

# DP WORLD IN AFRICA: RECENT DEVELOPMENTS

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## INTRODUCTION

The United Arab Emirates (UAE) is one of Africa's most active foreign direct investment (FDI) investors. The country announced in January 2020 that it had high regard for its relationships with African governments based on "mutual respect and common interests, to achieve the aspirations of their peoples for development, progress, and prosperity."<sup>1</sup> Experts in a recent Dubai Chamber webinar saw the rising demand for digital solutions, infrastructure, oilfield equipment, and logistics services as promising areas for cooperation between Dubai-based companies and their counterparts in Africa.

Over the past two years, the UAE and African governments and companies launched several initiatives. One UAE-based company that has been quite visible over the past several years is the Dubai-based DP World.

DP World has become involved in various sub-sectors of the logistics sector in Africa, ranging from port management to e-commerce. This article addresses some of the more recent steps DP World has taken to expand its strategy to become a significant logistics player in Africa. The elements of its expansion include getting involved in port operations in east, west and southern Africa, utilizing its logistics infrastructure to improve e-commerce in east Africa, acquiring Imperial Logistics to grow its footprint in Africa, and engaging in a partnership with the UK's CDC Group to fund its growth strategy on the continent. DP World has also indicated an interest in the railway sector in Zimbabwe.

## DP WORLD CONSTRUCTING DEEP-WATER PORT IN SENEGAL

DP World Dakar, a joint venture (JV) between DP World and the Port Authority of Dakar, was created to build a deep-water port at Ndayane, 50km south of Dakar. The foundation stone for this project was laid in early January 2022 by Senegal President Macky Sall. The construction cost of the Port is an estimated US\$1.13 billion, which, according to President Sall, makes it the largest private investment in Senegal and the largest by DP World in Africa.

According to DP World, the first phase of the project will include 840 meters of quay and a 5 km marine channel capable of handling two 366-meter vessels simultaneously and the largest container vessels in the world. As a result, the Port's container handling capacity will increase by 1.2 million twenty-foot equivalent units (TEUs) per annum. The second phase will add 410 meters of container quay and further dredging to handle 400-meter vessels.

DP World will develop and operate the 300-hectare container terminal and design and finance the land and maritime infrastructure.<sup>2</sup> The project will include an adjacent free trade zone.

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<sup>1</sup> <https://www.khaleeitime.com/news/government/uae-has-prioritised-relations-with-african-countries-cp>

<sup>2</sup> <https://www.reuters.com/markets/commodities/construction-begins-dp-worlds-11-bln-port-senegal-2022-01-03/>

According to the JV partners, the new Port will reinforce Dakar's role as a central logistics hub and gateway to West and Northwest Africa. While the existing DP World terminal will continue to operate during the development phase, the firm intends to redevelop the site into a mixed-use residential and commercial waterfront. The partners also considered developing a cruise terminal.

The project will reportedly create employment opportunities, attract new FDI into Senegal, and enable economic diversification by generating new trading opportunities.<sup>3 4 5</sup>

## **DEVELOPMENT OF THE PORT OF BERBERA IN SOMALILAND**

DP World has also been active in developing infrastructure in Somaliland, a semi-autonomous region of Somalia, and much closer to home. Their projects in the region include the expansion of the Port of Berbera and constructing the Berbera Economic Free Zone. Together with tasks such as building the road linking Berbera to the Ethiopian border and rebuilding the Berbera airport into an international commercial airport, these projects can transform Berbera into a regional maritime hub in the Horn of Africa. DP World invested US\$442 million to support the achievement of this objective.

The Berbera Economic Free Zone will complement the growth of the Port of Berbera as a regional trading hub and generate jobs, attract investments, encourage trade, and position Berbera as a gateway port for the region. In addition, the new terminal will serve as a primary trade gateway for landlocked Ethiopia and improve trade relations among East African and Gulf countries.

With access to the maritime trade routes connecting Europe, Asia, the Middle East, and Africa, the Port can establish Somaliland as a gateway into East Africa.<sup>6</sup>

Somaliland's government and DP World officially inaugurated the new container terminal at the Port on Thursday, 24 June 2021. As a result, Somaliland expects to develop and grow its economy through increased trade, attracting foreign direct investment, and creating jobs.

