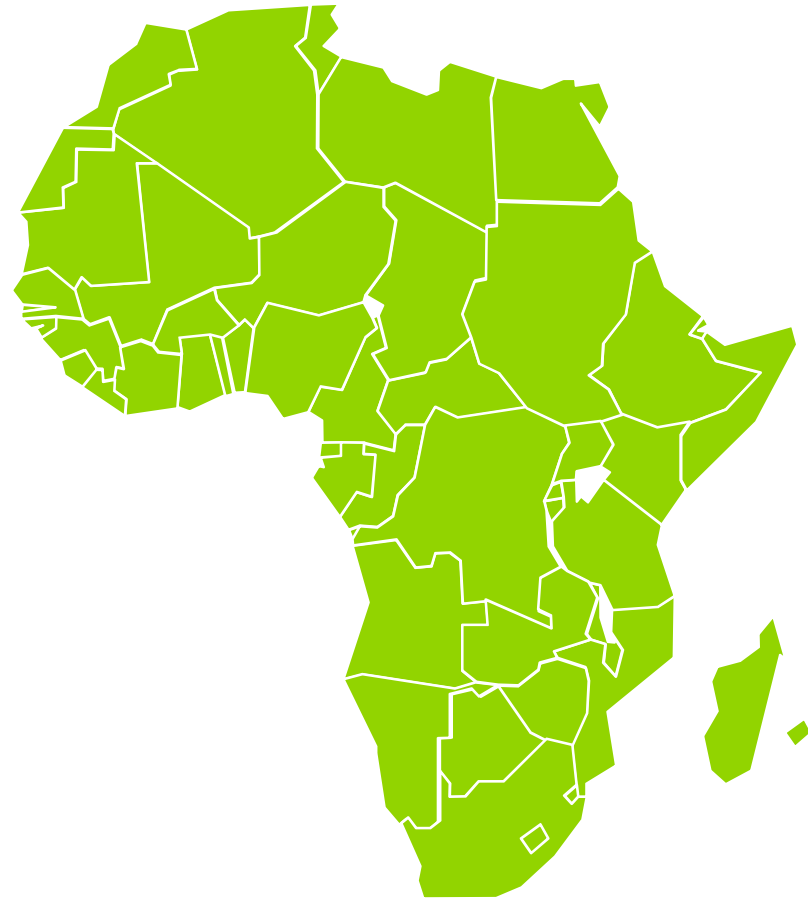


## Doing Business in Africa Africa as an Emerging Continent



# Contents

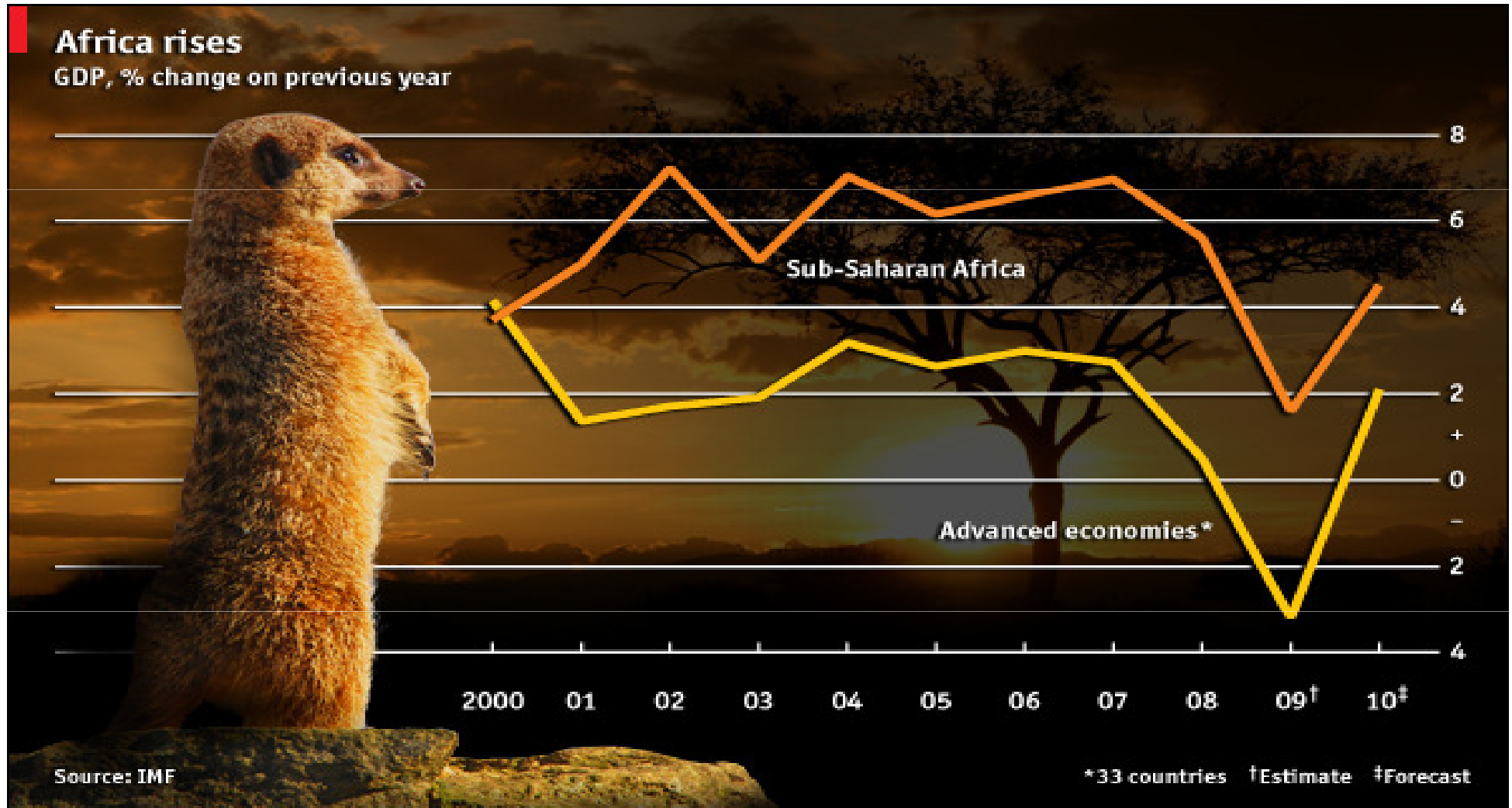
- An emerging continent
- The challenges and the solutions
- Africa the future



