

Africa Business Conference

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It's not just about economics

In case you haven't heard: Africa is rising. Despite this refrain being regularly used over the past few decades, it remains full of contradictions that have called into question the veracity of the statement

Johann Barnard

Donald Kaberuka, president of the African Development Bank (AfDB), suggested the question of "Africa rising" was less about the phrase's accuracy than its scope. "The Africa rising story is not only an economic story, it must be accompanied by leadership," he told the audience at last week's African Business Conference titled The Giant Awakes.

The one-day conference was hosted by the *Mail & Guardian* and supported by a host of sponsors including the African Development Bank (AfDB), Africa 2.0, Channel Africa, Freedom House, Limpitlaw Consulting, the Southern Africa Trust and Syngenta.

This question of leadership was addressed by *M&G* executive deputy chairman Trevor Ncube in his welcome address when he said that, in spite of the palpable excitement about the economic opportunities across the continent, the Africa rising story was threatened by history. Perhaps it's important to glance back on Africa's history and realise that in the early 1960s there was similar optimism, he said.

"Then it was about the arrival of freedom and the birth of the world's newest nations. It is instructive to look at what became of that wave of optimism because it has important lessons for how the Africa rising narrative may turn out.

"The lessons for us on how quickly hope turns to despair is that it was the behaviour of Africa's new rulers that dashed the hopes of millions. Similarly, those who are genuinely excited by the opportunities that we see across a number of economic and social fronts must realise that it is how we respond and act on these opportunities that will determine the outcome."

This was a theme pursued by Kaberuka, who suggested that political and business leaders were central to the realisation of Africa's promise. Leaders needed to know what to do, which was predicated on having a moral compass.

"The idea is not to grow or run faster; we must know the destination and that comes from having a com-

pass," he said. "The third aspect of leadership is that it doesn't matter how smart you are if you have this moral compass — there must be courage to take the tough decisions."

He posed this in the context of the mind-set of successful nations around the globe.

Africa's shortfalls

Where African nations fell short of this mind-set was in the poor record of implementation of solid ideas, plans and policies, often for selfish reasons.

Kaberuka pointed to the stalled efforts to create a single African market as one of the most damning and damaging delays caused by the pursuit of nations' self-interest.

In painting a picture of what was required to lift the Africa rising narrative from the pages of policy documents, declarations and promises, he said, leaders needed to move forward on three fronts: creating a single market, creating investment opportunities and building infrastructure.

He expressed his frustration at the lack of progress made in pursuing the potential that could be realised through a single African market, but acknowledged this was not a simple task, albeit not an insurmountable one either.

He cited the birth pains that the European Union experienced when it first started down this road, adding that the decision rested with the region's political leaders to acknowledge that they would all benefit from the creation of a single market.

"The single market is not a function of resources; it's a function of leaders deciding to give up a bit of national sovereignty for a collective good," he said.

"Regional integration is not easy, but it has to happen for the Africa rising story to be sustained."

The lack of will to pursue measures to enable this and make the continent attractive to foreign investors remained a problem.

Kaberuka related the example of a study by the AfDB, which showed that a regional commodity exchange in Central Africa (combining the markets in Cameroon and Gabon) would give the countries the critical mass to attract greater investment.



Dr Donald Kaberuka, president of the African Development Bank. Photo: Johann Barnard

"Guess what? They passed the resolution, but nothing happened. Companies will therefore look for somewhere else to go," he said.

Slow investment

In a similar vein, the slow pace of infrastructure development was holding back investment and progress. The AfDB president used the energy sector as an example of a missed opportunity to attract private sector participation while adding the required capacity across the continent.

He said business was disinclined to invest in a sector that was "hamstrung by complex and risky funding models" that did not assure a return on investment.

He suggested that one of the shortcomings across many nations was the practice of state-owned power utilities providing subsidised energy to consumers, thereby weakening their balance sheet.

"Instead of governments taking the subsidies on their own balance sheets, they remain on the national utility's [balance sheet], and therefore [the model] is not that attractive financially to independent power producers," he said.

