The Lions Driving the Development of Africa

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A Detailed Look at the Contributions of African Multinationals Enterprises to Africa Economic Development

Great Africans are not judged by how much money they have—but what they've done for their people.
–Patrice Mostope

11.1 Introduction

From 1980 to 1989 Africa's Gross Domestic Product (GDP) grew by an average 1.8% per annum, by 2.6% per annum between 1990 and 2000, and by 5.3% per year between 2000 and 2010. Supported by sound economic policies, debt relief, stronger institutions, and high investment, many countries in sub-Saharan Africa have now sustained 5–6% growth rates during 2000–2012, and this has helped reduce poverty rates and improve living conditions (United Nations Conference on Trade and Development 2014).

Africa's place in the world continues to evolve as the structure of the global economy changes. The continent is the source of several of the world's most valuable minerals and these minerals has been the mainstay of the economies of several African countries for decades, but Africa is transforming into a productive hub, bubbling with manufacturing energy and seething with a new innovative verve from a thriving service industry. At the heart of this transformation is a crop of businesses that have found ways to thrive in Africa's challenging business climate and tap into the opportunities offered by its growing consumer market.

Governments on their part have focused on creating the environment that would enable investments and growth on the continent. Having been confronted by their countries poor ranking in measures such as World Banks's Ease of Doing Business index and its correlation with attracting foreign direct investments several African countries are putting together policies to improve their place on the index.

A Detailed X-ray of The Contributions of Africa's MNEs To the Development of Africa.

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Governments have enacted policies that facilitate the growth of private sector investment. These policies create clarity for investors by defining the framework under which their investments would be protected and supported. The fact that these reforms have been successful improving Africa's business climate have been captured in several studies (MGI 2016).

These policies and reforms may not have attracted the flow of FDI from developed country MNCs as governments may have wanted, but they aided the birth, growth and expansion of home-grown companies. Private capital has accelerated the in the past two decades and have become the driving engine of investments and development in Africa (African Development Report 2011). Private capital investments in Africa has accelerated at a time that public sector investment have retreated and today the private sector is responsible not only for the provision of goods and services on the continent, but increasingly for the provision of utilities and infrastructure.

The success of AMNEs and other private sector investors is a testament to the fact that despite the challenging business environment, the African marketplace rewards entrepreneurs that are innovative, adventurous and capable of surmounting the huge obstacles to business on the continent.

Today, African private sector, led by a plethora of AFFs, represents two third of the total investments in the continent, three quarters of the generation of wealth, and 90% of the employment opportunities (African Development Report 2011). Taking into account its importance for the African economy, even if the situation differs from one country to another, the private sector is unquestionably the engine driving economic development.

But private enterprise in Africa is still dominated by the informal sector. The share of informal economic activity in Sub-Saharan Africa remains among the largest in the world, although this share has been very gradually declining, as seems to be the case globally. The SSA unweighted average share of informality reached almost 38% of GDP over 2010–2014. This is surpassed only by Latin America, at 40% of GDP and compares with 34% of GDP in South Asia, and 23% of GDP in Europe. In OECD countries, the informal sector is estimated to account for 17% of GDP (Medina et al. 2017).

The sheer size of Africa's informal, small and medium enterprises shows how daunting it is for businesses on the continent to scale up their operations. The lack of the capital, skills and the necessary operating environment militate against the growth of businesses. Big formalized business had been the exclusive preserve of the MNCs. Yet in the midst of these challenges, some African founded companies have been able to grow into national challengers, exporters and eventually multinationals.

The impact of the success of these African Lions have had on Africa has gone far beyond their primary mandate of providing goods and services to the African consumer. There have been benefits to the continent that are not only economic, but are also social and institutional.

African Lions are today at the heart of the diversification of the African economy. Investments across the agricultural value chain is increasing the ability of

Africans to feed themselves and improving the livelihood of millions of small holder farmers and while also increasing the exports earnings of countries. Their investments are increasing the contribution of manufacturing to GDP and reindustrializing Africa. They are also the second largest source of job creation on the continent after governments.

There is increased intra-African trade as more products and services flow between regional neighbors. A lot of this trade has been due to growth and cross-border expansion by African Lion.

Between 2006–2007 and 2015–2016, the average annual amount of African foreign direct investment-money that African companies invested in African countries-nearly tripled, from USD3.7 billion to USD10 billion. In 2013 AMNEs contributed close to 23% of FDI investments in Africa (8% in 2007), their investments are in second place behind those of Western European businesses.

Over the same period, the average number of yearly intra-regional M&A deals jumped from 238 to 418, with African-led transactions representing more than half of all African deals in 2015. Meanwhile, average annual intra-African exports increased from USD41 billion to USD65 billion. And the average annual number of African tourists (Africans traveling in Africa) rose from 19 million to 30 million. African tourist made up more than half of all tourist on the continent (BCG 2018).

AMNEs have become one of the more viable vehicles by which African government implement policies. When government demand increased value added manufacturing, it is the private sector that makes the investments that brings the dreams to life. In return for their investments, they get incentives in tax breaks, import tariffs weavers and other subsidies.

While the driving motive of the investments by AMNEs have been economic profit, their investments has had significant social impact, including employment, increase in inter-regional trade, technology transfer, and upgrade of skills of workers in they operate in. They also contribute to the income of the people in rural communities through their backward integration activities, and provision of infrastructure, healthcare and schools to communities through their CSR activities.

The scale of this impact can be better appreciated when an analysis is made of the contributions to GDP of almost all African countries from the sectors that AMNES have a preference of investing in. Countries with largest number of African Lions like South Africa, Nigeria, Kenya, Morocco and Egypt have seen increased tax contributions and increased economic activities and growth in GDP due to the investments of African Lions. While there is marginal increase in the participation of Africa's Lions in the extractive industry, it is their role in the services sector that has contributed the most to the expansion of GDP.

Reforms and profitability in the African market places has attracted a growing number of MNCs to Africa and when they seek entry to the continent, they have shown a preference to do so through strategic partnerships with AMNEs who guide them through Africa's challenging business terrain. When development agencies seek interventions in Africa, they seek out AMNEs to help implement programs that have social impact (IFC 2012). When development finance institutions want to make investments that have spillovers and trickle-down effect in African countries,

they invest in AMNEs whose operations have linkages to local communities (UNDP 2014).

The exponential growth of banking and financial services sector in Africa has been fueled by the creative means by which African founded banks have been able to mobilize capital from a wide range of sources including their domestic customers, development agencies, private equity investors and the bond market. This in turn has facilitated their primary role of intermediation.

The primary sector has traditionally been dominated by MNCs, and even now, it attracts foreign companies from China, India and Canada, but indigenous companies play significant roles in the capital-intensive parts of the value chain by developing mines, exploring and drilling for oil wells and establishing refineries. The greater participation of these home-grown companies in the primary sector has been due to policies like Local Content Laws and Black Economic Empowerment initiatives. In some countries though, state owned industries are the dominant players in these sectors.

In agriculture, AMNEs have increased their investments in the whole agribusiness value chain. Starting from inputs like seeds and fertilizer, milling, processing, value added manufacturing through to marketing of commodities to the global market. AMNEs have moved into sectors considered the preserve of governments, like healthcare and education by building and managing hospital groups, building pharmaceutical plants, and establishing primary, secondary and tertiary institutions all across the continent.

To facilitate their growth, AMNEs build sustainable relationships with stakeholders including their customers, communities in which they operate, governments, financiers and investors. Taking a panoramic view of their contribution, AMNEs produce products and service at scales that benefit the consumer in price and quality; they employ locals, pay taxes to governments and attract financing from global investors.

Consumers have benefited from the investments of AMNEs due to improved availability of consumer products in the markets and on the supermarket shelves. Investments by companies like **Bidco Africa**, **Tiger Brand**, **Olam**, **Cevital Group**, **Madhvani** and **MeTL** have made food products like vegetable oil, flour, sugar and dairy products to be readily available in African markets just as there has been increased availability of healthcare products like soap detergent and tissue paper. Meanwhile, companies like Elsewedy, Comcraft and Dangote Cement are establishing industrial complexes to manufacture products for the building and construction industry several countries.

These figures become stark when you take into account investments in the telecommunications sector where the involvement of private sector operators following privatization and deregulation has led to an exponential growth in telephone subscription in countries all across Africa. Investments by firms like Econet, GlobaCom and MTN outpaced those by MNCs including **Vodafone**, **Millicent**, **Orange** and **Etisalat**.

Investments in the telecommunication sector has been of the most transformative event in Africa in the past two decades between 1995 and 2005. The numbers are

staggering and the impact has been far reaching. Unique mobile subscriber penetration in Sub-Saharan Africa stood at 44% at the end of 2017, still well below the global average of 66%. The subscriber base in the region totalled 444 million, equivalent to around 9% of subscribers globally. The regional subscriber base will grow at a CAGR of 4.8% for the period 2017–2022, more than double the global growth rate over the same period. The penetration rate is forecast to reach the 50% level by the end of 2023, and 52% by 2025.These investments have increased people's access to telephones and broad band internet services. Improved telecommunications has led to improvement in ecommerce, media and financial services as telecom firms and financial institutions now work improve mobile banking. Africa has the most countries with the highest adoption of mobile banking which is helping bridge Africa's huge gap in financial inclusion and powering payment solutions for business.

