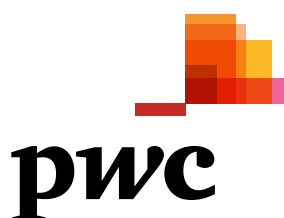


The Africa Business Agenda

*October
2013*

*3rd
edition*

*Doing business in
Africa – from the
perspective of CEOs
and PwC executives
on the continent*



www.pwc.co.com/theagenda

1. Introduction





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Africa means business

A key feature of the post-2008 recession has been the increase in prominence of Africa as an investment destination. With Africa already showing a higher-than-average growth rate, a significant number of multinationals have declared their organisations' intentions of growing their presence in Africa. Now in its third year, *The Africa Business Agenda* clearly illustrates this point, with increasing interest from investors looking to establish a foothold on the continent. PwC is also fielding a number of enquiries from our clients regarding opportunities for investment and doing business in and across the continent.

Engaging with our clients as they develop and execute their business strategies provides a standpoint from which we can share in and learn from their ventures. At the same time, we are also executing our own African strategy. PwC firms in Central Africa and Southern Africa voted to create an integrated PwC Africa business that has been governed, led and managed by a single leadership team since 1 July 2012.

The Africa Business Agenda enables us to share high-level insights with you to understand how opportunities and challenges differ on the continent. Africa is regarded as the growth continent of the 21st century by economists and analysts. Telecommunications, consumer-facing industries, resources, agribusiness and infrastructure are identified as some of the sectors that will drive growth and attract international trade and investment on the continent.

Against this backdrop, sub-Saharan Africa offers the most advantageous platform for prospects for future growth and investment, with inflows of foreign direct investment reaching record highs and GDP growth averaging 5.1% this year, according to the International Monetary Fund. There is consensus among sub-Saharan leaders that future growth can only take place if there is engagement between the private sector and government, as well as the global economy.

In this publication, you will find that our survey of 301 CEOs in Africa and various in-depth interviews with leaders in business and government endorse this view. The *Agenda* shows that the majority of CEOs in Africa are optimistic about the prospects for revenue growth over the next 12 months. In addition, 85% of CEOs expect their operations to grow this year.

To have a better understanding of the information contained in this publication, it is useful to place the African operating environment in context and what it means to do business on the continent. In some sectors there have been high growth rates, such as telecommunications. In others, such as electricity, fundamental change is in progress. In the energy and mining sectors there has been increased interest and investment on the part of international players, increasingly from China, India, the Middle East and Brazil.

At the regional level, the Southern Africa economy is largely dominated by Africa's largest market, South Africa, which has managed to weather the recent economic uncertainty mainly due to its prudent fiscal and monetary policies. The country has a well capitalised banking system, effective regulatory systems, and a well-established manufacturing base. In its 2012-13 Global Competitiveness report, the World Economic Forum ranked South Africa first for the strength of its auditing and reporting standards, efficacy of boards and regulation of securities exchanges. The National Development Plan (NDP), launched in 2011, aims to eradicate inequality and poverty in South Africa by 2030. One of the main targets of the NDP is to create 11 million additional new jobs.

The Economic Community of West African States (ECOWAS) is enjoying advances in rapid growth, with Nigeria and Ghana considered two of the most promising emerging markets globally today. Oil is considered a draw card for investment and other means for attracting investment into the region are also on the table. Recent discoveries of natural resources in Mozambique, Namibia and Botswana are expected to drive regional infrastructure developments.

However, some African countries are still not investing and expanding. Through our various interactions with business leaders, the following are cited as challenges: a lack of infrastructure on the continent; the threat of uncertain or volatile growth to businesses; bribery and corruption; and over-regulation. Most CEOs do not believe governments are doing enough to assist businesses.

Since its launch in 2001, the African Union and the New Economic Partnership for Africa's Development (NEPAD) have developed and agreed on numerous policies. With more political support and feasibility of regional projects, new sources of funding are available in the form of international and local funders, as well as pension funds, pooling of funding and partnering arrangements.

