STRUCTURE

GDP (PPP)	$41.2 billion
GDP per capita (PPP)	$1,690
GDP by sector	Services 51%, Agriculture 30%, Industry 19%
Exports	$7.9 billion
Imports	$12.0 billion

DEMOGRAPHICS

Population	24.4 million
Population Growth Rate	2.4% (2005-2010)
Literacy	67% (2009 est)
Urban Population	51% of total population
Age Dependency Ratio	74 (2010), 58 (2035)
Labor Force	10.8 million
Labor Force - by occupation (2005 ests)	Agriculture 56%, Industry 15%, Services 29%

EQUITY AND DEBT MARKET SNAPSHOT

Equity Market Size	$1.24 billion
Main Index	Ghana Stock Exchange (GSE)
Listed Companies	30 issues
Valuation (Market Capitalization to GDP)	3.2%
Long-term Foreign Currency Credit Rating	B (S&P), B+ (Fitch)
Currency (versus the U.S. Dollar)	New Ghana Cedi = 1.94

BUSINESS DEVELOPMENT INDICATORS

Corruption Perceptions Index (2011)*	69/182
Global Competitiveness Index (2011-12)*	114/142
Ease of Doing Business (2011)*	63/183
Human Development Index (2011)*	135/187
Ibrahim Index of African Governance (2011)**	66/100

Data is in $ US and for 2010 unless otherwise noted. FDI data is annual inflows, not stock.
Sources: World Bank, IMF, UN, CIA, World Economic Forum, Transparency International, and Mo Ibrahim Foundation.
* Best Ranking = 1; ** Best Score = 100

SNAPSHOT

Ghana's robust democracy and strong economy make it a model for African politics and economics. Services have surpassed agriculture as a share of GDP in recent years, with notable growth in the information technology and financial sectors in particular, as the government tries to build Ghana into a West African finance center. Industry is developing rapidly, driven mostly by the recent discovery of oil. Inadequate transportation infrastructure and insufficient electricity supply are longstanding problems. Former President John Atta Mills, who died unexpectedly in July 2012, had prioritized infrastructure investment, and a number of power generation and distribution projects are under development.[88]

GROWTH SECTORS

Agriculture remains an important sector in Ghana even as services and industry gain on it. Agriculture accounts for 30 percent of GDP, which is a share comparable to that in the other countries covered in this report. But just over half of Ghana's workers are employed in agriculture—the lowest level of any country covered in this report.

The country is investing in farmers, particularly through partnerships with the private sector. For example, Ghana signed a $547 million compact with U.S. foreign aid agency the Millennium Challenge Corporation to increase farmer incomes through the development of agribusiness.[89] The government's economic growth policy seeks to grant farmers increased access to credit and technology.[90] Large crops such as cocoa have considerable profit potential.

The discovery in 2007 of significant reserves of crude oil off Ghana's coast has generated expectations of an economic boost. The Jubilee field alone is estimated to have as many as 500 million barrels of oil.[91] Estimates of Ghana's total reserves range from 4.5 billion to 10 billion barrels of oil.[92] Ghana was producing a moderate 7,000 barrels of crude oil per day as of 2010,[93] but analysts say it could become one of the top 50 oil-producing countries in the world once production speeds up.[94] Ghana has already made the list of top 50 countries for proven reserves of crude oil worldwide.

The world will be closely watching Ghana's management of its new oil endowments given that oil has a history of worsening corruption and governance problems.[95] Controversy has already arisen over government interference in the sale of exploration blocks setting relations with industry off to a rocky start.[96] But the government is learning—introducing legislation to regulate the development of the oil and gas sectors, such as the Petroleum Revenue Management Act, which passed in March 2011.[97] Former President Mills' strong anti-corruption stance[98] was a good signal to investors. Analysts predict that crude oil exports could contribute more than five percentage points to Ghana's yearly GDP growth.[99]

Ghana was historically known as the "Gold Coast" and is Africa's second largest gold producer after South Africa.[100] With gold prices at record highs, the gold industry is booming.

POLITICAL LEADERSHIP AND NEXT ELECTIONS

John Atta Mills' election by a narrow margin in December 2008 marked the second time Ghanaians have peacefully transferred power from one party to another. Mills was planning to run for a second term in the December 2012 presidential elections but died unexpectedly in July 2012. His vice president, John Dramani Mahama, was sworn in as his replacement and will be the National Democratic Congress (NDC)—the ruling party in parliament—candidate in December. The largest opposition party, the New Patriotic Party (NPP), has announced that Nana Akufo Addo will be the party's presidential candidate.[101] The NPP is known to be even more capitalist and pro-business than Mills' NDC.