The expansion of services sector has led to improvements in retail, trade, banking, media and entertainment, education and spurned a digital economy. There is increased availability and choice for consumers in the African marketplace due to the investments of AMNEs.

Governments have earned increasing amounts of tax revenues and have found development partners in these firms. African Lions, in being the main drivers of manufacturing and services like telecoms and finance, have taken the burden off governments, many of whom are even divesting their holdings in utilities like power, transport and water and sanitation. Most of these firms are also major earners of foreign exchange as their operations abroad are considered to be exports.

Competition has intensified in the African marketplace, as MNCs have had to respond to the loss of market share to AMNEs. African subsidiaries of companies like Lafarge-Holcem, Unilever, Danone, and P&G have increased capital investments on the continent in order to ward off the challenge of AMNEs. MNCs are reevaluating their strategy in Africa and have become more agile and responsive to emergent changes in the African marketplace.

Investors have reaped huge gains in Africa as they have seen the value of their investment grow. The investments by African Lions have helped attract increased capital flows to Africa. No least among them have been development institutions like IFC, foreign and local banks, private equity firms and portfolio investors whose capital have supported the growth of many African Lions.

Business to Business suppliers of goods and services have also grown as the firms they service grows. Developing the supply chain has been beneficial firms to B2B firms. In fact, most of the spending of AMNEs is to suppliers (MGI 2016). Several B2B firms have expanded internationally as they follow their clients into new markets. A bank like Standard Bank, expanded its footprint across Africa mainly to follow the expansion of south African AMNEs across Africa just as Attijariwafa Bank, the Moroccan bank expanded across West and East Africa to service the financial needs of Moroccan firms. Zambian meat processor, Zambeef has followed its client Shoprite to expanded into 21 markets across Africa. Even then there have been increased opportunities for suppliers of logistics service, raw materials and agricultural produce.

Companies themselves have benefited from international expansion. Their expansion has been used to edge against political and macroeconomic risk in their home markets and many of the firms now earn significant amount of their revenue from their international operation. AMNEs have acquired knowledge of the business environment in several African markets and use that knowhow to good effect when the venture out of the continent. **MTN** is an example of an African Lion that learnt to deal with the physical and institutional deficiencies of Nigeria and used that knowledge in expanding across the continent.

Communities across the continent have also been positively impacted by the activities of AMNEs with the most telling impact being employment and improvement of their livelihood. Several communities have been transformed when selected to host facilities of these AMNEs. Their presence sometimes leads to the provision of infrastructure like roads and electricity and educational and health care facilities for the communities. For those farming communities that are important to the backward integration efforts of consumer products companies, they benefit from advances of farming inputs and extension services provided by AMNEs to improve yields which ultimately leads to improvements in the income of farmers.

Firms like Cevital and Tiger Brand, Olam, Madhvani, and ETG are now involved in huge backward integration agricultural projects that aims to achieve self-sufficiency in the local production of rice, maize, sugar. These multi-million-dollar projects include the establishment of huge farms, state of the art milling facilities and provision of infrastructure like roads and electricity to rural communities. These projects employ workers from local communities and provide extension services to farmers to be able to improve their yield. Olam has invested 300 million dollars in the building rice and maize mills in in Ghana, Mozambique.

11.2 The Lions Diversifying the African Economy

Resources and agriculture still account for a large proportion of government revenue in many countries. They also make up a major share of goods exported—98% in Angola, 92% in Nigeria, 80% in Zambia, and 45% in South Africa, for example—heightening many economies' vulnerability to commodity price volatility. But the contributions of the extractive sector has progressively declined in the past decades as private sector investments have become the new engine driving several African economies.

Governments have made efforts at economic transformation and diversification of their economies. At the continental level, economic transformation is one of the key priority issues in the draft strategic plan of the African Union entitled Agenda 2063. It is also one of the four priority issues identified by African countries in the African common position on the post-2015 development agenda. The other issues are innovation and technology transfer, human development, and financing and partnerships. At the national level, many countries have also made economic transformation a key focus of their development agenda in the medium to long term. For example, the Ethiopian Government has a Growth and Transformation Plan aimed

at boosting agricultural and industrial growth. Cote d'Ivoire has an Economic Emergence Strategy aimed at making it an industrial economy by 2020. Similarly, Uganda intends to accelerate its socioeconomic transformation through Vision 2040 and Lesotho's Vision 2020 gives pride of place to industrial development. For Kenya, among the various government initiatives to spearhead diversification in the economy, the principal one is Vision 2030, the government's key policy for Kenya's economic development in the years leading to 2030. Vision 2030 identifies economic diversification as the main thrust of this development strategy (United Nations Conference on Trade and Development 2014).

Countries such as Egypt, Rwanda, Sierra Leone, South Africa, and Zimbabwe, among others, have also developed plans and strategies to transform the structure of their economies towards manufacturing and agribusiness in the medium to long term. These plans have attracted FDI investments from both outside and within Africa.

African Lions have been at the heart of this renewed growth of private sector investment in Africa and in the process are diversifying African economies away from their resource and agricultural foundations. Diversifying African economies is not an easy task. One of the key challenges is how to overcome over-specialization, whereby some countries have developed systems and know-how for one specific area of the economy but find it difficult to transfer these to other sectors and activities (Gurria and Mayaki 2011).

The combined share of services and manufacturing grew from 65% of GDP in 1999 to 68% in 2014. Manufacturing had been decelerating in Africa over the past three decades from 1981 falling from a high of 16% in 1981 to a low point of 11% in 2011. It has however grown marginally to contributing 10.17% of SSA GPD in 2017. This marginal growth has been on the back of AMNEs investments (World Bank Development Indicators database).

African Lions pushing the growth of manufacturing include Dangote Industries in Nigeria, MeTL and Bahkresa in Tanzania, Chanderia and Bidco Africa in Kenya and Cevital in Algeria whose business interest spans retail, agribusiness, manufacturing. Cevital's operations contributes 3% of the GDP of Algeria which is heavily dependent of oil and gas for its foreign exchange revenue.

For countries like Egypt and Morocco, long reliant of tourism and agriculture the investments of OCPs, Yana, Cement d'Atlas and OCI, Elsewedy and Ezz steel are expanding the scope of their economies. As these cross-border investments are considered as exports, African countries can be said to be diversifying their export earnings when AMNEs repatriate profits from their host countries.

Yet the larger contribution to growth in Africa has been in the services sector. Liberalization and deregulation let to the growth the financial services, telecoms, retail and trade, media and entertainment and the tourism industry.

Telecommunications particularly has had a tremendous impact on African economies both as sector that facilitated communications and as an enabler of the digital economy. In 2017, mobile technologies and services generated 7.1% of GDP across Sub-Saharan Africa, a contribution that amounted to USD110 billion of economic value added (GSMA 2017). The huge private sector investments in Africa is the

backbone that today supports the growth of eCommerce, online retailing, mobile money and 300 platforms that have given rise to a vibrant gig economy in Africa in Africa. Africa's financial services sector has also expanded leading to improvement in credit to business, access to capital and financial inclusion. Banking groups like Ecobank, Attijariwafa, Ecobank and Standard Bank are the banks making investments that is impacting on African economies.

11.3 The Lions Industrializing Africa

Manufacturing in Africa contributes 10% of GDP, but manufacturing is expected to grow as populations increase and Africa's consumer market expands. Following the withdrawal from state led industrialization, Africa went through a sustained period of deindustrialization but Africa's industrial rebirth has been led by private sector.

Manufacturing has picked up pace marginally as firms increase capacity to produce fast moving consumer goods. Growth in manufacturing in Africa between 2003 and 2015 has been driven mainly by domestic demand and the specific needs of each country (UNIDO 2018). Between 2005 and 2014, manufacturing production more than doubled from USD73 billion to USD157 billion, growing 3.5% annually in real terms. Some countries show particularly strong annual growth: Uganda's manufacturing grew by 5% over 2010–2014; Zambia's by 6% over 2008–2012; and Tanzania's by more than 7% in the last decade (Balchin et al. 2016). The share of medium- and high-technology activities in total manufacturing value added increased from 25% in 2000 to 29% in 2008. Furthermore, the share of medium- and high-technology exports in total manufacturing exports rose from 23% in 2000 to 33% in 2008. The growing share of medium- and high-technology activities in both African manufacturing value added and manufacturing exports is important because technology-intensive manufacturing sectors grow faster, have greater learning prospects, and have more spillover effects on the rest of the economy (UNCTAD 2013).

The food and beverages sector increased faster than average, partly because of the importance of growing domestic demand. Africa's Lions have been investing in manufacturing. Firms like Bidco Africa, MeTL, Chanderia, Bahkresa are investing in new plants and factories as they expand aggressively across East Africa. Apart from its consumer healthcare products, Chanderia Industries is at the forefront of establishing large industrial recycling plants across East Africa.

