The private sector, driving force of Africa’s growth
P R E F A C E

Dear Friends,

Thanks to you, this year’s AFRICA CEO FORUM was once again a great success. More than 700 participants from 57 countries placed their confidence in us and actively contributed to this second edition, held in Geneva from 17 to 19 March.

Many chief executives were present. Their involvement is further proof of the vitality of the African private sector and of the global interest in its development.

Competitiveness, local processing, intra-African investment and, indeed, Africa’s financial capacity – vital ingredients in the promotion and continued expansion of the African private sector – were all on the agenda.

The proceedings were rich, intense and substantive. With the global economy still in flux and the performance of African champions slowing down, the discussions represented a more clear-headed and measured response to Africa’s growth and attractiveness. Despite the challenges, the vast majority of you are optimistic about the future of your businesses and of the continent more generally.

It was our desire to share with you, especially those unable to participate in all of the discussions, the outcomes of this latest AFRICA CEO FORUM.

Together, we chose this year to reassert the importance and the power of the African private sector, the voice that you represent. This document aims to synthesise and thus reinforce your aspirations, suggestions and recommendations.

As you know, the third edition of the AFRICA CEO FORUM will be held in Africa in 2015. In the coming weeks, we will inform you of the dates and venue of this next edition, which we hope to make a regular event, tailored, as always, to your needs.

This is your Forum. Join us in developing it further and let us know what topics you would like to see included in next year’s programme.
Africa is experiencing growth...
But growth in what way?

With the IMF recording GDP growth at 6.5% in 2014, Africa should maintain the performance levels it has been achieving since the turn of the millennium. Annual growth in Africa averaged 5% for the period 1999–2012. Even though this is half the rate of China, the continent has been showing better results internationally than those of emerging countries.

However, the picture looks quite different in the context of GDP per capita. Taking into account population growth across the continent, annual GDP growth per capita for the same period is only 1.8%. Based on this indicator, Africa is not doing anywhere near as well as the emerging countries.

From a historical viewpoint, Africa’s performance is not as exceptional as it might seem. The continent has previously experienced a long period of strong growth, from 1960 to the mid-1970s. The collapse of African economies during the 1980s is a reminder that nothing should ever be taken for granted.

The challenge is now to intensify the dynamic of the past ten years and improve the capacity to create wealth and employment so that economic development far exceeds population growth. This is the key to Africa’s competitiveness.
Six basic ingredients

Economies are more competitive when businesses are more competitive. And businesses are more competitive when:

- the rules of the game are clear – and fair,
- employees are skilled,
- the cost of services to the business sector (transport, electricity, etc.) are reasonable,
- consumers are accessible – within each country and across the continent.

As regards Africa, the above principles, according to Francisco Ferreira, Chief Economist for Africa at the World Bank, translate into six conditions which concern both the private sector and the public authorities equally.

1. Political stability and better governance

Considerable progress has been made in these respects, but several grey areas and pitfalls remain. With the outbreak of hostilities in South Sudan, Mali and the Central African Republic, the number of conflicts on the continent is on the rise. According to the World Bank, 19 of the 36 most fragile States in the world are currently to be found in Africa. Over and above their human impact, the economic consequences of such situations are much more serious than they might seem: a country at risk puts off investors, lending rates are higher, and financing is much harder to obtain, including for infrastructural reconstruction when peace eventually returns. Moreover, these situations reinforce the widespread image of Africa as a risky place to do business.

We, Africans, need to take the lead in telling our story, explaining the situation but also combatting some of the misconceptions of the continent.

DONALD KABERUKA
African Development Bank

Brand Africa is part of our problem. It is our fault because we don’t know how to promote our narratives.

CARLOS LOPES
United Nations Economic Commission for Africa
2. The danger of debt

Between 2007 and 2013, in order to cope with the international financial crisis and maintain growth, African governments, for the most part, increased their budgets and thus their deficits. Now that the situation has improved, they should do the reverse to avoid falling back into a spiral of debt that could prove much harder to control than the debt itself, which is more frequently situated in the international capital markets. This is all the more true since commodity prices, apart from oil, which underpinned growth over the last decade, are not as favourable as before.

Macroeconomic stability
Current account and fiscal balances in SSA MICs, 2007 and 2013

SSA countries responded to the global financial crisis with expansionary fiscal and monetary policies. This led to growing budget and current account deficits. As commodity prices and global liquidity recede, it is time to rebuild buffers.

3. Human capital, still a weak link

If levels of school enrolment in Africa have significantly improved in recent years, there remains much to be done in terms of improving the quality of education and its relevance to the labour market. Companies should work more closely with universities to define relevant skills training tailored to their future labour market needs.

