SPECIAL EDITION: PRIVATE EQUITY IN AFRICA

Forbes AFRICA

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SHOWCASING AFRICA'S INVESTMENT POTENTIAL

PRIVATE EQUITY:
THE BIG PLAYERS, DEALS AND TRENDS

SOME OF THE TOP INVESTMENTS MADE DURING 2019

PRIVATE EQUITY FUND	INVESTEE COMPANY	TOTAL ENTERPRISE VALUE (RM)	INTEREST	SECTOR FOCUS
METIER CAPITAL GROWTH FUND II	Vox Holdings (Pty)Ltd	2,628.26	25%-50%	Telecommunications
IDENTITY FUND MANAGERS	Identity Property Co (Pty) Ltd	1,400.00	over 50%	Real Estate
STANLIB, VULINDLELA, WIP SILO INVESTMENT HOLDINGS, LANDBANK, RMB	AFGRI Grain Silo Company (Pty) Limited	1,380.00	25%-50%	Agri and Agri processing
OLD MUTUAL ALTERNATIVE INVESTMENTS (PTY) LTD (OMAI)	Footgear Holdings Proprietary Limited	637.60	over 50%	Retail
NOVARE AFRICA PROPERTY FUND I	Urshday Limited	518.29	25%-50%	Real Estate

Source: *SAVCA 2020 Private Equity Industry Survey*

KEY FINDINGS: PE DEALS

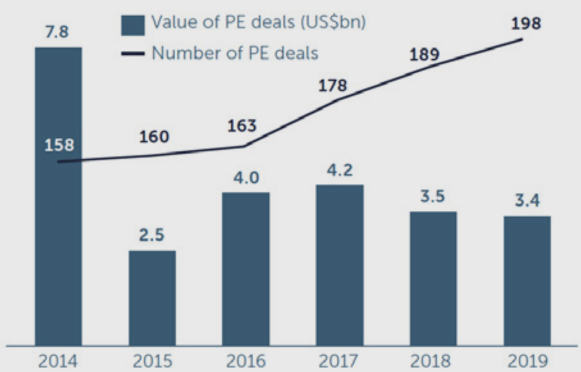
US$25.3bn

Total value of reported African PE deals, 2014-2019

1046

Total volume of reported African PE deals, 2014-2019

Number and value of African PE deals, by year



WEST AFRICA KEY FINDINGS: 2014-2019

274

Number of reported PE deals

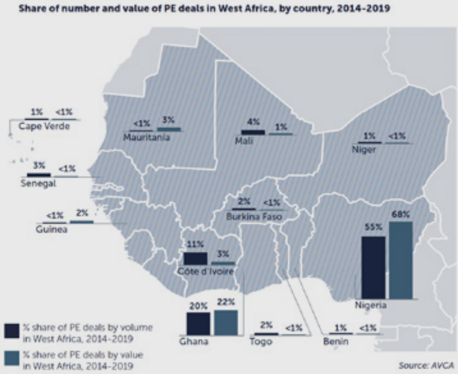
US$10.2bn

Value of reported PE deals

US$8mn

Median deal size

Share of number and value of PE deals in West Africa, by country, 2014-2019



SOUTHERN AFRICA KEY FINDINGS: 2014-2019

311

Number of reported PE deals

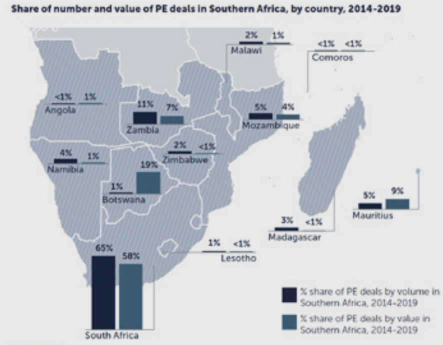
US$3.8bn

Value of reported PE deals

US$6mn

Median deal size

Share of number and value of PE deals in Southern Africa, by country, 2014-2019



Source: African Private Equity and Venture Capital Association (AVCA)

• Content Partners: The African Private Equity and Venture Capital Association (AVCA) and the Southern African Venture Capital and Private Equity Association (SAVCA)

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Photo by Four23 Photography; Illustration by Raymond Makhuru

Committed To Being The Voice Of The Industry

BY DARA OWOYEMI, INTERIM CEO, AFRICAN PRIVATE EQUITY AND VENTURE CAPITAL ASSOCIATION (AVCA)

DEAR READERS,

We are delighted to partner with FORBES AFRICA to introduce this special edition on Private Equity (PE) in Africa. For 20 years, the African Private Equity and Venture Capital Association (AVCA) has been at the forefront of promoting and enabling private investments across the continent.

Through the convening of the African private capital ecosystem annually and the delivery of authoritative research and analysis, training and best practice standards, AVCA equips and educates stakeholders on the state of the industry, its impact and outlook.

Today, we find ourselves in unprecedented times. The Covid-19 pandemic has caused significant disruption to human, social and economic activity globally. Despite the slow start of Covid-19 in many African countries, the African private equity and venture capital (VC) industry mobilized swiftly to support African economies and businesses in overcoming the immediate and longer-term impacts of the pandemic.

AVCA took rapid measures to help the investment community navigate the environment, establishing a Covid-19 resource center and hosting live dialogues via webinars. AVCA also published survey results on the impact of the pandemic on Africa's fund managers and investee companies and issued a Covid-19 legal and regulatory bulletin to address imminent and pragmatic concerns related to portfolio maintenance, fund liquidity, deal transactions and African state assistance programs.

Institutional investors and fund managers united in their response to make available extensive financial and technical assistance to support the liquidity needs of their investee companies and ensure business continuity. Many are doubling down on their commitment to continue investing in promising companies and pivoting to seize new investment opportunities presented by the pandemic across sectors such as financials, information technology, healthcare, consumer goods and services, and industrialized agribusiness.

In many ways, the African PE and VC ecosystem is unique. The early involvement of development finance institutions in catalyzing the growth of the industry has meant that impact, job creation and sustainability have always been at the core of fund managers' decision-making processes – whether in terms of empowering women and reducing gender inequality, enhancing good governance or preserving the environment.

Between 2014 and 2019, 1,046 private equity deals were reported in Africa with a total value of $25.3 billion, supporting millions with improved working opportunities.

Private equity investments have also had a transformative impact in terms of value creation, with fund managers taking a hands-on approach to operational and corporate improvements within their investee companies to enable sustainable growth.

This strategic role and sustainability conscious approach is more critical today than ever.

Africa's VC landscape has also grown significantly over this period and has become a recognized investment theme that attracts international investment to the continent, encouraging the development of domestic venture capital firms.

According to AVCA's inaugural '*Venture Capital in Africa*' report, between 2014 and 2019, 613 VC deals were reported on the continent with a total value of $3.9 billion.

In 2019, we saw a record year in volume and value recorded in African VC deal activity. Despite the significant socio-economic

> **"Between 2014 and 2019, 1,046 PE deals were reported in Africa with a total value of $25.3 billion.**

challenges posed by the pandemic, we expect VC firms to continue to support Africa's early-stage businesses.

African PE- and VC-backed businesses are amongst the most progressive companies in the world, tackling complex development challenges with imagination, agility and grit. Our industry has successfully navigated global turbulence in the past, and I'm confident we will rise to the occasion once more.

I'm particularly encouraged by our industry's commitment to building back better and creating more resilient, green and equal societies.

As the pan-African private equity and venture capital industry body, we proudly reflect on how far the industry has come. We remain committed to being the voice of the industry and providing platforms for *meaningful dialogue*, purposeful connection and insightful data.

This special edition report on *Private Equity in Africa* will address pertinent topics, reflect on how the industry has evolved since its inception and explore tomorrow's opportunities.

I hope you will find it an insightful and stimulating read.

Commitment To Broader Economic Development

Tanya van Lill, CEO, Southern African Venture Capital and Private Equity Association (SAVCA)

AS WE SUCCESSFULLY rounded up our annual industry conference in February, nothing could have prepared us for the mammoth task that lay before us – navigating a global pandemic.

The arrival of Covid-19 has presented challenges not just for us, but the global private equity (PE) community. In order to continue with our business activities, we were thrown into the virtual space where Zoom and Microsoft Teams meetings took centerstage and webinars became an essential construct of business. Most of our own webinars have focused on supporting our members to navigate Covid-19. We also offered content on resilience to cover the general emotional and physical effects of the crisis.

Despite these tumultuous times, there have been inspiring examples of how PE firms have successfully supported their portfolio companies. Once Covid-19 hit, crisis management measures were put in place, with many firms engaging in a more robust way than ever before, with recovery plans put into action. SAVCA released a position paper in March speaking to the economic impact of the pandemic and the subsequent lockdown, with various suggestions put forward to the South African government which include, amongst others, measures for companies to keep in their employ as many people as possible.

By June, our second position paper took a more direct approach to showcase how the savings market in South Africa and in particular pension funds, could help propel the economy. The paper focused on the current pension fund allocations into PE permitted as per Regulation 28 of the Pension Funds Act. SAVCA proposed two changes to Regulation 28, the first to separate private equity into a specific asset class with a specific ceiling and then over time, to increase this ceiling from 10% of assets to 15%. In addition, SAVCA's ongoing research continues to assist our members and interested parties with activities related to the industry. According to SAVCA's third impact study released earlier this year, the measurable effects of PE and venture capital (VC) makes for interesting discussions and demonstrates the value to the broader economy. Our research shows the impact of PE and VC investments into companies, and the support they provide, and improved aspects such as innovation, job creation and business growth. In South Africa, in particular, PE has been a source of transformation in relation to Black Economic Empowerment. Throughout the pandemic, PE firms have illustrated the value of active management through the support they provided and continue to provide their portfolio companies.

Some of these inspirational stories have been showcased in SAVCA's annual Private Equity Industry Survey which was launched at the end of July, and the Venture Capital Industry Survey released in September.

PE experienced an already tough climate pre-Covid-19. Fundraising cycles were longer than anticipated due to market conditions.

In South Africa, issues such as state capture, rolling electricity cuts and crises at state-owned enterprises meant the appetite for investments in the country was a tough one to navigate.

As a result of the lockdown, the economic outlook took a significant downward spiral. Despite that, we have seen President Cyril Ramaphosa and his team of advisers handle the crisis with great resolve.

When I reflect on my time in the industry, I have seen great success stories emanating from the investments made, which have shown lasting developmental impact. Innovative strategies have also emerged in the face of uncertainty during this time. In early June, investment manager Ninety One and Ethos Private Equity launched an impact investment initiative, the Ninety One SA Recovery Fund, with the sole objective of mitigating the negative economic consequences of the pandemic, while seeking an attractive return for investors. Sanlam Investments responded to the pandemic by committing R2.25 billion of its own capital to three seed funds.

