

East Africa

Swedish business in
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Be present!

The Swedish Trade Council set up a regional office in Nairobi in June of 2007. The purpose is to promote and develop Swedish business in East Africa which is experiencing growth and on its way to developing a dynamic market economy. Other than Kenya, the office currently covers Tanzania, Uganda, Southern Sudan, Rwanda, Burundi and Ethiopia and DRC.

The Swedish Trade Council has a broad experience of supporting Swedish companies in Africa. We offer services in:

- Market research
- Agent/ Partner search
- Visiting programmes
- Business set up
- Recruitment services
- Delegation/ Seminars and lobbying

On request, we can tailor make offers to meet our customers' demands. We offer Business Support Office, providing everything from office space to management service. We represent companies on a temporary or continuous basis and take an active role together with the Swedish Embassy to create a good working environment for Swedish Companies.

For East Africa, the time is now!

Where does East Africa stand in the global financial crisis? Many experts are in agreement that East Africa is better prepared than other parts of the world. This is partly because of the fact that banking systems in East African countries have no direct connection with Western financial practices, limiting the region's exposure to the crisis.

One of the causes of the financial crunch in the West is the issue of sub-prime loans. East Africa has stayed relatively safe because banks here have hardly adopted the practice. To a larger extent, they require asset-based securities to provide loans.

While some companies have adopted a wait and see attitude with regard to the global storm, a few have ventured into the East African market and made their best business. When the media in Sweden reported about Ericsson's investments in Africa last fall, many readers were surprised that Africa, rather than China or

India, was the company's most lucrative market.

According to a recent study by IMF, a number of sub-Saharan African countries are in a better economic state than many countries in South East Asia were in the 80s when they became 'tiger economies', and subsequently, a lucrative investment destination.

East Africa is an expanding market where Swedish companies can grow. Some Swedish firms that have recently opened regional offices in Kenya are Oriflame, Prosperity Capital Management and Swedfund.

These companies must be aware of the fact that the region's financial downturn in response to the global crisis will only experience a drop in a generally upward moving curve.

The time to invest in East Africa is now!

**Johan Marcus,
Swedish Trade Council in
Nairobi.**

Projects and Achievements so far...

The Swedish Trade Council (STC) in Nairobi has so far conducted assignments in Kenya, Uganda, Tanzania, Sudan, Rwanda, Burundi and the Democratic Republic of Congo. Through market research and by organising trade visits and seminars, STC Nairobi has noted an increase in the number of Swedish companies interested in setting up businesses in East Africa. The highlights of these activities follows:

Market Research

STC Nairobi has conducted market research and analysis for Swedish companies that have never ventured into the region, as well as for those that have done so and are keen to expand.

For instance, we conducted market research for ITT and provided them with critical information about market potential, conditions for doing business, establishment costs, alternative locations, and legal details. Most importantly, we offered recommendations on entry strategy into East Africa and Angola.

STC Nairobi also assisted Cell-Mark Group – the world's largest marketing company specialising in pulp and paper – in identifying potential customers in Kenya and Tanzania.

Similarly, we offered our services to AMA Laser AB. This is a Swedish company that produces construction lasers. Our task was to help them gain an understanding of the market potential, and to find a distributor in Kenya.

In Rwanda, we carried out assignments in the hotel industry. Further, we supported International Gold Exploration in setting up a policy on corporate social responsibility in Burundi. Among other companies that we have done assignments for are Kenya Grange (Scania), Kranlyft AB, and the African Centre for Technology Studies.

Trade delegations and seminars

In 2008, STC organised a joint trade delegation to Tanzania and Uganda in co-operation with the Swedish Embassies in those

countries. Headed by the Swedish Ambassadors to Uganda and Tanzania – Staffan Herrstöm and Anders Johnson – the delegations brought together chief executives and representatives from some Swedish companies. They toured the countries to prospect for investment opportunities.

We also conducted six breakfast seminars. Two of them were held in South Africa and four in Sweden. They all aimed at highlighting the market potential in East Africa. We targeted small and medium-sized Swedish companies in both countries.

Business alerts

STC Nairobi is currently heading an assignment called Early Project Information. In this, details about upcoming projects and tenders are distributed at an early stage to registered Swedish companies, giving them a competitive advantage over the rest. The Embassy of Sweden and the Swedish International Development Agency (SIDA) are partners in the project. Uganda and Tanzania have now been fully integrated into the programme.

Office support

Through our Business Support Office (BSO), we have hired out our personnel and also conducted recruitments for Swedish companies. In addition, our office space has turned out to be a meeting point for Swedish firms. We are currently sharing it with Ericsson, SAAB and Swedfund.



