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Ebimo Amungo

The Rise of the African Multinational Enterprise (AMNE)

The Lions Accelerating the Development of Africa

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The Lions Accelerating the Development of Africa

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For Ifeoma and Woyinmi

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Introduction

There is a company in Africa that is as dominant as Netflix, as pervading as Facebook, and as investment savvy as SoftBank. The company is called Naspers, and it is a homegrown African Founded Firm that is a 30% equity holder in the Chinese technology behemoth, Tencent. There is another company, MTN, that was founded by black South Africans in 1994, but today it is among the largest telecommunications companies in the world with 220 million subscribers and operations spanning 22 countries in Africa, Asia, and the Middle East including Iran where it is the second largest provider of mobile wireless telecom service. There is still another company, OCP, partly owned by the government of Morocco, which is the largest producer of phosphate fertilizer in the world. A Nigerian company, Dangote Industries, is constructing the largest urea fertilizer plant on the continent and the largest refinery plant in an integrated petrochemical complex in Lagos. Already Dangote is the second largest producer of cement in Africa with cement plants in 10 countries. And though thrust into global spotlight by a tragic accident involving a Boeing 737 Max, Ethiopian Airlines is an aviation trailblazer flying to 190 destinations across the world and operating one of the youngest aircraft fleets in the world. All these firms were founded in Africa. They grew on the continent, first in their domestic markets before expanding across the region. These firms are the African Multinational Enterprises (AMNE). They are the African Lions.

The birth, growth, and expansion of these firms are remarkable. Africa is a continent dominated by small and microenterprises, many of which are informal. The informal sector is estimated to account for about 38% of GDP in Sub-Saharan Africa. This is a higher share than in any other region. By comparison, the informal sector accounts for only about 18% in East Asia and Pacific. More astonishing is that these AMNEs found success on a continent notorious for its lack of infrastructure and daunting business environment.

Africa lags behind in every metric that measures business environment and competitiveness of economies. The per capita consumption of power, roads, rail, and water in African countries is the lowest in the world. The continent lags also in the protection of property rights, ease of doing business, logistic performance, development of institutions, and quality of regulations. These deficiencies add to increased transaction and operational costs. All these costs ultimately affect the performance and productivity of African firms.

The constraints firms operating in Africa face are myriad, but, somehow, they have found success on the continent and today there are over 700 firms with annual revenues of USD 500 million. Four hundred of these firms earn over a billion dollars annually while 300 are multinationals with significant cross-border operations within and outside the continent. The most confounding of all is that these African Founded Firms are among the most profitable globally.

But it has not always been this way; private sector involvement in the economic development of Africa has been checkered, affected by the continent's history, politics, and disparate policies of her fifty-four separate governments. First, indigenous entrepreneurship was held back by colonial policies that favored trade in the goods manufactured in the metropoles and imported into Africa by multinational mercantile companies who exported Africa's commodities and minerals needed to drive European industries. Second, at the time of independence in the 1960s, the private sector was small in size and considered incapable of leading production in African economies. The state assumed the role of driving economic development. This was also a time when the ideological tilt in a lot of countries was towards socialism. Thus, the state nationalized private assets and established state-owned enterprises; motivated by a desire to spur domestic production, they instituted import substitution policies that prompted them to embark on a doomed attempt at industrialization. But rather than stimulate growth and industrialization, governments were drained of their foreign exchange savings, burdened by a bloated workforce in public parastatals and choked by a crippling balance of payment squeeze. Only a decade after initiating the IS policy, several governments were hobbled by debt. All these macroeconomic challenges were also happening at a time the continent was suffering from political upheavals, civil wars, and coups.

The true devastation caused by post-independence exuberance and the IS policy were to be felt for several decades. Demoralized by the nationalization of their assets, foreign Multinational Corporation (MNCs) retreated from the continent while several governments were comatose and barely surviving on aid from donors in the decade between 1980 and 1990. The irony was that rather than spur domestic growth and industrialization, the failure of IS policy led to a long period of deindustrialization and shortages on the continent. As agriculture was nearly abandoned in pursuit of industrialization, food production declined and several countries had to start importing food to meet growing shortfalls. Today, Africa has a yearly food import bill of USD 30 billion while many countries are venerable and threatened with food insecurity. The failure of IS also left the continent short on local manufacture of consumer, commercial, and industrial goods including building materials, food and beverage, paper, and petroleum products.

The third period of private sector development followed the era of structural adjustments of African economies. Structural adjustment was prescribed for African governments as part of the Washington Consensus promoting free market enterprise globally. In exchange for liquidity support African governments were advised by multilateral development agencies including the World Bank and International Monetary Fund to liberalize their economies, privatize State-Owned Enterprises (SOEs), and deregulate sectors that were monopolized by public sector firms.

Even though a greater part of the indigenous private sector was incapable of participating in the privatization process, it was left to them to take up the invitation of governments to acquire state-owned enterprises and invest in their domestic economies, as large foreign MNCs gave Africa a wide berth.

There is no gainsaying that several of today's African multinationals were small- or medium-sized companies in the 1990s; they have, however, grown through innovative solutions to operational challenges, creative marketing, good product formulation, and even better value proposition offered to their customers for their goods and services. Their investments in value added manufacturing is only beginning to stem the tide of deindustrialization in Africa, and their role in the services sector has been nothing less than phenomenal. Liberalization and deregulation opened up sectors that were shut to private participation. African firms moved into banking and financial services, aviation, media and entertainment, and telecommunications. It is their role in the service sector that has led to much of the transformation that has happened in Africa.

Today, AMNEs like Globacom, Orascom, Bidco, Bahkresa, and Shoprite have contributed in no small measure to the development of Africa. They have contributed to the growth of intra-African trade, increased mobility within the continent, and greater integration, while contributing to GDP growth. Their investments in the agricultural value chain have improved agricultural yields and strengthened food security.

The rapid growth, profitability, and success of AMNEs have led to other benefits for the continent. Increasingly, they have been able to entice and attract investors, thereby increasing capital flows to the region. Their success has also attracted competitors as more MNCs have begun to give the continent a second look.

The purpose of this book is to chronicle the circumstances that led to the birth, growth, and expansion of African multinationals. The book is focused solely on firms that grew domestically and established cross-border operations. The book is organized into three parts; the first part broaches the known literature about multinational corporations. The first chapter describes the multinational corporations and their role. The second chapter discusses the distribution of MNCs across the world and the rise of emerging countries multinationals. The third chapter looks into the motivations for internationalization, entry strategies, and governance and other issues surrounding multinationals.

The second part paints a picture of the contextual realities in Africa that engendered the birth, growth, and expansion of the African Challengers. Chapter 4 describes the excruciating shortages of goods and services in Africa and the circumstances that created them. Chapter 5 puts Africa in context, laying bare the deficiencies that make the continent a challenging place to do business. Chapter 6 details the historical progression of private enterprise in Africa starting from the colonial period to the post-structural adjustment period. The chapter identifies notable African firms that were founded within each of these epochs. Chapter 7 describes the growth strategies of African challengers and the competitive strategies with which they won market share. Chapter 8 explains their move into foreign markets within and outside Africa, while Chap. 9 spotlights the industries, sectors, and

individual firms that are dominant players in Africa. The section ends in Chap. 9, which sheds light on entrepreneurship in Africa and the people who founded African Lions.

The third and final part of the book explains the real contributions of AMNEs to the economic development of Africa and looks at the changes going on in Africa as regards population growth and urbanization and the increasing involvement of foreign MNCs on the continent, and asks if African Lions will survive the business jungle of Africa. Chapter 10 takes an in-depth look at the contributions of African Lions to the continent's economic development while Chap. 11 worries about the changes happening in Africa, the scramble for Africa by old and new interested parties and the heightened competition within the African marketplace. The chapter ends by examining the opportunities, strengths, weaknesses, and threats facing AMNEs within the continent. The final chapter argues for more support for the private sector in Africa. Faced with the challenge of finance and daunting business environment, the chapter suggests policies and initiatives that can sustain the growth of the private sector.

This book has one purpose, to point out that Africa's private sector has carried a significant part of the burden of investing in and developing Africa at a time MNCs abandoned the continent. The book concludes that indigenous African firms know Africa, they are heavily invested on the continent, and they are well placed to continue to make the investments that accelerate the economic development of the continent.

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Abbreviations

AfCFTA	African Continental Free Trade Agreement
AFF	African Founded Firm
AGMNEs	African Global Multinational Enterprise
AMNEs	African Multinational Enterprises
AU	African Union
BMCE	Banque Marocaine du Commerce Extérieur
BoP	Base of the Pyramid
DFI	Development Finance Institutions
EAC	East African Community
ECOWAS	Economic Community of West African States
FAO	Food and Agriculture Organization
FBG	Family Business Groups
fDB	Africa Development Bank
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
ICT	Information and Communications Technology
IFC	International Finance Corporation
IFI	International Finance Institutions
ILO	International Labor Organization
IMF	International Monetary Fund
IS	Import Substitution
JSE	Johannesburg Stock Exchange
MENA	Middle East and North Africa
MGI	McKinsey Global Institute
MNC	Multinational Corporation
NEPAD	New Partnership for Africa's Development
NSE	Nigerian Stock Exchange
OCP	Office Chérifien des Phosphates
OECD	Organization for Economic Co-operation and Development
PE	Private Equity
PWC	PricewaterhouseCoopers
R&D	Research and Development
REC	Regional Economic Communities
SADC	Southern African Development Community

SCOA	Société Commerciale de l'Ouest Africain,
SNL	Société Nationale d'Investissement
SOE	State Owned Enterprises
SSA	Sub-Saharan Africa
UAC	United Africa Company
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Program
UNECA	United Nations Economic Commission for Africa
USD	United States Dollar
WB	World Bank
WEF	World Economic Forum

Part I

The Multinational Corporation

1

1.1 Introduction

We live in a world of familiar names, preferred brands and standardized preferences. From the mundane to the most sophisticated of our needs, we seek out products and services that assure us of their quality, convenience, affordability, availability, value or whatever preference we seek. Familiarity with a brand name, a product from a particular manufacturer or services provider assures us of attributes we desire. These may be reliability, durability, aesthetics, affordability. And to propitiate our psychological needs, we seek out products or services that fit our personality.

These products and services are provided by enterprises, who have learnt to identify the preferences of customers and have developed products and service to meet those needs. Firms continually find solutions to the vast array of needs of their customers. These firms have developed packaged and processed food, like Kraft, Nestlé and Unilever; invented appliances that the ease daily chores, like Dyson and General Electrics; developed pharmaceuticals that are potent and effective against several ailments like Pfizer, Roche and Swispa; developed communications devices with multiplicity of functions like Apple, Huawei and Samsung and some firms have developed ecommerce platforms that have reduced our need to go to brick and mortar shops for our shopping like Amazon, Ebay and Alibaba. Some have built competence in delivering, services like banking, healthcare, education, utilities that are entwined into our daily existence.

One common tread among all these firms is that they innovated and continue to do so with products and services that consumers find appealing. Their products and services hold significant market share in their home markets and their knowhow, technology, and other capabilities imbue them with the confidence to venture into foreign markets. For this reason, these products and services are sold in multiple countries. The motive for venturing out are usually myriad, ranging from a desire to exploit their patent, knowhow and other capabilities, or improve their sourcing for resources and assets needed in their operations.

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Whatever their reason is for venturing abroad, these companies become multinationals when they establish subsidiaries in one or more countries. Often times, these firms have leant how to be competitive in the marketplace, they produce goods and services at scale, develop marketing campaigns that appeal to the consumer, make their products available through varied distribution channels and find the best way to curtail their operational costs so as to generate higher rates of return on their investments. Most often, multinationals create value for multiple stakeholders including consumers, financiers and investors, governments their employees and managers.

Understanding the motivations, strategies and behavior of multinationals is the main purpose of international business studies. The essence being to seek better understanding of the decisions by managers and how these decisions are affected by factors within and outside the firm. Nevertheless, multinationals, like every enterprise, are economic entities seeking profits. It is the certainty of profits that assures investors, ensures the survival of the enterprise, and guarantees its growth and expansion.

It is this need for economic or strategic gains that makes it imperative for managers of multinational to take a studied analysis of their internal and external environment before making decisions regarding investing in foreign markets. It is this analysis that makes them put on a balance, the opportunities they may have identified in abroad and their ability to exploit it.

In their growth and expansion, however, multinationals play diverse roles in the global economy. Most of their activity is applauded as positive but increasingly they face criticisms for a wide variety of mainly ethical reasons.

1.2 A Brief History of Multinationals

The history of the multinationals is linked with the history of colonialism. Many of the first multinationals were commissioned at the behest of European monarchs in order to conduct expeditions. Many of the colonies not held by Spain or Portugal were under the administration of some of the world's earliest multinationals.

In the nineteenth century a new set of charter companies were formed to trade in European manufacture and seek raw materials. The British Charter companies would identify opportunities in resources or other activities, form companies, and then issue most of their capital on either British or colonial equity markets, using their reputations as devices to attract investors who might otherwise have avoided such high-risk investments.

Additionally, the charter companies of the nineteenth century acted on behalf of governments, they signed treatise, traded with locals, administered territories on behalf of European governments. Notable among them were the Royal Niger Company, Imperia British East African Company, British East India Company, the Dutch East Indian Company.

The MNCs as it is known today did not really appear until the nineteenth century, with the advent of industrial revolution and its consequences: the development of the factory system; larger, more capital-intensive manufacturing processes; better storage techniques; and faster means of transportation.

The increasing wealth of western countries, along with constraints on the speed by which national industries could absorb new loans, encouraged massive foreign investments by the end of the nineteenth century and early twentieth century. By 1850 modern industrialization in textiles, iron and steel, engineering and shipbuilding in particular was well-advanced in parts of Western Europe and North America. The Industrial Revolution fundamentally shifted the cost structure in the world textile industry, to such an extent that Britain accounted for over 40% of world exports of manufactured goods by the middle of the century. This enabled firms and merchant to seek new markets for their products.

As the Western world industrialized and urbanized, firms launched a search for the minerals, commodities, and foodstuffs needed by the developed world, and constructed the physical and services infrastructure needed to exploit them. In the last third of the nineteenth century, the transportation and communications revolutions (the spread of railroads, steamships, and cables) resulted in a vast expansion of MNCs as speed in delivering goods and information became feasible. Costs fell sharply, and organizational coordination and control within a firm became possible in ways earlier inconceivable.

As the most industrialized country in the world in the nineteenth century, Great Britain is estimated to have exported some 25% of its capital prior to World War I and French capital exports were often greater. This capital went to countries hungry to finance their industrial expansion, including the newly industrializing countries of Russia and especially America.

The period since 1914 is associated with the growth and evolution of American MNCs. A rapidly growing country, America imported more capital than it exported up to World War I. However, whereas it imported largely portfolio investments, its outward flows were dominated by foreign direct investments. By 1914 at least 41 American companies had built two or more operating facilities abroad. But the United States accounted for no more than 18% of the global stock of outward FDI in 1914, a share much lower than that of the largest home country, the United Kingdom, with more than 45% (Wilkins 2005).

American companies showed an early penchant for expanding overseas (Wilkins 1970). Geoffrey Jones believes that American businesses explored first and foremost geographically nearby countries like Canada, Mexico and the Caribbean and culturally similar countries such as Canada again and the United Kingdom. The Singer Company built within two decades of its founding a large factory employing thousands of workers in Scotland. Oil companies, Kodak, Westinghouse, Ford, and mining and agricultural companies all invested overseas. American MNCs maintained a vigorous growth in the 1920s.

But global investments by MNCs was affected by macroeconomic and political shocks between 1930 and 1945. The Great Depression the late 1920s and the stock market crash of 1929 either curtailed or caused many American enterprises to retreat from business abroad. Another consequence of the depression was that many American companies failed but those which survived grew mighty and expanded into giant corporations. Therefore, the depression turned out to be a natural selection for companies.

Meanwhile, the Communist Revolution in Russia in 1917 had resulted in the expropriation of a large amount of Western FDI, as Russia had been one of the world's largest host economies. World War 2 devastated Europe and much of Asia, and eventually led to the expropriation of German and Japanese FDI in America. The spread of Communism to China and eastern Europe after World War 2 shut off further large parts of the globe to capitalism.

After the war, the promotion of American investment abroad served both economic and political objectives of the U.S government. Not only having a good balance of payments but also containing Communism was the main target of the U.S politicians. The United States dominated the supply of new capital, innovations and entrepreneurship for much of this period.

There was a renewed expansion of European multinationals abroad between 1930 and 1960 as governments in their colonies demanded local manufacturing and import substitution. British, French, Dutch and Belgian MNCs diversified from their trading activities to invest in mining, agriculture and manufacturing. Additionally, European MNCs were able to begin moving into each other's colonies only in the 1950s and 1960s with the end of the age of colonialism. This was also facilitated by the fact that a considerable number of independent Third World governments actively encouraged the MNCs to get involved in production activities in their territories, irrespective of the MNCs countries of origin (Jones 2005).

The dismantling of Western colonial empires, the spread of government restrictions on foreign firms in most of postcolonial Asia and Africa, and the widespread expropriation of foreign ownership of natural resources during the 1970s, further decimated Western multinational.

After several decades of decline in FDI, there was a new resurgence of FDI from 1980. The collapse of the Soviet Union created a new world order as former communist countries embraced free market principles. MNCs intensified their investments in China, India, Brazil and Mexico, while limiting their investment in Africa. The new wave in internationalization included MNC from Germany and Japan and eventually those from emerging markets (Jones 2005).

The relative importance of MNCs in the world economy has increased dramatically since the 1970s. The number of MNCs with headquarters in the 15 advanced countries responsible for most foreign direct investment (FDI) increased from about 7000 in the late 1960s to 40,000 in the late 1990s. The ratio of FDI to gross domestic capital formation increased from 2% around 1980 to 14% in 1999; the ratio of the world's stock of FDI to world GDP increased from 5 to 16% over the same period (Roach 2007).

1.3 The Modern-Day Multinational Corporation

The terms "multinational corporation," "transnational corporation" and "global corporation" are often used interchangeably. The United Nations Conference on Trade and Development (UNCTAD) defines a transnational corporation as an entity composed of a parent enterprise that controls the assets of entities in countries other than

its home country plus the foreign affiliates of that parent enterprise. This definition will be applied to the term multinational corporation as well.[1] While a MNC does not necessarily have to be a large firm, the world's largest firms are generally MNCs. MNCs may engage in various activities like exporting, importing, manufacturing in different countries. It may also lend its patents, licenses and managerial services to firms in host countries.

There were 82,000 of them in the world, controlling 810,000 foreign affiliates, accounting for around a third of total world trade, employing approximately 77 million people in 2009, that figure has since expanded to include new multinationals and a plethora of multinationals from emerging markets and Africa. MNCs accounted for two thirds of world trade, about half of which was between affiliates of the same parent.

The principal objective of the corporation is to secure the least costly production of goods for world markets by acquiring the most efficient locations for production facilities. The two traditional economic explanations for the growth of firms have been economies of scale and economies of scope. Economies of scale arise when a firm lowers its per unit production costs of a particular product by producing in greater quantity. Division of labor through specialization is one reason per-unit costs decrease as production increases. Economies of scope arise when a firm can lower per-unit costs by expanding the variety of products it makes. Typically, a firm will expand its product line by making goods similar to those already being produced, which allows the firm to take advantage of existing marketing networks or production facilities.

Multinationals firms exist because certain economic conditions and proprietary advantages make it advisable and possible for them to profitably undertake production of a good or service in a foreign location. These advantages include propriety technology, patent or knowhow (Hymer 1960). The sufficient condition for setting up a proprietary plant or service facility has to do with the possession of intangible assets—brands, technology, know-how, and other firm-specific skills—that make licensing a risky option because the licensee might appropriate, damage or otherwise misuse the firm's assets.

Some MNCs have more than 100 foreign subsidiaries scattered around the world. It is the globally coordinated allocation of resources by a single centralized management that differentiates the multinational enterprise from other firms engaged in international business. Very large multinationals have budgets that exceed those of many small countries.

A good illustration of the size, scope and geographic scope of a multinational would be the French energy MNC, Total. By market capitalization, Total ranks as the fourth largest publicly traded integrated oil and gas company in the world. It operates in 130 countries and has 100,000 direct employees. Its business segments cover every aspect of the oil and gas industry, from exploration, development, production, refining, and

[1] The term Multinational Corporation, MNC, will be used for multinationals from outside of Africa while African Multinational Enterprises (AMNE) or African Lions will be used to describe African founded multinationals enterprises throughout this book.

petrochemicals to marketing, trading, and shipping. It is also active in specialty chemicals and aims to become a global leader in new energies.

The Total "group" comprises nearly 900 subsidiaries and equity affiliates. But the reach of the enterprise doesn't stop there. As part of its marketing business, Total's service station network includes more than 16,000 outlets in 110 countries, all carrying the Total brand (Total 2019).[2]

Another example of the pervading presence of the multinationals is Unilever, in 2002 Unilever announced that its products are used each year by an estimated 99% of the households in Canada, 95% of Indonesian households, 99% of households in the United Kingdom, and 95% of households in Vietnam. Again, many people may not associate these brands with Unilever despite nearly universal brand recognition. Unilever produces Lipton, the world's leading brand of tea and iced tea, and Hellmann's, the world's top brand of mayonnaise. Their Rexona deodorants, available in 90 countries, are also the world's top brand. Unilever's biggest brand is Knorr, which includes a range of sauces, snacks, frozen foods, and other food products. Other well-known Unilever brands include Vaseline, Dove soaps, Therma silk shampoos, Bertolli oils, Close-Up and Mentadent toothpastes, Slim-Fast diet products, and Calvin Klein fragrances. Ben & Jerry's was not their first ice cream brand, for Unilever owns Breyer's ice cream as well as other brands. In addition to brands that are marketed throughout the world, Unilever produces some products for regional or even national markets. Their Ala laundry detergent is sold only in Brazil. The Find us brand of frozen foods is primarily Italian. The Continental brand of soups, sauces, and snacks is sold in Austria and New Zealand (Roach 2007).

Multinationals are able to survive in the foreign environment because their patented technology and other intangible assets give them a competitive edge over local firms. Examples of these intangible assets are international brand names and superior technological capability (Dunning 2000). Production of a good or service in a foreign market is desirable in the presence of protectionist barriers, high transportation costs, unfavorable currency exchange rate shifts, or requirements for local adaptation to the peculiarities of local demand that make exporting from the home country unfeasible or unprofitable.

The most representative case of foreign direct investment is horizontal expansion, which occurs when the firm sets up a plant or service delivery facility in a foreign location with the goal of selling in that market, and without abandoning production of the good or service in the home country (Guillén and García-Canal 2009). Multinational corporations do not simply market their products abroad; they send abroad a package of capital, technology, managerial talent, and marketing skills to carry out production and marketing in foreign countries. In many cases, the multinational's production is truly global, with different stages of production carried out in different regions of the world. Marketing also is often global. Goods and services produced by MNCs are often sold throughout the world.

[2] www.total.com

1.4 What Do Multinationals Corporations Do?

Multinationals are firms that produce and sell their goods and services in multiple countries. The process that leads up to the final good or service consumed by customers is a complex one. The process involves the production of the goods or service, research and development, investment decisions and supply chain management, financial control, organizational structure and international human resources management (Rugman et al. 2011).

1.4.1 Develop Innovative Products and Services

One of the main attributes of MNCs is that they produce goods or services that are sought after by the market and organize their resources to produce, market and sell and derive revenue from their inventions or knowhow. Most multinationals are associated with producing innovative products. One of the earliest multinationals was Singer Corporation which invented the sewing machine. Companies like Motorola, IBM and Microsoft were innovators who developed unique products. Companies like Ford on the other hand developed processes that increasing the speed of production and reduced the cost of cars. The same is true for the pharmaceutical companies where firms like GlaxoSmithKline develop drugs that are eventually licensed to other firms like Aspen Pharmacare to produce generic versions of. The multinational derives their strong market positions by the patents and other legal protections that they hold from their inventions. It is the ownership of these legal rights, patents and knowhow that enable MNCs to venture into foreign markets.

1.4.2 Produce Goods and Service at Scale

Corporations usually compete on the basis of their ability to produce goods that have value to the consumer in both quality and price. MNCs usually have the wherewithal to increase their production capacity and produce goods and services at scale. This stems from their ability also to raise capital to finance growth and expansion. Scale economics is particularly effective in consumer goods where unit cost of production of good is reduced as more are produced.

The world's most successful multinationals have perfected the act of production at scale, using technology to improve their production process, and the promise of large volume orders to negotiate better prices from suppliers of goods and services. Part of the investments MNCs make is in technology and process improvements that facilitate their ability to produce goods at high volumes.

This has been the defining aspects of the automobile and consumer electronic industry where the ability to produce products at high volumes have ensured the competitive advantage of American, German and Japanese automakers makers. Scale economics has benefited automobile firms like Toyota, Volkswagen and Ford Motors while Samsung and LG are the largest producers of consumer electronic and

home appliances. Scale economics is also the goal of service multinationals like hotels, airlines and ecommerce platforms like Amazon. These firms aim to process large orders for their services and in so doing reduce cost. It the ability to process large volumes of consumers that keep airlines like Emirates and United Airlines competitive.

Large scale production of goods and services is a complex process that involves a web of suppliers of raw materials, intermediate inputs, finished products and coordination of the production process that involves a slew of skilled and unskilled labor. It also includes logistics services. It is the knowhow to coordinate this processes that confer a competitive advantage of firms.

1.4.3 Distribute Capital

One of the greatest attributes of MNCs is their ability to raise capital from the world's leading financial centers and it is this capital that helps fund their investments in machinery, new technology, process improvements and ultimately foreign market entry. Multinational corporations finance some portion of their overseas operations by transferring funds from the country of the parent firm to the country of the host firm (usually an affiliate or subsidiary, but also possibly a joint venture with another firm). This transfer is called foreign direct investment.

Multinationals are usually from home countries with well-developed financial market and are often able to raise large capital to finance their operations, growth and expansion. It is this capital that is used to fund their international expansion either through the establishment of greenfield subsidiaries or by mergers and acquisition.

Historically, the earlier MNCs such as the East Indian Company were founded by financiers investing in trading companies that ventured to Africa and Asia to procure exotic spices and produce from the far East sale in Europe at a profit. The world's largest MNCs are still able to attract investors from financial centers like London and New York and help redistribute this capital to other regions when they make investments there. Thus, when Unilever establishes a margarine plant in Nigeria, it is redistributing capital it raised from the City in London. The same is true when Walmart establishes a new subsidiary in Africa through acquisition with capital raised in New York. By establishing manufacturing plants, providing production, managerial, technical, organizational and marketing skills, and by harnessing their resources, the MNCs have helped in augmenting the GDP of Singapore, Hong Kong, Canada, more recently, the growth rate in GDP of Ethiopia and Morocco.

1.4.4 Invest in Research and Development

Multinationals produce goods and services that individuals and organizations consume and it is imperative that these goods and services are constantly improved and updated to keep firms competitive. It is for that reason that firms budget and spend

large sums for research and development. MNCs are responsible for the largest spending in R & D. Spending money on research and development, or R&D, is how a company innovates new technologies and conducts research to develop new products and services. R&D allows companies, such as Amazon, to stay ahead of their competition and work towards the future.

Research and Development plays a critical role in the innovation process. It's essentially an investment in technology and future capabilities which is transformed into new products, processes, and services. R&D spending is important as it contributes to a company's own innovation and dominance.[3] For companies that manufacture consumer electronics, automobile, and pharmaceutical products, innovation must be a part of company culture.

In industry and technology sectors R&D is a crucial component of innovation and a key factor in developing new competitive advantages. It is for that reason that technology companies spend most on R&D. Technology companies claimed the top five spots in the U.S. for research and development spending in 2018, investing a combined total of USD76 billion. Amazon spent the most on research and development in 2018, with about USD22.6 billion. Alphabet, Volkswagen, Samsung, and Intel rounded out the top five of companies with the highest R&D spending. Given a choice of being the disruptor or the disrupted, many would prefer to choose the former.

1.4.5 Foreign Direct Investments

The defining behavior of multinationals is that they invest abroad. Multinationals embark on foreign direct investment, FDI, in either developed and developing countries alike.

Multinationals make these investments for a variety of reasons, including to exploit their technological or patented knowhow, to seek resources, to seek factors that enhance their efficiency or to seek strategic assets (Dunning 2000). In 2017 the FDI investment made by MNCs in developed countries was USD712 billion while that in developing countries was USD671 billion (UNCTAD WIR 2018). These investments contribute significantly to global GDP and trade. For most developing countries these investments make up a significant part of GDP, and contribute to economic development and growth. There are several areas though which FDI affects development and these include, employment and incomes, capital formation, market access, structure of markets, technology and skills, fiscal revenues, and political cultural and social issues (Te Velde and UNCTAD 2006).

The purpose of the investment is to own or control overseas assets. Most collectors of statistics on FDI consider an overseas investment to involve control only when the investor owns 10% or more of the equity (total stock) of the affiliate—on the assumption that investors owning less than 10% of equity have no control.

[3] https://www.vox.com/2018/4/9/17204004/amazon-research-development-rd

FDI usually entails a well thought out strategy for entry into foreign countries. Overseas expansion is either by mergers and acquisitions, strategic alliances, joint venture or the establishment of wholly owned subsidiaries. Such investments may be in services, manufacturing or commodities (Anderson and Gatignon 1986).

The most representative case of foreign direct investment is horizontal expansion, which occurs when the firm sets up a plant or service delivery facility in a foreign location with the goal of selling in that market, and without abandoning production of the good or service in the home country. The decision to engage in horizontal expansion is driven by forces different than those for vertical expansion. Production of a good or service in a foreign market is desirable in the presence of protectionist barriers, high transportation costs, unfavorable currency exchange rate shifts, or requirements for local adaptation to the peculiarities of local demand (Guillén and García-Canal 2009).

1.4.6 Efficient Supply Chains

Competition in domestic and international markets forces MNCs to become more efficient and to lower costs, sourcing inputs from more efficient producers, either domestically or internationally. This enhanced efficiency can stem from a number of sources, including lower labor costs, greater access to raw materials, and more advanced manufacturing and service provision processes, among others (Ashley 2009).

This has led MNCs to develop extensive supply chains and relationships with several stakeholders and suppliers across several countries. An example is Starbucks which directly employs 150,000 people; sources coffee from thousands of traders, agents and contract farmers across the developing world; manufactures coffee in over 30 countries, mostly in alliance with partner firms, usually close to final market; distributes coffee to retail outlets through over 50 major central and regional warehouses and distribution centers; and operates some 17,000 retail stores in over 50 countries across the globe (UNCTAD WIR 2013).

MNCs have taken advantage of trade liberalization, decreased restrictions on capital movement, and technology advances which have sharply lowered transportation and communication costs and enabled geographically fragmented production processes, trade in services, and foreign direct investment to be able to develop these extensive supply chains across the world.

The coordination of their supply chain is one the attributes that set MNCs apart. Multinational enterprises "are increasingly able to fine-slice activities and operations in their value chains and place them in the most cost-effective location, domestically and globally" (UNCTAD 2013). Example, The Apple iPhone 6 illustrates a producer-led production network. As of 2014, its components were produced by 785 suppliers in 31 countries. The product is designed in the United States (US) and assembled in China, which also had the largest number of suppliers in 2014 at 349,

nearly half the total. Some 60 suppliers were US-based, several themselves multinationals, some headquartered in other countries. Many US suppliers also outsourced fabrication of components to companies in Japan, South Korea, and Taiwan, and China, which in turn are sourced from yet other (and lower cost) locations in South East Asia (Ruggie 2018).

Today, global investment and trade are thoroughly entwined in international production networks. This is especially true of MNCs investing in productive assets worldwide, as they manage trading inputs and outputs in cross-border value chains that often are highly complex. In fact, 80% of global trade takes place within the 'value chains' linked to MNCs (UNCTAD WIR 2013).

The electronics and automobile industries led the way, largely because components can be broken down into so many discrete parts and are easy to transport. But garments and footwear were also early movers, and the list today includes food and beverages, chemicals, mining, furniture, and a host of others. In view of the complexity of managing these transactions, the role of services looms large (logistics, telecommunications, legal services, data processing, accounting, and human resources management, among others). Although a single product emerges at the end, production networks are inherently multi-sectoral, drawing upon inputs from several sectors simultaneously.

These supply chains make extensive use of services. In fact, a significant part of the international production networks of MNCs is geared towards providing services inputs, with more than 60% of global foreign direct investment (FDI) channeled to services activities. By comparison, 26% of FDI goes to manufacturing and 7% to the primary goods sector. The picture is similar for developed and developing economies.

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The Global Distribution of MNCs 2

2.1 Introduction

Multinationals were the creation of European merchants who invested in trading companies that ventured out seeking produce from far out continents to sell for profits in their home markets. A product of ingenious interplay of enterprise and adventure. Multinational are economic entities, formed to create wealth through innovative products and service. Multinationals are designed to eke out profits from knowhow and capabilities and, ultimately, to seek more revenue and profits from oversea markets. The industrial revolution, with its increased output of goods, made it imperative to seek out new markets to sell excess goods and source of raw materials. Thus, multinationals ventured out from Europe to seek new markets in America, Africa and Asia. At the turn of the twentieth century, American companies joined the horde of companies investing outside their home markets, expanding to Canada, Europe and Latin America. Before the close of the twentieth century, the concept of the multinational had diffused globally and firms from South America, Asia, and Africa has started to have their own multinational enterprises.

The emergence of multinationals from other regions of the world was sparked by economic growth in South America and Asia, the liberalization of the global economy under the Washington Consensus and the growth of globalization. Emerging market MNCs were mainly from countries that integrated into the Global Value Chain, by providing inputs and providing services for developed country MNCs before achieving dominance in their domestic markets.

The motives for internationalization by emerging market firms have been found to be different that for developed country MNCs and their risk tolerance has influenced the countries they venture into and their entry strategies.

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2.2 Distribution of Multinationals

In the dramatic expansion of MNCs during the 1950s and 1960s, the number of subsidiaries of American MNCs, for example, more than tripled from 1950 to 1967, and the average size of subsidiaries grew by 50%. This growth produced a first wave of response about the political, social, and economic impact of the MNC. By the year 2000, it was estimated that there were 63,000 transnational corporations with more than 690,000 foreign affiliates accounted for about 25% of global output (Kobrin 2002). Roughly half of world trade now takes place between units of multinational firms; MNCs coordinate international economic flows and allocate activities and resources worldwide (UNCTAD 2002).

The geographical reach of the top companies has however changed and today it differs considerably. Some companies are present in many countries, whereas others concentrate on just a few. The geographic spread reflects strategic corporate decisions and may affect the ability of a company to develop and spread knowledge and innovations. The number of host countries in which an MNC has foreign affiliates provides a good indication of the geographic spread. On average, the largest MNCs had foreign affiliates in 40 countries in 2005. The MNC with a presence in the highest number of host countries is Deutsche Post, which is represented in as many as 103 countries.

The extensive coverage is partly linked to its ownership stake in the courier company DHL. Other companies with foreign affiliates in at least 90 locations are Nestlé and Royal Dutch/Shell. The foreign expansion of the top developing-country MNCs is more limited; Samsung and Flextronics have foreign affiliates in 29 and 27 countries, respectively.

The United States attracts most MNCs Developed host countries are most frequently chosen by the largest 100 MNCs. The United States is the top destination according to location intensity (see explanatory note below). The next popular locations are the United Kingdom and the Netherlands. The United States is also the most-favored location for affiliates of the 100 largest MNCs from developing countries, followed by Hong Kong (China) and the United Kingdom. Among developing host countries, Brazil hosts the largest number of affiliates of the world's largest 100 MNCs, followed by Mexico. In the case of the top 100 MNCs from developing countries, the locations hosting most affiliates are in Asia. This should not surprise since most of these MNCs originate from this region.