Tiger brands, the largest consumer goods manufacturer in Africa, has established plants all across Africa, just as other South African food and beverage firms including Distell and SABMiller, now a part of Anheuser-Busch InBev. Investments in Agribusiness value chain have led to African Lions like OCI, OCP and Dangote Fertilizer expanding fertilizer production and output on the continent.

With manufacturing and blending plants in 10 countries, OCP is the leader in the production of fertilizer, accounting for 65% of phosphate fertilizer manufactured on the continent. Currently, the OCP is building a 3.5 million metric tons plant in partnership with the government of Ethiopia. OCI NV is the largest manufacturer of

fertilizer on the continent with factories in Iowa, America, Algeria and two plants in Egypt. The 3million metric ton plant in Algeria is in partnership with the Algerian government.

On its part, Dangote Industries is constructing a three million nitrogen fertilizer plant in an industrial complex in Lagos. Dangote is also constructing a 650, 000 barrels a day refinery on the site. With an investment of USD17 billion as the cost of both projects, Dangote Industries has embarked on the largest single private sector industrial project in Africa and one of the largest in the world.

Dangote Industries is, however, known more through its cement subsidiary, Dangote Cement that has established large scale cement plants in several countries on the continent. The company has built large cement plants in Zambia, Tanzania, Ethiopia, Senegal and Congo. In its home market, Nigeria, where the company commands a 65% market share, Dangote has established three large 3 plants that have helped increased cement production in Nigeria from 2.5 million tons in 2000 to 40 million metric tons.

Figure 11.1 shows that the contributions of value-added manufacturing to GDP has started to trend upwards due to the investments of African Lions after a long period of deindustrialization.

Egyptian Elsewedy has established plants in SSA and the Middle East to produce electrical cables, transformers and other electrical components. Another Egyptian Ezz steel has establish five plants across Egypt and is today the leading producer of steel in North Africa and the Middle East producing 5.8 million metric tons of steel. Other companies are establishing plants to manufacture steel and aluminum including Kenya's Conglomerates Comcraft and Ramco. Comcraft produces aluminum from plants in across Africa.

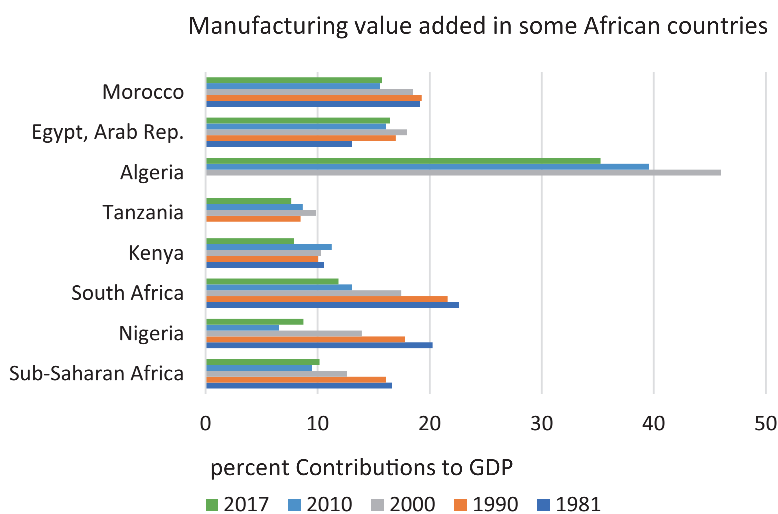

Fig. 11.1 Contribution to GDP of value-added manufacturing in select African countries. *Data source from WDI of World Bank*

These industrial complexes are modern, more efficient and productive. They increase technology transfer, improve workers skill and contribute enormous revenues to governments. Establishment of refineries and fertilizer plants particularly not only increases availability of fertilizer and petroleum products to consumers, it helps reduce or eliminate the need for ineffective government subsidies and importation of petroleum products. The case of Nigeria is particularly poignant. The average use of fertilizer per 10,000 sqm of land is 5 kg against a sub-Saharan average of 15 and the attempt to subsidies importation and sales of the product to farmers have largely failed with a government report noting that only 15% of the imported products get to the farmers. These investments have helped to increase production and eliminate corruption (FAOSTAT).

11.4 The Lions Feeding Africa

There been several initiatives to address food security and improve the production of cash crops that are important to the economy of several African countries. These initiatives have been led by governments, development agencies like the FAO, and development finance institutions like AfDB. Food security is particularly worrisome due to its socio-economic implications. For many governments, there is the added urgency of reducing imports of commodities like rice, maize, vegetable oil, wheat and sugar with local substitutes as this constitute huge strains on foreign currency reserve.

Eighty percent of Africa's agricultural output is driven by small holder farmers who have limited resources and access to markets. Africa's agriculture is about 96% rain fed. Only 4% of sub-Saharan Africa's farmland is irrigated (7% on the entire continent).[1] Access to markets continues to be one of the key bottlenecks. Nearly one half of the sub-Saharan Africa rural population has to travel 5 h or more to reach the nearest market. There is high level of post-harvest loss of food because of lack of storage and postharvest processing infrastructure. FAO estimates from 2011 suggest that as much as 37% of food produced in Sub-Saharan Africa is lost between production and consumption. Estimates for cereals are 20.5%. For post-harvest handling and storage loss only, the FAO estimate is 8%, and the African Post-harvest loses Information System (APHLIS) estimate is 10–12%. These post-harvest loses cost Africa USD4 billion per year. Furthermore, use of basic agricultural inputs and mechanization is low. African farmers use only about 15 kg/ha of fertilizer, with smallholder farmers using far less, compared to the global average of over 138 kg/ha. Africa has 13 tractors per 100 km of agricultural land compared to the world average of 200—approximately 3.5 million more tractors are needed to put Africa on par with other regions (FAOSTAT).

Governments and development agencies have fashioned policies and frameworks that seek to get more actors into the agribusiness value chain in order to maximize efficiency and productivity. In the past two decades, however, there have increased

[1] https://www.aphlis.net/en#/.

involvement of private sector investment all across the value chain. This has been led by AMNEs whose investment have led to improvements inputs, processing, value added manufacturing and marketing of agricultural produce.

Efforts to improve access to finance to farmers have been initiated by government agencies, agricultural banks and DFI but increasingly commercial banks like Standard Bank, Equity Bank and Kenyan Commercial Bank are playing significant roles in the finance of agriculture. Seed quality and output has expanded due to the efforts of companies like **Seedco** and Eastern Seed Company.

Large scale investments in fertilizer production has led to improved availability of fertilizer on the continent and led to improvements in use of fertilizer in agriculture. The vast investments by **OCP Africa, Orascom** and **Dangote Fertilizer** are increasing availability of fertilizer and other chemicals on the continent.

Morocco's OCP Group, the world's leading phosphate exporter, signed a USD3.7 billion deal with Ethiopia's state-owned Chemicals Industries Corporation (CIC) to build a 3.5 million metric tons/ annum fertilizer plant in Ethiopia which would be largest fertilizer complexes in the world. Dangote Fertilizer is also building a three million metric ton plant in Nigeria. The investments by these AMNEs including others by ETG are expanding fertilizer production capacity in African.

As food and beverage manufacturing companies invest in backward integration, they establish mechanized farms or aggregate small holder farmers in order to produce at scale. Aggregation has been adopted by large commodities dealing companies like ETG, Olam, Stallion Group to increase access to cereals like maize, sorghum, sesame and rice. Additionally, as these African Lions establish large scale farms, they invest in irrigation schemes, seeds and good agronomic practices to improve yields. Additionally, investments in storage facilities and milling by firms like Bahkresa, Bidco Africa and Tiger brand ultimately reduces post-harvest loss and enhance food security. When the crops are for export, storage ensures uniformity and stability in markets.

In Nigeria particularly, AMNEs have responded to government's efforts to reduce importation of rice, sugar and wheat with extensive investment in larges scale farms. They have also invested in aggregation of small holder farmers. They constructed storage silos and mills. By 2018 Nigeria became the largest producer of rice on the continent. Dangote Sugar has earmarked USD1 billion in an effort to get 160 hectares of land under cultivation as the company seeks to refine 1.5 million tons of sugar from its sugar mills and refineries in a decade. These practices have been critical in increasing farming of cash crops like cocoa, Coffee, cotton, tobacco and tea.

11.5 The Lions Investing in Africa

The relationship between foreign direct investment and economic development has been studied extensively. There are several areas though which FDI affects development (UNCTAD 1999) and these include, employment and incomes, capital formation, market access, structure of markets, technology and skills, fiscal revenues, and political cultural and social issues (UNCTAD 1999).

AMNEs have become significant investors on the continent. While the value of their investment may vary year on year, they have joined the traditional investors on the Africa continent. AMNEs from South African have been the largest investors on the continent, but the expansion of AMNEs from Morocco, Nigeria, Egypt, Mauritius, and Kenya have increased the role of African AMNEs in accelerating foreign direct investment on the continent.