SENEGAL

CAPITAL | DAKAR

ECONOMIC STRUCTURE

GDP (PPP)	$24.0 billion
GDP per capita (PPP)	$1,933
GDP by sector	Services 62%, Agriculture 16%, Industry 22%
Exports	$3.2 billion
Imports	$5.7 billion

DEMOGRAPHICS

Population	12.4 million
Population Growth Rate	2.7% (2005-2010)
Literacy	48% (2009 est)
Urban Population	42% of total population
Age Dependency Ratio	75 (2010), 62 (2035)
Labor Force	5.7 million
Labor Force - by occupation (2005 ests)	Agriculture 77.5%, Industry and Services 22.5%

EQUITY AND DEBT MARKET SNAPSHOT

Equity Market Size	$4.7 billion
Main Index	Part of the Regional Securities Exchange (Bourse Regionale de Valeurs Mobilieres*)
Listed Companies	8 (1 Senegal domiciled company)
Valuation (Market Capitalization to GDP)	6.2% (versus aggregate GDP of region)
Long-term Foreign Currency Credit Rating	B+ (S&P), B1 (Moody's)
Currency (versus the U.S. Dollar)	CFA Franc = 529.22

**BRVM includes Burkina Faso, Ivory Coast, Benin, Guinee Bissau, Mali, Niger, Senegal, Togo*

BUSINESS DEVELOPMENT INDICATORS

Corruption Perceptions Index (2011)*	69/182
Global Competitiveness Index (2011-12)*	111/142
Ease of Doing Business (2011)*	154/183
Human Development Index (2011)*	155/187
Ibrahim Index of African Governance (2011)**	57/100

Data is in $ US and for 2010 unless otherwise noted. FDI data is annual inflows, not stock.
Sources: World Bank, IMF, UN, CIA, World Economic Forum, Transparency International, and Mo Ibrahim Foundation.
* Best Ranking = 1; ** Best Score = 100

SNAPSHOT

Known for decades as one of the most stable and democratic countries in sub-Saharan Africa, Senegal is also considered a primary trading hub of West Africa due to its well developed, albeit costly, port facilities.[102] Although heavily dependent on foreign assistance, Senegal's GDP growth should accelerate to 4.4 percent in 2012,[103] an increase driven largely by an infrastructure investment program funded with a $500 million Eurobond issued in 2011.[104]

Senegal is considered one of the most diplomatically important countries in the Economic Community of West African States (ECOWAS).[105] It has solid relationships with all of its neighbors, which contributes to its ongoing political stability. Senegal's most important border relationship is with Mauritania due to the large number of Senegalese that live and work there. Senegal's relationships with China and the Gulf States are also positive. China, France, and the United Kingdom are Senegal's primary trading partners.[106]

In early 2012, Senegal's celebrated political stability was interrupted when a broad cross section of civil society protested legal maneuvers by President Abdoulaye Wade to win another term in office.[107] (See more below.)

GROWTH SECTORS

Based primarily on agriculture (a sector that employs 77 percent of the population), fisheries (employing 15 percent of the population), and a smaller services sector (driven by tourism), Senegal's economy is highly sensitive to weather and changing commodity prices.[108] The country is considered a transition economy—it has a fairly low GDP per capita but is attempting to diversify its growth drivers.[109] France continues to be Senegal's largest foreign investor.

Other promising sectors include ICT, teleservices (the International Telecommunication Union ranks Senegal first among West African states for Internet penetration and quality of service), and health (medical clinics and specialized services).[110]

Senegal is plagued by energy shortages, and in 2011, riots erupted in Dakar over energy. The country's plan to improve energy infrastructure, Plan Takkal, is expected to cost about $1.5 billion over the next three years. The plan has the stated goal of providing much-needed energy consistency—a key to growth. As power delivery improves and Senegal's cement and phosphate output recover from the global financial crisis, Senegal's industrial production should rise substantially.