In the same vein, the most important host region for Mexican MNCs is Latin America and the Caribbean. Offshore financial centers, like Cayman Islands, British Virgin Islands and Bermuda, are also well represented among the most-favored locations for the top developing-country MNCs. According to the UNCTAD, some 65,000 MNCs existed as of 2000, and the parent enterprises of about 50,000 were located in developed countries. This represents a significant increase in the number of MNCs from 1990, when there were only 35,000. Growth has been especially dramatic in the Third World (Kobrin 2002).

Although the number of MNCs in developed countries increased by 63% between 1990 and 2002, the number of MNCs in developing countries increased by 258%

during the same period. Despite this recent trend, the geographical distribution of MNCs is highly skewed toward Western Europe. In 2000, the country hosting the parent company of the most MNCs was Denmark (about 14% of all MNCs). Denmark is followed by Germany (13%), Sweden (7%), and Switzerland (7%). The United States hosts only 5% of all the world's MNCs. Of the more than 13,000 MNCs in developing countries, more than half are located in China and South Korea. Other developing countries with significant numbers of MNCs include South Africa, Brazil, and the Czech Republic (Table 2.1).

2.2.1 The Largest Multinationals

The geographic distribution of the very largest MNCs have been changing in recent decades but by 2000 a greater share was concentrated in the U.S. and Japan. About 64% of the largest 250 industrial companies, ranked by revenues, were headquartered in the U.S. in 1960. Except for a handful in Japan, all the rest were located in Europe.

An indication of the distribution of the largest multinationals in the world can found from such indexes as the Fortune 500, Financial Times, Fortune Global 500, Forbes 2000. Since 2001, there has been a significant change in the geographical distribution of the companies in the Global 500 rankings. The number of North American-based companies decreased from 215 in 2001 to 143 in 2017 and the contribution of Asian-based companies increased rapidly from 116 in 2001 to 197 in 2017. Most of this growth is accounted for by the rapid increase in the number of Chinese Global 500 companies, of which there were 109 by 2017, increasing from only 10 in 2001. The share of European-based companies also declined, from 158 to 143, over the same period (Clausing 2018).

By 2017 only ten countries represented 87.2% (436) of the Global 500 with two in North America (Canada and United States), five in Western Europe (France, Germany, Netherlands, Switzerland and United Kingdom) and three in East Asia (China, Japan and South Korea). Moreover, the top six (United States, China, Japan, Germany, France and United Kingdom) are the world's largest economies as estimated by the IMF. By 2015 about 8% of the largest MNCs are now located in developing countries, including China, Brazil, India, Malaysia and Mexico.

The Forbes list of the 2000 largest publicly traded global companies worldwide is even more revealing. This list is compiled on the basis of four lists that rank companies by sales, profits, market value, and assets. Composite rankings of the top 2000 companies are based on equally weighted rankings of the four lists. Global 2000 companies have become larger and more important over time. The top 2000 companies in 2017 accounted for USD39 trillion in sales and USD57 trillion in market capitalization, over 50% higher than the 2003 figures, when top companies accounted for USD25 trillion in sales and USD31 trillion in market capitalization. The United States has, by far, the most companies from the Global 2000, but the U.S. count has declined by about 200 between 2003 and 2017. Still, considering other measures of headquarters activities, such as sales, market value, assets, or profits, those measures are higher in 2017 than in 2003.

Table 2.1 Showing the distribution of the Forbes 2000 global companies on 2017

Rank	Country	Companies
1	United States (including Puerto Rico)	525
2	China (including Hong Kong)	301
3	Japan	210
4	United Kingdom (including Bermuda)	93
5	South Korea	67
–	Hong Kong	58
6	India	58
7	France	57
8	Germany	54
9	Canada	51
–	Taiwan	47
10	Switzerland	21
11	Australia	39
12	Sweden	27
13	Italy	26
14	Russia	25
15	Spain	25
16	Netherlands	22
17	Brazil	19
18	Ireland	17
19	Saudi Arabia	17
20	Thailand	16
21	Singapore	15
22	Denmark	14
23	Malaysia	10
24	Mexico	12
25	Israel	11
26	South Africa	11
27	Turkey	15
28	United Arab Emirates	11
29	Belgium	10
30	Norway	9
31	Chile	9
32	Finland	9
33	Luxembourg	8
34	Austria	8
35	Qatar	6
–	Bermuda	6
36	Colombia	6
37	Poland	6
38	Philippines	6
39	Portugal	5
40	Morocco	4
41	Vietnam	4

Table 2.1 (continued)

Rank	Country	Companies
42	Indonesia	6
43	Kuwait	3
44	Argentina	3
45	Nigeria	2
46	Lebanon	2
47	Peru	2
48	Greece	2
49	Hungary	2
–	Puerto Rico	1
50	Venezuela	1
51	Cyprus	1
52	Czech Republic	1
53	Jordan	1
54	Kazakhstan	1
55	Kenya	1

Source: Forbes

2.2.2 The Transnational Index

As MNCs increase their investments abroad, their foreign operations assume increasingly significant role in their overall financial performance. In 1995 UNCTAD introduced a composite index of transnationality, which attempts to assess the degree to which MNCs are engaged in foreign activities compared to home activities. It is designed to give a quick synthetic view of the position of different companies, their home countries and industries in the internationalization process (Ietto-Gillies 1997). The scale of this foreign operations is captured by the Trans National Index. The TNI links the internationalization process to the dichotomy home versus foreign production.

UNCTAD ranks the largest non-financial MNCs by their foreign assets and presents data on assets, sales and employment in three separate lists: the 100 largest worldwide, the largest 100 from developing countries, and the largest ten from the economies in transition of Eastern Europe. Financial firms are included in a separate list, the 50 largest worldwide, because of the different economic functions of assets of financial firms and the non-availability of relevant data on sales and employment. UNCTAD ranks the firms according to a Spread Index which takes into account the number of foreign affiliates and the number of host countries (Ietto-Gillies 1997).

In 2015, 14 of the most transnational corporations originated in small countries, namely, Switzerland, the United Kingdom, The Netherlands, Belgium, and Canada, whereas the largest multinational corporations in terms of foreign asset ownership all had low TNI scores (Table 2.2).

Table 2.2 Showing the foreign assets of some of the largest MNCs and their TNI score

The world's top 100 non-financial MNE s, ranked by foreign assets, 2015
(Millions of dollars and number of employees)

Ranking by:					Assets		Sales		Employment		TNI[b] (Per cent)
Foreign assets	TNI[b]	Corporation	Home economy	Industry[c]	Foreign	Total	Foreign	Total	Foreign[d]	Total	
1	37	Royal Dutch Shell plc	United Kingdom	Mining, quarrying and petroleum	288,283	340,157	169,737	264,960	68,000	93,000	74.0
2	64	Toyota Motor Corporation	Japan	Motor Vehicles	273,280	422,176	165,195	236,797	148,941	348,877	59.1
3	67	General Electric Co	United States	Industrial and Commercial Machinery	257,742	492,692	64,146	117,385	208,000	333,000	56.5
4	19	Total SA	France	Petroleum Refining and Related Industries	236,719	244,856	123,995	159,162	65,771	96,019	81.0
5	40	BP plc	United Kingdom	Petroleum Refining and Related Industries	216,698	261,832	145,640	222,894	46,700	79,800	68.9
6	59	Exxon Mobil Corporation	United States	Petroleum Refining and Related Industries	193,493	336,758	167,304	259,488	44,311	73,500	60.7
7	75	Chevron Corporation	United States	Petroleum Refining and Related Industries	191,933	266,103	48,183	129,648	31,900	61,500	53.7
8	61	Volkswagen Group	Germany	Motor Vehicles	181,826	416,596	189,817	236,702	334,076	610,076	59.5
9	18	Vodafone Group Plc	United Kingdom	Telecommunications	166,967	192,310	52,150	61,466	75,666	105,300	81.2
10	65	Apple Computer lnc	United States	Computer Equipment	143,652	290,479	151,983	233,715	65,585	110,000	58.0
11	5	Anheuser-Busch lnBev NV	Belgium	Food & beverages	129,640	134,635	39,592	43,604	140,572	152,321	93.1
12	51	Softbank Corp	Japan	Telecommunications	125,485	184,325	42,437	76,313	45 036	66,154	63.9

The world's top 100 non-financial MNE s, ranked by foreign assets, 2015
(Millions of dollars and number of employees)

Ranking by:					Assets		Sales		Employment		TNI[b] (Per cent)
Foreign assets	TNI[b]	Corporation	Home economy	Industry[c]	Foreign	Total	Foreign	Total	Foreign[d]	Total	
13	34	Honda Motor Co Ltd	Japan	Motor Vehicles	125,270	162,268	102,204	121,730	138 942	204 730	76.3
14	66	Enel SpA	Italy	Electricity, gas and water	124,603	175,806	41,619	83,962	34,874	67,914	57.3
15	63	Daimler AG	Germany	Motor Vehicles	123,881	236,874	141,456	165,872	113,606	284,015	59.2

Source: UNCTAD

[b] TNI, the Transnationality Index, is calculated as the average of the following three ratios: foreign assets to total assets, foreign sales to total sales and foreign employment to total employment.

[c] Industry classification for companies follows the United States Standard Industrial Classification as used by the United States Securities and Exchange Commission (SEC).

[d] In a number of cases foreign employment data were calculated by applying the share of foreign employment in total employment of the previous year to total employment of 2016.

[e] Data refers to 2014.

2.3 Emerging Market Multinationals

Some enterprises from emerging, and developing economies have amassed sufficient capital, knowledge and knowhow to invest abroad on their own and claim the status of emerging multinationals (EMNCs). Driven by economic growth, trade liberalization, and globalization, enterprises from the emerging economies have achieved remarkable success in recent years. Some of them are integral components of the value chains of big Western multinationals and others have become leading players, pioneering advanced technologies, design, and engineering. Companies like Samsung, Huawei, have become multinationals from first serving the needs of firms like Apple.

Most of these companies, and their owners, cut their teeth in environments characterized by political and institutional instability, and a range of limitations in infrastructure, technology and capital. Early on, they learned to make more out of less and to be comfortable with risk, volatility and uncertainty. Furthermore, many are either family- or government-owned, are free from the second-guessing of stockholders, and thus able to keep their eyes on the long-term prize, even if their strategy results in some short-term bumps in the road. Some of the largest EMMCs are from Mexico, Argentina, Brazil, Chile, China, Colombia, Egypt, India, Indonesia, Iran, Korea, Malaysia, Nigeria, Philippines, Poland, Russia, Saudi Arabia, South Africa, Thailand, Turkey (Hsu 2018).

EMNCs have made their mark by moving boldly, swiftly, strategically and often stealthily; by nimbly negotiating the often volatile political and economic landscapes of other emerging markets; and by treating joint ventures and other initial forays into acquisition and expansion as learning experiences. This approach, stands in stark contrast to the more plodding, rigid, top-down methods traditionally employed by entrenched multinationals. Companies from emerging economies such as Taiwan, China, Russia, and Brazil have achieved impressive growth and garnered attention as major players in the global business arena. Despite recent slowdown in the global markets, emerging market multinationals are growing faster than their counterparts from developed markets.

The Boston Consulting Group deduced that the top 100 players in 63 industrial sectors from emerging markets grew three times faster than those from mature markets (BCG 2017). The market value of EMNCs, listed in the Financial Times Global 500, has tripled from 2006 to 2014 to reach USD3 trillion, which represents 10% of the total market value of the world's top 500 firms, compared to only 5% in 2006.

The overseas expansion of EMNCs has indeed been remarkable: for instance, about 20% of global outward investment flows today are accounted for by a group of 20 top emerging economies, the E20; who's share was 2% at the turn of the century. Not only have emerging market multinationals significantly increased their investment abroad; but they have also made significant inroads in the global corporate world.

As they grow their revenue, so have they also expanded their investments abroad. From 1990 to 2012, the Outward Foreign Direct Investment, OFDI, flow from EMNCs has grown nearly 24 times as fast as the world average. EMNCs accounted for OFDI flow of USD245 billion in 2012, up from less than USD2.1 billion in 1990

(UNCTAD 2013). The BRICS countries[1] account for the majority of OFDI from emerging markets, irrespective of the type of OFDI. The BRICS countries control more than 67% of OFDI stock USD1.3 trillion and nearly 60% of OFDI flow USD145 billion of emerging markets. Also, in 2012 the BRICS countries were involved in approximately 56% and 59% of M&As and greenfield investments by EMNCs respectively (Sakr and Jordaan 2016).

As the EMNCs are more used to deal with unstable governments in their home country, they are better prepared than the traditional MNCs to succeed in foreign countries characterized by a weak institutional environment. This is because developing countries tend to have poorly developed institutions and less stable political systems and regulations, which have been termed institutional voids (Khanna and Palepu 2010). These induce firms to develop the ability to manage high transaction costs and political influences, which makes them more resilient to instability in the environment and induces their diversification, leading to the emergence of business groups. This ability to deal with challenging home countries enables EMNCs to enter and dominate other countries with problematic governance conditions and high corruption (Cuervo-Cazurra 2012).

This explains why EMNCs venture more into other developing countries. However, while some emerging market multinationals can focus only on emerging markets for their international expansion, becoming so called call "local optimizers" most however, tend to invest in two directions. EMNCs are increasing their investments in developed markets as they seek strategic assets (Guillén and García-Canal 2009).

These EMNCs have managed to leapfrog entrenched companies, not through cautious and incremental growth, but by thinking big and acting boldly. A number of them have spent years and even decades consolidating their position in their home countries. But when they made the move to go global, they have done so at near lightning speed, and with a varied attack utilizing vertical integration, joint ventures, rapid expansion and strategic acquisitions. The overseas expansion of EMNCs has disrupted the global competitive landscape. Perhaps the most startling feature of EMNES is the accelerated pace of their internationalization process, as firms from emerging economies have attempted to close the gap between their market reach and the global presence of the MNCs from developed countries (Guillén and García-Canal 2009). For this reason, the international expansion of the EMNCs runs in parallel with a capability upgrading process through which newcomers seek to gain access to external resources and capabilities in order to catch up with their more advanced competitors, that is, to reduce their competitiveness gap with established MNEs.

Whether through acquisition or other means, EMNCs have often been able to expand swiftly in other emerging markets because of their greater comfort with high levels of risk and volatility. Orascom Telecoms, a telecommunications company based in Egypt, learned early on how to negotiate the tricky politics of its home nation, and was later able to transfer those skills to emerging markets that established multinationals tended to shun. Since 2000, the company has ventured

[1] The BRICS countries are Brazil, Russia, India, China and South Africa.

into a range of global hotspots including Jordan, Pakistan, Zimbabwe, Algeria, Iraq, Namibia and Lebanon (Aykut and Goldstein 2007).

But one of the most globally recognized EMNCs is Huawei. Founded in 1987 in Shenzhen, China. In 2016, Huawei is now the world's leading telecommunication equipment provider. The information and communication technology (ICT) solutions, products, and services provided by Huawei is visible across the globe in more than 170 countries and in 2016 the company reported revenue of USD75.1 billion and USD5.3 billion in net profits. Huawei's biggest overseas markets were Europe, the Middle East and Africa by revenue in 2016, accounting for around 30% of the total revenue. The three main business groups of Huawei are: Carrier, Enterprise, and Consumer.

EMNCs, as latecomers to the international stage, are usually forced to deal not only with the liability of foreignness, but also with the liability and competitive disadvantage that stems from lacking the resources and capabilities of the established MNCs from the most advanced countries. But EMNCs, because of their conditions in their home countries, usually tend to possess stronger political capabilities. They usually expand into developing countries at the beginning of their international expansion and limit their presence in developed countries to only a few locations where they can build capabilities, either because they have a partner there or because they have acquired a local firm.

As major global players with long histories, many MNCs from the developed economies suffer from inertia and path dependence due to their deeply ingrained values, culture and organizational structure, but EMNCs enjoy more freedom to implement organizational innovations to adapt to the requirements of globalization because they do not face the constraints typical of established MNEs. As they catch up with established MNCs, they begin to invest more in developed markets in order to secure strategic assets such as technology or brands (Cuervo-Cazurra 2012).

2.4 African Multinationals

The emergence of multinational corporations from Africa was unveiled to the world in the 2006 by UNCTAD (2006). The cross-border investments of South African and Egyptian firms were the first to come to prominence. Since then, there has been growth in the number, size and investments of AMNEs. Africa has had a long and checked history that in summary stifled the growth of indigenous private enterprise until recently. Africa's colonial governments undermined the growth of indigenous private enterprise at time that colonial governments favored the European mercantile MNCs trading in manufactured goods from the metropole and exporting raw materials and mineral from Africa. Notable among these trading firms were Lever Brother, John Holt SCOA and CFAO.

Africa's post-independence history also was inimical to the growth indigenous enterprises as governments assumed the role of economic agents producing goods and services for Africa's growing population through the import substation policy and the establishment of State-Owned Enterprises.

A decade of conflict, macroeconomic contraction, political upheavals and policy missteps saw Africa embroiled in debt and needing support from multilateral institutions like the World Bank and the IMF. It was then that governments were advised to liberalize their economies, privatize their SOE and encourage the participation of private businesses in their economies. This advice, however, came at a time MNCs had opted to retreat from Africa and in practical terms, stopped investing on the continent for the next two decades.

Between 1980 and 2000, the average share of Africa in global FDI stock was 2%. Geoffrey Jones noted that within the period multinational investment was heavily clustered in a handful of countries, led by China, Mexico, Brazil and Argentina, and city states such as Hong Kong and Singapore, whilst India, Russia, and most of Africa and Latin America received little investment, despite large-scale liberalization of regulation (Jones 2010). While MNCs invested across the globe in a renewed push of globalization in the 1990s, the African continent was virtually overlooked. Africa's transition into private sector led economy was thus, left to indigenous private enterprise which were noted to be small, lacking in finance and knowhow.

In 1990, however, South Africa was freed from political isolation after several years of implementing an apartheid policy. Over the years South Africa had developed Africa's most sophisticated economy, with world leading mining, agriculture, manufacturing and financial services sectors and by 1994 South African firms started a push into countries in the SADC regional in search new markets.

Deregulation and privatization opened up sectors such as, commodities marketing, infrastructure development, banking to the private sector. Firms across the continent seized on the opportunity presented by the apathy of the MNCs to invest in Africa's newly liberalized economies, snapping up privatized state assets and entering deregulated sectors, like banking, telecoms and trade in commodities. The African private entrepreneur achieved rapid growth in their domestic markets before expanding abroad.

African Founded Firms are now dominant in their home markets and have become significant investors in Africa. In 2013, the African multinationals contributed the largest FDI in Africa in 2013. In most African economies the largest enterprises currently engaged in business commenced their operations as trading companies, before diversifying into manufacturing and other services (Verhoef 2018). For most African Founded Firms, their competitive advantage lay in their knowledge of the business climate of Africa.

Africans multinationals (AMNE) are distributed among the countries with the largest economies and those with the best business climate. South Africa firms dominate in absolute number, contributing over 50% of the AMNEs, Nigeria, Morocco, Kenya and Egypt, Tanzania and Mauritius have sizeable numbers of firms that have established cross-border operations.

South African multinationals have had the benefit of Johannesburg Stock Exchange to access capital. The JSE is the most capitalized stock exchange in Africa attracting 90% of the portfolio investments coming to Africa (Sy and Rakotondrazaka 2015). Its valuation of USD900 billion dwarfs the combined market valuation of all other stock exchanges on the continent. Lacking the access to capital that is

available on the Johannesburg Stock Exchange, Kenyan, Nigerian and Egyptian firms have been able to raise funding from other sources outside the Stock Exchange. They have had to access capital from private equity firms, and International Financial Institutions, like the African Development Bank (AfDB) and International Finance Corporation IFC. These fund-raising campaigns have been very success, things to the high profitability of Africa firms.

Most AMNEs can be described as local optimizers (Ramamurti and Singh 2009), due to their general tendency of to select markets for foreign investment based on factors of geographical proximity and economic relations between the home and host countries. AMNES have a noticeable preference for greenfield investment over M&As transactions in developing markets, and vice versa in developed markets. Ninety five percent of total African investment in developing countries occurs through greenfield investment. To the contrary, M&As are found to be the most important entry mode for African investment in developed markets, accounting for 52% of such investments (UNCTAD 2014).

As EMNCs expand globally, the number from Africa are increasing. In the past twenty years, the African firms have increased the pace of their investment within and outside Africa.

2.5 Conclusion

Globalization has led to the diffusion of multinationals around the world. Multinationals are a creation of the developed world and remain predominantly from the economic North. But increasingly, more multinationals are being spawned in emerging markets. The rapid growth EMNCs is reflected in the Fortune 500, an annual publication that tracts the 500 largest MNCs by market valuation. The growing number of EMNCs is also captured by the Forbes 2000. America remains the host of the largest number of MNCs but increasingly, more are from China, Brazil, and India.

The contribution of MNCs to global trade and to foreign direct investment has expanded over the years, growing exponentially since the 1970s and so also has been the contribution by EMNCs. EMNCs rapid growth is explained primarily by their innovative organization structure and flexibility. Multinationals have also emerged from Africa, growing into dominance on a continent long neglected by MNCs. On a continent fraught with institutional and physical challenges, the growth of AMNEs has been propelled by their understanding of the African context and the high profitability.

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3 Multinationals Strategies and Governance

3.1 Introduction

Modern large corporations are entities under the control of corporate officers and, ultimately, shareholders who own direct stakes in the firm. Economists assert that the primary objective of corporations is to make profits for their shareholders, with other objectives being subordinate. For that reason, decision regarding investments by managers are supposed to made with on the basis of economic considerations.

The expansion of MNCs from developed to developing countries could be explained by their capital and technological advantage, but not so for their expansion into other developed economies. Motives of EMNCs to expand into developed countries market is even more revealing. In seeking explanations for internationalisation, however, scholars have recognised the desire of firms to exploit and protect their propriety technology and knowhow with which they produce goods or services. These propriety technologies and knowhow are usually the source of competitive advantage. In varying circles of theoretical postulations and through several empirical studies, scholars have been able to identify a swath of motivation that prompt firms to expand abroad. Essentially, the motives for foreign expansion are to seek new markets for their goods and services, to find resources and inputs for their operations, to seek efficiency enhancing assets and sometimes expansion may for strategic reasons, like to diversify risk.

Foreign market entry requires a thorough examination of three separate units of analysis. The firm, the home and host country conditions. A framework has been designed that stands on the pillars formed by these viewpoints. The insights gained have spawned theories that explain internationalisation from the standpoint of firm resources, host country attractiveness regarding its market size, development of institutions and country risk profile.

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Decisions regarding FDI have been categorised into those made to satisfy economic objectives, and those made due to the behaviours and proclivities of managers. There are also different factors that influence the mode by which firms enter foreign markets. The choice of entry mode is determined by the risk appetite of the firm, the level of control the firm seeks in the management of its oversea subsidiary and the level resources it is willing to commit to the investment. Entry choice, however, range from low risk, medium to high risk entry options.

Governance of the behaviour of MNCs on a range of issues has preoccupied governments and regulators in recent times. The global expansion of MNCs has raised questions of their impact on society and role they play in host country economies and the larger global economy. These questions arise due to the immense power MNCs wield and the seeming inability of their home and host governments to hold them to account.

The power of MNCs lie in the economic benefits their investments bring to host countries, especially those in developing countries, but governments have raised concerns about their issues relating to the environment, labour relations, tax avoidance, supply chain responsibility and engagement with local communities.

3.2 Internationalization Theories

Internationalization of the firm from a theoretical standpoint usually tries to give answers to questions about why, when, where and how firms engage themselves in international business? (Törnroos 2002) These questions form the foundation of several theoretical and empirical enquiries and investigations. The two most investigated questions, however, are why firms internationalize and how. These questions have been encapsulated in several studies that seek to know the determinants of FDI and the entry mode strategies adopted by MNCs.

Before embarking on foreign market entry however, firms must possess some form of knowhow or capability that confers them with a competitive advantage. Some of these advantages are internal to the firm, and some are a function of the circumstances in home country of the firm. These advantages are thus, either firm specific or country specific.

Firm specific advantages, termed Ownership advantage by Dunning (1977), include the possession and exploitation of monopoly power like patented technology or process which are presumed to stem from, or create, some kind of barrier to entry to final product markets by firms not possessing them (Hymer 1960). Another form of O-advantage are those relating to the possession of a bundle of scarce, unique and sustainable resources and capabilities, which essentially reflect the superior technical efficiency of a particular firm relative to those of its competitors, these tacit knowledge is gained by the firms employee and they stem from, or create, some kind of barrier to entry to factor, or intermediate, product markets by firms not possessing them (Barney 1991). One other set of O-advantages are those relating to the competencies of the managers of firms to identify, evaluate and harness resources and capabilities from throughout the world, and to coordinate these with the

existing resources and capabilities under their jurisdiction in a way which best advances the long-term interests of the firm. They tend to be management, rather than firm specific in the sense that, even within the same corporation, the intellectual competencies of the main decision takers may vary widely (Dunning 2000).

Firms then compete in foreign markets with these capabilities helping them overcome the liability of foreignness. Thus, these patents, technological knowhow, unique processes and procedures are vital for the firm's existence and competitiveness.

When seeking a location to expand to, firms may find conditions in the host country attractive if it possesses a large market, factors that enhance operational efficiency, reduce transaction costs or assets that might enhance the well-being of the firm. Consideration would also be made of the availability of market actors like suppliers and competitors, political and macroeconomic stability of the host country as well as the level of is infrastructure and institutional development (Meyer 1998), exchange rate and political risks, the regulations and policies of supra-national entities, as well as intercountry cultural differences.

Conditions in the home country may also prompt or delay MNCs foreign expansion. Firms may be pushed abroad by competitive pressure, government regulations, high tax rates or high operating costs. Conversely, some country specific assets embedded in the firm's home country, like an ecosystem of suppliers, superior infrastructure, access to capital, may prompt a firm to delay its investment abroad.

Where the firms consider the host country to be attractive then the country possess a location advantage. As firms compete on the basis of their ownership advantage, which in some cases is patented, the firm has an incentive to protect its patent and technology. If conditions in the host country portend a risk to these patents or capability, firms then may seek to produce goods and services by themselves. In this case then there is an Internalisation advantage. These distinct advantages that informs strategic decision by firms are part of the framework through which FDI has been explained.

3.2.1 Why Firm Internationalise

Most of the studies of internationalisation have distilled the motives MNCs into four broad categories (Dunning 2000). These motives explain what the firms are seeking when they venture into foreign markets.

Resource seeking multinationals establish operations in countries where the raw material necessary for their production are situated. These resources include capital, knowhow and raw materials. For companies that mine and develop oil and gas deposits, their entry would be into countries with vast reserves of minerals and oil and gas. Firms may establish operations in financial centres like London, New York and Dubai to get better access to finance and investors, while some others may set up subsidiaries close to areas with skilled manpower like universities or where capabilities abound as regards their industry like Silicon Valley. Resource seekers were among the earliest multinationals and their aim was to exploit the raw materials that could be found overseas. The modern-day counterparts of these firms, the

multinational oil and mining companies such as British Petroleum, Exxon Mobil, International Nickel, etc.,

Efficiency Seeking firms invest in low cost production sites overseas to remain cost competitive both at home and abroad. MNCs enter host countries where the firms hope it can improve its operational efficiency. Countries with cheaper labour cost, well developed integrated supply chain networks, good infrastructure including transport that improves logistics performance and well-developed institutions that protect property and legal rights. For these reasons MNCs find most developed countries and emerging countries like Mexico, China, Vietnam, Thailand and other South Eastern Asian countries attractive. Increasingly, however, some African countries including Ethiopia and Morocco are attracting efficiency seeking MNCs. These firms also establish operations in a host country to overcome trade barriers, and other measures that make exports unprofitable. These are the motivation for Japanese and German car companies like Toyota, Honda, BMW and Honda establishing plants and factories in United States of America.

Market Seeking MNCs are the archetype of the modern multinational firm that goes overseas to produce and sell in foreign markets. Examples include IBM, Toyota, Unilever, Coca-Cola. They establish operations in host countries where they seek to increase sales of their products or services. In doing so, they believe they have products or services that can compete with incumbents in the country for market share.

Strategic asset seeking MNCs make foreign market entry that is designed to protect or augment the existing propriety assets or tacit knowhow and other ownership advantages of the investing firms or to reduce those of their competitors. Strategic asset seeking (SAS) FDI is dependent on intellectual capital being located in more than one country, and that it is economically preferable for firms to acquire or create these assets outside, rather than within, their home countries. This usually is the motive of firms that acquire older firms that for their stock of patents or and other intellectual property. This form of entry is usually common with EMNCs like Indian automaker, Tata acquiring United Kingdom based Jaguar Land Rover.

Two theoretical perspective have been identified as shaping the thinking and actions of managers in the decision-making process for internationalization. These include the economic and behavioural perspective to FDI.

The Economic Perspective focuses on the firm and its environment. It assumes that firms are rational in their choice of investments. The economic approach focuses on two fundamental aspects of international production; the ownership of assets employed in production activities in different countries and the locational pattern of such activities (Glückler 2005).

Corporate growth, new market opportunities, internalization and vertical integration were seen as being main driving forces for internationalization. Rational decision making, and classical types of markets constituted the world of theory in this type of reasoning (Törnroos 2002).

Theories from the economic perspective are based on the idea of the imperfectness of the market mechanism. The aim of firms is to seek optimally efficient ways of entering new markets. A firm's decision to invest abroad is looked at from the

perspective of cost and benefit. Entry into new markets is viewed as a one-off transaction that calls for a trade-off between risk, controls and resource commitment (Anderson and Gatignon 1986). Decision makers have access to perfect information and are rational, choosing the optimal solution. Theories from the economic perspective include internalization theory, eclectic theory, product life cycle theory, transaction cost analysis and the resources-based view.

Product Life Cycle theory (PLC) for company internationalization is based on the logic of international trade between different parts of the world. The basic assumptions of the theory are that location of new products usually is started in some of the developing economies, e.g. the United States. The new product innovation and production goes through different stages of the product life cycle, and in the new-product phase the demand and growth is assimilated through the growing markets at home. Later, when the product has gone through its growth stage and starts to mature the situation is different (Vernon 1966).

Internalization theory explains why firms embark on FDI through an evaluation of the options between FDI and licencing. The theory states that if the transaction and coordination costs of using external arm's length markets in the exchange of intermediate products, information, technology, marketing techniques, etc. exceed those incurred by internal hierarchies, then it will pay a firm to engage in FDI, rather than conclude a licensing or another market related agreement with a foreign producer (Buckley and Casson 1998). In general, the transaction costs of using external markets tend to be positively correlated with the imperfections of those markets. Over the last two decades, an extensive literature has identified a whole range of market failures, such as those associated with bounded rationality, and the provision of public and jointly supplied products and common intangible assets, and which permit opportunism, information asymmetries, uncertainty, economies of scale, and externalities of one kind or another.

The eclectic theory was developed by Dunning, and several other scholars have lent support (Dunning 1980). Dunning's approach is more in the nature of a theoretical framework to explain the why, where and when of international production. The theory emphasises the three sets of attributes that determine a firm's motives, location and ownership structure when expanding internationally. These attributes are ownership (O-) advantage, location-specific (L-) advantage and (I-) internalization advantages I-advantages.

The resource-based theories of the firm offer some reasons 'why' foreign owned affiliates may have a competitive edge over their indigenous competitors. Transaction cost theories TCA explains the concept of the firm as a 'nexus of treaties' between suppliers, employees and how these treaties influence entry and transaction costs. It explains why firms prefer to engage in FDI rather than sell their O specific assets, or the rights to use them, to independent foreign producers (Williamson 1990).

These considerations ultimately influence the mode by which a firm may choose to enter a host country however influence the mode by which MNCs would enter these counties.

The Behavioural Perspective of internationalization, also called the process approach, has its base in organizational theory. It replaces the economic man with

the behavioural-man, therefore the approach is regarded as behaviourally oriented (Andersson 2000). Theories and models following the behavioral approach treat individual learning and top managers as important aspects in understanding a firm's international behaviour. In the behavioural approach the focus is on the impact of international experience on the pace and direction of subsequent internationalization. An important theme in this approach is the role of organizational knowledge in the internationalization process. The theories of the behavioural perspective include the Internationalisation Process Theory, Decision Theory and the Born Global theory.

Decision Theory is the first to directly take ideas from the behavioral theory into consideration when developing a theory of the internationalization of the firm. Foreign direct investment is seen as a complicated social process. Many different attitudes and opinions, social relationships both inside and outside the firm and the way such attitudes, opinions and social relations are changing" (Aharoni 1966). This theory characterized the decision processes in MNCs as being a complex social process that is influenced by social relationships both within and outside the firm. The triggering signals for FDI are presented as being the following, an outside proposal, fear of losing a market, the 'band-wagon' effect: very successful activities abroad of a competing firm in the same line of business, or a general belief that investment in some area is a 'must', strong competition from abroad in the home market.

The process model states that internationalization takes place through incremental steps when entering into new markets, which have a greater psychic distance. The concept of psychic distance was seen as a factor preventing or disturbing the flow of information between firm and market. Factors included consist of differences in language and culture, level of education, political differences etc. (Johanson and Vahlne 1977).

The network theory is an outgrowth of the process model. Networks are defined usually as "sets of connected exchange relationships". The connectedness of firms to other firms forms the core of the business network approach. Through the firm's commitment through technological, market as well as e.g. financial ties with other so-called market actors (e.g. firms and departments of firms at the market or supply-side, financial institutions, and legal actors) firms gradually extend their network connectedness. These business networks are extended also across national borders and become internationalized.

Born Global theories postulates that there has been changes in today's world which has challenged the basic presumption of gradual learning and incremental internationalization. Technological development, especially developments in the field of communication, the Internet and media, has changed the matters. Some of the previous obstacles to internationalization have been removed and small companies are now able to leapfrog into the internationals arena not long after founding. This has led to the categorization of some companies as being Born Global. Born Global companies behave both like risk-seekers, innovators and proactively as well as risk-averts and reactively, today there is no theory that can explain why and when companies will be risk-avoiders and when they will risk- seekers. Born global firms can be said to be quite recent and a phenomenon which have occurred as a

consequence of opening markets through deregulation, new competitive spaces emerging and the rise of multinationals and some key markets which have a global scope and large markets across all continents. The rise of high-speed highways of information and new technological development has speeded up the existence of Born Global business firms (Bell et al. 2001).

3.2.2 Entry Mode Strategies

The decision to enter a foreign market is usually a well thought out one that involves consideration of several factors including those in the home and host countries and those within the firm as regards its wellbeing and capability to embark on foreign market entry. Entry strategy usually requires a comprehensive plan that sets forth the objectives, goals, resources, and policies that will guide a company's international business operations over a future period long enough to achieve sustainable growth in world markets (Root 1994). For most companies the entry strategy time horizon is from 3 to 5 years, which is the typical time period for achieving enduring market performance.

In choosing an entry mode, a firm would be aware of internal and external factors that can impact on its strategic objective as it expands into a foreign market. The factors in the host market that would influence the choice of entry mode include, socio-cultural distance, country risk and demand uncertainty, market size and growth, direct and indirect trade barriers, competitive environment, small number of relevant intermediaries available.

Information on these factors helps the firm determine the level of control to seek, the level of resources to commit and the level of risk it should bear as enters a new market (Erramilli and Rao 1993). Control refers to the level of authority a firm may exercise over the systems, methods and decisions of foreign affiliates. The level of control a firm seeks for a foreign operation is important in determining the level of resources it would commit and the level of risk it would take (Brouthers and Nakos 2004). This has led to a spectrum of choices that have been boxed into three broad categories of low risk, medium risk and high-risk investments.

Firms enter foreign markets by a variety of equity and non-equity modes. Non-equity modes include indirect or direct exports and contractual modes. Equity modes of entry involves the commitment of resources by the firm. Low risk options include exports, licencing and management contracts which entails little control, while medium risk options include strategic alliance and joint venture yields increased levels of control. By establishing wholly owned subsidiaries either through greenfield capital investment or brownfield M&A, firms declare an intent to have full management control of their operations in a particular host market (Anderson and Gatignon 1986).

