

The Poland - Africa Business Summit

IESE Poland, Strathmore Business School, Kenya

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Protocols

Summit hosts

Distinguished participants

Ladies and Gentlemen

I am very grateful to our hosts for organising this important event.

I would also like to extend my sentiments of gratitude to Dr. Njenga, Dean of Strathmore Business School in Nairobi, Kenya for inviting me to join his delegation.

Many thanks also to fellow panelists and presenters who have agreed to share their knowledge and expertise with us today.

Thanks to all of you present here for your time and for taking interest in doing business in Africa, particularly expertise in East Africa

The organisers wished for me to speak about prices and costs of services in the food and agricultural industries as well as the current structure of imports and exports of food products in Africa. I was concerned that if I stuck to these guidelines my presentation would not amount to more than a boring set of soundbites and statistics, such as:

1) The FAO Food Price Index showed a general decrease in real terms from 1960-2000 but a significant rise in nominal terms.

2) From 2000-2011 the FPI shot up in both real and nominal terms, more than doubling in nominal terms. Since then however, the index has been on a consistent decline.

3) The Food Price Index for February this year in Africa was 14% lower than it was in 2014. <http://www.fao.org/worldfoodsituation/foodpricesindex/en/>

4) In 2011, Africa earned \$47.4 billion from food exports (8% of all African exports) but spent \$77.5 billion on food imports (15.5% of all African imports) for a net deficit of \$30.1 billion.

<http://emarinov.eu.nu/files/pubs/Marinov,%20E.%202013.%20International%20trade%20commodity%20structure%20of%20African%20regional%20integration%20communities.pdf>

5) 34% of African agricultural exports are traded intra-Africa

6) Agri exports are becoming more diversified: at the end of the 1990s Africa's top 10 agri product exports accounted for 51% of all agriculture trade, that figure fell to 40% in the 2005-10 period.

7) Over the last 30 years, maize production losses due to drought could have been mitigated by trade 40% of the time.

8) In ECOWAS and COMESA7 trading blocks, reducing trading costs by 10% would boost cereal exports by 20% over the next 15 years.

But let me hasten to add, we should not forget Africa is not one country, meaning such data can be easily misleading if not read carefully.

Ladies and Gentlemen.

You will agree with me these are all very interesting numbers and statistics but I quickly realised that you can do better by listening to my fellow panelists who given their personal involvement and superior expertise in this industry are more competent to deal with this subject than I am.

I have instead, and for this I apologise to all of you and in particular to the organisers, decided to speak about a related subject that I am more familiar with and hence able to share more useful insights to you. I will if you allow me speak to you about the *size, depth, growth potential and dynamics of the African marketplace* with particular focus on East Africa.

A Web of disparities as cause for concern among new investors in Africa

Foreign investors looking to do business in Africa understandably worry about the historical and current disparities between what they are familiar with on the home front and what Africa represents. These include but are not limited to:

- Size of economies
- Traditions, cultures, religions, languages,
- Laws
- Human resource capabilities
- Industrial supply chains
- Infrastructure
- Security
- Governance
- Social conflicts and even diseases

I am sure that Polish companies that are looking to Africa for their next investment decision are taking a good look at this worrisome landscape and weighing the risks against the opportunities as we all do before investing. I can assure you however that real as these disparities are, all can be overcome and some of them actually represent opportunities and competitive advantages for those who will have the courage to move into Africa now rather than wait for the problems to go away, because when they do, new ones will emerge. The solution therefore is not to wait but to dive in now with eyes wide open.

Africa is responding to its challenges both traditional and new ones

Expanding economy size through regional integration is taking root across Africa. East Africa has grown from 3 tiny nations of less than 30m people each (Tanzania, Kenya, Uganda) and a combined GDP of USD 70bn in the year 2000 when the new EAC was relaunched to now a Single Customs Territory bringing together the six countries of Tanzania, Kenya, Uganda, Burundi, Rwanda and Southern Sudan with a combined population of 170m people and a GDP of USD 150bn. The East African market is set to grow to over 250 million people over the next ten years thus becoming one of the top 7 free trade areas in the whole world.

