

'IMPROVING THE INVESTMENT CLIMATE IN AFRICA' - PANEL AT HARVARD BUSINESS SCHOOL'S 2006 AFRICA BUSINESS CONFERENCE

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Panelists

Leke Alder, Principal of Alder Consulting, an image consulting firm based in Nigeria

Kofi Arkaah, Senior Investment Officer, International Finance Corporation

Koosum Kalyam, Senior Business Development Adviser, Shell and former advisor to Blair Commission on Africa

Joseph Evan LeBaron, U.S. Ambassador to the Islamic Republic of Mauritania

Professor Patrick Okedinachi Utomi (Moderator) Director, Applied Economics, Lagos Business School

Panel Organiser: Ijeoma Anusionwu



*IFC Investment Officer, Kofi Arkaah arguing a point during the panel
(Photo: Africa Business Conference)*

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The Africa Business Conference, held annually at Harvard Business School, is one of the largest gatherings of Africa's most influential business leaders. At this year's conference, the *Africa Policy Journal* co-hosted a panel on Improving the Investment Climate in Africa.

All five panellists agreed that whilst Africa is not an easy place to do business, it is certainly not a bad location for investments. Amid a wide ranging and passionate discussion in a packed auditorium, the three major takeaways from the panel were that i) domestic savings are an important alternative to international capital flows ii) greater measures need to be taken to ease the fear of expropriation and iii) Africa simply needs to be marketed correctly.

In spite of the usual stigma and high barriers associated with doing business in Africa due to poor infrastructure, skill shortages and high transaction costs, examples were heard from all corners of the continent on how business and foreign investments were flourishing. US Ambassador to Mauritania, Joseph LeBaron highlighted how trade with China had increased from \$10 million in the 1950s to \$48 billion today, with 715 new Chinese companies recently having begun operations across Africa, and firms from the UK, Brazil and Portugal also waiting at the gate. Furthermore, not all investments had been in the Oil and Gas sectors, as is commonly perceived. Profitable opportunities exist across Africa in several sectors according to the panel. It is just that many of these investments are not highlighted in the mainstream Western media.

Moderator, Professor Patrick Utomi described this phenomenon as '*Afropessimism*' and emphasised the role the media can play. "Many people were skeptical when Al-Jazeera was launched," he said, "but now no-one is laughing. Many in the West turn to Al-Jazeera for information of what is happening in the Middle East." Given that all news is local news in many people's minds, perhaps the onus should be on Africans themselves to learn how to get the message out that Africa is open for business.

Throughout the discussion the panel agreed that in spite of the rapid expansion of business activity and significant market opportunities across Africa, real and significant obstacles remain. IFC Senior Investment Officer, Kofi Arkaah went on to give examples of what investors were looking for, and also what countries expected from investors in

the primary sectors for FDI into Africa: Telecoms and Infrastructure, Financial Markets, Breweries and Extractive Industries. He gave a 4 point list of what attracts investors: 1) market opportunity and returns; 2) good regulatory and legal framework that is pro-investment; 3) low risk of revocation of licenses or nationalization of assets; and 4) simple and efficient system for repatriation of capital, including a fairly liberalized capital account that provides foreign exchange liquidity to investors. Countries had 3 primary requirements of investors: 1) to operate with the highest standards of corporate governance and ethics; 2) to deliver stakeholder value; and 3) to be contributing members of the countries they invest in.

Former advisor to the Blair Commission on Africa, Koosum Kalyan noted that those who were dragging their feet were not the private sector. “Of the agreements made at Gleneagles with the G8, the private sector have all agreed upon measures to improve the investment climate. It is the other actors, especially the governments who have been dragging their feet.” She argued that the approach taken by the G8 and the Blair Commission where Business and Government worked together for the first time to improve investment climate was a model for future collaboration, and emphasised the positive role that businesses can and has played in Africa, despite often negative media coverage.

So what can be done to help? The panel suggested that those countries who have worked hard on implementing structural reforms and targeting foreign investment need to advertise more effectively in order to attract FDI. Citing the example of Mozambique, which had to wait many years for foreign investment in spite of major reforms, the panel also suggested that a strong performance by domestic firms would be a good marketing tool to attract FDI and perhaps that is where attention should be focussed.

The panel emphasised that whilst it is important to target international investors, it is vital not to forget domestic investors, who often have knowledge of good growth opportunities and the local operating environment. According to Arkaah, the investment climate for domestic investors had been neglected and needed to be improved across Africa. This was reiterated by Professor Utomi who gave examples from South East Asia where it was the domestic investors who spearheaded investments and businesses in their local economies. When asked about practical recommendations, Utomi highlighted the

need for greater local entrepreneurship in Africa to overcome current bottlenecks as well as the need to increase domestic savings in order to increase the capital base to lend to more diverse sectors of the economy. Currently, GDP per capita is growing at an average of 5% across the continent, but Arkaah argued it needed to grow by at least 10% to make a material impact to people's lives. However, once again the point was made that for GDP per capita growth rates to increase, domestic savings rates need to increase across Africa.



*There followed a vibrant Q&A session after the panellists spoke
(Photo: Africa Business Conference)*

Image consultant, Leke Alder, reiterated the notion of marketing by commenting on some of the work he had been doing for the Nigerian government. Outsiders perceive Nigeria as a country rampant with fraud, but statistically speaking, fraud crime is committed by only a miniscule percentage of the 140 million who live in Nigeria. “The issue is about marketing and getting the right message across,” he claims. Ambassador LeBaron also concurred that image was a major problem, as he had polled several economists and policymakers prior to attending the Conference and discovered that there was no consensus why Africa was perceived as so risky.

Using the example of Mozambique and the time taken for international investors to get involved, Professor Utomi reiterated the need for African nations to be patient once reforms had been implemented, and to be sure to market these reforms effectively.

The panel ended on a rousing note, calling for all attendees to become activists for Africa, and attract talent and capital back into the continent, as well as spreading good news more effectively about the continent.