Two major theoretical perspectives have emerged as viable frameworks for examining MNCs' entry mode choice (Tallman and Shenkar 1994). The first framework, transaction cost analysis (TCA), explains the concept of the firm as a 'nexus of treaties' between suppliers, employees and how these treaties influence entry and transaction costs. TCA theory posits that a company will internalize operations that

it can perform at a lower transaction cost than would be the case if the firm exported or entered into a contractual arrangement with a local partner (Williamson 1979).

The second framework, bargaining power theory, views entry mode choice as an outcome of negotiations between the firm and the government of the host country. BP assumes that both parties are looking to negotiate an outcome that is in their long-run best interests. Additionally, bargaining power assumes that the MNC uses its ownership advantage as a source of bargaining power, while the host government relies on its control over marketing access (Ganesh et al. 1997). Bargaining power theory asserts that the entry mode a firm chooses depends on the relative bargaining power of the firm and the foreign government (Tallman and Shenkar 1994). For those who have employed the bargaining power framework, access to foreign markets is controlled by political actors at home and abroad, so that the initial market entry decision has to include the political imperative. Without these actors' explicit or implicit permission, no subsequent marketing activity is possible (Boddewyn and Brewer 1994).

3.3 MNC Governance and Other Issues

Large corporations are an economic, political, environmental, and cultural force that is unavoidable in today's globalized world. Large corporations have an impact on the lives of billions of people every day, often in complex and imperceptible ways. The conception of corporations as merely economic entities is being replaced by a view that places corporations in a broader economic, social, and environmental context—often called the "triple bottom line." The policies and goals of multinational corporations may therefore conflict with the policies and goals of the states in which they operate (Roach 2007).

Proponents of multinational corporations argue that FDI is a mechanism for increasing productivity and stimulating growth. By transferring capital, technology, and know-how and by mobilizing idle domestic resources, multinational corporations increase productivity, foster growth, and thereby improve welfare. To be more specific, the potential gains from FDI fall into three main categories. First, FDI may facilitate trade in goods and services by allowing firms to compensate for market imperfections by engaging in international intrafirm trade. Second, FDI may increase the productivity of firms that are directly engaged in FDI, especially those that are the recipients of FDI inflows. Third, FDI may generate positive external economies that benefit firms and other economic actors that are not directly engaged in FDI. Global foreign direct investment (FDI) flows was USD1.43 trillion in 2017. FDI by MNCs represented 2.4% of global GDP in 2017.

MNCs are responsible for 80% of global trade. The top 2000 companies in 2017 accounted for USD39 trillion in sales and USD57 trillion in market capitalization, over 50% higher than the 2003 figures, when top companies accounted for USD25 trillion in sales and USD31 trillion in market capitalization.

MNCs tend to establish operations in markets where their capital is most efficient or wages are lowest. By producing the same quality of goods at lower costs,

multinationals reduce prices and increase the purchasing power of consumers worldwide (UNCTAD World Investment Report 2007).

Advocates of multinationals say they create high-paying jobs and technologically advanced goods in countries that otherwise would not have access to such opportunities or goods. Nevertheless, the processes by which MNCs create products and service sometime leads them into conflict with various stakeholder. And with their increased power and influence, MNCs have been accused by governments, especially in developing countries of political meddling, tax avoidance, an illicit financial dealing. They have been criticised for their treatment of the environment, intra-firm transfers, labour and employment practices and other issues relating to tax avoidance, supply chain responsibility, protection and their engagement with communities.

3.3.1 Governance

The multinational as an economic organization orchestrates and controls the entirety of its global operations. The group of firms or enterprises that make up the multinational as an economic organization is structured using the corporate form; but legally the group itself is not a corporation. MNCs are structured using the corporate form; but legally the group itself is not a corporation. The "parent company" enjoys limited liability even if it wholly owns all of its subsidiaries. This means that the corporate parent is generally not liable for risks incurred by a subsidiary, or monetary damages imposed on a subsidiary, beyond the extent of its investment in it (Roach 2007). Multinational corporations operate in many countries and are therefore subject to many different legal jurisdictions. Moreover, a subsidiary or affiliate may have subsidiaries and affiliates of its own, based on the same principle of limited liability. Some subsidiaries may be listed on stock exchanges in their own right, with the corporate parent remaining the majority or controlling shareholder. In all such cases, the parent company is not liable for harm caused by subsidiaries, other than in exceptional situations such as demonstrable negligence, fraud, or other illicit conduct that the corporate parent directed or of which it had knowledge and did nothing to stop.

Because no one country is responsible for overall jurisdiction and because jurisdiction can be unclear, a given MNC may have problems deciding what laws it needs to obey and where. However, national law for the most part governs the separate legal entities, not the single economic enterprise (Ruggie 2018). The main body of national law governing corporations is domestic corporate law and securities regulation, plus whatever civil and criminal provisions in other areas of substantive law and regulations may be applicable to corporations. But domestic law is only able to reach beyond its national borders in limited circumstances.

This legal reality has made the governance of the behaviour of MNCs very problematic. Some governments, like the U.S. government, engage in efforts to regulate the activities of U.S. citizens and U.S.-based companies abroad. One such exception is the US Foreign Corrupt Practices Act, the scope of which includes the overseas

conduct of US firms, as well as foreign firms, if their furtherance of a corrupt act takes place in or through the US. Anti-trust law is another exception in the US and the European Union (EU).

As governments have limited power to control the behaviour of MNCs some policy initiatives have sought to enlist their voluntary pledge to good and responsible behaviour. These include The Global Compact and Global Reporting Initiative. The Global Compact asks companies to embrace, support, and promote a set of ten principles relating to human rights, labour, the environment, and anti-corruption (Moran 2009).

Global Reporting Initiative, founded in 1997, seeks to develop and disseminate globally applicable sustainability reporting guidelines for voluntary use by organizations reporting on the economic, environmental, and social dimensions of their activities, products, and services. The GRI has published reporting guidelines for firms wishing to participate in the project. These guidelines explicitly incorporate the triple bottom line concept of financial, environmental, and social issues their close connections to their government.

Additionally, firms have been pressured into behaving in more sustainable manner and have thus sought to improve their corporate social responsibility and move towards sustainable behaviour and more supply chain management practices (Gold and Heikkurinen 2013).

3.3.2 Supply Chain Responsibility

Increasing competition is forcing MNCs in the developed countries to outsource to countries with lower labour costs. In this strategy, companies try to produce a cheaper final products and improve their competitiveness by sub-contracting part or all of their production to producers in countries with lower labour costs. Thus, supply chains are becoming increasingly global and complex. Savings from low-cost foreign production are increasingly achieved through contracts with external suppliers, a trend commonly referred to as outsourcing (Vaaland and Owusu 2012).

Multinationals used to have arm’s length relationships with their suppliers but certain recent events have led to stakeholders to call on MNCs to take more responsibility on the actions of their global supply chain partners. This call became more strident in 2013 following the collapse of a building in Bangladesh housing factory workers. There were more than 1100 victims. This tragic case has raised awareness about responsible procurement from global supply chains. As a result, many stakeholders have become more concerned about the responsible sourcing of materials and products. Non-governmental organizations and customers themselves are constantly demanding for an increased focus on corporate responsibility practices in the value chain (Gold and Heikkurinen 2013).

Firms are facing increased stringent government regulations on their supply chain. Arguably, there are a number of governments hailing from the most advanced economies that have already redefined their conceptions of responsibility beyond their own national borders (Xia et al. 2015). However, the poorest countries may not

possess the same legal frameworks and regulatory policies on responsible supply chain management. Even if they have policies, guiding principles and codes of conducts in place; they will not necessarily enforce them in their workplace environments. This is especially the case for brand-owning companies, as they are likely to come under pressure from diverse stakeholders, including NGOs. The bigger companies are now expected to consider their environmental and social responsibility across their entire supply chain.

The stakeholder pressures are often being manifested both in name-and-shame campaigns and consumer 'boycotts' targeting big brands and in the pro-active developments of multiple institutional and regulatory innovations toward "sustainable supply chain management", including; eco-labelling, codes of conduct, auditing procedures, product information systems, procurement guidelines and eco-branding. Because of these pushbacks from stakeholders, purchasing and supply chain managers of the global brands are increasingly recognizing the importance of integrating social and environmental responsibility in their day-to-day operations. Some businesses are also embedding certain NGOs' standards (e.g., ISO 14001 and ISO 26000) in their daily tasks (Camilleri 2017).

3.3.3 Employment and Labour Issues

In an era of declining constraints on their mobility and the attraction of cheaper wages in developing countries eager to draw foreign investment, MNCs are eliminating jobs in their home countries and shifting production abroad. In these less developed regions, the lure for MNCs of fewer costs and regulations offers little promise to workers of decent working conditions, sufficient pay, or job security. MNCs that take advantage of cheap foreign labour gain an advantage over less mobile firms that remain dependent on higher-cost labour. Low-cost foreign labour is a major factor explaining the growth of multinationals in such sectors as electronics and apparel.

The outsourcing of production jobs to foreign countries is perceived by many to be a primary reason for the loss of traditional "blue collar" jobs in industrial countries. Relying on subcontractors offers MNCs several advantages. First, with short-term contracts and no large capital investments firms can quickly shift to contracts in other countries if lower costs are possible. Second, corporations can avoid some responsibility for instituting fair labour practices and meeting environmental standards by claiming these are at least jointly the duty of the subcontractors. While MNCs benefit from the flexibility offered through subcontractors, these arrangements can also create harmful social and environmental impacts (Roach 2007).

The International Trade Union Confederation published its Scandal report, which exposed the fact that 50 leading multinational corporations employ only 6% of the workers who manufacture their products directly (ITUC 2016). Suppliers and subcontractors employ the remaining 94%, or 116 million-strong hidden workforces.

An International Labour Organization study found that perhaps as many as one out of seven jobs in the world is supply-chain related (ILO 2015). As a rule, wages

and conditions of these workers are worse, and most union rights violations happen in the supply chain. MNCs have been criticised for wage disparities between affiliate subsidiaries even if workers perform the same work roles. MNCs have also been criticized for the labour practices of their suppliers, especially those in developing countries. campaigners have tried to hold firms to account by organising the boycott of product of MNCs over the employment of child labour, gender pay disparity and poor wages paid by suppliers to their workers in countries like Bangladesh, Pakistan, Vietnam and Thailand.

And as the UN guiding principles on business and human rights confirm, multinational corporations have due diligence responsibility over their supply chain.

3.3.4 Tax Avoidance

By establishing operations in many different countries, a MNCs are able to take advantage of tax variations by putting its business officially in a nation where the tax rate is low—even if its operations are conducted elsewhere. This has led to MNCs been accused by several governments of tax avoidance.

It was reported that Amazon paid little or no UK corporate tax between 2009 and 2011, on sales of over £7.6 billion. Amazon UK, with over 15,000 staff, is a service operation for its Luxembourg-based company. Apple had a reported effective rate of tax of around 2% in recent years on its non-US profits—approximately 60% of the total—with sales routed through its Irish subsidiaries. A US Senate investigation which included Apple's tax strategy concluded that its tax arrangements do not reflect its business. Google had a reported effective tax rate of 2.4% in 2009 on non-US profits, with the majority of Google's non-US sales billed in Ireland. Google Ireland paid, for example, for the services provided by the 1300 staff in the UK, with most UK-related sales of £3.2 billion routed through Ireland. The UK Labour party leader said that Google paid £10 million in tax between 2006 and 2011 on revenues of £11.9 billion (Needham 2013).

Countries do not look at an MNCs as a whole for tax purposes, but only the parts of a large corporation operating in its jurisdiction in order to avoid this leading to the double taxation of profits of growing global MNCs.

The tax reduction and avoidance methods used by MNCs have been well known for decades. The method revolves around shifting income from higher-tax to lower- or no-tax countries and include profit shifting strategy, corporate debt-equity, payments for intangibles and shell holding companies. These actions have been significantly aided by the digital economy and a rise in the value of intangible assets e.g. brands. Tax law appears out of date compared to MNCs' business practices.

Moreover, MNCs have increased their intra-firm trade to be able to take advantage of these tax avoidance schemes. The absolute level and value of intra-company trade has increased considerably. Additionally, 80% of international payments for technology royalties and fees are made on an intra-company basis. Problems stemming from intra-company trade concern MNC's ability to maximise profits by avoiding both market mechanisms and national laws with an instrument of internal

costing and accounting known as "transfer pricing." This is a widespread technique whereby MNCs set prices for transfers of goods, services, technology, and loans between their worldwide affiliates which differ considerably from the prices which unrelated firms would have had to pay. There are many benefits MNCs derive from transfer pricing (Greer and Singh 2000).

By lowering prices in countries where tax rates are high and raising them in countries with a lower tax rate, for example, MNCs can reduce their overall tax burden, thus boosting their overall profits. Virtually all intra-company relations including advisory services, insurance, and general management can be categorised as transactions and given a price; charges can as well be made for brand names, head office overheads, and research and development. Through their accounting systems MNCs can transfer these prices among their affiliates, shifting funds around the world to avoid taxation. Governments, which have no way to control MNCs' transfer pricing, are therefore under pressure to lower taxes as a means of attracting investment or keeping a company's operation in their country. Tax revenue which might be used for social programs or other domestic needs is thus lost.

3.3.5 The Power of International Mobility

Multinationals tend to be mobile and flexible. Some are tied to specific countries by the need to get access to specific assets, such as raw materials of a particular kind, or by a large capital commitment that cannot be shifted easily to another location (e.g., oil wells and refineries located near major oil fields). Nevertheless, MNCs have the ability to transfer resources across national borders. The more mobile a multinational corporation becomes, the more able it is to relocate production or seek new contractors as a result of changes in national regulations concerning workplace standards, minimum wages, and environmental quality. Tax breaks and subsidies which governments use as incentives are no guarantee that MNCs will not move on after the benefits have expired, and as cost advantages now found in Singapore appear in, say, Bangladesh, the countries currently experiencing an influx of investment may eventually find themselves in the same position as that of the US and other industrialised nations today (Roach 2007).

These special characteristics of MNCs can cause conflicts with national governments, because governments are territorially bound and politically committed to defending the interests of their citizens, whereas firms are not territorially bound and are legally committed to defending the interests of their stockholders or stakeholders. Most importantly, MNCs may seek goals or follow policies that are valid from the firm's international perspective but are not necessarily desirable from a national perspective.

An important contemporary example is the interest of Wal-Mart in obtaining products assembled or manufactured in the low-wage countries like China for sale to consumers in high-wage countries like the United States. Wal-Mart pushes its U.S. suppliers to relocate production to China for this reason, even though the

consequences for low-skilled workers in the United States may be quite negative. The policies and goals of multinational corporations may therefore conflict with the policies and goals of the states in which they operate.

3.4 Conclusion

Multinational corporations play a large role in the global economy and the examination of the internationalisation process has spawned several theories. The determinants of internationalisation are viewed from the economic and behavioural perceptive. These theories a based on frameworks that takes the home, host and firm as the units of analysis shaping motivation and entry mode choices of the firms.

Firms possess ownership advantages in the form of patented technology or knowhow and other capabilities with which it produces its goods and services. The host country would possess some location advantage while the firm would take a deep look at the associated transaction and entry cost that comes out of its negotiations and contracts with suppliers and employees and other stakeholders.

The increased role that MNCs play in global trade has necessitated the call for better governance mechanisms to control the behaviour of firms. But firms have market power, are mobile and have extensive supply chains globally. This has led to firms been accused of tax avoidance, not doing enough to regulate the behaviour it is supply chain.

There is increased demand for supply chain responsibility and more transparent conduct by MNCs from stake holders.

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Part II

Africa: A Continent of Shortages

4

4.1 Introduction

Africa is one of the most endowed of the seven continents. The continent has 60% of the world's arable land and is enriched with a cornucopia of minerals, yet shortfalls in agricultural production has left several African countries needing to import food and vulnerable to food insecurity.

Africa is endowed with minerals including uranium, cobalt, bauxite, iron ore, coal, gold, diamond, oil and gas. These minerals form the raw materials needed by industries that produce consumer, commercial and industrial goods. Yet, little value addition is conducted on the continent and most African countries have to import goods manufactured from mineral extracted from their land.

Africa is a continent of shortages. Several countries are unable to produce their own food, manufactured goods and even provide services. There is shortage of agricultural produce, consumer goods, pharmaceutical and healthcare products, financial services, utilities and infrastructure on the continent.

Among the five inhabited continents of the world, the African continent lags behind on most of the metrics of development, wellbeing and self-sufficiency. Fighting to meet shortfalls in the basic needs of her people is the primary concern of governments around Africa.

The shortages extend to services. African governments are unable to provide qualitative healthcare and education to their citizens and fall well short in providing utilities and infrastructure also. Shortage of healthcare has led to several African countries being ranking low on Human Development Index.

There are huge shortfalls in provision of infrastructure for citizens of African countries. This gap can be put in sharp relief when a comparative analysis of metrics that track per capital consumption of services like power, roads, telephone, is made between African states and that of developing countries in other regions like South America, Middle East, South East Asia and even India. This has meant Africa is today the among the poorest continent.

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Africa's present reality is rooted in her history. A history of colonialism, apartheid, socialist experimentation, wars and civil strife, expropriation and nationalization of private assets, indigenization, corruption and ethic and tribal rivalries. A history of failed development strategies, misguided industrialization and unstable agricultural policies.

Africa's historical path has led her to a place where the most unequal country in world, is in Africa. The poorest countries in the world are in Africa. The countries with the lowest per capital consumption of meat, cereal, power, roads, rail, are all in Africa. And the least developed and most venerable countries of the world are in Africa.

Efforts to ameliorate shortages on the continent have not been helped by the continent's rapid population growth and explosive urbanization.

4.2 Understanding the Shortages in Africa

4.2.1 Agriculture and Food Shortage

Africa contains 60% of the world's uncultivated arable land and approximately 70% of the population is directly employed in the agricultural sector which accounts for approximately 30% of the region's GDP. Food and agricultural production in Africa has, however, grown below population growth and urbanization rates. Agricultural production is hampered by lack of infrastructure, unavailability of critical inputs like fertilizer and institutional constraints (Hilderink et al. 2012).

Africa's agricultural production has predominantly been in the hands of smallholder farmers who produce 80% of the food consumed on the continent. Added to that, high price of inputs (fertilizers and pesticides), absence of liquidity or credit facilities, little or no access to supplementary irrigation are constraints to farmer. These limitations result in a 50% gap between potential and actual crop yields for staples such as maize, cassava, sorghum, and rice in many countries (Rakotoarisoa et al. 2011).

Meanwhile, demographic and socio-economic changes in sub-Saharan Africa have led to a fourfold increase in food demand leading to shortfall is food production, food insecurity and hunger. In sub-Saharan Africa, the absolute number of hungry people over the last two decades increased by 70 million, from 169 million to 239 million, an increase of 41% (FAO 2015).

This fact is captured in the Global Hunger Index (GHI) which is tool that measures and tracks hunger globally, by region, and by country (GHI 2019). The ranking of several African countries on the index is generally poor and Central African Republic is classified as a country where hunger is extremely alarming. Zambia, Madagascar and Sierra Leone are categorized as countries where hunger is alarming. While 20 countries including Nigeria, Libya, Tanzania, Uganda and Kenya are categorized as countries where hunger is serious.

Increasingly, shortfalls in Africa's domestic food production has to be met by imports (Rakotoarisoa et al. 2011). Africa is now a net importer of agricultural

products in the last three decades. In 1980, Africa had an almost balanced agricultural trade when both agricultural exports and imports were at about USD14 billion, but by 2007 its agricultural imports exceeded agricultural exports by about USD22 billion.

Meanwhile, consumer behavior on the continent has changed and some food produce with little history of production on the continent have become staple due to imports. Rice has become essential food for a significant population on the continent and efforts have intensified in trying to produce it on the continent.

As Africa's population continues to grow it is projected that in 2050, the sub-Saharan Africa population double to 1.7 billion people compared to 814 million in 2010 (UN 2011). There would be a more than fourfold increase in total food demand by 2050 compared to 2000, which is a much stronger increase than in other regions in the world. Thus, making the need for improvements in agricultural production an imperative.

Increasing urban population growth has several important implications for Africa's agriculture and agri-food systems. First, whereas there were three African farmers for every urban dweller in 1990, in 2020 one full-time African farmer will be expected to feed two urban dwellers. Urban-based demand for food is rising exponentially, putting major pressure on African food systems to invest massively in supply chains (Richards et al. 2016). Income growth in Africa's cities is also influencing dietary patterns and expanding the demand for food processing and value addition in agri-food systems (Tschirley 2015). The region is also becoming more dependent on global markets for the major cereals, oilseeds, and animal products, resulting in a situation in which most foods in African cities are priced at import parity (Jayne and Ameyaw 2016).

4.2.2 Shortage in Manufactured Goods

Despite the endowment in mineral and agricultural resources, there is little value-added manufacturing done on the continent. Africa has to import most of her needs including consumer, commercial and industrial goods. Currently, Sub-Saharan Africa has the lowest manufacturing output per capita of any inhabited region on the planet. Most African economies, in contrast to the Asian Newly Industrialized Countries, have so far failed to supplement agricultural and extractive output by raising average productivity through the creation of a substantial number of jobs in higher value-added manufacturing industries (Austin et al. 2016).

Africa's manufacturing and industrialization challenge has been engendered by its history, politics and policy (Austin 2010). The region accounted for over 3% of global manufacturing output in the 1970s but by 2015, Africa commanded a meagre 1.5% share of the world's total manufacturing output, according to the United Nations Industrial Development Organization, UNIDO. That compares with a 21.7% share for the Asia Pacific region, 17.2% for East Asia and North America's 22.4% share (UNIDO 2013).

This has led to shortages in all categories of manufactured products including consumer goods, petroleum products, construction and building material, paper and pulp, pharmaceutical and healthcare products, machinery and automobiles (Dinh et al. 2012).

A bold attempt was made to industrialize Africa through an industrialization program that was the cornerstone of an import substation policy. Import substitution was adopted by almost all of Africa's 54 countries immediately after attaining independence between 1960s and 1980s, but that attempt was generally a failure that left governments with a large inefficient public funded state owed enterprise, debts and balance of payment challenges (Mendes et al. 2014).

Africa's dependency on imports for manufactured goods is a strain on the finances of several economically fragile countries and the prospects for increased value-added manufacturing is bleak as lack of infrastructure, poor business climate and lack of skilled manpower and technical knowhow continue to constrain manufacturing.

Despite these challenges though, private sector investments in manufacturing has increased and manufacturing has been growing steadily in its contribution to GDP in several African countries. On the average manufacturing now contributes 15% to the GDP of African countries (Balchin et al. 2016).

4.2.3 Shortage of Utilities

Africa's infrastructure has been lagging behind others in developing world. Approximately 60% of the continent's population lacks access to modern infrastructure. Only 38% of the continent's population has access to electricity and there is less than 10% internet penetration rate. In addition, 75% of Africa's road network is unpaved and poor port facilities add 30–40% to intra African trading costs and FDI (World Bank 2011). Sub-Saharan Africa ranks at the bottom of all developing regions in virtually all dimensions of infrastructure performance. The region, which houses almost one-seventh of the world's population, has a score of 2.91 in the infrastructure category of the World Economic Forum's (WEF's) Global Competitiveness Report. This score clearly states that there is a severe infrastructure bottleneck to be addressed (UN 2015).

Africa's infrastructure stock is low, particularly in power. Electricity, which is a major outlay for manufacturers, is estimated by the African Development Bank to cost three times more in Africa than it does in other developing markets. More than 640 million Africans have no access to energy, giving an electricity access rate for African countries at just over 40%—the world's lowest. Per capita consumption of energy in Sub-Saharan Africa (excluding South Africa) is 180 kWh, against 13,000 kWh per capita in the United States and 6500 kWh in Europe.

Africa's infrastructure services cost more than almost any place in the world. African rural population pay around 60 to 80 times per unit more for her energy than

urban population in the developed world. Freight costs in Africa per ton are USD0.05 to USD0.13 compared to USD0.01 to USD0.04 per ton in developed countries, making African markets less competitive on the international level. The entire continent has just 64 ports serving a population of close to 1bn. Trade logistics performance is poor across the continent. The situation worsens for the 16 African Landlocked Developed Countries where trading costs are 50 times higher than in African coastal countries (Logistics Performance Index 2014).

Transportation volumes on the continent will increase by up to 6–8 times and even higher for landlocked countries. Port throughput is projected to rise from 265 million tons in 2009 to 2 billion tons in 2040.

Capital investment in Africa has remained around 20% of GDP for the past 40 years. In contrast, East Asian countries such as China, Japan, and the Republic of Korea stepped up infrastructure investment during periods of rapid urbanization. In China, capital investment (including infrastructure, housing, and office buildings) increased from 35% of GDP in 1980 to 48% in 2011, accompanying a rapid increase in urban population from 18% in 1978 to 52% in 2012 (Sy and Gutman 2015).

An adequate supply of infrastructure services has long been viewed as a key ingredient for economic development. Over the past quarter century, academic research has devoted considerable effort to theoretical and empirical analysis of the contribution of infrastructure development to growth and productivity. More recently, increasing attention has also been paid to the impact of infrastructure on poverty and inequality. An emerging consensus is that, under the right conditions, infrastructure development can play a major role in promoting growth and equity—and, through both channels, help reduce poverty (Calderon et al. 2018a, 2018b).

The cost of these infrastructural deficit on the performance of businesses cannot be overemphasized. Productivity of African businesses lag behind those of other developing country peers, especially those in manufacturing as companies have provide their own power, water, security and sometimes build roads. Analyzing data from the World Bank's Enterprise Surveys, Ramachandran, Gelb, and Shah, argue that lack of infrastructure is one of the most serious constraints to the growth of Africa's private sector. In particular, the lack of a reliable supply of electricity significantly affects the productivity of businesses, especially those that cannot afford generators (Ramachandran et al. 2009).

Yet, infrastructure deficit has been undermining all the efforts towards achieving sustainable development and structural transformation in Africa, particularly in view of a rapidly growing population. Africa requires adequate infrastructure to power economic activity, fuel industrialization, connect producers to markets, enhance intra-African trade and foster regional integration. A comprehensive analysis by the World Bank (2011) established the target of $93 billion per year to meet the infrastructure needs of sub-Saharan Africa while the AfDB estimates that Africa has an estimated infrastructure gap up to $107.5 billion a year (AfDB 2018).

4.3 How Did Africa Become a Place of Shortages?

The path of Africa's economic development has been shaped by its history, political and socioeconomic growth. The role played by each of these factors has led Africa to a place of immense shortages of goods and services. The colonial governments stifled private enterprise, post-independence leaders were engaged in experimentation with ideologies and policies that ultimately failed, while the population growth and rapid urbanization continues to put a strain on social services.

4.3.1 History

Africa is a continent shaped by her history. The continent has 54 sovereign states, and almost all of them, save for Ethiopia, were colonized by one European country or the other. The predominant political overlords being the French, the British and the Portuguese and the Spaniards.

The colonial history of Africa was defined by the competing interest of European powers. This competition led to the 1885 Berlin Conference held among the principle powers of Europe which led to the partition of the continent. The first business at hand after partition was the actual occupation of the territories ceded to each country. The British, French, Belgians and Germans sent out diplomats and expeditionary forces to win over the various indigenous peoples in their territories though peaceful treatise or war (German Historical Institute in London, Stig Forster, Wolfgang 1989).

Africa's time under colonial domination was, however, kickstarted by private Charter companies whose primary motive was trade. These companies, including the Royal Niger Company, the British East African Company and the British South African Company, dominated economic activity on the continent for several decade, importing goods manufactured from the metropole to the dominions and exporting raw agricultural produce and minerals to the metropole.

Colonies formed protected enclaves from which to these companies traded in agricultural products and minerals for the benefit of the governments, companies and people from the metropole. Agricultural production was also focused on cash crops like cocoa, ground nuts, cotton, maize, while the main minerals exploited and from the continent include gold, diamond, oil and tin, zinc and petroleum products.

Companies like United African Trading Company, CFAO, SCOA, John Holt, Unilever and Nestle, were predominantly trading in commodities and raw material. There was little incentive for these firms to process these primary raw materials in the African countries and local business were discouraged from engaging in local manufacture through laws.

The value of Africa to the colonialist was heighted during the World Wars when African colonies became a source of valuable manpower for the allies fighting against Germany. Africans were conscripted from the colonies to the armies of France, and England. But crucially, it was the role played by valuable minerals like oil obtained from fields in North Africa and uranium, mined from today's Congo

Democratic Republic that proved decisive in ending the second world war. The first Atomic Bomb made with Uranium from Belgian Congo, was detonated over Hiroshima and forced the surrender of Japan.

Shortages engendered by rationing during and after both world wars forced local colonial administrators to relent in their policy of discouraging local manufacture in their dominions. Thus, it was in the interwar years that a crop of entrepreneurs, including European settlers, other minorities, and indigenous business people started to engaged in the manufacture of goods in Africa. The Korean War, between 1950 and 1953, generated a severe shortage of most raw materials, resulting in higher prices for primary goods, which in turn increased the income of the colonies and their foreign exchange available for imports. However, at the same time, the war created a shortage of consumer goods in the capitalist centers, including England, thus making it impossible to supply the colonies with these goods (Austin 2010).

It is precisely these metropolises' inability to provide the colonies with consumer goods that made the metropolitan governments decide to encourage production in order to substitute imports in all African regions; therefore, near the fifties, foreign businesses began to invest in other colonies, especially in Kenya, Tanzania, Nigeria, the Ivory Coast, Ghana, and Senegal, among others—in addition to Zimbabwe which already received large foreign investments (Mendes et al. 2014). As colonies increased their agitation for independence, MNCs started to increase their investments in manufacturing on the continent.

However, in 1960 there were only three countries in which manufacturing accounted for more than 10% of recorded or officially-estimated GDP, namely, South Africa (20%), Zimbabwe (16%) and the Congo DR (14%). Next, on 9.5% was Kenya tied with Senegal. In West Africa even these low 1960 levels of manufacturing represented a very late surge, propelled by post-war developmentalism and decolonization, which led European firms to establish local factories to protect their existing markets (Kilby 1975). Most countries had less than 5% contribution to GDP from manufacturing.

Nevertheless, value added processing of food and beverage and manufacturing of essential goods like pharmaceuticals, building materials, textiles and apparels, and household items like soup, detergent and pomade in Africa was started by some multinationals and African based entrepreneurs in the periods following the first and second world wars.

Factories and plants were established all across Africa by these entrepreneurs. Foreign capital was directed at industries that produced nondurable consumer goods, and industries that produced goods which could not be imported, such as the construction material industry and that of some mineral processing.

However, the imported technology was suitable only for large-scale production, that is, it was technology developed for mass consumption. The African markets at the time was small, due mainly to low income of the local population thus, there was not enough consumers for manufactured goods, thus making production at high levels unprofitable (Mendes et al. 2014).

Multinationals tried to export manufactured goods in the region, but lack of a transportation infrastructure connecting the countries that shared a border, and poor

port conditions were obstacles to exports within regions. The multinationals noticed these difficulties and chose to concentrate on the exploration of valuable minerals and petroleum (UNECA 1971).

But despite the effort of these private investors, there was always a huge shortfall in the availability of goods in the face of rapid urbanization and population growth. By the time of independence, Africa's lack of productive capacity was the motive that led newly elected officials to adopt import substitution policies as an attempt to industrialize Africa.

4.3.2 Politics and Policies

Following independence, the leadership of most African states made a choice between the two geopolitical ideologies of the 1960s. The choice was between capitalism and socialism and several leaders chose socialism as the ideology underpinning their economic development. These leaders were seduced by egalitarian ideas and the prospects of social transformation that socialism and communism promised (Paulson and Gavin 1999).

African leaders like Kenneth Kaunda of Zambia, Julius Nyerere of Tanzania, Kwame Nkrumah of Ghana, Patrice Lumumba of Congo started to push their countries away from influence of their capitalist colonial overlords toward the socialist policies practiced by countries like the Soviet Union and China (Akyeampong 2018).

A significant move within this ideological framework was that several states changed their economic structure to be state led and instituted import substitution policies to stimulate industrial production domestically.

In general, from the second half of the 1960s on, governments assumed total control of the economic development, and introduced several policies to facilitate industrialization through import substitution. The aim of the import substitution policy was to stimulate local industrial capacity and protect budding local industries through trade barriers including tariffs and import quota as well as price control and prohibition of imports of goods similar to those produced domestically (Austin 2010).

Additionally, government embarked on the establishment of large state-owned industries that were supported through policies to be monopolies producing goods for the domestic market (Nellis 2005). Governments also established institutions and parastatals to oversee the import substitution process. The purposes of these institutions were to stimulate foreign businesses to retain their profits in the country by reinvesting productively in the manufacturing sector, otherwise they would be controlled by the Government; to nationalize banks and insurance companies dominated by foreign capital; to gather and allocate domestic savings; and to manage official foreign aid and the projects funded within the scope of the aid.

Nationalization and indigenization laws: Governments also went further to expropriated the assets of some multinational corporations and nationalize some private companies, when the state was dissatisfied with the foreign businesses that sent their profits to their countries of origin instead of reinvesting them productively, and the small number of jobs created by those businesses.

Most of the nationalized firms were foreign owned but in some countries like Egypt and Guinea, all forms of private investments were nationalized. Governments also instituted indigenization laws that limited foreign ownership and management of businesses (Bucheli and Decker 2012).

Coups and Wars, and political upheavals: Another damper on investment in Africa was the political situation that prevailed on the continent in the first two decades following independence. Dissatisfaction with the political class led to the overthrow of several democratically elected governments Africa by military governments. By 1980, 42 of the 54 countries in Africa had a military government or had experienced a coup. Additionally, some countries were plunged into political crisis and civil wars by fighting between rival ethnic and political groups.

The ideological directions political leaders chose to follow after independence had their supporters and opponents, and by 1980 a number of African countries had experience military coups or wars. Of Africa's 42 independent states 30 had experienced coups (McGowan 2003).

Congo D.R. was plunged into crisis when Patrice Lumumba adopted socialist doctrine and tried to move the country closer to the Soviet Union and China. He was eventually captured and handed over to rebel troupes who murdered him. Congo was ruled for several years by Mobuto Siseseko a military dictator. That military coup led to an insurgency that still plagues the mineral rich country to this day. Angola was in conflict for over 20 years after attaining independence just as Mozambique also had conflict due to ideological direction taken by its nationalist leaders including Samara Machel. Only a few African countries including Kenya and Botswana avoided either military coups, civil war or political conflict.

A couple of years after attaining independence as Africa's youngest state, South Sudan was plunged into conflict. Even in Francophone West and Central Africa, which tended to have more stability due to a military alliance between Francophone African governments and France there was political conflict in cote d'ivoire following disputed elections in 2010.

Nigeria went through a three-year civil war between 1967 and 1970 as well as 20-year period of military rule. The country has been at the grip of an insurgency by the Boko Haram group since 2009. Egypt fought two wars with Israel between 1967 and 1973, and also went through a long period of military rule before experiencing further political upheaval during the Arab spring. The Arab Spring protests also affected Tunisia and engendered the conflict that ravaged Libya as well as upsetting the polity in Algeria. In the horn of Africa, Ethiopia was involved in a two-decade long war for independence with Eritrea. Somalia became a failed state after the fall of the government of Sadr Barre and was embroiled in conflict for over 20 years.

Zimbabwe, once the base of a vast manufacturing industry and the food basket of Africa was plunged into conflict for several decades due to the land reforms and other policies initiated by Robert Mugabe.

The consequence of these policy actions by government and sustained period of political upheavals over the course of two decades was that the role of the private sector in the economy of most African states shrunk. Multinationals retreated from Africa and those that stayed back refrained from investing in production. In sectors

like financial services, MNCs sold off their equity and left when they lost full management control off their firms (Jones 2006).