With integration come common interests, common standard, common trade rules, joint dispute resolution mechanism, all contributing to stable and predictable economic growth in East Africa

And contrary to widespread belief, Africa's future prosperity lies not below the

ground in the form of mineral resources, but above ground in the numbers and ingenuity of its youthful population. With 78% of its population under the age of 35 years, Africa is not only the most youthful continent in the world today but will continue to lead the world in this area for the next 50 years at a minimum.

Africa, a continent that holds more than 25% of the world's arable land and more than 30% of the fresh water easily accessible to humans and animals, is set to become the main source of food products for the ever growing world population in this century. This makes Africa a uniquely interesting place to be and Polish investors with experience in agricultural production and related industry can play a useful and profitable role in Africa's growth journey.

Some Have Seen the Light and are focusing seriously on Africa

The Chinese led the discovery of the new Africa 20 years ago, not only as a source of abundant supplies of extractive minerals but also as a vibrant consumer market. Sino-Africa trade grew from \$5 bn in the year 2000 to \$130 bn in 2010. Interestingly, Sino-Africa trade is strongly balanced with Africa buying as much from China as China buys from Africa.

India, a long-time traditional commercial ally of Africa has become very active in investing on the continent in recent years too. So are Brazil, US and Canada.

New Kids on the Block

Following hot on the heels of China in their stampede into Africa, we are observing intense interest in the continent on the part of Turkey and the USA beyond the traditional interest in oil and gas as well as strategic military presence. Within a short space of ten years, Turkey's growing presence in Africa is being strongly felt. Turkish Airlines flies to many African capitals and Turkish import companies and manufacturers are making a strong impact on sectors that until recently had been under the exclusive control of Chinese imports and locally manufactured goods. If Turkey can succeed in Africa, I don't see why Poland cannot.

Former investors who left are returning to Africa

Africa is drawing in new investments from the UK, France, Italy and Germany, all of whom had long lasting economic links to the continent but reduced their activities during the decades of economic stagnation in Africa between 1970s-90s.

Africans are discovering their neighbours as Business Partners

In recent years, Nigeria, South Africa, Kenya and Egypt have increasingly become very important sources of investment capital for other African countries. Cross border investments and business partnerships are growing at a very fast rate on the continent, encouraged by deepening regional economic integration, improvement in transportation infrastructure connecting African cities, reduction of military conflicts and the emergence of the African consumer class. All this has created an economic dynamic that could be of great interest for Polish companies that have thrived during Poland's own transformation from a socialist, centrally planned economy not so long ago to become one of the major economic players in the EU today.

There is a New World Order Emerging

All these changes are taking place at a time of profound changes in overseas economic development policy stance across many European nations. A move from aid to trade is ushering in a new era in the relationship between Africa and its European partners including Poland. We need to seize the opportunities that this change is opening up for the private sectors of European and African countries. Now is the time to move.

What about threats and risks?

Instability, conflict and disease have not gone away completely but are no longer a serious threat to investments. Africa is an integral part of a globalised world. It faces the same risks that other countries around the world are facing. There is not a single risk facing investors today that is uniquely African. What is needed is not blind fear but rather a careful study of the specific areas one wishes to invest in and a healthy understanding of the risk profile of such investments.

The last thing we want to do is to allow our risk advisors to dominate the conversation. That would be very wrong.

The truth remains:

Africa, a continent of over 1 billion people today and more than 2 billion in the next 20 years, is a fast growing, rapidly changing and very profitable marketplace, probably the most profitable in the whole world today and for the foreseeable future.

More than ever before, Africa is ready for business!

Polish investors are welcome to join this exciting African Journey

Thank you.