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FOREWORDS



DR (ALHAJI) BAMANGA TUKUR C.O.N CHAIRMAN, AFRICAPRACTICE

The link between media and investment has been overlooked for too long. This unique study analyses the contribution that the media industry makes to attracting investment flows into Africa.

The current economic climate presents both an opportunity and a risk to African economies. Some African economies will retain growth rates in excess of six per cent GDP, while others will see their growth reduced by three per cent as a consequence of lower demand globally and lack of credit. As with all investment decisions, decisions about whether and where to invest in Africa need to be based on accurate information. Investors need accurate information to distinguish a basket case from a bread basket. The media has a crucial role to play in this regard.

DR NICK BLAZQUEZ MANAGING DIRECTOR, DIAGEO AFRICA

For more than five years, Diageo has been supporting measures to address the under-reporting of African business in the media. It is our belief that more and more balanced reporting of business in Africa will stimulate economic development on the continent.

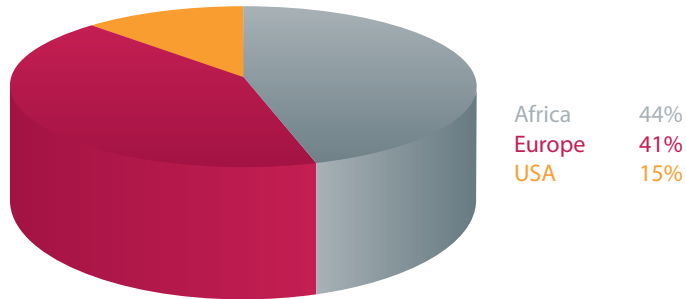
We first launched the Diageo Africa Business Reporting Awards in 2004. It was a practical response to help address the unbalanced reporting of Africa's business environment. At the time, the international media, and particularly the business media, tended to overlook Africa as an investment opportunity. This study, the first of its kind to explore the correlation between media reporting and investment into Africa, shows that more and better business journalism plays an important role in Africa's investment flows. It demonstrates that a more sophisticated private sector in Africa is resulting in enhanced business journalism, and enhanced business journalism will be particularly important to Africa's success during this current volatile economic environment.



EXECUTIVE SUMMARY

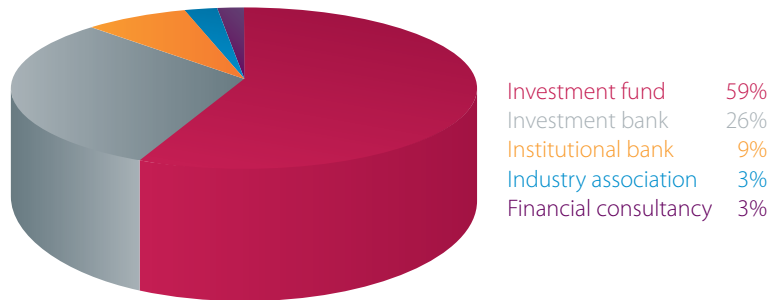
This study explores the link between business, media and capital investment into Africa. Data was collected by africapractice between the period of July to December 2008. Thirty-six investors, with a total of around US\$ 20 billion under management in Africa, were interviewed. They provided their views about African business media and how it informs their investment decisions. Insights were also secured from senior business people with large footprints in Africa, as well as eight media houses including Reuters, BBC, Al-Jazeera and The Economist.

Geographical location of investors and percentage of sample



Statistical analysis was performed only on the private equity sample and does not include media houses or senior business people.

Company type and percentage of sample



Our study reveals the existence of two types of investors in Africa – the embedded, private equity, networked investor and the institutional, objective and hands-off investor. These two investors represent the ‘step-change’ that African economies are going through. Risks are perceived to be reducing, opportunities are diversifying, a burgeoning middle-class is taking root and stock exchanges are expanding and becoming more sophisticated.

For years, capital investment into Africa has been monopolised by what we refer to in this study as ‘embedded’ investors. They are fully integrated into African societies and apply a long-term horizon to their investments.

The presence of 'institutional' investors based outside Africa and investing in African stocks and shares is a relatively new phenomenon. Until about five years ago the sums they invested in sub-Saharan Africa, with the exception of South Africa, were negligible. Since then, institutional investors have started to approach the continent with more confidence and more enthusiasm. Boosted by several recent large IPOs and as yet undeterred by the financial turmoil in much of the rest of the world, they have begun to sweep into Africa, many of them for the first time.

Expanding capitalisation, increasing growth rates and improved liquidity have attracted investors to the continent. The average rate of growth of sub-Saharan Africa in 2008 was six per cent. In 1989, there were only five stock exchanges in Africa, compared to 19 today. We predict that this interest and appetite for African investment will continue even during this global downturn because African economies are still performing well. The Economist Intelligence Unit (EIU) forecasts that sub-Saharan Africa will perform better than other emerging regions. 15 of the 20 top performing economies in 2009 are in Africa including Malawi, Angola and Ethiopia. Our study shows that African business media is used by both embedded and institutional investors, but that institutional investors are more reliant on the media for current trends and emerging opportunities because they have limited access to 'word-of-mouth' information compared to embedded investors.