"The one area where the regulations have worked well and the environment is right is in telecommunications, and you can see the result. In the 1990s there was deregulation and independent regulators, and private capital has been flying in. So we need to do more work in energy and other areas."

Harnessing skills through viable projects

In a bid to fast-track development of such projects, the bank has estab-

A new platform to tell Africa's best stories

Mail & Guardian executive deputy chairman Trevor Ncube used the Africa Business Conference last week to announce a new platform: *MGAfrica.com*, a pan-African online source of news from Africa, by Africans.

"Unless we are able to celebrate each other, we will never be able



to tell the story of the new African narrative," he said. "Many of the continent's best stories are still told by foreigners and I think it is time that Africa became the home of the best stories."

MGAfrica.com will formally go live on May 1 this year

lished the Africa50 development programme, which aims to overcome the funding bottlenecks that stifle the building of infrastructure.

Apart from providing project finance, the programme also harnesses the skills needed to accelerate these critical projects. Its ambitions are to reduce the time from project concept to go-ahead from an average of seven years down to three.

Kaberuka said any such programmes or support would come to naught unless political and business leaders embraced the opportunities, keeping long-term benefits in mind.

The seeming inability to grasp these opportunities and implement projects and reforms that have clear benefits may be attributed to a lack of stamina, the courage to take decisions or embrace unpopular solutions.

"A winning mind-set means central values, a moral compass and

a willingness to sacrifice for the next generation," he said.

This, he said, highlighted the role and responsibility of the youth to demand action from their leaders if these persistent problems are to be resolved.

"For the young people of Africa, who are the majority, it means taking a leaf from the independence leaders to seize the opportunity. After all, it is your future and you are Africa's majority. Your voice must be heard: demand action on all the issues affecting you," Kaberuka said.

The youth issue reverberated throughout most of the discussions and presentations at the Africa Business Conference.

The continent's political and business leaders were forewarned that they could not afford to let the issue boil over into discontent, such as has happened in Egypt and Tunisia, with disastrous consequences.



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Tech opportunity beckons the continent

The Africa Rising storyline is one that is often told in the context of the growth and potential in mobile telecommunications and mobile Internet. This is not the only technological opportunity business leaders should be considering, however

At last week's Africa Business Conference, Zibusiso Mkhwanazi, chief executive of digital agency Avatar, suggested that technological innovation holds much promise for businesses that have the foresight to grasp the opportunity.

"As the Chinese economy grows, becomes more sophisticated and moves into urban areas, the cost of living will rise. What that says to Africa is there is an opportunity. Manufacturing will not be in China forever, but at the same time there are real things we should be thinking about," he said.

He suggested that, although the potential for comparatively lower production costs in Africa could be exploited, this equally required a rethink – one toward innovation that relied less on Western companies simply using this lower cost base to promote their own profits.

"We have a growing Africa and there are potential opportunities,

but at the same time, when the competition dies slowly, will Africa be ready? That is the question," he said.

"The only way Africa will be ready is if we start innovating."

Internet connectivity is an essential element in realising this vision. Mkhwanazi noted that Africa lags significantly in this regard, with undersea cables providing a paltry 0.44 terabits/second connectivity that pales in comparison with the high-speed lines connecting North America to Europe. These lines operate at 170 terabits/second.

"Unfortunately, the way countries in Africa have gone about it is monopolistic, where one company dominates," he said.

This had stifled investment, leading to unfavourable market conditions that don't offer sufficient returns, which in turn has kept international connectivity costs high.

He argued for greater relaxation of the telecoms markets to attract the necessary investment.

"For the economy to grow you have to build it first before investments come in. Just like with any investment it has risk associated with it and you need a good risk appetite from the individual countries.

"That is where your real challenges are. New Partnership for Africa's Development has already made some commitments about building infrastructure, but how far has it gone and what is the speed of those processes between politicians? Money is an issue, but I don't think it's the biggest one on the table."