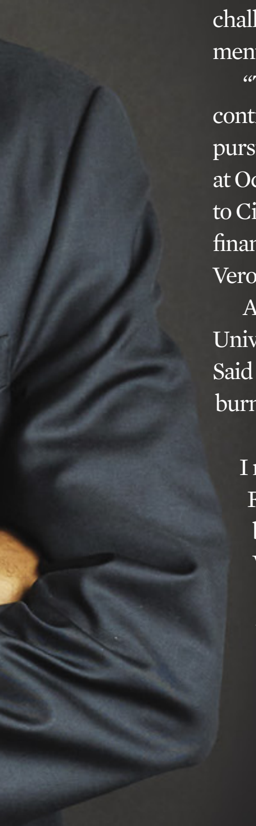
SAVCA's continued engagement with its members and stakeholders has shown that while there is much work to be done, there is a commitment to broader economic development. The PE landscape remains one that is resilient, as we navigate our way forward.

The Growth PARTNERS

Danladi Verheijen and Eric Idiahi believe in transformative investments that power Africa's growth

In a way, the story of Verod Capital's Eric Idiahi and Danladi Verheijen is a story of the growth of private equity in Africa. The two entrepreneurs ventured into this world at the height of the global financial crisis. Today, their hands-on approach has seen businesses scale great heights, and together, they have closed some of the most impact-driven deals on the continent.

BY PEACE HYDE



THE FOUNDERS OF VEROD Capital, Danladi Verheijen and Eric Idiahi's journey into the private equity space started in 2008, just as the world was in the grips of the global financial meltdown. At the time, all but one of the private equity companies operating in Nigeria were foreign players with headquarters based in Johannesburg, London or Dubai, with only a local presence in Nigeria. Verheijen, who had then taken a 70% pay cut from McKinsey & Company in Chicago, where he was working as a strategic consultant across multiple industries, to join Ocean and Oil Holdings in Nigeria, was in search of a professional challenge.

A graduate of Stanford University as well as an MBA holder from Harvard Business School, Verheijen had carved a successful career helping businesses grow, through cost-cutting measures and innovations that solved critical problems for communities and transformed them to become champions who dominated their industries. The move to join Ocean and Oil Holdings was in part based on a need for new challenges and also a chance to finally work with his business mentor, investing across different sectors in Nigeria.

"That opened my eyes to the investment potential of the continent. I worked here for a couple of years, then I went to pursue my MBA sponsored by the firm. I came back to work at Ocean and Oil Holdings after my MBA, and then I went to Citibank for two years where I was part of the corporate finance group," says Verheijen, the Managing Partner of Verod Capital, in an interview with FORBES AFRICA.

Around the same time, Idiahi, a graduate from the University of Houston, Texas, and also an MBA holder from Said Business School, University of Oxford, was feeling a burning desire to return to Nigeria.

"I felt I could create the biggest impact in Nigeria. I moved back and started working for a firm called Financial Derivatives where I was doing investment banking and financial advisory," recalls Idiahi, who is Verod Capital's co-founder and Partner today.

He became a mentee of Financial Derivatives' founder, Bismarck Rewane, who showed him the ropes of the investment landscape in Nigeria. This was a dream opportunity for Idiahi who spent his childhood years being fascinated by success stories in the investment world like Warren Buffett. Those stories helped to spark a desire in Idiahi to be part of the investment banking world.

A serendipitous encounter in Lagos brought the two entrepreneurs together.

"I came across Eric while at Citibank and we were both working on the same deal representing our institutions. Eric was on the sale side and I was on the buy side of that deal. The deal did not close but we became great friends; we spoke a lot about our dreams and aspirations to invest in Nigeria and in Africa and to set up a world-class investment institution run by Nigerians and Africans, finding the best opportunities on the continent, delivering great returns and also having a significant amount of impact in everything that we do," says Verheijen.

And that is exactly what they did. They founded Verod Capital Management because they felt there was a space to create an indigenous private equity firm with feet on the ground in Africa.

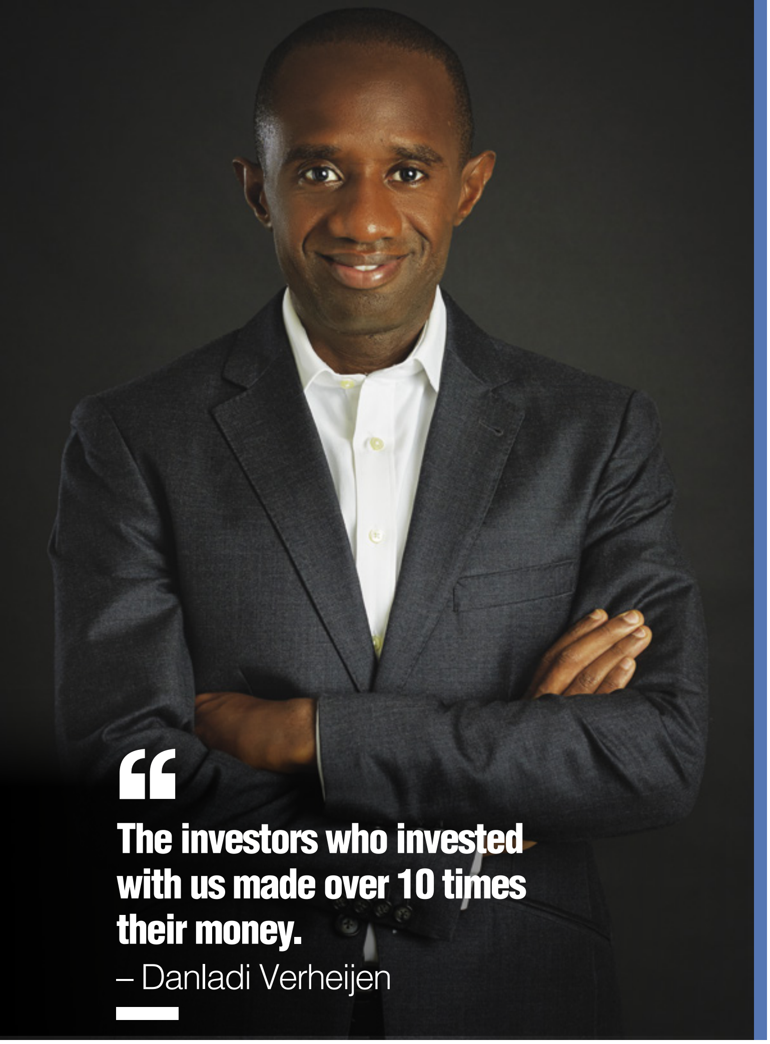
"In Eric, I saw possibly the smartest guy I met in Nigeria and possibly one of the smartest people I have met in my life. He's also a visionary. So not just smart and analytical but also extremely intuitive which is a really powerful strength to combine in one individual," says Verheijen.

It took them two years of getting to know each other before they actually set up Verod Capital. But they did not begin in the private equity space. The simple dream was to build an investment firm, locally-run and locally-based to provide the best return on investment for their clients as well as make an impact.

"We didn't have a track record then and in 2008, the whole world had just crashed. It was challenging to get people to trust us with their money but we were very persistent and sincere with what we wanted to do for businesses," says Idiahi.

Most private equity firms raise money through a pool of investors where they put the money into a fund. But without a clear track record of success in the business, Verheijen and Idiahi knew they would be unable to raise a fund. To mitigate against this, for the first couple of years, the two entrepreneurs raised money on a deal-by-deal basis. The most important thing was finding great companies and finding investors who would trust them with their capital to invest in those companies and help them grow.

"The first deal that put us on the map was a company called GZI, an aluminum can manufacturing company. They provided aluminium cans



> **The investors who invested with us made over 10 times their money.**
> – Danladi Verheijen

to the brewers and bottlers in the region, such as Nigerian Breweries, Guinness and Coca-Cola," says Verheijen.

This was a new factory set up by four Israeli entrepreneurs in Nigeria. Before GZI, cans were basically manufactured out of Nigeria with the only two manufacturing plants in Africa located in Johannesburg and Cairo.

"We pushed the investment and put some growth capital into the business and we invested with the entrepreneurs and supported them to build what is today the second-largest can manufacturing entity across Africa. The factory has manufacturing operations in Nigeria and also South Africa. Its major competition is Nampak. This was a runaway success story. The investors who invested with us made over 10 times their money," avers Verheijen.

This investment also spoke to the thesis of the company of not just a focus on returns, but having an impact in the local communities as well. According to Idiahi, the deal saved Nigerians tens of millions of dollars in foreign exchange and created hundreds of jobs directly and thousands of jobs indirectly in the supply chain. It also allowed multinationals, like Coca-Cola and Heineken, to order for cans and have them delivered in 10 days instead of the 20-week lead time that previously existed when they ordered from Europe.

"It was a very transformative investment and we love that play of import substitution because we think Africa needs to produce more and Africa cannot survive on just exporting natural resources to the West and importing finished goods. We need to manufacture more locally and add value more locally, create jobs and keep more of the wealth here," says Verheijen.

With the success of GZI and other investments, Verheijen and Idiahi were now ready to raise a private equity fund. They had the track record on paper and they put together a good team and they felt investors would not be taking a blind punt on them.

"We had several deals – some were great and a few provided learning experiences, which we could speak frankly about to our investors. As such, when we tried to raise our first institutional fund in 2014, we raised it relatively quickly. That fund was a $115 million fund. In 2019, we raised a successor $200 million fund," says Verheijen.

Raising a fund in the private equity world differs from firm to firm. Verod Capital has a largely foreign investor base spanning the United States, Europe and also Africa. Their strategy since inception is to invest in businesses driven by the Nigerian consumer growth story as well as exploring consumer opportunities in Ghana. They are involved in everything from providing strategic and operational support, to recruiting executives and providing access to industry experts or specialists who can help companies enhance their operations, access new markets and grow significantly.

"We don't do oil and gas or real estate but focus on things that are driven by services. Right now, we have over $320 million under management, which is across two funds so there is so much we can invest in and as a result, we tend to limit what we invest in because of capacity," says Idiahi.

Typically, Verod invests in well-established businesses that fall within the $10 million to $40 million range, that they can use their expertise to help achieve economies of scale. The money is also raised from a large pool of development and finance institutions across the world like FMO, the Dutch development bank, and CDC, the United Kingdom's development finance group.