Senegal's growth is also contingent on the full implementation of its existing infrastructure development projects. One of President Wade's reasons for seeking a third term was that he wanted to finish some of the larger projects he started, such as the $560 million airport outside of Dakar.[111] The government also plans to spend approximately $3.1 billion on road improvements.[112]

Senegal's external sector may experience challenges in the near future due to Europe's fiscal problems. Senegal's currency—the CFA franc— is pegged to the Euro.[113]

POLITICAL LEADERSHIP AND NEXT ELECTIONS

In early 2012, President Adboulaye Wade's efforts to remain in office for a third term resulted in protests in Dakar in which several people were killed. On March 25, 2012, nearly a month after the February 26 elections in which he did not poll more than the mandated 50 percent of votes (he claimed 34 percent of the vote), the aging Wade participated in a run-off vote against Macky Sall, the younger opposition candidate (who garnered about 27 percent of the votes). Sall won the run-off, and Wade conceded defeat in a peaceful election.

Macky Sall has held many government positions including prime minister, President of the National Assembly, and mayor of his hometown, Fatick.[114] Sall campaigned on reducing food prices, directing funds to the people rather than to Wade's large infrastructure plans, and a commitment to reduce the presidential term limit from seven years to five.[115] Sall stated that he intends to bring down the price of food by cutting a value-added tax from 18 percent to 10 percent, but he may implement a real-estate tax to make up the difference in public revenue.[116]

MOZAMBIQUE

CAPITAL | MAPUTO

ECONOMIC STRUCTURE

GDP (PPP)	$22.0 billion
GDP per capita (PPP)	$942
GDP by sector	Services 45%, Agriculture 29%, Industry 26%
Exports	$2.4 billion
Imports	$4.2 billion

DEMOGRAPHICS

Population	23.4 million
Population Growth Rate	2.4% (2005-2010)
Literacy	55% (2009 est)
Urban Population	38% of total population
Age Dependency Ratio	90 (2010), 69 (2035)
Labor Force	10.0 million
Labor Force - by occupation (2005 ests)	Agriculture 81%, Industry 6%, Services 13%

EQUITY AND DEBT MARKET SNAPSHOT

Equity Market Size	Bolsa de Valores Moçambique
Main Index	Maputo Stock Exchange
Listed Companies	2
Valuation (Market Capitalization to GDP)	4%
Long-term Foreign Currency Credit Rating	B+ (S&P), B (Fitch)
Currency (versus the U.S. Dollar)	Mozambique New Metical = 27,950

BUSINESS DEVELOPMENT INDICATORS

Corruption Perceptions Index (2011)*	120/182
Global Competitiveness Index (2011-12)*	133/142
Ease of Doing Business (2011)*	139/183
Human Development Index (2011)*	184/187
Ibrahim Index of African Governance (2011)**	55/100

Data is in $ US and for 2010 unless otherwise noted. FDI data is annual inflows, not stock.
Sources: World Bank, IMF, UN, CIA, World Economic Forum, Transparency International, and Mo Ibrahim Foundation.
* Best Ranking = 1; ** Best Score = 100

SNAPSHOT

After decades of anti-colonial struggle and civil war, Mozambique has emerged as one of the most successful post-conflict states in Africa. This growth has been driven both by smart government investment in the country's agriculture, industry, and services sectors and also by government ownership of reforms and strong coordination with donors and lenders such as the World Bank's International Development Association.[117] Outside investment from countries such as South Africa has also helped.[118] Mozambique was eighth on the list of the 10 fastest growing economies worldwide from 2001 to 2010, averaging 7.9 percent annual GDP growth.[119]

GROWTH SECTORS

Natural gas may be Mozambique's big break. An oil and gas company operating in the country recently announced that it had revised its estimates of the recoverable resources in a gas field recently discovered off Mozambique's coast to 15 to 30 trillion cubic feet of gas. The company believes this could be one of the most important natural gas fields discovered in the past decade.[120] Other experts estimate that Mozambique's government could bring in billions of dollars per year in revenue from the field.[121] An Italian company discovered another sizable coastal gas field in 2011.[122]

Mozambique has large areas of fertile land and is considered one of Africa's breadbaskets. And given that only 5.6 million of the country's 36 million hectares of arable land are under cultivation, the growth possibilities in agribusiness are enormous.[123] In December 2011, the government signed an important compact with the African Union to spend at minimum 10 percent of its budget on agriculture and to raise agricultural productivity by at least six percent.[124] Mozambique has introduced an agriculture development plan for 2011 to 2020 to achieve annual agriculture growth of seven percent.[125] More than 80 percent of Mozambique's population is employed in agriculture.