The new terminal at Berbera (completion of Phase One) will increase its container capacity to 500,000 twenty-foot equivalent units (TEUs) annually from the current 150,000 TEUs. The new container terminal has a draft of 17 meters, a quay of 400 meters, three ship-to-shore (STS) gantry cranes, and can accommodate the largest container vessels in operation today. The terminal includes a modern container yard with eight rubber-tyred gantry cranes (RTGs). In addition, the project includes a new Port One-Stop Service Center and a Berbera free trade zone and corridor.

After completing Phase Two, the Port's annual capacity will have increased to two million TEUs.<sup>7</sup>

Work is already underway to expand the Port as part of Phase Two. The project includes extending the new quay from 400 to 1,000 meters, installing an additional

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<sup>3</sup> <https://www.maritime-executive.com/article/1-1-billion-investment-in-new-senegal-port-and-terminal-by-dp-world>

<sup>4</sup> <https://www.khaleeitimes.com/business/dp-world-inks-113-billion-senegal-port-deal>

<sup>5</sup> <https://www.africanreview.com/construction-a-mining/buildings/dp-world-and-senegal-government-lay-foundation-stone-of-port-of-ndayane>

<sup>6</sup> <https://www.radiodalsan.com/en/2020/04/06/port-of-berbera-breaths-life-in-to-somaliland/>

<sup>7</sup> <https://nation.africa/kenya/news/africa/new-somaliland-port-terminal-brings-hope-for-ethiopia-3452926>

seven STS gantry cranes, enabling Berbera port to handle up to two million TEUs annually, and simultaneously handling multiple large container vessels.

Since the start of its operations at Berbera Port in March 2017, DP World Berbera has increased its productivity by raising "volumes by 35% and vessel productivity by 300%, and reduced container vessel waiting time from four or five days to only a few hours."<sup>8</sup>

Djibouti has long served as the primary hub for Ethiopia's imports and exports. However, to reduce its vulnerability, Ethiopia has been looking towards Sudan, Eritrea, and Somaliland for viable alternatives. The new port and free trade zone should attract many businesses to this part of the Horn of Africa, as Somaliland is by far the most stable and secure area of Somalia.

It also provides a strategic location at the entrance to the Red Sea, with easy access to the Indian Ocean. According to media reports, Russia has also expressed an interest in utilizing the Port of Berbera. Currently the Port of Djibouti is becoming a bit congested as various countries, including the USA and China, have a naval base in this tiny country. Berbera provides a viable alternative to countries such as Russia. With DP World managing the port, it is well positioned to benefit from the envisaged growth in Berbera.

## **DEVELOPING THE PORT OF LUANDA IN ANGOLA**

DP World has also expanded its growth in Southern Africa. In January 2021, it signed a 20-year concession agreement with the Angolan government to operate the Multipurpose Terminal (MPT) at Angola's largest port, Luanda. Its location makes it a potential mandatory stop on the sea routes along the west coast of Africa, giving Angola the benefit of trade into the area.

The MPT will be DP World's first seaport terminal on the west coast of Southern Africa to operate and manage.

DP World has invested US\$190 million to rehabilitate the existing infrastructure and acquire new equipment to raise the standards and efficiency levels of port operations. As a result, the company expects the terminal's annual throughput to increase to 700,000 TEUs. In addition, the company will establish a modern port management system to support this goal and provide training and development to Angolan terminal employees.

DP World believes in Angola's potential for further economic growth. Accordingly, it aims to support the Angolan government's efforts to achieve its growth objectives by utilizing "its expertise as a port operator and global provider of end-to-end logistics solutions."<sup>9 10</sup>

DP World Luanda officially took over operations of the Port on 1 March 2021. The Port of Luanda is the eighth port facility managed and operated by DP World in Africa and the Middle East. In addition to operational upgrades, DP World Luanda intends to invest in community projects to upgrade the local community.<sup>11</sup>

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<sup>8</sup> <https://allafrica.com/stories/202106241064.html>

<sup>9</sup> <https://gulfbusiness.com/dubais-dp-world-signs-20-year-concession-agreement-with-angola/>

<sup>10</sup> <https://www.arabianbusiness.com/transport/457842-dubais-dp-world-to-invest-190m-after-winning-angola-port-concession>

<sup>11</sup> <https://www.dpworld.com/news/releases/dp-world-starts-operations-of-multipurpose-terminal--at-port-of-luanda/>

## **DEVELOPING A DEEP SEAPORT FOR THE DEMOCRATIC REPUBLIC OF THE CONGO (DRC)**

DP World also moved into Central Africa by engaging with the government of the DRC. It signed a contract in 2018 with the former government of the DRC to develop a deep seaport at Banana in the DRC. According to that contract, the UAE company would own a 70% stake in the project, with the Government owning the remaining 30%.