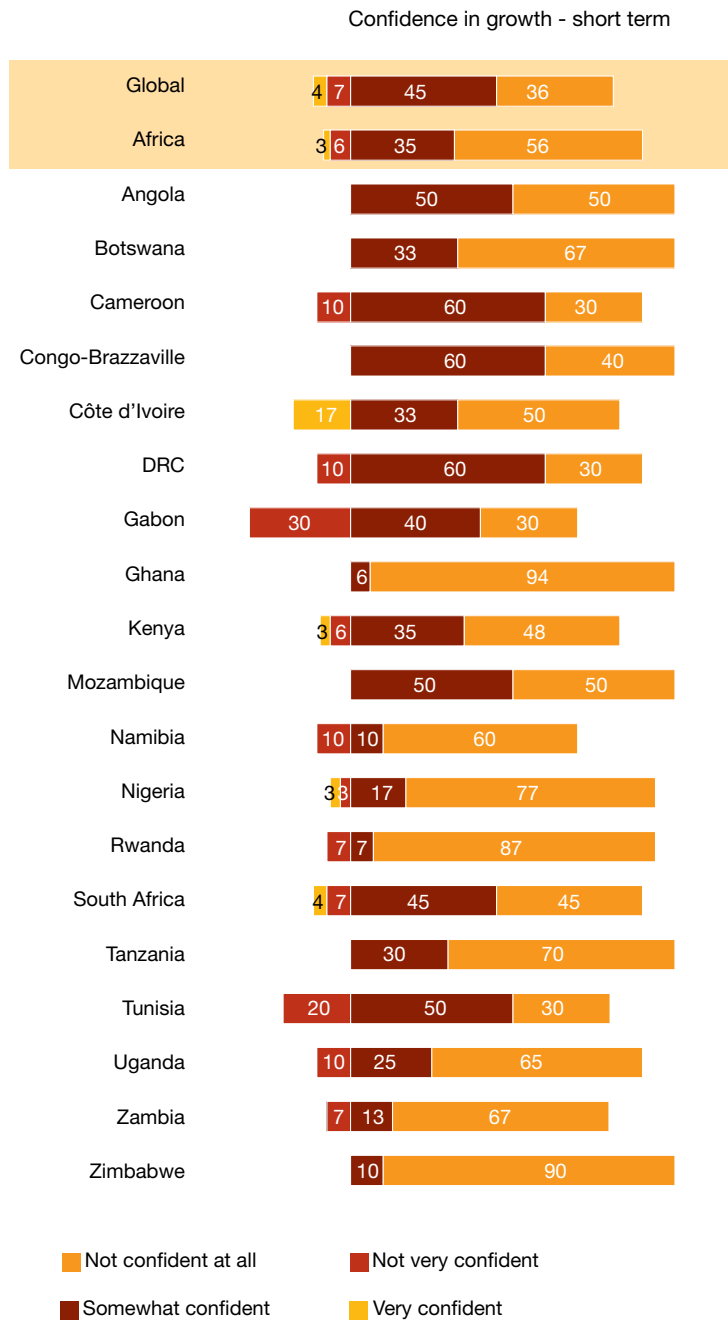
Africa is a complex continent with different economies and industries. Doing business on the continent can be daunting, but we are able to navigate our way through diverse and difficult environments by calling on a range of skills, which places us in a unique position to turn challenges into opportunities. The *Agenda* provides insight into a number of perspectives. I hope you find it useful and as always, we look forward to your feedback and any suggestions.

A handwritten signature in black ink, appearing to read 'Suresh', with a long horizontal line extending from the end of the signature.

Suresh Kana

Figure 1: Short-term confidence is high

Q: How confident are you about your company's prospects for revenue growth over the next 12 months?



The majority of CEOs in Africa are very confident of revenue growth over the next 12 months. A greater percentage of CEOs in Ghana (94%), Rwanda (87%) and Nigeria (77%) report very strong confidence, while CEOs in Gabon, Tunisia and Côte d'Ivoire are less confident of growth.



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The Africa Business Agenda in Francophone sub- Saharan Africa

Francophone sub-Saharan Africa appears today, more than ever, to be a final frontier of the global economy. With expected real GDP growth rates of, for example, more than 6% over the next five years in the West African Economic and Monetary Union and 5% in the Central Africa Economic and Monetary Community, economic growth is becoming a reality for most of the countries concerned, supported by ambitious government development plans. The interest of investors, seeking profitability that they can no longer achieve in more mature economies, is undeniable. Public-private partnerships (PPP), which for a long time were penalised by an absence of regulation and specific legislation as well as a certain lack of understanding as to how to share risks and returns, certainly have a promising future.