Perceptions of Africa as an investment destination have changed due to greater and better information flows. African business media has grown in quantity, frequency and quality over the past five years. Today it is the primary conduit of financial information for a mass audience. It has the ability to reach both those invested in the continent and those that are not. Because of this ability, business media has an extensive influence on the flow of capital into Africa and on the type of investors investing.

MEDIA GROWTH

This is the story of the media's role in Africa's metamorphosis and the virtuous cycle of investment attracting more media, which in turn attracts more investment.

The last quarter of the twentieth century was a tale of missed opportunities in Africa. In comparison, the twenty-first century has seen a step change in African economic and political life. Spreading democracy as shown by Ghana's recent successful election in January 2009, economic reforms and improved governance have led to impressive growth rates on the back of a global commodities boom. Africa's economies are strengthening and informed investors are seizing business opportunities. Increasing interest in Africa's development has attracted the media's attention, spin-balling African economies onto the radar's of investors.

Within the past two years there has been a growth in African business reporting. African-specific business websites have been launched such as Reuters Africa, CNBC Africa and Kenya's Business Daily website. There has also been an increase in the number of African business and investment focused magazines, including Africa Investor, IC Publications specifically African Banker, launched in May 2007 and 'This Is Africa' (a publication from FT Business) to name a few. The number of African business-related articles published in newspapers such as the FT has increased too in the last year.

This media trend of increased African business and investment coverage is recognised by our interviewees. The majority of our sample, 90 per cent, cited that media coverage about and from Africa has improved over the past five years.

1. METAMORPHOSIS

The changing face of African economies

Quantity	83%
Quality	61%
Frequency / Breadth	54%

'The Economist's coverage of business and financial stories from Africa has been driven in recent years by the region's good economic performance and the growing interest in emerging markets from foreign investors, who now realise that returns in Africa can be very good.'

Caroline Lambert, former South Africa correspondent
The Economist

To be more precise:

- 83 per cent cited an improvement in the quantity of both the international and local media;
- 61 per cent noted a significant improvement in the quality; and
- 54 per cent highlighted a significant improvement in the frequency and breadth.

Business coverage about and from Africa is proliferating as a consequence of many things, including access to communication technologies and greater freedom of speech. Impressive economic development has also played its part, as Caroline Lambert¹ former South African correspondent, The Economist tells us:

'The Economist's coverage of business and financial stories from Africa has been driven in recent years by the region's good economic performance and the growing interest in emerging markets from foreign investors, who now realise that returns in Africa can be very good.'

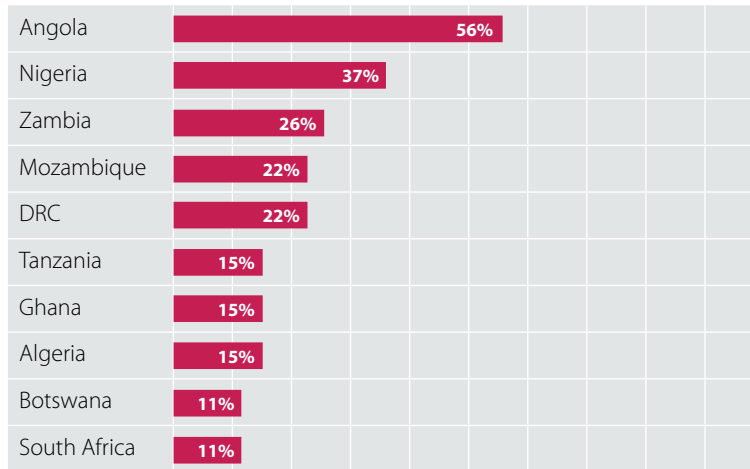
SECTORS

When talking to investors, we found that most considered the best investment opportunities in the five years to 2008 to be within the financial services sector and the extractive sector. Other major sectors of interest were telecommunications and agribusiness. Within the next five years investors predict a further diversification of opportunities, particularly into the consumer goods sector. This process will be accelerated by the recent collapse in commodity prices making investments in consumer goods

¹ Caroline Lambert, former South Africa correspondent, The Economist and the Winner of the Best Journalist category in the Diageo Africa Business Reporting Awards 2007.

comparatively more attractive. The countries named as those with the most investment potential by our interviewees were those endowed with abundant natural resources such as Angola, Nigeria and Zambia. Therefore, although opportunities will diversify from commodities into consumer goods categories, in the medium to long term, the extractive sector will remain a key part of investment portfolios.

Countries cited as prime investment opportunities over the next five years.



Nigeria just recently paid off its international debt and cleared up its banking system. In a Goldman Sachs' 2007 report, investment gurus named Nigeria as one of the top emerging markets to watch.

'Consumption patterns are changing rapidly. It reflects a growing middle class in most African countries, rising disposable incomes and significantly improved communications channels, primarily mobile phones, television and the internet.'