Mo Ibrahim
Mo Ibrahim Foundation

The question is: what education? Our problem is the mismatch between what we are teaching our kids and what are the job requirements. I keep asking the African universities: “When was the last time you sat with business people to ask them: where are the jobs, what kind of jobs will be needed in ten year’s time?” Not a single university rector has this kind of dialogue with the business community. All the people in education departments come from a bureaucratic background and they think that studying Shakespeare or Molière makes people educated. Great! But this does not create workers.
4. Reduced production costs

Basic services such as water, electricity, Internet and road transport are two to seven times more expensive for African businesses than for their Asian counterparts. The solution is not only to attract funds to correct infrastructural weaknesses in Africa. It is also important to define economic models which contribute to a reduction in costs, for example by strengthening competition in all of these service sectors, to give businesses better working conditions.

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**Asia, 2 to 7 times less expensive than Africa**

Median prices to final user in Africa (relative to South Asia)

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<th>Service</th>
<th>Ratio of Prices</th>
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<tr>
<td>Power</td>
<td>7</td>
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<tr>
<td>International call</td>
<td>6</td>
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<tr>
<td>Water</td>
<td>5</td>
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<tr>
<td>Road freight</td>
<td>3</td>
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<tr>
<td>Internet dial-up</td>
<td>2</td>
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<tr>
<td>Mobile telephone</td>
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Causes include lack of scale economies, geographic fragmentation and lack of competition. Consequences include higher costs transmitted downstream to infrastructure users, and hence reduced competitiveness and diversification.

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**CAN WE REPLICATE THE ASIAN MODEL?**

As presented by Jean-Pierre Lehmann, Professor at IMD Lausanne, the “ten commandments”, the rules or behaviour which have been observed in the Asian countries as having contributed to the success of their long-term development, are:

- patriotism,
- responsible elites,
- open-mindedness
  (a strong willingness to learn, to progress),
- diversity,
- openness to the outside world (seeing everything as an opportunity),
- pragmatism (vs ideology),
- total quality (administration, production, environment, etc.),
- finance to serve real economy (not vice-versa),
- investment (education, health, infrastructure),
- defining/knowing comparative advantage.

Nevertheless, it should be noted that most of the Asian success stories were made possible because the countries had long operated protectionist policies, favouring exports and restricting imports. Today, this is no longer possible; everything flows freely in the world, be it products or money. You can no longer practise pure and simple protectionism. However, many economists advocate for an intra-African free-trade area – to allow for “smart protectionism”. States remain sovereign and can therefore impose trade barriers, through tariffs or otherwise, on those products they would like to see developed locally.

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“We are neither a dead nor an extraordinary continent. We are somewhat competitive, but we still have a way to go. We have spoken about logistics and about training. These are essential elements.”

MOULAY HAFID ELALAMY
Minister of Trade, Investment and the Digital Economy, Morocco

“Africans do not have a global vision of development. For me, the most important thing is the economic integration of Africa.”

KINGSLEY MOGHALU
Central Bank of Nigeria
5. A more equitable distribution of the benefits of growth

According to the World Bank, seven out of the ten most unequal economies in the world are currently in sub-Saharan Africa. This means that whole segments of the population do not have the possibility of participating in domestic demand, of taking part in this consumer market, of investing in their own or their children’s education and, consequently, of improving their own situation.

6. Economic diversification is not the only solution

Many observers place a high priority on economic diversification in Africa. But this should not be the only economic objective. It would not be possible to achieve this goal if the conditions outlined above are not in place. If electricity remains expensive, if road transport remains inefficient, if employees are not sufficiently qualified, it will be impossible to achieve this diversification. Therefore, the priority is to develop industries built on strong comparative advantage, so that they may compete with Chinese industries or those of emerging countries.

“There is a very simple rule of capitalism – profit. In this respect, Africa is profitable. The more competitive and integrated it will become, the more profitable it will be.”

Lionel Zinsou
Pai Partners

“…”

For the time being, major infrastructure projects in Africa are funded by international investors. States provide the projects, but ultimately the investor dictates the rules. We should be telling our governments to turn first of all to African financial institutions so that we impose rules that are more favourable to Africa.

Henri-Claude Oyima
BGFI Bank

“…”

We need to put in place a system whereby African actors are given preference in major structural projects.

