Africa is undoubtedly the area of the world that offers the most interesting opportunities for international businesses, and Italian business in particular: it is the continent with the highest rate of growth in recent years, and the pre-pandemic projections confirmed even higher growth for the coming decades.

However, it is also true that Covid-19 will create a “before” and an “after” in the way of doing business in general, and on the African continent in particular.

It is still early to attempt to outline the after, due to a situation of strong uncertainty regarding the health impact - but also the economic, social, and political impact - of the virus. It is however useful to identify the specific elements that until now have characterized business activity in Africa, because they are in any event related to structural characteristics of the continent.

THE IMPORTANCE OF REFORMS FOR FOREIGN INVESTMENT

The increasingly favorable business climate for international investors is a first important characteristic of the African continent, as well as a key factor for its significant economic growth. For years now, the governments of multiple African countries have been aware that to generate sustainable growth it is essential to pass a series of measures to attract foreign investments, including incentives, free-trade areas, regulatory reform, and infrastructure investments, and have embarked on this path. Since 2012, sub-Saharan Africa is the region with the highest number of legislative reforms in the world, with a peak of 107 in 2018, and a figure in 2019 - of 73 reforms - equivalent to 25 percent of the total number of reforms on a global scale. (1) There is also significant room for improvement, for example in the bureaucratic procedures necessary to obtain licenses and permits, that are not always easy, and the times for their completion are often hard to estimate, but the improvement on this specific aspect has been tangible: a recent World Bank analysis showed that in Sub-Saharan Africa the number of days necessary to register a new license went from 59 in 2006 to 20 in 2019. (2)

In this scenario, a business that intends to invest in Africa must do so with a medium to long-term strategic orientation, avoiding a merely opportunistic or wait-and-see approach, that often fails. Obviously, businesses are called on to face some challenges in their entry into the continent, and execution is a decisive aspect.

FROM THE STARTUP PHASE TO COLLABORATION WITH LOCAL COMPANIES

Beginning with the startup phase, it is essential to ensure that the business model adopted is in line with local laws, which requires various studies and tests, that are often complex and not immediately clear; this is a phase in which it is necessary to act with the maximum level of caution. Businesses then must constantly monitor the political and social situation...
of the country in which they operate: the instability of some African nations, typical of high-growth areas, can lead to uncertainties in the preparation and implementation of business plans, and require planning flexible operations and adopting a structured process for management of security of one's personnel in the area.

Another cornerstone for international businesses to guarantee lasting success in Africa is to succeed in identifying and entering into collaboration with high-quality local partners, with competences and vision aligned with their own, with whom to commit to collaborating in the long-term. This is a typically delicate and complex process, that often requires more than one iteration, and must be followed by a similarly complex phase of integration of the partner into one's value chain.

THE ENHANCEMENT OF LOCAL RESOURCES

In some sectors, it is also possible to find significant complexity in identifying qualified local resources: it is essential for the business to make a strategic-organizational investment that combines short-term needs with a medium to long-term vision, that entails the preparation of local resources. Good examples are provided by, among others, large multinationals in information technology that are investing in training programs, collaboration agreements with local universities, mentoring initiatives for students, and other initiatives aimed at developing their business on the continent. We Italians are also active in this field, with various initiatives and actors involved, including: E4Impact, among the leaders of a project supporting entrepreneurship in Africa through tutorship activities by Italian businesses; Res4Africa, that among its various activities, provides frequent advanced training courses on issues linked to the renewable energy sector; SDA Bocconi School of Management, that has launched a collaboration project in Egypt for the development of an executive master aimed at developing managerial skills, creativity, and the ability for innovation of local talents. Ideally, on a smaller scale and with different methodologies, the businesses that want to operate in Africa should consider this model for long-term success.

INFRASTRUCTURE GAP AND QUANTUM LEAPS

An additional peculiar element of Africa is the “infrastructure gap,” i.e. the lack of infrastructure especially in the sector of transport and construction. This represents both a difficulty for businesses that operate in the area but also a rich source of opportunity for development, not comparable to what is offered by other regions of the world.