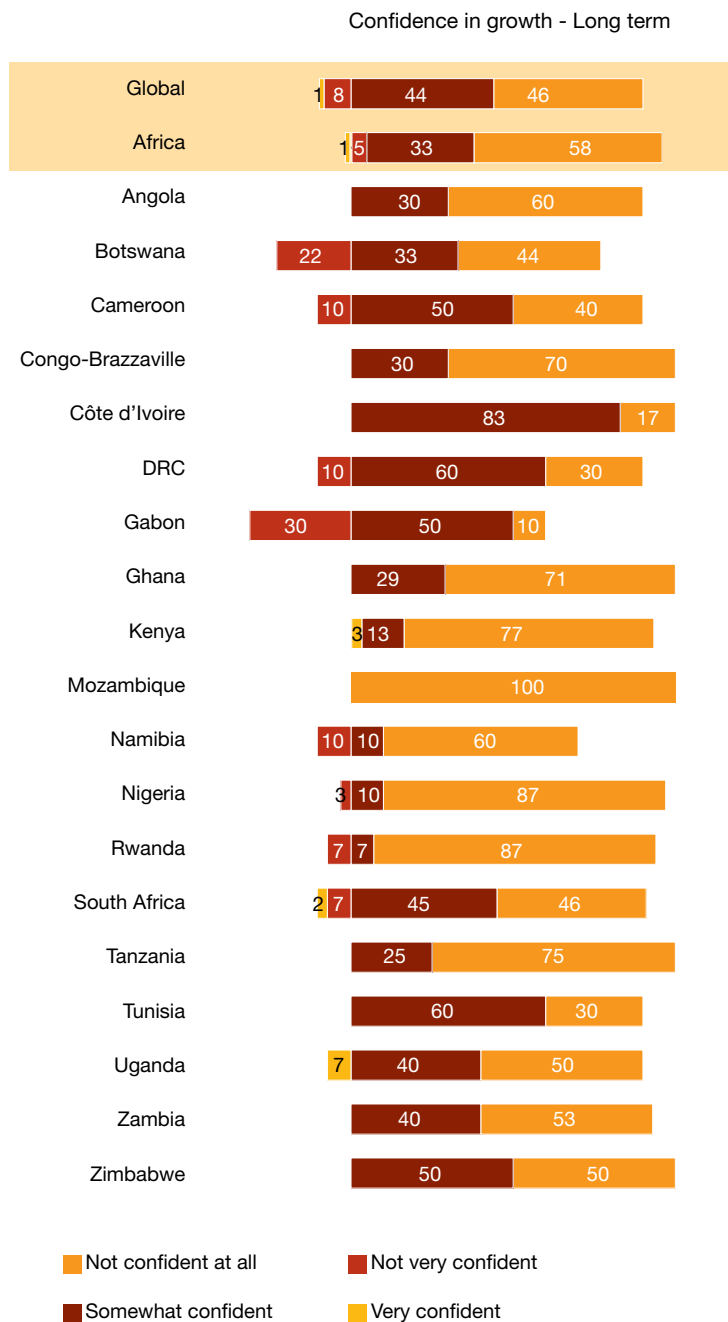
This edition of *The Africa Business Agenda* benefits from a significant contribution by CEOs from Francophone Africa who are setting a business agenda that is not dissimilar to that of the rest of the continent regarding the key areas of agility, growth, risk, development and leadership.

In this document you will see how companies such as the SNBG in Gabon are adapting their strategies in the face of change in the forestry sector (the agility agenda). You will see the vision of groups such as Sodeico in HR services, extending their presence from the DRC across the continent (the growth agenda). Many companies such as SIFCA explain how they have developed a proactive approach to risk management (the risk agenda), and several clear messages come forward regarding the importance of a stable economic environment with tools such as the IPSAS norms for public accounting (the development agenda).

Finally, we have also seen how companies in the face of a shortage of trained management in the region have acted to develop their own high-quality leaders, including the example of France Telecom/Orange which created its first international campus in Africa based in Dakar, established to train managers from across Africa (the leadership agenda). We believe in their vision and are inspired by their energy and their will to succeed. As happens with all inspiring leaders, we are driven by the shared vision and want to help make it happen. We hope that by participating in this development, by sharing and contributing to the thought process of decision-makers across the region, we can help you achieve these ambitions.

Figure 2: CEOs also positive in the longer term

Q: How confident are you about your company's prospects for revenue growth over the next three years?



Most CEOs in Africa consistently express optimism about their medium-term growth prospects, as compared to the short term. In Mozambique (100%), Nigeria (87%), Rwanda (87%) and Kenya (77%), a greater percentage of CEOs are very confident of growth.



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The Africa Business Agenda in the Maghreb

Countries of the Maghreb have their own perspective on growth on the continent and we are delighted that so many were willing to participate and share their optimistic views. Over the last few years, we have seen the region becoming a critical hub for development in many areas. North Africa benefits not only from a favourable geographic location, close to European markets, but also from a history of dynamic commercial development and relative economic wealth compared to many other countries across the continent.

Although the region has undergone significant change since the Arab Spring that started in December 2010, CEOs remain focused on the business agenda: identifying and managing risk, positioning their companies to take advantage of opportunities and maximising their operations to deliver value and grow their companies. As we have seen in the Africa CEO forum held for the first time last year in Geneva, CEOs from the Maghreb are key participants in the development of business on the continent.

Although there are many historical trade and investment links with Europe, the region has recently seen the arrival of a range of investors from other regions, in particular from China and the Middle East. But the most interesting development from an African perspective is the growth of 'local champions', or companies that were founded in the region and that are now expanding with the priority being to develop full pan-African coverage.

We were deeply impressed by the wealth of the experience and examples provided by groups from the Maghreb during *The Africa Business Agenda* interviews. One of the underlying key success factors in their approach is to respect the African identity and values: as we see the development of industry-focused companies, such as BMCE in financial services or Inwi in the telecom sector, many multi-sector groups such as Cevital have also achieved double-digit growth that has continued for the past few years.

Although the perspective is slightly different to that of other regions, the ideas and examples provided by Maghreb CEOs are motivating and insightful. We believe that the success stories shared provide inspiration not just to other companies from the Maghreb but to all African leaders seeking to develop their businesses.



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