

Speech: Harriett Baldwin speech at Private Equity Africa Investor Summit

Thank you so much for that very kind introduction and for giving me this platform to speak to a room of investors in Africa.

As a former investment manager myself I am really excited now in my new role to be able to share with you the point of view of the UK Government in terms of working across this vast and exciting continent.

Because Africa really matters. And Africa really matters to the UK.

The UK and Africa – with our long-standing bilateral friendships – share common interests in inclusive growth, in increasing trade and investment, and in resilient economic partnerships that will help make people in the UK and people in Africa healthier, more secure, and more prosperous.

African success, in the form of better governance, greater peace, growing prosperity, stimulates a virtuous circle, for us here in the UK as well.

Together the UK and our African partners can advance our shared economic interests with a stronger focus on inclusive growth, trade, investment and economic partnerships.

Of course, rising prosperity is a virtuous circle. It has the power to create an environment that's more conducive to trade, creating the jobs that enable people to work, do business and fulfil their potential – helping communities and countries move into a future free from a dependence on aid.

And, of course – when our African partners are prosperous and trading, this has many benefits here in the UK.

Huge strides have been made across the continent over the last few decades – these have helped to reduce poverty, reduce hunger and conflict, and improve education, health and democracy.

According to Africa In Data, literacy rates have risen dramatically for the younger generation across Africa and startlingly between 1950 to 2015, life expectancy in Africa has increased from 36 to 61 years.

But there are still significant challenges to overcome and vast potential to unlock.

On current trends, the populations of some African countries are expected to rise rapidly in the next few decades. And this can provide a fantastic opportunity to generate economic growth. But if Africa's youth cannot find decent jobs that improve their life-chances, we risk economic stagnation and social instability.

And so it is imperative that we support the ambitions of our partners across Africa to develop economies, build opportunities, and create the millions of jobs needed for the growing numbers of young people entering the job market every year.

As the UK Prime Minister said at last year's G20, we want long-term partnerships which support African countries' aspirations for trade, for investment, for jobs and growth.

It's about working with our partners across Africa to marry the UK's strengths to the continent's needs and ambitions.

To realise that potential we all need to work together to stimulate investment, create jobs, and bank the progress already made – placing particular emphasis on building markets in the growing number of middle-income countries in Africa, and others that are approaching that status.

All of these things will be vital if African countries are to fully realise the vision of the internationally agreed Sustainable Development Goals. These United Nation goals are the blueprint for a better future. They include ambitions spanning universal access to electricity and clean water, good health and a quality education for all, and – above all – more jobs.

Unlocking, mobilising and facilitating finance and investment is going to be crucial in achieving those goals – and British expertise in investment and finance offers a clear advantage to our African partners.

Estimates suggest that an additional \$2.5 trillion of investment per year is needed to make real progress towards those goals. To put that into perspective, total overseas development assistance to all developing countries in the world was just \$130 billion last year.

At the same time, there are an estimated \$12 trillion worth of investable opportunities and 380 million new jobs that can be supported by 2030. This brings enormous opportunities to the private sector.

And that is why we in the UK are focussed on unlocking investment opportunities and flagging them to business.

It is also why we are helping to mobilise more resources, by increasing access to export finance and development finance – you'll be hearing more from CDC, our private investment arm, later on today.

We know that private equity is a vital source of financing for growing businesses, yet the total fundraising into the African private equity market in 2016 was just \$1.6 billion.

This is less than 1% of the total UK financial flows into Africa. I think you will agree that there is clearly room for growth for the private sector and for private equity.

The good news is that we can see healthy signs of investor interest and an appetite for investment opportunities that make a difference to people's

lives: 12% of impact investing is in Sub-Saharan Africa and it is growing.

The CDC – which is very much one of the UK's best kept secrets, established some 70 years ago by Lord Reith and funded by the UK taxpayer – has an initial \$12 million investment in M-KOPA, for example, and M-KOPA's ability to raise a further \$80 million in debt highlights the attractiveness of certain sectors in Africa.

But sustainable growth requires much more than one-off transactions: investors need to be prepared to be in it for the long term.

We are confident that the kind of sustainable returns sought by institutional investors can be met by the growth and diversity of the African continent.

