What it takes to succeed in Francophone Africa

Reflections from the Africa Strategic Growth Forum 2013
To those not doing business in Francophone Africa, the region is shrouded in mystery. Not only are the individual countries diverse and unfamiliar, but the region’s culture is unique. Foreign social and business customs and the language barrier used to be enough to scare off most cautious Anglo-Saxon businesses and investors. However some are now realising that this could be a costly mistake.

Francophone Africa covers over 5,000 sq km in area, 31 countries and more than 100 million inhabitants (or potential customers). France used to be a main driver of business in the region, but countries and economies are diversifying with borders blurring between Francophone and Anglophone Africa.

The potential for success is large

Average annual GDP growth for the region varies between 3 - 8% with the Ivory Coast 2013 GDP forecast hovering around 9%. New market entrants are entering the region from various backgrounds and sectors including:

- Australians, Canadians and South Africans in the mining sector,
- North Americans in the oil & gas sector,
- Singaporeans in the agricultural sector (cotton, cashew and rubber plantations),
- Nigerians in the banking sector and
- Moroccans as investors

Furthermore, the high quality education system has produced a well educated pool for employers to draw human capital from. Working across countries in the region is also simplified by similar legal systems and low exchange rates. The establishment of ECOWAS (Economic Community of 15 West African States) is anticipated to further promote freedom of movement (visa-free) and stronger trade corridors in the region.

Overcoming challenges

Economic growth in the region has been driven predominantly by the private sector, with the public sector in most countries lagging behind. Governments and embassies in the region can be slow to react to potential business opportunities, frustrating firms looking for market entry opportunities.

As is the case in most of Africa, infrastructure is lagging behind in many countries and brings with it its own set of challenges. The current push towards better regional integration is key to promoting infrastructure development.

Several Nigerian banks entered the Francophone market with high expectations. To their shock, they failed dismally to win over customers. Since then, several Moroccan banks have entered the region and have been far more successful. Where did the Nigerian banks go wrong in their regional strategy? They forgot to manage perceptions. Regulators were wary of the Nigerian banks and continuously challenged their compliance with local financial management and statutory requirements. Ecobank benefitted from their competitor’s mistake and partnered with local firms when they expanded to the region. Their entry has been so successful that they are now known as one of the leading regional banks in Francophone Africa.
Where are the opportunities in Francophone Africa?

Public Private Partnerships (PPP) seem to be the latest trend in Cameroon. Across the region, this approach is gaining in popularity as a preferred funding vehicle for large infrastructure projects. The World Bank is a strong supporter of PPP's in Africa.

Until recently, many of the region's investors and governments were cautious of PPP's, concerned that it would not gain proper governance over projects. However, the mood has since shifted and within SADC (Southern Africa Development Community) there has been a push to identify priority PPP (including cross-border PPP's) projects.

Several challenges remain. The most pressing is political risk. Ensuring that businesses have a clear understanding of the strategic objectives of government and aligning these with the organisation’s commercial interests will help mitigate the risk. Other risks in this area include limited ground experience in PPP's and lack of mentors for junior staff. These risks are not insurmountable; they just need to be managed appropriately.

At EY’s 2013 Africa Strategic Growth Forum, our speakers shared some tips on how to succeed in Francophone Africa. These included:

- Find a local firm to partner with when entering the region. A local partner can add invaluable knowledge, local resources and secure a strong network to your business. Develop the local employees. The local workforce is highly appreciative of training and development when the interest in them is sincere.
- Commit to a long-term strategy for the region.
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