Kofi Bucknor, Managing Partner,
of Kingdom Zephyr

STOCK EXCHANGES AND A GROWING MIDDLE CLASS

According to Kofi Bucknor, Managing Partner of Kingdom Zephyr, 'Consumption patterns are changing rapidly. It reflects a growing middle class in most African countries, rising disposable incomes and significantly improved communications channels, primarily mobile phones, television and the internet. Entrepreneurs and businesses are rapidly responding to these trends with new products and services that are creating attractive investment opportunities across the continent.'

'Many people think that the only opportunities in Africa are in commodities and infrastructure. That's wrong. The best opportunities are the same as in Asia and Latin America. They are found in companies providing goods and services to rapidly growing middle classes. Things like banks, financial services, beverages, telecoms, power, middle-income housing and health services.' (Miles Morland, Founder, Development Partners International²).

These broad economic trends are not only attracting media attention but also a variety of investors. Coupled with increasing capitalisation and liquidity, local and international private equity and investors, as well as institutional investors, are being attracted to the continent. In 2006, private capital flows into Africa overtook official aid for the first time³, quadrupling since 2000 (IMF 2008). Since the late 1990s, investment as a proportion of GDP has risen sharply and is approaching 30 per cent of GDP in most countries. Some countries such as Ghana, Madagascar and Senegal see investment returns already in the mid-30s (Beddington: 2008). For example, Ghana's stock exchange returned more than 33 per cent in the first half of 2008.

Prior to 1989, there were just five stock markets in sub-Saharan Africa and three in North Africa. Today there are 19 ranging from starts-ups like Uganda and Mozambique to the dominant Nigeria and Johannesburg stock exchanges.

² ('Veteran investors hits at rock star debt drives', FT, 23/5/08)

³ According to the OECD's Development Assistance Committee, total official flows to sub-Saharan Africa amounted to about US\$ 40 billion in 2006, compared with US\$ 48 billion for private capital flows.

Total market capitalisation for African exchanges increased from US\$ 113,423 million to US\$ 244,672 million between 1992 and 2002 (IMF, 2007⁴).

PRIVATE EQUITY

The rise in the number of private equity investment funds focused on Africa has also been impressive. Sub-Saharan African private equity facing funds shot up nearly 200 per cent in 2006 to US\$ 2.3 billion. This brought sub-Saharan Africa's share of emerging market private equity funds to seven per cent, which although well behind Asia (58 per cent), compares favourably to Latin America and the Middle East/North Africa at eight per cent.

But more importantly, there has also been an increasing inclusion of African stocks and shares in emerging market portfolios. Emerging Portfolio Fund Research discovered that investors put almost US\$450 million (£250million) into African funds in 2007. Additionally, their index of purely African funds delivered a return of around 50 per cent on average in 2007 (excluding South Africa), outperforming the 36 per cent achieved by Morgan Stanley's MSCI Emerging Markets Index (Thornton, 2008).

This investment drive over the past five years has been a focal point for the media, and the advent of a new class of investors, particularly those from China and India, has driven media and public curiosity. In the first 10 months of 2005 alone, Chinese companies invested a total of US\$175million in African countries, according to official figures. Trade between India and Africa has increased to US\$30billion a year, but it is still only half that of China's⁵. In 2008 trade between Africa and China is estimated at US\$100billion. It is expected however, that trade between BRIC nations (Brazil, Russia, India and China) may decline given their previously rapid rate of expansion may be hit by the current economic climate.

'The media is talking more about the opportunities in Africa, in part because there are more opportunities. Even watching CNN global, you have Nigerian banks advertising their services, a positive sign for Nigeria's banking sector.'

(Anonymous)

⁴ <http://www.imf.org/external/pubs/ft/survey/so/2007/car1012a.htm> (accessed 7/8/2008)

⁵ http://news.bbc.co.uk/1/hi/world/south_asia/7335882.stm (accessed 7/8/08)

MEDIA: CAUSE OR EFFECT

Has the media conducted this investment drive or is it purely a causality of strong economic activity in Africa and saturated markets in the West? What role will media have on maintaining investor interest during the economic downturn we are now experiencing?

With impressive investment figures over the last five years and increased business media coverage, one would assume that perceptions about Africa as ‘the dark continent’ – ravaged by war, famine and disease – are changing. Many respondents claimed that the mainstream media was still responsible for perpetuating the image of Africa as ‘the hopeless continent’, a phrase coined by The Economist in the 1990s. The investors interviewed clearly stated that the issues of corruption and poor bureaucracy were over-exaggerated by the western media.

Despite the international media devoting more coverage to ‘good news’ business stories on Africa, the consensus from our sample was that too many articles still focused on negative news. Western audiences expect and understand stories about poverty, conflict and disease as this fits with their overall impressions of the continent. Despite the familiarity of these stories, they sell because there is still a shock element of crimes committed against humanity (International Broadcasting Trust, 2008 and AMDI, 2006).

Some investors had strong opinions about how the western media portrays Africa. ‘I think the media has a serious responsibility in terms of balanced reporting on Africa. Prioritising negative stories has damaged Africa’s image and brand’ (anonymous). Kofi Bucknor, who has 26 years of investment banking, corporate finance and emerging markets experience, indicates that positive developments in Africa have indeed ‘been largely unnoticed by the rest of the world’.

