

opinion

April 2014

Why we should all have Africa on our minds

By Mike Rees, Deputy Group Chief Executive, Standard Chartered

Sentiment in emerging markets was one of the key topics for finance leaders at the IMF spring meetings in Washington DC – but slower growth in parts of Asia and political discord in some emerging economies should not be allowed to obscure the strong economic potential of these markets.

Businesses, banks and investors from around the world are turning to Africa in search of the next frontier. The opportunities are huge, with an estimated USD38 billion needed each year in infrastructure investment alone. Africa has a new and confident middle class, trade and investment is growing rapidly – particularly with Asia – and Africa is leapfrogging old technologies, leading the world in innovations such as mobile payments. Look at the phenomenal growth of M-Pesa in Kenya, amassing more than 18 million customers in just a few years.

Africa offers an extraordinary bright spot on the world economic map, having outperformed global growth for more than a decade. We're expecting GDP growth in Sub-Saharan Africa to reach 5.4 per cent this year, compared to 1.3 per cent in the euro zone.

Standard Chartered is one of a number of businesses that have built strong ties with the continent for more than a century, opening our first branch in Port Elizabeth in 1863. We know we can do business as Africa's economies grow, but we see a massive opportunity for us and other companies to do more than that, helping to create a sustainable economic success.

In the rush to be part of Africa's growth story, we can't turn a blind eye to the challenges. If Africa is to sustain its rate of growth in the long run, it needs electricity, roads, ports, deeper capital markets, better jobs, more credit for SMEs – the list goes on. A recent report we commissioned on Africa showed the massive, job-creating potential of Africa's SMEs, with over 400 jobs supported for every USD1 million of bank financing, more than double the employment

created in other sectors. SMEs are crucial drivers of economic growth, yet lack of credit is still a major constraint for these companies.

Worse, and affecting all of Sub-Saharan Africa, is a desperate lack of power. Africa as a whole generates just 4 per cent of the world's power, and the bulk of this is in South Africa and the North African region. As many as 500 million Africans don't have access to modern energy and it's holding back their economic potential. Sustained, large-scale investment in power generation is critical if African countries are to go on delivering impressive economic growth rates while creating better lives for people.

That's why we support the five-year Power Africa initiative, launched in 2013 by President Obama, to invest in power projects that will deliver up to 10,000 megawatts of new electricity generation. We know there is massive demand for this, and the programme is proving successful across a number of African countries. In fact, we're on course to exceed our USD2 billion financing pledge – over 20 per cent of the total private sector commitment – significantly ahead of time.

It's clear banks can help African businesses grow and create jobs, and not just by investing in infrastructure. We can encourage clients from other parts of the world to consider investing more in the continent. We can use our local market knowledge, built up over many decades, to help connect Africa to the world, supporting trade along multiple corridors. Above all, we can play a role simply by staying open for business, supporting clients in African markets consistently over the long term. Bank financing facilitates economic activity, and its impact is not limited to the businesses and individuals that receive it. Our recent report on Africa showed that our financing and operations in Sub-Saharan Africa directly and indirectly support some 1.9 million jobs and 1.2 per cent of GDP in the region.

Other roles are less obvious, but also make a difference, such as helping African governments to build robust banking systems that give African consumers and businesses better access to finance. This includes making sure there's a well-trained financial sector workforce. Around 98 per cent of our more than 8,000 employees in Africa are African and many will go on to build their own businesses or run companies and financial institutions. While they work for us, we encourage them to share knowledge with communities, teaching financial literacy to young people or training small business owners.

Banks can't attract the capital they need without generating value for shareholders, but nor can this value be a goal in itself. At a time when banks are coming in for a lot of criticism – some of it

justified – it's worth remembering these crucial roles banks can play in the societies where they operate.

As Africa opens up, attracting interests from investors and business around the world, I call on bankers to focus their efforts on business decisions that support long-term growth in communities, as well as commercial success.

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Note to Editors:

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