Another consequence of governments quest for industrialization through import substitution as the neglect of the agricultural sector. Once the mainstay of several economies and the main source of foreign exchange, agricultural output suffered as governments invested in the importation of machinery and intermediate inputs for vast SOEs that were part of the IS aspiration.

For countries like Nigeria, this meant feeding a growing population was done by food importation and at times when commodities prices collapsed, paying for food imports became untannable and simply impossible. As a result essential commodities like flour, sugar, salt and vegetable oil became scares to the point where there was rationing and governments were forced to start issuing licenses to private businesses to import these products with their own funds.

4.3.3 Population Growth

There have been vast changes in the socio-economic make up of Africa in the past few decades since independence. With one of the highest fertility rates in the world, the African continent has experience rapid population growth, urbanization and improvements in the wellbeing and income of the populace. These rapid changes in demographics have created added pressure on demand for food, housing, clothing and healthcare. And even as the compound growth in food production and growth in manufacturing as kept pace with population growth, constraints in the continent due to poor business climate have meant shortages persist for basic items.

The population of sub-Sahara Africa is estimated to have doubled to about 200 million between 1900 and 1960 and has further grown from 200 million to 856 million people from 1950 to 2010. That's about 11 million people a year for the past 60 years or approximately 670 million people in 60 years. Africa accounted for only 9% of the world's population in 1950, but by the end of this century about 40% of all humans (and nearly half of all children) will be African, heralding one of the fastest and most radical demographic changes in history.

A sustained decline in mortality due to improved medical care and sanitation has contributed to increased population growth. Deaths, especially those of children, are increasingly being reduced. Infant mortality rates have declined from 183/1000 children born in 1950–55 to 69/1000 children born in 2010–2015. As a result, life expectancy has increased from 36 years in 1950–55 to 56 years at present (Canning et al. 2015).

Africa has the highest fertility and natural rates of increase in population in the world. The world has 21 countries that are "high fertility," meaning than the average woman has five or more children over her lifetime. Of those, 19 are in Africa (and the other two are in Asia). Data from censuses and surveys suggest levels of total fertility mostly between six and seven children per woman.

The sub-Saharan Africa population is projected to more than double from 856 million people in 2010 to 1.7 billion by 2050, increasing its share of the global

population from 12% to 18% (UN 2011). Around 40% of the global total population growth between 2010 and 2050 will take place in sub-Saharan Africa. The most populous country is Nigeria, which housed 18.5% of the sub-Saharan population of 2010 and is expected to increase up to 27% by 2050.

4.3.4 Rapid Urbanization in Africa

Urban growth has been substantially faster in today's developing world. In Europe, urbanization accelerated with the advent of the Industrial Revolution, rising from 15% in 1800 to 40% in 1910. Both Africa and Asia reached the same rate in half the time, moving from 15% in 1950 to 40% in 2010. African has experienced rapid urbanization in the years following independence. Its rate of urbanization soared from 15% in 1960 to 40% in 2010, and is projected to reach 60% in 2050.

African urbanization has happened quickly, but with little change in the economic structure of most of its countries. The greater opportunities cities offered in the urban areas in terms of employment, education, health and other facilities tend to attract the youth to the urban areas. Even now, the region is urbanizing at twice the global rate.

During the colonial era, migration from rural to urban centers was suppressed by law, in some countries to ensure the security and safety of the white population in the cities. After independence, migration from rural to urban areas was seen to offer the hope for employment and a better life (Nsiah-Gyabaah 2003).

The foundation of rapid urbanization was laid by post-colonial development policies with their focus on industrialization in a few urban centers. The post-colonial development policies resulted in high concentration of population, industries supporting infrastructure and services in a few, key urban settlements whose pride of place was founded on their historic position as colonial out-posts.

Urban population growth has been fueled by this massive rural-urban migration from remote towns and villages to large cities and urban centers, in the belief that urban centers provide better job opportunities, social services and wages. In many African countries, urbanization has resulted in rapid population growth and concentration of people and industries in few urban areas such as Accra (Ghana), Lagos (Nigeria), Monrovia (Liberia), Abidjan (Cote d'Ivoire) etc.

According to the UN Population Division, there are now 53 urban agglomerations in Africa with a population of more than one million. Of these agglomerations, seven house more than five million people. These agglomerations, in order of population size, are Cairo, Lagos, Kinshasa, Johannesburg, Luanda, Khartoum, and Dar es Salaam. Interestingly, as of 2015, Africa has two so-called mega-cities, with population of more than ten million. Cairo is also the ninth largest agglomeration in the world.

Unfortunately, rapid urbanization in Africa has increased the demand for food, goods and services. A large population live in poverty and have in the process created urban slums.

UN projections indicate that the urban population will increase to 914 million by 2025 or four times the 1990 levels (UN 2011). In absolute numbers, this is more

than a tripling, from 321 million in 2010 to 1052 million people by 2050, implying that most of the future population growth (700 from the 900 million) will occur in urban areas.

4.4 Conclusion

Africa is a continent of shortages of goods and services. Shortfalls in agricultural production has led to food insecurity and importation of food. Shortages of manufactured goods and the limited capacity for value-added manufacturing is particularly telling on a continent endowed with mineral resources. Additionally, shortage of utilities and infrastructure is stifling business and economic growth.

Shortages in Africa has roots in the history, politics and socio-economic development of the continent. Colonial policies limited the growth of indigenous private enterprise while the political class veered towards ideological socialism and state led centralized economic planning in the years following independence.

The institution of import substitution policies and the establishment of state-owned enterprises raised manufacturing output for a while but the unforeseen burden on the balance of payment capability of most Africa's states led to the failure of that policy.

Rapid population growth and urbanization also meant that demand for goods and services in Africa grew faster than the ability to produce and make them available in African markets. And as Africa's population and urbanization rate is projected to increase, governments and policy makers will continue to find ways out of Africa's chronic challenge of shortages.

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5 Putting Africa in Context

5.1 Introduction

Africa is a continent of contrasts. It is made up 54 countries that are remarkably different in their geography, history and makeup. This reality has created a fragmented continent with countries whose historical affiliations are to their former colonizers. These countries adopted the legal codes and administrative systems of their colonial overlords and continue to maintain close political and economic ties with these former colonialists.

Africa is culturally delineated into Anglophone, Francophone, Lusophone, Spanish and Arabian countries. To address the fragmentation of the continent, attempts have been made at regional and continental integration. Integration is critical as the continent seeks to lower barriers to business and competitiveness. The latest and boldest attempt is the creation of the African Continental Free Trade Area.

Integration is all the more important as private sector is taking an increasingly important role in the African marketplace. After several years of stagnation, private sector investment is growing, albeit slowly. The Africa's private sector, however, has a preponderance of informal, small and medium scale firms. There is a paucity of large firms and when they are manufacturers, they rarely manufacture for exports.

These private sector firms face challenges that stifle the growth of businesses in Africa. The most excruciation of these being business climate in several African countries. The continent's business climate is challenging, to say the least. Poor infrastructure and low ranking on indexes that measure business climate undermine the performance and competitiveness of most African companies. Access to finance is another major constraint. Capital inflow to Africa flatlined for several decades as FDI dried up and economies were stymied by policy missteps, political upheavals and crippling debt.

Yet, these constraints are felt differently by different business groups. Africa's history and politics has left her with a market place with diverse economic agents. Broken along ethnic and racial lines, these groups include former colonialists, market dominant minorities and indigenous African entrepreneurs. Many African

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countries have private sectors that are ethnically segmented or dominated by ethnic minorities or both; these segmented networks exist for reasons of history, adaptation to risk, and so forth (Ramachandran et al. 2009). These different groups of private investors have varying access to finance, technology, skill and even political clout, factors that individually or collectively influence the performance of firms run by each of these economic agents (Easterly and Levine 1997).

5.2 Fifty-Four Countries, Four Linguistic Blocks

Africa is a continent of 54 countries with different histories, ethnicities, religions and culture. The continent has a population of 1.3 billion people and an ethnic mix of people including indigenous Africans, Indians, Chinese, Caucasians and Arabs among many others.

The major distinguishing attributes of African countries are their colonial heritage and their religion. European colonialists partitioned Africa into territories that served the dual purpose of being sources of raw materials and markets for goods produced in the metropole. This partition was done during the Berlin Conference of 1885. Beneficiaries of African territories from that conference included Britain, France, Germany, Portugal, Spain, Belgium and America.

After assuming suzerainty and dominion over the people in their new territories these European powers imposed their legal codes, administrative systems, culture and way of life on their colonies. Thus, all the French colonies in Africa adopted the French legal system while the British colonies adopted British legal codes and administrative systems. In North Africa, the countries of the region had strong Arabic and Ottoman influences until occupation by colonial European powers. Colonial affiliations were thus to France, England and Italy following occupation. So, Algeria, Morocco, and Tunisia have French and Arabic heritage, while Egypt has Arabic and British heritage and Libya has Italian and Arabic heritage.

The French influence in Africa extends from the North to the West and Central parts of the continent. The British ruled over the vast populated and mineral rich regions in West, East and South Africa. Belgium ruled over the vast mineral rich Congo DR. Portugal were overlords in Angola and Mozambique while Italy had a presence in Libya, Somaliland and Eritrea. These countries maintained their influence in Africa well after independence as they bequeathed their administrative, legal, political systems.

For the former French colonies, their link to France was assured through defense treaties and economic ties that created monetary unions among French speaking states. The French and Belgian influence predominate in Central Africa while East Africa has a potpourri of influences including a long historical Arabian influence along the Indian Ocean coast of countries like Somalia, Eritrea, Kenya, Tanzania and Mozambique. But it is the colonial affiliations to England and Portugal that defined the political and legal framework of these countries.

The British influence over former colonies has been consolidated through the Commonwealth. South Africa and countries within the SADC region including Zimbabwe, Zambia, Botswana and Malawi, had the overwhelming influence of British colonial rule, but in South Africa, an elite Caucasian mix of Dutch and German colonizers had earlier defeated the powerful indigenous rulers of the region and established a thriving Boer ruling class whose Afrikaans language and identity rallies them even to this day.

Though a beneficiary of the partition of Africa, German influence in Africa was short-lived, lasting between 1885 and 1918, in Togo, Namibia, Cameroon and Tanganyika but which they lost following the treaty of Versailles after World War 1.

5.3 A Fragmented Continent

Africa is the least integrated region in the world. Africa is a huge continent—as large as the U.S., Mexico, China, India, Japan, Western and Eastern Europe combined—but Africa accounts for 1.8% of global imports of goods and 3.6% of global exports and these rates are lower in the services sector (Amadou 2014).

The African market place is fragmented and constrained by the laws, and the level of physical and institutional development of 54 different countries. The political geography of Africa was mostly determined by the colonial powers and in many cases, national borders have little relationship with ethnic and cultural homogeneity. The small size of many countries and fragmentation of domestic markets results in various diseconomies of scale, which pulls down the economic potential of the entire continent. Over 70% of Sub-Saharan African countries have a population of less than 20 million, and about half the countries have a gross domestic product (GDP) of less than USD10 billion in 2016 (nominal terms). About one-third of Sub-Saharan African countries are landlocked and crucially dependent on their neighbors for access to global markets. The fact that the resource base may often be in countries far removed from where the markets are makes it imperative to seek regional solutions to some of the common challenges. There are over 50 transboundary river basins and several regional subsurface aquifers in Africa, which again demonstrates the need for collective action in management of these natural resources (World Bank 2018).

The political, economic and geographic fragmentation of Africa creates a number of barriers to trade, investment and the operation of supply chains. As a result, Africa is the most expensive region with which to trade in the world. Intra-regional trade is the lowest in the world at about 10% compared to 30% for the Association of South East Asian Nations and 60% in the whole European Union (Sorgwe 2019).

Efforts have been made over the years to integrate African countries. The belief is that countries that integrate regionally benefit from growth spillovers, larger markets, and scale economies in production—benefiting producers, investors, and consumers. The most decisive effort has been the Abuja Treaty signed by 51 heads of state and government in 1991. The treaty, which entered in force in 1994, established a roadmap towards an African Economic Community to be completed by 2028.

Today, Africa has 16 regional groupings made up of regional trade areas and monetary unions that include the Arab Maghreb Union (AMU/UMA) in the north, the Economic Community of West African States (ECOWAS) in the west, the East African Community (EAC) and the Intergovernmental Authority on Development (IGAD) in the east, the Southern African Development Community (SADC) in the south, the Common Market for Eastern and Southern Africa (COMESA) in the southeast, the Economic Community of Central African States (ECCAS) in the center, and the Community of Sahel-Saharan States (CENSAD) (which includes countries to the north of the Democratic Republic of the Congo, Comoros, and São Tomé and Príncipe, but excludes Algeria and Ethiopia.

The quest for greater integration has led The African Union to push forward with the implementation of the Abuja Treaty. In 2018, as part of the Abuja Treaty, the leaders of 42 African states and the AU announced the formation of an African Common Market called the African Continental Free Trade Agreement (AfCFTA) in Kigali, Rwanda. The treaty has so been ratified by 52 African states.

5.4 The African Marketplace

Although Africa experienced slow growth between 1970 and 2000, with per capita gross domestic product (GDP) increasing at an average rate of 0.5% per year, its economic performance has improved recently. Between 2000 and the recent financial crisis, GDP growth averaged 5.9% per year. The 54 countries on the continent have an aggregate GDP of USD2.1trillion to USD3.4 trillion. Aggregate GDP at PPP is USD6.7 trillion. With a population of 1.3 billion people that is projected to rise to 1.7 billion by 2030 and a rapidly growing middle class many African economies are transitioning towards consumption driven markets. The countries with the largest GDP are Nigeria, South Africa, Egypt and Algeria.

Africa's rise in GDP has been on the back of the vast reserves of minerals deposits found on the continent. Several African states are endowed with minerals resources and are fertile grounds for valuable agricultural produce that are the main exports earning foreign exchange for the counties. Growth in Africa is tied mainly to commodities prices, rising and falling according to the prevailing global demands for commodities (Jerven 2011) but increasingly, there has been changes in the structure of African economies as production shifts away from the primary sectors of mining and agriculture towards manufacturing and services (McMillan and Harttgen 2014).

In 2018, five of the ten fastest growing countries by GDP growth rates were in Africa. With a GDP growth rate of 9.5% Ethiopia is writing a template that shows the path many African countries are following. Ethiopia has made improvements to its infrastructure and encouraged greater private-sector involvement in an attempt to transform its agriculture-based economy into a manufacturing hub. Rwanda's GDP growth rate of 7.5% is the result of extensive economic development and poverty reduction programs, and this shows what efficient and democratic political institutions can do to a country once ravaged by civil war and genocide (IMF 2019).

5.4.1 A Plethora of Informal Firms

One striking characteristic of African economies is the importance of informal firms. The informal sector is estimated to account for about 38% of GDP in Sub-Saharan Africa. This is a higher share than in any other region. By comparison, the informal sector accounts for only about 18% in East Asia and Pacific. Nonetheless, this underestimates the importance of the informal sector in Sub-Saharan Africa (Dinh and Clarke 2012).

The African market place is dominated by inform business. There is a glaring lack of large companies, although this is changing at a fast rate. In most African countries the private sector has a dual structure, with a large number of small indigenous enterprises and a small number of fairly large enterprises, often owned by foreigners or ethnic minorities or formerly owned by the government (Ramachandran et al. 2009).

Africa has about 60% the number of large companies one would expect if it were on a par with peer regions. These larger enterprises are, however, small and stagnant by the standards in other developing countries. The only exception to this situation is in South Africa, which has 9.6 companies per USD10 billion in revenue, compared with 1.9 in North Africa and 1.1 in Nigeria. South Africa accounts for nearly half of all Africa's large companies, and North Africa accounts for one fifth. There are too few large companies in the rest of the region (Bughin 2016).

Informal firms are far less productive than formal firms in most countries, meaning that they account for a greater share of employment than they do of output. For example, about 88% of the employed in Zambia work for enterprises with less than five employees. Because of this, in Africa, most people either own or work for informal or semiformal enterprises (Dinh and Clarke 2012).

5.4.2 A Lot of Small Firms

Given the size of the informal sector, it is therefore not surprising that firms in Africa tend to be small. It is not, however, only informal firms that are small in Africa. An important difference between manufacturing firms in Africa and similar firms in East Asia is that African firms—even formal firms—are much smaller than their counterparts in other developing regions like East Asia and South America.

Using data from World Bank Enterprise Survey it was found that Africa has the largest share of micro and small formal firms, while other regions have more medium and large firms. This can be seen by looking at the average size of manufacturing firms. In Sub-Saharan Africa, the average size is about 47 employees. In comparison, the average size of a firm in the Enterprise Survey was about 171 employees in Malaysia, 195 employees in Vietnam, 393 employees in Thailand, and 977 employees in China (Dinh et al. 2012a).

5.5 The Economic Agents in Africa

Africa's history has left her with societies and countries made up of people from various ethnicities who all have different positions in the African marketplace. Colonialism affected Africa in different ways. To understand the temporal and geographic disparities in Africa it is useful to consider the differences between settler, concession and peasant colonies. In the peasant colonies, land remained overwhelmingly under African ownership and control, allowing space for African entrepreneurship, albeit with European oligopolies or monopolies in some sectors. Countries like Nigeria, Ghana and Cote d'Ivoire fall within this category. In settler and concession economies, a large or even overwhelming proportion of land was alienated, respectively, for the use of European settlers or, mainly, for European companies (Angeles 2007). The presence of relatively large European populations in some countries affected the laws and policies enacted by colonists and colonialists and ultimately led to spread of economic means within these countries. Countries like South Africa, Zimbabwe, Senegal, Algeria, Angola, Congo and to a lesser extent Kenya, had relatively large European settler populations (Austin 2010).

Colonialism also led to the development of railways across several British dominions and this led also to importation of indentured slaves and paid laborers from India and China to work on these rail projects. Thus, the ethic mix of Africa has been affected by this historical happening and situated different ethnic groups in different locations in the African market place.

This historical reality has had a great role in shaping Africa's economic development and it accounts for the main actors found on the African marketplace. Today, these economic agents include the state, MNCs and an ethnic mix of private entrepreneurs.

Foreign owned MNCs are among the largest companies on the continent. MNCs relied on superior technology, and better access to capital to be the dominant suppliers of goods and services on the continent. There are some sectors where MNCs remain their dominant economic position. They also seem to have far more market power, and to be able to sustain their presence in Africa despite economic and political uncertainties.

There is a growing participation of private entrepreneurs that have founded large scale firms. Many of these large-scale firms in Africa are owned by ethnic minorities such as Asians, Syrians/Lebanese and Europeans. Indigenous Africans own one-third or less of large industrial firms. The amount varies among countries. In Kenya black Africans own only 3.6% of large firms, whereas in Zimbabwe the percentage is more than 30% (McDade and Spring 2005).

However, it is also often the case that bigger businesses, more productive firms, and export firms are still largely foreign owned or owned by ethnic minorities, whether Asian, Middle Eastern, or Caucasian. Indigenous entrepreneurs have, however, founded some of the largest multinationals in Africa today. Deregulation of the economy which opened up opportunities in telecoms and banking have spawned a new crop of indigenous entrepreneur. But the empirical reality is that expect for a

few countries including South Africa, Nigeria, Morocco and Egypt, the largest African corporations are not owned and managed by indigenous Africans (Ramachandran et al. 2009).

5.5.1 The State

The nature of the context in which business activity takes place is dependent on the role the state plays in the economy. In Africa, the state plays several critical roles. Governments formulate policy, create the regulatory framework for industries and institutions to oversee and enforce these regulations, as well as sets up the legal and judicial systems that are responsible for protecting property rights and enforcing the rule of law. Governments also provides the infrastructure and shared externalities like roads, power, and water and security that enable the production and sales of products and services. By investing in education, governments facilitate the development of skilled workforce that is a critical component of production. Other actions of government determine the cost of capital through interest rates, they protect and open up the domestic market through tariff, and set tax rates that markets actors may find attractive or onerous. In Africa, however, the sum total of the actions and policies of several African government have led to the creation of some of the worst business environments in the world. This fact is captured in indexes such as the World Banks Easing of Doing Business Index and the World Economic Forum Competitiveness Index.

Government is also a big participant in the economy as a producer of goods and services through State Owned Enterprises. SOEs make up a large part of the business community in Africa often providing utilities, and operating some of the largest enterprise in the primary sectors like mining and oil and gas. Because of the these SOEs governments play a significant role in skewing the market to imperfection through monopolistic policies that seek to protect SOEs.

Companies like Nigeria's Nigerian National Petroleum Corporation, Sonangol of Angola, South Africa's Eskom and Algeria's Sonatracth are among the largest enterprises on the continent.

5.5.2 Multinational Corporations

Multinationals have long been the suppliers of goods and services in Africa. The first set of MNCs in Africa were the mercantile companies that traded between Africa and the metropole with Unilever, SCOA and CFAO being among the most prominent. Multinationals have always controlled the mining and petroleum extractive industries. For that reason, they have been vital to economy of several African states.

During the years leading up to independence MNCs started to manufacture locally to prevent an increasing crop of local manufacturers eating their market share. From a very low base, the 1950s saw a spurt in the growth of manufacturing

by British and French MNCs in Africa. In part, this was a response to the growth of consumer markets, underpinned by expanded earnings from export agriculture, and in some cases also from mining wages, facilitated by the Korean War boom (Austin 2010).

The period between 1970 and 1990 was a trying period for MNCs in Africa. African governments enacted import substitution policies and nationalized the assets of MNCs. The continent was also embroiled in war and political upheavals on the continent. This posed a threat to the investments of MNCs to the extent that some exited Africa. Others became technical partners in SOEs set up by governments.

Several MNCs stayed away from Africa for several decades excepts for those that were heavily invested on the continent. As governments seek to diversify their economies and the consumer class expands, MNCs, have being lured back into the continent and are today expanding their roles in manufacturing and services.

Multinationals dominate sectors like food and beverage in several markets in Africa with Nestle, Danone, Diageo, Coca cola and Heineken being prominent. Larfarge-Holcem is the largest producer of cement in Africa. Proctor and Gamble has entered the health care sector to compete with long time operator in Africa Unilever, while Kellogg and Kraft have joined Nestle in establishing presence on the continent.

Emerging market multinationals have also become significant players in Africa's economy, especially in sectors that have linkages in the economy of local communities. There are a growing presence of Indians and Chinese MNCs in the textile and apparel manufacturing, consumer goods and telecommunications.

5.5.3 The Indigenous Africans

The African market place is populated by small indigenous owned informal business. Prior to the era of liberalization and deregulation, the traditional firms owned by indigenous Africans were small and fragmented. But over the cause of a couple of decades, indigenous Africans entrepreneurs are now playing significant roles in the economy of several African countries.

In many African countries, firm surveys indicate that indigenous black-owned firms lag behind minority-owned firms and foreign-owned firms on a number of dimensions, including size and the rate of growth. Indigenous firms tend to start smaller and grow more slowly than minority-owned businesses and different factors seem to influence their growth (Dinh et al. 2012a). The biggest factors limiting the growth of indigenous firms were found to be access to finance and credit and poor supply of electricity.

Indigenous Africans entrepreneurs are, however, playing greater roles in the economies of their countries. Often the beneficiaries of policies to spur local production, indigenous African enterprises are playing a greater role in the primary, secondary and tertiary segments of the economy. Many are transiting from informality to formality and some are growing into large firms. This growth has been

prominent in countries like Nigeria, Kenya, and Tanzania and has its roots in the liberalization of African economies following the era of structural adjustment in mid-1980s.

The growth of the indigenous enterprise has accelerated in the post liberalization era. African entrepreneurs leveraged on political connectedness to acquire privatized state-owned assets, and also acquire licenses to operate in deregulated sectors of the African economy including mining, oil and gas, telecommunication, banking and wholesale trading. They are now influential in sectors that require government licenses and approvals. African governments have shown support for indigenous entrepreneurs with laws like local content laws and Black Economic Empowerment laws in the case of south Africa. These government policies help the growth of indigenous African firms in the agricultural, mining, manufacturing industries.

Indigenous African entrepreneurs have found space in telecommunications, banking and financial services, construction and building material, transport, and aviation, mining and oil and gas. This has been facilitated by laws and policies that limit foreign ownership in some sectors. Angola and Ethiopia are two countries that have shut out their banking industry to foreign ownership (Tvedten et al. 2014).

Africa's indigenous entrepreneurs are acquiring the skills to grow their companies into large corporations as some of the more successful have been those that have implemented get big strategies that involved domestic expansion and subsequently international expansion. Thus, several are becoming larger and achieving the scale and efficiency necessary for further growth and profitability.

5.5.4 Market Dominant Minorities of Africa

Market dominant minorities are ethnic group that play an outsized role in the economy of a country. The colonial and recent history of Africa saw the influx of immigrants who settled on the continent as colonist, or hired wage workers who were brought to Africa from India and China to ameliorate shortfalls in labor. Colonialism left a legacy where small ethnic enclaves wield absurdly lopsided economic clout, and it is unsurprising that the history of post-colonial Africa has been marred by the tensions between different ethnic groups of disparate economic means (Easterly and Levine 1997). This is because the poorer ethnic majorities who often have political power and richer minorities who own most of the means of production including land and capital (Angeles 2007).

These minorities are distinct from foreign investors by the fact that they have lived in Africa for several decades, and sometimes centuries. In most cases, they are citizens of the African countries where they were born and reside. They include Europeans, Lebanese, Indians, Chinese and Arabs. Overs several decades, these minorities have engaged in private entrepreneurship and accumulated wealth to the extent that they now have dominant positions in the economies of several African states.

The Europeans: Europeans are still dominant in the economic affairs of Africa due to their colonial ties with the continent. They are still found in large numbers in countries where they settled as colonists. As colonists, they benefited from laws and policies that gave them greater access to land, capital, finance and protected them against competition from other Europeans. Their allegiance was to the colonizing powers from competition which they arrived and they have historically maintained ties with their home countries from where they source capital and inputs for their businesses on the continent. The White minority is the market dominant group in Southern Africa. This group controls the financial, mining, manufacturing sectors and had until recently controlled the political power in Southern African states including Zimbabwe and South Africa. The white minority in southern Africa are originally of Dutch, German and British ancestry.

The white minority in South Africa accumulated wealth through a throng of discriminatory laws that saw them own 90% of the land of the country, and dominate the lucrative diamond and gold mining, agricultural and manufacturing sectors. At the time of independence in 1990, the white minority controlled over 90% of the economic output of South Africa.[1]

There were 17,000 white Belgians in the Belgian Congo, now Congo Democratic Republic in the 1930s, but they effectively treated the country as an economic fiefdom because of the brutal policies of King Leopold II. The discovery of copper in Katanga province increased the influx of Belgian settlers into the country. In Algeria, there were 1 million French settlers at the time of independence. There also were 400,000 Portuguese in Angola at the time of independence.

The Indians: In Africa, there are about 2.8 million people forming the Indian diaspora. The three-biggest Indian communities are in South Africa, Mauritius and Kenya, representing more than 90% of the whole Indian diaspora in Africa. With a population of 1.3 million Indians, South Africa has the largest ethnic Indian population outside India. Indians were first brought to South Africa, to work in agriculture before the discovery of diamond in Kimberly and Gold in White Witwatersrand led to large scale importation of more indentured Indians to work in the mines.

Ethnic Indians are now an integral part of the economic rubric of East and Southern Africa. They have since grown to become significant players in the economy of these two regions. There is also a growing population of Indians in West Africa who originally arrived the region to build railways and teach. Following the completion of these rail projects, several remained in Africa and several took up trading.

In Kenya, there are 100,000, largely Guajarati Indians who took up trading and retailing across the country. After its independence in 1963, Indians traders were given quit notices to make way for Africans; so, they started factories to provide jobs for Africans and earn profits. Today, some of the largest manufacturing companies are owned by these ethnic Indians. Indian owned companies have also invested in Kenyan horticulture, tea plantations and agriculture in addition to industries (Rajneesh Kumar Gupta 2014). In neighboring Tanzania, about 40,000 Indians work as traders in urban areas while some have ventured in industries.

[1] https://www.weforum.org/agenda/2015/06/15-facts-about-the-indian-diaspora-in-africa/

At a point after independence in Uganda, Indians comprised about one out of every 100 Ugandans, but owned nine out of 10 firms. Today, ethnically Indian Ugandans contribute between six and seven of every ten shillings to government coffers in tax revenues though they comprise less than 1% of the population. Now with about 30,000 Indians, Uganda has substantial investments from India. There is a large Indian population in Madagascar. These people are effectively stateless as they are denied citizenship in Madagascar and in India, despite their long-term residence on the island. Politicians often avoid the risks of demonizing market-dominant minorities simply because doing so is economically risky and unlikely to yield political rewards.

The Indian minority is another group that have expanded into Nigeria. Nigeria is home to about 50,000 Indians, mostly Sindhis, who have transited from being traders to become industrialists. They are involved in the retailing, food and beverage and manufacturing.

Madagascar, is home to 400,000 residents of the so-called Karana Indian minority, descended from traders who arrived at the island's north-west port of Mahajanga in the 1880s. Yet the Karana community has produced many major economic players on the island. For example, the Hiridjee family dominates Telma, one of the largest telecommunications companies in Madagascar.

The Indians also dominate the economy of Mauritius, with the extensive roles in finance and textile and apparel manufacture that has made the Indian ocean island a financial center and the largest exporter of textiles on the continent.

Lebanese: Another dominant minority are the Lebanese who are prominent in economic life of several francophone West African countries. The Lebanese immigration to West Africa was part of a much broader wave of immigration from Lebanon and Syria in the late nineteenth and early twentieth century. It was primarily a wave of economic migration. The Lebanese migrants in colonial West Africa lived in a large expanse which covers present-day Senegal, Côte d'Ivoire, Mali, Guinea, Benin and Mauritania. Roughly 250,000 Lebanese now live in West Africa, with the largest bloc—around 90,000 people—in Côte d'Ivoire.

Lebanese-descended Ivorians comprise less than 0.5% of the total population, while recent estimates suggest that they control between 35% and 50% of the commercial economy, and own an estimated 99% of major stores. They also contribute some 15% of total government tax revenues, which would indicate that they earn, on average, well above 30 times as much as the average Ivorian.

Arabs: Arabs have had a long involvement with Africa. They were involved in the conquest that led to the spread of Islam on the continent and have been engaged in trade on the continent for centuries. They are found in Arab influence span the whole of North Africa, West African Sahel states. East African countries along the pacific coast have a large Muslim population made up of Arab settlers from the Sultanate of Yemen. These are to be found on the cities along the Indian Ocean coast. They are dominant in business in Zanzibar, Tanganyika and most Indian ocean coast of East African states.

The Chinese: Chinese were first brought to Africa mainly as indentured slaves to work in sugar plantations in Mauritius. They were also imported into South Africa after the discovery of diamond and gold led to more requirements for labor

in the mines. Today, the Chinese in Mauritius, who constitute 15% of the population are the dominant economic group on the island. Their investments span finance, manufacturing and services like telecommunication.

There is a second wave of ethnic Chinese coming into Africa that are part of the growing involvement of China in Africa. As China grows its influence in Africa Chinese emigration to the continent has also increased. Chinese citizens have come to set up businesses on the continent. There are large populations of Chinese in Zambia, Lesotho, Swaziland, Congo DR engaging in textile and apparel manufacture, copper mining, and other light manufacturing.

The Chinese population is growing significantly in East Africa, where Kenya is part of the belt and road initiative of the Chinese government and the region boast several Chinese funded projects. As wages increase in China, Ethiopia has become a new destination for Chinese industry seeking low wages. Ethiopia has attracted a large population of Chinese business in their foot manufacturing, textile and apparel and consumer electronic industry. Presently there are over 10,000 Chinese companies operating in Africa (Sun et al. 2017).

5.6 The Business Environment in Africa

The business environment may be defined as the nexus of policies, institutions, physical infrastructure, human resources, and geographic features that influence the efficiency with which different firms and industries operate. Business environment can also be defined to include crime, political stability, and government expropriation including corruption.

The link between the business environment and investments has become a prominent theme of international business as its association with attracting private sector investment has been empirically proven. The business environment in several sub-Saharan African states is deemed high risk and uncertain because of factors that increase transaction and entry cost (Ramachandran et al. 2009). Poor business environment leads to misallocation of resources and high transactions costs in Africa, affecting particularly manufacturing firms (Collier 2000). Poor business environment also limits the export growth of manufacturing firms (Bigsten and Soderbom 2005). More recent empirical research has found that firms in Africa lose a fifth of their sales as a result of distortions caused by regulation, crime, corruption, and poor infrastructure and this affects also impacts on their output and productivity (Bah and Fang 2015).

In 1999, Pedersen and McCormick found that the African enterprises operated in a business environment that was deficient due to its lack of supportive institutions (financial, state and social/labour); low trust and accountability by suppliers and employees, limited access to capital and sub-contracting; and rent-seeking and corrupt practices combined with low law enforcement. Added to these were the historical presence of strong foreign owned MNCs, concentrated production in large cities, the large informal markets, and limited access to limited capital and lending. Enterprises also had to contend with inefficient management practices (Pedersen and McCormick 1999).

The dire state of the business environment on the continent is captured by the dismal showing of several African countries on the World Bank Ease of Doing Business Index, the World Economic Forum Competitiveness Index, Corruption Perception Index, and the Logistics Performance Index among others. Weak institutions, lack of infrastructure, corruption, poor protection for property and legal rights in several African countries has deterred investment. Several factors contribute to the challenging business environment. Policy is one: Africa's policy environment ranks poorly when compared with other regions, and this is a significant brake on investment. Electric power is another challenge. Logistics, despite recent improvement in some countries, remains another constraint.

5.6.1 High Cost of Business

Africa's poor business environment is expensive for firms doing business on the continent. Africa's business environment continues is plagued by costly inefficiency and onerous bureaucratic requirements despite several reforms. Eifert, Gelb, and Ramachandran analyzed World Bank Enterprise Survey data and concluded that high indirect cost reduces the competitiveness of African firms relative to those in Asian and Latin American developing countries. Standard measures of productivity take the cost of intermediate inputs, raw materials, and the cost of energy and fuel into account. However, Eifert, Gelb, and Ramachandran point out, this ignores other costs that affect profitability, such as transport, communications, and security costs. Using data from 17 Enterprise Surveys between 2002 and 2005, they show that indirect costs are higher in Africa than in other regions (Eifert et al. 2008). After considering these, they show that African firms are less productive than firms in other regions. High indirect costs reduce profitability of African firms.

Costs and lead times for air and sea freight—for both exports and imports—can be double those in other developing countries. Taken together, such factors impose considerable extra costs on African businesses. One World Bank study found that input costs in light manufacturing sectors such as apparel, agribusiness, leather, and wood and metal products in Ethiopia, Tanzania, and Zambia were at least 25% higher than in China (Dinh et al. 2012b).

The correlation-ship between the business environment and the ability to attract investment has given some African governments the impetus to initiate reforms that has seen their countries move up the ranking on indexes that measure business climate. These countries are now deemed to be moderate risk due to their political stability and better-quality institutions and they are among the ones that attract the most FDI on the continent. Rwanda, Mauritius, Morocco and Botswana are considered to have some of the most competitive business environments on the continent.

Countries like Nigeria, Angola and Congo DR are considered as high-risk countries because of the fluidity of policies on economic development, constant state of political tension, high levels of corruption, poor infrastructure, poor security, poor institutional development and high levels of corruption.

5.6.2 Not Easy of Doing Business

Ease of Doing Business Index is a benchmark study of regulation among 190 countries released yearly by the World Bank. Higher rankings (a low numerical value) indicate better, usually simpler, regulations for businesses and stronger protections of property rights. The index shows a correlation between the economic growth and the impact of improving these regulations.