‘The interest that China, India and the Gulf regions are taking in the continent is also an intriguing trend to follow closely over the next few years.’

Caroline Lambert, former South African correspondent,
The Economist

The reaction and portrayal by the media of the Kenyan elections in December 2007 demonstrates that there is still a strong appetite among audiences for simplified stories stereotyping Africa and its societies on the brink of chaos, fuelled by deep-rooted ethnic rivalries. According to an International Broadcasting Trust report (IBT, 2008) early reporting of the post-election period in Kenya over-emphasised tribal causes of the conflict. Alarmingly, it also revealed that the international media continued to broadcast out of date images of the violence on a loop, which suggested the violence was ongoing when in fact it had ceased.

But the reaction of international investors to the elections was different to that of mainstream audiences in the UK, who feared the worst for Kenya. Both international and local investors did not digest the media's simplified reporting of events. On the contrary, they generally adopted a 'wait-and-see' approach. We found that by and large, investors in Africa are long term and sanguine in their outlook. This partly explains why much of the investment negotiations held during the pre-election period did not stop in the aftermath of the Kenyan election crisis (Bushrod, 2008⁶), even as tourists were cancelling their holidays in droves.

Our study indicates that there is still a disparity between perceptions of Africa in the West and the reality on the ground. The Economist Intelligence Unit (EIU, 2009⁷) recently forecast Africa as the fastest growing region in the world in 2009. 15 of the top 20 performing economies in 2009 are expected to be in Africa. In a world starved of positive economic news, the onus is on the media to accurately report the economic developments in African nations and this will be critical in maintaining investor interest.

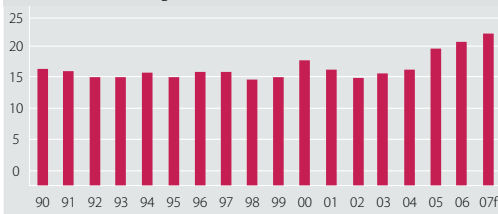
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⁶ Bushrod, L (2008) 'Kenya: an uneasy time', Emerging Private Equity, Vol 2, Issue 2.

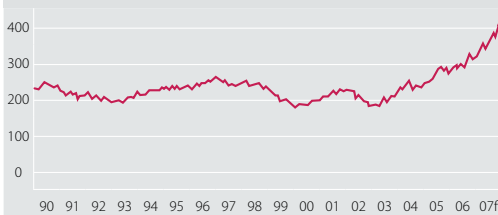
⁷ Economist Intelligence Unit (2009), World Growth League Table, EIU: London

Fiscal policy has improved

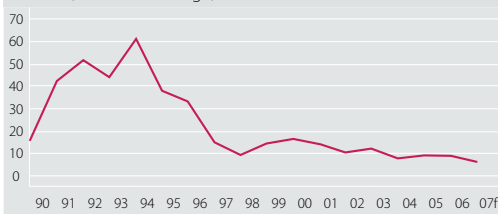
Gross national savings as % of GDP

**Commodities boom fuelled interest in Africa**

CRB commodities index

**Average inflation moved lower**

Inflation, annual % change, SSA

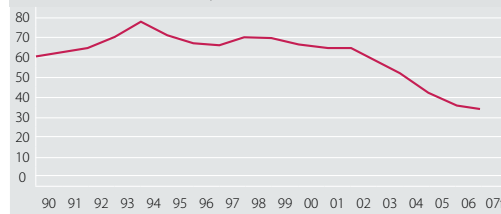


The global recession and Africa's outperformance combine to make 2009 a critical year for the continent. If global media gives African business enough airtime and African journalists improve their financial analysis and acumen, then there is the real potential for media to strongly influence and drive investment flows.

However, this takes place against the backdrop of these same flows drying up during this year and next. So even though some economies are strong and growing in Africa, the information coming out of those economies still needs to compete with other areas seeking to attract investment. African business coverage, therefore, needs to remain accurate as well as persuasive and engaging.

Debt relief added to the attractiveness of African economies

External debt as % of GDP, SSA



AFRICAN INVESTORS

Africa is attracting a different type of investor now; an indication that some African economies such as Botswana, Ghana, Kenya, Mozambique, Nigeria, Tanzania, Uganda and Zambia are transitioning to 'emerging market status' (IMF, 2008). These two types of investors, the embedded, private equity, networked investor and the institutional, objective and hands-off investor represent the changing dynamics within African economies. They are different and divided, not only by how they invest, but in their knowledge and connection with African economies and consequently, how they use information and media to inform their investment decisions.

Embedded investors focus on private equity and venture capital because they are fully integrated into African societies and function as long-term investors. These investors were the originators of private capital into Africa and they have made significant contributions towards developing local economies and financial markets. Institutional investors (27 per cent of our sample) are a new phenomenon in Africa; they are arriving, in part, off the back of the investment returns made by the embedded investor. Their focus is the African stock markets, principally in the regional hubs of Nigeria, Egypt, South Africa and Kenya.