AMNEs usually invest in sectors that have backward and forward linkages to the economy like banking, telecommunication, agriculture, food and beverage, retail, education and media and entertainment.

The biggest beneficiaries of these investments are often regional neighbors, as African Lions have been described as being local optimizers (Ramamurti and Singh 2009). It is for this reason that Kenyan AMES tend to invest in the EAC region and Moroccan and Egyptian AMNEs invest in the MENA but they have, however, increased the pace of their investment in SSA. South African firms expanded within the SADC region but some have expanded to all regions of the continent.

In 2008, at the zenith of the global financial crisis, African firms dramatically expanded their Africa-wide presence. Intra-African greenfield FDI projects accounted for just 8% of all such projects into Africa in 2007, but rose to 22% in 2013, making Africa the second largest source of greenfield FDI projects into Africa in 2013, after Western Europe. Its relative contribution by capital expenditure is very similar. Relatedly, mergers and acquisitions (M&As) by deal volume shows that African acquirers have been the primary source of cross-border M&A since 2006 (UNCTAD WIR 2018).

Foreign direct investment in African manufacturing is increasing from a low base, having risen in many countries between 2003–2006 and 2010–2014. And direct investment from one African country to another is now a significant source of FDI, ranging from 4% in Ghana, 25% in Mozambique and Tanzania, to more than 40% in Rwanda (Balchin et al. 2016). In industries other than finance, more than 60 African MNEs in both infrastructure and trade have expanded abroad, reflecting demand for these services. In trade, three quarters of 265 foreign affiliates are located within Africa, while in infrastructure two fifths are intraregional (UNCTAD WIR 2015).

At the forefront are South African firms. The share of African countries in South Africa's outward FDI assets nearly doubled between 2004 and 2012, to 21%.2 South African firms accounted for one third of all intra-African greenfield investment projects between January 2003 and January 2014, with the remainder coming from Kenya (14%) and Nigeria (12%), followed by Togo, Egypt, Mauritius, and Tunisia (20% combined).

Less risk-averse, African investors look beyond the usual physical and institutional challenges that define the African business climate. The largest recipients of intra-African FDI projects between January 2003 and January 2014 were (in order) Ghana, Uganda, Tanzania, Nigeria, Kenya, Rwanda, and Zambia. These seven countries received over 45% of total intra-African investment projects (over 400) during this period. Moreover, intra-African FDI was the primary source of project

inflows for several smaller African economies (e.g., Burundi, Rwanda, South Sudan)—even if absolute numbers are modest (Krüger and Strauss 2015).

FDI by African Lions are usually market seeking. These investments tend to have more linkages and benefits to the host country economy. This has supported a widespread relative shift away from resource-seeking FDI, which declined from 35% of the number of incoming greenfield projects (and 81% of capital expenditure) in 2003, to 11% of project inflows (and 36% of capital expenditure) in 2013.

The rise of intra-African FDI has had two clear impacts. First, African investors are slowly becoming more competitive as they acquire complementary assets, expand scale and enhance brand value. Second, competition in Africa is increasing. This is creating a virtuous circle as investments from companies who fear being permanently disadvantaged as late movers, or see their market positions slipping, are sucked in. This has prompted tradition MNC and new entrants into Africa to increase their investments in all aspects of the value chain in order to keep abreast with the competitive strategies of the African Lions. Long the dominant producer of cement in Africa, Lafarge-Holcem was forced to consolidate their operations across Africa and invest in new capital projects following the rapid expansion of Dangote Cement across Africa.[2]

Investments by AMNEs have helped to increase intra-African trade, improved regional integration and improved the mobility of Africans across African countries. As capital inflows into Africa increase, a few countries get a disproportionate inflow of private capital. South Africa and Nigeria have traditionally led the list of recipients of private capital inflows, including investment from private equity firms, private lenders and investments by development finance agencies and portfolio investors and investment funds (UNDP 2014).

Investments by AMNES benefit countries like Uganda, Ghana, Rwanda, Malawi, Zambia, Tanzania, Senegal and South Sudan that have less inflow of private capital into their economies. In effect AMNEs help redistribute capital flows into Africa.

South Africa particularly, attracts 90% of the portfolio investments flowing into Africa, thus empowering South African firms listed on the Johannesburg Stock Exchange to have the funds to finance operations, improve their product and service offering and embark on international expansion (Sy and Rakotondrazaka 2015). It is this investment by South African firms that benefit smaller regional neighbors, especially, eSwatini, Lesotho, Namibia, Zambia, Malawi and Zambia.

The same is true with West Africa where regional powerhouse, Nigeria, attracts the most FDI and private capital flows, thus empowering Nigerian Lions to invest across the region especially Nigerian banks, which are dominant players the banking markets of Sierra Leone, Gambia, Liberia and Ghana. African Lions expanding into Africa bring capital, technology, managerial and operational knowhow into their host market. South African retailer, Shoprite has been successful in developing supply chains in markets outside South Africa where there is little formalized retailing like Nigeria and Ghana (Deloitte 2015). Banks and insurance companies have

[2] https://www.worldcement.com/africa-middle-east/04062014/lafarge_group_announces_creation_of_lafarge_africa_296/.

also helped improve the capabilities of host market incumbent through their governance, operational methods and marketing. Nigerian GTbank and Access Bank have found success across Africa on the back of their reputation.

Investments by AMNEs is usually in manufacturing and services which have more linkages in the economy. The most investment in services have been in financial service, telecommunication and transportation. Intra-African FDI has played a vital role in driving Africa's burgeoning financial industry, especially in retail banking services (UNCTAD WIR 2015). Financial services accounted for about 50% of intra-Africa greenfield investment projects between 2003 and the start of 2014, with about 38% of these projects in retail banking, and 5% in insurance. Intra-African FDI in the financial industry has been led by banks from South Africa, Nigeria, Morocco and Kenya. The geographical spread of these services is impressive: South Africa's Standard Bank operates in 20 countries in Africa; Ecobank, a Togo-based pan-African bank in 36; and Nigeria's United Bank for Africa in 19. There has also been strong regional expansion by banks from North Africa—especially Banque Marocaine du Commerce Extérieur and Libya Foreign Arab Bank. Much of this expansion has occurred since the 2008 financial crisis. For example, in response to the crisis, South Africa's Standard Bank changed its strategy and refocused its international operation on Africa.

AMNEs are responsible for some of the largest and most impactful capital investments on the African continent outside the oil and gas and resource extraction sectors where MNCs dominate. Most of these investments are aimed at increasing the scale and scope of the operations AMNEs and they ultimately have had great benefits for the economy of the host country.

Large scale investments in telecommunication infrastructure, food processing and grains storage facilities, oil refining and cement manufacturing have been undertaken by AMNEs as Africans are less risk averse than MNCs operating in the secondary and tertiary sectors of the economy. South African power utility Eskom supports some of the largest greenfield investments in hydroelectric power in several countries including the Grand Inga dam project in Congo DR where the firm has invested USD2.5 billion dollars. Telecommunication companies like MTN, GlobaCom and Econet have cumulatively made USD40 billion investments in the telecommunication sector (Gutman et al. 2015).

In the last decade, Maroc Telecom, has invested nearly EUR 6 billion infrastructural modernization projects and the improvement of the quality of its services in Africa.[3]

These big-ticket projects are easier for AMNEs to embark on because of their knowledge of the business environment of Africa and the profitability of these investments. The profitability of these greenfield investments encourages AMNEs to continue to invest.

In 2015 WIR by UNCTAD noted African investors accounted for 31% of global planned capital expenditure in announced greenfield FDI projects on the continent in 2014. Some 21% of all such projects in transport, storage, and communications were led by Africa-based investors (UNCTAD WIR 2015). A testament of the

[3] https://www.moroccoworldnews.com/2017/12/236174/maroc-telecomawarded-best-african-operator/.

appetite for large capital investments by AMNEs is the investment by Dangote Industries which is investing USD17 billion dollars to build 650, 000 barrels per day refinery and a fertilizer plant that would produce three million tons of fertilizer per annum in what is described as one of the largest integrated petrochemical and petroleum refining complex in the world (Bloomberg 2019).

11.5.1 Investments that Have Linkages in the Local Economy

AMNEs tend to invest in sectors of the economy that have forward and backward linkages and spillover effects to host country economy. FDI by MNCs and other foreign interests in Africa is heavily skewed towards the primary sectors like mining and oil and gas. These sectors are capital intensive and require specialized skills thus they usually do not address the employment needs of communities.

It is for these reasons that resources extracting and oil companies like Shell, Agip Total, BHP Billington, and Vale usually find themselves in trouble with local communities where they operate as their activities have little economic benefits to the communities that ultimately bear the brunt of the exploration activities like oil spills, polluted rivers and collapsed dams. Expansion of the operations of AMNEs have been of immense benefit to several stakeholder, including communities and large unemployed youth urban youth populations.

