

What's the Interest in Investing into Africa?

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Introduction

The fiduciary world expends much effort and resources in establishing suitable structures for the migration of wealth out of Africa, particularly South Africa. However, little thought is given to the vast opportunities for inward investment into the African continent itself, investment that will also require structures.

Over the past few years Dixcart has seen a steady stream of enquiries for structuring investments into the Africa for family offices, Private Equity (PE) Houses and groups of mutual interest investors. Structures are usually bespoke and often feature an ESG (environment, social and governance) investment strategy.

What has been particularly interesting is the high number of acquisitions or investments targeted at the sub-Saharan region ranging from process and production facilities, mining and mineral exploration, through to infrastructure projects such as renewable energy and water.

Whilst these investment structures are applicable to investments around the world the question is what is it that attracts investors to the African Continent and why use Guernsey structures for inward investment?

The African Continent

The big opportunity is the fact that the African continent is one of the **final frontiers** as other emerging markets such as Asia Pacific are maturing.

- **The Continent of Africa**

- Second largest continent by area and population
- 54 countries fully recognised by the United Nations
- Significant natural resources
- Africa's complicated political situation, history of colonialism, and ongoing insurrections in many countries has largely kept multinational and institutional investors away from some countries

- **South Africa** – probably the most developed country, driven by raw materials & mining industries (largest producer of gold / platinum / chromium in world). Also, strong banking and agricultural industries.

- **Southern Africa** – Generally the more developed market with strong mining industry

- **North Africa** – Similar to the Middle East with oil reserves attracting oil related activities and industries.

- **Sub-Saharan** – The lessor developed economies and often untouched by international investors where infrastructure type projects are key opportunities.

What are the patterns being seen in investing into Africa?

From working with our clients, Dixcart see the targeted countries are driven by the client's specific sector of interest (see above) and have noted the following general trends:

- Often the targeting of successful investments / projects in the more developed Southern African countries first; then,

- Expanding into the lesser developed countries thereafter, once having gained an understanding and track record in order to provide confidence to investors (as more challenging to invest into the lesser developed countries but may ultimately produce greater returns).

Why Structure through Guernsey?

Guernsey has a long standing and successful track record for servicing Private Equity and Family Office type structures either through the use of corporate vehicles (utilising the flexible Guernsey company law), and Trust and Foundations which provides a lighter touch of regulation.

Guernsey provides security with experienced service providers in a mature, well-regulated, politically stable and recognised jurisdiction.

Guernsey has a good track record for adherence to global tax harmonisation requirements and is a recognised jurisdiction with banks for setting up banking and lending facilities.

Conclusion

We are all aware of the huge amounts of capital available from international investors looking for investment opportunities and the African Continent, as one of the final frontiers left in the world provides attractive investment opportunities and returns. These international investors need their capital invested through robust structures registered in an appropriate jurisdiction and Guernsey is one of the leading choices for such structuring.

Additional Information

For more information on Guernsey, and the investment structures for Africa (or indeed anywhere else in the World) and how Dixcart can help, please contact Steven de Jersey at the Dixcart Guernsey office at advice.guernsey@dixcart.com.

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