These two types of investors receive and use information differently. Embedded investors rely heavily on word-of-mouth information to inform judgement, hear about opportunities and calculate risks. On the other hand institutional investors, not being rooted in the continent, do not have easy access to this information. They rely heavily on official data, market performance figures and financial analysis. The most influential sources of information for them are analyst reports, World Bank reports and official statistics.

2. DOUBLE VISION

The real and perceived view of African reality

42 per cent of our respondents even went as far to say that word-of-mouth information is important enough to trigger an investment decision.

In comparison, embedded investors frequently cited the importance of word-of-mouth information for their work. In fact, 42 per cent of our respondents even went as far to say that word-of-mouth information is important enough to trigger an investment decision. The nature of the private equity industry in its current form makes it easy to get word-of-mouth information if you are based on the continent – ‘It’s such a small world, that you can just call a friend and access information’ (anonymous). ‘If you do not have the contacts or relationships on the ground in sub-Saharan Africa, you either are not aware of the most exciting opportunities, or do not know how to evaluate potential risks into your calculations’ (anonymous).

Embedded private equity investors	Institutional investors
Actis	ASA
African Alliance	Calvert New Africa Fund
African I Fund – Emerging Capital Partners	Framlington West Africa Growth Fund
Africap	HSBC’s Equator Bank’s Africa Growth Fund (AGF)
Aureos	Investec
Black Thread Capital	Morgan Stanley African Investment Fund
Ciel Capital	Old Mutual Investment Group
Kingdom Zephyr Africa Management	Renaissance Capital
Standard Chartered Private Equity	Standard Chartered Bank

We found that embedded investors tend to be more realistic and better informed, dismissing most fears about Africa as unfounded. They see major advantages in taking a long-term view and building local businesses. They invest in a multitude of countries and sectors in order to spread their risk, and investment funds like Kingdom Zephyr avoid businesses that are dependent on strong political connections (Bushrod, 2008).

In the past five years there has been growth in both investor classes, driven by a positive economic development cycle and changing perceptions. Important drivers for investors have been the regulatory and investment reforms promulgated in countries such as Ghana, Mozambique, Tanzania and Botswana. The resulting economic progress and growth has reduced the need for international aid and acted as a catalyst for the markets.

'Broadly speaking, economic reform has reduced reliance on aid and unleashed the potential for African economies to generate their own wealth. This is especially true in sectors that are broadly driven by domestic demand, such as Fast Moving Consumer Goods (FMCG) and financial services. Domestic consumption is growing and the potential for companies that are exposed to such consumption, such as Diageo, is significant', William Alexander, Investment Principal, Investec Asset Management.

The trends indicate that growth is being stimulated internally – more so than previously – and national debt is reducing. Nigeria, for example, has cleared its Paris and London Club debts as of 2007. This level of internal growth will provide African economies with a buffer from global economic volatility, as attested by Imara Asset Management. 'We visited Lagos in mid- December to establish the impact of the credit crunch on the economy and the banks, and to see if domestic demand is being affected. Overall, there was little apparent impact of the crunch on domestic demand. Earnings' growth is high, cash flow is strong, and valuations look cheap' (Nigeria Fund report, January 2009).

'Broadly speaking, economic reform has reduced reliance on aid and unleashed the potential for African economies to generate their own wealth.'

William Alexander
Investment Principal
Investec Asset Management

'Many people don't understand African markets. There are many opportunities, but you need to be selective and have your ear to the ground.'

Macjek Szymeus
African Alliance

'Media coverage of African business has improved so much in the last five years. There are more media sources now providing information compared to five years ago. Going forward, I hope to see the same trend in some of the under-reported countries like DRC, Guinea Bissau and Togo.'

Richard Laing, Chief executive, CDC Group plc

PRESS PERCEPTIONS

Our study found that the media's interest in covering African business is driven by three factors. The first is that African economies are developing quickly and therefore there are more stories to cover. Secondly, media legislation and regulatory environments, along with better communication technologies, are making it easier for journalists to operate. And thirdly, the unprecedented investment flows over the past few years from China, Japan and India, are sparking media interest.

According to William Alexander, investor appetite and media coverage feed off each other. As a result, global awareness of the returns available in Africa has grown significantly. Increased media reporting of business in Africa has attracted more investment from international and local investors, which in turn has increased media business coverage. It is a virtuous cycle.

However, investors stressed that more can be done to change perceptions about the risks and opportunities. 'Many people don't understand African markets. Risks are overestimated and returns are underestimated. There are many opportunities, but you need to be selective and have your ear to the ground'; (Macjek Szymeus, African Alliance).

Respondents noted that there is room for improvement in terms of the quality and quantity of business media coverage. In fact, on a range of one to ten – ten being the highest – our sample of investors ranked current African business media coverage at an average of 4.3.

