BUSINESS OPPORTUNITIES IN EASTERN AFRICA

AN OVERVIEW OF THE REGION

January 2017
Business Sweden in Nairobi
EASTERN AFRICA (EA) AT A GLANCE

KEY FACTS

- **Countries:** Ethiopia, Kenya, Rwanda, Somalia, South Sudan, Tanzania and Uganda
- **Population:** 273 million (2015)
- **Area:** 4,05 million sq. km (km2)
- **Languages:** Swahili (official), English (official), Bantu, Nilo-Saharan and Afro-Asiatic languages
- **GDP:** USD 221 billion (2015)
- **Average GDP growth:** 6.1% (2015)*
- **Exports:** Agricultural products, minerals, textiles and apparel
- **Imports:** Heavy machinery and equipment, vehicles, chemicals, petroleum products, food products

*SOUTH SUDAN IS EXCLUDED BECAUSE OF LACK OF RELIABLE DATA
*BURUNDI IS PART OF EAC BUT NOT INCLUDED IN THE DATA FOR THIS FACT PACK

SOURCE: WORLD BANK, AFDB, UN

Sweden: 407 340 km2, smaller than Madagascar
ETHIOPIA, KENYA AND TANZANIA; REGIONAL TOP PERFORMERS CONSIDERING HDI AND GDP GROWTH

HIGHEST GDP GROWTHS IN THE WORLD AND INCREASING HDI RANKS MAKE A GOOD TIME TO ENTER AND GAIN MARKET SHARE

SOURCE: WORLD BANK, UNDP

* BUSINESS SWEDEN CATEGORIES: POTENTIAL IN TERMS OF BUSINESS ENVIRONMENT (HDI), GDP SIZE AND GROWTH
IT IS BECOMING EASIER TO DO BUSINESS IN EASTERN AFRICA – RWANDA IS THE TOP PERFORMER

SCALE FOR “EASE OF DOING BUSINESS” IN EAST AFRICA* (2015 RANKINGS)
Rank 1-190: the lighter the shade of grey, the easier to do business

REFORMS BENEFITING RANKING IN SELECTED EA COUNTRIES:

RWANDA:
- Protection of minority investors
- Decreased insolvency meaning less bureaucracy getting permits

KENYA:
- Getting credits has become much easier in terms of legal steps required and coverage
- Electricity supply has become more reliable, stabilising business operations

TANZANIA:
- Process of acquiring construction permits has been simplified and accelerated

ETHIOPIA:
- Processing time for starting a business has decreased significantly

SOURCE: WORLD BANK

* WORLD BANK SCALE 2015 (NO DATA FOR SOMALIA AVAILABLE)
**EASTERN AFRICA WILL EXPERIENCE HIGHEST POPULATION GROWTH IN THE WORLD**

100% TOTAL = 273 MILLION (2015)

- **Ethiopia**: 36%
- **Tanzania**: 20%
- **Kenya**: 17%
- **Uganda**: 14%
- **South Sudan**: 5%
- **Rwanda**: 4%
- **Somalia**: 4%

**CHARACTERISTICS**

- Eastern Africa is a dynamic region both compared to the rest of the African continent as well as the rest of the world, where population growth is flat or declining over the next 100 years.
- Ethiopia, Tanzania, and Kenya represent almost ¾ of population today.
- The population is not only growing in size but also in purchasing power as the middle class steadily increases.

**POPULATION SIZE PROJECTIONS IN EA (MILLIONS)**

- 2020: 305
- 2050: 593
- 2100: 1012

>230% population increase over 80 years

**DEMOGRAPHIC DEVELOPMENTS IN EASTERN AFRICA SHOW SOLID BUSINESS POTENTIAL**

SOURCE: WORLD BANK, UN, BUSINESS SWEDEN ANALYSIS
LARGE SHARE OF YOUNG, WORKING POPULATION WILL CONTRIBUTE TO SUSTAINABLY GROWING ECONOMIES