"We also approach a lot of big investment companies across the world like Morgan Stanley and we present to them and say this is what we want to do, this is our business plan and we approach them for money in that sense and then they give us a commitment for a pool of funds and we deploy that capital into companies in Nigeria," says Idiahi.

Perhaps what separates Verod Capital from other private equity firms in Africa is their hands-on approach to helping businesses succeed. Idiahi and Verheijen are involved in everything from commercial contract negotiations to even providing a pool of resources to find the best human capital for their organizations.

"We don't like to call the companies we invest in portfolio companies because that implies that we own the companies. We like to see ourselves more as partners," says Verheijen.

As competition increases, private equity will increasingly serve as a partner to management teams that want to take

Photos by Four23 Photography

the entrepreneurial plunge and own a stake in their businesses, as these entrepreneurs will benefit from not just the capital, but also the institutional support framework that private equity provides. This is something that is important to the business model of Verod Capital. Successful private equity firms will be measured not just on returns to investors, but also the social and economic impact created by their investments.

"Verod Capital have a wealth of knowledge so they linked us to some of their partner companies who they know, for example, companies [in] power generation, logistics etc. They helped us in hiring key members through their contacts and their HR. Also, in terms of the financing, they have huge experience in financing and not just in Nigeria but internationally as well," attests Emeka Okoli, Chairman of Emzor Pharmaceuticals, which was founded by Dr Stella Okoli in 1977.

Today, Emzor is a significant name as a pharmaceuticals firm with a portfolio of about 140 drugs. As an indigenous Nigerian company, the organization's key focus has always been on making drugs affordable to consumers. After years of organic growth, the company decided to raise capital through private equity to acquire six hectares of land in Ogun State, Nigeria, to aid in their expansion plans.

Currently about 60% of all drugs consumed in Nigeria are imported in finished goods state. Emzor Pharmaceuticals hopes to use the manufacturing of these drugs in Nigeria to provide employment opportunities, taxation for the Nigerian government as well as bringing in foreign direct investment.

Private equity firms typically operate a 2:20 model, i.e., 2% management fee and 20% of the profits of the companies they invest in when they exit.

"We have had about seven exits as an organization. We look at our capital as a catalyst; for private equity funds, we have a time limit where investors will give us money for a maximum of ten years. So, we have to exit that particular investment within that time period that has been given to us. So, we have five years to invest the money and another five years to get our money out. This is very key for us because we don't want to spend more than ten years in an investment," says Idiahi.

Some of their current investments include the Central Securities Clearing System (CSCS) where they are the second largest shareholder after the Nigerian Stock Exchange, and the largest apparel manufacturing company in West Africa, DTRT (Do The Right Thing).

Verod has also bought two insurance businesses in Nigeria where they have plans to combine them to create one of the top five insurance businesses in Nigeria.

And as the world faces an uncertain economic future, Verod Capital and their investments continue to abide by the business model of impact-driven investments.

"The pharmaceutical company, for example, is producing drugs for people during this time. With DTRT Apparel, we are now producing PPE to provide protective equipment to government and other institutions locally and internationally, so Covid-19 has been a double-edged sword," says Idiahi.

The market has evolved substantially since Verheijen and Idiahi started their journey in the private equity space. For one, there was only one player in the market and since then, they have seen a lot of new players coming in.

As a company, they have also expanded operations from Nigeria to Ghana and most recently, Mauritius.

"There is a lot of specialization and venture capital (VC) is becoming a big thing too where a lot of people are investing in early startup companies. We think the VC space is very interesting and it is something worth exploring in the near future," says Idiahi.

Watch this space for more.

"It was challenging to get people to trust us with their money but we were very persistent and sincere with what we wanted to do.
– Eric Idiahi

'Sharing Our Focus On Social Responsibility'

DTRT Apparel, a company Verod Capital is invested in, has changed the landscape of clothing manufacturing in West Africa. Its Co-CEOs Marc Hansult and Skip Richmond tell us how they have created large-scale positive impact.

BY PEACE HYDE

DTRT APPAREL WAS FOUNDED IN 2013 BY Marc Hansult and Skip Richmond. The vision behind the business was to come up with a model that uses the power of the apparel industry to drive employment and create positive impact on a very large scale. The duo identified Ghana as the right place to start operations in 2014 and since then, have successfully grown the organization from 50 employees to over 2,500 currently, and shipped finished products to the United States (US) and European markets.

"When we established in 2013, there were a handful of existing local apparel manufacturers, none of who were really exporting much to the US, if anything. They were struggling to survive. We still are the only large-scale mass apparel producer in West Africa but what we have seen in recent years is an awareness by the government of Ghana and other players in the industry and other governments in the region, that apparel manufacturing in West Africa is viable," says Richmond.

This is a far cry from the early days when promises made by entrepreneurs to the local government would never materialize. What Richmond and Hansult have been able to accomplish is impressive. Since coming into the market, the company has produced and exported to the US more clothing than the entire country of Ghana has probably done combined. Their success has now led to an increased recognition of the apparel manufacturing industry. DTRT competes globally with manufacturers in China and Bangladesh as well as traditional apparel manufacturers.

"What we bring is obviously competitive, cost-wise. That is the mustard in your business and we are able to be very competitive on cost from Ghana in a large part because of AGOA (African Growth and Opportunity Act) which allows us to import goods to the US duty free. So, that helps with the competitiveness but also the cost structure in Ghana is such that, we are able to pay our workers well above minimum wage for the country and a wage that is fair and our workers can view as a good job but it still works within our cost structure," says Richmond.


Marc Hansult


Skip Richmond

The Covid-19 pandemic has also led to some unexpected challenges and opportunities for the company.

"There is a big trade war going on with China and there is a global backlash against the coronavirus as well and also we have the Hong Kong situation, so, most global buyers are pushing to reduce the dependency on China and other Southeast Asian manufacturers. So, Africa is considered to be a major future apparel manufacturing sector. We lead the way in West Africa to present this opportunity and present West Africa as a viable option so that in the global context, it's very attractive," says Hansult.

They couldn't have achieved this scale and growth without private equity partners like Verod Capital.

"The reason we chose to go with Verod was the emphasis and importance they place on social welfare and sustainability issues. Verod has helped us keep our selling point of impact and sustainability. Many of the partners and investors in Verod's fund are DFIs who place tremendous focus on health and welfare compliance. Our affiliation has given us greater access to those DFIs who have also been able to give investment. So, the connection with the DFIs through Verod has been great," avers Richmond.

Verod Capital's investment into the company came in not long before the Covid-19 pandemic hit and according to Richmond, as their investment partners, they have been very helpful in connecting the firm to a number of DFIs that have been able to help them weather the storm during this particular crisis.

"I think what has really been positive is realigning the priority for the business during this crisis. We made it a priority to keep our workers paid, right from the beginning when this started. The workers are the most valuable asset we have, so, we made it a priority to protect our workers from the impact of this crisis.

"All of the other stakeholders were 100% supportive and it is not a given that you have a private equity partner so aligned with those priorities, and that has been very important and has just confirmed our decision to go with Verod who share our focus on social responsibility," says Hansult.

'We Invest In Folks Trying To Solve Challenges'

Wale Adeosun, the Founding Partner and CIO of Kuramo Capital, a leading pan-African investment manager, was instrumental in Verod's growth and has invested in all its funds.

BY PEACE HYDE

KURAMO CAPITAL IS A UNITED STATES SEC (Securities and Exchange Commission) registered investment management firm that focuses on raising capital primarily from private institutional investors and through investing in sub-Saharan Africa. The company has two offices on the ground in Lagos and another in Nairobi and runs operations from its New York office. The main investors are usually institutional investors including US endowments and foundations.

Kuramo Capital have over $500 million that they have invested in three funds. "We invest in underlying funds and with Verod, we invested in their first two funds and we have also done one direct investment with them," says Wale Adeosun, founding partner and Chief Investment Officer of Kuramo Capital.

" There are about 20 of us across three offices. We have invested indirectly through underlying fund managers, about 15 of them across 150 companies and directly, we have done about 15 investments as well."

So far, the company has brought in over $3 billion in investment to the African continent. Adeosun is a strong proponent of the private equity sector and its ability to bring in private capital and opportunities to Africa. This focus has been key to the way they look at investment opportunities on the continent.

> **We like indigenous fund managers who are very local and went to school locally because we believe that is where you build your local network.**

"We are agnostic in terms of our approach. We find very attractive investment in the agribusiness space, technology and financial services and also, we have made some investment in the education space as well as consumer-oriented companies. One of the reasons we invest in the likes of Verod is because we like indigenous fund managers who are very local and went to school locally because we believe that is where you build your local network," says Adeosun.

Both he and his partners went to school in Nigeria before leaving for the US. He believes the indigenous experience is the best way to grow a local network of successful entrepreneurs which will help in terms of deal flow and exits.

"We invest in folks that are trying to solve challenges in Nigeria and finding solutions. We find a lot of young Nigerians that are trying to come back and come up with ideas and find solutions to solve those problems. Nigeria is a very attractive destination for us because the market is so big and you can find investment opportunities..."

"We find that people do not understand the macro [economic environment] here very well. There is a huge informal sector here and there are industries here that people don't understand how big they are. If you think in terms of technology now, a lot of young Nigerians are writing code and getting a lot of investment from outside investors because these guys are just solving global problems; and people are recognizing how good they are. As a result, fintech is a very big market for us," says Adeosun. F

'Leaving A Lasting Legacy'

Emeka Okoli, the Chairman of Emzor Pharmaceutical Industries, on sustainable investments and creating unlimited wellness for all.

BY PEACE HYDE

EMZOR PHARMACEUTICAL INDUSTRIES Limited is the largest pharmaceutical company in Nigeria and is also a private indigenous company focused on the manufacturing of high-quality pharmaceutical products. Over four decades ago, it started as Emzor Chemists Limited which opened for retail business in January 1977. The rapid growth of the retail business encouraged Emzor Chemists to venture into the importation of pharmaceuticals. The idea to manufacture locally came later and was predicated on the desire to develop local capability and increase cost efficiency.

Emzor started production in 1985 and by 1988, had become an established manufacturing company. The company's four current factories are located in the Isolo industrial area of Lagos, with facilities to make a wide range of high-quality products; the fourth factory is a new ultra-modern pharmaceutical manufacturing campus in Sagamu, Ogun State. This growth was facilitated by Verod Capital.

"So, we looked at both private equity and debt and what we found with Verod is they felt like they were our local

partners and could contribute more than say a $10 billion fund could contribute locally to us. We did not want to be just sending quarterly reports and balance sheets and answering a bunch of questions from people who were not on the ground with us. But with Verod, we felt like they were in it with us as partners," says Emeka Okoli, the Chairman of Emzor Pharmaceuticals.