Though the quantity of articles, television programmes and online sources has increased over the last five years, investors noted that more coverage outside of the regional hubs (Johannesburg, Nairobi and Lagos) would be useful. Most business news is still filtered out of these hubs. 'Media coverage of African business has improved so much in the last five years. There are more media

sources now providing information compared to five years ago. Going forward, I hope to see the same trend in some of the under-reported countries like DRC, Guinea Bissau and Togo,' Richard Laing, Chief Executive, CDC Group plc.

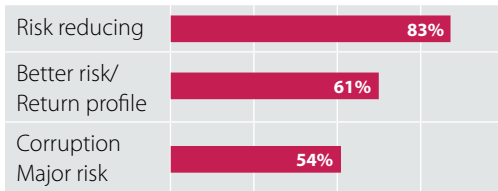
Investors also noted that more could be done to develop journalists' fluency and understanding of the financial markets. At present there is very little financial analysis from local journalists and some investors remain sceptical about the accuracy of the business analysis coming out of sub-Saharan Africa. Investors recognised that access to good quality financial analysis for the region is either pricey or very limited.

Specifically for the international media, the general consensus of our sample was that African business coverage had improved over the past five years, especially in upmarket media such as the Financial Times, The Economist and BBC World Service. However, it was also noted that there remains a general bias within the mainstream media when it comes to reporting on African issues. 'I think the media has a serious responsibility in terms of balanced reporting on Africa. Prioritising negative stories has damaged Africa's image and brand' (anonymous).

According to Carol Pineau of the Washington Post, the West 'clings to age-old stereotypes that undermine confidence in African markets'. A manager from StanLIB suggests that much of the concern in the West about Africa is fuelled by media reports that can miss the bigger picture (Thornton: 2008). Comparisons between Africa and other emerging countries are not made. When given the option to compare corruption in Africa to Russia, most people would perceive Africa to be more corrupt. However, a few institutional investors we interviewed were shocked by how rife corruption and expropriation was in Russia compared to South Africa, Botswana and Namibia for example. The international media lumps Africa together without comparison or distinction.

'One thing that would encourage more investment into Africa is if more investors realised that there is a growing middle-income market. It represents a huge opportunity. These people have access to the internet and mobile phones, and they have the same needs as you and me sitting here in London.'

Jean-Marc Savi de Tové
Portfolio Director of the CDC Group plc



Most institutional investors cited negative press as a major inhibitor to investment. They stated that the general trend of stereotyping Africa as one homogenous nation has damaged the reputation of some successful countries such as Tanzania, Ghana, Mozambique and Botswana. They suffer from the negative publicity that surrounding countries receive. It is the inability of potential international investors to distinguish between countries, and the tendency to attribute negative performance to the whole region, that has in the past affected investment flows into sub-Saharan Africa (UNCTAD). The main reason for this is that potential investors tend to lump bad news together (UNCTAD). According to Jacob Motlhabane of African Alliance, Botswana is still suffering from negative perceptions of its neighbour Zimbabwe. 'As long as the region continues to have one or two countries where economic instability is a problem, this will continue to influence what is happening to other countries'

We believe that this practice can be attributed to the fact that sub-Saharan African markets, although developing fast, are generally still small with little liquidity – with the exception of South Africa and possibly Nigeria. The lack of adherence to international accounting and auditing standards means that financial information is often patchy and inaccurate. This would normally be mitigated by ratings agencies but no such facilities exist in most African markets, making it hard to distinguish risk. All of these factors lead to investors having to group or lump African countries together in their investment strategies. Consequently, poor news coming out of one country affects investors' perceptions of the entire region.

It follows then that an improved flow of business-related information can influence investors' perceptions of risk on the continent. 68 per cent of our sample noted that risks on the continent are reducing. None stated that risks will increase over the next five years; and 62 per cent of respondents cited that Africa had a better risk/return profile compared to other emerging markets.

'It's positive for our business that Africa is well reported, helping us to sell the story of Africa a little bit better.'

Navaid Burney
ECP Investments
South Africa

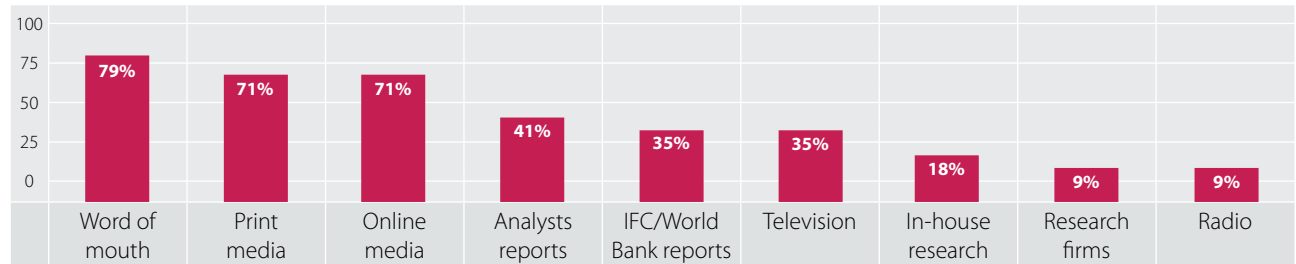
Take corruption as an example: 48 per cent of our sample listed corruption as a major risk. However, none considered this to be a main risk factor in five years time. The most commonly cited risks in five years, not including global economic changes, are political instability and skills shortages.