Mkhwanazi suggested that the regulatory environment remains one of the biggest challenges for many politicians, particularly as innovation tends to move faster than regulations and they were simply not equipped to respond quickly enough.

He added that, particularly in South Africa, there appeared to be a lack of political will to tackle issues of telecommunications and technology.



Zibusiso Mkhwanazi of Avatar discusses telecoms and ICT at the M&G Africa Business Conference in Sandton. Photo: Johann Barnard

"The reality is this, it needs political will and it is my feeling government knows that interconnectivity is important, but it is not the first of their priorities," he said.

"The reason why I say that is because that has been a discussion for a long time. If I look at progress, you can find fibre in metropolitan areas, but interconnecting [the entire country] is still a big problem.

"Hopefully we will get some strong political will because this decision has an impact on everything government does – every service in government will be impacted by this one decision on investing in technology and connecting people."

He pointed to the success of mobile payment system M-Pesa as an example of how Africa can lead new innovations that the rest of the world has had to follow.

Business integrity in Africa is possible

One of the most damning perceptions about doing business in Africa is the spectre of the all-pervasive bribe.

Although it is dangerous to make generalisations based on perceptions, the numerous studies and reports on corruption on the continent do little to dispel this image.

Speaking at the Africa Business Conference in Sandton last week, Cathal Gilbert, project director at Freedom House, said that business leaders had a responsibility to combat this plague.

"The business environment in sub-Saharan Africa is a dog-eat-dog world," he said.

"It is competitive and business leaders only get credit when they are successful, when they drive profit and do things that add value. But at the same time we believe business is not isolated from the societies in which they operate.

"Society and the public sector really provide the environment in which business operates and business leaders have a moral obligation as citizens of that society to improve that environment."

The key to overcoming the ills of corruption lies in strong leadership, he said.

Importantly, leadership in this context is not dependent on a position of authority and it is the responsibility of all in the organisation to provide moral leadership.

One way to promote this culture in organisations is to adopt an integrity strategy that provides this moral compass that cuts across business operations and all decision-making procedures.

"At the same time we realise the environment that business operate



Cathal Gilbert, project director of Freedom House, speaking on human rights and business ethics. Photo: Johann Barnard

"If women are 50% of the population in Africa, why should we not be 50% of parliamentarians, government ministers or bank executives?"

in. The integrity strategy is not a utopian proposal; we recognise that business leaders cannot be saints," Gilbert said.

He explained this by saying that business leaders need to have their eyes open to moral dilemmas and exercise sound moral judgement.



Nomsa Daniels of New Faces New Voices. Photo: Johann Barnard

Asserting women's rights

Nomsa Daniels of New Faces New Voices, which was established by Graça Machel to accelerate women's economic empowerment, joined Gilbert on the discussion panel.

She painted a rather bleak picture of the restrictions women across Africa face in asserting their right to economic participation – whether in the workplace or in the field of entrepreneurship.

"I believe that, if Africa is to achieve inclusive growth, we have to bolster the participation of women in our economy. This means we have to look at the constraints and obstacles they face as economic participants.

"Unless we do this, our economies will grow, but women will continue to suffer disproportionately from poverty, and their incomes and living standards will be lower," she said.

Although the picture across the continent was far from encouraging she said slow progress was being made to address the continuing

discrimination. "If we are 50% of the population in Africa, why should we not be 50% of parliamentarians, government ministers or bank executives?" she argued.

Daniels suggested that some progress could be made if states and companies applied a set of guidelines produced by the United Nations to reverse the current state of affairs.

The list of suggestions include establishing high-level corporate leadership for gender equality; treating all women and men fairly at work; ensuring the health, safety and wellbeing of both male and female workers; promoting education, training and professional development for women; implementing enterprise development, supply chain and marketing practices that empower women; promoting equality through community initiatives and advocacy and measuring; and publicly reporting on progress to achieve gender equality.