Scheduled projects

This year is expected to be a vibrant one for STC Nairobi. We have various trade delegations coming up, and we are working towards identifying new projects, emerging investment opportunities, and fresh business partners for Swedish investors and organisations.

We are currently carrying out an information campaign for Midroc Europe, which aspires to be a supplier to the UN. The upcoming project of building camps in Darfur, Sudan, is of particular interest. STC Nairobi will produce PR material for Midroc Europe. These will help to promote the company in Sudan and also in New York. Planning is underway for delegations to Nairobi and New York.

The project is being done under the Swedish symbio city plan, but on a smaller scale. The idea is to build a sustainable symbio camp in Darfur in partnership with other Swedish companies coming in as partners

in areas such as sustainable water supply and waste management. More information about the symbio city is available in www.symbiocity.org

Also, we are doing a market analysis for Kemira. The company is interested in selling their products in East Africa. Kemira deals in water purification.

SSAB, a Swedish steel manufacturer and one of Sweden's biggest companies, is currently in the process of opening an office for the East African market in Nairobi and STC is currently helping them set up business.

There are also trade delegations to Kenya and Nigeria, planned for March 3 to 11. The Swedish Vice Minister for Trade, Mr. Gunnar Wieslander, will head the trips. The trade visits will be followed by the Kenya Investment Conference to be held from March 24 to 25 in Nairobi.



Regional overview

Various Swedish companies are spreading their wings in East Africa. Ericsson, for example, has opened up new offices in Uganda and Tanzania. The company is soon setting up a new office in Rwanda. Oriflame, which has already acquired an office in Nairobi, is showing prospects of penetrating the rest of East Africa.

Swedfund's representative has now arrived in Kenya to set up Swedfund's regional office. The purpose of the regional office is to expand Swedfund's portfolio of investments in Kenya and neighbouring countries. The office is currently co-located with the Swedish Trade Council in Nairobi.

HemoCue AB, a pharmaceutical company dealing in advanced health technology, is set to open up shop in Uganda. These expansions are being considered out of the promising characteristics of the countries in the region.

Countries covered by STC Nairobi Eastern Africa.

Kenya

Kenya, the wealthiest economy in East Africa, stands out as a favourable country to do business in. Within the Common Market for Eastern and Southern Africa (COMESA), it is rated as having the most straightforward procedures for acquiring a construction permit. The country is also the best in the region as far as access to business credit is concerned (it is ranked fifth in the world), and the most favourable in terms of protection of international investors. The undersea fibre-optic ca-

bles are expected to be available and active in Kenya from the second half of 2009. This will result in the expansion of bandwidth capacity and a reduction of communication costs. New investments in this field is likely to be witnessed.

This year, Kenya's GDP growth is expected to reach 4.8 percent, which is slightly lower than experienced in the past three years, mainly due to the downturn in the global economic activity and a weaker export growth.

Nonetheless, the country continues to be the economic pillar of Eastern Africa. Apart from being the regional commercial hub, Kenya's capital, Nairobi, is also the third largest UN capital in the world. The UN has approximately 25 organisations represented in Kenya. UNEP and UN-Habitat have their headquarters here. Kenya is also home to one of the largest and most respected airlines in Africa. Kenya Airways, which has in recent years earned consecutive continental business awards, is a



major entry vehicle into Africa. It also offers a vital link between West Africa and the Middle East and Asia.

The best performing sectors that are abound with investment opportunities are infrastructure, telecommunications, building and construction, energy, health care, and ICT.

Uganda

With a unique strategic location and as one of the fastest growing economies in Africa, Uganda offers exceptional business opportunities. By providing a conducive environment and a wide range of incentives, the country has significantly been successful in mobilising both foreign and domestic investments. Uganda's economy has grown consistently at an impressive rate for many years and by more than 9 percent annually over the last three years.

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The country strives to be the conference hub of Africa, having hosted high level conferences in the past, such as the Commonwealth Heads of Governments Meeting, held last year. It also hosted the World Agricultural Forum's Regional Congress, which was for the first time held outside the US.

Recently, oil was discovered in the Lake Albert River Basin. It is one of the largest onshore oil discoveries in Africa.

There are investment opportunities in the agricultural sector, hydropower, mining, infrastructure, ICT and oil.

Tanzania

Over the past two decades, Tanzania has been transformed from a centrally commanded economy to a market oriented system through successful implementation of trade liberalisation measures. Tanzania's political stability has translated into economic stability with a remarkable economic growth. The country's GDP growth rate of between five to seven percent in the past decade has the potential of reaching eight to 10 percent.