Roger Sahyoun
Somagec SA

INFRASTRUCTURAL DEFICIT: A HEAVY TOLL

Inadequate infrastructure deprives Africa of 2 points of GDP growth annually. Businesses could see gains of 40% in productivity with the appropriate infrastructure. Only 10% of trade in Africa is inter-regional (70% in Europe, 50% in Asia)...

For Africa to address this deficit, US$ 93 billion would need to be invested every year. Indeed, this is the amount of investment that China has made every year over the last decade. In order for electricity production alone to catch up, US$ 38 billion would need to be invested annually in Africa.

“…”

Lionel Zinsou
Pai Partners

Henri-Claude Oyima
BGFI Bank
In the long term, in 30 to 40 years, the global economy will be a knowledge economy. The issue of education is a long-term undertaking. Education is undoubtedly what has helped some countries succeed more than others.

PASCAL LAMY
Former Director General of the WTO

How can we be more competitive than China? Let’s say that China is the same as Africa, we have the same size of population. But China is one country, whereas in Africa, there are borders between the 54 countries and countless other barriers. As such, there is no way to match China.

MO IBRAHIM
Mo Ibrahim Foundation
MAURITIUS: A SPECTACULAR SUCCESS STORY

In 1968, the per capita GDP of Mauritius was US$ 270. Today, it is US$ 9,400. Mauritius, an island of 200 km², is the most competitive economy in Africa. At the root of this success are economic policies that are clear, stable, open and pro-business, placing Mauritius 20th in the World Bank’s Doing Business ranking, far ahead of Rwanda – 32nd – which was nevertheless listed as one of the best reformers of 2014. Here are some of Mauritius’s comparative advantages:

- belonging to the trade blocks COMESA and SADC, which gives access to 600 million consumers with preferential customs tariffs,
- a network of 44 non-double taxation agreements (of which 19 are in Africa) and 39 foreign investment protection agreements (of which 19 are in Africa),
- a single tax rate of 15% on business and income,
- reliable infrastructure, a sophisticated telecommunications network and a qualified and bilingual labour force,
- an independent judiciary, robust financial institutions and a globally recognised stock exchange.

But far from being content with its initial successes, the Mauritian government has continued to introduce new measures to further strengthen the country’s attractiveness:

- visa exemption for business leaders from 48 African countries,
- tax exemption for companies that export 100% of their production to sub-Saharan Africa,
- government subsidies of 25% on freight costs and 50% for export credit insurance,
- lastly, to alleviate possible financial difficulties, the creation of the US$ 20 million Mauritius-Africa Fund, which will invest in up to 10% to the capital of companies participating in projects in Africa.

With all these measures, Mauritius has given itself the means to consolidate its reputation as a hub for Africa.

Mauritius’s success depends on our stability. Our economic policy is totally predictable.

CADER SAYED-HOSSEN
Minister of Industry, Commerce and Consumer Protection, Mauritius
Africa won its gamble on the mobile telephone market. Use of the technology has accelerated the modernisation of several sectors, including finance, agriculture and health. Now Africa has to take up the challenge of high-speed Internet, both in the areas of infrastructure and skills. These are the prerequisites for improving the competitiveness of African businesses.

The digital divide – as wide as ever

Here’s an overview of the digital revolution. This graphic presents the possibilities of digital development from its simplest form today, such as a website, to highly sophisticated applications, such as augmented reality, from processing and data storage (Big Data) to online services. Each of these developments corresponds to applications, peripherals and infrastructure which can improve the competitiveness of businesses.

But, in 2014, the level of Internet access across the continent has reached a mere 18% of the population, compared with 27.5% in Asia and 63.2% in Europe (the global average is 34.3%). The digital divide remains a significant handicap for Africa... And a major challenge to take up!
High-speed and content: Africa’s newest challenges

Africa was able to tap into a worldwide phenomenon, a new wind blowing in the telecommunications sector that allowed it to develop further. But two critical challenges are still preventing it from overcoming the digital divide.

The first challenge is physical equipment. Ultra high-speed broadband is indispensable for the future, and mobile networks will not fix everything. If Africa does not have ultra high-speed fibre-optic networks in place across the continent, even if only to supply 4G mobile, and even proper 3G, but also all the IT platforms of businesses and schools, it risks missing the boat. All African stakeholders must be aware of this reality and these challenges, and governments must lift regulatory and legislative barriers in order to attract investment in ultra high-speed broadband.

The second challenge concerns content. Today, apart from some regions that have developed their own content, the sector is dominated by major American players. Nevertheless, the manner in which Africans have adopted the mobile telephone is a positive sign. Access to financial services and e-health applications are already important areas of development of the ICT sector in Africa. The continent still has numerous challenges – poverty, health, education, gender equality – to overcome, but it is already coming up with tailored solutions, made in Africa. But if the digital revolution is taking place in these areas, it is only beginning to impact on the productivity of African businesses.