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Khethinkosi Dlamini of McKinsey, Matsi Modise of Fuhara Afrika Holdings and Yeshen Pillay of the NYDA discuss youth development and entrepreneurship. Photo: Johann Barnard

Youth development sparks debate

The final discussion of the Africa Business Conference in Sandton last week produced the most sparks, with the National Youth Development Agency coming under vociferous attack once the floor had been opened for questions and comments

Johann Barnard

The agency's chairperson Yeshen Pillay, Matsi Modise of Fuhara Afrika and chief executive of the South African Black Entrepreneurs Forum and Khethinkosi Dlamini of McKinsey sat on the panel to discuss youth development and entrepreneurship.

The debate was dominated by questions from the audience that focused mostly on the National Youth Development Agency's (NYDA's) apparent lack of visibility and reach into black communities, with the agency roundly slammed for not doing enough to reach out to black entrepreneurs.

This criticism was based in part on

the revelation by Pillay that only 12 applications had been received to a R2.7-billion entrepreneurial fund made available in partnership with the Industrial Development Corporation and Small Enterprise Finance Agency.

"Maybe you should identify where the entrepreneurs are. Maybe they are in Soweto. Go there and tell them 'we are here', rather than doing it in Sandton," said one participant.

"Are you visible enough? How far have you been in Soweto and how deep have you been into Alexandra. I've only met you guys here. Have you been to the townships and engaged with people? Let's talk about the people who need this knowledge," commented another.

Pillay responded by laying the

blame on a culture of entitlement and dependency on organs of the state to "deliver the promised land". "When we changed the strategy of the NYDA, we said: you lead, and we will support," he said. "We then asked what opportunities and support need to be provided? We can't just give money without giving business development support. That is where the NYDA has more expertise."

He said that changes in approach in the recent past had been to produce a single entrepreneurship programme that draws on the expertise and reach of various state entities.

In response to a question about what impact this had made, Pillay said six million young people had been assisted by state entities in the past five years.

"The challenge is: How do we help?" he said. "We need the state, labour, the private sector, civil society and young people collectively driving youth development in the country. There is no silver bullet to youth unemployment — it has to be a multipronged approach. In that way we will be able to change this culture of dependency and move to a culture of responsibility."

Supporting basic education

Modise supported the view of a coordinated approach, saying that active citizenship was vital. "How can we help the NYDA and appreciate the fact they are not able to reach all the youth?" she asked.

"You as citizens, as the youth, need to join forums and chambers and let them be the vanguard of development and the voice of your concern. If you alone come and say this is my challenge, but it is not going to be as effective as coming as a unit."

Pillay had acknowledged in his

earlier presentation that the most pressing issue facing young people is youth unemployment.

According to a youth development index released last year, South African ranked third after Greece and Spain for the highest number of unemployed youth. He identified access to education, health and wealth, and the ability to participate in the economy as three key pillars to addressing this problem.

Dlamini added to this by saying that the issue of addressing the education crisis lay in looking at the entire education system.

He suggested that the private sector be challenged to invest in basic education so that the necessary foundations are laid to ensure that the youth entering tertiary education are sufficiently skilled.

"And we need to recognise that we need skills development even after tertiary level," he said. "The pipeline is quite thin: let's think about the downstream and how we can start making investments there."

Mining holds the key

Johann Barnard

Africa's economic growth potential is strongly linked to its ability to extract full value from its plentiful natural resources.

Mining consultant Daniel Limpitlaw says the extractive industries on the continent have become something of a good news story of late "because of the ability to bootstrap a number of economies in ways that were unimaginable 10 years ago".

He was speaking at the Africa Business Conference in Sandton where he and mining governance expert Andrea Shaw shared their experiences of working in many of the countries reaping the benefits of their mineral riches.

"Mining across the continent is enjoying a renaissance it hasn't seen since probably the late 1960s," said Limpitlaw.

"As with everything, it's important to keep a balance: there are still some problems that face mining in Africa, including civil unrest, and droughts in the Sahel region that make it difficult to establish major mines because of the shortage of

water. And we all know the impact strikes in our own country have had on production.