Aquaculture also holds promise to increase exports. Growth opportunities exist in commercial farming of fish such as tilapia in freshwater areas and shrimp (which sells at particularly high prices in Europe) in the country's abundant and unpolluted coastal waters.[126]

POLITICAL LEADERSHIP AND NEXT ELECTIONS

In October 2009, Armando Guebuza was reelected as president with 75 percent of the vote. Guebuza's Front for the Liberation of Mozambique (Frelimo) Party has been Mozambique's ruling political party since independence in 1975, and the absence of a real opposition is a concern.[127] The next parliamentary and presidential elections will be held in 2014.

ZAMBIA

CAPITAL | LUSAKA

ECONOMIC STRUCTURE

GDP (PPP)	$20.2 billion
GDP per capita (PPP)	$1,562
GDP by sector	Services 44%, Agriculture 22%, Industry 34%
Exports	$7.1 billion
Imports	$5.7 billion

DEMOGRAPHICS

Population	13.1 million
Population Growth Rate	2.7% (2005-2010)
Literacy	71% (2009 est)
Urban Population	36%
Age Dependency Ratio	98 (2010), 94 (2035)
Labor Force	5.6 million
Labor Force - by occupation (2005 ests)	Agriculture 85%, Industry 6%, Services 9%

EQUITY AND DEBT MARKET SNAPSHOT

Equity Market Size	$8.7 billion
Main Index	Lusaka Stock Exchange
Listed Companies	28 issues
Valuation (Market Capitalization to GDP)	47.3%
Long-term Foreign Currency Credit Rating	B+ (S&P), B+ (Fitch)
Currency (versus the U.S. Dollar)	Zambian Kwacha = 5,190

BUSINESS DEVELOPMENT INDICATORS

Corruption Perceptions Index (2011)*	91/183
Global Competitiveness Index (2011-12)*	113/142
Ease of Doing Business (2011)*	84/183
Human Development Index (2011)*	164/187
Ibrahim Index of African Governance (2011)**	57/100

Data is in $ US and for 2010 unless otherwise noted. FDI data is annual inflows, not stock.
Sources: World Bank, IMF, UN, CIA, World Economic Forum, Transparency International, and Mo Ibrahim Foundation.
* Best Ranking = 1; ** Best Score = 100

SNAPSHOT

Over the past decade, Zambia has increased exports and made strides in attracting FDI.[128] The government is pursuing aggressive business reforms to further increase private investment. The Private Sector Development Program, for example, aims to increase access to credit, reduce bureaucracy, train the workforce, and build infrastructure.[129] Inequality remains a problem. Most Zambians are subsistence farmers, many of whom live on less than $1.25 a day.[130] People with college degrees can earn as much as 100 times that amount in the capital.[131]

GROWTH SECTORS

Mining is one of the country's leading sectors for economic growth, and copper the major export.[132] This puts Zambia in an enviable position, as traditional copper deposits in North and South America and Australia are insufficient to meet increasing global demand[133] driven by construction and urbanization in emerging markets such as India and China. As part of Africa's "copper belt," which extends across Zambia and the Democratic Republic of the Congo, Zambia has six percent of the world's known copper reserves[134] and is Africa's biggest copper producer.[135] The country is thus a prime location for investment from companies hoping both to increase productivity at existing mines and search for new mines.

Factors including currency instability and incomplete reforms to the tax system create disincentives to investment.[136] Labor costs are increasing, but productivity is not. Corruption and increasing costs due to power shortages and poor transportation infrastructure are also problems the country has to overcome.

After years of falling, copper production levels again increased when the country's copper mines were privatized in 2000.[137] Foreign investment in Zambia's mining sector has driven growth.[138] Copper prices are expected to remain high, and Zambia's finance minister Situmbeko Musokotwane has said Zambia may reach double-digit growth by 2015 if investment in the country's mines continues at its current pace.[139]

POLITICAL LEADERSHIP AND NEXT ELECTIONS

Michael Sata's September 2011 election as president was notable mostly because Sata defeated an incumbent whose party had led Zambia for twenty years—and the election was not disputed.[140] The country's next election will be held in 2016.