Don’t chase technologies, chase solutions.

BOB COLLYMORE
Safaricom

The main questions are the business model and the actors that will enable these new markets to reach the same level of development as mobile telephony. They must be profitable for investors and governments, and useful for businesses and consumers.

SAF YEBOAH AMANKWAH
McKinsey
It is the digital revolution that will unleash the potential of African businesses and the continent’s growth. But on two conditions: that networks will cover the entire continent and that applications respond directly to the needs.

**Abdeslam Ahizoune**
Maroc Telecom

For Maroc Telecom, the key to success in Africa lies in South-South cooperation. This enabled us to overcome many hurdles: we were aware of the risks but also of the potential.

**Abdeslam Ahizoune**
Maroc Telecom

When will Africa catch up? We won’t, we will lead the way…

**Ashish J. Thakkar**
Mara Group

It is an evolution and revolution at the same time. This is what makes Africa so unique. There is no template we should follow. It is a white board that you can chart your own part on.

**Gilbert Saggia**
Oracle
Accelerating financial integration

African champions must have access to bigger markets and more consumers with a higher purchasing power than is the case today. The progressive convergence of financial markets is a fundamental step in achieving real economic integration in Africa.

An essential element for business growth

At present, African systems are noted for the restrictiveness of their financial markets, often under-capitalised and with limited liquidity. Furthermore, the cost of credit is high and there is a very weak mobilisation of medium- and long-term resources. Real, Africa-wide financial integration would allow capital markets to play their full role in the financing of growth, investments and ultimately the transformation of the continent. This is not utopian: the shared desire in Africa is to move from an economy of debt to a market economy. It is an important change of direction along the road to integration.

LESS THAN 1% OF THE WORLD STOCK MARKET CAPITALISATION

- 23 stock exchanges.
- US$ 610 billion of capitalisation, which represents less than 1% of global capitalisation (25 times less than the New York Stock Exchange or 7 times less than the London Stock Exchange).
- While representing 30% of the continent’s GDP, and rising strongly, this ratio remains weak compared to other countries: 115% in the USA, 70% in France, 45% in China (excluding Hong Kong at 420%).
- The highest stock exchange increases in the world: over 80% in one year in Ghana, 43% in Nigeria, 46% in Kenya and 40% for the Regional Stock Exchange (Bourse régionale des valeurs mobilières, BRVM) which is the outcome of regional integration bringing together the businesses of eight Francophone West African countries.

Today, an African champion is not defined by its size, but by being present in several African countries. It is important, therefore, to facilitate for African champions access to African capital. We all agree on the objectives. It is now time for action.

Paul-Harry Aithnard
Ecobank

For African champions to emerge, greater financial integration is essential. It is our duty to create an enabling environment by opening up markets and harmonising regulations.

Lucas Abaga Nchama
Bank of Central African States
First steps towards regulatory harmonisation

This financial integration needs specific infrastructural development. The banks have already played their part by establishing certain elements of this infrastructure, such as the real-time transaction systems (RTGS – Real Time Gross System). But these should now be integrated at a regional level to reduce the costs of transactions and improve the efficiency of financial markets and monetary policies.

For the African Development Bank, which is a strong supporter of financial integration, two priorities should be addressed:

- The establishment of a unified surveillance system of credit risks. It is being slowly assembled, but the rapid adoption of a continent-wide system would reduce the costs and improve the efficiency of credit rating.

- The creation of a central securities depository to facilitate the functioning of financial markets. Even if most African stock exchanges have mastered e-listing systems, they cannot yet exchange their information at the regional level (except for SADC and the EAC).
Three priorities for the continent’s financial integration

Most African countries have by now adopted the international norms for financial information (IFRS) which allow comparison of data between two regions of the continent on the same accounting basis. Within financial markets, data analysis of listed companies is the same no matter the stock exchange. But other changes are needed to enhance information sharing between stock exchanges.

- **Convertibility of African currencies**
  West African monetary union is at the heart of the BRVM’s success, but the euro zone crisis has led to a wait-and-see approach by other African regions. The issue of national sovereignty remains an issue, but the convertibility of African currencies among themselves is imperative to strengthen trade and investments within each zone and ultimately across the entire African continent.

- **Fiscal harmonisation**
  Companies should be treated in the same manner from one end of the continent to the other and banks should follow the same regulations. Some bridges have already been established, the bank regulators within a region are aware of the situations and cooperate, but these policies need to be reinforced to allow for healthy competition.

