

# Insights from the KPMG Africa Conversation: 'Investing in Africa'

It is reported that Africa has become one of the fastest growing regions in the world, now firmly positioned as a global investment destination of choice. In 2012-13, the continent is expected to grow by 5% and it is estimated that Africa's GDP could be US\$2.6 trillion by 2020.



While it is clear that individual countries perform economically with different levels of success, there are significant business opportunities across the continent driven by an insatiable demand for Africa's resources, a rapidly growing population with an unprecedented rise in consumer demand, and the related infrastructural development that is urgently required in all areas.

Reflecting on these mega-trends shaping Africa's future, Tim Bashall, head of strategy at KPMG Africa, says "We are obviously dealing here with long term investment strategies. The African story still has elements of political and economic uncertainty but overall business opportunities are greatly improving. Investors are therefore thinking in cycles of 15-20 years".

## Expanding into Africa

Raman Dhawan, managing director at Tata Africa, explains that they took a conscious decision to expand into Africa since the leadership of the Indian conglomerate acknowledged the need to export.

"We came to South Africa and Africa to build a footprint on the continent, and we are looking at sectors which are untapped, such as the telecoms. We have successfully managed to establish ourselves in about a dozen countries including South Africa which we consider as a benchmark for our operations in other African countries."

Many investors are still weary of potential risks of putting money into Africa. Says Bashall, "We are aware that people worry about political risks and change of legislation in different African countries. But it has become a lot better."

African countries have become increasingly stable and there are many promising examples of public sector reforms which have helped to improve the business landscape, including improving regulatory frameworks.

Key to mitigating the risks is to have local presence on the ground which creates relevant and adequate capacity to deal with the prevailing realities and challenges. The lack of well-trained human resources offers a chance to build a work force suited to the business environment.

Henri Obi, chief operations officer of Helios Investment Partners, say "We pursue a strategy of hiring global business leaders for our African operations who have proved themselves elsewhere. To us, it is not important where the talent comes from as long as we get the talent we need. Of course, human capital is one of the major business risks in Africa, yet corporations have successfully managed this challenge for decades but have failed to tell the success story."

To potential investors looking for opportunities in Africa, KPMG's Dapo Okubadejo has a number of suggestions. "Buy and build existing companies, invest in value-chains while adopting partnerships in the logistics and distribution sectors, engage proactively with regulatory institutions, thoroughly build your human capital and adopt a portfolio strategy approach."

Obi adds, "Doing business in Africa requires a lot of patience and time, but the rewards can be very high. It is important to understand the local cultures in African countries where companies want to invest."

[View the panel discussion](#)

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