The higher the rank, the less conducive the country is for business. Africa's average rank is 142, compared to Latin America's 98 and South Asia's 137. Elements of the business environment, such as the time it takes to set up a business and get electricity and access to credit, all remain critical areas that need reform. Weaknesses in the rule of law and regulation mean that African firms pay higher bribes (as a proportion of sales) and lose a greater fraction of their sales value to crime and theft than firms in other developing countries. Overall, African countries remain bottom in the World Bank Doing Business Index and studies consistently point to institutional barriers as key obstacles to enterprise development.

5.6.3 Corruption

Several African countries rank low in the Transparency International Corruption Perception Index and this is a of concern to investors. Corruption increases cost of doing business and leads to delays. Big firms spend a lot of time with officials. On average, more than 33% of establishments in Sub-Saharan Africa are expected to give gifts to government officials to get things done. Corruption and trade regulation corruption and bureaucratic customs processes add costs to doing business and thereby reduce profitability of investments. For the agribusiness sector, given the perishability of most agricultural products, efficiency in moving produce is of essence. Through investor surveys, private investors have confirmed making informal payments to either receive or expedite provision of services. In some cases, these payments have been as significant as 5% of annual sales. What makes it worse is that the courts and legal system are unreliable, increasing the risk and uncertainty of doing business.

Corruption has also been found to influence investments and GDP growth rates. For Africa, a unit increase in corruption reduces the level and growth rate of GDP per capita by respectively 0.4 and 0.66% points (Gyimah-Brempong 2002).

5.6.4 Competitiveness Index

Domestic policy and investment environment affect the competitiveness of firms and hence is an important determinant of investment. African countries continue to rank among the least competitive economies in the world. 17 out of the 20 least competitive countries on the Global Competitiveness Index are in Africa, and Africa as a whole trail behind South East Asia, and Latin America and the Caribbean in

terms of competitiveness, with the greatest gap being in areas such as quality of institutions, infrastructure, macroeconomic stability, education and information and communications technologies (World Economic Forum 2018).

Poor competitiveness of most African countries is undoubtedly a serious impediment to the promotion of investment in Africa. Poor infrastructure, high transactions cost associated with starting and operating a business, and weak enforcement of contracts are some of the factors that have contributed to the low levels of competitiveness of African economies. It is estimated that weak infrastructure reduces the productivity of companies in Africa by 40% and growth of per capita income by 2% (UNCTAD 2014).

Africa's infrastructure deficits continue to cripple long-term competitiveness of African economies. Access to basic infrastructure remains a key challenge—with only 35% of people having access to energy and 30% of the population having access to improved sanitation services. The region's current electricity generation installed capacity is 90 GW, half of which is located in one country, South Africa. Electricity consumption in Spain (population 47 million) exceeds that of the whole of Sub-Saharan Africa (population 1 billion). And the needle has been moving slowly—for example, access to energy has only increased from 23% in 1990 to 35% in 2015. Over 600 million people currently lack energy access. However, the performance of the telecom and information and communication technology (ICT) sector, especially in terms of the rapid increase in mobile penetration, has been nothing short of impressive (World Bank 2018).

Another component of competitiveness is basic property rights protection, which likely affects many formal and informal institutions in Africa. Property rights protections affect whether investors are willing to commit to investment projects without fearing expropriation. Consistent with this view, cross-country evidence suggests that countries with a worse record on property rights have lower aggregate investment, worse access to finance, and slower economic growth. Unfortunately, most of the countries with poor record of property rights protection are also in Africa.

5.6.5 Poor Trade Logistics

One of the biggest challenges for businesses in Africa is the level of development of transport infrastructure. The poor state of transport infrastructure and trade logistics is reflected on Africa poor position on the World Bank Logistic Performance Index.[2] Longer distances and inadequate transport infrastructure add a 2% production cost penalty for apparel in Ethiopia and Zambia (Dinh et al. 2012b).

The World Bank's Doing Business report notes that it takes an average of 32 days to complete all procedures to import manufactured goods into Sub-Saharan Africa. This is at least as long as in any other region. It is also expensive to do so. It costs an average of USD2000 to export a standard container from Sub-Saharan Africa. This is far more than in any other region; for example, it costs less than USD900, on average, in East Asia. noted that the high trade logistics costs in Africa result from four broad factors; (1) higher inland transport costs; (2) port and terminal handling

[2] https://lpi.worldbank.org/

fees; (3) higher customs clearance, and technical control fees; and (4) higher costs of document preparation and letters of credit, among others.

5.7 Conclusion

The African context is one that has shaped enterprise development. Africa is a continent defined by her history. A history of a scramble that led to the delineation of the continent into separate blocks. The legal codes, official language and administrative systems of Africa's 54 countries have been influenced by those of the colonialists, who divided Africa into culturally disparate countries. But the fragmentation of Africa is a challenge to business growth. Integrating African countries into larger economic blocs is now an imperative and efforts have been stepped up to achieve this objective.

But Africa's checkered history has also had another consequence, the private sector, though dominant in its contribution to GPD, is populated by a plethora of informal, small and micro companies. Many are transiting into medium and large firms, but that process is tedious and odious, made more challenging by constraints that stifle the growth of private enterprise. The largest constrains firms face in Africa is the business climate. Africa's business environment plays a great role in undermining the growth of the continent, attracting investment and depressing productivity and output of manufacturing firms. Poor infrastructure and low-level development of institutions has meant African countries are on the lower rung of several measures including the Global Competitiveness Index, the Ease of Doing Business index, Logistic Performance Index.

Beyond these constrains, however, enterprise performance in Africa has been influenced by the economic and political means of a broad range of players in the marketplace. The largest firms are MNCs while the second largest are those owned by dominant market ethnic minorities. These include Caucasians, Indians, Lebanese, Chinese. The indigenous African entrepreneurs run the smaller firms. But that is changing, through their political connections, indigenous entrepreneurs are playing bigger roles in finance and telecommunications and other sectors that were deregulated by government.

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6 The Birth of the African Lions

6.1 Introduction

The evolution of African Founded Firms (AFFs) from small and medium-sized businesses seeking to meet domestic demand for goods and services, to multinationals companies that are now challenging for brand recognition and market share across Africa and on the global stage, was a slow process that happened in several stages and within several epochs.

The birth, growth and expansion of AFFs was moderated by Africa's history, politics and policy directions of various governments. Entrepreneurship has always abounded in Africa but its recent growth has been influenced by the interest of outsiders. But increasingly, indigenous entrepreneurs are playing a larger role in the provision of goods and services on the continent.

African entrepreneurs have been relentless in their attempts to meet the needs of consumers. But over the years these attempts have either been suppressed or promoted depending on the prevailing political actors and the policies they enact. For this reason, entrepreneurship in Africa has been defined by three distinct epochs; the colonial era, the post-independence era and the post structural adjustment and liberalization era.

Colonialism created a new economy in Africa. It promoted trade as colonial merchants brought new products and took minerals and agricultural produce out of the continent. New urban centers were created that led to movements of whole populations from rural villages to urban centers and in the process creating the need for consumer goods and services. All the while, entrepreneurship thrived as business people moved to meet the expanding needs of growing cities and towns.

After independence, the visions and ideology of Africa's leaders defined the policies that shaped post-colonial Africa. Shifts toward socialism put governments at the driving seat of the economy, a push for industrialization led to institution of import substitution programs, and an inability to manage discordant political voices led to conflict, coups and civil wars, a new reality dawned in Africa.

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After a couple of decades of policy missteps and political upheavals, the continent was left ravaged by wars, debts, and dependent on aid. At that time, indigenous private sector was emasculated and foreign investors had absconded. Governments made a policy reversal and ushered in the structural adjustment and the liberalization era that called to the private sector to take a greater role in economic affairs.

Since the post structural adjustment era, the private sector, especially homegrown businesses, have taken up the challenge to address the age long problem of shortages of good and services on the continent.

Today, the investments of Africa's indigenous entrepreneurs have created the spark that have ignited interest in Africa by MNCs, attracting FDI and accelerating the development of the continent.

6.2 African Entrepreneurship in Colonial Times (1900–1960)

Africa was set up as territories to sell manufactured goods and harvest raw materials by most colonial merchants and governments. As urban centers developed, the need for consumer products, construction materials, and healthcare products was for a long time provided by trading companies acting on behalf of manufacturers on continental Europe.

As colonialism took root in the late nineteenth century and the early part of the twentieth century, two distinct classes of economic agents influenced policy and trade. These were the internationals agents aligned to the colonial powers and the national agents.

The international agents comprised the colonial bureaucracy, major import and export traders, and major domestic corporations owned by colonial people. National agents on the other hand were indigenous groups that were involved with agriculture, trading, and craft activities, and showed interest in local development. This group consisted of small corporations owned by colonial people, small farmers, autochthons, small traders, immigrants from India and Lebanon, and other Arabs (Kilby 1975).

There was a great deal of conflict of interests between national and international economic agents during the colonial era. International agents were engaged in activities linked with imports of manufactured goods, trading, production and export of primary products from the colonies to the metropolises and the international market.

There was a paucity of local production of goods, in 1930, three large trading companies handled between two-thirds and threequarters of West African trade, namely, United Africa Company (a subsidiary of Unilever), the Compagnie Francaise de l'Afrique Occidentale, CFAO and the Société Commerciale de l'Ouest Africain, SCOA (Wilkins 1998).

The demand for basic consumer goods continued to increase due to rapid urbanization and increased population. There was a growing desire for local production of these items but colonial governments moderated and held back these desires

through policies that constrained local production (Austin 2010). Added to that, indigenous entrepreneurs were hampered by lack of capital, expertise and sometimes legislation that prevented them from venturing into manufacturing or some sectors like financial services.

The colonial governments, however, gave different levels of autonomy to their African colonies. Those with large settler populations had more leeway to engage in local manufacturing. Companies were established to engage in local manufacture in South Africa, North and South Rhodesia, Senegal, Kenya, and Congo DR during the colonial era. Thus, some form of domestic manufacturing was made possible as business in these countries began to produce, domestically and on a small scale, products which contained a considerable amount of local raw material, such as textiles, bottles, soap, and cigarettes. Locals were also engaged in banking and transportation. There was also some form of local manufacturing in the Congo DR (Austin 2010).

British and French colonial governments, however, resisted investments in most other parts of their colonies in SSA. Private enterprise was likewise not encouraged in Portuguese and colonies, including Angola, and Côte d'Ivoire.

Geopolitical events helped to hasten up manufacturing and the growth of indigenous enterprise in Africa. The two World Wars, the first between 1914 and 1918 and the other between 1939 and 1945 disrupted ability of most merchant trading MNCs to export and distribute goods in Africa, as resources were first diverted to prosecute the war and eventually for reconstruction in Europe. Thus, there was a practical, if not urgent, need to develop local capacities in the production of goods and services.

With shortages persisting in across Europe in the interwar years, the restrictions against local manufacturing were relaxed, especially as countries moved closer to independence. The stance of most colonial governments was further softened in the face of political agitation from African activists, politicians and businessmen. In the years leading up to independence, governments started to demand greater local production of goods. MNCs joined forces with local businesses to raise capital and found several manufacturing companies. But indigenous African firms also seized the opportunity to established their own businesses.

These companies were founded and thrived in Kenya, Egypt, Zimbabwe, Morocco, Nigeria and South Africa and they were established with the purpose of producing goods and services for the domestic market. They focused on manufacturing consumable goods and expanded in their domestic markets through the establishment of distribution depots and additional manufacturing plants in large cities within their domestic markets.

The 1950s spurt in manufacturing mainly comprised French and British companies seeking to protect existing markets. British MNCs like United Africa Company (UAC), which was a diversified trading company 100% owned by Unilever, through joint ventures became a major brewer and textile manufacturer. UAC, which was predominantly a trading company, invested some £15 million in Nigerian industrial projects between 1956 and 1961, with projects rising from 15% to 47% of the company's annual capital expenditure (UNECA 1971).

These pioneer entrepreneurs established food and beverage processing facilities like sugar refineries, cigarettes factories and flour mills and breweries. They also set up factories to produce building material like cement, roofing sheets, and iron rods manufacturing.

Some of these companies underwent various forms of evolution including being nationalized, but eventually, most were listed as public companies on their local stock exchanges.

6.2.1 Some Notable African Firms Founded in Colonial and Pre-Independence Era

Egypt and Kenya are the birthplace of some of Africa's oldest MNEs. While African firms faced the challenge of access to capital, technology and managerial skills, entrepreneurs relied on the large unmet demands in their domestic market to push their products against those of the few incumbents around.

In East Africa: The British colonies in East Africa were integrated by the East African Community formed in 1928 which allowed movement of goods between Kenya, Uganda and Tanzania. Some of the first African multinationals enterprises were founded in the region. Kenya's East African Breweries Limited was founded in 1922 by two white settlers, George and Charles Hurst. Kenya Commercial Bank was founded within the period.

Chandaria Industries was one of the first multinationals in the region when it set up aluminum rolling mills and integrated process for galvanize roofing sheet plants in Kenya and Tanzania in Between 1959 and 1961. In Uganda, Madhvani Group was founded 1914, the group has developed into a widely-diversified conglomerate with a geographical spread into various African countries, the Middle East, India and North America (Wa Wambui 2016).

In West Africa: A.G. Leventis is a large Nigeria-based conglomerate established in 1937, by Anastasios G. Leventis. The Leventis Group was one of the first AFF that grew to be a multinational company within West Africa. The group dominant in the economies of many West African countries and especially in Ghana and Nigeria. Leventis Group started out as commodities traders but ventured into bottling Coca Cola products and also established a supermarket chain.

The Ibru Organization was another Nigerian founded company that had operations along several West African countries. The company stated out in that started out trading in frozen fish but grew to become one of the largest conglomerates in Africa. Started by Michael Ibru. The company eventually had subsidiaries in transportation, aviation, hoteling, media and banking and 1990 it had between 9000 and 11,000 employees (Forrest and Forrest 1994).

Fan Milk was founded in Ghana 1960 by a Danish Merchant and Industrialist Erik Emborg to manufacturer and retail of ice cream and frozen dairy products in West African market. The company set up in operations in Nigeria and Ghana and exported products across the west African region.

Other companies started within the period included Nigerian Breweries and Flourmills Nigeria Limited. Nigeria Breweries was founded in 1946 to brew beer locally as another company facilitated into existence by UAC. The company has since grown to become the dominant beer manufacturer after rapid domestic expansion and acquisition of several breweries. Nigeria Breweries was eventually floated on the stock exchange and remains one of the most valuable stock of the Nigerian Stock Exchange. Flourmills Nigeria founded by George S. Coumantaros in September 1960 is also quoted on the NSE (Table 6.1). The company

In North Africa: There were also changes going on in North Africa where Algeria, Morocco and Tunisia were French colonies, Libya was under Italian dominion and Egypt was ruled by the British. In Egypt, Orascom Construction was founded in 1950. It is today an engineering and construction contractor primarily focused on infrastructure, industrial and high-end commercial projects in 25 countries including the Middle East, North Africa, the United States, and the Pacific Rim for public and private clients. Orascom Construction was one of the first multinationals in Africa. The company operated cement plants in several countries including Algeria, United Arabs Emirates and Saudi Arabia, Syria and Turkey. The Mansour Group was also established in 1956 as a cotton trading company.

Table 6.1 Some companies founded in Africa during the colonial era

Company	Country	Year founded	Product or service
United African Company of Nigeria	Nigeria	1931	Trading and manufacturing
Bamburi Cement	Kenya	1951	Cement manufacturing
Nigeria Breweries	Nigeria	1946	Beer, brewing
ONA/SNL	Morocco	1919	Manufacturing, distribution
Nigeria Bottling Company	Nigeria	1951	Coca Cola franchisee
Ynna Holding	Morocco	1948	Food Construction Retail Tourism
Standard Bank	South Africa	1862	Banking and financial services
Serena Hotel (1970)	Kenya	1970	Hospitality
Elsewedy	Egypt	1938	Manufactures Electrical products
East African Breweries	Kenya	1922	Beer manufacturing
Chandaria Industries	Kenya	1964	Paper converting and recycling
Mansour Group	Egypt	1952	Cotton and general trade,
Orascom Construction	Egypt	1950	Construction and engineering
Madhvani Group	Uganda	1914	Agribusiness manufacturing
Ibru organization	Nigeria	1956	Fisheries, manufacturing, transportation
Flour Mills	Nigeria	1960	Flour milling
Fan Milk	Ghana/ Nigeria	1960	Dairy products
A.G. Leventis	Nigeria	1937	Trading and manufacturing
Nation Media Group	Kenya	1959	Media services

Compiled by author

It eventually expanded into a diversified conglomerate. Both firms were once nationalized but eventually returned to their private owners.

Moroccan chemicals producer, The OCP Group (formerly the Office chérifien des phosphates; Cherifien Office of Phosphates), was founded 1920. The company is one of the leading exporters of phosphate rock, phosphoric acid and phosphate fertilizers in the world. The OCP Group has nearly 20,000 employees located mainly in four mining sites and two chemical complexes in Morocco, as well as in other international locations. The group has several subsidiaries in and outside of Morocco. In 2018, its turnover amounted to USD5.884 billion.

Akwa Group S.A. is another Moroccan conglomerate company headquartered in Casablanca. The company is primarily engaged in the oil and gas industry, but operates also in the telecommunication, tourism, hotels and real estate sectors. Its service stations operate under the Afriquia brand.

Sonatrach is an Algerian government-owned company that was founded in 1963 to explore the hydrocarbon resources of the country. It has some concessions in Libya, Mauritania, Peru, Yemen and Venezuela. Its diversified activities cover all aspects of production: exploration, extraction, transport, and refining. It has diversified into petrochemistry and the desalination of seawater.

In Southern Africa: Southern Africa had a large colonist settlement and enjoyed relatively more autonomy from the metropole as regards establishment of domestic manufacturing. The country gained independence from Britain relatively early and by 1910 South Africa was being governed by the white Afrikaans settlers. Following the discovery of diamond and gold in 1885, however, the agrarian economy of white Afrikaans settlers was upset by the rush to prospect for gold and diamonds and farmers lost farm hands to mines. Local administrators embraced manufacturing as a way of generating employment for the "Poor White Man". The Afrikaans led Pact government promoted industrialization through import substitution policy. Protectionist policies like high import tariffs on imported goods were put in place by 1925 while some classes of manufacturers enjoyed government subsidies. The same pattern was repeated in Zimbabwe and Zambia and across the Southern Africa region (Zarenda 2014). Adoption of apartheid policies, however, led to the isolation of South Africa and most South African firms had to expand domestically to achieve scale. Apart from the expansion of Anglo-American through the establishment of operations in Canada in 1967, most South African firms remained within the country until 1990 when restrictions were lifted. For this reason, South Africa boasts some of the oldest and largest companies in Africa with some founded in the later part of the nineteenth century and the early part of the twentieth century. Media conglomerate, Naspers, was founded in 1915 as a newspaper publisher promoting the interest of the Afrikaans. South African Breweries, was founded in 1894 and grew to be the market leader in South Africa. SAB company only started its international expansion in 1990 but grew eventually to be the second largest brewer in the world by volume. Standard Bank was founded in 1862 and Tiger Brand, now the largest consumer good producer in Africa, was founded in 1862 (Verhoef 2017).

6.3 Post-Independence Era (1960–1980)

Several African states became independent sovereign states around between 1950 and 1960 but the first two decades of self-rule were marked by ideological shifts, political turbulence, economic policy mis-steps and eventually accumulation of crippling debts that left many countries depending on foreign aid. Following independence, some African countries forged new ideological path and changed the structure of their economies. Motivated by a desire to increase local production of goods and services, they adopted an Import Substitution Policy. In advancing their ideology, private asset was nationalized while large State-Owned Enterprises were established.

All the while, there was a growing conflict between proponents of opposing ideologies as well as tensions between tribal and ethnic groups, which eventually led to coups, wars and political turmoil. In the midst of all these. Investment by private capital shrunk and MNCs retreated from the continent in droves (Jones 2010).

6.3.1 Shift Towards Socialist Ideology

There was a wholesale shift in ideology in Africa following independence as political leaders declared their countries to be socialist. Between 1967 and 1975 a number of African countries adopted Marxism-Leninism as official doctrine and maintained that orientation at least through the early 1980s. Between 1967 and 1975, nearly 20% of African states had defined themselves as Afro-Marxist states (Paulson and Gavin 1999). The most definitive declaration made by Ethiopia, Somalia, Benin, Tanzania, Mozambique. Other countries like Nigeria, Ghana, while not declaring overt socialism, enacted policies that changed the structure of their economy to being state-led (Akyeampong 2018).

Private assets were in some cases nationalized, or some sectors were declared to be exclusive to government, this included refining and distribution of petroleum, telecommunications, education, aviation.

6.3.2 Import Substitution

In order to stimulate industrial growth, some countries implemented import substitution strategy. Import Substitution (IS) is based on the principle that the state plays a key developmental role and an active state policy is the main tool to transform an agrarian economy into an industrial society (Paulson and Gavin 1999).

The main objective of the strategy was to stimulate the start-up and growth of industries as well as enhance indigenous participation by altering the ownership structure and management of industries. IS was a strategy to target the domestic market. Import substitution was even the favored development approach by the World Bank.

Governments at national and sub-national levels embarked on the construction of factories to produce consumer goods like beer, biscuits, flour and inputs like bags, bottles and also established large complexes for industrial and commercial goods, machine tools, petrochemical plants, petroleum refineries and automobile and steel plants.

Companies set up through national (private or public) or foreign investment were provided with a local market and protected from outside competition through customs duties, through quantity restrictions on imports or by out-rightly banning them. The outcome of this was that some of the trading firms switched to local manufacturing and lobbied successfully for protective tariffs. For example, the United African Company became involved in textiles, brewing, plywood, and vehicle assembly.

These policies were designed after import substitution policies as implemented in Brazil, Argentina, Chile and several South and Latin American and south east Asian countries. The aim was to improve production of goods in their countries and thus creating employment and saving on foreign exchange.

In pursuing this aspiration, several countries diverted resources that would have been used to mechanize their agricultural production to building huge consumer goods production factories, equipping these factories. Countries like Congo and Nigeria were aided in this enterprise by the increase of commodities prices, while others borrowed heavily to finance these investments.

Nigeria embraced import-substituting industrialization through the first National Development Plan for the period 1962–68. Even though, the main objective of the IS strategy was to stimulate the start-up and growth of industries as well as enhance indigenous participation by altering the ownership structure and management of industries, it was characterized by a high degree of technological dependence on foreign knowhow to the extent that the domestic factor endowments of the country were grossly neglected (Chete et al. 2014). South Africa initiated an imports substitution strategy in 1925 and supported local industries with subsidies and high tariff on imported good. By 1970 South Africa had he most developed industrial sector in Africa that contributed 20% to its GDP (Zarenda 2014).

IS was mainly oriented towards satisfying demand on the local markets. However, domestic value added in these industries was considerably low because their products had high import content. This was particularly obvious in the automobile industries where most components were imported as completely-knocked-down parts. The only value added in was the assembling of those parts prompting them to be called screw driver industries.

This led African countries to have overvalued currencies in order to be able to import those needed intermediate products, and in order to protect their domestic producers, governments instituted import controls, protective tariffs and administrative allocation of foreign exchange (Adam 1999). These protected enclaves created a domestic market full of inefficient, monopolistic industries.

6.3.3 Nationalizations and Indigenization

Some African countries nationalized private assets including medium and large-scale factories of MNCs and local businesses, as they tried to stimulate industrialization of their economies through import substitution policies. African countries not only nationalized foreign multinationals, but also 'indigenized' properties of foreign merchants to distribute them among domestic ones. Indigenization did not occur in Latin America (Bucheli and Decker 2012).

Within Africa, the majority of expropriations both by number and by estimated size took place in Nigeria, Zaire, Ghana and Kenya (mostly indigenization with some nationalization). Other African countries focused mostly on nationalization, here it is worth distinguishing between states that mostly nationalized mines—Mauritania, Sierra Leone, Senegal and Togo—and socialist states: Zambia, Tanzania, Uganda, Ethiopia, Somalia, Congo, Benin, Malagasy Republic, Guinea and Mali. Guinea went further and made ownership of private assets illegal. Other states took minor or no action, but other than Cote d'Ivoire and Cameroon, none of them were economically very important. In North Africa, nationalization policies were pursued by governments in Egypt, Algeria, Morocco.

Tanzania was the first country to nationalize private capital with the policy adopted by Julius Nyerere. The radical government of Abdul Nasser nationalized the largest asset in Egypt, the Suez Canal and several private companies. It nationalized the assets of **The Orascom Construction** and **Mansur Group** in 1961, but after 1976 when Anwar Sadat rose to power, private assets were returned to their original owners. Morocco also nationalized several companies. In Algeria, one of the largest producers of oil and gas on the continent, the Sonatracth, was nationalized and remains a public enterprise.

In West Africa, socialist Marxist policies were promoted mainly in Guinea and Benin Republic. Guinea even went ahead to ban private participation in the economy, while Kwame Nkrumah in Ghana also espoused this ideology. He was overthrown in a military coup but new military leaders, still moved towards making the Ghanaian economy a state led economy (Bucheli and Decker 2012).

Nigeria and Ghana were instituted indigenization policies from MNCs and other foreigners including Lebanese and other African. By the mid-1970s, indigenization programs either contained or were accompanied by nationalizations in certain sectors in West Africa—timber and gold in Ghana, petroleum and banking in Nigeria—which were clearly of great importance for government revenue.

In East Africa, Julius Nyerere of Tanzania created an African national socialist plan, called Ujamaa. Ujamaa means family links or brotherhood in Swahili language. The main idea of his project and theory was to recover local traditions of community ways of working, producing and relating to the land. There was a process of nationalization of land and companies' combined with the promotion of new ways of workers' organization of labor. Nyerere's policies led to nationalization, establishment of huge SOEs and parastatals. In Tanzania's case tough, small and medium scale private businesses were allowed to operate. Ethiopia also became a champion of state monopoly under the military government of Mengistu Haille Marian.

South Africa became and independent country in 1910 and initiated policies to promote domestic manufacturing. The government of the era enacted protectionist policies, to keep out competition for domestic firms and under the Apartheid government, several companies which served the national interest were supported with subsidies as nationalized companies like SASOL, which used patented technology to produced petroleum chemical products and fertilizer from coal were treated as national companies. Sanctions against the apartheid government motivated the National Party to nationalize utilities like ESKOM (Zarenda 2014). The nationalization policy was also in place in Zambia, Zimbabwe and Botswana.

Governments also set up commodities marketing boards to buy agricultural produce and crops from farmer for storage, local distribution and export and also nationalized or set up banks that funded and supported their SOEs and parastatals as well as transport companies including shipping lines, airlines, road transport companies and rail companies. Almost exclusively, utilities were provided by state owned monopolies.

6.3.4 The Birth of State-Owned Enterprise

As part of the drive towards a state led, centrally planned economy, governments established several companies and parastatals to provide goods and services. Apart from the drive towards industrialization through the IS programs, governments took control of agricultural production and marketing of commodities, banking and utilities (Mendes et al. 2014).

So, besides the medium and large-scale industries set up at national and subnational levels, governments set up several state-owned enterprises to provide services and utilities. Additionally, and the establishment of services like hotels, airlines, banks and other financial service, agricultural marketing boards and milling and agro-allied goods processing (Nellis 1986).

For instance, in Tanzania, the number of public enterprises increased from 80 in 1967 to 400 in 1981. Similarly, public enterprises in nominally capitalist Kenya grew in number from 20 at independence to 60 in 1979. In Ghana, parastatals also expanded in number from virtually zero prior to independence in 1959, to over 100 in the early 1960s. Other countries such as Zambia, Tanzania, Senegal, Mali, Cote d'Ivoire, Mauritania, and Madagascar have also experienced tremendous growth in their public enterprise sectors (d'Almeida 1985).

By the 1970s public enterprises or state-owned enterprises (SOE) accounted for over 17% of African economies' GDP, compared to an international average of 10% and 5% in OECD countries. African SOEs accounted for 25% of total formal sector employment and more than 18% of all non-agricultural employment; SOEs accounted for more than 20% of gross domestic investment, compared to 4% in OECD countries, 15% in Asia and 5.5% in Latin America, and 34% of domestic credit. In 15 out of 22 Francophone African countries, SOEs ranked first in sales (Nellis 1986). Seeking to protect their new formed state-owned companies and

parastatals against competition, African governments made policies to close their markets and increased tariff for imported products.

The consequence of these policies was that private capital retreated as major players in the economy, while small and medium industry level players continued to be engaged in light manufacture and other cottage industries.

MNCs were cautious in buying into the new IS policies enacted across Africa by newly independent states. This was because pronouncements by leaders of independence movements and ideological shifts by the political leadership after independence left them uncertain of the policy direction of government. Companies like Bata, Firestone and Phillips retreated from several African markets. Fortuitously though, some multinationals were engaged as technical or management contractors in these newly established SOEs and thus providing limited equity, technical expertise and managerial knowhow to run these SOE.

By 1985 several African countries had as much as 300–400 SOE and the general consensus is that most of these firms were inefficient in the allocation of resource, lacked technical skills, were overstaffed and almost times had to rely on loans, which ultimately were non-performing, from state owned banks. One study of West African countries showed that 62% of the public enterprises showed net losses while 36% had negative net worth. Similarly, a study of state-owned transport enterprises in 18 Francophone countries found that only 20% generated enough revenue to cover operating costs, depreciation and finance charges: 20% covered operating costs plus depreciation; 40% barely covered operating costs: and a final 20% were far from covering operating costs. Thus. In Kenya the average rate of return of public enterprises was 2%, while in Niger the net losses of public enterprises amounted to 4% of the country's GDP in 1982. In Tanzania in the late 1970s one- third of all public enterprises ran losses. Other studies indicate that in Benin. Mali, Sudan. Nigeria, Mauritania, Zaire, Sierra Leone and Senegal public enterprises have accumulated losses which sometimes amount to a significant percentage of the total economy (Nellis 1986).

6.3.5 The SOEs Fail to Meet Expectation

The 15 years period between 1965 and 1980 when several African countries experimented with socialism and state led economies did to meet their expectations. By 1980 several governments had come to the conclusion that their experiment was a failure. Most SOEs were loss making and not even producing the goods which they were set up to produce. Many were in debt and were only being sustained by loans from state owned banks.

Commodity prices had also fallen and governments were finding it difficult to balance their budgets, pay salaries to huge public sector workers, and service loans owed to international creditors. By 1980 African countries were forced to seek assistance from multilateral agencies like the World Bank and the International Monetary Fund to meet their balance of payment challenges. These institutions requested the devaluation of overly valued local currencies, privatization of SOEs and the liberalization of economies.

A number of reasons were adduced for the failure of the SOEs in Africa. These include lack of skilled manpower, inefficient production, lack of local intermediate raw materials, huge wage bills, imported machinery and equipment, lack of supply chain. Scholars, however, believed that these policies of nationalization and indigenization were motivated more by political expediency rather that economic interest as leaders sought to reward political supports and gain legitimacy. The reasons are myriad, but the inefficiency of SOEs and the toll that indigenization policies had on the economy forced African governments to run for assistance from the World Bank and IMF (Herbst 1990).

6.3.6 Debt and Aid

By the 1980s, many African countries went through a severe debt crisis and international financial institutions, such as the IMF and the World Bank, had to provide loans to avoid a debt default. Devaluation of local currency made imports costly, scare and unaffordable.

From an estimated USD8 billion in 1970, the total external debt of African countries (excluding arrears) has risen to an estimated USD174 billion at end-1987, including short-term debt estimated at USD12 billion. Measured in constant (1980) US dollars, total African debt at the end of 1987 was nearly seven and a half times its level in 1970. Total debt-service payments by African countries are estimated to have grown from less than USD1 billion in 1970 to nearly USD18 billion in 1987, net of arrears and debt relief.

When the foreign debt crisis exploded in the 1980s, import substitution came to a virtual standstill. With their reduced income from commodities, huge debt burden and large salary overhang, governments rationed foreign exchange, and licensed the importation of consumer goods essential to daily life like flour, sugar, salt, cement, and health care.

However, these loans did not come without conditions. African governments were made to introduce a number of economic reforms, such as privatization, less government intervention and free trade, in the spirit of neo-liberal economic theory. The economist John Williamson has named the doctrine of imposing these structural adjustment programs on indebted developing countries, **The Washington Consensus.**

Several SOEs were eventually privatized with banks, insurance, the small and medium scale companies being easier to dispose of. In some cases, the state retained some nominal share and the right to influence the decision of the privatized SOEs. In some other cases, some assets, especially ports, were leased to concessionaires to operator. But to a large extent, governments still operated some SOEs. Today, some of the largest of Africa's Lions are SOE.

6.3.7 Impact of Nationalization, Coups and Political Conflict on Private Investment

After surviving nationalization of their assets, or being forced to include outsiders in their shareholding and management, some MNCs stopped investing on the continent. They looked to new locations to get raw materials, as agricultural output was falling in Africa due to heavy focus that had been placed on industrialization.

Companies like Nestle and Unilever sought new suppliers of agricultural raw materials from South American and South East Asian countries. They sourced for produce like palm oil, cocoa, coffee, rubber, cotton, sugar from South East Asian countries like Indonesia, Malaysia and Vietnam and south American countries like Brazil and Columbia.

But MNCs in the extractive sectors were critical to the economies of several African countries, and continued to mine minerals like bauxite, iron ore, copper, diamond and gold under increasingly belligerent conditions with their host governments. In Congo, the assets of UNHS the country's largest miner of copper was nationalized. These uneasy relations with MNCs were repeated in Nigeria, Angola, Algeria, and Ghana among others.

The consequences of these actions were dire. Foreign and domestic private investment was to a large extent stifled in this period. At the end of the post-independence era, most MNCs remaining in Africa were either there because they were in extractive or agricultural industry, or they were deeply invested on the continent. Companies like Nestle, Cadbury, Unilever still continued their operations in Africa.

6.3.8 Some Notable State-Owned Enterprises Founded During the Post-Independence Era (Table 6.2)

One of the largest and most successful state-owned enterprise in the world is the oil and gas company Sonatrach. Sonatrach was founded in 1963 following the discovery of vast oil reserves in Algeria and a few years before independence from France the independence of Algeria from France. Sonatracth is not only the biggest company in Algeria, it is one the biggest oil and gas companies in the world. Sonatrach started out constructing pipelines but today is an integrated oil and gas company with several refineries and a revenue USD35 billion in 2017.

Sonangol is the state-owned national oil company of Angola. The company was founded in 1976 and it dominates the business clime of Angola. Although Sonangol operations lie largely within the upstream and downstream petroleum sector, it has also expanded into sectors beyond its core oil industry focus. Amongst other things, Sonangol is involved in banking, air transport, telecommunications, catering, insurance and offshore financing. According to the audited financial statements for 2011, the total portfolio of non-oil interests amounts to some USD4.2 billion. The company has established several subsidiaries in strategic sectors using its capital.

Table 6.2 Some state-owned enterprises from post-independence era

Company	Country	Year founded	Product or service
NITEL	Nigeria	1972	Telephone
Kenya Commercial Bank	Kenya	1970	Banking
Kenya Petroleum Refineries	Kenya	1970	Petroleum Refinery
Sonatrach	Algeria	1963	Oil and gas exploration
NNPC	Nigeria	1977	Oil and gas
Telcom	South Africa	1991	Telecommunications
SASOL	South Africa	1950	Oil and Gas, Chemicals
Ethiopian Airlines	Ethiopia	1945	Aviation
Kenya Airways	Kenya	1977	Aviation
Royal Air Maroc	Morocco	1957	Aviation
ESKOM	South Africa	1960	Power
Transnet	South Africa	1990	Rail and logistics
Anambra Automobile	Nigeria	1978	Automobile manufacturing
Ajaukuta Steel Plant	Nigeria	1979	Steel
Sonangol	Angola	1976	Oil and Gas

Compiled by author

There are several SOEs in the aviation sector. Where SOEs were being privatized, many African governments hung on to their airlines. These include Egypt Air, Royal Air Maroc, South African Airways and Kenyan Airways. For some countries, having an airline is a strategic and economic imperative as in the case of Ethiopia and Rwanda, both landlocked countries. These state-owned airlines are also a critical part of the tourism and horticultural industries in East Africa. Ethiopian Airline is today an African aviation behemoth.