Expected to begin the same year (2018) and be operational within two years, the project could also be subject to a 20-year extension.

The DRC and DP World renegotiated the original agreement in May 2020 to reflect the need to develop the DRC's capacities in trade and logistics while supporting its growth and playing a pivotal role in regional integration. The concession for the operations of the Port of Banana was now for 30 years and required an investment estimated at US\$1 billion.<sup>12</sup>

The Port will be the DRC's first deep seaport along its short 37 km-coastline on the Atlantic Ocean and forms part of the vision of President Félix Tshisekedi to develop the DRC's trade and logistic sector.

The Banana Port, which reportedly will take two years to develop, will attract more calls from larger vessels from Asia and Europe and boost the growth of both the DRC and the region.<sup>13</sup>

The DRC is a massive country with a large population and a wealth of minerals. However, the absence of a deep seaport curtailed its ability to trade with Europe and the Americas. The new Port at Banana will therefore be quite advantageous to the country. In addition, some of its landlocked neighbors, such as Rwanda, Burundi, and Uganda, will also benefit as they will soon be able to use the Port to directly export their goods to the Western hemisphere, thereby shortening their trade routes and subsequently reducing their costs. The revenue generation opportunity for DP World is therefore huge.

## **DP WORLD EXPANDING IN NAMIBIA**

DP World also recognized the potential of the Port of Walvis Bay in Namibia. In November 2020, it signed an MoU with Nara Namib Free Economic Industrial Zone in Namibia. The MoU aims at developing a free economic zone for industry and logistics in Walvis Bay. The expectation is that this project will support the growth of Namibia as a regional hub for Southern Africa, positioning the country as a center for industrial operations and logistics. In addition, the project will create opportunities and jobs in several industries, such as fishing, automotive, agriculture, and mining.

Developing the first 50 hectares can create 3,000 jobs and attract investment of US\$237 million to Namibia. Increasing the expansion to 1,500 hectares has the potential to increase investment to about US\$1.7 billion with 20,000 employment opportunities.<sup>14</sup>

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<sup>12</sup> <https://constructionreviewonline.com/news/drc-dp-world-revise-initial-agreement-for-banana-deep-water-port-project/>

<sup>13</sup> <https://www.freshplaza.com/article/9319750/dp-world-to-start-development-of-banana-port-in-democratic-republic-of-congo/>

<sup>14</sup> <https://theexchange.africa/investing/dubais-dp-world-further-extends-its-footprint-in-africa/>

While Namibia itself has a small economy, the location of the Port of Walvis Bay on the Atlantic Ocean seaboard of the country can also service the trade activities of landlocked countries in Southern Africa such as Botswana, Zambia, and Zimbabwe. This makes the port at Walvis Bay a potentially important utility for the region. Shell's recent discovery of fossil fuel deposits with commercial potential (US\$23.3 billion) in the exclusive economic zone of Namibia increases the value of the Walvis Bay port. Developing the free economic zone puts DP World in a very lucrative position.

## **DP WORLD AND RWANDA'S DRY PORT**

DP World has not confined itself to seaports but has also ventured into port operations along the lakes of East Africa. The company now operates the largest inland cargo handling facility in Rwanda, which became operational in June 2019 following an agreement signed between Rwanda and the UAE in 2016. The partnership between DP World and Rwanda, whereby the former would build and operate the dry Port in Kigali, has supported the growth in Rwanda's exports to the UAE to over US\$324 million compared to about US\$237 million two years before.

The facility cost approximately US\$35 million for the first phase. It will serve as an entry to the African market and hub for the intra-Africa trade, especially with the African Continental Free Trade Area (AfCFTA) taking effect in January 2021.<sup>15</sup>

## **DP WORLD EXPANDING TRADE ROUTES IN MOZAMBIQUE**

DP World Maputo owns the concession to manage, develop, and operate the container terminal at the Port of Maputo in Mozambique. It announced in November 2021 that it had developed and implemented a supply chain solution that provides Southern African fertilizer importers, and other similar commodities, with a reliable option of using the Maputo Corridor. Transit import containers are now unloaded at DP World Maputo's container terminal, the cargo de-stuffed and cross-docked into waiting tipper trucks at Maputo Intermodal Container Depot (MICD). After that, the cargo is moved to South Africa, with final clearance done at the border and delivered to the final customer.