From four product lines in 1987, the company now manufactures over 140 products in the analgesic, anti-malaria, antibiotics, vitamin supplements, haematinics, anti-helminthics and therapeutics ranges. The company's products are widely distributed throughout Nigeria and parts of West Africa.

"Another thing that struck us was who Verod's investors were and it wasn't just like family offices or pension funds but they have a lot of development banks and development institutions whose key goals were to make sure that the investments were sustainable and not just get returns but also leave a lasting legacy and that is something my mum is keen on," says Okoli.

Emzor's goal is to create unlimited wellness by providing affordable and available drugs for all. Emzor's vision is to be the leading healthcare company in sub-Saharan Africa through the provision of world-class products and services.

The Value Creation Model

Though the world is in the midst of a pandemic, FMO remains confident in its partnership with Verod, with a combined mission to help businesses and lead entrepreneurial growth in Africa.

BY CHANEL RETIEF

BEING ONE OF WEST AFRICA'S LEADING PRIVATE equity investors means that you should be partnered with companies that share the same values as you do, those that include wanting to grow the economy by creating jobs, promoting gender equality and supporting environmental sustainability.

For FMO, a Dutch development finance institution (DFI) based in the Netherlands, these are precisely the kind of values that attracted them when they became an anchor investor for Verod Capital Management.

"For two reasons, Verod had an established partnership and track record in investing in Nigerian companies and just as important, there was a fit with the mission and mandate of FMO," Alison Klein, manager at FMO, says.

Having made its first close in December 2014, FMO's partnership with Verod (Verod Growth Capital II) has helped in supporting companies locally to improve their environmental, social and governance (ESG) standards.

The fund provided to Verod helps it input growth capital to medium-sized businesses in West Africa, mainly in Nigeria and Ghana.

FMO also highlights that since its first fund with Verod, Verod Growth Capital II has built a diversified portfolio in line with the agreed strategy.

However, there is one that sticks out the most for them.

"FMO has co-invested alongside the fund in pharmaceutical companies in Nigeria; which is contributing to local production, is more cost-effective and good for the local industry," Klein says.

The notable success that Verod has had subsequently led to FMO committing to another investment, now known as Verod Capital Growth III, that had a successful closure at the end of 2019.

Since Covid-19 has made it difficult for operations to continue normally, with the reduction of flights between Europe and Africa due to the lockdown, they yet remain confident in their partnership with Verod.

"They have taken a cautious approach in new investments and engage actively with their portfolio companies to get through this difficult time. Also, they engage with their employees, the employees of their portfolio companies, and the communities where they are present to help limit the impact of Covid-19," she says.

Klein, whose team looks after the funds and co-investments in Africa and Latin America at FMO, states that the company has two motivations for wanting to partner with institutions in Africa like Verod.

The first being, which Klein calls 'philosophical', is that FMO wants to partner with local teams on the ground. This is because most of FMO's staff is based in The Hague, Netherlands.

"We find it really important to work with local partners to help identify the companies that we invested in and also to partner in terms of the value creation in the companies. So it's the model of partnering with local private equity fund managers to do that," Klein says.

The second motivation looks at wanting to help contribute to the development of a sustainable, attractive, and professional ecosystem of a private equity fund.

"We expect that over time and we've seen the first signs of that in Africa, that other kinds of institutional investors will also want to or be able to invest in private equity funds," Klein adds.

• BY V SHANKAR

Investing In A Post-Covid World

What remains unchanged is the conviction that, notwithstanding the uncertainty of Covid, the medium- and long-term growth narrative, especially across Africa and Asia, remains attractive.

"The only thing we know about the future is that it will be different." – Peter Drucker

COVID-19 HAS FUNDAMENTALLY CHANGED THE way we live, work and communicate. The billion-dollar question is will any of this lead to permanent change? Or will things revert to pre-Covid norms proving correct the famous observation that the more things change, the more they remain the same?

While it is premature to make firm predictions, at Gateway Partners, we believe that some of the recent changes are here to stay. Having experienced the convenience of digital interactions and transactions, many consumers are unlikely to revert entirely to the status quo ante. However, the degree and nature of change will differ both across countries and social strata. One size won't fit all.

Let us examine this along a few dimensions:

• **Social distancing:** In "knowledge worker" societies or the wealthy enclaves of emerging markets (EM), social distancing could remain the norm, at least until a vaccine is developed. However, for denizens of congested slums in Mumbai or Mombasa, social proximity is a necessity, not a choice. Paradoxically, they are likely to get more social space, and better hygienic conditions, in their workplaces than at home!

• **Workplace:** In the West, it is possible that videoconferencing could largely replace face-to-face interactions, reducing the need for centralized office spaces and potentially turning 'central business districts' into zombie towns. However in EM, where typical working parents share a two-room apartment with multiple generations of relatives, working from home even temporarily is a pipe dream. The demise of workplaces is a long time away in Africa and Asia.

• **Shared services:** For hygiene and health reasons, we are likely to witness a surge in Western car ownership, where financial circumstances allow, at the expense of Uber and mass transport. By contrast, for a large swathe of EM populations even a two-wheeler is an aspiration. Public transport will remain their only viable option.

• **Lifestyle:** In developed societies, online shopping will cast an even gloomier pall over malls. However, in many developing countries, malls are still in their infancy and a visit to one is more than a perfunctory shopping trip. Malls are entertainment venues for families, offering "experiences" ranging from movies to ice-skating.

• **Supply chains:** The pandemic has highlighted supply chain vulnerabilities and concentration risk for many economies and companies. While we don't anticipate an overnight decoupling from China, we expect Western companies to gradually pivot outsourcing to other countries, creating opportunities for many EM companies.

At Gateway, we have been refining our thinking as new data and information becomes available, and the new learnings will doubtless inform our approach to future investments. However, what remains unchanged is our conviction that, notwithstanding the near-term volatility and uncertainty catalyzed by Covid, the medium- and long-term growth narrative, especially across Africa and Asia, remains attractive. These regions will continue to benefit from the tailwinds of their growing populations; accelerating urbanization; increasing connectivity; rising affluence; and burgeoning South-South trade and investment flows, all of which underpin higher discretionary spending.

Three-quarters of the world's investable capital is still controlled by allocators in America and Europe. We are now at an inflection point and smart allocators would look to go beyond their historical "home bias" and increase exposure to EM. Why? Because these markets offer diversification, as well as respectable yield in a low interest rate environment. And critically, in a world of otherwise tepid growth, companies and entrepreneurs here are real growth engines, generating real returns by manufacturing and providing the basic goods and services required by the vast majority of their growing populations.

Companies like Dangote Cement (where I am honoured to sit on the board) and Reliance in India are powered by operating growth, not financial engineering. Aliko Dangote, Mukesh Ambani and their ilk prove that America does not have a monopoly over entrepreneurs who think big and bold, have the courage of their convictions, execute with unbridled passion, and live and breathe their businesses.

It is not an accident of history that in 1999, when Reliance commissioned its Jamnagar refinery, it was then the world's largest single train refinery. When the Dangote Refinery is commissioned soon in Nigeria, it will own the record once held by Reliance. And it will not be the last record to be broken by an EM company.

– The writer is the CEO and Co-Founder of Gateway Partners and is based in Dubai.

• BY JOHN BELLEW

A Peek Into PE History

The private equity industry in South Africa evolved in the years just before democracy. A look at the big movers, shakers and deals that grabbed headlines at the time, from the diary of an industry veteran.

MY ASSOCIATION WITH PRIVATE EQUITY (PE) and investment banking started in 1988 when I was a candidate attorney (then called 'article clerk'). South Africa was in turmoil – the townships were burning, a state of emergency reigned, newspapers were heavily censored and the big multi-nationals were departing the country in droves as international sanctions started to bite.

Although at the time, I was assigned to the media team (primarily advising newspapers on what they could get away with under the state of emergency), I got to sit in late-night negotiations in transactions my principal's clients engaged in, to watch, listen, keep quiet and draft the occasional board resolution. Such was, and is, the role of the junior lawyer, and those were some of the early investment banking transactions in our market. From those early deals, the third party fund model emerged and the PE industry in South Africa took its first embryonic steps.

In 1990, I was seconded to their Luxembourg office for two years. I learned enough about international tax and the offshore world to be dangerous to clients, but the experience has been immeasurably beneficial to my career in PE, especially in fund formation, and I owe an enormous debt of gratitude to Maitland, to whom I was seconded, and my then employer Webber Wentzel, who afforded me the opportunity to go abroad at a time when it was almost impossible for South Africans to do so.

Nelson Mandela was released from jail six weeks before I left for Luxembourg and the Berlin Wall had just fallen. It was an exciting time to be in Europe and I could have chosen to settle there but I wanted to be part of the change happening in South Africa and opted to return at the end of 1991. I returned to 'Webbers', but this time in an M&A team working under the excellent Peter Arthur. One of his core clients was FirstCorp Merchant Bank, who was now leading the charge in investment banking and building a team that would go on to seed the PE industry in South Africa under the able leadership of Andre Roux.

In 1992, FirstCorp raised what was probably the first blind pool PE fund in South Africa. I was not involved in raising the fund, but did a lot of the deals that came out of it. They then raised a fund in 1996, which comprised of largely international capital and which gave me my first exposure to fund formation. I knew absolutely nothing about the topic but made it up as I went along and entrenched myself as a PE lawyer who could deal with the full spectrum of PE activity, from fund-raising to deals.

Around the same time, Brait, then known as Capital Partners, launched their first fund, and for a while, they and FirstCorp dominated the PE market. The FirstCorp team, absorbed into RMB by the FirstRand merger, conducted their own management buyout from FirstRand in 1997 and established the Ethos brand, still a market leader in PE in South Africa.

Those two early firms subsequently seeded a number of the really successful second generation of South African fund managers. Peter Schmidt and John van Wyk left Ethos to join the

> **"From those early deals, the third party fund model emerged and the private equity industry in South Africa took its first embryonic steps.**

South African office of Actis. Chad Smart and a couple of his colleagues who had worked at Brait launched Capitalworks and Thierry Dalais established Metier.

In addition to the independent fund managers, a number of banks ran their own PE operations. Standard Bank, Nedbank, RMB and Absa all had teams, some as anchor investors in funds including third party money (for eg., Absa) and others doing deals on-balance sheet. RMB had a number of businesses focusing on different market segments, including RMB Private Equity, RMB Ventures and Corvest. African Merchant Bank also had a team. Insurance giants Sanlam and Old Mutual had substantial PE teams.

Increasing capital reserving requirements reduced the attractiveness of PE for banks. The Absa team spun out and rebranded as Rockwood. The AMB team left to become Trinitas.