- **Strengthening of financial markets**
  Among the means to strengthen financial markets are national privatisation policies. States are already aware of the importance of stock markets in underpinning the functioning and financing of economies. They need to privatise further through initial public offerings – while retaining a share of the capital – to create a ripple effect on other companies and facilitate a rapid increase in the number of securities on the stock market.

At the same time, States should privatise the stock exchanges. The shareholders will thus be in a position to influence institutional strategies based on future profitability prospects, which will have an immediate impact in terms of expanding financial markets.
Encouraging progress

African financial integration is perhaps not as far off as it might seem. The advent of sound pan-African or regional banks is proof of progress that could help to accelerate financial integration. The Africanisation of banking competences is undeniable, even if there are still not enough African experts and their interventions are generally limited to one region. Cross-listings have been set up between financial centres, particularly between West and East Africa.

The creation within the Economic Community of West African States (ECOWAS) of a council for the integration of the capital markets of the UEMOA (BVRM), Ghana, Nigeria and Sierra Leone is one such initiative headed in the right direction. If it was integrated today, this market would be the second stock-market capitalisation on the continent after Johannesburg. The council must implement three successive phases: the access of brokers to all quotations (between now and 2015), a unique licence for brokers; and the creation of a common platform for quotations.

Similarly, the Bank of Central African States (BEAC), part of the Central African Economic and Monetary Community (CEMAC), has taken several measures to consolidate its role as central bank, including the centralisation of information on payment balances and incidents, as well as the interconnection of payment systems with the UEMOA – the two monetary zones have the CFA franc in common. In order to stimulate the regional financial market, the BEAC is also supporting the merger of the stock exchanges of Libreville and Douala, which should be operational in 2015.
Africa’s immense agricultural and mining riches are still exported in unprocessed form, while it continues to import its food and many other finished products. To reverse this trend and foster the creation of added-value and jobs across the continent, a profound process of change, involving the private sector and public authorities, is essential.

**From agriculture to agribusiness**

The evidence is beyond dispute: while it hosts around 15% of the world’s population, Africa produces 3% of the Earth’s flour, 6% of its grain, 7% of its corn... In 1981, Africa’s status changed from exporter of food products to importer. Over the last 40 years, its agricultural production has grown on average by 2.5% a year. The result is that Africa imports annually more than 800 million tonnes to feed itself. This represents a cost of US$81 billion, against US$45.2 billion of exports – a negative balance of US$36 billion. Corn, palm oil, flour, sugar and rice alone represent US$32 billion of imports. In summary, Africa does not even produce the five products that it consumes the most, while it boasts significant amounts of fertile land, every climate imaginable and a large rural population... Combined with an unemployment rate hovering near 40%.

However, the abundance of arable land and the low productivity of African agriculture also present a unique opportunity. According to a study by McKinsey, African agriculture’s share of GDP, which currently stands at US$280 billion, could reach US$800 billion by 2030 based on an increase in:
- cultivated areas;
- productivity, through the supply of high quality inputs (seed, fertiliser, etc.);
- added value, through product mix and local processing.

**THREE OBSTACLES TO OVERCOME**

- the problem of land tenure, which already obstructs a number of investments;
- weak infrastructure (agricultural services, transportation of products, etc.);
- competences – are Africans sufficiently trained in the skills to take on all these challenges and capitalise on the continent’s agricultural potential?

The social challenges are considerable. It is vital to redirect some public money towards agriculture, its promotion but also towards education. Today, the agricultural sector attracts 1% of students, but employs 70% of all Africans.

**EMMANUEL FABER**
Danone

African States must therefore increase value creation by intervening at all stages of the production chain (agricultural production and industry, but also transport and trade). But each of these stages is governed by different entities, public or private. In a market economy, it is the market that identifies problems and tries to resolve them, which is why the African economies must become rapidly organised.

**The private sector, driving force of Africa’s growth**
Natural resources: the State must lead the way

Natural resources remain a key component of the African economy. Despite this, their exploitation is still limited and local processing, for the moment, is just a pipe dream.

The extraction industries, because they are extremely capital-intensive, are often in the hands of multinationals. These companies have a global outlook and deal with countries which are generally devoid of financial and human resources.

Nevertheless, some States would like to take control of their own destinies and are beginning to take certain measures to give themselves room for manoeuvre in:
- the renegotiation of agreements in order to improve dividends,
- the revaluation of concessions,
- the standardisation of legislation to strengthen their position vis-à-vis the most powerful companies,
- the acquisition of capital by the local subsidiaries of these companies.

