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# Promoting Investment in Developing Countries: CDC's experience

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## Who we are

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# CDC's Mission Statement

“Mobilising private/third party investment to benefit poorer countries by growing sustainable local businesses”.

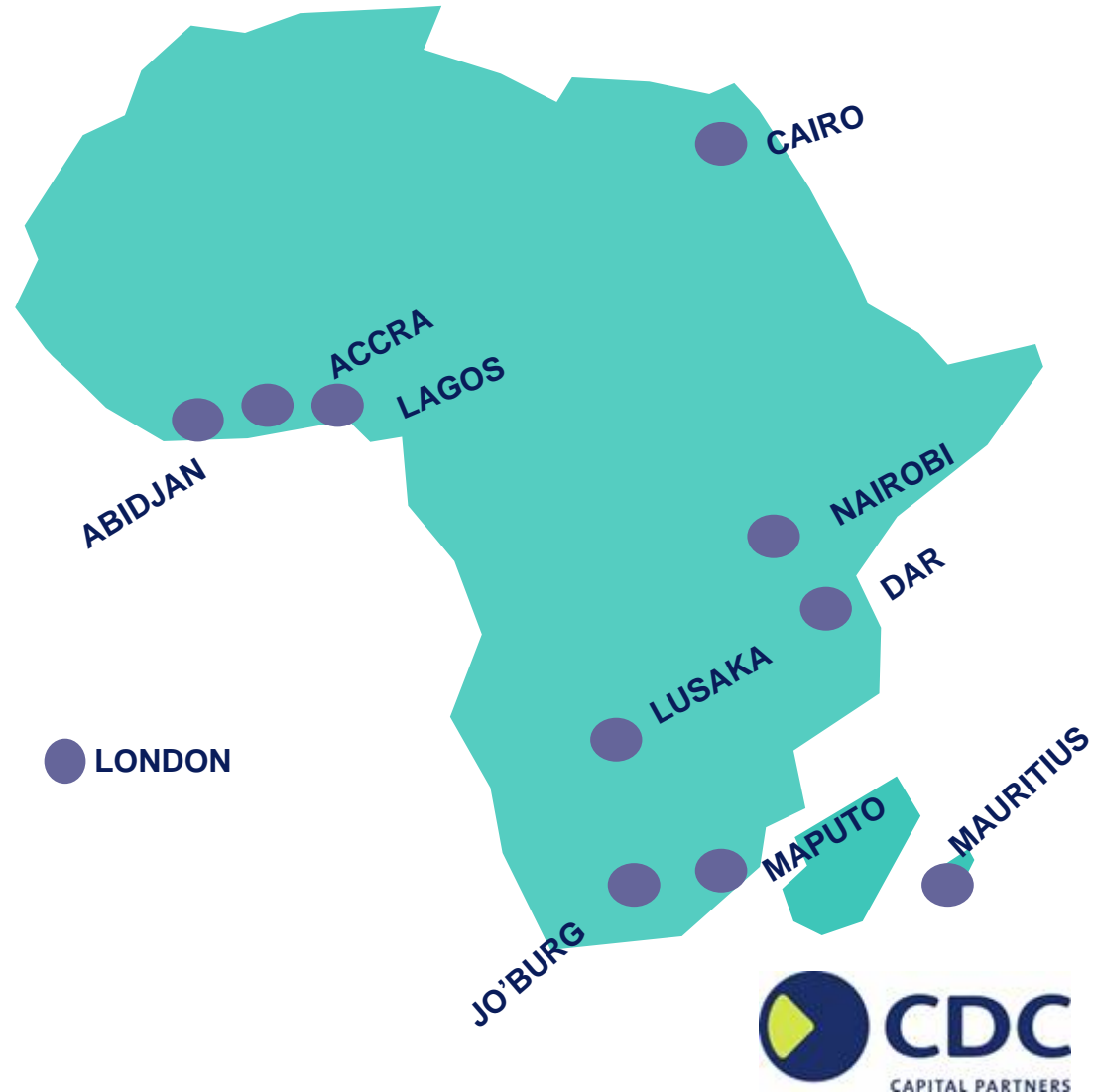
## 2003 Highlights

- \$180m of UK Government money invested directly
- \$77m of third party funds raised
- \$43m of equity co-investments made by third parties
- \$58m of new capital introduced when CDC made an exit
- \$217m of new third party loan facilities for CDC portfolio companies
- Successful exits made from a Tanzanian Gold Mine (33% IRR), a Zimbabwe Manufacturing Company (21% IRR) and a Ghanaian Bank (17% IRR)

# CDC has extensive African coverage

## CDC

- 55 professional staff located in 11 offices dedicated to Africa
- Current portfolio of over US\$400m invested in Africa
- Sectors include power, agribusiness, telecoms, mining, financial institutions, healthcare, property and FMCG
- SME Business (Aureos) has a portfolio of 50+ investments
- Over 49,750 employed in our investee businesses across Africa
- >US\$350m to invest in the next three years