The telecommunications sector is a capital-intensive sector but the poor infrastructure and security meant firms had to provide their own power and security. AMNEs like GlobaCom and often supported their operations with power generators, which need diesel to run and had to be protected from vandalization and theft. Thus, the rapid growth of the telecommunication sector in Africa created opportunities for a whole range of suppliers, including generator manufacturers, diesel suppliers, and communities who played crucial roles to secure the base stations and equipment of the telecoms operators in their localities. Ultimately, this need for efficiency in the sector led to the creation of firms like IHS and Helios Towers to manage the down operations for Telco. These operations still employ a lot of people.

While implementing an innovative payment solution for African consumers, AMNEs like MTN, Econet and GlobaCom introduced top-up and recharge cards that was sold to consumers through plethora of sales agents. The sale of recharge cards became a full-time job for millions of youths and women who would otherwise had been unemployed. The amount of people engaged in the sale of recharge cards across Africa has been estimated to be around six million.

This improvements in access to funds has helped the growth of several SMEs on the continent. Banking AMNEs almost always competed as retail banks. With poor legal and properties rights and lack of credit bureaus, these banks were forced to adopt relationship banking practices to be able to identify potential targets for loans and protect against possible defaulters. Relationship banking was a risk mitigation strategy that helped African banks thrive in a segment of the banking market that is avoided by multinational bank.

In so doing, they forge strong bond with their customers and help them grow their businesses to the benefit of the bank and its customers. Banks like GTBank, UBA, Equity Bank and Ecobanks owe their phenomenal growth to these practices. Relationship banking was a strategy for risk mitigation and it helped banks increase their lending to African entrepreneurs and SMEs. There has been growth in the credit made to the private sector in countries where African multination banks operate.

The convergence of telecommunication and banking has seen the growth and adoption of mobile banking. Sub-Saharan Africa is the leading adopter of mobile banking solutions globally. This has improved financial inclusion on the continent and payment systems.

The expansion of manufacturing in the food and beverage sector has had the added benefit of stimulating backward integration investments by AMNEs like Bidco, Dangote Sugar, Tiger Brand, Zambeef in order to improve local sourcing of agricultural produce. This has prompted AMNEs to seek better means of improving the yields for farmers, thus, they have had to invest in extension services as well as providing farming communities with inputs like seeds and fertilizer. This has helped to boost the incomes of farmers. In real economic and social terms, these investments by AMNEs are usually of more intrinsic value to the local communities than that done by MNCs.

11.6 The Lions Attracting Capital to Africa

There has been a fundamental shift in the economic structure of African states. By 1990, African governments were in debt following two decades of experimentation with an expensive import substitution policy, and economic stagnation brought about by coups, wars and political upheaval. Official Development Assistance (ODA)from the developed countries was the main source of foreign capital inflow in SSA except for only Liberia and Nigeria (Sy and Rakotondrazaka 2015).

Total external flows grew more than six times during this period, from USD20 billion in 1990 to more than USD120 billion in 2012. ODA, which accounted for a just under two-thirds of total flows in 1990, is now much lower and comparable to remittance flows. Private capital flows are now the single-largest source of external financing for the region, with more than half of the total flows.

A confluence of factors was responsible for the surge in private capital. A significantly improved macroeconomic performance across much of the continent, and for some countries, the implementation of the Multilateral Debt Relief Initiative, coincided with increases in global liquidity and higher oil and commodity prices (Deléchat et al. 2009). The global liquidity combined with low interest rate in developed countries made Africa a destination for private investors seeking higher returns on their investments.

11.6.1 Increased Private Capital Inflow

In 1990 the composition of external flows to sub-Saharan Africa was about 62% ODA, 31% gross inflows from the private sector, and about 7% remittances. However, by 2012, ODA accounted for just about 22% of external flows to Africa less than half the share of gross private capital flows (54%). Also, notably, in 1990, FDI flows were greater than ODA flows in only two countries (Liberia and Nigeria) in sub-Saharan Africa excluding South Africa, but 22 years later, 17 countries received more FDI than ODA in 2012. A good size of this FDI—suggesting that sub-Saharan African countries are increasingly becoming less aid dependent (Sy and Rakotondrazaka 2015).

The external flow of finances into Africa has been in the range of 10–12% of GDP during the past decade but is concentrated in a few countries. The external flows have averaged USD190 billion per year during the period (AfDB, OECD, and UNDP 2016). At the same time, domestic revenue collections have increased from USD281 billion during 2004–2008 to USD461 billion in 2014. Foreign direct investment (FDI) and portfolio investments have formed the largest share of external flows in recent years in the range of USD50 billion to USD80 billion annually.

The data also show that private capital flows to sub-Saharan Africa over the period of 2001–2012 have mostly benefited two countries—South Africa and Nigeria—which accounted for 45 and 13% of total private flows to sub-Saharan Africa, respectively. These two countries have attracted the most flows in part because they are the largest in sub-Saharan Africa, together making up more than half of Africa's GDP. Other countries attracting private capital flows include Kenya, Morocco and Egypt.

African Lions from these countries, through their expansion across Africa have helped to redistribute the inflow into the continent. Thus, the international expansion of African Lions from South Africa, Nigeria, Kenya, Morocco and Egypt help to redistribute this capital injection across countries with smaller economies Rwanda, Liberia, Uganda, Malawi.

11.6.2 Proxies for Investors

AMNEs have become the main magnet attracting flow of capital into Africa either as portfolio or private equity investments. AMNEs have been able to raise increasingly huge sums of money from the stock exchanges across the continent, the bond market, fund managers and private equity financiers.

Access to capital has been one the factors limiting the growth in scale and scope of AFF. However, through aided by their rapid growth and profitability, African Lions of have improved their ability to source for funds from foreign fund managers and portfolios investments.

Between 2000 and 2010 Foreign investors found African Lions particularly attractive for their profits and high returns on investment and made huge bets as reflected in the growth of African burses within the period. Additionally, the large

appetite for the shares of AMNEs encouraged then to embark on dual listing on an African burse and a European bourse like London Stoch Exchange and Euronext and the New York Stock Exchange as well as issuing Global Depositary Receipts for their shares to be traded in several markets.

The most sought-after shares and equities on burses around the continent include those of AMNEs like Naspers, Shoprite, MTN, Equity Bank, Orascom, Ecobank and Standard bank, Dangote Cement and GTBank. Development Finance institutions, private equity firms and fund managers prefer to engage with African Lions. Thus, AMNEs now act as proxies for global investors who invest in African Lions to help them gain access to the profits and high returns inherent in the African marketplace while minimizing their risk. Firms like Kenya's Equity Bank and Togo's Orabank saw their market valuation skyrocket after their initial Public Offering due to investments following a period of private equity investment.

In growing into big firms, AMNEs are able to attract capital more than the plethora of small and medium scale companies in their home markets. Since establishing their first greenfield cement plant in Nigeria in 2006, Dangote Cement has been able to attract over 10 billion dollars from investors from far afield as China, Europe, and America to finance the establishment of new plants in Nigeria and across Africa. Three subsidiaries of Dangote Industries (the Holding company) were at one time responsible for over 40% of the total valuation of the Nigerian stock exchange.[4]

In a recent diversification effort, Dangote Industries was able to raise another UDS 10 billion dollars in funding for a refinery and petrochemical plant that is being built in Lagos, Nigeria and which would be one of the single largest of such plants in the world. In the same manner, Egypt's Qalaa Holding, a private equity and investment company was able to put mobilize funds for the construction of a 88,000 b/d refinery in Cairo from a wide variety investors.

11.6.3 Corporate Bonds

Apart from raising capital on the stock exchange and through private equity investments, African Lions are also active in raising funds through the issuing of corporate bonds. Long before African governments began accessing the bond market. African Lions have been raising corporates bonds after subjecting themselves to the due diligence of investors and the scrutiny of rating agencies like Standard and Poors, Moody's and Fitch. Indeed, the ability of these AMNEs to attract private capital from investors is higher than the ability of African governments of the countries in which they are headquartered to raise funds as reflected in the rating for corporate and sovereign bonds by these rating agencies.

This is reflected in the size of loans and bonds AMNEs can muster from financial institutions and the interest rates they pay for their debt when compared to against that which most of the 54 sovereign countries in Africa can get. It is as if the

[4] https://www.african-markets.com/en/stock-markets/ngse/dangote-group-controls-43-of-nigerian-stock-market.

investing world is saying we trusts Shoprite, Nasper, MTN or Econet, more than we trust African governments. It is worth noting that this was happening against the backdrop of sustained period of low interest rates in Europe and America between 2000 and 2010 when interest rates were pegged as low as 1% by European and American government to stimulate growth in their economies. That prompted European fund managers to seek out other markets for better yields for their capital. The yields that bonds issued by African Lions, which was sometimes as high as 7%, was very attractive to fund managers, despite the risks. African multinational banks, particularly, were active in the international bond market and long before African countries began to issue sovereign bonds. Banks like Nigeria's GTbank, Kenya's Equity Bank and Togo's Ecobank periodically issued Eurobonds that were usually oversubscribed.

These multinational banks were thus acting as intermediaries between European and American investors interested in Africa and Africa's entrepreneurs. Funds raised by banks was used to fund the growth of African enterprises as bank loans and retained earnings were the main sources capital for African enterprises seeking growth capital (Ramachandran et al. 2009).