South Africa is the country with the largest amount of SOEs in Africa. Following several years of isolation, the apartheid government supported domestic manufacturers with subsidies. Companies like SASOL were vital to the state as a fertilizer and petroleum producer were supported by the state as were the national electricity provider Eskom as well as Telcom the telephone service provider. State owned companies run rail, power, water utilities among others.

Morocco has a number of SOEs that are today part of the government's internationalization programs for Moroccan firms. Attijariwafa bank is one of Africa's biggest banks by assets that is partly owned by the Moroccan state, as is OCP, the largest miner and manufacturer of phosphate fertilizer in the world.

6.4 Post Structural Adjustment and Market Liberalisation

Between 1985 to 1990 the African context had changed considerable, as most governments were recovering from long periods of political crisis and macroeconomic shocks engendered by the crash in commodity prices which affected their balance of payment situation. Governments were saddled with debts following the failed attempts at state led economies and inefficiency of the SOEs.

Most of the countries that had espoused socialist economic systems abandoned them. SOEs were either shut or working far below their installed capacity. Governments sought aid from foreign governments and multilateral agencies. This situation led like the World Bank and IMF to prescribe a shift to a market led economy for several states.

The Structural Adjustment Programs (SAPs), the schemes of economic liberalization promoted by the World Bank and International Monetary Fund were voluntarily and involuntarily adopted by African governments for a range of reasons. The dates at which individual countries began 'adjustment' varied. For instance, Ghana made the movein1983, Nigeria and Tanzanian 1986; Zambia vacillated (Austin et al. 2016).

Governments also opened up several sectors to private investors through deregulation and sold of state-owned enterprise through privatization. Currencies were devalued and lost value against foreign currencies that were required for imports. As some governments still could not pay for imports, they mainly licensed private entrepreneurs and businesses to carry out those functions (Herbst 1990).

The macroeconomic reforms of the 1990s led to more sustainable fiscal policies, controlled inflation, and better managed debt. Some countries went further and addressed fundamental structural rigidities by divesting public sector activities, opening some government monopolies, such as telecommunications, to private participation, and reducing public sector borrowing from domestic banks to expand opportunities for the firms (Dinh et al. 2012).

Government subsidies to the manufacturing sector were cut, restrictions on foreign trade removed and currencies depreciated. Domestic manufacturers suddenly had to openly compete with importers and, in most cases, lost large parts of domestic markets. This was especially the case with South African firms which had enjoyed a long period of protection but faced new competitive pressures after the country joined the World Trade Organization in 1994 (Bell and Madula 2001).

These policy changes and structural adjustments tipped the scale in favor of indigenous private investors who provided substitute brands for imported goods. Thus, several AFFs that had been operating subliminally when governments did not encourage the contribution and growth of private enterprise, started slowly to flourish due to liberalization and deregulation of the economy. They had time to build their business as risk averse foreign competitors held off coming back into their markets due to uncertainty.

Governments started to license private entrepreneurs to import consumer goods. Food imports has become as significant consumer of the foreign exchange earnings of most African countries which had given less attention to their agricultural sectors as they focused on industrialization.

In heeding the advice of the Bretton Woods institutions, governments embarked on the program to privatized their SOEs. The stated aims of privatization differed from country to country. In Zambia, privatization was self-standing and had its own set of objectives. The only common denominator amongst the objective was to reduce fiscal deficit, but then many states, such as Benin, Cote d'Ivoire, Kenya, Tanzania, Cameroon, Ghana and Nigeria, also quoted the desire to develop the private sector, to broaden ownership of the economy and improve economic efficiency as major motivations for privatization (Berg 1999).

Across a wide range of commercial and industrial sectors, privatization and divestiture allowed private entrepreneurs to enter the market. Privatization commenced towards the late 1980s—Ghana and Nigeria in 1987, Benin in 1989, Kenya in 1992 and Zambia in 1994.

The number of privatization transactions, translating the acceptance by the government to reduce the size of the public sector in its portfolio, has jumped to the level of nearly 2804 by the end of 1997 from less than 200 in year 1990, and a total of 334 for the all period prior 1990 (Makalou 1999).

Governments sometimes retained shares in privatized entities, but the general trend was total exit from SOEs. Between 1990 and 1995, a third of SOEs in Africa was privatized, but since the majority were small- or medium-sized enterprises, the fiscal impact was still moderate. Only the cases of the Cote d'Ivoire and Guinea were national utilities included in SOEs to be privatized. In most cases, national utilities were explicitly excluded from the privatization programs.

The World Bank also advised that African countries to liberalize their economies. This meant opening up sectors that were monopolized by SOEs. Governments deregulated sector like telecommunication, banking and commodities trading. A key aim was to stimulate competition among domestic firms and between domestic import-competing firms and foreign firms with the objective of promoting efficiency (Herbst 1990).

The objective was to achieve this through a reduction in both tariff and non-tariff barriers, scrapping the commodity marketing boards and market determination of the exchange rate as well as the deregulation of interest rates, meant to foster financial efficiency and industrial productivity.

The structural changes within Africa created new opportunities for the private sector. Governments initiated policies to attract foreign and domestic investors into their newly liberalized markets and deregulated sectors.

Thus, when government were selling off and privatizing their SOEs, these local and indigenous companies were among the first to invest by acquiring these privatized assets. Local companies were able to purchase small and medium sized government assets, some of these assets were manufacturing factories, thus increasing the productive capacity and scale.

6.4.1 The Rebirth of African Private Enterprise

Several of the AMNEs today were far from being the billion-dollar establishments they are today, but rather, were small and medium sized corporations engaged in trade, distribution and light manufacture. Many were engaged in distributing goods and raw materials for multinationals or in some form of small and medium scale manufacturing (Ramachandran et al. 2009).

Africa has always had a thriving mercantile and entrepreneur class operating informally as importers and distributors as well as engaging in light manufacturing. As economies underwent structural adjustments, a lot of the indigenous companies were licensed to import goods deemed to the essential to consumers. Indigenous

firms made profits from the importation of fish, sugar, rice and flour, vegetable oil among others. Notable among them were Ibru Organization, Ishaku Rabihu and Dantata in Nigeria, and Bidco Africa, Mohan International in Ethiopia and in Kenya and Bahkresa and MeTL in Tanzania.

These firms had been importers and exporters as well as being distributors for SOEs and MNCs. From their trading and distribution background, some eventually ventured into manufacturing and even acquired the assets of retreating MNC and privatized SOEs. In Uganda, Madhvani Group formed the Kakira Sugar Works, in 1985 to take over the old assets of Madhvani Sugar Works Ltd. in Eastern Uganda—a factory that was seized from the family in 1971 and was no longer operational with a nucleus estate that had reverted to bush.

6.4.2 Acquiring the Assets of Retreating MNCs

Even as governments took a friendlier view of private capital, some MNCs still divested from some sectors. The decision by some multinationals to retreat from Africa led them to sell off some of their assets on the continent. As structural adjustment programs were being implemented across the developing world, Africa was shunned as an investment destination.

Manufacturing companies like Bata, Dunlop, Michelin and Philips sold of factories to local business owners. In Kenya, Unilever sold of its vegetable oil unit to Kenya's **Bidco Africa** as the company moved into more profitable segments. **Samaar Group** acquired the assets of Firestone East Africa (1969) Limited, which was established in Kenya in 1969 by Firestone Tyre, the Rubber Company of the USA and the government of Kenya to produce tyres for the East African market. Sameer purchased a significant part of the shareholding from Firestone Tyre and Rubber Company, with the Yana brand officially launching in November 2005. In Nigeria and Ghana, MNCs divested as indigenization policies forced them to relinquish management controls to local managers. Unilever divested from United Africa Company and its various subsidiaries. This selloff was also prominent in the downstream sector of the oil and gas industry oil companies where increases in oil prices affected the price of imported refined petroleum. MNCs in the downstream sector faced multiple pressures as several countries devalued their currency because balance of payment constraints.

Governments strict control of petroleum prices put pressure on margins for retailers like Shell, Agip, Total and Texaco. A major sell off happened when Shell offloaded its assets in 19 countries across Africa to Helios Investment Partners, an Africa focused private equity. Other African players like Nigeria's **Oando** in West Africa and Kenya's **Kenonobil** also bought the assets of these MNCs.

Subsequently, MNCs were reluctant to return to investing in Africa even after the deregulation and liberalization of the economy and in spite of the vigorous implementation of an IMF structural adjustment program. Between 1980 and 1999, Africa only accounted for less than 3% of global stock of FDI. Africa was largely bypassed in the 1980s as there was a resurgence of globalization and foreign direct investment boom around the world.

FDI inflows into Africa almost stagnated as the MNCs completely ignored Africa increasing only modestly from an annual average of USD1.7 billion for the period 1981–1985 to USD2.8 billion in 1986–1990 to USD3.8 billion in 1991–1995. During the same period inflows to developing countries as a group more than tripled from less than USD20 billion in 1980–1985 to an average of more than USD70 billion in the years 1991–1995 (UNCTAD 1999).

Thus, Africa's share in global FDI inflows as well as in total inflows to developing countries dropped significantly. From almost 9% of flows into developing countries between 1981 and 1985 this share dropped to just over 5% in 1991–1995, as did the share in global FDI inflows from 3% in 1981–1985 to 2%.

This situation meant African entrepreneurs, who had largely been marginalized and ignored in the period of state led economic policies, were now the only business class willing to invest in Africa at a time governments were embarking on privatizing their SOEs.

6.4.3 Acquiring the Assets of Privatized SOEs

As part of the structural adjustment program, governments were advised to privatize their SOE. At a time when MNCs were not interested in Africa, it was the weak indigenous private sector that ended up acquiring some of the privatized firms.

At the outset of SAP and privatization program the indigenous private sector was challenged by lack of finance (Pedersen and McCormick 1999). The indigenous private sector had limited capacity to absorb the privatized public entities. Most indigenous firms were only able to acquire medium scale industrial complexes and other government service-related assets. Moreover, many SOEs listed for privatization were heavily in debt. Governments often had to sell the companies at a discounted rate.

The average value of transactions most privatization transaction in Africa were extremely small. Most were a few hundred thousand dollars in value. The numerous sales in Angola and Mozambique and Guinea are accounted for largely by retail shops and similar small-scale operations. Very few of the main public services have been touched up to now (Berg 1999). However, many of today's large African acquired some privatized assets. Firms like Madhvani acquired state-owned sugar farms in Uganda and Rwanda.

6.4.4 New Opportunities in Deregulated Sectors

Deregulation and liberalization opened up new opportunities for private investors in Africa. Several sectors were deregulated and private investors allowed to participate in sectors like banking and financial service, utilities, trade and media and entertainment (Table 6.3).

In the period since the adoption of structural adjustment program, two of the most successful sectors for private investors in Africa have been finance and telecommunication. Prior to 1990 these two sectors were in regulated by government.

Table 6.3 Some companies founded in Africa during the in the post liberalization era

Company	Country	Year	Products and services
GTBank	Nigeria	1990	Banking
Equity Bank	Kenya	1984	Banking
Orascom Telecom	Egypt	1998	Telecom
Qalaar Holding	Egypt	2004	Private equity
Cetival	Algeria	1998	Agribusiness
Econet	Zimbabwe	1993	Telecom
Ora Bank	Kenya	1988	Banking
MTN	South Africa	1994	Telecommunications
Shoprite	South Africa	1979	Retailing
Ecobank	Togo	1985	Banking
Brookside Dairy	Kenya	1993	Diary products
Africell	Gambia	2000	Telecommunications
Juhayna	Egypt	1983	Dairy products
Echourouk	Algeria	1991	Media
Dangote Industries	Nigeria	1981	Manufacturing
Massmart	South Africa	1990	Retailing
Edita	Egypt	1996	Bakery
Bidvest	South Africa	1988	Logistics
Zenith Bank	Nigeria	1990	Banking
GlobaCom	Nigeria	2003	Telecommunications

Compiled by author

While indigenous private banks were permitted in some countries, many multinational banks exited several African markets following nationalization and indigenization policies. Today, banking and financial services is the sector with the greatest number of African Lions.

Across Africa, several governments deregulated the provision of infrastructure and utilities. Policies were enacted that encouraged private investment in infrastructure. Ports and airports were handed over to concessionaires or sold off to private investors who were also allowed to develop new facilities.

The telecommunications sector was also deregulated in some countries and telecommunication utilities privatized. Additionally, companies were licensed to provide mobile telecommunications services. These licensing rounds earned several governments large sums of money as licensing fees. The licensing of a new generation of banks and telecommunication companies gave indigenous entrepreneurs a new impetus.

African founded telecoms companies include Econet Wireless, Sonatel, MTN, Orascom Telecoms and Africell. Liberalization opened up opportunities for media and entertainment companies after the restrictive years of military or authoritarian rule in Africa. Media companies established newspaper, radio stations and television stations among the notable was IPP group in Tanzania and Africa Independent Television in Nigeria. Pay TV services also were set up and new media thrived in

the form of internet service providers. Other sectors that were deregulated included aviation, hotels and hospitality, commodities trading, upstream and downstream oil and gas operations.

6.4.5 The Fall of Apartheid and the Arrival of the South Africans

Economic and political changes that were happening in Africa coincided with the repeal of apartheid laws in South Africa in 1990. South Africa had been a closed economy with a highly developed agricultural, mining, manufacturing, retail and financial services sector.

In 1994, South Africa joined the WTO and willingly removed tariffs and other barriers in its protected market. This meant South African manufacturing firms were not so competitive and started to face new competitors and lose market share in their domestic market (Verhoef 2018).

Since the beginning of the 1990s, economic liberalization and regional integration in the southern African region provided a launchpad for South African firms to expand into regional markets. Initially, because of South Africa's political and economic isolation during the apartheid era, trade with its neighbors remained modest. However, with GDP exceeding USD125 billion in 1996, South Africa's economy was more than three times larger than the combined economies of all SADC countries. After the first democratic election in South Africa in 1994 marking the end of that era, South Africa's trade with its neighbors expanded rapidly, fueled by increases imports of primary and intermediate goods and the expansion of its manufactured exports.

Eventually, some companies like Shoprite and MTN started to move to countries in the SADC region to seek new markets. Others like SABMiller, Anglo-American, Steinhoff, and Standard Bank expanded into markets in Europe, changed their headquarters and even listed their shares on the London Stock Exchange (Games 2004).

6.5 Conclusion

The participation of private capital in the provision of goods and services in Africa had been stifled at different times on the African continent and this has affected the contribution of two principle economic agents. In colonial Africa, the colonial governments-controlled attempts at local production due to the view that colonies were markets for goods produced in the metropoles. But geopolitical events like the World Wars led to relaxation of such policies.

Some colonial governments, however, were more relaxed about these policies allowing the growth of the private sector in Kenya, South Africa, Zimbabwe.

Companies like, Nigeria Breweries, were founded in this era by local businessmen who eventually took their companies public. Ironically, it is the fact that several of these companies now publicly quoted that they now have multinationals or other

interest groups dominating their management. Yet in this hostile business environment, several companies were set up across Africa with the most enduring of these being those founded in South Africa.

But following independence a desire to improve local capacity and substitute imports with locally produced goods led several countries to situate the state as the driver of national economic growth. The institution of policies that nationalized private assets and ceded control of management of foreign firms to indigenous managers led to the retreat of foreign private concerns and those that did not withdraw reduced their investment activities. Adding to that governments took monopolistic control of several sectors like banking, aviation and media. Meanwhile, several African states were embroiled in political turmoil, wars thus further damping investment sentiments.

Macroeconomic shock, huge debts and the failure of SOEs forced governments to reshape the structure of their economies and this led to the adoption of free market principles.

Africa markets were highly regulated but one of the outcomes of structural adjustment was the enactment of policies that opened up certain sectors that were at first controlled by the public sector.

The deregulation of the financial services sector at a time most MNCs were unwilling to invest in Africa gave African companies a clean competitive environment. Another sector that was deregulated and had a great impact on Africa's democracy was the media sector.

The infrastructure sector was also deregulated and some utilities privatized, specially, telecommunications, power and transport utilities.

In an effort to attract investors most African countries also offered tax incentives and pioneer status to firms. Deregulation has given the African consumer choice. With MNCs unsure of entering countries like Nigeria and Ghana, it was left to indigenous business to take up the responsibility of meeting the gap between supply and demand.

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7 The Growth and Expansion of African Challengers

7.1 Introduction

The decade following the implementation of structural adjustment program was one of economic stagnation and negative growth for most African countries. The next decade, however, was one of growth. Between 1999 and 2008 a Chinese-led boom in world commodity prices spurred Africa into 12 years of growth. GDP growth rates averaged of 5% a year within the period (IMF 2008).

The increased economic growth reflected in the expansion on the private sector. AFFs took up the challenge of providing needed goods and services as MNCs held off investment and SOEs continued to be privatized after several loss-making years. The changing socio-economic situation gave AFFs the impetus for growth and several companies responded by rapidly scaling up their operations to meet the increasing needs of Africa bourgeoning population and rapidly growing middle class.

Businesses with the best strategies win market share and grow their competitive position. AFFs consolidated on their rapid growth, innovated, improved their operational and managerial capabilities and won market share for their products and they now hold significant market positions across several African markets (Meacham et al. 2012).

In their relentless pursuit for growth, AFF developed strategies to improve their market position and which saw them move from fringe players to market leaders. As they grew and expanded, they become Challengers to MNCs in many sectors and segments (Aré et al. 2010). In order to win market share, African Challengers adopted a cost leadership strategy to help their products penetrate markets that already had formidable incumbents (Craig and Douglas 1997). Growth in sales, revenue and profitability was invested in increasing productive capacity, national distribution and domestic footprint.

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This a cost leadership strategy was adopted following a deep understanding of the changing buying behavior of the African consumer. But even then, some firms focused on niche segments, moved to geographical markets that were not served and created new products class to avoid confrontation with MNCs, who were market leaders.

Increasingly, AFFs played a greater role in the economy as some expanded from their mercantile and distribution background to venture into manufacturing. Rapid domestic expansion followed. These companies expanded their portfolio of products, invested in producing intermediate inputs and diversified into other sectors unrelated with their core businesses.

By 2000 interest in the growth of AFFs had stated to elicit scholarly enquiry that examined their cost efficiencies (Eifert et al. 2008) technological capabilities (Biggs et al. 1996), their network linkages and how the coped with institutional voids (Fafchamps 2003) their performance and competitiveness (Pedersen and McCormick 1999), and their transition from medium to large enterprises (Fick 2002).

By 2010 consulting firms including Accenture (Aré et al. 2010), Boston Consulting Group (McKinsey Global Institute 2010; Otty and Sita 2011), and McKenzie and Company released various reports that were padded with statistical data, charts and pictures of Africa's economic turnaround and growing promise and the critical role of played by African corporates. The narrative of the African Rising had been born and was being strengthened in these reports.

In 2010 Boston Consulting Group identified 40 African founded companies whose size ranged from USD 300 to 80 million in annual sales, they displayed strong growth and an international footprint and had ambitious plans for further growth. Three countries of origin dominated the list, Egypt with 7, Morocco with 6 and South Africa with 18. African firms stated to invest abroad, by 2002 FDI by African firms grew by 81% per annum, more than double the growth rates of companies from Latin America and Asia (Aré et al. 2010).

Makenzie and Company in another report released in 2016 reported that there were now 400 companies with revenue of more than USD1 billion per year and about 700 companies with revenue greater than USD500 million, and these companies are growing faster, and are more profitable in general than their global peers. Additionally, these companies together boast USD1.4 trillion in annual revenue, are increasingly regional or pan African, to the extent that 300 of them have international subsidiaries (McKinsey Global Institute 2010; Bughin 2016).

Yet while there was a larger body of studies on how the improving business climate in Africa had engendered growth of AFFs, the role of the capabilities of the firms that led to their transformation from small or medium scale enterprises to large firms was examined to a lesser extent.

At the heart of the emergent African Challengers are entrepreneurs who found innovative ways to overcome Africa's well studied challenges and develop methods to take advantage of the emerging opportunities brought about by the improving context and governments increasing incentive to the private sector. These new set of entrepreneurs/owners, found ways to improve access to finance, form relationships and networks to overcome institutional void and forge better relationships with

bureaucrats, suppliers and politicians. On the operations side, they mulled over how to overcome patent challenges inherent in Africa that increased operational cost and limited access to the market.

For these managers, improving their operations, and limiting their costs was their main route to the profits that the market promised. As part of their quest for operational excellence, AFFs looked to new, more affordable, suppliers of machinery for their factories and intermediate inputs. They bought their machinery from China and India and adopted other cost cutting measures to improve profit margins. African Challengers engaged in backward and vertical integration, as they sought greater control of their supply chain and operations (Bughin 2016).

Thus, while operating cost was high for several MNCs who still relied on older legacy production machinery, African Challengers invested in newer and more efficient production lines and distribution infrastructure to facilitate their aggressive domestic expansion.

Besides cheaper machinery and equipment and more efficient production processes these fast-growing African firms also benefited from access to large pool of better skilled labor force. Large numbers of foreign trained graduates joined a vast pool of graduates from African universities to give African Challengers a new crop of skilled workers.

The dual strategy of cost leadership and Get Big Fast through rapid domestic expansion were mutually reinforcing. Growth became a way of achieving scale and sustaining low prices and low prices ensured continuous sales and increased revenue. But growth was happening in a changing and challenging business context.

For the businesses operating in Africa, the challenging logistic infrastructure has made transportation a major contributor to cost. The desire to be closer to the to the market was a motive that drove AFFs to expand their domestic footprint. African Challengers pursued this agenda by rapidly establishing of factories, plants, depots and warehouses across the large cities of home countries. In implementing this expansion strategy, these firms were seeking to minimize their logistical challenges by avoiding transportation costs on a continent notorious for its poor rail, road, and ports infrastructure. This strategy also ensured that their products were among the first to get the market.

MNCs which were slow to respond to the growing opportunities, started to lethargically wake up to opportunities opening up the across Africa by embarking on new capital investments and consolidating their operations to match and counter the growing threat of Africa challengers. But by this time, the pioneer spirit, and adventurous disposition of indigenous firms had started to give them scale and a better market position. In effect, MNCs were encircled, outflanked and jolted out of their dominant market perch before they even knew what hit them.

This chapter will examine the strategies that led African Challengers into growth and how they won dominant market position for their products.

7.2 Understanding the Context

In the decade leading up to the new millennium, Africa had moved past the crippling decade of the 1980s. Political upheaval, policy missteps and debts had set the continent back and most African states were forced to seek aid, and bailout by multilateral organizations. Between 1990 and 2000, governments concentrated on getting themselves out of their economic problems as they implemented the Structural Adjustment Programs recommended by the World Bank and IMF.

A big part of this strategy was liberalization of economy and enactment of policies to increase the role of private investors in the economy. As government privatized public SOEs and parastatals, they also got a boost in earnings from growth in commodities prices that put the continent on a 12-year path to growth in GDP.

Additionally, there was a lull in political turbulence by the turn of the new millennium, the socio-political landscape across the continent began to change. Angola and Mozambique, halted deadly hostilities, creating the political stability necessary for growth. The number of serious conflicts in Africa—those in which deaths exceed 1000 people a year—declined from an average of 4.8 a year in the 1990s to 2.6 in the 2000s (McKinsey Global Institute 2010).

Additionally, economies became healthier as governments shrank budget deficits, trimmed foreign debt, and brought down inflation. Since 2000, African countries have cut their combined foreign debt from 82% of GDP to 59% and reduced budget deficits from 4.6% of GDP to 1.8%, which sent inflation rates tumbling from 22 to 8%. Between 1998 and 2005 ten African countries were ranked as having the fastest growth in GDP in the world. GDP growth was recorded at a compound growth rate of 5% for the period. Africa's macroeconomic turnaround saw the continent post single digit inflation rate in by the turn of the millennia (Bhorat and Tarp 2016).

Governments moved to reduced trade barriers, cut corporate taxes, and strengthened regulatory and legal systems. Over 3000 SOEs had been privatized by 2000 and the private sector, including long established MNCs and AFFs had started to play a bigger role in Africa's economy. Manufacturing and services were expanding and contributing more to GDP on the back of private investments as governments pushed towards diversifying their economies.

Governments also enacted several policies geared towards stimulating growth of manufacturing and the service sectors and granted incentives like tax weavers to pioneer investors in some sectors. Angola Tanzania, Morocco, Nigeria, Egypt, Kenya and Ghana all enacted policies to promote FDI.

FDI into Africa had started to grow by 1995 but it remained low relative to FDI flows into other developing nations as MNCs, still skeptical about the continent prospects, chose to invest in China, Brazil, India (UNCTAD 1999).

This meant that while there were improvements in the political and macroeconomic situation in Africa between 1990 and 2000, the continent was still to a large extent shunned by MNCs and foreign investors. It can then be inferred that improvements in economic output in Africa within this period was driven mainly by the indigenous AFF.

7.2.1 The Markets and the Consumers

Between 1980 and 1990, described in most text as Africa's lost decade, the African consumer was buffeted with a slew of challenges that reshaped his buying behavior. With high debts and an inability to mobilize foreign and domestic revenue, the economies of most African countries shrank. Most SOEs were moribund, and governments were forced to retrench workers and reduce the size of their public service while some public sector workers remained unpaid for long periods of time. The purchasing power of the African consumer shrunk and value and price became the main determinant for making a purchase.

It was this price sensitivity that enabled African Challengers to penetrate the market with products that offered value proposition and products that fit with the purchasing power of the African consumer. By the turn of the millennium, however, Africa experienced a new economic resurgence as commodity prices increased and growth returned to the continent. A period of sustained economic growth also led to growth in the size and purchasing power of the African consumer.

A report by AfDB in 2011 noted an increase in the middle class with 340 million Africans categorized as being part of the middle class (Ncube et al. 2011). Purchasing power of the African consumer improved and between 2000 and 2012 the aggregate house hold consumption expenditure grew at an annual rate of 10.7% rising more than USD 850 billion and reaching USD 1.7 billion (Deloitte 2016). Overall, sub-Saharan Africa's (SSA) GDP per capita in purchasing power doubled to USD3831 between 2000 and 2016.

7.2.2 The Africa Founded Firms

There was a vast array of sectors and segments that opened up in Africa after liberalization and deregulation. This led to different growth trajectories for AFFs in the different sectors. AFF that were in resource extraction, mining and oil and gas production, entered those industries mainly through the support of government policies and initiatives. Those in manufacturing, tended to by family business with a strong mercantile heritage, while those in the service sectors took advantage of liberalization and deregulation to enter those sectors that were once shut to private investment.

These firms leveraged on their knowledge of the business climate of Africa and the needs of the African consumer to innovate and overcome their operational challenges. For those that ventured into manufacturing, their background in distribution was a strength that gave them a competitive advantage. For service firms, access to emerging technologies helped them leapfrog incumbents. As African Challengers became profitable, they got access to better financing and better skilled workers and this fueled their expansion.

7.3 Growth Strategies of the African Challenger

H. Igor Ansoff in a seminal article published 1957 posited that growth is achieved by pursuing any one of four strategies (Ansoff 1957). Ansoff Matrix are market penetration, which focuses on increasing sales of existing products to an existing market; product development, which focuses on introducing new products to an existing market; market development, which focuses on entering a new market using existing products and diversification, which It focuses on entering a new market with the introduction of new products;

For AFFs, growth was necessary so they could benefit from economies of scale and scope. Africa's challenging business environment leads to high production costs (Eifert et al. 2008). Growing Big Fast by increasing production capacity and developing new markets was a way to scale up, reduce cost and become competitive in the market place.

7.3.1 New Product Development

African Challengers are adept at introducing new products into the market as they have learnt to quickly respond to the needs of the African consumer. Leveraging on their mercantile roots, many African founded firms started local manufacturing of the brands they distribute. But in response to the needs of the market, they were usually the first to develop packaging that reflected the purchasing power of their consumers.

African Challengers they were able to bring new products to the market to compete with the dominant products of incumbents. This they did by leveraging on the new production facilities and extensive distribution capabilities. They invested in improved packaging by establishing or acquiring a stake in packaging companies. Good packaging was an essential part of projecting quality for their products.

Often times, their brands unknown but by using clever marketing that includes innovative packaging and promotional messages AFFs created a perception of high quality and value for their products among their target consumers. Such packaging sometimes targets the Bottom of the Pyramid consumers. Some manufacturers appealed to low-income consumers by packaging products in more affordable low-unit packs. In this so-called Kadogo economy (Swahili for 'economy for the small man'), people are able to buy goods such as diapers and toothpaste in smaller-than usual quantities at lower price points.

African Challengers also developed unique strategies to push their products into the market through branding. In Tanzania, in 2014, MeTL Group launched its own soft drink, Mo Cola, pitting itself against the likes of Coca-Cola. Its competitor Bahkresa Group, a diversified family business, also sells its Azam Cola. MeTL Group's vast distribution infrastructure and the fact that it is active in a large number of product categories, gives it an advantage over multinationals (Africa Report n.d.).

Innovative products are not exclusive to manufacturing. Multichoice, the Pay Tv arm of South African media giant, Naspers, introduced products that facilitated the

rapid expansion of its subscribers' numbers in Africa. First it started Africa Magic, a channel dedicated African produced movies and as the channel enjoyed widespread acceptance, MultiChoice went further to establish channels for movies produced in local languages in the different countries in which it has subsidiaries.

7.3.2 Market Penetration

African Challengers possess extensive market intelligence and were quick to realize that price and value was the major determinant for purchase for the African consumer. With that knowledge, they adopted a cost leadership strategy and made price their dominant marketing weapon.

African Challengers developed strategies of cost leadership that helped their products penetrate the market. Cost leadership was sustained with strategies that improved their operations, supply chain, and marketing. Through cost leadership, AFFs were able to compete on the basis of price and most frequently offered the most value to customers. With this strategy, they were able to penetrate the market and gain market share with their offering.

Brands like Bidco Africa's Power Boy, Bahkresa's Azam Cola won market share rapidly due to their competitive pricing. In Nigeria, telecommunication firm GlobaCom, entered the lucrative telecom market in 2003 2 years after MTN and Econet had established themselves as market leaders. GlobaCom won over customers with a billing system that charged consumers to the second while the predominant billing method in the industry was per minute billing. South Africa's MTN won market share when it offered customers a pay as you go system instead of contracts.

Pay TV operator MultiChoice, penetrated several markets by creating hierarchies or bouquets for different consumer segment and as a response to competitive pressure from Chinese Pay TV operator, StarTimes, developed GoTV as new offering for the bottom of the pyramid customer.

7.3.3 New Market Development

Whether in the manufacturing or service sectors, one common strategy of growth of African Challengers was development of new markets through domestic expansion. Domestic expansion served several purposes. For manufacturers, it was a means of getting their products closer to the market. Lack of good road, rail and ports infrastructure contribute to the poor ranking of African countries on the Logistic Performance Index. Poor transportation infrastructure adds to increased logistics cost for firms. Domestic expansion was therefore a way of bypassing the challenges of poor logistics infrastructure.

Domestic expansion was particularly important in serving consumers in geographies that were underserved. This helped African Challengers grow their brand as MNCs tended to focus their operations, marketing and distribution in large urban centers. By making products available in smaller cities or underserved regions of

the domestic market, African Challengers avoided confrontation with better known brands of MNCs. This way, African Challenges encircled dominant incumbents and won market share for their products and service offering (EY 2011).

Since several African Challengers in manufacturing started out as trading companies, they invested in expanding their distribution infrastructure of depots and warehouses across all regions of their domestic market by acquiring or leasing the warehouses or deports of moribund SOEs or retreating MNCs. These investments also included purchase of haulage trucks and warehouses. This strategy of growth helped them achieve scale. By using the same distribution infrastructure, African Challengers were also able to increase their product offerings and increase the scope of their operations.

Domestic expansion was a strategy adopted by consumer goods manufacturers like Dangote Industries in Nigeria, Bidco Africa in Kenya, Mukwano in Uganda and MeTL in Tanzania. All these companies were engaged in the importation and distribution of commodities like flour, sugar, salt and rice, vegetable oil. They acquired warehouses, and other storage facilities across their domestic markets and had extensive operations in ports in their respective countries. With their expanded domestic footprint, African Challengers got their products closer to their consumers and ensured availability of their products in these markets at all times.

Rapid domestic expansion was not limited to manufacturing companies. Service companies also saw the benefit of rapid domestic expansion. The rapid domestic expansion through organic or inorganic means was an integral part of the strategies of banks like Togo's Ecobank, Nigerian's GTBank and UBA, Morocco's Attijariwafa Bank and Kenya's Equity Bank.

One of the most rapid expansion was by South African retail giant, Shoprite which expanded from its West Cape headquarters through a series of mergers and acquisition which gave it presence all across South Africa in just a few years after its founding in 1979. Telecommunications companies also recognized changes taking place within Africa and the increased mobility within countries, so they moved quickly to provide their services across major cities and town across the continent. This was the pattern observed in the expansion of telecom operators in Nigeria where MTN and Econet wireless first rolled out in cities like Lagos, Abuja, Port Harcourt, Kano before speedily rolling out their services in other cities.

Zambian agribusiness giant, Zambeef also adopted the Get Big Fast strategy and expanded across Zambia by first establishing a wholesale outlet in Kasumbalesa, on the Zambia-DRC border, and not long after started operations in Mongu in Zambia's Western Province. It also had plans to expand into Solwezi, Kalumbila, and Mansa, as well as Nakonde on the Tanzania border (PWC 2016).

7.3.4 Diversification and Conglomeration

Africa's challenging business environment and fluid macroeconomic state has created heightened risk for businesses. The risk of default by suppliers is high, and institutions that protect property rights, enforce the rule of law and protect the

sanctity of contracts are usually weak. This has created a situation where scholars talk of their being institutional voids in Africa. Added to this risk is that posed by tenuous macroeconomic situation in several African countries. With economies that are heavily reliant on commodities for foreign exchange earnings, fluctuations in commodity prices leave most countries oscillating between having and not having enough foreign exchange to finance trade and imports.

It is in trying to mitigate against supplier opportunism or default, foreign exchange shortage, or shortages of inputs that led African Challengers to prioritize investing in backward and vertical integration. These investments are made so AFFs can have greater control of their supply chain and hedge against the risk of disruptions to their operations.

Backward integration, especially, is critical to their operations and usually involves establishing or acquiring producers of intermediate inputs and services for their operations. These inputs and services include mined minerals, agricultural produce, packaging, logistics and distribution infrastructure like ware houses, haulage trucks.

As African Challengers grew, their relationships with banks and financiers also got better, especially as most were very profitable. African Challengers were, thus, able to get finance to fund their expansion. For consumer goods manufacturers, inputs like sacks, bags, plastic bottle, tins cans are necessary for packaging their products and many of these firms invested in establishing subsidiaries to produce packaging.

In Nigeria, a Zambian AMNE Zambeef, operates Shoprite's butcheries and butchery chain Master Meats in Nigeria, rears its own livestock to meet growing demand and because of concerns about quality and regularity of supply from local farmers due to the challenges of poor access to good feedstock, veterinary back-up, funding, proper abattoir facilities and cold storage (PWC 2016).

For African Challengers in the food and beverage sector, backward integration involved establishing farms and aggregating farmers. Madhvani, the Ugandan sugar refiner, has nucleus sugarcane farms in Uganda and Rwanda. Just as Ceil, the Mauritian sugar producer has farms in Mauritius and Tanzania. Vegetable oil producer, Bidco Oil aggregates soy bean farmers in Kenya while and Mukwano in Uganda aggregates sunflower farmers to produce raw materials for their factories. These AFFs also offer extension services to farming communities to help improve their yields and buy their produce as off-takers.