PERCENTAGE OF POPULATION 10-24 YEARS OLD

<table>
<thead>
<tr>
<th>Country</th>
<th>2015</th>
<th>2025</th>
</tr>
</thead>
<tbody>
<tr>
<td>South Sudan</td>
<td>30,5</td>
<td>31</td>
</tr>
<tr>
<td>Kenya</td>
<td>31</td>
<td>31,5</td>
</tr>
<tr>
<td>Ethiopia</td>
<td>32</td>
<td>32,5</td>
</tr>
<tr>
<td>Rwanda</td>
<td>33</td>
<td>33,5</td>
</tr>
<tr>
<td>Tanzania</td>
<td>34</td>
<td>34,5</td>
</tr>
<tr>
<td>Uganda</td>
<td>34,5</td>
<td>35</td>
</tr>
</tbody>
</table>

COMMENTS

• Africa is projected to maintain largest share of young population and growth of it in the world until 2050.
  • Also means largest share of working (and thus consuming) population
• Similar trend as Asia experienced in the 70s; with appropriate educational and social investments, the young population has potential to help the Eastern African economies to grow significantly
• If the appropriate policies are implemented, there is a potential for a GDP growth of USD 500 million per year for 30 years
• Somalia, Tanzania and Uganda are projected to be in the top 10 of youngest populations in the world towards 2050

DEMOGRAPHIC MAKE-UP AND TRANSITION PROVIDE A LONG-TERM POTENTIAL CUSTOMER BASE

SOURCE: THE GUARDIAN, UNFPA, UNDES, BUSINESS MONITOR INTERNATIONAL
The middle class in Eastern Africa will continue to rise in both size and purchasing power. Increasing consumption is a significant driver for further GDP growth, especially benefiting sectors such as:

- Retail (e-commerce)
- IT and telecommunications
- Real estate

The middle class is expected to exponentially increase spending on consumables beside basic needs. In 2030, Kenya is projected to account for almost 40% of total Eastern African middle class spending.

In comparison, Sweden’s projection for middle class consumption in 2030 is USD 196 billion. The higher the purchasing power, the lower the price sensitivity and the more interest for sustainable and high-quality products.
ICT – MOBILE MARKET WILL CONTINUE TO GROW DUE TO INVESTMENTS MEETING THE INCREASING DEMAND

CHARACTERISTICS

- Mobile market in Eastern Africa grew by an average of 9.3% in 2015
- Government and operators are committed in their investments, e.g.
  - Competitive environment in Tanzania due to foreign company investments
  - Continued investments in next-generation networks in Kenya speed up growth
- The more consumers have access to mobile internet, the more they will use mobile money, video streaming and related services

MOBILE PHONE AND MOBILE INTERNET SUBSCRIBERS (MILLIONS)

<table>
<thead>
<tr>
<th>Year</th>
<th>Cellular Mobile Phone Subscribers</th>
<th>3G and 4G Subscribers</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>137</td>
<td>19%</td>
</tr>
<tr>
<td>2016</td>
<td>151</td>
<td>23%</td>
</tr>
<tr>
<td>2017</td>
<td>161</td>
<td>27%</td>
</tr>
<tr>
<td>2018</td>
<td>169</td>
<td>31%</td>
</tr>
<tr>
<td>2019</td>
<td>176</td>
<td>33%</td>
</tr>
</tbody>
</table>

INCREASING SHARE OF MOBILE INTERNET AMONG SUBSCRIBERS OFFERS POTENTIAL FOR SWEDISH MOBILE SOLUTIONS

SOURCE: BUSINESS MONITOR INTERNATIONAL, COMMUNICATIONS AUTHORITY OF KENYA
ENERGY – HIGH POTENTIAL OPPORTUNITIES IN EA SUM UP TO APPROXIMATELY USD 22 BILLION

COUNTRIES WITH HIGH POTENTIAL ENERGY PROJECTS IN EASTERN AFRICA

ETHIOPIA
“We are looking to add 10,000MW to the grid by 2025”

KENYA
“Geothermal is our immediate focus”

TANZANIA
“The country has a geothermal energy resource estimated at 4,000MW”

RWANDA
“The government seeks to increase access to electricity by June 2018 to 48% of the population on-grid and 22% of the population with off-grid solutions”