In the last 10 years or so, the industry has become mature, has diversified by geography, sector and transaction focus. Pleasing to witness has been the recent growth in venture capital. As it has diversified so have new players entered the industry, including managers based in South Africa but investing across a broad range of African geographies.

One of the major catalysts for the growth of PE has been the role of the Southern African Venture Capital and Private Equity Association (SAVCA), which has evolved into a highly-effective industry body, lobbying intensively with the government and regulators on behalf of the industry, providing a forum for debate and networking, organizing training and commissioning research into the impact of the industry.

In the early years, Ethos and Brait largely had the market to themselves. Deals were proprietary and abundant, many of them being driven by South African corporates looking to dispose of non-core businesses now that South Africa was back in the international fold. The deal environment was also simple. There was no capital gains tax, no merger approval process and much less regulation generally to worry about. Finance agreements were comparatively short and comprehensible even to a layman and it was quite possible for one lawyer to manage and oversee all elements of a transaction. And there was no real legal due diligence, which is such a key part of modern deals.

The introduction of Black Economic Empowerment (BEE) was also a key feature of early deals. One of the most interesting deals I did involved two BEE partners, one African National Congress-aligned and one Inkatha Freedom Party-aligned, investing in a catering business. It was 1993 and tensions ran high between the two political parties, and these rivalries spilled into the negotiating room. Common ground was eventually found, due in no small part to the emotional intelligence of the chief executive and the deal lead from the PE house. The deal proved highly successful. It was symbolized by 1.5meter-long wooden spoons, signifying the feeding of each other rather than yourself. It was this deal more than any other that launched my career and I often wonder where I would be if another lawyer in the team had been asked to work on that transaction rather than me. So much of where we end up depends on making the most of blind luck.

A common feature of PE deals in my long experience is the positive energy and excitement they generate, and the intense focus on alignment of all parties in working towards success. The PE deal-makers I have had the pleasure of working with over time are almost all characterized by their intelligence and professionalism, and their ability to put the transaction first.

I have been privileged to work with enormously-talented clients and lawyers in an intellectually stimulating environment. The PE industry is constantly evolving and offering opportunities to innovate. It has kept me interested and engaged for some 30 years and will no doubt continue to do so. Within Bowmans, with its focus on Africa, the challenges are varied and diverse and the opportunity to build a truly African law firm and PE practice is compelling.

– The writer is Head of Private Equity at Bowmans.

Photo supplied; Illustration by Ray Makhuru

'Create Jobs And Sustained Prosperity'

Franklin Olakunle Amoo, the Managing Partner of Baylis Emerging Markets, on diversifying global supply chains, responding to PPE challenges and increasing manufacturing capacity in Africa.

How has Covid-19 provided a catalyst for increased manufacturing capacity in Africa?
African governments and healthcare stakeholders such as the African Union (AU) and Africa Centres for Disease Control and Prevention (CDC) have faced difficulty in mounting a response to Covid-19. The region is not a priority for most drug-makers who develop vaccines. Most African countries are ill-equipped to meet requirements, such as minimum-order quantities of PPE and medical equipment. This ordeal has vividly highlighted Africa's necessity for self-sufficiency in the form of local manufacturing capability in healthcare equipment, pharmaceuticals and PPE. Furthermore, reduced FX earnings by commodities exporters and the broader shocks to global supply chains instigated by the novel coronavirus, have enhanced a policy focus on localized capacity across the continent. Africa CDC and AUDA-NEPAD are working hard to organize Africa's involvement in the vaccine supply chain by coordinating preparedness for clinical trials and implementing the Pharmaceutical Manufacturing Plan for Africa. The AU has also spearheaded efforts to aggregate continental demand for PPE and health equipment and is emphasizing locally-produced goods to fulfil such orders. Promising progress in local production of rapid, low-cost test kits, being manufactured by the Pasteur Institute in Senegal, signal potential avenues for investor activity.

What are the new opportunities to diversify global supply chains away from the East?
There has been a growing global reassessment of the wisdom of hyper-concentrated supply chains and production capacity narrowly in East Asia. Recent geopolitical tensions created myriad inefficiencies in worldwide coordination to combat Covid-19 and stoked nationalism with respect to securing critical medical supplies and approaches to vaccine development. This has already resulted in increased investment in African medical textile and PPE capacity as existing plants pivot to repurpose machinery and produce items such as masks, nitrile gloves and face shields. But in the near- to medium-term, this may result in a general diversification of low-tech production capacity for items like toys, apparel, footwear and even smartphone assembly away from East Asia to other low-cost jurisdictions, opening opportunities for African nations. Local mid-stream manufacturing to exploit availability of natural resources such as oil palm, rubber, latex and petroleum could also spur production.

How has the Africa Pandemic Response Alliance (APRA) managed to bring together non-profits and corporations?
APRA is led by African professionals with deep ties across the continent in both the private and public sector. APRA has leveraged these relationships to act as a convening platform helping to coordinate collaboration across these domains together with the non-profits. This has included a large-scale fund-raising campaign in which APRA has partnered with Save the Children to deliver life-saving interventions focused on containing and preventing Covid-19. Currently, APRA is supporting Africa CDC in its efforts to organize African participation in vaccine production and working with groups including AUDA-NEPAD and Asoko Insights to promote the inclusion of African manufactured PPE in the African Union's pooled procurement efforts to meet aggregated demand from African nations. APRA is also helping to secure funding and technical support for African manufacturers looking to produce ventilators, testing kits, PPE and other critical items.

How do you ensure your investments have positive social impact?
We view ESG as core to our investment process and to creating value in portfolio assets. Social and environmental sustainability criteria not only inform the origination process, but also form key performance indicators in our portfolio management philosophy… Ultimately, our investment focus on manufacturing, industrials and related telecoms is informed by our belief that in order to create jobs and sustained prosperity, Africa must increase manufacturing as a share of GDP and significantly increase its production capacity… Baylis Emerging Markets targets investments in manufacturers and assemblers, including those within the healthcare vertical.

– Interviewed by Renuka Methil

The Impact Lawyer

Angeli Arora has worked her way up in the private quity space and is now exploring high-growth markets in Africa to create positive social and economic impact.

BY RENUKA METHIL

THE FRIENDLY VOICE at the other end of the phone makes you forget you are talking to a sharp-suited hotshot international lawyer operating in the cut-throat world of private equity (PE) and stern deal-making.

Angeli Arora is young and unassuming, but is a leader who has worked across geographies in a sector that has always been deemed as male-dominated.

Now, as a senior international partner based in South Africa heading Dentons' Africa Private Equity practice covering all aspects of PE/fund work across Africa, Arora's mission is the same as her organization's: to create the first-of-its-kind leading pan-African law firm.

With a deep coverage of Africa, they look at the big picture in the African PE market, bringing legal solutions to some of the challenges in its investment markets.

Dentons represent prominent global and local financial institutions/funds/ banks doing PE deals in Africa. They also advise DFIs, and work closely with leading industry associations in the Africa PE space, such as the African Private Equity and Venture Capital Association (AVCA).

Arora has spent time working in the United Kingdom (UK) and Hong Kong. Her parents moved to the UK in 1969, with "very little in their pockets". Arora's father passed away when she was 11 years old – so she was raised by a single working mother. She says that whilst females in her family had not previously been given the chance to attend university, against the odds, she was accepted to study law at Oxford University.

And she has not looked back since.

Moving to South Africa in 2015 from the UK, with her husband and two young children, she saw a new opportunity to support global and local funds to explore the new high-growth markets in Africa.

Within six months of returning to work, she went from head of private equity for Dentons' South Africa to becoming Africa Regional Leader for the Global Private Equity Group. Angeli built up the Africa PE practice and within its first 18 months, had brought in one of the top three clients of the region at that time and some of the biggest names in the Africa PE/funds space, winning several industry accolades in the process, including 'Best female M&A lawyer 2019, South Africa'.

Arora developed the concept of "impact lawyering" in Africa – where her firm built their legal services in the PE space in a way that has a positive social and economic impact.

"In Africa, impact is a very big theme. Technology is a big theme. If you get that right, you create impact," she tells us.

In a post-Covid Africa, where she sees PE funds working more closely with their portfolio companies, she adds: "We expect to see funds increasingly evaluating their actions through the lens of the socially responsible citizen...

"In 2019, we saw a huge increase in venture capital activity, for e.g. in tech startups that provide innovative solutions to African challenges. Post-covid, we see technology becoming even more important, as well as industries like healthcare, pharmaceuticals, biotech and cleaning products."

With the market downturn, she adds they expect to "see more fire sales and distressed investment/business rescue deals, although PE funds will need to reassess their portfolio management/investment strategies given the high risks associated with such deals".

"In this regard, it is imperative for PE funds to understand the consensual/non-consensual corporate rescue/insolvency/restructuring regime that might apply to their distressed investments (which differ vastly from one country in Africa to the other)."

Regarding exits, her view is: "In the past, we have noted that many funds deploy a more patient strategy in Africa e.g. rather than seeking to achieve a 20% IRR in a three- to five-year timeframe, they allow for a longer exit period given that the exit opportunities are more limited in the region... Another trend arising from the limited exit opportunities is that funds have been looking for new ways to provide at least partial liquidity to investors earlier on, for example, through a sale of a minority stake. We expect to see more of this in the coming months."

And clearly, gender equality is a theme close to her heart.

"The PE space is very male-dominated," says Arora.

"I was the youngest person to be heading up (as a partner in) a law firm in the international space. We are part of a journey towards women's progress, and we have a duty to continue that for the next generation."

• BY GEOFFREY P. BURGESS

Higher Regulatory Risk For M&A Transactions

Covid-19 is preventing buyers from getting into the same room with sellers. How Africa-focused private equity funds are adjusting to deal life now.

$10.3 billion
Sub-Saharan Africa M&A transactions in the first half of 2020 (Source: Refinitiv)

THE FIRST ORDER OF business is operational focus on the existing portfolio. However, as new opportunities arise, so will the confidence that investments made during a crisis often produce very good returns. Over the last few years, as Africa's economies have grown in size and sophistication, investors looking to African targets have cast their net wider than just natural resources. Targets in the digital economy and healthcare sectors may look particularly attractive. We will look at some of the practical challenges and new kinds of uncertainty caused by the pandemic, which are likely to have a marked effect on PE deal-making in Africa through summer and fall.

Valuation: For many targets, the pandemic has led to a sharp drop in top-line revenues and a tunnel of uncertainty, both at the macro level and at company level. Buyers and sellers don't know how long the tunnel may be or what is on the other side. This poses a conundrum: how to evaluate the short- and long-term effect of the crisis on a target's EBITDA, projected cash flow and other valuation fundamentals?