In addition to the amendment of existing legislation and regulations, some countries are beginning to adopt legislation that should eventually facilitate the development of a local industry. Provisions include: an obligation to have a local partner; ring-fencing part of public procurement for local actors; and quotas of local workers in the public markets.

Whatever the case, countries must have the backing of financial and human resources if they are to embark on the industrial phase and share the risk and ultimately the added value.

"It is the responsibility of our governments to define proactive policies that not only attract investment but also make sure that a significant amount of the added value stays in the country."

PERRIAL JEAN NYODOG
Tradex SA

"Think global, act local."

JÉRÔME MINLEND
CAC International
AGRICULTURAL PRODUCTS: AT WHAT PRICE?

As a consequence of the disorganisation of the sector, the prices of agricultural products are completely random throughout the continent. A farmer does not know if he or she will be paid for the quality of the product or the quantity agreed and sometimes whether he or she will be paid at all. Part of the reason lies in market asymmetry: the buyers are often from companies or cooperatives which are large and well structured and which deal with a multitude of sellers who are sometimes illiterate and often disorganised. In any event, this situation prevents the creation of a value chain that benefits all levels and that interests investors.

With the exception of Ethiopia – and soon South Africa and Ghana – Africa is the only region in the world that does not have a commodity exchange which would allow every stakeholder to negotiate resource requirements with prices being fixed through a credible and transparent process.

WHAT BUSINESS LEADERS EXPECT OF MINISTERS

| Most CEOs believe governments could do more |%
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<tr>
<td>Ensure financial sector stability</td>
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<td>Improve infrastructure</td>
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<td>Support innovation</td>
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<td>Help to create a skilled workforce</td>
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<td>Reduce the tax/ regulatory burden</td>
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Therefore, they expect States to address these shortcomings as a matter of priority. Moreover, they consider that the State should focus on strategic investments, particularly in respect of infrastructure, but also in all areas that can generate confidence among economic players. The State can play an important role in encouraging the emergence of large African groups, providing it can assure them of the following:

- strong institutional frameworks (e.g. non-double taxation, promotion and protection of investments, arbitration and mediation councils, regional or pan-African investment funds);
- a cross-border and fluid business environment (including transport and logistics);
- free movement of people, goods and capital;
- venture capital and private equity funds for the promotion of the African private sector and especially of small and medium-sized enterprises (SMEs).

Thanks to the Ethiopian commodity exchange, the producer’s share in coffee exports grew from 38% to 70%. This exchange manages US$ 1.4 billion a year, which is ten times the amount managed by the stock exchange in Ghana!

Eleni Gabre-Madhin
Eleni llc

Knowledge session: Agriculture, agribusiness - becoming a key player in the market

Source: PWc

For a large majority of African business leaders, political instability, bureaucracy and the multiple barriers or layers of administration threaten the development of their companies.
Towards an African style of capitalism

In order to play its full role in Africa’s development, the private sector needs to be further strengthened and better structured. Business leaders must assume their responsibilities and unite. It is by speaking with one voice that they can make themselves heard by the public authorities and influence new policies that will contribute to development, job creation and economic success.

The African private sector represents 2/3 of the total investments in the continent, 3/4 of the generation of wealth, and 90% of the employment opportunities. Taking into account its importance for the African economy, even if the situation differs from one country to another, the private sector is unquestionably the engine driving economic development.

Africapitalism, a turning point on the road to economic development

Since the financial crisis of 2008, much thought has been given throughout the globe to the future of capitalism and its role in society. These new approaches (responsible or conscious capitalism, the Shared Value Concept by Michael Porter of the Harvard Business School, or impact investing) all share the same objective: to ensure that capitalism no longer only generates profit, but also creates social prosperity.

Africapitalism, one of whose original proponents is the Nigerian entrepreneur Tony Elumelu, is fully in line with these new ways of thinking and provides an innovative approach to economic development that is specific to Africa, notably in terms of adopting a long-term approach and in investing in strategic areas that will have a real impact on job creation and poverty reduction.

What should we do to promote African businesses? Regulatory measures, financial measures, but above all “positive discrimination.”

ALAIN PENANGUER, Deloitte

From the very beginning, we decided to operate on the basis of “business unusual”. Our companies must become more engaged socially. We must help our young people to transform themselves from their current situation as job seekers to that of entrepreneurs.