RWANDA

CAPITAL | KIGALI

ECONOMIC STRUCTURE

GDP (PPP)	$12.4 billion
GDP per capita (PPP)	$1,163
GDP by sector	Services 52%, Agriculture 34%, Industry 14%
Exports	$610 million (2009)
Imports	$1.5 billion (2009)

DEMOGRAPHICS

Population	10.6 million
Population Growth Rate	2.9% (2005-2010)
Literacy	71% (2009 est)
Urban Population	19% of total population
Age Dependency Ratio	83 (2010), 66 (2035)
Labor Force	4.5 million
Labor Force - by occupation (2005 ests)	Agriculture 90%, Industry and Services 10%

EQUITY AND DEBT MARKET SNAPSHOT

Equity Market Size	$455 million
Main Index	Rwanda Stock Exchange
Listed Companies	2 total issues (2 local issues)
Valuation (Market Capitalization to GDP)	6.7%
Long-term Foreign Currency Credit Rating	B (S&P), B+ (Fitch)
Currency (versus the U.S. Dollar)	Rwandan Franc = 604.30

BUSINESS DEVELOPMENT INDICATORS

Corruption Perceptions Index (2011)*	49/183
Global Competitiveness Index (2011-12)*	70/142
Ease of Doing Business (2011)*	45/183
Human Development Index (2011)*	166/187
Ibrahim Index of African Governance (2011)**	52/100

Data is in $ US and for 2010 unless otherwise noted. FDI data is annual inflows, not stock.
Sources: World Bank, IMF, UN, CIA, World Economic Forum, Transparency International, and Mo Ibrahim Foundation.
* Best Ranking = 1; ** Best Score = 100

SNAPSHOT

Privatization of sectors such as telecommunications and mining and banking reform have driven Rwanda's economic recovery since the late 1990's.[141] Rwanda averaged nearly 8 percent annual GDP growth from 2001 to 2010 coming in tenth on the list of the 10 fastest growing economies from 2001 to 2010.[142] Rwanda has a strong record on implementing pro-business reforms and is the only country on this list to have improved for three years in a row on the World Bank's ease of doing business index (from 143 in 2009 to 45 in 2012).[143] Rwanda faces a number of challenges including electricity costs that are among the highest in the world. Further, the country has the highest population density in continental sub-Saharan Africa, which is a strain on the environment and the country's already limited natural resources.[144]

GROWTH SECTORS

Rwanda wants to become a regional center of ICT excellence to enhance the competitiveness of the private sector and to attract investment. The government seeks to develop national ICT infrastructure and to promote e-commerce and e-government. Rwanda established an ICT park in Kigali in 2006 to incubate ICT start up companies.[145] In partnership with the Rwandan government, Carnegie Mellon is establishing a campus within the ICT park that will offer a master's degree program in information technology. Carnegie Mellon is the first U.S. research institution to offer a degree program in country within Africa.[146]

Other service sectors are also growing. For example, the Ministry of Trade and Industry expects a surplus of $22 million within the next five years from tourism and business process outsourcing.[147] The government plans to start construction this year on a new international airport in Bugesera,[148] and tourism is expected to pick up so much that Marriott will soon open a $55 million, 200+ room hotel in Kigali.[149] Rwanda increased services exports by more than 25 percent a year from 1995 to 2008.[150]

Ninety percent of Rwandans are employed in agriculture[151] and more than 85 percent practice subsistence agriculture.[152] The government is reorganizing the agricultural sector, moving farmers off their land, collectivizing farms to increase productivity, and establishing an agriculture commodity exchange to improve the market.

Rwanda is also exploring ways to extract methane gas discovered in Lake Kivu to address its electricity needs.[153]

POLITICAL LEADERSHIP AND NEXT ELECTIONS

President Paul Kagame of the Rwanda Patriotic Front has been President since 2003 and was reelected with 93 percent of the vote in August 2010. The Rwandan constitution limits presidents to two terms, and Kagame has said he will abide by the law and not seek a third term in the 2017 presidential elections.[154] The next parliamentary elections will be held in 2015.

SIERRA LEONE

CAPITAL | FREETOWN

ECONOMIC STRUCTURE

GDP (PPP)	$4.9 billion
GDP per capita (PPP)	$827
GDP by sector	Services 27%, Agriculture 51%, Industry 22%
Exports	$326 million
Imports	$563 million

DEMOGRAPHICS

Population	5.9 million
Population Growth Rate	2.5% (2005-2010)
Literacy	41% (2009 est)
Urban Population	38%
Age Dependency Ratio	81 (2010), 58 (2035)
Labor Force	2.2 million
Labor Force - by occupation (2005 ests)	N/A