Lesser-used methods for structuring and pricing transaction are being dusted off deal-makers' playbooks, such as deferred consideration arrangements, contingent value rights and earn-outs. Growth companies may opt to sell different types of securities, such as convertibles or preferred shares. Attention needs to be paid to jurisdiction, however, Africa's legal diversity means some of these options may not be feasible in every country.

Due Diligence: A patchwork of travel restrictions and lockdowns is currently in place across Africa, as well as in Europe, the Middle East and Asia, preventing buyers from getting into the same room with sellers, management teams, customers and suppliers, conducting site visits, inspecting documents and doing many other types of due diligence that have traditionally been done in person. Buyers will need to find new ways of building trust and confidence and staying connected. Virtual meetings as a workaround are a given, but investors are increasingly using other means, such as gathering intelligence on a management team from on-the-ground sources.

Different national rules are particularly problematic if investors need to carry out due diligence on a target in more than one jurisdiction. While the European Union is gradually moving away from lockdowns and towards a region-wide approach on travel (which should facilitate in-person due diligence), African countries are unlikely to follow suit. This leaves investors in a difficult place, needing to strike a balance between the risk of getting deals done with (more) imperfect due diligence or staying put for the time being. This state of affairs also places a large premium on pre-existing relationships and familiarity with targets and management teams.

Regulatory Risk: The pandemic has caused some African regulators and governments to become, at the same time, both harder to reach and more unpredictable. This means higher regulatory risk for M&A transactions. Investors are reporting difficulties in meeting (either in person or virtually) certain African regulators, some of which have faced challenges transitioning to remote working. This deprives buyers of the chance to receive early-stage input and have informal discussions on proposed transactions. This causes more uncertainty around the ability to secure the necessary regulatory or licensing approvals. This uncertainty is compounded by the significant lengthening of regulatory review periods in certain jurisdictions.

Policy and regulatory changes, which are being made by African governments and regulators in response to the pandemic, are also a concern for investors. These changes are legion and impact almost every facet of economic life, spanning from prudential rules to health and safety to tax and corporate governance. Western investors looking to invest in Africa also need to be aware of regulatory changes in their home jurisdiction that can impact their work in Africa, such as the "grey listing" of Mauritius by the European Union.

In many ways, these regulatory risks are similar to those faced by investors in the rest of the world. However, these changes have not always been very well-publicized and some African governments and regulators have been less open to consulting with relevant stakeholders than their Organisation for Economic Co-operation and Development (OECD) counterparts.

FX Risks: Managing foreign exchange risk has been a hallmark of investing in Africa and other emerging markets for a long time. The pandemic has magnified these risks with increased currency volatility, as well as making it more difficult for investors to correctly price in this risk.

– The writer is a partner and co-leads the India and Africa practice groups at Debevoise & Plimpton. He currently serves as co-chair of AVCA's Legal and Regulatory Committee, and is based in London.

'Telecom, Tech And Fintech Will Continue To Strengthen'

Webber Wentzel corporate partner, Ziyanda Ntshona, has expertise in all aspects pertaining to M&A, reorganizations, private equity and general corporate transactions in sub-Saharan Africa. Her take on new industries and the barriers to entry for women in the sector.

Do you think the PE sector is still more white male-dominated? What challenges do women face in being transactors?

The PE sector remains white male-dominated, particularly in South Africa. There are green shoots of change (new entrants in the form of women-owned and black PE houses), as networks steadily open with more businesses becoming black-owned. There are female leaders who are pioneers in the PE sector (such as Sonja de Bruyn, Cora Fernandez and Runa Alam), and the pool of female leaders is growing. Other than the typical challenges women face in the corporate workspace (such as balancing home and work and the consequential sacrifices that come with it), women in the PE sector face additional challenges. For example, women transactors have to gain the trust of sceptical executives from portfolio companies, whereas white male transactors start from a position of trust. Finally, regardless of technical ability, the investment world is exclusive and hard to break into if you are a black female – networks remain a key barrier to entry. Within PE firms, the 'promoters' of talent remain largely white and are inaccessible to black females.

Your views on impact investing…

As a result of Covid, and the increased social and political awareness it has brought, impact investment will become an essential component of every investment strategy, particularly in Africa. There is likely to be a convergence of impact and traditional investing to some extent, as sectors such as healthcare become natural choices for investment. The rise of family offices (according to EY, in 2018, there were over 10,000 single-family offices globally, from 1,000 just 10 years previously) as investors will promote impact investing – family offices use their funds for legacy and wealth creation, so they are patient investors. Family offices are active investors in PE and greatly influenced by millennials… Millennials (descendants) in family offices will also use their influence to change investment patterns towards impact investing. DFIs are a critical source of funding, and as they increase their funding, they will demand an increasing share of their spend is used for impact investing, to provide the social and financial returns they seek. There are, however, sceptics towards impact investing, and to counter these, the industry needs to ensure it has data to support the social and financial returns they claim to receive.

What are the new investment sectors?

This is definitely the time for new opportunities. Many share the hope that this pandemic will be a wake-up call for Africa and its leaders, inducing an acceleration in investment in critical areas. These sectors are not new, but have suffered from underinvestment in the past. Examples include healthcare (where investment in sub-Saharan Africa has been on average 5% of GDP, roughly half the global average), pharmaceuticals and manufacturing. This pandemic has exposed weaknesses in Africa's supply chain and inability to supply its own demand. In order to strengthen intra-African trade, energy and infrastructure must be developed. Again, these are not new sectors, and efforts already underway must now be accelerated. Telecom, technology and fintech will continue to strengthen as sectors… Any sector that responds to the needs and challenges facing the continent will thrive – primarily because the pandemic seems to have generated political will.

Is the market growing in terms of competition?

It is and this is positive as it supports the exit environment. Sometimes, opportunities do not match the requirements of some General Partners, and that leads to reduced competition. For example, the market is still a growth equity market, and investors will need to exercise patient capital and assess opportunities in a different light. Valuations remain reasonable, other than for fintech, which are being sought out at this stage.

What have been traditional exits: trade sales versus listings?

Listings are limited in Africa, and there has been a reduction in IPOs in recent years. Listings are more prevalent in South Africa, but has seen a decline in recent years… Most often, exits on the continent occur by way of secondaries, trade sales, and to other PE funds.

– Interviewed by Renuka Methil

'Corporate South Africa Should Band Together'

Lelo Rantloane, the founding CEO and Executive Director of Ata Capital, speaks about the disruptive effects of Covid-19 on the private equity industry, and the new opportunities therein.

ATA CAPITAL IS A CROSS-sectoral, alternative asset class fund manager that focuses on recognizing and maximizing real investment opportunities that result in the creation of sustained stakeholder impact, and Lelo Rantloane, its Executive Director, founded the Johannesburg-based company in 2012 with the Harris Family Office. He shares more with FORBES AFRICA:

What is Ata Capital currently doing in these times of the pandemic?

We are looking at exits for some of our portfolio companies, we are looking at investing as we have got new pools of capital, and we are fund-raising at the same time. So we got portfolio companies that we are looking after and helping grow. For us, the first immediate thing to do was look internally and kind of say 'what does the pandemic mean for our stakeholders'?

We decided to focus on four things and root out what everybody's anxieties would be: firstly, we looked at our Limited Partners (LPs), our investors as the first stakeholders, to try and understand what the pandemic means for them, what pressures they are going to have, and are they going to have issues meeting their commitments to us?; The second pillar we focused on was essentially our portfolio companies, and how do we become the partner of choice for them during this pandemic? They obviously need a lot of support. We opened up our networks and got them to talk amongst other portfolio companies to acquire learnings across the portfolio to reassure them they weren't the only ones that are going through this; thirdly, looking at our people internally, how do we mould our ways of working, working from home, and understanding the anxieties of our staff; what role are we playing to address those anxieties?; fourthly, governance and playing the right role in terms of corporate citizenship and what we are doing in addressing and playing our part.

How do you see Covid-19 playing out in the private equity space?

Covid-19 has obviously created uncertainty and we are sort of in a fortunate position because we are kind of active in every single part of the value chain currently in our industry – fund-raising, the deploying of capital, trying to drive exits, and portfolio management. Because of the uncertainty during the pandemic, I don't think anybody can give you a straight answer as to how they see a recovery coming. So, I guess from a fund-raising point of view, again, you need to understand where LPs are. It's going to be difficult for General Partners (GPs) currently to raise funds as some funds will defer their decision because they need to figure out how the pandemic is going to play out in their lives and their various assets and allocation, so it's making fund-raising very difficult...

Only time will tell in terms of transactions struck during this time whether people made the right decisions or not. You are going to see funds going back to LPs or their investors to ask for extended fund lives because the exit environment currently is not conducive for the best value. So you're going to be seeing GPs also asking for their LPs to extend their final close, if they were looking to final close a fund because they want to give certain LPs more time to consider their investment decision before they close a fund. Covid-19 is certainly going to be disruptive to the industry. Obviously, there's going to be opportunity for those funds that maybe focus on providing special situations around distressed portfolios and that type of thing. But then again, is it clear currently how you price those opportunities and where you see the recovery happening? Again, I say it's going to be quite a difficult thing to do in this current environment. That's kind of how I see the landscape playing out for private equity.

What are the future growth opportunities here?

I think the social crisis that faces us is such that I would really implore Corporate South Africa in general to focus on how we band together to address the social crisis and job preservation and the creation that's going to come out of these things. I think the economic returns will come sometime in the future. But now, I think coming out of this, there's no doubt going to be mass retrenchments. Unemployment is going to rise. The inequality gap is going to be bigger. We should be asking ourselves how we can better address those issues. I really do think the savings pool needs to be directed via private equity and venture capital in the unlisted market; those asset classes that's going to enable economic growth. F

– Interviewed by Busi Lethole

Funding A Female-Led Economy

Tokunboh Ishmael of Alitheia Capital proactively seeks to advance gender diversity at senior levels in African business and beyond by funding female founders.

BY PEACE HYDE

FEMALE ENTREPRENEURS get short shrift from venture capitalists in Africa. Tokunboh Ishmael's Alitheia Capital, a Nigerian-based investment firm, sees this as an opportunity to channel private equity investments to transform businesses in Africa where funding gaps create unique opportunities.

Born in Germany and raised in the United Kingdom (UK) and Nigeria, Ishmael knew from an early age that she wanted a career in computing and mathematics.