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AFRICAN MEDIA

If the media is important in forming perceptions of Africa for those yet to invest, how important is African business media, rather than word of mouth and official data, to investors already invested in Africa? A clear distinction is that institutional investors rely more heavily on African business media than embedded investors, due to the nature of their investments. However, our research has revealed that African business media is important for both investors as it sets the backdrop for investment activity.

Source of information



'The boom in commodity prices has created awareness about economies like Nigeria and attracted investment into wider sectors like FMCG and retail, which are benefiting from greater disposable incomes.

This is an example of how information about one kind of opportunity boosts interest in another.'

Nathan Mintah
Partner, Kingdom Zephyr Africa Management Co.

The positive reporting of business opportunities in Africa is critically important for African-focused funds when raising capital. Lenders will only provide money to investment funds if they have received positive information about where the particular fund will be investing. For example, a fund investing mostly in Sierra Leone will struggle to raise capital if stories about its recent reforms and growing tourism industry have not penetrated the international press. 'It's positive for our business that Africa is well reported, not necessarily for investment decisions, but for what it does do for us as a fund manager in helping us to sell the story of Africa a little bit better', Navaid Burney, ECP Investments, South Africa.

As well as official statistics and documents, information from print and online media is also important. At least 65 per cent of respondents use African business media on a day-to-day basis. 'When on the continent, I always look at the local press. It tells you a lot and you can understand the local dynamics' (anonymous). In fact, print media was used just as frequently as online media by investors' day-to-day (see table).

According to our sample, local and international media, (particularly print and online), plays a role in helping to form overall fund strategies and to frame portfolio management. It serves as an important source for investors about general information on social, political and economic trends, which could influence investments and their returns. Nathan Mintah of Kingdom Zephyr suggested that information disseminated by the media could raise awareness about a particular sector, which in turn raises interest in other sectors creating a positive snowball effect.

Without the media, investors cannot stay on top of trends and developments and this may affect their existing investments and reduce their ability to capitalise on opportunities for future investments. The appetite for African business media will only increase as current global economic trends create a climate of uncertainty for investors.

In addition to informing investment strategies, the mass media also has an important role to play during privatisations and positively mobilising capital flows into the region. The majority of funds for the privatisation of state-owned assets have traditionally come from outside Africa in the form of foreign direct investment (FDI). For example one third of the FDI recorded by Tanzania and Uganda between 1992 and 1999 came from the privatisation of state-owned assets (FONDAD: 1999). The media's role in reporting about these divestitures and placing them in the context of wider government reforms is very important. The more awareness there is, the more likelihood there is that the market will fix the right share price.

'The media's role in reporting about these divestitures and placing them in the context of wider government reforms is very important. The more awareness there is, the more likelihood there is that the market will fix the right share price.'

Marcus Courage
Managing Director
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3. AFRICAN INFORMATION AFRICAN WEALTH

Strengthening African information flows
strengthens investment flows

*'The difference between actual risk
and perceived risk is where the
opportunities lie.'*

Marc James
Workz Middle East, Consultant (Reinl: 2008).

As African business media becomes more sophisticated and increases in frequency and breadth, it will play a more central role for both 'embedded' and 'institutional' investors.

More institutional investors will be attracted to the continent as the media devotes more coverage to stock exchanges that have hitherto been under reported. At present most media coverage is devoted to the regional hub exchanges of Kenya, Egypt, Nigeria and South Africa, with negligible coverage afforded to less capitalised exchanges elsewhere on the continent. Awareness of frontier markets will grow stronger as media coverage of these countries increases. The risk profile of these countries and the companies operating there will also begin to change as it becomes easier to understand and calculate the risks and opportunities. The media can contribute greatly to reducing information asymmetries.

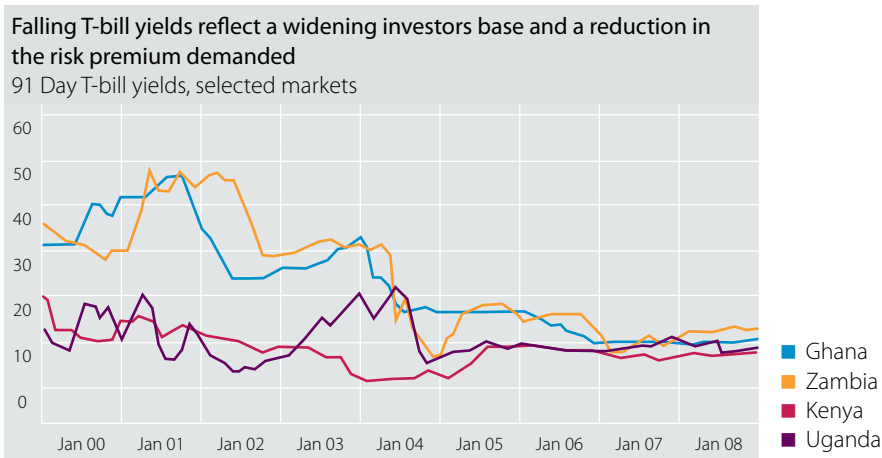
The contribution of perceptions to Return on Investment (ROI) are fundamental, as Kim Jaycox, Chief Executive of the Africa Fund I at Emerging Capital Partners explains (Africa Fund I is one of the first and largest equity funds to invest in Africa). Returns are high in the region precisely because the perception of risk is much higher than the reality. 'When the perceived and real risk levels even out, returns will go down' (Pineau: 2008).

