



Sub-Saharan Report [Business Plus]

These reports are by Mr. Ryota Kikkawa, an expatriate employee working in Johannesburg with a view across the region.

Business Plus

With a growing population, abundant natural resources, and enormous infrastructure and industrial development potential, Africa, particularly sub-Saharan Africa, has been called the "Continent of Hope". In Marubeni's mid-term management plan, "Global Challenge 2018", sub-Saharan Africa has been cited as an important region to actively pursue opportunities to lay the groundwork for future business.

The Marubeni Research Institute has modified the "Sub-Saharan Report", which basically presented an overview of sub-Saharan countries, to focus on the latest business trends and prominent business models in the region, including Marubeni's own businesses. This revised version is called "Sub-Saharan Report [Business Plus]".

Airport Infrastructure: Marubeni's Kamuzu (International) Airport Expansion Project in Malawi

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In Africa, there is concern over the lack of airports which are an essential part of transportation infrastructure. As such, I would like to introduce the Kamuzu Airport Expansion Project in Malawi which is being carried out by Marubeni Protechs (note 1).

The Rapidly Developing African Air Transport Market

According to the International Air Transportation Association (IATA), in 2017, the number of airline passengers worldwide exceeded 4 billion for the first time. As the world continues to integrate, the number of airline passengers is expected to grow at a 3.8% annual clip and nearly double to around 7.8 billion over the next 20 years. By region, airline passengers are most numerous in Asia accounting for about half the world's total. On the other hand, in terms of future growth, the fastest growing region for airline passengers will be Africa. While the number of airline passengers worldwide is expected to increase at a 3.8% rate, in Africa it will grow at a 5.9% pace, increasing from 130 million air passengers today to 400 million in 20 years time. In particular, a group of 15 countries in sub-Saharan Africa, including Ethiopia, Tanzania, Uganda, Rwanda, Mozambique, Malawi, the Ivory Coast and Senegal, is expected to see especially strong growth of about 7.2% a year, with the number of airline passengers doubling every 10 years.

The background to the increase in airline traffic in Africa is expanding tourism from outside Africa, a rise in the number of overseas travelers from Africa and greater inner-Africa travel.

The tourism industry is key to attracting passengers from outside of Africa. There are many attractive sightseeing resources in Africa including safaris with such wild animals as lions and elephants and very diverse number of unique local ethnicities with which to have exchanges. According to the United Nations World Tourism Organization (UNWTO), tourism in sub-Saharan Africa has been growing rapidly, having exceeded 40 million visitors in 2017. The famous Maasai people in Kenya, Victoria Falls, the world's third largest waterfall, in Zimbabwe and the resort island country of Mauritius are just some of the powerful attractions that are driving the expanding tourism industry in sub-Saharan Africa. In South Africa, famous for its safaris, the current president is introducing tourism promotion policies to further develop the tourism industry in the country.

Many countries in Africa are now in the midst of efforts to bolster their tourism industries, with the number of tourists visiting Africa expected to accelerate. And, although currently small in absolute numbers, the number of overseas passengers from Africa has been growing in recent years as income levels rise with the possibility that the pace of expansion will eventually exceed that of Asia (table 1).

Table 1: Number of Outbound Airline Passengers by Region

	2015	2017	Average Rate of Increase (2015 - 2017)
Europe	580	635	4.6%
Asia	293	330	6.1%
North/South America	200	221	5.1%
Middle East	39	40	1.3%
Africa	36	42	8.0%

Source: IATA

In sub-Saharan Africa, the population of urban and rural areas is unevenly distributed. However, it is predicted that migration from rural areas to urban areas will progress due to increased industrial development in and around urban areas. As a result, in the mid-term the current urbanization rate (urban population/total population) of 40% will exceed 50%. However, there is a lack of transportation infrastructure such as trains in sub-Saharan Africa, so there is a need for new and improved air transport facilities and infrastructure, especially to support long distance domestic travel.

Countries in Africa are promoting efforts to make air travel easier by simplifying entry and exit procedures and increasing the number of regional flights. In January of 2018, the African Union (AU) launched the Single African Air Transport Market initiative aimed at promoting the regional integration of air transport as part of its long-term development vision “Agenda 2063”. By October of 2018, 26 countries had announced their participation in the initiative with the number of participating countries eventually expected to exceed 40. As African integration advances, not only will there be the inner country movement of people, but also the movement of people across borders within Africa should greatly increase

Efforts Toward Sub-Saharan Africa’s Weak Airport Infrastructure Environment

While the number of air passengers are expected to expand rapidly in sub-Saharan Africa, there are worries that the airport facilities and infrastructure will be lagging and not able to accommodate them. Not only are the airports in sub-Saharan Africa few in number, most of the main airports were constructed many years ago and are rapidly aging. Furthermore, since most of these airports have not been expanded despite the increase in air passengers, they face the problem of extreme congestion.

