



Africa has come a long way since Bob Geldof first became involved. But not nearly enough

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## ‘The last thing I thought was that it was Africa that was going to feed the world’

But from the 600 million people lifted out of poverty in China by economic growth that has been driven by trade. Geldof argues that aid was essential in Africa to “stabilise the individual and the family”, providing the preconditions for rapid economic development. Debt relief was also critical. Then, a decade ago, Africa started to see increasing investment from China and the growth of mobile phone technology started to address the infrastructure challenge.

Geldof points out that after the Second World War Africa had just a handful of small cities. “Africa is vast. One desert in Africa is the size of the United States. How do you possibly connect the cities up? There was no infrastructure: no rail, no roads, no air infrastructure. The colonial powers had done nothing about it. But then suddenly you had mobile telephones and a virtual infrastructure was created.”

There is still huge poverty in Africa, which needs to be transformed not just for the benefit of Africa, but also the West, he says. “What is in our interest is to drag them into the common weal. You don’t have to be Hayek or Keynes to see that.”

Geldof says it became clear about ten years ago that there was a huge opportunity for Western investors in Africa. But he became frustrated by the lack of interest shown by traditional investors. So he set up an Africa-focused private equity fund that raised an initial \$200 million last year towards a target of \$450 million.

Called 8 Miles (the shortest distance between southern Europe and the African continent) the company received initial backing from CLSA, the Hong Kong-based brokerage and



Song to stop the suffering: Bob Geldof on a visit to Ethiopia in the Eighties, above, the country that inspired him to write

investment group. The firm has raised money from a wide range of investors, including the World Bank’s International Finance Corporation (IFC) and CDC, the UK Government’s development finance arm.

Geldof, who is non-executive chairman, has put some of his own fortune into the firm, which is about to put money into its first investment, a

“In terms of economic development, it has to be aid and it has to be trade”

venture set up by Eleni Gabre-Madhin, the founder of the Ethiopia Commodity Exchange. Her new company, Eleni, which also has the backing of Morgan Stanley and the IFC, aims to set up commodity exchanges in other African countries. Although there is growing interest

among big Western investment institutions, Geldof says he is amazed that there is not more money going into Africa. “Here is this immense continent that has the fastest-growing middle class in the world and the greatest rate of urbanisation. It is a continent of teenagers. Yes, there is still malnutrition. But they also want iPads. If you claim to be an investor and you don’t get in there, you should get out of the business. What are you doing with your clients’ money?”

He says concerns about corruption and political risk in Africa are overdone. Corruption is much worse in China, he claims. “In Africa it is nothing like that. It is an impediment to growth but it doesn’t stop it.” The number of wars and coups in Africa has also fallen sharply in recent years, he says. “But look at Asia, look at all the potential conflicts there.”

Geldof sees the role of China as one of the most important issues that Western investors must address. The Chinese are formidable competitors in Africa but their focus is mainly on the commodities that they need to power their vast economy.

And their business methods have not always endeared them to their African partners. “Initially they tended to behave like the old colonial powers. They would bring in their own workers, their own wood and their own nails. They got into trouble in Zambia and Congo and rapidly learnt. But still their behaviour can sometimes leave something to be desired. That is our opportunity. We go there with cash and the knowledge that the best way to do business is to do it properly. And can we beat the Chinese on price? Yes we can.”

The growing presence of China in Africa makes it strategically important for Europe to seize the opportunities now, he says. “Allowing the Chinese to get in there and do much more would not be good news. Eight miles from Europe’s borders you would have a continent where the Chinese have vast interests and they will need to protect that. European investors must get in and create businesses and bring huge benefits to those countries and bring benefits back home.”

Geldof says that maintaining the aid commitment has been in Britain’s

Do They Know It’s Christmas

interest and investors should take advantage. British business may have missed out on many opportunities in China but there is a strong base in Africa on which to build. British private investment in Africa is much higher than that of Germany or even of the US, he points out.

Geldof says there are many opportunities for a firm his size, though he admits there is still a shortage of large-scale investment projects. When 8 Miles put in a bid on one large agricultural deal recently it was outgunned by Carlyle, the US private equity firm that has raised a \$500 million sub-Saharan fund. “They are still going to make loads of money on it,” Geldof says.