Those interviewed for this study agreed almost unanimously that markets systematically overestimated the risk of investing in Africa – particularly compared to risks associated with investments in other parts of the world. Recent events would indicate that this has been partly due to the overpricing of risk in Africa and partly due to the massive underpricing of the risks of investing elsewhere. One legacy of the current global crisis will be most likely a more rational pricing of the relative risks.

The past conflation of risks in the media and the slow movement towards a more realistic assessment of these risks will create opportunities for investors as the demanded risk premiums fall. Accurate pricing will be beneficial for those already invested in Africa, such as our embedded and institutional investor sample.

As more information about business developments and opportunities comes out of Africa, more investors will be attracted to the continent, thereby increasing the competition for capital and reducing the risk premium associated with investing on the continent. This will drive the development of financial structures and legal frameworks, which will make it easier to do business and strengthen African economies.

Reduction of perceived risk through t-bill yield



Source: Datastream

'There is always a gap between perceived risk and actual risk, particularly in Africa. People on the ground have a very different perception of risk to those far away. The media has an important role to play in helping to bridge the gap.'

Ralph Keitel
Senior Investment Officer, Private Equity Funds,
International Finance Corporation

RECOMMENDATIONS

Media is important in encouraging debate, educating individuals, connecting readers and listeners to larger social and economic changes, and stimulating democracy (AMDI, 2006).

This report has identified the importance of African business media to investment in Africa.

Notwithstanding the increase in the quantity and quality of business media coverage revealed in our study, accurate and analytical business stories are still in demand from investors, and this will be more so during the current economic crisis. From our sample of investors, three main areas for improving African business media coverage were highlighted:

ACCESS TO RELIABLE FACTS AND FIGURES

Respondents cited a shared need within the investment and media communities for access to reliable facts and figures and economic performance data, particularly regarding frontier markets beyond Egypt, South Africa, Nigeria and Kenya.

Access to information and statistics is a big challenge for investors. Our sample noted that many governments focus on collecting development statistics and figures, such as infant mortality rates. Although these figures are important, governments should also be collecting economic performance data that is relevant for investors. Governments, particularly their Investment Promotion Agencies (IPAs) should work more closely with their press corporations to promote investment opportunities and give prominence and profile to key sectors of the economy.

'The international media is trying to create a more balanced picture of Africa's markets, but they don't always have access to the information and statistics.'

Jean-Marc Savi de Tove
CDC Group

TRAINING TO IMPROVE THE FINANCIAL ACUMEN OF LOCAL JOURNALISTS

Respondents highlighted the need for more local journalists with financial acumen to provide better financial analysis and insight. Respondents were keenly aware of the shortage of people with strong financial skills in most African countries, and perceived that there were few willing to remain in journalism when their financial skills could be better remunerated in other sectors. Increased training for media professionals and better pay are important steps towards further professionalising the media industry.

Improving the skills of local journalists is linked with improving the state of media infrastructure across Africa. Many journalists are challenged by a lack of adequate media equipment, access to communication technologies and editing facilities.

SUSTAINED EFFORTS TO PROMOTE RESPONSIBLE AND ACCURATE BUSINESS REPORTING

Throughout our interviews, investors were keen to emphasise that responsible and accurate reporting by both international and local media houses is a pre-requisite if the African business media is to play a more prominent role in investment decision-taking. One element of this responsibility is an understanding of the effect that an accurate and well-researched article can have on building investor confidence.

This study shows that African business media has increased over the past five years and perceptions about Africa as an investment destination have changed. The economic and social development taking place in many African economies is attracting new types of investors; and greater and better flows of information are catalysing new flows of investment.

Respondents highlighted the need for more local experts with financial acumen to provide better financial analysis and insight.

To conclude, African business media is the primary conduit of financial information for a mass audience. It has the ability to reach both those invested in the continent and those who are not. In this current economic environment marked by negative economic news on a global scale, the onus will be on African business media to report accurately the real changes taking place on the continent – high growth rates, increased capitalisation and liquidity. This study demonstrates that African business media both reflects and dictates investor sentiment. To neglect the reporting of this news will greatly impact perceptions about the continent and investment flows.

AFRICA BUSINESS REPORTING AWARDS 2009

The annual Africa Business Reporting Awards were launched by Diageo in 2004 as a practical response to encourage more prolific reporting of business activity and economic opportunity in Africa. The Awards celebrate excellence in journalism and recognise that more and better business journalism plays an important role in Africa's investment flows. For more information about the Africa Business Reporting Awards please go to: www.africabusinessreportingawards.com

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