DP World believes the supply chain solution provides Southern African customers in landlocked countries with an efficient and reliable trade route that promotes economic development in the region.<sup>16</sup>

## **DP WORLD INVOLVEMENT IN RAILWAYS IN ZIMBABWE**

In October 2021, it was announced that DP World had concluded an agreement with the National Railways of Zimbabwe (NRZ) for a significant investment in rail infrastructure development. According to the CEO and managing director for the Middle East and Africa, Suhail Al Banna, DP World's interest in Zimbabwe is to develop inland corridors for the free movement of goods between countries.

At the announcement, DP World was arranging to send a technical team to Zimbabwe to determine potential volumes moved by the railway network. The firm was also

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<sup>15</sup> <https://www.newtimes.co.rw/news/rwanda-dp-world-sign-deal-boost-exports>

<sup>16</sup> <https://www.busiweek.com/dp-world-maputo-opens-new-trade-opportunities/>

planning an assessment of the suitability of Rutenga, Mutare, Lion's Den, and Harare as locations to build dry ports in Zimbabwe.<sup>17</sup>

## **E-COMMERCE PLATFORM IN EAST AFRICA**

Moving outside of its traditional sphere of operations, DP World entered the online shopping sector in Africa.

DP World launched a new e-commerce platform, Dubuy.com in Rwanda after signing a Memorandum of Understanding with the Rwandan Government. The MoU will facilitate international trade for Rwandan businesses and strengthen commercial trading links between the UAE and Rwanda. The platform became operational in February 2021.

The platform aims at addressing logistical challenges impeding local producers from accessing international markets. Rwandan producers can now use Dubuy.com to get their products to the global market.

Dubuy.com leverages DP World's global presence and networks to support local producers to deal with the challenges in Rwanda's supply chain logistics, in addition to providing access to digital tools to help businesses increase their efficiency and reach into local, regional, and global markets.

This MoU establishes Rwanda as DP World's hub for expanding e-commerce across the East African Community and beyond.

Dubuy.com will operate as a business-to-business (B2B) platform, enabling large volumes of orders.

Exporters of coffee, tea, and horticulture will probably benefit the most from the platform. It will allow them to focus on their primary objective of producing and sending their products to international clients.

The market potential is vast, as e-commerce on the continent will reportedly grow to US\$75 billion by 2025. Moreover, the market will grow further due to the convenience it guarantees.

DP World owns logistics assets on six continents, including ports, logistics, supply chains, trucking companies, and rail, which they will leverage to get Rwandan products to multiple destinations, including across Africa.

According to the CEO and MD for the Middle East and Africa at DP World, Suhail Al Banna, Rwanda is an ideal location to launch the global e-commerce platform due to the country's excellent investment climate, willingness to train and educate its people, determination to create jobs, and promote industrial advancement through technology.

The Rwandan Government believes the new partnership will increase Rwanda's trade and exports in a time increasingly characterized by e-commerce.<sup>18</sup>

Dubuy.com is the first online store created for Rwandan licensed exporters, importers, and manufacturers. It is a one-stop-shop, ensuring transactions on the site are secure, from onboarding trusted suppliers to integrating leading payment service providers.<sup>19</sup>

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<sup>17</sup> <https://www.herald.co.zw/deal-throws-nrz-a-lifeline/>

<sup>18</sup> <https://www.newtimes.co.rw/news/rwanda-dp-world-sign-deal-boost-exports>

<sup>19</sup> <https://www.freshplaza.com/article/9317134/dp-world-launches-e-commerce-platform-to-accelerate-global-trade/>

It is not difficult to understand DP World's reasons for reaching out to Rwanda. The World Bank's Ease of Doing Business favorably ranks Rwanda in Africa (number 2 in Africa). Kigali is a very safe city, while Rwanda is the safest country in Africa. Kigali is also probably the cleanest city in Africa. The Rwandan Government has certainly done its best to position the country as an IT hub in East Africa and Africa, providing focused and dedicated support to the IT sector.

Dubuy.com has subsequently expanded into Kenya to increase its presence in Africa. After first launching in Rwanda, Kenya is Dubuy.com's second market in East Africa. In addition, it has an arrangement with the National Bank of Kenya for trade finance. Dubuy.com has also announced an intention to enter Ethiopia.