11.6.4 Private Equity Investments

Private equity firms are increasing their positions in AMNEs usually following the continent-wide practice of taking minority stakes in these companies. Many AMNEs had to subject themselves to the scrutiny of rating agencies and opened themselves up to stringent governance mechanism and due diligence demanded by private equity investors. Ultimately, this has improved governance and reporting in these firms, many of which are privately owned or are family business groups. It is not uncommon to find private equity firms including Carlyle, Blackrock, KRK holding significant positions in AMNEs as part of their emerging market portfolio and strategy. The KRK, Blackrock, Blackstone and Carlyle have lunched Africa focused funds, but the most active private equity firms in Africa have included Actis, Helios Investment Partners and AfricInvest, African Capital Alliance and Phembani Group. AMNEs like Equity Bank, MTN, ETG, IHS Towers, Diamond Bank and Orabank, Oson were beneficiaries of investments by private equity firms.

11.6.5 Impact Investment

Development Finance Agencies have found the benefit supporting AMNEs. IFC has been a major player in promoting the growth of AMNEs by extending and mobilizing funding for their growth and expansion (IFC 2012). IFC has invested more than USD25 billion in African businesses and financial institutions, and current portfolio exceeds USD5 billion. Beneficiaries of financing from IFC have included, MTN which got a USD100 million in 2001 to finance the rollout of MTN services in Nigeria. In Tanzania, IFC supplied funds that helped Bakhresa Group expand the

national milling company it purchased in a privatization, and now also produces flour in Malawi that is sold both domestically and abroad. The IFC also helped strengthen Zambia's Zambeef, a local agribusiness leader that is now expanding into other countries such as Nigeria. In 2005 Dangote Cement, secured a USD75-million-dollar loan from IFC for the establishment of its first greenfield plant in Obajana Nigeria while IFC invested USD36.5 million in Bidco Africa to support expansion of the company's consumer goods operations into new market categories and create more opportunities for small farmers to enhance productivity and earn better incomes as well making an investment in Tanzania's Bahkresa to build a storage mill and milling plant.

IFC also mobilizes capital from other investors who invest alongside IFC in critical sectors for Africa's future. African banking MNEs, particularly, have been very successful in raising funds from development finance institutions like FAO, IFC, DMO, Norfund and DFID that make impact investments or funnel low interest loans to SMEs, farmers, and women entrepreneurs in Africa (UNDP 2014).

11.6.6 Domestic Mobilized Pension and Insurance Funds

AMNES have also been able to access domestically mobilized funds. Several African countries have instituted Pension Reforms and raised large pools of funds. According to a recent report by PricewaterhouseCoopers, "Africa Asset Management 2020" total assets under management in 12 selected Africa countries were USD293 billion in 2008, more than doubling to USD634 billion by 2014. Pensions are increasingly important as many countries set up and grow pension funds. The giant African pension fund is South Africa's Government Employees Pension Fund (GEPF), which had an investment portfolio of (USD124 billion) at 31 March 2017 while accumulated funds and reserves grew at 10.2% a year for the last decade, according to the latest annual report. Namibia's Government Institutions Pension Fund (GIPF) told a workshop in October 2017 its total assets were (USD7.9 billion), Botswana Public Officers Pension Fund has assets under management of (USD2.6 billion). In September 2017, Nigeria's PenCom put pension fund assets was USD20.1 billion (PWC 2015).

AMNEs have become investment vehicles for these pension funds. Most of these funds make investments in AMNE including MTN, Standard Bank, Shoprite, and Tiger Brand. Their investment includes a 20% stake in Ecobank.

11.6.7 Import-Export Banks

Meanwhile, as African manufacturing multinationals acquire machinery for their plants and factories from countries like China, India, Brazil and Turkey, they have also been able to access low interest loans from the Export-Import banks and other financial institutions of those countries at rates well below commercial bank interest

rates in Africa with more liberal tenor and terms. China particularly enticed AMNEs to use Chinese machinery and equipment with these loans.

11.7 The Lions Integrating Africa

The integration of Africa has been a desire of policy makers for several years. The continent is fragmented across 16 regional groupings. African government have recently pushed forward the latest policy initiative to integrate Africa, the African Continental Free Trade Agreement, which commits countries to remove tariffs on 90% of goods, progressively liberalize trade in services, and address a host of non-tariff barriers (Songwe 2019). While government are striving to create one seamless African marketplace, African Lions have become facilitators of African integration through their investments and activities.

11.7.1 Integration Through Increased Intra-African Trade

Trade between African countries has increased in the past two decades as AMMEs find new markets within the continent. African multinationals are at the forefront of increasing the pace of integration of the continent through their cross-border activities. By establishing subsidiaries in other African countries, African Lions are increasing intra-African trade.

The share of intra-African exports as a percentage of total African exports has increased from about 10% in 1995 to around 17% in 2017. African countries are increasingly exporting manufactures to each other. Between 2005 and 2014, the share of intra-African manufacturing exports in the total value of African manufacturing exports increased by nearly 15 percentage points to reach 34%. In comparison with other regions, however, intra-African trade still plays a trifling role in the continent's overall trade (Balchin et al. 2016).

Recent evidence shows that when African countries trade with themselves they exchange more manufactured and processed goods, have more knowledge transfer, and create more value. In fact, manufactured goods make up a much higher proportion of regional exports than those leaving the continent—41.9 compared to 14.8% in 2014. Manufacturers are taking advantage of regional bodies to export within their region and establish cross border operations. African Lions like Cevital, Bidco, Dangote, Tiger Brand, Elsewedy and Bahkresa are among the companies whose products are traded mostly within their region. In 2016, about 55% of Africa's GDP was generated by services. The share of services in Africa's trade reached 22% in 2016, following a steep increase and catching up process to the global average of 24%.

Through their investments across Africa, African Lions exchange goods and services for profits which are most often repatriated to their home countries. Operations of AMNEs in foreign countries are considered as exports and some AMNEs have established vast pan African operations from which they are repatriating increasing

amounts of profit back to their home countries. Services are an intergral component of that trade as media company, Multichoice, telecom operator, MTN, retailer, Shoprite earn increasing amounts of foreign exchange for South African from their pan African operation. Just as Attijariwafa, BMCA and Maroc Telecoms are significant contributors to the Moroccan economy through the profits from their vast operations across West and Central Africa. The contribution to AMNEs in the manufacturing and services sector to intra-African trade statistics may not have been properly evaluated.

11.7.2 Increased Intra-African Travel and Connectivity

Africa is a continent spanning 11,668,599 sq. miles (30,221,532 sq. km), a horizontal width of 4355 miles (7009 km) from Dakar to Mogadishu, and vertical length of 4504 miles (7248 km) from Cape Town to Tripoli. Combined with the major African islands, intra-Africa travel is challenging. Direct flights between African countries are few, and flight times are long- the longest in the world on the average, at 12 h between cities, including connections (BCG 2018). The expansion of inter-African trade has also increased cross-border movements. Travel to African countries had required transit through Europe, but interconnectivity within African states has improved due to the growth of national and regional airlines on the continent as several African airlines now offer travelers easier pathways to travel within the continent.

AMNEs have been one of the vehicles driving these improvements in connectivity between African countries and the rest of the world. Intra- and intercontinental traffic increased from 41.2 million passengers in 2002 to 127 million passengers in 2014 at an average growth rate of 16% (ICAO 2013). Policies like Yamoussoukro Decision and SAATS have been enacted with the aim of opening up the African skies to African founded airlines and this has led to more travel within Africa by African airlines. African airlines have rapidly expanded the number of countries that they serve often establishing routes and stations ahead of actual passenger demand. Ethiopian Airways flew to 36 nations in 2016, up from 24 in 2006. Royal Air Maroc serves 30 countries (twice as many as in 2006). Air Cote d'Ivoire flies to 17 countries, and RwandAir to 16. African airlines are making intra-African air connectivity- a prerequisite to economic integration- a reality.

By 2018, Ethiopian Airlines increased its African network to over 58 out of its over 100 international destinations, introducing flights to Kaduna, Nigeria; Kisangani in DR Congo, and Nosy-Be in Madagascar. In 2010, Ethiopian Airlines partnered in the launch of ASKY Airlines, a community airline based in Lomé (Togo) to serve the West and Central Africa region. Similarly, Ethiopian Airlines launched another hub in Lilongwe, Malawi with the establishment of Malawian Airlines. In the fiscal year ending July 2018, the carrier announced it bought a 45% stake to revive Zambia Airways, which went into liquidation way back in 1994. To spread its regional footprint, it also kickstarted negotiations to establish new hubs in Mozambique, Chad, and Equatorial Guinea in addition to the ones it already

operates in Malawi and Togo. In fact, Ethiopia Airway is setting itself up as a Pan African airline and its chief executive has muted the idea of selling shares in the airline to other African governments.[5]

Egypt Air's capacity to Africa has grown by approximately 60% over the last 2 years from about 26,000 weekly seats in Jun-2011 to about 42,000 weekly seats in Jun-2013. Africa now accounts for over 17% of the carrier's total international capacity—still a relatively modest sum but significant as for the first time EgyptAir has more capacity in its home continent than to Western Europe. Most of the capacity increase has been driven by additional flights within North Africa, where EgyptAir's international capacity has roughly doubled.[6]

Royal Air Maroc flies to 30 destinations in Africa and is set to become Oneworld's fourteenth member in 2020, and the first African carrier with full membership in the global alliance. The Casablanca-based carrier will add 34 destinations to the Oneworld network, including Abidjan in Ivory Coast, Bamako in Mali and Cotonou in Benin, the alliance says and FlightGlobal schedule data shows.[7] African Airlines have also joined global alliances like Oneworld, Skyteam and StarAlliance. In Africa. SkyTeam's members include Kenya Airways and Star's members include Ethiopian Airlines and South African Airways.