## **An emerging continent**



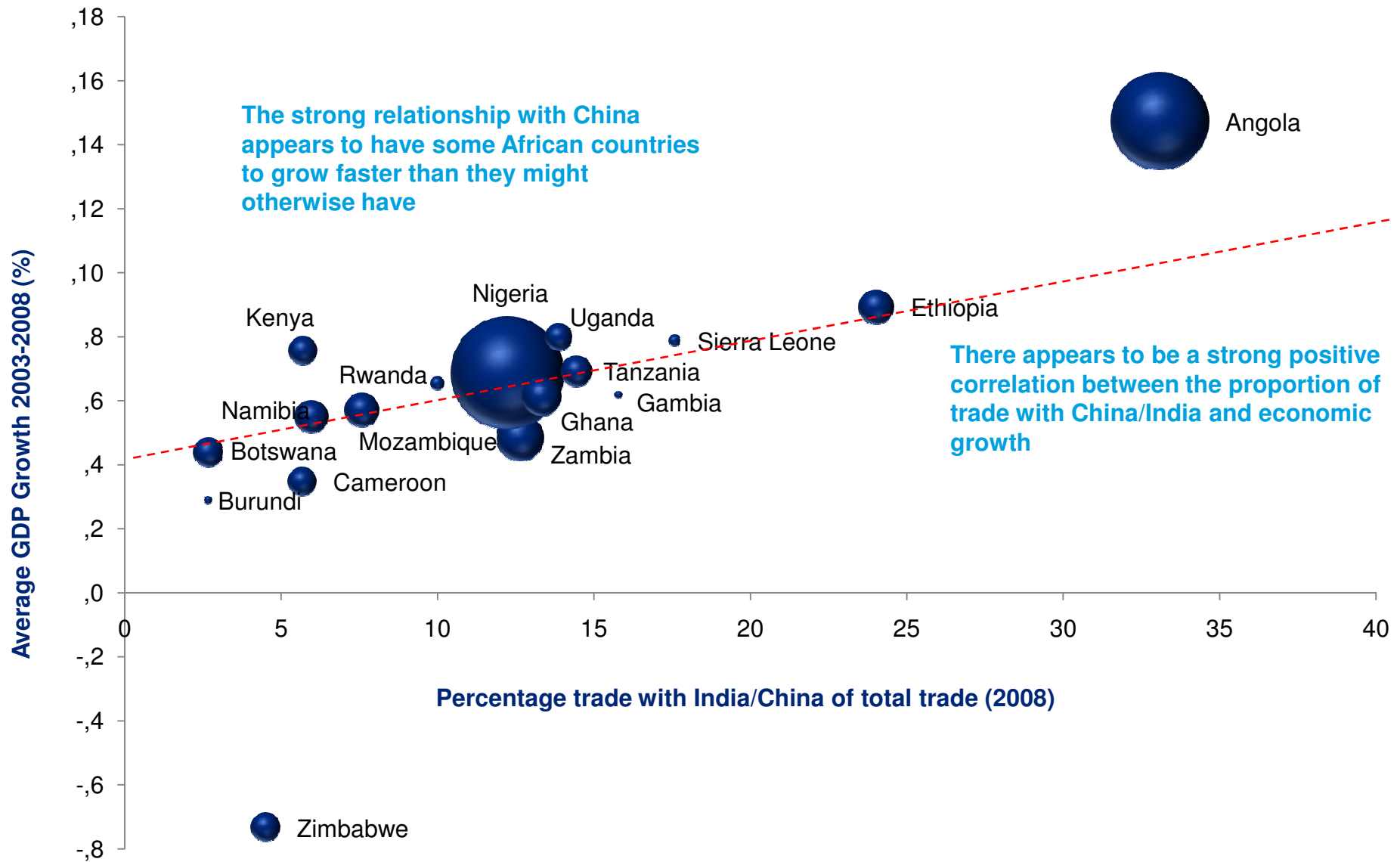
# Global growth engines are shifting



# The changing world

- The great recession has left an indelible and lasting impact on the global economy
- In the West the model appears to have become more risk averse
- In the East the model seems more sound but is still impacted
- Developed world expected to grow at 2% and the developing at 6%
- Africa is likely to take the lion's share of this growth
- Seven African countries feature in the world's top 10 fastest growing countries

# The impact of India and China



Source: EIU, UNComtrade

# Some statistics

- Africa's population has crossed the billion mark
- The Baby Boomer generation coming to the fore
- By 2050 it is expected that this number will be 2 billion
- A rapidly growing middle class
- More families in Africa earn more than \$ 20,000 than in India
- Major M&A activity:
  - Walmart Buys Massmart for \$4.4 Billion
  - Bharti Buys Zain for \$10.7 Billion
  - More will come
- Africa is endowed with nearly a third of the world's economically viable mineral reserves

# Africa: Oil & Gas

- Africa accounts for 12.1% of total global oil production
- Nigeria and the DRC and Angola are currently the only significant producers in Sub-Saharan Africa
- Oil production has started in Ghana in 2011 and is expected to start in Uganda in 2012
- BMI forecasts strong average annual growth in oil production in both Nigeria (7.2%) and Angola (6.0%) over the next 5 years
- Nigeria is expected to nearly double production of gas over the next 5 years
- Angola is expected to quadruple its gas volumes
- Mozambique has significant gas finds offshore
- Tanzania and Kenya are likely to follow suit

# The challenges..... and the solutions



# The challenges.....and solutions!

The challenge	The solution
54 countries with vastly different cultures	Approach it as such
Bureaucracy can be extensive	Plan in advance and know everything will not happen overnight
Ownership structures can be onerous	Beware of this and plan round it
Corporate governance often less sophisticated than those in developed economies	Invest with this mindset and with a clearly developed path to ensure you meet your own standards
Expatriate staff may not always be welcome	Africa has a growing pool of talented people and one does not always need to staff their projects with expatriates. If you do bring expatriates then be prepared to transfer skills
Labour force varies from advance to primitive	Understand the local laws – it is difficult to extricate yourself if you approach it wrong