As in Rwanda, order fulfillment in Kenya happens through DP World's worldwide ports and logistics network. DP World has created a strategic trading gateway into East Africa by utilizing its eight existing terminals in Africa and three more in development.

Dubuy.com's advanced technology, when combined with DP World's physical infrastructure, offers a secure and reliable way for organizations in Kenya to develop, expand, and improve supply chain connectivity and resilience. In addition, the combination of technology and infrastructure will solve several key challenges facing e-commerce in Africa, such as reliable fulfillment, secure financial transactions, and the movement of goods.

The Kenyan launch marked the six-month milestone since Dubuy.com first began operations in Rwanda in February 2021. During that time, Dubuy.com's website had more than 500,000 hits from sellers and buyers in Africa. The business built a cohort of more than 4,000 active merchants on the platform and experienced success in selling automotive supplies and kitchen appliances.

According to the Kenyan Deputy Minister of Industrialization, Trade and Enterprise Development, David Osiany, Kenya has some of the best economic growth prospects and the most exciting B2B opportunities in Africa. The partnership with DP World and Dubuy.com is a catalyst for Kenya's industrialization policy and is aligned with Kenya's Vision 2030. He believes the partnership will increase Kenya's "trading connectivity and build an easy-access market for Kenyan entrepreneurs to secure long-term, sustainable business growth." He also stated that the local expertise and DP World's global footprint would create a prosperous future for all.

DP World has hubs in Algeria, Djibouti, Egypt, Mozambique, Namibia, Nigeria, Rwanda, Senegal, Somaliland, and South Africa. Their locations will likely inform Dubuy.com's regional expansion plans. It plans to cover all of Africa by 2025. In addition, e-commerce platforms have become essential growth avenues for SMEs in Africa.<sup>2021</sup>

## **DP WORLD ACQUIRES IMPERIAL LOGISTICS IN SOUTH AFRICA**

Imperial Logistics, an integrated logistics and market access company, operates mainly in Africa (25 countries) and Europe. It focuses on fast-growing industries such as healthcare, consumer, automotive, chemicals, industrial, and commodities.

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<sup>20</sup> <https://techcrunch.com/2021/11/11/uae-b2b-e-commerce-site-dubuy-targets-africa-for-growth/>

<sup>21</sup> <https://www.intelligentcio.com/africa/2021/11/17/dp-world-launches-e-commerce-platform-dubuy-com-in-kenya/>

DP World put in a bid to acquire Imperial in July 2021. The offer, at US\$890 million, was approved by the shareholders of Imperial in September 2021 and by the EUMergerControl Commission in November 2021. DP World envisions taking over Imperial by February 2022.

Through the acquisition, DP World will have enhanced its capabilities in Africa, building on its extensive infrastructure of ports, terminals, and economic zones. In addition, the acquisition will accelerate DP World's transformation into an advanced logistics company.

According to DP World, the acquisition of Imperial will create Africa's best network across inland logistics, ports and terminals, economic zones, and marine logistics. In addition, it aims at improving connectivity between African producers and the rest of the world.<sup>22</sup>

DP World's interest in Imperial lies in the latter's significant presence in Africa, where trade will grow at more than double the continent's GDP. Factors such as population growth, accelerated urbanization, and a rising middle class will drive this growth. DP World believes that Imperial's business is closely aligned with its existing footprint in Africa and Europe and will allow DP World to deliver a "fully integrated end-to-end solution to cargo owners across a wider market."

According to Mohammed Akoojee, Group Chief Executive at Imperial Logistics, Imperial's international logistics business and operations are aligned with DP World's strategic expansion plans in Europe. He believes that combining DP World's infrastructure, investment, and competence in ports on the African and European continents with Imperial's logistics and market access platforms will enable them to offer integrated end-to-end solutions along key trade lanes into and out of Africa. In addition, it will accelerate Imperial's position in Europe, driving greater supply chain efficiencies and enhancing value for all stakeholders.<sup>23</sup>

## **DP WORLD PARTNERS WITH CDC GROUP TO CREATE INVESTMENT PLATFORM FOR AFRICA**

Funding and access to grow its footprint in Africa would always be a challenge for any organization. DP World announced in October 2021 that it had partnered with the CDC Group, a development finance institution and impact investor from the United Kingdom (UK), to create an Africa investment platform. DP World's long-term commitment to Africa and the significant opportunity for future growth it sees in the continent drive this strategy.

