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THE UK-AFRICA INVESTMENT SUMMIT AND THE NEED FOR A STEP CHANGE

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For those of us who have spent time in the continent, the future is African. By 2050 one person in four on the planet will be African. The speed of demographic change around the world, with ageing economies needing to draw in a new labour force, will accelerate. The surge in the aspiration of the African young for education, jobs and advancement for themselves and their families will be a part of that change. The African economic environment is already changing dramatically, with a shift towards new cities, and greater trading integration through the Common African Free Trade Area. We can see rapid further introduction of modern technology - much of Africa has skipped landline technology and in due course will jump straight to artificial intelligence - and the development of technological skills in online business and fintech. Google and Microsoft have set up in West Africa. 8 out of 15 of the world's fastest growing economies are in Africa.

Yet Africa is not yet on the list for big investment. Global private equity only looks at South Africa on a good day. The massive shift to investment based on environmental, social and governance criteria (ESG) - $31 trillion according to some estimates, with massive moves by BlackRock, and Goldman Sachs announcing $750 billion alone in ESG investment, specifically in climate transition and inclusive growth – is still not really touching Africa. This even though Africa, with substantial oil and gas reserves and probably half of much needed minerals, is a prime candidate for this investment and long term returns. The framework which makes these investments both possible and attractive needs improving.

Africa poses challenges. It will be especially prey to the risks of climate change. Pockets of conflict will continue, though these have markedly reduced in recent decades. African markets are small – all combined, they are the size of a medium sized developed country economy. Only two African countries are in the top 50 of the World Bank guide to the ease of doing business. There are substantial challenges of governance. Africa will be increasingly at the centre of global poverty. And demography itself is already posing social challenges.

If global private investment is to address Africa, and only private investment has the scale to ensure growth and prosperity, there will need to be serious engagement by all players. African leaders prepared to introduce policies designed to get investment going; international organisations and donor countries and their agencies prepared to work with these leaders' plans; and the top global investment community. All need to have a much deeper conversation with each other than is currently going on, to address the question of how to create the conditions in which development and the United Nations Sustainable Goals are promoted, while returns are guaranteed. This is not an exercise in statist global governance. It is *the* means of addressing the crucial elements of what the planet needs to survive and prosper, while harnessing the creation of wealth for the benefit of investors.

It was heartening to see the British Government holding the first-ever UK-Africa Investment Summit on 20 January by the O2 in London. The UK is, as the meeting point for probably most African trades, well positioned to do this. The politics was right. There was a stirring speech by Prime Minister Boris Johnson and a strong message from Government, accompanied by a package of mainly development measures, and a message about UK determination to invest. 15 out of 21 Countries attending came at Head of Government level. All registered the point that putting on the event virtually at the moment of BREXIT sent a positive message about the UK looking outwards to Africa, and not just its traditional Commonwealth partners.

The Summit seems to have been successful, even if there was slight message overload and several subtly different audiences – UK public opinion, civil society and politics as well as more traditional business targets. Those attending African events are used to that. Governments in 2020 need to demonstrate concern for the environment, good governance and human rights and African leaders attending (some of those most likely to disagree weren't invited) no doubt expected and prepared themselves for that discussion.

There were some good announcements – post BREXIT trade agreements with 46 African countries, support for economic transformation, more sustainable finance for Africa, a partnership with the City of London and a range of financial measures, and programmes promoting clean energy. These all looked like genuine partnership.

Next time, and let's hope there is one, the UK should invite partner countries to attend. This is a global debate and the UK will profit from global investment in Africa.

But let's step back. This event and others like it (most years the US, Japan, China, France, Germany and even Russia are putting on Africa Summits) risk missing the fundamentals. Here are some:

- Governments and international conveners need to *get beyond generalities* about investment. We need much greater clarity from Africa and its friends on the real business and investment opportunities. And much more definition, no doubt with the help of donor Governments such as the UK, on which investors offer what to Africa, both to create wealth and to make a profit;

- there needs to be a much *deeper and more exhaustive conversation* between African Governments and business, the international community and agencies, and the global investment community about how to create real investment opportunity. For example, how can African infrastructure, which needs to be built, be financed by the huge available resources of private sector investment. How can risk and return be addressed? This conversation was addressed at in a follow up event in London on African infrastructure investment, but needs to go well beyond the presentation of excellent mechanisms and initiatives;

- and this conversation should be *politically inclusive*. It should take advantage of a convergence of concern between the investor community and the development community about the future of the planet and global development. As the major sustainable finance firms are now saying, the private sector investment model for Africa has to be in line with the objectives of the United Nations Sustainable Development Goals. That involves buy in by, for example, the responsible oil and gas companies who have to manage climate transition in business terms. And it involves the development community understanding the need for engagement with “real” global investors, even if, for some, wealth creation is not their most comfortable theme.

Global investors need to have a return on their investments. They will also want to see how their investments forward their ESG aims. If these two criteria are met, Africa offers massive long term opportunities. For the UK at least, these are in sustainable finance itself, in technology investment such as fintech, in financial and legal services, and in infrastructure; and in the extractives industry which must be developed for global needs, but in the cleanest and most sustainable way. Much more, such as Africa’s agribusiness needs, can be financed from the UK.

I hope the London Summit will be followed with actions which inspire a global approach to investment in Africa. Real impact will require more partners, more detailed research and discussion into offers and needs, and a concentration on the key question – how to get big investment into the continent. If the African, international and investor community fails in this challenge we will go backwards in the drive to develop a continent with a surging population, and increase the risk facing the planet. That matters as much to the informed investor as anyone.

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