"Across the board, weak infrastructure limits our ability to realise the potential of many mining projects. That primarily expresses itself in electricity, but also in road and rail transport that can be more capital intensive than the mine itself."

Limpitlaw shared his experiences in consulting to mining companies in countries such as Namibia, Cameroon, the Republic of Congo, the Central African Republic and Rwanda, with his keypoint being that what applies in one country almost certainly does not work in another. This related not only to mining policy and regulations, but also to the effectiveness of local authorities.

"When we were looking at Rwanda, initially it looked like a place that would really not fly. If you looked at the local infrastructure and the level of skills available, all of it was wrong, but they had two things in place that were right.

"One, they had great ore deposits, but the other thing they had was good government policy that was

geared to promoting mining activity. In short order they resuscitated this moribund industry and have done very well," he said.

Shaw focused her presentation on the regulatory environment, asking whether the environment exists across Africa to allow the "sleeping giant" to make a difference to how work is done in the mining industry. She said this would be dependent on the right combination of rules and regulations, skills and behaviour and institutional and organisational arrangements.

"Across Africa there has been a lot of time on the formal rules and systems, but virtually no attention to the institutional and organisational arrangements that will allow these systems to work fairly," she said.

This has eroded certainty over issues such as who actually owns the licence and promoted corruption in the issuing of licences.

Bettering industry

"The time is not for more rules, regulations and planning; the time is for implementation. Across the industry what we need now are that the bureaucratic systems actually



Andrea Shaw and Daniel Limpitlaw discuss mining. Photo: Johann Barnard

contribute to a better industry," she said.

"The really big challenge in Africa is a suitable platform for having informed and constructive dialogue between the industry, civil society and government. At the moment, and South Africa is a very good example of that but it is certainly my experience in Africa as well, there is a lot of trench-digging going on.

"People are shouting at each other and nobody is really listening to the

other side. We need to move it out of what I think is quite an arid debate of whether mining is good or bad. We have to start talking about how we create an industry that is pro-poor, that is sustainable and of economies that create jobs."

There was a general feeling that the industry was moving in the right direction and becoming more inclusive of the communities they operate in, yet much more remains to be done.

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Africa's agriculture conundrum

There was a time when Africa was viewed as the world's food basket because of its great agricultural output

The abundant, arable and undeveloped tracts of land on the continent held the promise that all manner of agricultural produce would land on dinner plates around the globe.

Rapid urbanisation, a focus on raw materials and falling yields have largely derailed this promise, although the sector still employs 65% of Africa's labour force and accounts for 32% of its gross domestic product.

The economic potential for agriculture was therefore a well-debated subject at last week's Africa Business Conference.

The debate was moderated by Bhekinkosi Moyo of the Southern African Trust, who introduced a panel representing three different aspects of the agricultural landscape: developmental, technological and commercial.

The case for commercial agriculture was presented by the chief executive of the Southern African Confederation of Agricultural Unions, Ismael Sunga, who painted a sobering picture of the challenges and realities of the sector.

He started by cautioning against the misconception that agriculture was a silver bullet to the question of economic activity or rural development through partnerships between big agribusiness and smallholder farmers. "Inclusiveness does not mean 'everyone'," he said.

"I think it should be read as 'everyone that matters, everyone that is appropriate'. In the same breath, one should understand that not everyone who stays in a rural area is a farmer."

He clarified this by pointing out that a blanket approach to agricultural development by trying to build smallholder farmers into commercial operators was a mistaken approach.

"Quite often in development, with the best intentions, you find commercial approaches being deployed to non commercial situations," he said of the extension of credit to farmers who had no intention of entering the business of producing crops for profit.

This misconception tended to do more damage than good because of divergent goals that were not always evident.

It is not good to aspire to be a smallholder farmer, which seems fashionable today. We need to go beyond that and earn more and prosper ...