The biggest problem holding back Western investors may simply be a wildly outdated view of Africa as the unknown “Dark Continent”, he says. “The Dark Continent is in our heads. It is not dark. It is suffused with light. Investors need to get out there and kick the tyres. How many more conferences do we have to have? How many more speeches do we have to give?”

### Opinion



## Ozwald Boateng Co-founder of Made in Africa Foundation

Next month marks the 50th Anniversary of the African Union. It was created to promote the unity and solidarity of African states and act as its collective voice. But unity is not a construct that can be developed by political will alone. It is not, merely, the meeting of states and leaders but the movement, social and economic, of its peoples. Unity has no meaning unless it is the ability of the coal miner in Botswana to power a plant in Angola or the farmer in Uganda to export fruit to those short of food in northern Kenya.

It is often said that Africa is blessed with 60 per cent of the world’s uncultivated arable land but this will only be a blessing once the land is cultivated and the produce from that land transported to its markets. It matters not that Lake Kivu in Rwanda is host to a gas supply that could double the region’s electricity supply or that Congo’s Inga hydroelectric project could power southern Africa, if the distribution infrastructure is not available.

It was railways that opened up the

“We, as Africans, must all work to change how we see Africa, in order for it to fulfil its potential”

prairies of North America and the Steppes along the Trans-Siberian Railway, uniting the States and federating the Russians and bringing grain to feed their conurbations and coal to power their industrial growth. It is this that inspired China, the latest superpower, to implement a \$250 billion (£161 billion) domestic rail investment.

Lack of adequate transportation can add as much as 60 per cent to the farm-gate cost of African agricultural products. In practical terms this means the farm-gate price of palm oil in Sierra Leone is double the world market price.

Intra-African trade remains highly external in its orientation. This lamentable feature of Africa’s trade means that trade between African States stands at only 10 per cent of all trade, compared with 60 per cent in Europe.

It is not only lack of infrastructure that has created this situation, restrictive customs procedures, administrative and technical barriers and lack of trade finance have played their part. But on a continent where 13 countries still lack a functioning railway system, lack of adequate infrastructure — let alone state-of-the-art stock and track such as China is laying down — is a huge impediment.

And so we formed the Made In Africa Foundation with entrepreneur Kola Aluko and Atlantic Entreprenur to promote, develop and fund feasibility studies for transformational infrastructure projects across Africa. Following discussions with the African Development Bank, we have now agreed to work together to

develop joint initiatives, raise funds, co-invest and organise events for the promotion of those preparation studies necessary to implement the Priority Action Plans of the Programme for Infrastructure Development in Africa (PIDA).

Africa has an infrastructure gap of \$93 billion per annum. Addressing this deficit would help boost GDP growth on the continent on average by about two per cent per annum, pulling tens of millions out of poverty.

PIDA is a continent-wide programme to develop the regional infrastructure in transport, energy, trans-boundary water and ICT. The Priority Action Plan projects are those PIDA infrastructure projects that are actionable and programmes that promote regional integration

and have the greatest impact. It is estimated that \$68 billion is needed to complete these plans and more than \$350 million to prepare them for funding.

By such a de facto joining of the economies together, infrastructure will be the cornerstone of a secure and peaceful Africa. Peace comes with long-term solutions, whereas Africa’s history is characterised by the sale of “instruments of defence” and charitable aid.

Neither of which has worked; a bandage on an endemic trauma. Once countries and people share interests and assets, it is harder to go to war with each other. They have a mutual desire for the other’s survival as the wellbeing of one becomes balanced with the others.

Consequently, this wellbeing

extends across the globe, as peace encourages industrialised nations to invest in Africa’s growth rather than mining, the sale of arms or in the aid charade of consultants and quick fixes. Virtuous behaviour creates more virtuous behaviour. But although the principle is simple, the work required at every level is substantial. We, as Africans, must all work to change how we see Africa, in order for it to fulfil its potential.

It is wiser to concentrate our vision of Africa upon what we would like it to become. To choose, without fear or compromise, from those Africas that could exist, those that would be best for all of its people, for its environment and for the globe.

Why would you create anything less?

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