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# Investments: Winning Attributes

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# Attributes of Potential Investments

## We Like

- Expansion or change of control finance
- Experienced management
- A track record of success – 3 years of growing profitability
- Simple projections of P+L, Cash Flow and Balance Sheet for 5 years
- Limited currency risk

## We Dislike

- Start-up finance
- Inexperienced management (opportunities for a JV?)
- A history of making losses
- A 50-page business plan
- Mismatch of currency assets and liabilities

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# Lessons Learned from 3 CDC Investments

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## MSI, Pan-Africa

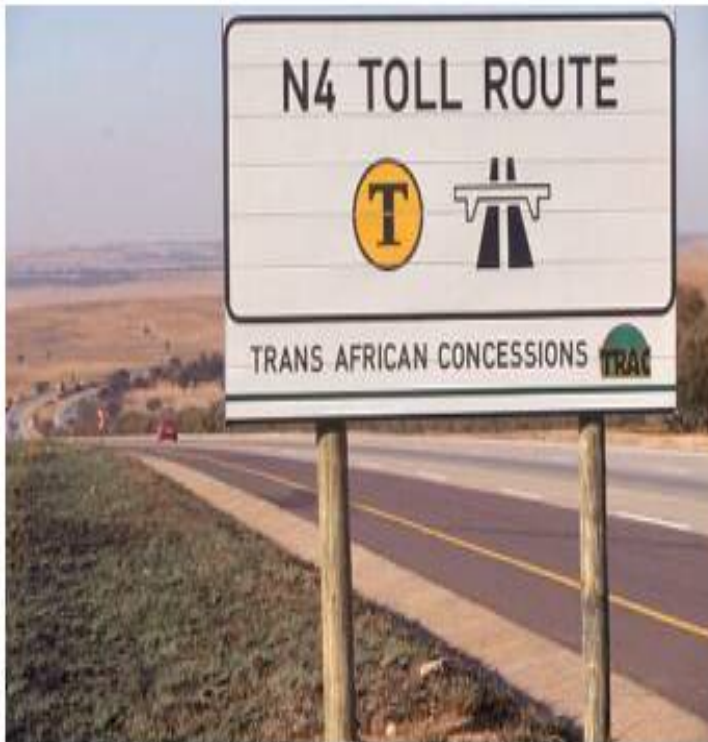


- Manages 13 telecoms operations in 12 countries
- CDC first institutional investor in 1998, invested over US\$54m, to create pan African operation
- CDC support through on the ground network; identifying partners; mobilising finance; supporting investment prospects; and identifying potential employees

# Lessons from MSI

- Connect the thinking between different Government departments, particularly as regards tax
- The IPA as a 'One-Stop Shop' is valuable – but only if it is empowered and has full authority
- Investors love transparency and clarity
- Physical security over assets is essential
- Tax incentives for major infrastructural projects can be helpful
- Flexible labour laws are desirable
- Consistency in the legal system is desirable
- Privatisations – structure so that fresh capital is put into the business, not just replacing Government capital
- Publicise your successes – a good track record is essential in order to attract more FDI

# Trans Africa Concessions (Pty) Ltd, South Africa



- First infrastructure privatisation in SA
- Concession for the rehabilitation, tolling and operation of the existing N4 route
- Strategic link between Mozambique and SA linking Pretoria to Maputo
- CDC invested US\$9m for 15% equity in 1998
- Strong development angle : key to the economic development of Mozambique
- CDC financed the development of the project prior to financial closing and hold the chairmanship of the Board

# Lessons from TRAC's Privatization

- Get good, independent advice
- Sell top-tier assets first – develop a good track record
- Put new investors in contact with existing investors
- Long-term local currency debt can help
- Government must build up a reputation as a dependable partner

# East Africa Gold Mines



- CDC invested a total of US\$7.1m over 3 years commencing in 1999 for 10.6%
- Placer Dome purchased EAGM in July 2003 returning CDC US\$25.8m pre-tax for an IRR of 33%
- Investment in Australian Junior attracted Canadian major Placer Dome to Tanzania
- Assisted development of the Lake Victoria region

East Africa Gold mines, Tanzania

# Lessons from East Africa Gold Mines

- Used industry specialists to help design the Mining Act
- Enacted a commercial legal environment for mining
- Tax incentives were helpful
- Foreign Exchange liberalisation was helpful
- Government did not seek ownership or control – but are aligned by having royalties
- Availability of political risk insurance was helpful
- The public sector tackled market failure appropriately – by providing excellent data on Tanzania's mineral resources

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# Your investment partner in emerging markets

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