

# African cities – where investment shines the brightest

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In Rand Merchant Bank's (RMB) *Where to Invest in Africa 2014/2015* survey, cities shine brightest on the African continent in terms of investment interest and potential, particularly for consumer-driven investors.

Cities such as Lagos, Johannesburg, Cairo, Algiers, Casablanca, Luanda, and Tunis are significant contributors to Africa's overall GDP. Meanwhile, Accra, Addis Ababa, and Kigali are three of the fastest growing cities in Africa in the last three years.

However, even though these cities are showing strong potential, are they demonstrating the inclusive growth that will sustain the expansion we've seen in Africa over the last decade? Accra, Casablanca, and Tunis have been identified as the cities with the highest potential to extend the benefits of growth to the real economy and bring about social upliftment. South African cities, especially Johannesburg and Cape Town, are perceived as the most attractive in which to do business. Attractiveness is still largely dependent on infrastructure and transport links, as well as how easy it is to conduct business activities.

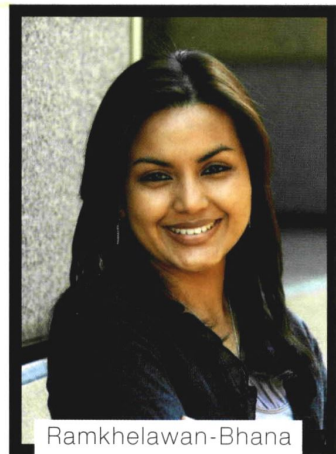
Only Johannesburg and Port Louis in Mauritius, are considered international financial centres (IFCs) because of their heavy concentration of financial institutions, highly developed commercial and communications infrastructure, and ability to facilitate a host of domestic and international trading transactions. Others pursuing IFC status include Casablanca, Nairobi and Lagos, to name but a few.

A key obstacle to achieving IFC status is investors' inability to transact in a foreign currency, especially in countries operating managed exchange rate regimes. Supply and demand dynamics are in many cases affected by stringent exchange controls and local tax obligations. While liquidity conditions typically improve at month-end when local financing commitments are due (and US dollars are sold into the market), they tend to worsen towards the middle of the month when export proceeds begin to recede.

However, infrastructure remains the key constraint to all-inclusive growth in most African cities. While Africa outpaced Asia in the 1970s in areas like power generation capacity and landline telephone density, investment in infrastructure has largely stagnated over the last 10 years.

According to business leaders across the globe, Namibia continues to boast the best quality of infrastructure in Africa. Its extensive road network facilitates regional trade by connecting its major economic hubs with its SADC counterparts, providing sea access to landlocked neighbours.

Ironically, Angola, just to the north, is perceived to have the poorest quality of infrastructure despite an intensive rehabilitation programme that was instituted at the end of the civil war in 2002.



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