But I can't emphasise enough how important it is that investments are responsible, mutually beneficial, and that they support progress towards the Sustainable Development Goals.

That is why we are supporting Aviva, the Index Initiative and the UN Foundation to establish the Sustainable Development Goal Index.

This will rank companies on their contribution to achieving the Sustainable Development Goals, and will provide insights that companies themselves are seeking on their own impact. A key objective of our support for this initiative is that it builds on the best of the reporting already available and only suggests new benchmarks where there is a current lack of existing market information.

We are also developing new and flexible approaches to collaborating with business around the Sustainable Development Goals. The Business Partnerships Fund supports initiatives that generate commercial value whilst also improving the lives of poor people.

The fund is working with Pearson to pilot a mentoring programme in South Africa to help young people build skills and find secure jobs. And in Malawi we are collaborating with Unilever and Sainsbury's to pilot the use of Blockchain in the tea sector, helping companies to verify the source of their tea and help farmers to secure credit and demonstrate the viability of their businesses.

Put simply: Global Britain wants to develop modern, energetic and mutually beneficial partnerships across Africa. This is an historic moment in a conversation between UK government and investors about how we can best support the objectives and ambitions of nations and businesses in Africa.

We are working across Government to mobilise private investment into Africa in three key ways:

First, we are working with African partners to address risks, and improve the investment climate by encouraging regulatory reforms, tackling corruption, boosting transparency, and reducing the costs of cross-border trade.

For example, our support for reforms in Nigeria has helped the country climb

24 places in the 2018 Ease of Doing Business rankings.

On the other side of the continent, we have funded the TradeMark East Africa programme, which has significantly reduced the time it takes to clear and transport cargo through Mombasa port and beyond, encouraging trade in and out of the country.

The second thing we are doing is to leverage the capital and expertise of the City of London to help deliver our development objectives.

UK Aid has funded work by the Climate Bonds Initiative to develop green bonds markets in Kenya and Nigeria; and work by the Chartered Institute for Securities and Investment to introduce professional certification across Africa.

And at the Commonwealth Summit in April, the Development Secretary announced a package of new initiatives to deepen our partnership with the City. This included learning partnerships between the Bank of England and central banks in Sierra Leone, in Ghana and South Africa, as well as funding to help developing countries access global capital markets in their own currencies, building on the success of the Masala Bond market here in London.

Third – we are mobilising investment in Africa by putting our money where our mouth is and investing in challenging markets and new sectors ourselves, by providing new capital channelled through CDC.

CDC currently has a portfolio of £2 billion in Africa and has targeted its capital at the sectors that promote local business and support participation in global value chains.

To date it has invested £75 million of equity in African impact funds. That may not sound like very much to those of you sitting here today, but it is building the capacity to channel investment towards young, growing African businesses with strong social impact.

The Sustainable Development Goal investment gap that I mentioned earlier is most obvious in infrastructure, which is where we all know there is vital need to growing the private sector.

And that is why DFID is the largest investor in the Private Infrastructure Development Group, shortened to the unlovely acronym of PIDG. PIDG has invested nearly £1.5 billion in Africa since 2012 to support newer, higher risk projects, and to attract private capital to fill critical infrastructure gaps.

These efforts are creating that vital infrastructure to support the growth of other industries. Getting the basics like transport and electricity up and running will allow investments to flow through to other economically productive sectors.

The Department for International Development is already supporting these other productive sectors, especially through our wide range of research investments – from solar fridges, to mobile money, to 'scuba rice'. These are

all brilliant inventions from Global Britain's brilliant boffins that can be taken up and commercialised by investors like you.

So, in conclusion, the UK Government is fully committed to supporting economic development across Africa. Our approach is guided by the needs and ambitions of the individual countries, and the Sustainable Development Goals.

You will certainly see Global Britain's footprint expanding in Africa in the next decade. Helping to mobilise private sector investment – including by mitigating some of the remaining challenges to investors – is a central part of our strategy, because we know that it will play an absolutely critical role in Africa's success.

Global Britain is the world's meeting place for the world's investors and the world's greatest investment opportunities.

We are confident that investing in Africa makes sense from a hard-headed business perspective. And I hope that today will encourage more of you to join us in supporting growing prosperity in Africa.