DAPHNE MASHILE-NKOSI
Kalagaal Manganese
Five priorities for strengthening business capacities

To enable the African private sector to fulfil its role as the driver of economic development, five priority factors must be present:

• the adoption of economic policies that will facilitate the development of the private sector and the pooling of efforts (local content, offset, creation of pools of expertise, etc.);
• entrepreneurs who lead by example by investing in their own communities;
• governments whose top priority it is to improve the business environment (at all levels: education, production costs, legal frameworks, etc.);
• improved intra-African economic cooperation;
• African capital placed at the service of business.

Numerous obstacles to overcome

Besides the usual concerns about corruption, lack of skills or economic uncertainty, the African private sector suffers from additional handicaps which undermine its development.

The informal sector represents 38% of GDP on average, but as much as 45% in certain African countries (whereas it is only 18% in South-East Asia).

African companies are relatively small: 70% are SMEs or micro-enterprises. In most cases, African companies do not have the critical mass to enable them to influence their environment. (See text box “Family Businesses”).

Lastly, access to credit and to finance more broadly is limited: this affects 22% of companies compared with 47% in Latin America. (See text box “Private Equity”).

A shared and visible optimism

Beyond the concept, Africa is currently undergoing a real revolution. Business leaders have increasing confidence in their continent and are showing it by investing in it. In 2013:

• they contributed close to 23% of investments in Africa (8% in 2007),
• their investments are in 2nd place behind those of Western European businesses,
• they are also the 2nd largest source of job creation on the continent.

PwC’s annual global survey of CEOs, including more than 300 in Africa, underscores the dynamism of the African private sector. 91% of African CEOs are optimistic about their growth in the short term, and 93% about the next three years. There is much cause to be confident about the future of the African private sector, for it is this sector that will be responsible for creating the jobs and generating the wealth that will benefit all of African society.
FAMILY BUSINESSES: THE CHALLENGES OF GOVERNANCE AND SUCCESSION

90% of the African private sector consists of family businesses, which is a generally positive sign for the future. Family businesses represent 85% of start-ups in the world, and 75% of job creation. It also has other noteworthy characteristics. One of these is governance, which is very different from that applied in large companies. In large companies, the objective is growth. There is a distinction between company management and shareholders. Conversely, in family businesses everything is mixed together: business objectives are built around the family, and the shareholders and the director, whether a shareholder or not, are all family members.

And then there is the question of succession. It is never too soon to prepare for succession in business, for beyond the loss of a key family member, an entire ecosystem needs to be built.

Opening up the business is the best way to improve governance.

MOHAMMED GULAM DEWJI
Mohammed Enterprises
Tanzania Limited

Private equity can contribute to better structured family SMEs. For example, by helping them to strengthen their internal competences or to prepare the succession.

HAKIM KHELIFA
AfricInvest
PRIVATE EQUITY  
— A TOOL TO BOOST COMPETITIVENESS

There is insufficient equity in African companies – of all sizes – to meet expected growth rates. African companies have understood that not everything can be financed by debt, and they are turning more and more towards private equity.

The support from investment funds is not only financial. They help in structuring companies, improving governance, forging business relationships, enhancing openness, providing training... They bring a significant “non-material” added-value to African groups.

As regards investment funds, the industry has greatly matured in recent years with the emergence of local funds, the progressive opening up to private capital, and the emergence of big players in this sector.

Private equity in Africa, however, has particular characteristics:
• a very high return on investment – ROI (ratio of 3 to 4),
• limited risk (contrary to misconceptions),
• long-term investments of around 6 to 8 years rather than 3 to 4 years.

But international private equity funds must accept:
• minority positions (the dominant model outside of Africa is to be in a majority position, recruiting and diluting minority shareholders),
• supporting the company development, offering guidance on strategy, governance, products, etc.

We have reviewed 200 private equity exits between 2007 and 2013. I did not expect there to be so many. We compared the ROI to the MSCI Emerging Frontier Market Index and they are very similar.

MICHELLE ESSOMÉ  
African Venture Capital Association

The rising power of African financial markets has increased interest in Africa among the large international players.

LUIZ RIGUZZO  
Amethis Finance

You should look for a partner, not just a financier. The boss of the company should remain the industrialist, the one who knows the business and the markets.

MOSSADECK BALLY  
Azalai Group
PART 5
Towards an African style of capitalism

The private sector, driving force of Africa’s growth – lies at the heart of the AFRICA CEO FORUM.

The privatesector, driving force of Africa’s growth

CREATION OF A PUBLIC-PRIVATE WORKING GROUP

The emergence of pan-African champions – a prerequisite for Africa’s sustainable, inclusive and independent growth – lies at the heart of the AFRICA CEO FORUM.