EQUITY AND DEBT MARKET SNAPSHOT

Equity Market Size Main Index Listed Companies	Everest Capital gains country exposure through stocks listed elsewhere, but with revenues from Sierra Leone.
Valuation (Market Capitalization to GDP)	N/A
Long-term Foreign Currency Credit Rating	B (S&P), B+ (Fitch)
Currency (versus the U.S. Dollar)	Sierra Leone Leone = 4,340

BUSINESS DEVELOPMENT INDICATORS

Corruption Perceptions Index (2011)*	134/182
Global Competitiveness Index (2011-12)*	N/A
Ease of Doing Business (2011)*	144/183
Human Development Index (2011)*	180/187
Ibrahim Index of African Governance (2011)**	48/100

Data is in $ US and for 2010 unless otherwise noted. FDI data is annual inflows, not stock.
Sources: World Bank, IMF, UN, CIA, World Economic Forum, Transparency International, and Mo Ibrahim Foundation.
* Best Ranking = 1; ** Best Score = 100

SNAPSHOT

Sierra Leone experienced more than a decade of civil war that ended in 2002. The war devastated much of the country's infrastructure and institutions. The country's good governance and stable politics have distinguished it and the recovery has been strong.

The government's recent accomplishments include constructing more than 600 miles of roads, privatizing parts of Freetown's port, modernizing the country's international airport and opening five-star hotels to attract tourists and business people.[155] The government has also initiated tax reforms such as the introduction of a goods and services tax in January 2010 and has modernized the income tax system.[156] President Koroma, in particular, has been praised for providing additional electricity through the construction of the Bumbuna hydroelectric dam, which had dragged on for three decades. In 2007, the government set up an Investment and Export Promotion Agency to help start up businesses.[157] In fact, Sierra Leone improved by nine places on the World Bank's ease of doing business index from 2011 to 2012 and now ranks 141 out of 183 countries.[158]

GROWTH SECTORS

Sierra Leone has some of the world's richest iron ore deposits and, although the civil war severely disrupted production, iron ore has attracted considerable outside investment in recent years. For example, London Mining is spending hundreds of millions of dollars to regenerate the site of a former iron ore mine at Marampa.[159] Production at the site began in December 2011 for the first time since the 1960's.[160] Other major projects are under development as well. In 2011, Shandong Iron invested $1.6 billion for a share in the mining company African Minerals, which is responsible for the Tonkolili iron ore project in Sierra Leone.[161] African Minerals expects production to reach 20 million tonnes of shipping iron ore per year by the end of 2012.[162]

Two thirds of Sierra Leone's population is made up of smallholder farmers, 70 percent of whom live below the poverty line.[163] The government is helping these farmers transition from subsistence to commercial farming to increase incomes and economic growth. President Koroma's "Farm for Business" program, for example, provides farmers access to high-yield seeds and high-quality machinery and trains farmers in collective marketing strategies. Agricultural business centers serve as local hubs for farmers to purchase supplies and store and market their products. The program has already increased farmers' profits from crops such as rice and cassava and has won praise from Tony Blair (among others) as an example of "visionary" leadership.[164] Companies such as Shanghai Construction Investment are also investing as much as $1.2 billion in larger agribusiness initiatives on rice and rubber plantations.[165]

The country is also known for its diamond mines. Although the mines have historically been notorious for being poorly regulated and for their association with "blood diamonds" (so called because they were sold to finance conflict), today confidence and investment in the industry is on the rise. For example, Sierra Leone-based diamond mining company Koidu Holdings plans for an initial public offering on the Hong Kong Stock Exchange in late 2012. Experts estimate that the Koidu mine will produce 500,000 carats of diamonds by the end of the year.[166] In early 2012, Sierra Leone launched an online mining database to increase transparency and accountability in the mining of diamonds and other minerals. The country has also passed legislation to create a new agency dedicated to regulating the mines[167] and has released a transparency report on extractive industries.[168] (Human rights groups continue to voice some concerns about child labor at diamond mines.)[169]

Other minerals that Sierra Leone has in abundance include bauxite (an aluminum ore), titanium ore, and gold.[170]

POLITICAL LEADERSHIP AND NEXT ELECTIONS

Ernest Bai Koroma of the All People's Congress has been president since 2007. President Kormoa's election marked the first peaceful transition from one party to another in Sierra Leone's post-independence history. Presidential and parliamentary elections are scheduled for November 2012. Because both the president's party and the opposition support attracting continued outside investment, it is unlikely that a change in leadership would entail large consequences for foreigners.

Notes

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