

INVESTMENT OPPORTUNITIES IN AFRICA

Interview with Dennis Tongoi

By: Jason Benedict

JB: Dennis we share an interest in Kingdom oriented business investment and investment in Africa in particular. Is it time to invest in Africa?

DT: Yes it is. Let's speak of East Africa. East Africa, plus Ethiopia, when taken as a block is the fastest growing economy in the world with about 200 million people. There is a tremendous amount of opportunity, and there has never been a better time to invest.

However one of the challenges we face is a problem of scale. Many of our investment opportunities are too small for typical sources of investment. Africa's entire economic output is only 2% of global GDP. There are a plethora of small projects in the \$100,000 range (loose change really in the investing world) and there are large projects in the \$100 Million range, but from the investment perspective there is a missing middle.

JB: How can we approach this challenge?

DT: There are three strategies to keep in mind.

I believe if we can bundle smaller investments so that they are of a scale to interest institutional investors. For example we can bundle 10 projects in a sector – then we get into the \$5-10M range. Each project would have a similar profile so that we have economies of learning and lower our due diligence costs.

Another major strategic consideration is scalability of the individual projects. We should prioritize investment in businesses that can scale quickly with the added capital. For example for some agribusiness products, there is more than enough demand and the component parts of the business model are all there, so why don't they scale up? Literally working capital is the only limitation.

Finally, it is important to recognize that we don't only need money. We need investment capital and human capital. Along with the money we need know how, access to markets and technical competencies. It is this total *investment mix* that is really needed.

JB: What should investors expect in terms of payback and liquidation potential?

DT: Experience has shown patient capital is needed, 3-4 years for breakeven and 7-8 years for Payback. There has historically been a problem with exiting capital from investments, but the liquidation environment is improving in significant ways. This is an important consideration going into the investment – capital exit needs to be built into the process. For example, considerations like building brand, team and systems are important.

JB: What are some sectors that look especially attractive to you?

DT: Agribusiness – many are involved in farming but we are just scratching the surface of the potential. There is very little value addition to agri-products, so this is an opportunity as well.

Real Estate – if patterns follow the development we see in other part of the world, this is a big one. I am especially interested in affordable housing.

Education – Needed in all areas but education products aimed at higher economic classes have tremendous potential.

Renewable energy – I see opportunities in biogas, solar, etc.

JB: What about mining? Africa has so much mineral wealth.

DT: Yes of course mining, but this involves stiff competition from the Chinese, political involvement and significant investment.

JB: A number of major reports indicate the investment potential in Africa. The Chinese obviously see Africa as a land of opportunity. Why don't we see more investment from the West? Or more specifically from the Body of Christ?

DT: Two problems really; many are stuck in a donor mentality they see Africa more as a place for charity than investment. Secondly, as we have mentioned there are so many small projects – seen as small potatoes.

JB: What would you say to the Kingdom Business Movement about investing in Africa?

DT: Now is the time for Africa in general, but let me speak about East Africa in particular. The growth is here and there is a window of opportunity. There is significant

investment and business activity coming from Asia and along with it is a very one dimensional kind of state sponsored capitalism: an *anything for profit* approach. If nothing is done, this could define the marketplace for years to come. There is an opportunity for the body of Christ to model a different way to do business and a different kind of capitalism, one that is concerned with multiple bottom lines.