Zambeef is the largest vertically integrated food retailing brand in Zambia. The Group is principally involved in the production, processing, distribution and retailing of beef, chicken, pork, milk, dairy products, eggs, stock feed and flour. The Group also has large row cropping operations (principally maize, soya beans and wheat), with approximately 7787 hectares of row crops under irrigation which are planted twice a year, and a further 8694 hectares of rainfed/dryland crops available for planting each year (PWC 2016).

In order to limit its exposure to foreign currency fluctuation, Refriango, the Angolan manufacturer of non-alcoholic beverages invested in plant to manufacture plastic bottles. The company, coordinates about 150 brands of various products, has

23 lines of high cadence in the beverage sector, with an installed capacity of roughly 1.5 million liters per year for which plastic containers and bottles are a significant intermediate product.

Backward integration was particularly prevalent in the telecoms industry where lack of existing infrastructure and suppliers meant African telecommunications firms like MTN, GlobaCom, Econet and Sonatel had to establish and manage their own individual telecoms towers, base stations, fiber optic networks and underground submarine cables.

This investments in backward and vertical integration has become a feature of most large firms as their growth creates asymmetries in the market place. There often was a disproportion between their needs for services and intermediate goods than the markets and local suppliers could cope with. In order not to slow down their expansion and growth, especially in the face of reduced access to foreign exchange to purchase inputs from abroad, African Challengers had to set up businesses to strengthen their supply chain.

7.4 Competitive Strategies of the African Challenger

The rapid growth of African Challengers stated to catch the interest of the academic and consulting communities who started to look into their operations in order to identify their sources of competitive advantage (Tvedten et al. 2014). While accessing their rapid growth, some scholars queried whether their growth was really an expression of improved competitiveness of African enterprises, or more a result of protectionism, favoritism and state subsidies. There was a greater desire to examine their internal capabilities to find out where they derived their competitive advantage from (Tvedten et al. 2014).

But in its 2015 report, BGC identified the root of the competitive advantage of the African Lion as lying in four attributes, namely Focus, Flexibility, Fact and Field (BCG 2015). According to the report, African Challengers Focus most of their investments on the African continent, they are flexible as they adapt their standard and processes to the local environment; they draw on long term relationships with other suppliers and other operators on the field; and they source information locally and have effective market intelligence.

In a 2016 report, McKenzie and Company, noted the major attributes of the 100 largest corporates firms in Africa were that they have a strong position in their home markets, they focus on one sector and they push for best practices in execution—and strengthen innovation (McKinsey Global Institute 2016).

When African Challengers entered the market with their products and services, they had to compete against established incumbents. African Challengers, nevertheless, developed strategies to gain acceptance for their products and offering and in the process gain a better position in the market.

7.4.1 Cost Leadership

There are four generic strategies with which firms find a balance between the sources of their competitive advantage and the markets in which they compete (Potter 1980). Two broad mass market strategies of Cost Leadership and Differentiation Leadership and two focused strategies of Cost Focus and Differentiation Focus.

For African companies, their overwhelming choice was to focus on the broad market where the options were between Cost Leadership or Differentiation Leadership. With limited access to technology and knowhow that could help them differentiate their products, most Africa Challengers opted for Cost Leadership (Craig and Douglas 1997).

For these African Challengers, the larger segments of their target market were made up price sensitive consumers as well as consumers in unserved and underserved locations (Aré et al. 2010). African Challengers quickly realized that the critical determinant of purchase for the consumer was value, in the form of good pricing and a perception of quality. For that reason, most, if not all, African Challengers chose to compete as cost leaders.

Cost Leadership, however, demands operational excellence. Operational excellence is usually a tall order in Africa where lack of externalities like infrastructure, including power, roads, rail and ports, water and sanitation, and security compels companies to provide these necessities at their own cost. In order to offset these costs, African Challengers implement a second strategy that involves getting big fast through rapid expansion in markets and production capacity. The purpose of this strategy is to achieve higher productivity so as to benefit from the economics of scale and scope (Craig and Douglas 1997).

For the African Challenger another source of their competitive advantage is their knowledge of the African market place. This includes their knowledge of the business environment, the idiosyncrasies of suppliers and bureaucrats as well as the norms of business in their domestic markets.

Even then, African Challengers have been innovative in their marketing, as they have developed products that appeals to the consumers, and have pushed these products through their pricing, promotions and placement methods. As challengers, these AFF have used classic strategies like encircling incumbent by targeting geographies and market segments that are underserved, developing products that flank the dominant products in the market and even have even confronted incumbents directly with their own products.

To execute a Cost leadership strategy, African Challengers had to develop means of producing their products and service to be affordable and yet profitable. The key to this strategy was operational excellence and strong control of the supply chain. With the incentive of high profitability of the African marketplace spurning them on, AFFs invested in local manufacturing, sourced for affordable and appropriate modern equipment and machinery, invested in own infrastructure, and developed their own supply chain through backward and vertical integration.

7.4.2 Get Big Fast Strategy

African Challengers adopted a strategy of Get Big Fast to benefit from economies of scale and economies of scope. Through expansion of their domestic footprint, and investments in backward and vertical integration. African Challengers were able to achieve the growth and profitability they needed to overcome high production cost in Africa.

African Challengers are also known for diversifying into unrelated sectors. They use their ability to generate profits and better access to capital to invest in sectors that are not core to their operations. It is not uncommon to find a successful African Challenger to have multiple subsidiaries in several sectors and segments, effectively becoming conglomerates. Groups like Tanzania's, IPP, Kenya's Samaar, Egypt's Orascom Construction, South Africa Remgro, Uganda's Madhvani and Algeria's Cetival.

SOEs like Algeria's Sonatrach and Angola's Sonangol that are oil and gas companies also have a vast array of subsidiaries that include airlines and telecom operators.

While a lot of these subsidiaries are part of their investments in backward and vertical integration, others are investments that may create synergy for the African Challengers. Their ability to make these investments may be because while opportunities abound in the African marketplace there few firms that are able to attract capital to make investments in other profitable sectors.

7.5 Other Attributes of the African Challengers

The process by which African Challengers won market share is a classic case out of marketing textbooks. Using all the strategies of followers, AFF started out by producing products that flanked the dominant products offered by MNCs. This was the common refrain in manufacturing and services sectors. With a preference for manufacturing fast moving consumer goods, African Challengers had MNCs like Unilever, Danone, Nestle, Coca Cola, Diageo and Heineken to contend with. These firms have had a long history in Africa with established brands that are house hold names across the continent.

But African Challengers brought little known brands into the market in all product categories. Bidco Africa challenged dominance of Unilever's Omo with their Power Boy brand of detergent. In Tanzania, Bahkresa produced Azam brand of non-alcoholic drink, Angola's Rafiango produced Blue guarana drink. Rafiango, which has a portfolio of 17 brands including children's drink Cuia, fruit juice Nutry and Pura Sport water. These products were either cheaper or packaged in larger containers, thus, providing greater value to customers and ultimately they won market share rapidly.

In Egypt, Juhayna Food Industries is today the leading producer and exporter of dairy products, milk, fermented milk, yogurt, drinking yogurt, juice and white cheese. It was founded by Safwan Thabet in 1983 and has since expanded its

presence across the Middle East. In a country where MNCs dominate the supply of household consumer products, the entry and rapid growth of Juhayna was due to adoption of strategies to undercut incumbents and win market share through domestic expansion and market development.

MNCs usually have high operational costs in Africa. Most often they delay investing in new capital projects including machinery and equipment because of uncertainties and as such suffer the consequence of higher operational cost from using older legacy equipment and machinery. They also tended to be vulnerable to currency fluctuation, the high cost of imported intermediate inputs and raw materials, cost of finance, and cost of remittance due to reductions in the value of local currencies. Most MNCs are at a cost disadvantage despite their extensive operations in Africa.

As African Challengers won market share for their products and services, MNCs were forced to reevaluate their strategy on the continent. A case in point was the recent change in the strategy of Lafarge-Holcem which is the largest cement manufacturer in the Africa, a position attained by acquisition and merger. The rapid growth of Dangote Cement across the continent has forced Lafarge to consolidate their operations in Africa into one corporate entity headquartered in Nigeria and increase their capital investment in new machinery.

For Africa's manufacturers of pharmaceuticals products, production of generic drugs under license was a means of gaining market share. AFF like South Africa's Aspen and Kenya's Cosmos and Dala became leading producers of cheap alternatives drugs for a variety of ailments including HIV antiretroviral drugs in some of the most modern factories in the world.

7.5.1 Local Manufacture

African Challengers ventured into local manufacturing when they acquired factories from retreating MNCs. There was also a plethora of factories, ware houses and depots to purchase from privatized SOEs. Starting with smaller production units and scaling up as demand increased Africans Challengers started to venture into local processing and manufacture of imported products by the mid to the late 1990s.

African Challengers focused on the manufacturing of consumer goods like food and beverage, building materials for their domestic market, while manufacture of textiles and apparels was mainly for the export market. Encouraged by government policies and high returns on investment, African Challengers like Bidco Africa, MeTL, Samaar Group and Mansour Group ventured into manufacturing of products that they had earlier imported.

Now a market leader in Kenya, Bidco Africa first acquired the assets of Unilever vegetable oil factory before establishing more factories across the East Africa region. Another Kenya firm, Samaar ventured into manufacturing of tires when it acquired the assets of the retreating Firestone Tyres. In Egypt, Mansour Group leveraged on its position as the largest dealer of General Motor products in the world to establish a vehicle assembly plant in partnership with GM.

In Nigeria, Dangote Industries ventured into manufacturing after a long period of importing and distribution of sugar, salt and flour and rice within the country. Starting with the establishment of a sugar refinery in the Lagos port, the company expanded into flour milling, salt processing and eventually cement manufacturing. After also importing cement for a short period of time, Dangote Industries ventured into cement manufacturing first through the acquisition a privatized cement plant, Benue Cement (Forbes 2015).

Eventually, AFFs enhanced the availability of their products by establishing more factories and plants, a network of depots, warehouse across their domestic market. By leveraging on their strength in distribution and deep knowledge of the African business environment, these companies were able to penetrate their domestic markets with their products and improve their market position with an expanded market share.

African Challengers were fired up by their successes in the market and developed a “can do spirit”. Increasingly, local manufacturing in Africa is increasing as AFFs continue to increase their production capacity and expand across the continent (McKinsey Global Institute 2016).

7.5.2 New, Modern, Efficient and Cheaper Machinery

As part of their quest for operational excellence, African Challengers turned to India, China, Brazil and other South East countries to source plants and machinery for their factories. The preference for by African Challengers for machinery from China and India was highlight in the 2017 report on Chinese investment in Africa (Sun et al. 2017). These machinery for the processing of materials like paper converting, cement, vegetable lines, and even water purification plants were acquired at a fraction of the cost of European and American variants. These new equipment offered significant cost savings for African challengers as their production process was more efficient.

This was happening at a time that European MNCs still used old legacy machinery bought in the 60s and 70s that were costly to maintain, thus increasing their operating expense.

Investments in new equipment was an integral part of AFF strategy, a case in point happened after Dangote Cement acquired controlling stake in Sephaku Cement company in South Africa. As the new owners, Dangote Cement invested in an upgrade of the clinker line of Sephaku Cement. This was revealed to be the first investment in new cement making machinery in South Africa since 1934 (Sephaku Cement Website n.d.).

In the same vein, telecommunications firms like MTN, Econet and GlobaCom were among the first companies to acquire equipment from Chinese firm Huawei at a significant cheaper rate than that from European suppliers including Alcatel and Ericson.

7.5.3 Investments in Technology

African Challengers were quick to employ the use of technology and enterprise tools to improve their operations. These enterprise tools improved operations and supply chain management as well as customer satisfaction. They helped in measuring and improving efficiency and performance of a firm's machines and human resource.

Use of technology was particularly profuse in the emerging service sector where AFFs were taking leading roles in the banking and financial services, telecoms and media and entertainment industries.

In banking, newly licensed private banks had to compete with the few remaining multinational banks in their home markets as well as government owned banks with a reputation for inefficiency. With no track record to taunt, private banks invested heavily in ICT for their operations thus positioning themselves as providing speedier service. The banks also introduced ATM machines and invested in costly satellite systems to facilitate online real time banking. This was a priced service as it meant speedier service delivery. This made it possible for bank customers to access their accounts from any location within their domestic markets.

Deployment of modern ICT technology helped banks like Kenya's Equity Bank, Nigeria's GTBank to improve their operations, grow rapidly and gain market share (Amungo 2016).

7.5.4 Investment in Own Infrastructure

Poor electric supply, bad roads and lack of public water supply are part of the challenge's businesses face in most African countries but, African challenger are quick to invest in their own infrastructure to facilitate their operations.

These investments ensure their continuous operations and gurantees the availability of their products and services in the market. They facilitate production, ease the supply of materials to factories and facilitate the distribution of finished goods.

African Challengers are quick to invest in power generating plants, water treatment plants and roads and port handling facilities when needed to improve the efficiency of their operations. This is done in order to achieve continuous operations and limit disruptions (Meacham et al. 2012). In many African countries, African owned telecommunications companies have to build their own fiber optic networks and banks had to invest in telecommunication and ICT infrastructure.

This willingness to invest in own infrastructure is to avoid disruptions to their production thus giving the companies continuous market presence and visibility.

This mindset of providing their own infrastructure has become a stated policy and not a reaction. It is built into their costing models from outset and eventually guarantees availability of products and improved service delivery. In Tanzania, FMCG manufacturer **ChemiCotex**, for example, has its own generators with a total capacity of 1.9 MW to ensure constant electricity supply to run its plant in Dar es Salaam. Sugar milling companies **Ceil** in Mauritius and Madhvani **Group** in

Uganda all produce renewable energy from their operations to run their mills and also sell to the national grid.

7.5.5 Knowledge of the Business Environment

The African Challenger knows the African business terrain and the idiosyncrasies of critical stakeholders. Their knowledge of local business norms and the familiarity with Africa's bureaucracy help them navigate officialdom and forge long lasting relationships with stakeholders including suppliers and government officials. Market knowledge gives African Challenger a competitive advantage and it acts as a huge barrier to competitors.

Critically, knowledge of the local business terrain helps AFFs to be nimble in the strategy and react quickly to emergent risks and opportunities. AFFs are also practical about their limitations and find innovative ways to overcome challenges. Full understanding of Africa's infrastructural challenge also makes African challengers to be quick to invest in own infrastructure when needed.

African Challengers forms networks of relationships that include suppliers and government bureaucrats as they seek the best way to mitigate the risk of opportunism. From the web of relationships, they acquire information about the markets (McCormick and Pedersen 1996). Closeness to markets creates access to information and feedback that helps African Challengers to quickly identify the specific needs of the African consumer. It was through acquisition of such information that dairy products manufacturer **Promasidor** responded to customers' needs for value by selling its **Cowbell brand** of powdered milk in small sachets.

Information on the needs and preferences of customers was strategic for Africa's newly licensed banks. After identifying speedy service delivery as the main desire of their customers, African banking challengers invested heavily in ICT technology to improve service delivery. The banks also invested in building closer relationship with their customers to be able to know them better and identify their best performing customers, in terms of loan repayments against those with poor payment records (Amungo 2016). African firms have been able to build on these knowledges of their local business environment to forge new alliances with MNCs. Global diary MNC Land O'Lake cited Bidco Africa's deep knowledge of the East African market and distribution know how as reasons for entering into a strategic alliance with the Bidco.

7.5.6 Relationships with Stakeholders

African owned companies had the advantage of understanding the culture and business norms of their domestic markets. This knowledge was used in developing relationships with an extensive range of stakeholders including bureaucrats and policy formulators, suppliers, distributors and other channel members, local communities, and ultimately their customers.

Community relations is another forte of African owned companies. While MNCs may surmise that their obligations end with their payment of tax, African Challengers were quick to invest in the communities through corporates social interventions like building or renovating schools, providing water boreholes or building community town halls. Other efforts that have direct impact on communities include backward integration programs that help farming communities improve agricultural yields through extension services. Examples include Kenya's Equity which has a scholarship scheme for students. Shoprite provides extension services to Zambian and Nigerian farmers to produce better vegetables and Bidco entered into agreement with 12,000 farmers to provide it with Soy beans.

African Challengers developed a more relaxed and flexible relationship with its suppliers and distributors. This is due to their deep understanding of the physical challenges of using Africans roads and the hassles and delays that make deadlines and hard to keep. For the African Challenger, a large inventory was a necessary investment due to possible disruptions.

7.5.7 Relationships with Bureaucrats and Political Officials

Bureaucracy and political interference through policies that reduce or increase trade tariff, tax and or access to foreign exchange has meant that Africa's challengers have an interest in having closer relationships with government. These relationships are vital when seeking weavers and incentives for making investments in their domestic markets. These relationships give AFFs better access to foreign exchange, land, tax weavers and government subsidies and they create barriers for competitors within local contexts.

Managing relationships with government officials in Africa is an art form. With corruption prevalent on the continent, African Challengers appreciate the disruptive powers of bureaucrats who can shut down factories, seize goods at the ports and on the roads and jail company officials on the flimsiest excuse, African Challengers find creative ways to do what they can to please them, in so doing, these officials now have an interest in the companies continued existence.

This is even imperative as most MNCs, have retired politicians or government bureaucrats on their boards. These officials have the express role of helping MNCs overcome hostile policies and gain access to bureaucrats and politicians.

Thus, it is not unheard of to find owners of African Challengers being engaged in politics. This they do not only to influence policies for the larger business community, but crucially to protect their businesses from political risk. In trying to affect policy that favors the growth of private enterprise, some founders of African Challengers and lions have won seats into their country's parliament while some have served in government as ministers. Tanzania's Mohammed Dewji South Africa's Cyril Ramaphosa, are prominent founders of AFF who were elected into parliament in their countries.

7.5.8 High Profitability

A direct corollary of the rapid growth of African Challengers is the high rate of return on investment and profitability that they report. The African market place has historically proven to be highly profitable for investors. A study by UNCTAD in 1995 showed that United States affiliates of MNCs between the period from 1980 to 1993, had a rate of return on FDI that was considerably and consistently higher than their investments in other regions (UNCTAD 1995). A 2017 report by MGI also highlighted high profitability in Africa as the primary reason for expanding for Owners of Chinese firms state that high return on investment is one of the reasons for accelerating their investments in Africa (Sun et al. 2017). MGI had found earlier in its 2016 report that African companies in most sectors grew faster than their peers in the rest of the world in local currency terms, and they were more profitable than their global peers in most sectors (McKinsey Global Institute 2010). For African Challengers, high profitability became the plank on which they could make a case for greater funding from investors, banks and the bond market.

7.6 Marketing Strategies of African Challengers

The structure of markets in developing countries helps local companies counter their multinational rivals. Most product markets comprise four distinct tiers: a global customer segment that wants products of global quality and with global features—that is, offerings with the same quality and attributes that goods in developed countries have—and is willing to pay global prices for them; a "glocal" segment that demands products of global quality but with local features (and local soul) at less-than-global prices; a local segment that wants local products with local features at local prices; and a bottom-of-the-pyramid segment, that can afford to buy only the most inexpensive products.

Because of the institutional voids in developing countries, MNCs find it difficult to serve anything but the market's global tier. In product markets, the lack of market research makes it tough for multinational companies to understand customers' tastes, and the paucity of distribution networks makes it impossible for them to deliver products to customers in the hinterland. Additionally, product markets often turn out to be unique because customers' needs and tastes are idiosyncratic. Local companies are the first to realize that and to build businesses around distinctive national characteristics (Khanna and Palepu 2004).

African Challengers have extensive local knowledge of the preferences of the customers as many had a background in distribution of goods to hinterland. African Challengers brought products into the market that were initially unknow and had no brand equity, but these products offered value propositions that made them attractive to the consumers. African Challengers were also innovative with their packaging. They offered packaging options that included small sizes of essentials like sugar, salt and even oil to reflect the purchasing power of the consumers at the bottom of the pyramid.

African Challengers usually competed on price and often produced products that offered the best value in terms of price and size. In Tanzania, Azam, already a well-known brand of ice cream, bread, water, biscuits and energy drinks, was able to quickly win a 30% share of the cola market for Bahkresa Group with its Azam Cola, sold in 500 mL bottles.

For consumer good manufactures, their background in distribution and their extensive distribution infrastructure gave them a comparative advantage. This was particularly useful not only in getting products to the large cities, but also to the vast network of retailers in Africa fragmented informal markets. Several African Challengers developed capabilities of delivering to the last mile. This is important because 90% of retail in Africa is dominated by informal retailers. This included local markets or one-man shops and convenience stores who make the market highly fragmented. Added to this, poor roads and infrastructure pose challenge in getting goods these informal retailers (Africa Report n.d.).

The ability to distribute to the last mile is a very important competitive. Ghanaian dairy products producer, Fan Milk overcame the challenge by distributing through bicycles and push carts. When entering into a joint venture with Egypt's **Juhayna**, the largest dairy product producer in the country, Danish diary producer, Arla, noted that the retail structure in Egypt is characterized by a limited amount of supermarket chains and countless small one-man shops that need goods delivered straight to the door. Yet, Juhayna had developed an extensive distribution network, which covers the entire country with 600 vehicles (Arla Website n.d.).

The challenge of last mile distribution in Africa's highly fragmented market place has provided opportunities for some companies, including Kenya's KasKazi Network, which has a team of over 100 'motorcycle sales representatives', to distribute its products to bars and outlets in densely populated areas like informal settlements, which aren't easily reachable by motor vehicles.

In Tanzania, ChemiCotex Industries Limited (CCIL), an home grown manufacturing conglomerate with interests in fast-moving consumer goods, industrial plastics and metal products sees distribution as a major challenge considering Tanzania's vast size. ChemiCotex handles its own distribution with 13 centers across and owns a fleet of 140 vehicles that deliver goods to semi-wholesalers. The group's products are available in 13 countries in sub-Saharan Africa. In 2011 private equity firm, Catalyst Fund, invested in ChemiCotex.[1]

With poor brand equity, brand development was an imperative for African Challengers who usual have products in the market that products that were challenging the established brands of MNCs. African Challengers have to develop promotional messages that resonated with the consumer. African Challengers used their understanding of the cultural and religious nuances of Africa to their advantage and promoted their brands in local languages using promotions that showed sensitivity to local norms. These actions were often to win the goodwill local communities.

[1] www.howwemadeitinafrica.com/meet-the-boss-l-n-rathi-managing-director-chemicotex-industries/47130/

African Challengers often invested in public relations through their engagements with local communities. This they did by instituting scholarship schemes, building rural roads, health care centers and renovating school blocks. Others tapped into the popularity of African music and sports to promote their products through endorsements by popular sports personalities and artists. African Challengers like GlobaCom were quick to mobilize successful African footballer stars like footballs with Kanu Nwankwo, Didier Drogba, JJ Okocha, Mohammed Salah for adverts and to act as brand ambassadors. African Challengers also sponsor sports clubs. Naspers supports Super Sports United FC through its Super Sports channel on DSTV while Patrice Motsepe, founder of ARM, the South African mining company, supports Mamelodi Sundown.

7.7 Conclusion

The business climate in Africa improved in the decade following the implementation of Structural Adjustment Program as increases in commodities prices led Africa into a decade long period of growth. Governments implemented institutional reforms paid off debt and continued with policies to increase private investment. With MNCs slow to react to efforts to attract FDI, the onus of providing goods and services to consumers on the continent fell on AFFs. AFFs implemented strategies that helped them grow and rapidly attain significant market positions. In the decade leading up to the new millennium their growth, expansion and contributions were being acknowledged in scholarly papers and consultant reports. African Challengers developed strategies for growth in the home market and perfected competitive strategies that helped them gain market share for their products and services. By leveraging on their intimate knowledge of the Africa's business clime, African Challengers implemented cost leadership strategies as they recognized the need for value by the African consumer. Cost leadership was complemented by a get big fast strategy that was mutually reinforcing in helping AFFs achieve scale and scope. The growth of the Africa Challenger also hinged on their network of relationship, marketing strategies and the entrepreneurship of their founders and owners.

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8 International Expansion: The Lions Venture Abroad

8.1 Introduction

The evolution of African Founded Firms from domestic challengers to multinationals enterprises, the so-called African Lions, was as rapid as their growth in their home markets. Buoyed by their improved market position in their home markets, African Lions ventured into new territories to compete with host country incumbents including MNCs and indigenous companies. Their cross-border expansion was first into neighbouring countries, and eventually into other parts of Africa. International expansion gathered pace as changes within the African context created opportunities for an attractive and expanded market place. Governments intensified their drive to attract investment by offering incentives to foreign and domestic investors alike while also ramping up efforts at regional and continent-wide integration.

Africa enjoyed a period of economic boom between 1995 and 2007 as commodity prices rallied, sparking a period of sustained growth. Yet, the competitive landscape did not change much. FDI flows into Africa was still very low, except in the extractive industries (UNCTAD 1999). This lack of interest in investing in Africa by MNCs presented AMNEs with an opportunity to seek markets in countries in dire need of investments. African Lions leveraged on advantages inherent in their home market to boost their push into foreign markets. These advantages included access to capital, technology and a large market. The pursuit of profits determined the location and timing of their cross-border investments, but ultimately African Lions sought markets and access to resources that enhanced their bottom line.

African Lions exhibited the same traits in their host markets as they had done in their home markets. They adopted the same Get Big Fast strategy that had served them well in pursuit of economies of scale and scope. African Lions like most emerging market multinationals did not delay their internationalization until they were large, internationalisation was an integral part of their Get Big Fast strategy. Their investments showed a high-risk appetite. They entered several countries with

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a variety of entry mode strategies but the overwhelming choice was with the full commitment modes through the establishment of greenfield operations or M&A.

Familiarity with the African context is one of the biggest resources of the African Lions. Similarities in the physical and institutional make up of several African countries influenced their investment behaviour. As AMNEs expanded their footprint, they invested in backward and vertical integration to improve their supply chain just as they did in at home, built their own infrastructure to ensure continuity and efficiency in their operations. The high growth rate of some African countries, their large population and expanding middleclass ensured quick market penetration, high revenue and profits for AMNEs. The most favoured destinations of African Lions was dictated by these factors with Nigeria, Egypt, and Tanzania being their main destinations.

Africa, however, remains a fragmented marketplace. There are 16 regional blocks within the continent and though the number is unwieldy, these regionals blocks have contributed significantly to the growth of intra-African trade and cross-border expansion by AMNEs, while governments continue with efforts at integrating the continent into on common economic zone through the Africa Continental Free Trade Area (AfCFTA)). Regional trade agreement like EAC, Ecowas, SADC and MENA facilitated cross-border expansion of African Lions (World Bank 2018).

The regional dimension to expansion led some countries to being the starting points and hubs for regional expansion. In the Southern Africa region, South Africa, with its large capital market and advanced technology is home of almost half of all of Africa's multinationals. The country's history confined its firms only to domestic expansion up until 1990 when restrictions were lifted and South African firms began their outward international expansion. South African Lions first ventured into countries within the SADC region before expanding across Africa and out of the continent (Goldstein et al. 2006). In East Africa, the powerhouse of the regional economy is Kenya and internationals expansion was pursued by Kenyan firms into neighbouring Tanzania, Uganda, and Ethiopia. However, there are large firms from Tanzania and Uganda who also ventured across the border into Kenya and other neighbouring countries including Zambia, Congo and Malawi.

In West African, Nigeria is the largest market and both domestic and foreign firms in the country struggle to serve the demands of consumers. However, some of Africa's largest AMNEs were founded in the country. Nevertheless, firms from Togo, Gambia, Cote d'Ivoire and Senegal have also expanded across the region. Northern Africa's cultural ties to the middle east influenced the internationalisation strategies of firms from Egypt, which was the regional economic powerhouse, but increasingly, their focus is turning towards investing in Africa. Moroccan firms on the other hand have expanded into Africa as Morocco seeks to be the entry port of business coming into the continent. Through deliberate initiatives spearheaded the country's monarch, King Mohammed VI Moroccan firms have pushed investment into Francophone West and Central Africa.

The cross border expansion of African Lions has not been the exclusive preserve of companies from the larger economies alone. Some are headquartered in small countries like Mauritius, Togo and even Gambia. Mauritius is home of a large number of African Lions as the country is a financial centre with a diversified economy

that includes banking, manufacturing and tourism. Togo, one of Africa's smallest countries in population and land mass is home to Ecobank, an African banking lion with the most extensive footprint on the continent. The bank has 36 subsidiaries across Africa. Togo is also the home of Orabank, a private banking group operating in 12 West and Central African countries including Benin, Burkina Faso, Chad, Côte d'Ivoire, Gabon, Guinea, Guinea Bissau, Mali, Mauritania, Niger, Senegal and Togo. Gambia is home of Africell, a telecom company with operations in five countries.

For most countries seeking to diversify their economies, the investments made by African Lions represents critical interventions by the private sector. These investments bring capital, knowhow and employments and help diversify their economies as AMNEs invests mainly in manufacturing and service sectors. African Lions are also not shy about making big ticket capital investments in their host countries despite the perceived risk in the countries.

In 2013 FDI by African Lions made up the largest stock of FDI flows to Africa.

8.2 Factors That Aided Cross-Border Expansion of African Lions

The growth in the number AMNEs has been explained by the contextual changes in Africa and the increased internal capabilities of the firms. At the heart of the contextual changes were reforms by governments to improve business climate and policies to attract FDI. In addition, macroeconomic indices improved due to rise in commodities prices leading to better current account position for most countries. The firms on their own pressed on with strategies that had won them significant positions in their home markets as they enhanced their ability to raise capital, increase their productive capacity, innovate to overcome Africa's challenging business climate. The contextual changes however happened due to concerted efforts at the continental, regional, host and home country level.

8.2.1 Policies at the Continental Level Facilitating Intra-African Trade

The over aching goal of policy makers at the continental level in the past two decades has been enactment of policies that would facilitate intra African trade. The integration of Africa into one political and economic unit has been some objectives of the founding of the Organization of African Unity, which was in 1990 renamed the African Union. Policy formulators at the AU have promoted this agenda with policy instruments like the New Partnership for African Development and the African 2063 policy documents and recently the African Free Trade Area,

AfCFTA. These ambitious policy initiatives seek to promote food security, improve human development measures and facilitate intra-African trade.

NEPAD was enacted in 1994 with an overall mission is to address the critical challenges of poverty, development and Africa's marginalization internationally. Its four primary objectives are to eradicate poverty, promote sustainable growth and

development, foster integration of Africa in the world economy, and accelerate the empowerment of women. NEPAD promoted by leaders of some of Africa's largest economies. The enactment of NEPAD was timely for South African firms as the country was just coming out of a period of crippling sanction and economic isolation following years of apartheid. South Africa boasted the most sophisticated economy in Africa at the time of enactment of NEPAD, with a highly developed mining, manufacturing, and services sector including retail, banking and financial services. South African firms, seeking new markets were quick to take advantage of NEPAD and expand within the SADC region between 1994 and 2004 (Miller 2004).

The Agenda 2063 seek the following goals The AU's Vision 2063 sets out five 'African aspirations', and regional integration is fundamental to them. The aspirations are: (a) a prosperous Africa based on inclusive growth and sustainable development; (b) an integrated continent, politically united, based on the ideals of Pan-Africanism and the vision for Africa's Renaissance; (c) an Africa of good governance, democracy, respect for human rights, justice, and the rule of law; (d) a peaceful and secure Africa; and (e) an Africa with strong cultural identity, common heritage, values, and ethics. It sets out an ambitious target that as a result of greater integration, intra-African trade would grow from less than 12% in 2013 to about 50% by 2045.

The AfCFTA is a bold attempt to create a pan African Economic Zone and free trade area. The goal it to deepen integration as a means of promoting economic diversification, improving the competitiveness of countries, and promoting greater intra-African trade (Africa Union 2019).

8.2.2 At the Regional Level

African governments realized the importance of intra-regional integration and facilitated the formation of 16 regional blocks within the continent. Some of these regional bodies have common customs and monetary unions. And in a bid to promote intra-regional trade, they adopted several regional trade agreements. These agreements eliminate or lower trade and non-trade barriers between regional neighbors (World Bank 2018). There are six official RECs in Sub-Saharan Africa—COMESA, EAC, ECCAS, ECOWAS, IGAD and SADC. However, there are several regional groupings with countries having multiple memberships of these blocs.

A review of the strategic priorities of the six official RECs shows a lot of common ground with due emphasis on moving toward a common market, customs union, monetary union and political federation. In specific terms, they all emphasize improved regional infrastructure, greater regional/subregional trade, agricultural development and industrialization. Some of these strategies also highlight areas such as ensuring regional peace and security, human development and skills transfer, and management of shared resources.

REC were the planks on which several AMNEs expanded cross-border into regional neighbors. Taking advantage of linkages in supply chains, common customs union and traditional trade routes and relationships, AMNEs were able to

establish cross-border operations in neighboring countries without incurring high entry costs.

South African firms first expanded within the SADC region to Zambia, Malawi, Lesotho and Namibia. These countries proved to be profitable markets for Shoprite, Pioneer Foods, Tiger Brand and MTN. The EAC has been the RTA instrument that has facilitated the expansion of Kenyan companies into Uganda, Rwanda and Tanzanian. By 2017 Kenyan firms were responsible for the most amount of FDI in the region. Some countries within these regional grouping, namely, Kenya, Rwanda and Uganda have expanded their cooperation to include a common visa programs as they seek to jointly promote their tourism industry.

The ECOWAS region provided the pathway for Nigerian firms as their initial cross-border subsidiaries were established in countries like Ghana, Sierra Leone, Liberia and Gambia. North African companies have the dual membership of regional bodies in SSA and MENA. Moroccan firms made a big push into Africa and is seeking entry into ECOWAS. The country was recently admitted into AU. Similarly, Egyptian and Algerian AMNEs are also looking increasingly to SSA using the instrument of NEPAD and the AU.

8.2.3 At the Host Country Level

The African governments have definitely taken charge and deeper -level reforms are underway everywhere. Consistent with their political commitments many African governments are undertaking comprehensive macro-economic and structural reforms. They have put in place regulatory frameworks with the view of doing fundamental changes needed to improve the privatization process for the benefit of the whole economy. They decided that the macro-economic reforms that facilitated positive growth for several years must be deepened to reshape the role of the State and enhance its effectiveness. Therefore, they are committed to attaining their objective by creating an attractive business environment in all sectors, including those sectors formerly classified as strategic and state monopoly. African countries liberalized their economies and deregulated several sectors following the adoption of structural adjustments programs (Paulson and Gavin 1999). These programs were in response to the failure of state led economic policies that plunged several African countries into debt. In a bid to increase private participation in their economies, African states privatized several state-owned enterprises, and enacted policies to promote foreign direct and domestic investment. Efforts at diversifying their economies led African governments to enact policies to attract investors and greater private sector participation (Maré 2011).

Deregulation of sectors that had otherwise been the exclusive domain of state monopolies did a lot in attracting FDI into several countries. Banking, financial services, telecommunications and other infrastructural sectors like power, rail and ports were opened up to the private sector in several countries. These created opportunities for entrepreneurs to establish new firms that moved to take advantage of the emerging

opportunities in several countries. Banking AMNEs like Standard Bank, Equity Bank, UBA and Attijariwafa found space for domestic growth and international expansion while new companies were formed to take advantage of opportunities in the telecommunication sector at a time several MNCs were unwilling to invest in Africa.

Econet, MTN and Orascom were first movers in these deregulated sectors.

8.2.4 At the Home Country Level

The role of home country conditions in pushing firms to establish cross border operations is well noted. The starting part is usually the regulatory and institutional approval that permits firms to invest abroad. These approvals are easier when the economy is liberalized and deregulated. A case in point is South Africa, the trends in South African data reflect the decision of many of the country's traditional industrial groups and mining houses to transfer their primary listing from Johannesburg to London, (Aykut and Goldstein 2007). To strengthen South African investment abroad, the government adopted policies to encourage its MNCs to expand into other African countries after apartheid, and in 2004, foreign exchange restrictions were eased on South African companies' outward FDI. Banks particularly must seek approval of home country regulators before expanding abroad. Most African countries liberalized their economies and made it easier for firms to invest at home an abroad.