Increased Tourism: Africa's airlines have been critical to the diversification of African economies though their role in promoting tourism. Ethiopian Airline, Royal Maroc, South African Airways, Egypt Air and Kenyan Airways play a critical role of ferrying tourists to destinations in Africa. In 2016, Africa's tourist arrivals increased to 62.9 million, up modestly from 62.5 million in 2015 (a 0.64% increase); this is a 5.1% share in worldwide tourism arrivals. Morocco, South Africa, Tunisia, Egypt, and Zimbabwe led in tourism arrivals as the top five African destinations with over 2 to ten million arrivals (Africa Tourism Monitor 2018). In 2016, South Africa surpassed ten million arrivals for the first time (with a 12.8% increase from 2015), joining Morocco for the first time. In 2016, global tourism receipts totalled USD1225 billion. International tourism receipts in Africa totalled USD36.2 billion in 2016, comprising 3% of global tourism receipts. Tourism significantly adds to employment gains on the continent, and also provides tremendous opportunities for skills development and advancement. Direct travel and tourism employment in Africa increased to 9.3 million (2.6% of total employment), with 6.8 million jobs in sub-Saharan Africa and 2.5 million jobs in North Africa in 2017.

Improved Logistics: Improved connectivity and logistics have been vital in the growth of the cut flower and horticultural industry in the east African countries. Ethiopian Airlines, RwandAir and Kenyan airways play the vital role of transporting freshly cut flowers to European capital. Kenya exported USD816.4 million

[5] https://qz.com/africa/1355507/ethiopian-airlines-panafrican-strategy-to-dominate-africa-skies/.

[6] https://centreforaviation.com/analysis/reports/egyptair-plans-further-restructuring-as-losses-mountbut-outlook-may-brighten-as-egypt-stabilises-172745.

[7] https://www.flightglobal.com/news/articles/royal-air-maroc-to-be-oneworlds-first-africancarri-454183/.

worth of cut flower in 2017.[8] Kenya is the world's fourth-largest exporter of cut flowers behind the Netherlands, Colombia and Ecuador, and makes up some 7% of global market share, according to Kenya Flower Council data. Products are exported to 60 countries worldwide; some 59% of domestic production is routed through the Netherlands' flower auctions, accounting for about 35% of all flower sales in EU markets, while other key markets in terms of export market share include the UK (14%), Germany, Norway and Australia Turning west, the launch of direct flights between Nairobi and New York's JFK International Airport by Kenya Airways was part of a strategy to open North America market for Kenyan flower growers, with faster uplift times and lower costs boosting product appeal. Ethiopia is the second largest flower exporter in Africa after Kenya. In 2017 the country made USD207 million from cut flower and just like Kenya Ethiopian Airlines is important to the industry.[9]

Besides connectivity, however, air transport supports 6.8 million jobs and contributed USD72.5 billion to gross domestic product (GDP) in Africa. Besides the USD9.9 billion of direct impact in GDP, the sector impact reaches economies. The effect of the procurement of goods and services through the supply chain has an impact of USD11.3 billion. The benefits that arise when employees of the industry and its supply chain spend their wages in the local consumer economy account for another USD5.2 billion of economic impact. Direct, indirect and induced, respectively, contribute USD26 billion to the African GDP. In addition, the spending by foreign tourists in the region accounts for USD 46 billion of the total economic impact (Aviation Benefits 2017).

Other Benefits of Growth of Aviation: Due to the expansion of the investments of African airlines, air transport supports 6.8 million jobs and contribute USD72.5 billion to GDP in Africa. Air transport supports 6.8 million jobs and contributed USD72.5 billion to gross domestic product (GDP) in Africa. Besides the USD9.9 billion of direct impact in GDP, the sector impact reaches economies. The effect of the procurement of goods and services through the supply chain has an impact of USD11.3 billion. The benefits that arise when employees of the industry and its supply chain spend their wages in the local consumer economy account for another USD5.2 billion of economic impact. Direct, indirect and induced, respectively, contribute USD26 billion to the African GDP. In addition, the spending by foreign tourists in the region accounts for USD46 billion of the total economic impact (Aviation Benefits 2017).

11.7.3 Integration Through Better Communications

There has been no greater success on the role of the African Lion in developing Africa than their activities and investments in the telecommunication sector. Since the liberalization of the sector the private sector has invested USD40 billion between

[8] https://oxfordbusinessgroup.com/news/cut-flowerexport-growth-comes-kenya-looks-new-markets.

[9] https://atlas.media.mit.edu/en/profile/country/eth/.

2000 and 2015. These investments have helped African countries to leapfrog into a wireless mobile age of 2, 3, and 4G.

The rate of subscription growth in Africa has expanded over the past two decades. On average, mobile subscription penetration has reached 72% across Africa. The number of subscriptions has reached 800 million in early 2017 (WDI database).

There is an accelerating migration to mobile broadband capable connections in SSA. Smartphone adoption continues to see rapid growth in the region. The total number of smartphone connections stood at 250 million at the end of 2017, equivalent to around a third of the total connections base (GSMA 2017).

Sub-Saharan Africa now accounts for nearly a tenth of the global mobile subscriber base and is expected to grow faster than any other region over the next 5 years (GSMA 2018).

With improved internet connectivity, a strong mobile industry had developed on the continent. Mobile banking by cell phone in Africa is one of the most significant developments in the recent history of the continent's financial sector. Across the region, mobile money plays a key role in extending financial services to people with limited access to traditional financial institutions, particularly women and rural populations. There were 135 live mobile money services across the region at the end of 2017, with 122 million active accounts. The success of some of the early pioneers of cell phone banking has been replicated in other countries, through the launch of other types of financial service products delivered by cell phone (GSMA 2018).

The mobile ecosystem also makes a significant contribution to the funding of the public sector. In most countries, this includes value added tax or sales tax, corporation tax, income tax and social security from the contributions of firms and employees. In some countries, besides general taxation, consumption of mobile services is also subject to levies specific to the industry. These impressive numbers in subscriber base and broadband penetration is due to the investment of mainly African telecommunications multinationals. Africa's largest network operators, include MTN, Econet Wireless, Maroc Telecoms, Globacom and Vodacom which have established operations all across Africa. Between them, African telecoms operators have more that 250 million subscribers on the continent.

In 2017, mobile technologies and services generated 7.1% of GDP across Sub-Saharan Africa, a contribution that amounted to USD110 billion of economic value added. The mobile ecosystem supported almost three million jobs in 2017. In addition to the impact on the economy and labor market, the mobile sector also makes a substantial contribution to the funding of the public sector, with almost USD14 billion raised in 2017, taking into account general taxation as well as sector-specific levies on the consumption of mobile services (GSMA 2018).

Today, mobile connectivity has become the main platform for innovation and the driving force for greater inclusion, with about 270-million people in the region accessing the internet through mobile devices (Fig. 11.2).

African telecoms multinationals have made the larger share of the USD40 billion that has been invested in the telecoms industry in Africa. Investments in base stations, fiberoptic networks and new telecoms technology including 3G and 4G networks have led to leaps in subscriber numbers, for voice calls while investments in

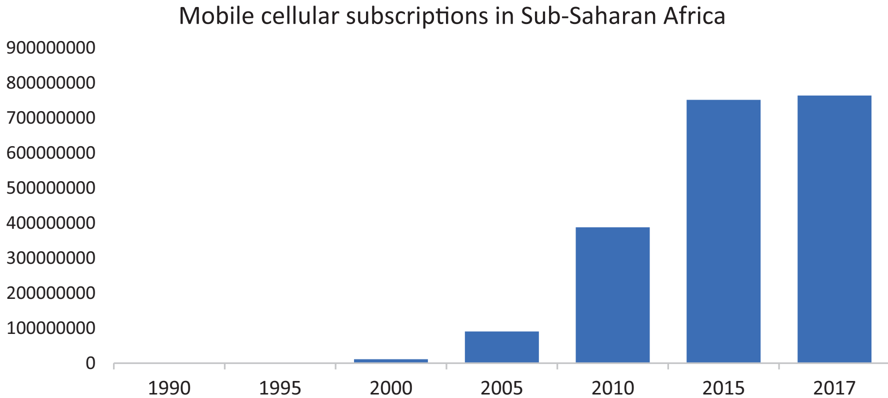

Fig. 11.2 Chart showing the growth of mobile subscription in Africa. *Source: World Bank Development indicators*

submarine cables have led to increased broad band penetration and internet connectivity. As has been the case in other sectors, African Lions have been the main investors in smaller African countries like Rwanda, Benin, Lesotho, Zambia, Ghana, Côte d'Ivoire, and Cameroon effectively redistributing capital that they had been able to into expand their network.