Investment opportunities are available in the mining sector, agriculture, infrastructure, energy and ICT

Rwanda

Rwanda is increasingly becoming attractive for having removed red tape in business. It ranks highly among countries that have done so in Africa, according to research by Doing Business 2009, an annual series of reports published by the International Finance Corporation and the World Bank.

The country is cited for streamlining the procedure for acquiring construction permits, for instance. Also, it has facilitated trade by extending the hours of the custom offices, implementing an electronic data interchange system and by introducing risk-



Regional overview

based inspections. As a result, the time taken to export goods has reduced by about five days, and by one month for imports, according to the report.

Rwanda aspires to be the Singapore of Africa. The point of pride for the government is the fact that the country is an information-technology hub for the resource-rich nations of Eastern and Central Africa. High-speed data links are beginning to spur growth in this country that desires to lead Africa into the information age. Rwanda's real GDP growth is predicted to reach 6.3 percent in 2009 and 6.5 percent in 2010. Investment opportunities are available in ICT, infrastructure, agriculture, mining, and energy.

Burundi

The return to peace after years of civil conflict heralds the beginning of a more stable economic growth in Burundi. A combination of greater stability, increased bank credit to the private sector, and donor-funded reconstruction, will encourage growth in the construction industry.

During the civil war, a number of sectors had come to a near standstill. Now there are investment opportunities in almost every sector of the country as the economic climate improves. A slight growth is predicted in Burundi's GDP from the 5.5 percent in 2007.

Investment opportunities exist in the energy sector. Currently, there are only two hydroelectric plants operated by a trinational company

(Burundi, Rwanda and the DRC). Other opportunities are in roads, mining, construction, and tourism.

Democratic Republic of Congo

DRC, a country the size of Western Europe, is one of Africa's most resource-rich countries. It has the world's second biggest rainforest, and has large deposits of minerals, such as gold, diamonds, copper, cobalt and others.

Despite a weak bureaucracy and faults in the judicial system, DRC has attracted many international actors. Foreign companies have established regional branches or representative offices in the country. The promising future of the country is a powerful attraction. The GDP growth forecast for the DRC is 5.9 percent for 2009 and 7.6 percent for 2010.

The Congolese government has expressed great interest in attracting international businesses. All aspects of the economy potentially offer opportunities. Areas especially worth mentioning are mining, water resources, agriculture, telecommunications, infrastructure, transport, health care, financial services and construction.

Sudan

Sudan is also rich in natural resources. It has fertile agricultural lands, large amounts of fresh water, and livestock. The extraction of petroleum has given it an important economic dimension. With peace now being enjoyed in the rest of the country except

in Darfur province in the West, Sudan ought to have great investment prospects.

GDP growth forecasts for the country now stand at 6.6 percent for 2009 and 7.1 percent for 2010, and investment opportunities lie in mining, oil, energy, agriculture, infrastructure and construction sectors.

Ethiopia

Sound economic management coupled with well-aimed interventions has enabled Ethiopia to attain growth with stability amid a complex political and economic transformation. This has helped the nation to regain confidence in its economic growth after years of stagnation and mismanagement under the previous military regime.

Ethiopia's economy has been growing steadily since 2003. The positive performance is set to continue, the economy having set a GDP growth of 8.5 percent in 2008.

Investment opportunities are available in agriculture, infrastructure, mining, and petroleum.

The country's other asset is its large domestic market of about 70 million consumers.

Africa, the natural option



The global financial crisis is paralysing major parts of the world's economies. Within OECD, the economic growth will most probably be negative during 2009. Employment will decrease and there will be a whole string of bankruptcies. Private consumption and investments will develop slowly if not negatively.

Naturally, all economies will be affected by this recession that is going to be steeper and deeper than previously experienced. Despite this, there is light in the dark sky. And this light is found in the developing countries. Admittedly, the growth rate is also decreasing in these countries, but the economic growth will still be good, even higher than the OECD countries during good times. The World Bank and IMF project the growth rate in Africa to five percent during 2009. That is as high as

the global growth rate during the last years, which has been sky high. The incoming flow of capital to Africa will diminish drastically, but that depends on the credit crunch in the West, not because of weak development of demand in the African countries.

Companies that want to be prepared for the coming boom will be right in focusing on Africa because once it arrives, it will not be in the ravaged West but in the new economies. It is not unbelievable that Africa will do the same journey Asia has done the last 30 years, once the global economy spins off again after the financial crisis. What company would want to miss out on that?

Per Juth, SWEDFUND

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