Both parties have made significant investments in the partnership. DP World has contributed stakes in three existing ports (Dakar, Senegal; Sokhna, Egypt; and Berbera, Somaliland). and will invest a further US\$1 billion over the next few years. In addition, it has significant capacity expansion plans. The trade enabled through these expansions will create an additional 138,000 employment opportunities in the wider economy.

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<sup>22</sup> <https://www.dpworld.com/news/releases/dp-world-broadens-logistics-reach-in-africa-with-proposed-acquisition-of-imperial-logistics/>

<sup>23</sup> <https://www.aircargonews.net/business/acquisitions/dp-world-to-expand-africa-and-europe-presence-with-imperial-acquisition/>

CDC has committed US\$320 million and will invest an additional US\$400 million over the next few years. It will own minority stakes in the three ports, with DP World handing over shares in each. They see the partnership as an opportunity to focus on modernizing and expanding ports and logistics with strategic importance to Africa, both at seaboard and inland. These include seaports (origin and destination), economic and free zones and business parks, inland cargo handling facilities or dry ports, and inland transport and container depots.

According to a statement from DP World, these investments will increase trade, create new job opportunities, and broaden access to essential goods.

DP World sees this platform as aligned with its partnering strategy with organizations that offer complementary expertise and share its vision of enabling trade and driving economic and social development. It views the partnership as enabling "increased investment in ports and logistics infrastructure across Africa, driving efficiency and trade growth. The partnership will create transformational opportunities for tens of millions of people over the next decade."

CDC is a UK Government-owned institution to support business growth that lifts people out of poverty and delivers financial returns. It is driven by a vision of dealing with inadequate ports and trade bottlenecks in Africa that are limiting "economic growth in some of the world's fastest-growing economies." They believe the partnership with DP World will support "entrepreneurs and businesses to accelerate growth with access to reliable trade routes and will help African consumers benefit from the improved reliability and reduced cost of vital goods and food staples."<sup>24</sup>

The joint investments will be expanded into the rest of Africa, hopefully accelerating inbound and outbound trade for Africa. According to CDC, the upgrade of the three ports will "improve access to vital goods for 35 million people, including in neighboring countries, support 5 million employment opportunities, and add US\$51 billion to total trade by 2035."<sup>25</sup>

CDC viewed DP World as a suitable partner due to the latter's experience of more than 20 years in the development and operations of ports and infrastructure, providing logistics solutions in Africa and elsewhere. DP World also has a proven track record using this partnership model in other regions. In addition, DP World can increase port capacity by identifying efficiency gains and bottlenecks to unlock in the overall supply chain.

As to the reasons for the selection of Berbera, Dakar, and Sokhna, CDC explained as follows:

- Expanding the Port of Berbera will increase its potential as a regional trading hub, in the process driving much-needed development in Somaliland and supporting the growth of Ethiopia, thereby creating a positive knock-on effect in the Horn of Africa.
- Expanding the Port of Dakar will alleviate the pressure on other West African ports. Currently, hinterland trade routes are deprived of opportunity. At the same time, Dakar itself is flooded by more than 1,000 trucks entering the container terminal daily, causing supply chain disruptions and increasing the

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<sup>24</sup> <https://www.dpworld.com/news/releases/dp-world-partners-with-cdc-group-to-create-africa-investment-platform/>

<sup>25</sup> <https://www.reuters.com/world/africa/dubais-dp-world-britains-cdc-jointly-invest-africa-2021-10-12/>

cost of essential goods. Subsequently, the project will support trade with Mali and help Senegal become a hub of economic activity for the region.

- The expansion of the Port of Sokhna will establish Egypt as a global logistics and manufacturing hub, support Egypt's trade with the Middle East and Asia, and boost industrial growth at the Suez Canal and New Cairo.<sup>26</sup>

## CONCLUSION

Africa presents many opportunities for prospective investors. Geographically it is enormous, and many of the world's largest countries can easily fit on the continent. However, distances are vast, making trade with itself difficult. This problem is exacerbated by poor transport infrastructure linking the 54 countries and the prevalence of poor trade regimes. In addition, the current population of Africa is approximately 1.3 billion, which will jump to 2.4 billion by 2050 and over 4 billion by 2100.