ENERGY PROJECT BUDGET OVERVIEW (USD BILLION)*

<table>
<thead>
<tr>
<th>Country</th>
<th>Opportunity</th>
<th>Ethiopia</th>
<th>Kenya</th>
<th>Tanzania</th>
<th>Joint Regional Project</th>
<th>Rwanda</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total opportunity</td>
<td>22,53</td>
<td>17,61</td>
<td>2,70</td>
<td>0,92</td>
<td>0,47</td>
<td>0,45</td>
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</table>

*SELECTION OF HIGH POTENTIAL OPPORTUNITIES ACCORDING TO BUSINESS SWEDEN ANALYSIS

HIGH GOVERNMENTAL COMMITMENT TO INCREASING GENERATION WITH ETHIOPIA AS THE SINGLE BIGGEST MARKET

SOURCE: BUSINESS SWEDEN INTERVIEWS AND ANALYSIS

**JOINT REGIONAL PROJECT BETWEEN BURUNDI, RWANDA AND TANZANIA
INFRASTRUCTURE – CURRENT AND LONG-TERM HIGH-VALUE PROJECTS DEVELOPING THE REGION

Regional Rusumu Falls Hydroelectric Project 2013 – 2020; Burundi, Rwanda, Tanzania
The USD 470 million project aims at increasing power supply of electricity to the grids in all three countries. Components include access and construction of power facilities, generation substations and transmission lines.

East Africa Railway projects 2012-2018; Rwanda, Tanzania, Kenya, South Sudan
The first phase is being tendered while plans to connect South Sudan with Rwanda are well underway. Objective is to reduce transportation costs and thus improve trade routes through improving and interconnecting national railway lines across the region.

The Eastern Electricity Highway Project (First Phase of the Eastern Africa Power Integration Program) 2013 – 2019; Kenya, Ethiopia
The USD 1,3 billion project is to increase power-sharing, reduce costs and promote sustainable energy within a regional cooperation. Work is in progress promising subsequent phases to start soon.

Lamu Port - Southern Sudan - Ethiopia Transport Corridor (LAPSSET) 2012 – 2030; Kenya, South Sudan, Ethiopia
The USD 22,8 billion project is aimed at triggering economic activities and more than double Kenya’s GDP. Components include the Lamu port, Lamu-Ethiopia-South Sudan superhighway, Lamu-Juba-Addis Ababa railway line, an oil refinery and a 2240 km oil pipeline connecting oil fields in South Sudan to the refinery at the Lamu Port.

SOURCES: WORLD BANK, AFRICAN DEVELOPMENT BANK
DEVELOPMENTS WITHIN INFRASTRUCTURE, MOBILE AND RETAIL DRIVE BIGGEST ECONOMIC GROWTH

Infrastructure

Because of long-term population growth in the region and high commitment by multilateral financiers, infrastructure is prioritised in order to both facilitate and leverage growing pressure. Financiers allow secure procurement processes for Swedish companies, for example within fibre optic cable laying, energy and transport establishments.

Mobile

Investments combined with a growing young population having high purchasing power will continue to push the telecommunications and ICT sector. Expansion and modernisation allow for Swedish companies to enter with their high-technological and knowledgeable solutions in the mobile market.

Retail

As the middle class continues to grow in size and purchasing power, retail is a booming sector. The demand for products beside basic needs has huge potential for business intelligence, real estate, sustainability products and store retailing.

MARKET CONDITIONS IN EASTERN AFRICA PROVIDE BUSINESS POTENTIAL FOR SWEDISH COMPANIES

SOURCE: WORLD BANK, KNIGHT FRANK, UN, BUSINESS SWEDEN ANALYSIS
Business Sweden’s assignment is to facilitate for Swedish companies to grow internationally and for foreign investors to invest in Sweden.

We promote Sweden as an attractive, innovative and competitive business partner. An important part is to support Swedish companies in reaching export markets with their products and services.

We are jointly owned by the Swedish government and the private sector, represented by the Ministry for Foreign Affairs and the Swedish Foreign Trade Association.

Business Sweden offers a variety of consultancy services, for example the following:

- **Market Analysis**
  Deepen your knowledge on local market dynamics in your sector

- **Business Support**
  We offer office space and administrative support on the ground

- **Visiting Programme**
  Searching and visiting relevant partners, e.g. distributors

- **Recruitment**
  We support in finding and recruiting the right local representatives
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