To improve this weak airport infrastructure environment, various international organizations have been supporting airport construction in sub-Saharan Africa. In particular, the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA) have been actively cooperating on airport construction and refurbishment in sub-Saharan Africa having poured billions of dollars of financing into it in such countries as Kenya, Tanzania, the Democratic Republic of the Congo, Cameroon and others. Also, China, through its “One Road, One Belt” initiative, is

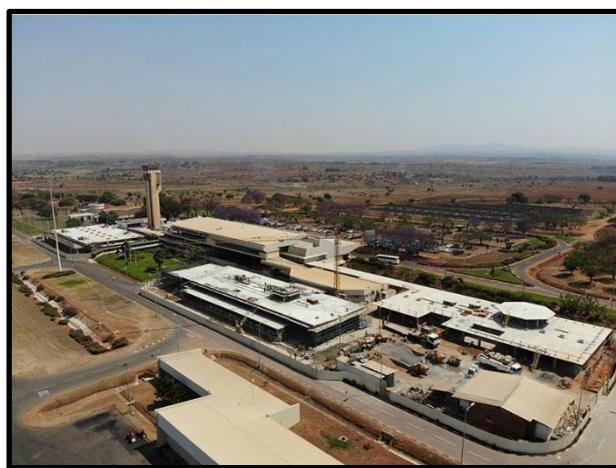
proceeding to construct infrastructure, including airports, in a great many sub-Saharan African countries, having already started such airport construction and rehabilitation projects in Zimbabwe and a number of other countries.

On the other hand, voices in Africa expressing their wariness at becoming too dependent on loans from China have been increasing in recent years. Most recently, the president of Sierra Leone has put off the planned construction of the Mamamah Airport utilizing a \$400 million loan from China. While the wariness of using Chinese money is rising, procuring the funds needed to expand sub-Saharan Africa's airport infrastructure remains an urgent issue.

The Kamuzu (International) Airport Expansion Project in Malawi

The Kamuzu Airport in Malawi is no exception to the airport situation in sub-Saharan Africa; it was in dire need of expanding its capacity and refurbishing its facilities. This airport is the largest international airport in Malawi. Although the airport can accommodate 300,000 passengers a year, it exceeded its capacity in 2015 and passenger traffic is expected to reach 450,000 by 2025, so it has had a pressing need to expand its capacity. The terminal building has deteriorated considerably as it has not been renovated since being built 30 years ago and the airport had safety concerns.

Given this situation, the government of Malawi turned to Japan for financial cooperation in expanding the airport and received funding through a grant aid scheme with the Marubeni Group (Marubeni Protechs) receiving the order for the expansion and refurbishment. Besides international arrival and departure terminals, a domestic terminal will also be constructed along with the rehabilitation of the existing terminal building at the airport. By enlarging the capacity, improving efficiency and ensuring safety this project should contribute to the promotion of air travel in Malawi. Also, as the aircraft surveillance system at the airport was not operating and had to be monitored manually, this project also includes the introduction of a new aircraft surveillance system in addition to the airport expansion making it quite a large project. Currently, the 3 new terminals have essentially been completed with the just some final touches of construction work left. The entire project, including refurbishment of the existing terminal, is expected to be completed by August of 2019.



Pictures 1: Kamuzu Airport under construction and rehabilitation.
Picture courtesy of Marubeni Protechs



Drawing 1: Image of Kamuzu Airport after project's completion.
Drawing courtesy of Marubeni Protechs

Marubeni Group's Future Infrastructure Initiatives in Africa

(Mr. Yamane, a Marubeni Protechs expatriate in Africa)

While Africa faces such problems as poverty and conflict, high economic growth that has averaged about 5% per annum since 2000 has led to dynamic changes in the continent. To support these changes, such as lifestyles and the movement of people, improvement in Africa's infrastructure, including airports, is indispensable. It is said that for Africa as a whole, demand for infrastructure will be on a scale of about \$100 billion per year. The Japanese government is now actively supporting sustainable growth and poverty reduction in Africa. At the Ministerial Meeting of the Tokyo International Conference on African Development (TICAD) held last October 7th, Japan emphasized the importance of high quality Japanese infrastructure in supporting Africa's growth (note 3). So, in response to this vast infrastructure demand in Africa the Marubeni Group aims to continue to actively explore potential projects, especially ODA based ones, not only in the air transport sector, but in a wide range of other fields as well (medical, counter-terrorism, and disaster prevention equipment and facilities among others).

Note 1: Malawi is a small country located in southern Africa. For details please refer to our past Sub-Saharan Report on Malawi.

Note 2: According to the China Africa Research Initiative, Africa's debt to China is rapidly growing, having increased by \$3 billion in 2016 alone. Responding to this situation the IMF stated that Africa may be headed for a new debt crisis. It warned that the number of countries in Africa whose debt has reached critical levels has doubled in the last 5 years.

Note 3: The 7th Tokyo International conference on African Development (TICAD 7) is scheduled to be held in Yokohama in 2019 from August 28th to the 30th.



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In order for the Marubeni Research Institute to acquire first hand information from the field and contribute to the company's strategy, young Marubeni staff well-versed in economic and industry analysis have been posted to the region.

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