Differing aspirations

This question of managing expectations between developmental goals and the needs of small-scale farmers was supported by figures presented by Diane Pieters, director of Siyavuna, an NGO that promotes small-scale farming in rural KwaZulu-Natal.

She highlighted that, although the vast majority of programme participants considered the training they received to be useful and enjoyed improved food security, less than a quarter were actively selling their produce.

This was explained to a certain extent by the aspirations of the farmers Siyavuna engaged with: only 14% of the registered growers sell their produce every week, 11% at least once a month, 42% sell less than once a month and 33% don't sell at all. "For me this is about different aspirations," Pieters said.

"The 42% see the collection point as their ATM who, when they want cash, collect produce from their garden to sell it. The 33% was surprising at first, but for me they are the group that wants to belong.

"They see the programme as a success and value the advice and assistance they get from the farming association, and perhaps aspire to sell one day."

The major constraints Siyavuna has identified as holding back these small-scale farmers include the lack of infrastructure, appropriate technology, climate change and getting young people involved in agriculture.

Responding to an audience question on making the sector more attractive to younger farmers, Sunga suggested that a fundamental structural change was needed.

"The way we look at agriculture now and the engine that we want to drive us to the destination is no match for what is required.

"We need not an overhaul, we need a new engine that is suitable for the job," he said. "And part of the engine is going to be the young farmers. But how do you entice young farmers to go into a sector that is a sector of last resort, a sector of punishment where when everything else goes wrong in life you go into agriculture?"

Making agribusiness attractive

The demands of modern agriculture require a more technically competent farmer, he said, which means that this new breed of farmer has to be equipped with the appropriate technical knowledge and academic grounding to tackle the complexity in the sector.

"It is not good to aspire to be a smallholder farmer, which seems fashionable today. We need to go beyond that and earn more and prosper — those kinds of aspirations are needed.

"And we need to make agriculture not appear 'attractive', we need to



Bhekinkosi Moyo — deputy executive director of Southern Africa Trust, leading the panel discussion on agriculture and food security in Africa. Photo: Johann Barnard



John Vorster of Mezzanine speaks during the panel discussion on agriculture and food security in Africa. Photo: Johann Barnard

The technological promise

John Vorster of mobile technology provider Mezzanine offered a view of the role that technology can play in supporting agricultural development on the continent.

"Our emphasis is on linking businesses with clients, government or citizens. Our aim is to lower the risk of doing business for farmers by increasing access to information," he said.

The company has established a presence and networks in Kenya, Tanzania, Mozambique and South

Africa. The role that mobile technology can play in Africa has been proved many times, with numerous examples of how the most basic mobile phone can be used to provide access to people in the most far-flung corners of the continent.

Vorster says this ability has been harnessed through creating platforms linking small-scale farmers and co-operatives to the bigger agricultural supply chain, facilitating access to funders and

markets. Although the workflows for various crops or produce differ, the base platform provided by Mezzanine has helped to lower the cost of accessing these information systems as they are shared across the many agricultural sub sectors.

This has created an integrated ecosystem linking previously disparate elements of the supply chain, allowing for greater visibility that helps farmers to plan accurately for the types of crops needed and how to get these into markets.

make it profitable and viable," he said. Part of this technical capacity building requires that the relationship between large agribusiness and smaller farmers be entered into on a more equal footing.

Sunga said that this started with the question of due diligence that agribusiness won't do on the smallholder farmers, which was a process not always done in reciprocity.

"It is important that these transactions become transformative, they

should not help people run on the same spot," he said. "I think we need arrangements that allow farmers to invest in their enterprises, and to grow and prosper beyond simply putting food on the table."

Challenges

Mphilo Dlamini of agribusiness technology provider Syngenta said in his presentation that global agriculture was under immense pressure to produce crops to feed

the world's growing population.

The challenges of limited land, water and a constrained supply chain demanded increased yields from the available resources. To this end, companies such as Syngenta were working on developing technologies to raise yields and meet these demands.

Dlamini said the company aimed to develop 450-million smallholder farmers operating on less than two hectares to fill this gap.