A highly profitable sector to date among industries, after capital expenditures, telecommunications has been very profitable globally. It has been particularly profitable in Africa. In 2014, at the end of a four-year period in which capital-expenditure intensity was 17% margins on earnings of 45% were achieved in the Middle East and Africa region, well above the global industry average of 34%. This exceptional profitability was achieved at de facto global average capital expenditure rates, paving the way to exceptional returns (MGI 2016). Profitability has also propelled investments in submarine cable networks have improved the connectivity of African countries to each other and other continents. With the various investments in submarine cables there been greater integration of telecoms networks in Africa. The Internet Society's 2015 report on Internet development and governance in Africa, credits submarine cables like Seacom, the Eastern Africa Sub Cable System (ESSY), the West African Cable System (Wacs) and the 2012-launched Brics cable, as having played a key role in accelerating Africa's access to international bandwidth by 20-fold in just 5 years (Internet Society 2015). There are now 16 submarine cable systems in Africa and most of them are owned by consortia of AFFs. Africa's youthful and increasingly urban population moved online, primarily through mobile channels. Mobile broadband subscriptions in Africa grew by over half in 2013, around triple the global expansion rate.

There are also investments in terrestrial fiber optic network all across the continent with the most ambitious being a partnership between leading pan-African telecoms group, Liquid Telecom, and Telecom Egypt, to deliver a terrestrial fiber network stretching all the way from Cape Town, South Africa, to Cairo, Egypt. This growth in broadband has had the liberating effect of opening up Africa to the mobile

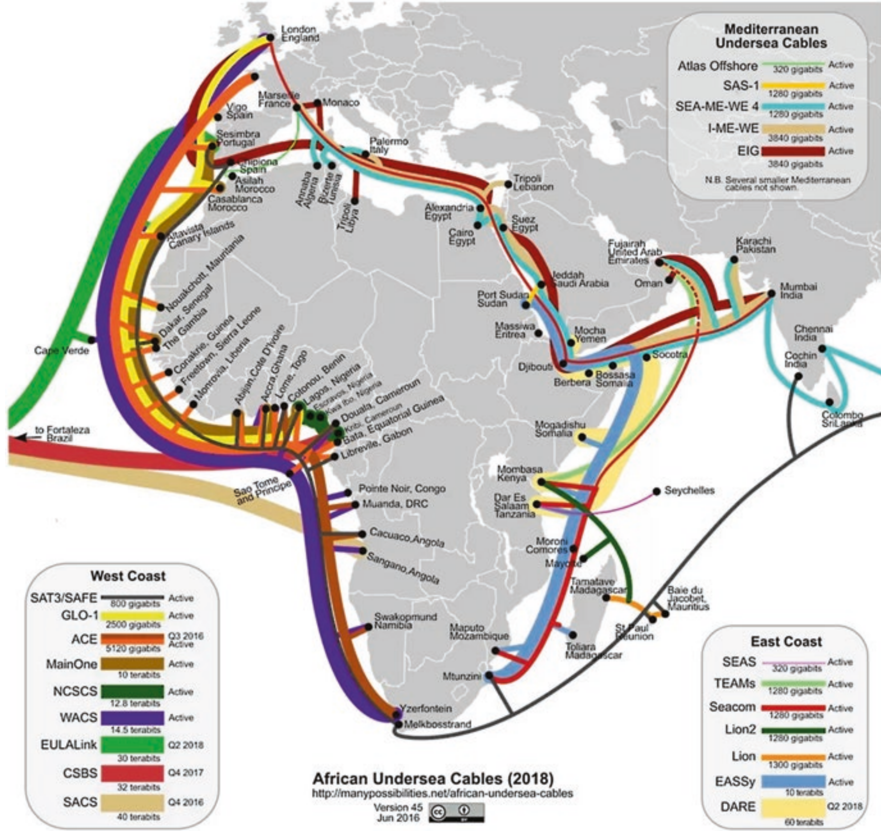

Fig. 11.3 A map of the active submarine cable lines in connecting Africa and with Europe, Asia and America. Africa submarine cable system

economy. There are almost 300 platforms creating solutions for Africans from ecommerce, the ride hailing and logistics (Fig. 11.3).

11.7.4 Integration Through Information and Culture

One of the most transformative events for the African consumer was to have choice in news media and entertainment platforms. With state owned media outlets being the sole provider of media content in several African states, government propaganda formed a significant part of their programing and that was the only option available to most African consumers of media content. Following deregulation and liberalization, several African governments licensed the establishment of private companies. African entrepreneurs have invested in newspapers, television and radio stations and new media platforms on the internet.

No company has been better at taking advantage of this opportunity than South Africa's Naspers. Naspers is a media and entertainment behemoth. The company is

the largest company in Africa with market valuation larger than the total valuation of the Nigerian and Egyptian and Kenyan Stock exchange combined.

With a market capitalization of USD80 billion, Naspers has become so big it has had to spinoff one of its most successful units, Multichoice, as an individual company quoted separately the Johannesburg Stock Exchange. Naspers is a media and internet powerhouse. In 2003 the company invested in Tencent and it 30% stake in the company to worth a USD175 billion today.

While Naspers may be better known for making that farsighted bet on Tencent, Naspers's presence pervades Africa through its ownership of Multichoice. Multichoice, and DSTV, a Pay TV platform that uses satellite technology to distribute its service through across Africa. Satellite technology enabled Multichoice to leapfrogged existing technology and bypass the need for laying cable, a requirement of terrestrial Pay TV systems. Satellite technology enable Multichoice to deploy its services across 20 countries in Africa all at once in 1992. Today, Multichoice broadcasts in 50 countries in sub-Saharan Africa, including Cape Verde and Madagascar. Local language program content is available in French and Portuguese in certain African territories, as well as the 11 official languages within South Africa.

Multichoice produces movies and documentaries in languages that are spoken extensively in several regions across the continent like Hausa, Yoruba and Swahili.

Multichoice has also invested in supporting sports in several countries and through its SuperSport Channel supports football and basketball leagues in several countries as well as promoting boxing.

In creating its own content, Multichoice lunched the careers of several African film makers, but it was by creating channels like Africa Magic that MultiChoice introduced the vast African movie industry to Africans and to the world. These industries include those in Nigeria, Ghana, Kenya and South Africa thus promoting cultural integration. It also introduced the music of Africa to Africans and the world through channels like Channel O, while creating a platform for television program producers to have a means of reaching millions of Africans.

Cultural integration is also promoted by Iroko Tv, which though is headquarter in London, promotes Africa's vast culture to the growing African diaspora.

Tanzania's IPP Group have also become influential media group with its newspaper's publication, radio and television stations. Azam TV is also based in Tanzania but with presence in Kenya, Malawi, Uganda and Tanzania. It is growing as a challenger to Multichoice in the region.

The growth in the subscriber numbers of services in local African languages like Hausa, Xhosa and have helped DSTV increase its subscriber base and across regions of the continent where these languages are extensively spoken.

11.8 Conclusion

African Lions have become a force accelerating the development of Africa. Their investments have become a major driver of economic growth, intra-African trade and regional integration. Their investments also improve the availability of goods and services, increase economic activities, feed Africa's growing population and

enable the growth of new vista of entrepreneurship. They have been particularly successful in reindustrializing Africa, supporting the growth of the agricultural sector and driving the boom in the service sector across the continent.

At the back of the numbers illustrating growth in Africa, is investments of AMNEs. As governments enact policies to diversify their economies, AMNEs have made the investments that improve the economic robustness and complexity of African economies. As government push for more investments in the agricultural sector, Africa's Lions are laying down the investments that improve yields, store and process food, and improve the income and livelihood of Africa's small holder farmers.

Africa's lions have been the loadstone attracting the interest of investor back to Africa. As private capital flows into Africa, it is the profits of AMNEs that investors tap into as portfolio investments on the stock exchange, corporates bonds and private equity stake. And as capital flows into Africa increases, African Lions have become an investment force of their own, contributing significantly to the FDI stock on the continent.

The cross-border activities of Africa's Lions is complementing the efforts of integrating Africa. The investments of AMNEs is facilitating the integration of Africa through increased intra-regional trade, improved means of communication and mobility. There is also increased cultural integration due to the media and entertainment investments of AMNEs.

African governments are looking to how private capital can replicate successes in telecommunication, manufacturing and financial services sector in the power, water and sanitation, transport sector. They have opened up to the world the immense possibilities in Africa and in so doing attracted greater investment to the continent. The success of the lions has attracted the Americans, the Chinese, the Japanese Indians to Africa. But they all have to contend with the savviness of the Lions in the African market place.

Africa's lions have become pivotal agents of development of the African.

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