"My mum was a computer programmer and introduced me to the world of computing, which then inspired me to study computer science and Economics at the University of Ife (in Nigeria). Having a mother who was already in the field of this emerging technology impacted my early decisions and revealed my love for taking the road less traveled," says Ishmael in an interview with us.

She graduated from the University of Ife with a computer science degree before studying Advanced Computing Methods in Distributed Systems at the University of London. Combined with a Master's in Business Administration from the London Business School, Ishmael's early career was spent as a computer engineer before stumbling into the investment banking world.

"I worked in investment banking in London, New York and San Francisco. This was during the internet boom of the late nineties. Given my background in technology, I was not an exception and was lured to Silicon Valley to work with a venture capital-backed startup, Obongo, whose main competitor at the time was PayPal," says Ishmael.

After working in various tech roles, she made a move into the venture capital space. She began her new role as a catalyst with Sussex Place Ventures, where Ishmael combined her love for technology with finance.

Over the years, she worked on over $5.6 billion mergers and acquisitions (M&A) deals across the United States, the UK and Africa.

"I felt I had found my home and was able to leverage my skills, knowledge and experience to help entrepreneurs reach their full potential," she says. A death in the family brought her back to Nigeria where she stumbled on an opportunity to start an investment management firm to finance and support entrepreneurs. But not before she joined Aureos West Africa as its first principal in Nigeria. During this time, Ishmael started feeling the burning desire for impact investing.

"I pondered why more investment was not going into businesses that enabled low-income communities to gain access to affordable clean fuels for cooking and lighting."

These thoughts were the initial seeds for the development of Alitheia Capital in 2007 with her co-founder, Jumoke Akinwunmi.

"From the onset, we wanted to set up a fund management firm that is first, managed, owned by and geared towards women; and second, we had a mutual vision and passion to extend access to home ownership and finance for households and small businesses with low income in Nigeria, many of whom are women," avers Ishmael, who is also chair of the board of the African Private Equity And Venture Capital Association (AVCA). Ishmael and her partner believed that most of the income disparities and lack of investment in low-income communities and indeed women, could be solved via private equity while simultaneously achieving a positive return on investment. "It was as a result of the need to achieve these double and sometimes perceived conflicting goals that our mission statement and mantra was born: 'Doing well by doing good', says Ishmael.

The pair have achieved numerous milestones in their 12 years of business. They launched the first private equity financial inclusion fund in Nigeria as well as became the first institutional investor in Paga, a fintech company that is now a leading mobile savings and payments platform in West Africa. Some of the company's other highlights include enabling access to clean drinking water for over one million households and facilitating investment in excess of $10 million into affordable and safe school buildings for over 12,000 children in rural communities.

"We recently launched Alitheia Identity, the first women-led private equity fund management partnership in Africa which is led by myself and a group of deep experienced women in investing including Polo Leteka and Anne-Marie Chidzero. The focus is to support growing businesses in Nigeria and South Africa."

Alitheia Identity is the first African investor to proactively seek to influence the role of women at senior levels in the economy and beyond by funding female founders and co-founder's who are building scalable businesses with regional expansion and export potential in Africa.

• BY CLARISA DE FRANCO

Encouraging To See DFIs Collaborate

Fund-raising for Africa-focused funds was already challenging but the pandemic is now creating new opportunities for strong teams to look beyond the hurdles to concur on the continent and beyond.

PRIVATE EQUITY CAN CONTINUE TO PLAY A vital role in supporting many African businesses during the Covid-19 crisis. But getting many fund managers through the pandemic and beyond requires hands-on support and capital from long-term investors.

As Covid-19 sweeps the world, the value of development finance institutions (DFIs) in Africa's markets has come into sharp focus. DFIs, as is the case with CDC, are often solely or majority-owned by governments and have the aim of promoting economic growth through private sector investment in emerging economies. Many of us invest significantly in private equity funds to build private investment capacity across Africa's economies. We also provide hands-on support to help fund managers create sustainable organizations with the skills and capital they need to expand and grow their portfolio companies.

There is still uncertainty around how the pandemic will affect Africa's populations and economies, although recent figures suggest cases are rising in many countries. This will place significant strain on government resources and healthcare systems, with necessary lockdown measures and travel restrictions costing economies dearly. At times like these, when liquidity needs among portfolio companies may arise and fund managers may find it more difficult to fundraise themselves, DFIs offer fund managers stable, reliable and long-term source of capital.

Since the pandemic hit, the response of the managers we back has fallen into two camps. The more experienced houses have taken a hands-on approach to supporting their portfolio companies, prepared detailed plans based on different scenarios and communicated any potential additional capital needs. Others had limited understanding of what the impact of Covid-19 will be on their portfolio – as is expected in a relatively nascent industry, many of these managers need extra support and guidance.

It has therefore been highly encouraging to see many DFIs, CDC included, collaborate since the onset of the crisis to participate in and facilitate webinars, online materials and practical tools to help private equity firms work through the issues they will need to manage.

There are many examples of this industry goodwill, one that stands out is the collaboration between the European DFIs group (EDFI), who have worked closely to create a framework to analyse requests coming from managers facing liquidity issues, setting out potential avenues, including raising debt facilities and loosening certain legal terms. At CDC, we have also collaborated with McKinsey to develop a methodical process that helps managers diagnose the health of portfolio companies and identify areas that need focus to assist them through the crisis. We know models such as this ultimately protect jobs as managers and their portfolios are better prepared to absorb the volatility of this pandemic. This is now being used by many managers we back. It's proving particularly effective for smaller funds that lack resources and often target more challenging strategies.

Even so, we know some managers will struggle through the crisis. Pre-pandemic, fund-raising for Africa-focused funds was already challenging. We had been seeing managers focused on identifying ways to differentiate themselves and instil exit discipline. Lack of fund-raising traction will continue, in particular, as exits are likely to be delayed by several months at least, with an inevitable impact on the returns that managers can show potential investors.

Yet, we are seeing solutions emerge that have the potential to shape and build a more resilient private equity industry in African markets. Consolidation among managers has often been talked about, but the pandemic is creating new opportunities for strong teams based in Africa or beyond to collaborate with or acquire private equity firms facing different challenges. If this is done effectively, this will enable the strengthening of skills and platforms across the continent.

Even more exciting is the nascent interest emerging among private investors, including secondaries funds, to acquire specific assets to roll into continuation funds; we have seen this recently in developed markets. We hope this becomes a trend that can help drive liquidity and improve returns, helping managers raise new capital from investors, and – importantly – develop a new exit route for managers across the board.

Private sector solutions such as these are exactly the kinds of development that we, as a DFI, are established to stimulate and encourage. And while there is no doubt the industry is set for a turbulent time, we are confident the private equity industry has the potential to emerge stronger and play an ever more prominent role in economic development on the continent.

– The writer is Managing Director, Africa Funds, Funds and Capital Partnerships, at CDC Group, the UK's DFI and impact investor. She leads a team that invests and manages a $2.5 billion portfolio. CDC works closely with industry bodies such as the African Private Equity and Venture Capital Association (AVCA).

'2019 Marked A Turning Point For Private Equity'

Langa Madonko, a co-founder of Summit Africa, a niche alternative investment manager, on the significant role private equity (PE) will play in the continent's recovery.

What is the best-performing asset class now?
There is no doubt real estate is a great asset class but I think we are re-imagining the construct of what is in that pool of assets to invest in. South Africa has an oversupply of commercial and retail real estate and in recent times in both listed and unlisted markets, this has impacted the returns and occupancies of properties. However, we do have an undersupply of other critical real estate infrastructure which continues to reflect how you can do good business by doing good. These are investments in healthcare real estate, education real estate, industrial real estate and also social housing. These segments continue to address basic yet essential needs in the South African and African context. They speak to the need to better access to healthcare and more so as the metropolitan areas and populations continue to grow, they speak to increased access to education and accommodation also linked to growth.

South Africa has one of the most heavily-regulated PE markets. How is this changing?
The PE regulatory landscape in South Africa has been heavily regulated across multiple channels... Firstly, there were issues of licensing and how to license and the limitation on quantum of investment into PE and other issues that related to taxation and tax treatment that have been seen as harsh. But thanks to the efforts of the Southern Africa Venture Capital and Private Equity Association (SAVCA) – I am a member of its board – there has been some traction in terms of moving forward. The regulator is much more accessible now and giving feedback on some of the critical considerations for PE such as having its own categorization from a licensing perspective. Also, there has been a significant amount of momentum on conversations on Regulation 28 with numerous parties coming in support of the legislation including from the government and regulator. We hope to see changes soon. But it's only fair to conclude by saying the regulations were designed as stringent to safeguard the deferred wages of pension fund members and the financial excellence of South Africa.

Where do most Limited Partners come from? What is the split between institutions versus family offices?
In South Africa and Africa, a significant proportion of the assets to invest in Africa, though very much quite welcome but also sad, have come from international DFIs looking to make an impact. I say 'sad' because the proportion of pension fund investment in the development of Africa is far lower than their investment in the rest of the world. If we take South Africa, for example, only 1% on the high side of pension fund assets are invested in PE while 30% is in offshore markets. This is starting to change as the conversation on positive impact continues. We also see a growing trend in the participation of family offices whether through other funds or captive funds in PE and this is very positive. However, international funders still dominate the local PE market and this number has been dropping.

How will PE enable 'the new economy'?
PE brings capital and a broad set of expertise to opportunities and looks to create value by driving growth. In this climate, many businesses will first need this expertise in order to reorganize, pivot or overhaul the business to ensure they can weather the storm of the declining spend, consumer restrictions imposed to curb the spread of Covid or the issues of relevance of particular products and offerings... It will continue to be important for PE to deploy capital to grow companies and create new jobs and stimulate the growth of economies by allowing access to capital to unlisted businesses in ways traditional funders may not be able to. It will be imperative PE has its eye on the future... PE will be embracing technology even more post Covid-19.

– Interviewed by Renuka Methil

TOP PRIVATE EQUITY TRENDS OF 2019
- The emergence of multiple new players with a diverse array of strategies focused predominantly on the small to medium enterprise and impact space.
- More diverse and women-led teams making significant strides in penetrating a difficult market.
- More collaboration between PE funds doing transactions or in the least exploring how they can do transactions together.
- From a South African perspective, the establishment of a fund manager development program for new managers by SAVCA, and PE-focused incubation solutions by some of the larger pension funds.
- 2019 marked a turning point for PE as an industry whose time has come and this forward momentum will outlive Covid-19.

• BY MARC IMMERMAN

The Business Case For Sustainable Investing

The critical aspects of future African energy systems.

COVID-19 IS PROVING TO BE AN EPIDEMIC OF historic proportions. The scale and ferocity with which it has claimed lives and ravaged economies is staggering. The virus appears to highlight many aspects of modern-day society guilty of excess. High density cities and consumerist behavior patterns of excess are the hardest hit.