Africa's population is also urbanizing at a high rate. The current urban population is approximately 49% of the total population and will grow to about 58% by 2050. In addition to this phenomenon, there is also strong growth in the consumer class on the continent.

The above three factors combine to place severe pressure on the continent's ability to feed itself and act as a magnet for exporters from within and abroad.

The current level of intra-African trade is at approximately 15%, which compares poorly with the EU, North America, and Asia. The AfCFTA was created to help Africa improve its ability to trade with itself. In addition to dealing with trade regulations and documents, there is also a focus on dealing with transport infrastructure, i.e., roads, rails, ports, and airports. Poor transport infrastructure is not a new situation, as China's Belt and Road Initiative (BRI) has created an impetus for developing ports, railways, and roads. However, Africa still needs much more transport infrastructure than what is currently available. Recent reports by the African Development Bank estimate an annual infrastructure investment requirement in Africa of between US\$130 and US\$170 billion.

Therefore, the approach by DP World to focus on tapping into the opportunities that present themselves due to the challenges indicated above makes a lot of sense. DP World has targeted various countries in Africa, including Senegal in West Africa, the DRC in Central Africa, Angola, Namibia, Zimbabwe, and Mozambique in Southern Africa, and Kenya, Rwanda, and Somaliland in East Africa. These developments are in addition to existing hubs in Algeria, Egypt, Nigeria, and South Africa. A glance at the map of Africa indicates that the company is well-positioned to benefit from moving cargo and goods in Africa. Nigeria, Egypt, South Africa, and Algeria represent the four largest economies in Africa. Kenya is the largest economy in East Africa, while Angola and the DRC have sizeable economies with considerable potential. The fossil fuel potential in Namibia and the gas in Mozambique speak for themselves.

An exciting development from DP World is the move into e-commerce in East Africa. E-commerce has been picking up on the continent, although delivery has always been challenging. With its logistics hubs in Africa, DP World can be a significant player in

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<sup>26</sup> <https://www.cdcgroup.com/en/news-insight/news/answering-your-questions-on-our-partnership-with-dp-world/>

this sector. It is interesting to note that DP World started off the business in the small country of Rwanda, which has a population of only 12 million people and a GDP of US\$10 billion. However, the country is well-governed, ranked as the safest in Africa, with a strong IT and digital technology sector. The country also has very low levels of corruption relative to the rest of Africa. These factors in Rwanda make it ideal to launch such an e-commerce business and iron out the potential problems inherent in a start-up.

On the other hand, Kenya has a much larger population (53.7 million) and economy (US\$98.84 billion). It has also embraced online purchasing. It, therefore, makes sense to expand into the economic powerhouse of East Africa. Moreover, with the onset of the Covid-19 pandemic, e-commerce will grow in leaps and bounds in Africa, making moving into this sector potentially very lucrative. In addition, the prevalence of smartphones and cheaper data will boost e-commerce activities on the continent.

DP World's decision to research becoming involved in the railway sector in Zimbabwe is another interesting development. China has been quite involved in building railway lines in East Africa (Ethiopia, Kenya, and Tanzania), indicating a massive need with potential profits. Zimbabwe is struggling with its infrastructure (not only in transport) and will embrace any support it can get. Public-Private Partnerships (PPPs) are a good way of dealing with this need. Railway lines linking landlocked countries with seaboard ports and even the various regions within countries are in high demand.

DP World has also moved beyond being purely a port operator. Instead, it is a logistics player, creating trade corridors, free trade zones, and business parks. These are all challenges facing Africa in its endeavors to not only trade with the rest of the world, but mostly with itself. The decision to involve the CDC Group from the UK will support its funding to roll out its expansion strategy in the logistics sector within Africa. At the same time, the acquisition of Imperial Logistics will give it a jump start and allow it to grow beyond organic methods.

DP World has utilized various strategies to achieve its objectives. These include the following:

- Organic growth
- Joint ventures
- Partnerships
- Acquisitions
- Moving into new industries and new regions
- Public-Private Partnerships

Africa will ultimately be the beneficiary of DP World's expansion strategy on the continent. The company's actions will boost the implementation of the AfCFTA and provide decision-makers with an alternative to China. In addition, the investments by DP World can support post-lockdown infrastructure-led economic recovery policies by African governments. As a result, the governments of Africa should welcome the benefits of growing employment opportunities and higher economic growth.

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