That is not all, though: the infrastructure gap has pushed Africa to undertake a unique quantum leap on an international scale, i.e. a path of accelerated development in some strategic sectors through the application of advanced technologies that allow for overcoming the lack of infrastructure, and at the same time, constitute the new technological frontier that advanced economies will adopt only in the future. An example is the use of drones in some hard-to-access rural areas in Rwanda for the rapid delivery of medicines or bags of blood to healthcare operators. Analagously, the development of so-called mobile money through micro-transactions has led to a growing trend that is allowing Africa to reach the top spot compared to other areas of the world for both the volume and value of transactions. The situation is similar as regards access to internet from cellular phones: the most recent data indicates that by 2022, the number of mobile devices in Africa will be more than double those in North America.

The challenge for businesses that operate in Africa is to seize these opportunities and be able to face with flexibility the difficulties inherent in working in this situation. And we, as Italians, have a competitive advantage on the continent thanks to our geographic and cultural proximity and the political/governmental relations with various countries in the Mediterranean and sub-Saharan area. The trust with which African governments view Italian businesses is impressive, due to the well-known excellence and quality of made in Italy products and the historical-cultural-governmental affinity between Italy and Africa.

THE MANY AFRICAS OF THE CONTINENT

However, it is always inconvenient and not entirely appropriate to seek to identify universal characteristics for the African continent, since in reality there is a sum of “many Africas”: 54 countries with different characteristics, histories, and perspectives, certainly with common traits, but also distinctive characteristics.

For those who decide to operate in Africa the selection of the countries from which to start and on which to focus is crucial. In general, the most promising countries are those with the most diversified economies or with less dependence on single resources, such as oil and natural gas.

These certainly include South Africa, one of the principal economies on the continent and by far the most developed country, with a very solid banking and financial sector that is able to effectively support industry.

In Northern Africa, Morocco and Egypt are the most interesting countries: while Morocco is the African country with the best transport infrastructure thanks to a recent plan for modernization and extension and the introduction of integrated platforms and free-trade zones that facilitate business activities for international companies, Egypt has solid macroeconomic fundamentals, that have constantly improved in recent years thanks to policies for attracting foreign investment and a solid program of infrastructure in-
investment that has led to stability, growth, a reduction of unemployment and debt.

In Sub-Saharan Africa, Nigeria is the leading economy, and also the most populous country, with a highly developed service sector and constant growth in the oil sector which remains very important. Ethiopia is also a key country and constitutes a true crossroads between Africa, the Mediterranean, and the Middle East; its GDP growth is among the highest in the world, and it offers opportunities in various sectors thanks to a very favorable business environment for foreign companies, due to the multiple reforms and initiatives implemented by the local government to attract investments.

**ALL THE OPPORTUNITIES FOR FOREIGN BUSINESSES**

Various other countries offer concrete business opportunities for international businesses. For example, the entire Horn of Africa is by now an area of great interest for international investors. The sovereign funds and industrial conglomerates of the United Arab Emirates and Saudi Arabia have been investing there for a number of years now, with a long-term horizon. The peace process between Ethiopia and Eritrea in recent months, that has seen the direct involvement of the Ethiopian Prime Minister Abiy Ahmed Ali, the 2019 Nobel Peace Prize Winner, has led to a new situation of geopolitical stability that will lead to additional development of the area.

An additional push for business opportunities in Africa will be guaranteed by the African Continental Free Trade Agreement (AfCFTA), an agreement that entered into force in mid-2019, which provides for the removal of tariffs on 90 percent of goods and the gradual liberalization of the trade of goods and services among the 54 African countries. The implementation of that agreement will lead to the creation of a single African market of over one billion consumers with a total GDP of over 2 trillion dollars, fertile ground for export and commerce for local and international businesses. (5)

In conclusion, Africa is a strategic and at the same time very promising area in which to do business, and the hope is that in the post-Covid-19 period as well, the continent will continue to grow in the wake of international investments.

For businesses that have already undertaken a process of expansion on the continent or that intend to do so briefly, the recommendation is to leverage the lessons learned by those who have operated there for years, thus adopting a medium to long-term strategic approach, without being in a hurry to obtain an immediate return on investment, keeping well in mind that it is absolutely natural some times to have to proceed by trial and error, with subsequent optimization to guarantee sustainable success. At times tortuous roads, that require curves and slowdowns, are those that reveal the most fascinating and attractive scenery; it’s all about daring to embark on them and having the tenacity to follow them. Malleability, flexibility, and slimness are key words on the African continent, even more so to face the consequences of the pandemic that will gradually take shape.

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(2) Ibid.