To deepen the reflection begun during the Forum sessions and to come up with concrete and operational solutions, the AFRICA CEO FORUM decided to organise a high-level working meeting. A group of 18 prominent figures (CEOs, senior government officials, and heads of pan-African institutions) was invited to deliberate on three issues relating to the development of major African groups, essential vehicles for the competitiveness of African businesses: • systems to promote cross-border capital investment, • ways of reducing energy costs, • regulations liberalising intra-African capital movements.

In line with the conclusions of the AFRICA CEO FORUM (see p.27), the working group came up with five concrete recommendations:
1. facilitate the transfer of surplus cash from one country to another,
2. balance out the taxation systems between countries and abandon the reliance on customs revenue,
3. open up electricity production to the private sector,
4. make better use of energy sources, including coal,
5. facilitate the financing of trade.

Having thus demonstrated its capacity to identify the problems and share solutions, this working group will be consulted again on other major themes relevant to the competitiveness of African private sector. It has all the ingredients to become a privileged circle for constructive dialogue between the private sector and the public authorities.

A good business leader must know that he will have hurdles to clear, but he must focus on the objectives, not believing that the obstacles will be an impediment to his success.

OBA OTUDEKO
Honeywell Group

Developing regional trade? It is the responsibility of politicians but also of businesspeople.

DONALD KABERUKA
African Development Bank
It is evident that Africa would be more profitable with bigger accessible markets, which raises once again the question of regional and continental integration.

VALENTINE RUGWABIZA
Rwanda Development Board

If we do not create jobs, if the African private sector does not change its investment practices, the social situation will become catastrophic.

WIEBE BOER
Tony Elumelu Foundation

The main issue facing Africa today is that of confidence. All the elements are there, but confidence has to be created. Between governments and entrepreneurs, between entrepreneurs and bankers, and among Africans themselves in their own potential.

PIERRE-ANTOINE BALU
PwC

If the financing is largely done locally, or it is done in conjunction with international banks but driven locally, then the chances that the profit will stay on the continent are higher. We need to have bigger financial institutions capable of leveraging significant funding.

ALBERT ESSIEN
Ecobank
Ten priority areas for consideration and action to unleash the energy and full potential of the African private sector.

1. Involve African businesses and financial institutions in the implementation and financing of African infrastructural projects.

2. Greatly reduce production costs, as a priority, to enhance Africa’s competitiveness.

3. Harmonise accounting and financial standards and adopt currency convertibility at the continental level.


5. Release pension funds and insurance companies from the constraints that prevent them from investing in the economy outside of their national borders.

6. Accelerate local processing to increase African added-value in the agricultural and mining sectors.

7. Create a continental commodities exchange with the aim of it becoming the world reference for Africa’s main natural resources.

8. Invest in high-speed broadband and the creation of African content.

9. Bring universities and businesses closer together to match the training of young people with labour market needs.

10. Encourage African businesspeople to express their views and participate in economic and industrial policy development.
A resounding success

After three days of lively and fruitful discussions, the AFRICA CEO FORUM 2014 came to an end in Geneva on Wednesday 19 March. Organised by the Groupe Jeune Afrique, in partnership with the African Development Bank (ABD) and Rainbow Unlimited, this second gathering of the African private sector was attended by more than 700 CEOs, investors, ministers and journalists from 57 countries, who came together to deliberate on the main economic challenges facing Africa today.

Plenary and knowledge sessions

Africapitalism, agribusiness, competitiveness... The programme was rich and substantive, alternating high-level plenary sessions and knowledge sessions, enabling the participants to gain a better understanding of the key development factors, with the simple and specific goal of promoting the economic transformation of Africa.

Click here to view the video highlights:
https://www.youtube.com/watch?v=VqCokmOP4SM

More than 200 articles in the international press

The AFRICA CEO FORUM generated considerable interest among the world’s media. More than 60 journalists attended the sessions and some 200 press articles are known to have been written, including in the following publications:

Enthusiastic social networks

The aim of the digital strategy was to mobilise all participants and actors likely to be interested in following the Forum proceedings. Twitter proved to be a particularly powerful tool for sharing the content of each session. More than 1,000 messages and mentions (#ACF2014 or @africaceoforum) were exchanged during the three days of the Forum. LinkedIn, meanwhile, enabled the creation of a private group restricted to the CEOs, notably those present at the AFRICA CEO FORUM. Its mission was to feed into the discussions and to enable members to exchange views on specific topics. Visit the group’s page: http://linkd.in/1j9Q0hJ.

See you next year on the African continent!