In contrast, and as detailed in the media, the planet is almost taking a breath. Dolphins have been spotted in the Venetian canals, the air is cleaner, Springboks have been spotted in Bethlehem and many more viral videos are evidence. Companies are realizing that expansive, fully-staffed, crowded offices are not completely necessary and not totally efficient. By accepting a more flexible working environment, corporates will encourage less congestion and pollution. The move online reduces congestion, energy use and most importantly, waste.

Clearly, there is a confluence of factors stemming from Covid-19 that can have positive by-products for our planet and the human race despite the horrific current impact.

Eleven years ago, I left a traditional investment banking and executive career due to an epiphany of wanting to do something meaningful. As passé as that sounds, it was reinforced with the impending arrival of my children who I wanted to be proud of my legacy.

Thanks to a case of good timing and persistence, I joined Metier, a leading pan-African private equity manager, to develop a new private equity practice focused on clean/green sustainable investing. Since that point, we have invested in 540MW of renewable energy, successfully partnered with water and waste efficiency companies and raised a successor fund to further our ambitions.

A decade ago, the business case for sustainable investing was only just emerging. Renewables were substantially more expensive than the antiquated coal thermal plants. No cost was assigned to a commodity that arguably holds another material long-term risk for mankind – carbon. The financial markets were exempt from environmental considerations save for still-developing arguments for stakeholder-centric models, triple bottom-line reporting and ESG (environmental, social and corporate governance) compliance.

Back then, institutional investors and pension funds, being the largest holders of capital, did not consider the investment case centered on resource efficiency to be compelling as paybacks were unproven, the experience curve for new technologies was theoretical and government frameworks to encourage climate-sensitive investing were contentious and costly. It was considered a concessional and unbankable industry reliant on subsidies and government support. Waste and water management were not prioritized as their opportunity costs were rounding differences in project decision-making.

Thankfully, today, the situation is evolving. For the first time in history, the lowest cost and emission energy solutions are aligned. Renewables are not only cheaper than new builds of its primary competitor technologies but can be deployed faster and at a smaller scale – both critical aspects in future African energy systems.

Symbiotically, as mobiles displaced landline infrastructure, captive smaller-scale solar energy fills in the gaps for the many billions of people with no energy access. The resultant multiplier impact is material for our economies and social development.

The value of waste, be it the cost-saving, revenue generation or limited disposal alternatives, is now mimicking that of the energy landscape some 10 years ago. Should this trend continue, the business case for water and waste management will become clearly commercial in the near-term, rather than relying on national or corporate policy directives. Is it a coincidence that the ramifications of a deadly virus can have the medium-term impact that is desperately required by the planet we inhabit? Perhaps.

The more imperative question is whether mankind will develop the requisite institutional memory to maintain a new status quo. My own goal and that of our Metier sustainable capital practice is to contribute meaningfully to that transition. F

– The writer is Managing Principle, Metier Sustainable Capital, and based in South Africa.

Consistent Growth And Returns

Uche Orji, the CEO and Managing Director of Nigeria Sovereign Investment Authority, on the many funds across multiple sectors that are heavily invested in his country's future.

BY PEACE HYDE

"Our strategy was to tackle oncology, diagnostics, pharmaceutical manufacturing and also tackle other challenges.

SOVEREIGN WEALTH FUNDS (SWFs) ARE STATE-OWNED investment vehicles that are often funded with revenue from oil or other natural resources. These financial vehicles have been on the rise in Africa over the past couple of years with at least 14 African countries currently having SWFs and another 10 countries on the continent in the process of establishing one according to a report by The Wilson Center, the American think tank. The funds, consequently, play a variety of roles for African countries including economic stabilization, saving for future generations and pursuing long-term development. For Africa's most populous country, Uche Orji had the vision for establishing its own SWF.

"I manage the Nigeria Sovereign Investment Authority (NSIA) as the pioneer CEO so I set up the sovereign wealth fund of Nigeria. I was at UBS Securities in New York where I was the Managing Director in the equities and securities group for six years in New York. Before that, I was in London at JP Morgan having risen from Vice President to Managing Director in equities with particular specialization in semiconductor companies which was also my specialization in New York," says Orji.

The Harvard Business School graduate also had a brief stint with Goldman Sachs Asset Management where he served as an Executive Director in London, managing funds for clients. For the past seven years, Orji has been at the helm of NSIA, during which period, the organization experienced consecutive positive growth.

The NSIA operates three core funds, namely, the Nigeria Infrastructure Fund, the Future Generations Fund and the Stabilization Fund.

"The Nigeria Infrastructure Fund makes direct investment into infrastructure in Nigeria, the Future Generations Fund is designed to provide a savings base for the future generation of Nigeria and the Stabilization Fund is designed to provide stabilization support in terms of economic stress where the government can ask us to provide some funds to help them make their budget. The allocation of assets across these funds is 50% to Infrastructure, 30% to the Future Generations Fund and 20% to the Stabilization Fund," says Orji.

A key factor underpinning a successful SWF is the articulation of clear objectives that are in alignment with the particular needs of an individual country and the context within which the fund will operate. This has been Orji's vision for a number of years and under his leadership, the NSIA has made great strides in a number of key areas.

For example, when it comes to infrastructure, the mandate for the NSIA has been to directly invest in infrastructure, namely agriculture, healthcare and power as well as some investments in ancillary services called financial markets infrastructure, where they invest in institutions that support the financial markets.

"We have roughly $1.5 billion under management and we made about $108 million worth of return into the company which gives you about 7% return across all three funds. We are not a US equity market fund so 7% is decent in a low negative interest rate environment. Our internal benchmark across all three funds is about 4% so we are above our internal benchmark so I am quite happy about that but more importantly for me, is the fact that we have delivered consistent returns year after year."

One of the most-timely investments made under Orji's watch has been in the health sector where they have completed three healthcare projects out of 14 for Nigeria.

"It takes a long time to build these things because our strategy in healthcare was to create certain tertiary institutions alongside teaching hospitals. Our strategy was to tackle oncology, diagnostics, pharmaceutical manufacturing and also tackle other challenges. So, we have built a world-leading cancer treatment center in Lagos and we are going to build a few more. So that pipeline is executed and efficient and helping people," says Orji. A role model indeed.

• BY SWAZI B TSHABALALA

How DFIs Can Catalyze Change In Post-Covid Africa

The pandemic has tested the resilience of Africa's economies and the African Development Bank aims to facilitate necessary reforms on the continent's path to recovery.

IN THE SIX MONTHS SINCE THE WORLD HEALTH Organization (WHO) declared the Covid-19 outbreak a global pandemic, Africa's caseload climbed to over 20 million, with 13 million recoveries and 736,000 deaths.

We must, as a continent, stay vigilant, as there remains a lot of work to do, including – and perhaps especially – for development financial institutions (DFIs) such as the African Development Bank (AfDB), to support our regional member countries navigate these unprecedented challenges. The economic lockdowns imposed in many countries have been particularly devastating for Africa's informal economy which generates an estimated 72% of total economic activity.

The AfDB in April launched a Covid-19 Crisis Response Facility (CRF) to provide up to $10 billion in support to the continent. Since then, the Bank has rolled out a number of CRF interventions to countries which include a 188 million-euro loan to the Republic of Mauritius to finance a national budget support program to respond to the pandemic. Another example was the provision in May of nearly $14 million in grant funding to Zimbabwe to support its frontline responders and health personnel in their efforts to contain the pandemic. In June, the Bank extended a $10 million loan to Seychelles to build on its critical success in fighting off a first wave of the pandemic. The island nation, which relies heavily on tourism, is gearing up to reopen international flights by strengthening its health systems, including detection and quarantine capacity. These interventions under the Bank's CRF aim to strengthen weak health systems, widen social safety nets, and facilitate the necessary reforms to enable governments to play a counter-cyclical role to shield the private sector, protect jobs, stimulate the economy through both monetary and fiscal policy as well as implement ongoing reforms to attract investment.

In terms of health systems, the immediate challenge is to improve diagnostic capacity, strengthen surveillance, boost testing, tracing and isolation systems, and also mobilize protective supplies and equipment. An enhanced health capacity will go a long way to ensuring that African countries are prepared for a second wave of the disease.

Through CRF, the Bank is working to ensure that particularly vulnerable groups, such as women and youth, are covered, while also developing stronger platforms for governments to enhance the coordination and effectiveness of initiatives mitigating socio-economic impacts on the least advantaged going forward. The slowdown in economic activity has hurt the private sector in Africa, particularly MSMEs, which are a key driver for job creation and account for the overwhelming proportion of the continent's private sector workforce. The Bank in partnership with national governments has been working to ensure job security and support employment creation, as well as helping authorities implement monetary and fiscal policy measures that seek to stimulate the economy and mitigate the economic decline. In the effort to contribute to Covid-19 responses, the Bank does not work alone. We work closely with the World Bank and IMF, bilateral donors and philanthropic organizations, and the WHO and African Centres for Disease Control and Prevention, to ensure that we address the most pressing needs so as to ensure Africa remains firmly on top of the pandemic. The pandemic has tested the resilience of African economies, with the real risk that the development achievements of the past two decades are reversed. Institutions like ours will have to pivot towards addressing this risk. The Bank is also supportive of industrialization through policies and actions that facilitate the rapid implementation of the Africa Continental Free Trade Area (AfCFTA). The AfDB has been developing more focused strategies for such initiatives as it implements its High 5 priorities which seek to Power Africa, Integrate Africa, Feed Africa, Industrialize Africa, and Improve the Quality of Life for the People of Africa.

In helping to scale up investment to support greater resilience, in addition to its core lending operations, the Bank is also leveraging platforms such as the Africa Investment Forum, whose role is to link investment opportunities on the continent with a diverse global investor base. The Africa Co-Guarantee Platform, also established by the Bank, brings together the African Export-Import Bank, Africa Trade Insurance Agency, GuarantCo, Islamic Corporation for the Insurance of Investments and Export Credit (ICIEC) and the African Union Development Agency-NEPAD, to deliver risk mitigation solutions to attract potential investors keen to finance transactions on the continent. While Africa is not out of the woods in this current pandemic, the collective efforts of these many different actors have helped the continent buy time and place itself on a much stronger footing to handle any resurgence of the disease. Further, by anticipating economic costs and taking proactive measures, the Bank is helping to soften the pandemic's impact and setting countries on a sustainable path to recovery. F

– The writer is Vice President and Chief Finance Officer/ Acting Senior VP at the African Development Bank.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