If entering by acquisition chose the target with care	Research your target – all is not what it seems

# The challenges.....and solutions!

The challenge	The solution
Working capital management	Keep this at the forefront and avoid chasing revenues and profits
Quality standards at times tend to be ignored	Resist the temptation – the continent is keen to develop and offer world class standards
Exchange controls	Some parts of the continent make it difficult to repatriate funds and it is important to ensure proper procedures are used
Exchange rates	Expect wild fluctuations and try and plan for them
Tax authorities can be difficult because of revenue collection pressures	They are improving constantly but beware they talk to each other
Corruption	It can be a rampant problem and you must be aware
Infrastructure	Choose your location carefully – infrastructure levels vary

# Africa the future



# Transformation

- Democracy is here
- Africa is becoming a more tolerant continent
- Significant economic opportunities
- Changes at the macroeconomic level have increased these opportunities
- Technological advances are making the continent more efficient
- Many African countries are actively encouraging foreign investment
- Ultimately the possibilities are limitless:
  - Some of the largest deposits of resources that exist anywhere in the world
  - Huge low-cost labour pools of bright and talented people across the continent
  - The potential to be self-sufficient in food production
  - Enormous space for expansion of industry



Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see [www.deloitte.com/about](http://www.deloitte.com/about) for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

This material and the information contained herein prepared by Deloitte Touche Tohmatsu India Private Limited (DTTIPL) is intended to provide general information on a particular subject or subjects and is not an exhaustive treatment of such subject(s). None of DTTIPL, Deloitte Touche Tohmatsu Limited, its member firms, or their related entities (collectively, the “Deloitte Network”) is, by means of this material, rendering professional advice or services. The information is not intended to be relied upon as the sole basis for any decision which may affect you or your business. Before making any decision or taking any action that might affect your personal finances or business, you should consult a qualified professional adviser. No entity in the Deloitte Network shall be responsible for any loss whatsoever sustained by any person who relies on this material.

©2011 Deloitte Touche Tohmatsu India Private Limited  
Member of Deloitte Touche Tohmatsu Limited