High tax rates prompt firms to seek enclaves with lower tax rates. High contestability and competitiveness or market saturation also prompt international expansion, while firms from countries with small markets may expand abroad to seek new markets. Expansion may also be to avoid political and macroeconomic risk in the home market.

High contestability in the home country prompted South African retailers to seek new markets. With the most mature formal retail market in Africa, South Africa has the largest number of retailers with subsidiaries on the continent including Game, Woolswort, Truthwort and PEP, SPAR.

The small size of the domestic market in Mauritius may be the driving force for Mauritian firms to seek markets in the COMESA region, while for Nigerian AMNEs the volatility of the Nigerian economy due to fluctuation in the prize of oil may have prompted foreign market entry in order to diversify their risk.

8.2.5 At the Firm Level

Having developed capabilities that helped them attain dominant market positions in their home countries, AMNEs may have sought to exploit these capabilities in other markets by extending their operations abroad. AMNEs have a deep understanding of the business environment in Africa and this knowledge enhanced their competitive position in several markets. The resources that AMNEs have include their ability to raise capital and build relationships with suppliers and dealing with government

red tape and corruption. Their high profitability enhanced the capability of AMNEs to raise capital and fund international expansion.

Only a few years after founding in Nigeria, Jumia expanded rapidly into 21 countries to take advantage of its knowledge of the African terrain.

The tacit knowledge includes networks and relationship management knowhow with suppliers in an environment with limited protection of property rights. These capabilities enabled AMNEs to build lasting relations with suppliers, communities and other stakeholders that are important to their value creation process. AMNEs also fostered foreign alliances to upgrade access to finance and technology and adopted network and cluster-based strategies to overcome the constraints of institutional voids (Tvedten et al. 2014).

8.3 Determinants of International Expansion by AMNES

Firms expand internationally for a variety of reasons including seeking bigger or more profitable markets, seeking efficiency in their production through proximity to markets that would give them better access to factor inputs like labour, raw materials or capital. MNCs also have a number of strategic reasons for foreign market entry including risk diversification, asset acquisition, and managerial intentionality.

For African Lions, establishment of cross border operations was mainly to seek new markets. Leveraging on their access to capital, familiarity of the African business environment and proven strategies of cost leadership and growing big fast, AMNEs entered several host countries to push their products and services. These firms adopted the strategies that served them well in their home markets by seeking demographic and geographic sections of the market that are underserved.

8.3.1 Expansion to Seek New Markets

International expansion to seek new markets seems to be the predominant motivation of several African Lions to engage in cross border operations. Africa's heavily populated countries were the first destinations of market seeking AMNEs. Nigeria's huge market offered an attractive proposition for several South African firms despite the high political and macroeconomic risk inherent in the country (Sakr and Jordaan 2016).

Kenyan firms find Tanzania's large market and population in the East African region very attractive, just as Moroccan firms find Côte d'Ivoire, francophone West Africa's largest market, attractive. But there are opportunities to be found when markets are segmented demographically and geographically.

In Africa's highly fragmented and informal retail sector, South African firms usually sought the top of the pyramid of middleclass, a class that has expanded in size in the past two decades. This segment of the market was the target of media

giant Naspers with their Multichoice Pay TV offering until the company was forced to set up GoTV to take care of the bottom of the pyramid consumer following the entry of Chinese firm StarTimes. Fast moving consumer goods manufacturers in East Africa like Kenya's Bidco Africa and Tanzania's Bahkresa catered for the bottom of the pyramid segment of the market with their products when entering foreign markets. These strategies helped AMNEs expand rapidly in foreign markets.

Nigerian banks sought new markets in foreign countries by expanding into underserved geographic locations. This is the strategy adopted by GTbank, UBA and Access in several West and East African countries (Amungo 2016). The quest for new markets has also been the main motive for expansion of some state-owned enterprises like OCP of Morocco and Sonatrach of Algeria and Sonangol in their expansion within and outside Africa.

For firms from countries like Botswana, Zambia and Mauritius with small population, it is imperative to expand abroad to seek new markets. This motivation is behind the expansion of Botswana retailer Choppies and Zambian food producer, Zambeef.

8.3.2 Expansion to Exploit Assets and Capabilities

Some African Lions entered foreign markets to exploit their assets, resources and knowhow. Sasol, the chemical and fertilizer producer and SAPPI, the paper manufacturer are two South African firms that developed propriety technology that they sought to exploit in foreign markets. The companies expanded into several countries across Africa, Europe and the Middle East to exploit this knowhow. Retail giant, Shoprite has developed a knowhow in developing supply chains across Africa's challenging business terrain and has leveraged on that knowhow to expand into 21 countries across Africa (Verhoef 2011).

Dangote Cement has relied on its ability to raise capital from multiple sources, including development finance institutions, the Nigerian Stock Exchange banks and private and institutional financiers to establish subsidiaries in 10 African states. This unique capability, added to the company's operational knowhow and vast distribution infrastructure has helped Dangote Cement enter foreign markets and quickly achieve a strong market position within a short period.

Moroccan phosphate miner, OCP relies on access to Morocco's extensive phosphate reserves to enter foreign markets to build phosphate fertiliser plants.

8.3.3 Expansion to Seek Resources

Firms seek resources to improve the efficiency of their operations. These resources include raw material, capital and labour. These resources act to pull companies to host countries that possess them. South African mining Lions, Anglo-American and DeBeers, expanded within and outside Africa to countries where they could find minerals to exploit including gold, diamonds and platinum. For African banks,

access to capital and superior governance are resources they seek when establishing subsidiaries in financial centres like London and New York. Several African banks including Access Bank, UBA, Ecobank, Standard Bank all have subsidiaries in the British capital. Access to capital might have informed the decision of some South African firms like Steinhoff, SABMiller, Anglo-American to move their headquarters to London where they listed their shares on the London Stock Exchange (Gelb 2005).

For cement producer Dangote Cement, the resource it seeks before entering a foreign country is abundant limestone reserves. As South Africa's demand for power increased, state owned power utility has sought power investments in Congo D.R., Mozambique and Lesotho. Cheaper labour cost was behind the expansion of Mauritian textile and apparel firms into Mozambique and other COMESA and SADC countries (Traub-Merz and Jauch 2006).

8.3.4 Expansion for Strategic Reasons

African Lions have been motivated to enter foreign markets due to a variety of strategic reasons. The most common of these is the follow-the-client motive for expansion. Follow-the-client motive states that suppliers follow their major clients that have expanded into foreign markets. This determinant of expansion is common with South African firms. South African banks like Standard Bank and First Rand usually follow firms like MTN, Shoprite and MultiChoice to new markets across Africa (Games 2004). Zambeef, in keeping with agreement with Shoprite, manages the retailer's meat section in all its subsidiary across the continent.

Nigerian banks like Access Bank and GTBank also follow Dangote Cement in entering new markets like Zambia, Tanzania and Ghana.

For several AMNEs, risk diversification is another strategic motive for expansion. The fluid macroeconomic conditions that is a consequence of fluctuations in commodity prices make firms to hedge against currency movements by expanding abroad. With increasing calls for nationalisation of private assets in South Africa, risk diversification may be a driving motive for rapid international expansion of South African firms. South African Lions like SABMiller, Anglo-American and Standard Bank expanded out of Africa to Europe and the Asia following the repeal of Apartheid laws in 1990. For Moroccan firms, international expansion is part of a deliberate policy by King Mohammed to project influence using the ONA/SNL conglomerate. The king has used these investments as a basis to request membership of Ecowas and readmission into AU (Saadi 2016).

For Mauritian textile firms, expansion abroad was necessary to put down the investments needed to meet the requirements of APC and AGOA agreements for backward integration in their textile and apparels manufacturing sector. Following the removal of the multi fibre agreement and its quotas in 2005 competition from Chinese and Indian manufacturers increased, Mauritian textile and apparels manufacturers had to seek cheap labour in Madagascar in order to remain competitive (Staritz et al. 2017).

For several AMNEs that expanded out of Africa like Sonangol, Sonatrach and SABMiller, their strategic intent was mainly to acquire assets that would enhance their operations.

The intention of managers to have a greater visibility for their brand may be a motive driving international expansion. Managerial intentionality was found to be a strong driving motive for the international expansion of Nigerian banks (Amungo 2016).

8.4 Entry Mode Strategies of AMNEs

AMNEs have to be strategic in choosing their mode of entry into a foreign country as host country regulations and level of institutional development would have to be taken into consideration. The mode by which a firm enters a foreign market is critical to its ability to compete and find success in that market. With the "liability of foreignness" a noted factor in impeding the competitiveness of foreign firms, entry strategy is thus critical in helping firms maximise their potentials in host markets. As is common with international business, entry strategy is moderated by host and home country conditions and the internal capabilities of the firm. The three critical considerations when entering a foreign market are the risk a company is willing to bear, the resource it is willing to commit and the control it wishes to exert in its foreign operations.

These considerations then divide entry strategies into three. First is the low risk, low commitment, low control, with examples being management contract and franchising. The second entry option is a medium risk and medium level resource commitment like joint ventures, strategic alliance and acquisition of minority equity position in a host country company. The third option is high resource commitment and high risk foreign direct investment in the form of establishment of a wholly-owned subsidiary or merger and acquisition of a host country business entity.

For most African firms, the physical and institutional similarities between the home and host countries encourage them to see other African countries as their domestic markets. For that reason, several AMNEs expand abroad using the strategies that served them well in their domestic markets (Peng 2003). The relatively poor institutional development in several African countries as regards property and legal rights has meant several African AMNEs prefer having full control of the operations and management of their cross-border subsidiaries. This is to limit the risk of opportunism from employees and suppliers which leads to increased risk of litigation and ultimately increases transaction and entry costs. For this reason, the preferred entry mode for AMNEs is usually wholly owned or majority equity subsidiaries acquired through mergers and acquisition or the establishment of green field operations (Sakr and Jordaan 2016). This is the most common mode of entry for AMNEs in manufacturing and services like banking, telecommunication and media and entertainment. This entry strategy requires high resource commitment and it is the reason African Lions are now one of the largest sources of FDI for African countries.

Investments made by MNCs reflect their aversion to risk when entering markets in Africa. Most times MNCs prefer joint ventures with local partners or entry through management and technical contracts or franchising. These are usually low or medium commitment entry modes. AMNEs also limit their risk in host countries by entering through franchising and management contracts.

8.4.1 Foreign Direct Investment

The preferred mode of entry for most of African Lions in their cross-border operations is by establishing wholly owned subsidiaries or acquisition of majority equity in host country firms. This is the preferred mode of entry of almost all the banks, telecom operators, and even manufacturers. The reason for this is not hard to fathom. Several African countries rank poorly on the ease of doing business index and indexes that measure the rule of law and protection of property rights within countries. This means ligation emanating from breach of contracts may drag on for long periods of time and judicial rulings and outcomes may be affected by corruption. For this reason, several AMNEs prefer to have full control of their operations. High commitment modes of entry also guaranty full control of management of the subsidiary. Crucially though, subsidiaries also ringfence the parent firm from the uncertainties and risk in the host country including macroeconomic and political risk. This is because the subsidiary is subject to the host country regulations regardless of the industry or sector it is in.

Thus, the institutional make up of Africa has forced several African Lions to internalise their operations in order to reduce transaction costs. As suppliers are usually not as reliable as AMNEs require, several have had to engage in backward and vertical integration to enhance their operational efficiency. Nigeria's Dangote Cement entered almost all of the countries where it has a subsidiary in SSA, by establishing greenfield cement plants, except in South Africa where the company acquired a majority stake in Sephaku Cement. Tiger Brand expanded rapidly across Southern Africa by acquisition of state-owned and private assets in Botswana, Zambia, Namibia, Kenya and Nigeria. The Moroccan banks, including Attijariwafa and BMC banks expanded rapidly across some French speaking West African states by the acquiring banks in Côte d'Ivoire, Senegal, and Mali. Africa's largest retailer, Shoprite expanded in its domestic market through mergers and acquisition but its preferred entry mode into 21 African countries was by establishing wholly owned subsidiaries, save for India where regulatory restrictions forced the company to enter into a joint venture.

8.4.2 Strategic Alliance and Joint Ventures

There are some industries where entry has been mainly by strategic alliance and joint ventures. Joint ventures are common in the mineral extraction industry between state owned enterprises like Sonangol and private prospectors or developers.

Joint venture is also a method by which construction companies like Orascom construction enter markets in America, Middle East and Asia where the company has jointly developed bridges, powerplant and dams with other partners.

Joint venture partnership is also the preferred form of entry for private equity finance. Notable among them is infrastructure finance where private equity financiers like Helios, Padmozi and usually form joint ventures to finance infrastructure projects.

Moroccan phosphate miner OCP has signed strategic and joint venture agreements with several African governments as it expands across sub-Saharan Africa.

8.4.3 Franchising and Management Contract

This entry mode common in retail and hotels, and entertainment sectors. Protea Hotel, a South African hotel chain now acquired by Marriot, expanded across Africa through and combination of establishing own hotels, joint ventures and management contracts. South African retail chain Truthworth entered Kenya and other East African countries through franchising and joint ventures.

Management contracts has also been the mode by which Telcom South Africa, the public telecoms provider has entered 38 countries in Africa.

8.5 Expansion Outside Africa: The African Global Lion

Most of the international market entry by AMNEs had been done within Africa, but there is an increasing number of African Lions that are venturing out of the continent. The move outside Africa is more common with South and North African firms. Changes in the laws allowing dual listing of shares on Stock Exchanges allowed South African to list on both the Johannesburg Stock Exchange and the London Stock Exchange. This allowed firms to expand abroad mainly to seek capital and new markets. South African MNEs like Anglo-American, SASOL and SABMiller were among the first to venture out of the continent to list on the London Stock Exchange.

As a leading mining company in the world, Anglo-American has been a prolific investor outside Africa since it moved its head office to London in 1994. Anglo-American has made mining investments in South America, America, Canada and Australia. Leveraging on propriety technology, Sasol and Sappi also ventured out of the continent. Until it was acquired in 2016 by Anheuser-Busch InBev, South African founded SABMiller was the world's second-largest brewer in the world. With exports to 150 countries and subsidiaries in Europe, Asia and Africa, generic drugs manufacturer, Aspen Pharmacare has one of the largest international footprints of any African founded firms. The company manufacturer from 17 factories spread across several countries. But by far the largest of Africa's Lions is the media giant Naspers. Naspers started out as a traditional media company but has

metamorphosised into an investment company with holdings in several internet start-ups. The company's services are used in 140 countries and as it has grown significantly, has set up a new company to trade on the Euronext in Amsterdam.

Two of Africa's largest oil and gas companies, Algeria's Sonatrach and Angola's Sonangol, have been acquiring significant assets in Europe in moves seen as a push for more markets and strategic assets (Ibeh 2018). African manufacturers are also establishing subsidiaries outside the region. Firms from North African countries view the MENA region as their primary catchment area and tend to establish subsidiaries in Middle Eastern and European countries sometime before expanding into sub-Saharan Africa. Egyptian firm Orascom Construction was among the first AMNEs to establish international subsidiaries as its built cement plants in several Middle Eastern and Asian countries. The company has been split into two Orascom Construction and Orascom Construction Investment, OCI is one of the world's largest nitrogen fertilizer producers, with plants in Texas and Iowa; it trades on the Euronext Amsterdam exchange. Elsewedy Cables, another Egyptian firm engaged in manufacturing of electrical products including cables and transformers has operations in several Middle East and Asia. Algerian firm, Cevital has also acquired a number of companies in Europe. Cevital owns French home appliances maker Groupe Brandt, an Italian steel mill and a German water purification company. Kenya's Comcraft is another Africa's Global Lions with footprint in more than 40 countries.

African AMNEs in the services sector have also expanded out of the continent with the most expansion done by those in the financial services sector, including banks, insurance and fintech.

Several African banks have established subsidiaries, branches or representative offices in financial centres like London, New York, Dubai and Beijing, as trade grew between Africa and the other continents. Beside trade finance, banks sought to improve their access to capital and prudential rules and governance procedure when establishing these overseas subsidiaries. South Africa's Standard Bank was the most prolific in establishing subsidiaries outside Africa when in the 1990s the bank entered a number of South American countries. Standard Bank has operations in nearly 70 countries worldwide. The bank established presence in Eastern and Central European countries as well of Russia, but in 2008, following the global financial crisis, the bank made Africa the centre piece of its expansion strategy. Other African banks including Nigeria's UBA, Access Bank, GTBank, Zenith Bank and First Bank have subsidiaries in Europe just as Moroccan banks, Attijariwafa and BMC. Financial services companies with extensive global presence include insurers Sanlam, Old Mutual, and Hollard Insurance. Hollard's their entry into China, India and Pakistan, however, seems to be to seek new markets.

African telecom providers have also sought markets outside the continent. Econet Wireless is the only African-based company with a telecom license in the UK (Econet Satellite Services). It has won a 3G license in New Zealand. The company also operates telephone network in Bolivia. MTN is in some of the largest markets in the middle east including Iran and Iraq. Before being acquired by Vimple Telecom in 2010, Naguib Sawiris owed Orascom Telecom was not only the largest

telecoms operator in the North Africa, it had a subsidiary Wind Telecoms which was the third largest operator in Italy. For those that operate submarine cables, the starting point of the lines are usually in Europe, Globacoms, Glo 1 line connects several West African countries to Europe via Portugal, Spain and UK, while SEACOM's reach extends into Europe and the Asia-Pacific and includes Netherlands, Germany, United Kingdom, France, Sweden. ESSY is another African funded cable that service eastern and southern African countries.

IHS Towers is another African Lion that that now has global presence. Founded by Sam Darwish in Lagos, Nigeria, in 2001, IHS is a company specializing in building towers and managing sites for mobile network operators (MNOs). It is one of the world's fastest growing tower operators and maintains operations in Nigeria, Cameroon, Ivory Coast, Zambia and Rwanda. Following the recent acquisitions of the tower portfolios of MTN and Etisalat in Nigeria, IHS owns and manages over 23,000 towers in Africa.

Some of the largest commodities trading companies in the world include Nigerian founded Olam and which though is now headquartered in Singapore, operates in over 70 countries in the world. The same is true for Stallion Group, the Nigerian founded conglomerate which is now headquartered in Dubai and operates in 40 countries worldwide. The company has extensive agribusiness and commodities trading businesses outside of Africa.

Retailers such as furniture manufacturer Steinhoff International sells furniture in Europe, the Pacific Rim and southern Africa and employs 55,000 people. Other retailers like The Foschini Group, Shoprite Holdings, Truworths International and The SPAR Group are targeting expansion beyond South Africa, looking as far as Europe and Asia Pacific. They seek to expand into areas or countries that are showing recovery and provide access to an established consumer base. Media and entertainment have also seen some expansion out of Africa as South Africa Cinema chain Ster-Kinekor expanded aggressively into Europe, while Naspers has several subsidiaries in many countries as its operations span Pay Tv, ecommerce. Several of Africa's airlines have operations outside the continent with the largest Ethiopian Airlines having the most destinations. Ethiopian Airlines has a network that spans 120 destinations. Other airlines line South African, Egypt Air and Royal Air Maroc also have extensive networks outside of Africa.

8.6 Conclusion

African Challengers have grown to be significant foreign investors in Africa as they expand to seek new markets and sources of efficiency. In 2013, AMNEs were the second largest source of FDI in Africa. By 2006 the contributions of African Lions to FDI had caught the attention of UNCTAD prompting several reports by consultancies like BCG, McKinsey and Co., Bains and Company, and PWC as well as policy makers like UNCTAD. African Lions were not only expanding into new territories on the continent, some ventured out of Africa. There are myriad of reasons why AMNEs started to expand their operations abroad, including to find new

markets, hedge against macroeconomic and political shocks in their home markets, follow their clients, follow their competitors who have entered new markets, expand to seek efficiency in their operations and for African Lions that have expanded out of Africa, seek strategic assets.

African Lions would not have embarked on their foreign market entry without the certainty of being able to compete in host markets. That confidence in their ability compete may be due to numerous factors which helped them grow in their home markets among which deep knowledge of the African context is most critical. African Lions are also readily willing to make the necessary investments and sacrifices that would help them overcome operational and infrastructural challenges in their host country and quickly build relationships with host country suppliers because of their understanding of the behaviour and norms of the Africa's entrepreneurs, suppliers and bureaucrats. These are the capabilities that embolden them to seek new markets across Africa where they eventually encounter incumbents that include MNCs and thriving indigenous companies.

African Lions have also started expanding out of the continent as they seek new markets, access to resources and new strategic assets.

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9 Sectors and Their Champions

9.1 Introduction

The three-sector model divides economies into three sectors of activity: extraction of raw materials (primary), manufacturing (secondary), and services (tertiary). The primary sector, minerals and agricultural sector, made up of resource extraction of minerals including mining and oil and gas exploration, the secondary sector is the manufacturing, where value is added to primary products and the tertiary sectors are services. A fourth sector has been added to the model. The quaternary sector comprises mainly intellectual and knowledge-based activities aimed at future growth and development. Activities include scientific research, education, consulting, information management and financial planning.

Africa has long been a source of valuable minerals and its geopolitical and socio-economic makeup owe a lot to minerals like gold, bauxite, iron ore, diamond, cobalt, copper and coal that are found in abundance on the continent. The continent possesses 12% of the world's oil reserves, 40% of its gold and between 80 and 90% of its chromium and platinum (UNCTAD 2014). Additionally, some countries are endowed with oil and gas. African countries, but prospecting for and extraction of mineral has always been capital intensive and have done by multinationals who through different concessionary models extract these minerals on behalf of African governments to whom they pay tax and royalty.

Resources and agriculture still account for a large proportion of government revenue in many countries. They also make up a major share of goods exported—98% in Angola, 92% in Nigeria, 80% in Zambia, and 45% in South Africa, for example—heightening many economies' vulnerability to commodity price volatility (MGI 2016).

Some AMNEs were borne out of the resource endowments of their home countries. African Lions like Sonatrach, Sonangol and Oando are big players in the oil and gas sector because of oil and gas endowments of Angola, Angola and Nigeria. In the same vein, extensive mining activities in South Africa that catalysed the growth of

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Anglo-America, De Beer and ARM is due to the cornucopia of valuable minerals found in South Africa. Morocco's OCP has leveraged on the countries extensive phosphate reserves to gain the knowhow to mine and produce fertilizer abroad.

Africa has a less diversified economic base than other developing regions, yet there have been relative successes in pushing economies away from dependency on just minerals resources and agriculture. This concerted push for diversification is given impetus through policy, with the African Union's Agenda 2063 seating in the heart of this aspiration. But policy initiatives of individual African states have in the past two decades acted as the catalyst that has fuelled private sector investment in manufacturing and services (Diarra et al. 2011).

Private capital is today driving the development of the secondary, tertiary and quaternary sectors after the failed attempts of state led economic development through the import substitution strategies.

Policy and strategic realignment by MNCs created opportunities for indigenous companies to enter the extractive industry in Nigeria, Congo, Egypt, Tanzania and South Africa. Nigerian oil and gas companies are now involved in the upstream, midstream and downstream sectors of the industry within the West African region.

The contributions of manufacturing and service to GDP has grown significantly on the continent after a decade of contraction. The combined share of services and manufacturing grew from 65% of GDP in 1999 to 68% in 2014 (UNCTAD 2014).

A large part of this private sector investment in manufacturing and services can be attributed to the success of policy initiatives to attract foreign direct investment. Indeed, the evidence shows that capital flows into Africa increased between 1990 and 2015.

While a good part of this investment was by American, European, Chinese and Indian firms, the role of African Lions in FDI in Africa has become significant (AfDB, OECD, UNDP 2015).

The involvement of African Lions in manufacturing is leading to a new phase of industrialisation on the continent. African Lions are taking the lead in providing consumer, commercial and industrial products. Their favoured segments are the food and beverage, textile and apparel, personal healthcare, pharmaceuticals and construction materials. These are segments that have some of the world's leading MNCs including Nestle, Unilever, Roche as incumbents in several countries.

There is a growing involvement of African Lions in sectors requiring high capital investment and technology like petroleum refining, cement and fertiliser manufacturing. Some are manufacturing automobiles through joint ventures.

The investments made by AMNEs the driving force behind the growth of the services sector as governments liberalised their economies and deregulated sectors that had been the exclusive preserve of state monopolies.

Space was opened up for private sector involvement in banking and financial services, commodities marketing, broadcasting, media and entertainment, and petroleum products retailing as well as the provision of infrastructure like telecommunication services, power, water and sanitation, roads, airports and ports among others. The services sector today contributes 62% of Africa's GDP (UNCTAD 2015).

Today, Africa's Lions now have better market positions in the manufacturing of food and beverages, healthcare and pharmaceuticals products and in services like banking and financial services, telecommunications, media and entertainment, and formalised retail sectors. Their growth has been in part due to policies of governments, improvements in business environment and innovation on the part of AMNEs to overcome physical, infrastructural and operational challenges in Africa.

9.2 The Primary Sector of the Economy

9.2.1 Lions in Mining

Africa is richly endowed with mineral reserves and ranks first or second in quantity of world reserves of bauxite, cobalt, industrial diamond, phosphate rock, platinum-group metals (PGM), vermiculite, and zirconium. The mineral industry is an important source of export earnings for many African nations, with some of the most endowed countries being South Africa, Congo Democratic Republic, Zambia and Botswana.

Africa is where some of the largest mining firms in the world were founded. At some point, De Beers and Anglo-America were responsible for 75% of the world's output of gold, diamond and platinum. But years of isolation due to apartheid policy limited the growth and expansion of these companies outside South Africa. Even though these firms were founded in Africa, they had a distinctively British feel in their ownership. In 1990 **Anglo-American** moved its headquarters and primary listing to London Stock Exchange. In 2008, the company had 105,000 permanent employees and 39,000 contract employees in its managed operations located in 45 countries. Anglo-America first expanded outside of Southern Africa in 1969 when it became a major investor in the Hudson Bay Mining and Smelting Company in Canada (Verhoef 2011).

The involvement of indigenous Africans in the primary sector has increased as AFFs like African Rainbow Mining are now playing a greater role in mining gold and other minerals. ARM was founded by Patrice Motsepe who purchased marginal gold mines from AngloGold under favourable finance terms in 1997.

Meanwhile, the newly elected ANC government in South Africa begun the process of promoting black empowerment and entrepreneurship. The government introduced Black Economic Empowerment (BEE) laws which have been instrumental in cementing Motsepe's position in the mining industry in South Africa.

This was repeated in a string of deals and Motsepe set up a firm to begin buying the operating mines that would become the source of his wealth. In 1999 he teamed up with two of his associates to form Greene and Partners Investments. ARM has gone on to expand into Zambia, Zimbabwe and Papua New Guinea.

In Congo, the minerals mining industry is fragmented and dominated by artisanal miners. In a bid to garner greater control of the industry, the government of Congo entrust the exploitations of mineral resources to several concessionaires working with Gécamines, which was formerly public owned Congolese Commodity

Table 9.1 Some African mining multinationals

Company	Home country	Founded	Product and service	Countries present in
Anglo-American	South African	1917	Mining	Canada, South Africa, Australia
Gold Fields Limited	South Africa	1998	Gold mining	South Africa, Ghana, Australia and Peru
Sibanye-Stillwater	South Africa	2012	Mining of Gold, Platinum, Palladium, Uranium and Copper	South Africa, Zimbabwe, US, Argentina
Debeers	South Africa	1888	Mining of gold	Namibia, Botswana, Canada, south Africa
Harmony gold	South Africa	1950	Mining of gold	South Africa and Papua New Guinea
ARM	South Africa	1997	Mining	South Africa, Zimbabwe, Zambia, Papua New Guinea
Acacia Mining	Tanzania	2001	Gold mining	Tanzania, Kenya, Burkina Faso, Mali

Compiled by author

Trading and Mining Company headquartered in Lubumbashi, in the Katanga region. Gécamines sits on the world's greatest deposit of cobalt and has some of the world's largest deposits of copper. Copper mines in which Gécamines has a major interest include, but are not limited to, Kambove, Kipushi, Kamfundwa and Kolwezi. Most of the concessionaires are Canadian, American and Chinese companies. But there is a growing number of African founded companies in mining activities in the country. The most notable was Mwana Africa, a private South African company, which was established in 2003 by Kalaa Mpinga (born and raised in the DRC). The company completed three major mining acquisitions, including the Bindura nickel mine in 2003, the Anmercosa base metal and gold prospects in the Katanga copper belt in 2004, and the Freda Rebecca gold mine in 2005.

Mwana Africa PLC was formed through a reverse takeover of African Gold plc, the AIM-listed African gold explorer and miner, by Mwana Africa Holdings (Proprietary) Ltd. in 2005. The company was later acquired by Asa Resources Group, a mining company based in Johannesburg and London (Table 9.1).

9.2.2 Oil and Gas

The largest of Africa's AMNEs are state owned enterprises set up with the mandate of managing the process of award of contracts for the development of oil and gas fields by oil producing companies. They did this by entering into joint venture contracts with American and European oil companies oil prospecting and producing companies, including ExxonMobil, Chevron, Total, Eni, and Shell and ConocoPhillips.

Companies like Nigeria's NNPC, Algeria's **Sonatrach**, and Angola's **Sonangol** manage this process for their respective governments by collecting revenue from taxes and royalties to the government coffers and making investments on behalf of their governments.

But in a bid to increase the involvement of indigenous entrepreneurs in the upstream sector of the oil and gas industries some African governments enacted local content laws. In Nigeria, the government awarded licenses to entrepreneurs to develop marginal fields that had been owned by oil majors.

Opportunities were also created for indigenous companies in the downstream sector, where thin margins and the government's reluctance to increase fuel prices forced MNCs like BP, Agip and Total to divest from some countries. Nigeria's Oando and Conoil became the largest retailers of petroleum products within the West African region. While in East Africa, Kenya's KenolKobil benefited from the divestment by some MNCs. The boldest investment in the downstream sector of the oil and gas sector has been made by Dangote Industries which is building a green-field oil refinery in Nigeria. With a production capacity of 650,000 barrels capacity of refined petroleum products per day, the refinery will be the largest in Africa and one of the largest single train refineries in the world.

9.2.3 Some AMNEs in the Oil and Gas Sector

Sonatrach is the state owned is the Algerian government-owned company formed in 1963 to explore the hydrocarbon resources of the country. The company manages oil contract joint ventures with international oil majors on behalf to the Algerian government. The company operates in the following business segments: E&P, Gas Transmission & Distribution, Oil Refining & Marketing. Today, Sonatrach is one of the largest companies in Africa as well as being one of the largest oil consortiums in the world. Its gross sales (as of 2002) for a net income of 175 billion. The company, which employs approximately 120,000 workers, Sonatrach is the largest African oil company and the 11th largest oil consortium in the world. The company's turnover from oil and gas in 2017 was USD33.2 billion, roughly a third of Algeria's GDP. The firm also invested USD8.1 billion in 2017. Sonatrach was originally created to build and operate an oil pipeline, but the company has since become a major crude oil producer and exporter, a refiner and marketer of petroleum products, and a supplier of services to the petroleum industry. Sonatrach operates oil and gas field, and produces 1.3 million barrels of oil a day. Sonatrach has an extensive crude oil pipeline network in Algeria estimated to be 3900 km long.

Sonatrach owns more than 75% of total hydrocarbon production in Algeria. Sonatrach's substantial assets in Algeria make it the largest oil and natural gas company, not only in the country, but also in Africa. The company operates in several parts of the world, including Africa (Mali, Niger, Libya, and Egypt), Europe (Spain, Italy, Portugal, and the United Kingdom), Latin America (Peru), and the United States. Sonatrach is now a diversified company whose activities cover all aspects of production: exploration, extraction, transport, and refining. The company also

operates liquified petroleum plants and liquified gas plants. Sonatrach has 32 domestic and 29 international subsidiaries. It has some concessions in Libya, Mauritania, Peru, Yemen and Venezuela. Sonatrach has 37 pipelines systems 81 pumping and compression stations 6 refineries 4 LNG Plants, 2 LPG plants all across Algeria.

The company operates the largest refinery in Africa, Skikda refinery, built in 1980 (expanded in 1993), has a capacity of 300,000 b/d. It was built by Sonatrach as an export refinery and petrochemical complex. In a bid to meet the increased demand or refined petroleum products in Algeria, Sonatrach in 2018 announced the acquisition of a refinery and three fuel terminals in Italy from Exxon Mobil Corporation.[1]

Angolan company Sociedade Nacional de Combustiveis de Angola (**Sonango**), is the country's national oil company, that has played an integral role in Angola's political economy and is without question one of the country's most important commercial actors, with a network of subsidiaries and related companies that encompasses almost every sector of Angola's economy (Corkin 2017). Sonangol was founded in 1976, to manage the Angolan government's interests in the production and distribution of the country's oil resources. Sonangol was authorized to assume control of 51% of all foreign oil companies operating in Angola, although production management and operations remained the responsibility of the companies in question. Sonangol is the industry's sole concessionaire as well as a participant in oil exploitation rights. Almost without exception, foreign oil companies were required to partner with Sonangol in the exploration of Angolan oil blocks. As the company grew it had a need to obtain services, such as telecommunications services, retail network support, trucking, shipping, data management, scientific, engineering, seismic, and others. The company created subsidiaries to meet these needs. Sonangol established a network of operating companies in completely unrelated industries, leading to the development of Sonangol's monolithic presence in Angola's economy. Sonangol and its many subsidiaries have continued to expand into other lines of business. Among the more important subsidiaries are Sonair and MSTelcom. Sonangol is also one of the few African national oil companies to have a significant international presence outside Africa.

Sasol, South Africa's energy and chemical company, was founded in 1950 and is today based in Johannesburg. While South Africa won't make the list of Africa's top 10 oil-producing nations, having relatively small known oil reserves, Sasol is still a major African oil company, with exploration, development, production, marketing and sales operations on all six continents.

The company is investing in ventures ranging from onshore and offshore conventional and unconventional shale and tight gas.[2]

Apart from these behemoths, there has been an increased participation of private indigenous African companies in the petroleum industry especially in Nigeria. Divestments by oil majors like Shell and Conoco-Philips and local content laws have led to greater roles for Nigerian companies in the upstream sector of the oil industry.

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[1] http://www.cedmagazineng.com/exxon-mobil-sells-refinery-fuelterminals-to-algerias-sonatrach/.

[2] https://www.reuters.com/finance/stocks/companyProfile/SSL.

Nigerian companies like of **Oando**, **Seplat**, **Aitoe**, and **Conoil** are now involved in the exploration and production of petroleum products, managing pipeline networks, marketing petroleum products and prospecting for oil in other African countries.

9.2.4 Downstream Operations

Some AFFs have been distributing petroleum and gas products for several decades. Moroccan firm, Akwa Group and Kenya's KenolKobil were founded in the 1950s. These firms started by distributing imported petroleum products as prior to 1954 when were no refineries in Africa. All refined products were supplied to Africa from European and American refineries.

But from 1954 multinationals like Shell, Total, Agip and a number of African governments built some of refineries. Today, there are 48 refineries on the continent with differing level of performance. All the refineries are basically of the topping/reforming type, except for the 4 refineries in South Africa, 2 in Egypt, 3 in Nigeria, 1 in Côte d'Ivoire, and 1 in Ghana, there are also 3 Synfuel plants (coal and gas feedstock) in South Africa.[3] The total active distillation capacity for the continent is around three million b/d (15 million mt/year), an average of 79,000 b/d per refinery. However, most of the refined petroleum needs of Africa are imported as several of the refineries are non-functional. Countries like Nigeria and Angola, though oil producers, spend vast amounts of foreign exchange in importing and subsiding refined petroleum products (Kojima 2016).

Following a period of nationalisation in Africa, some governments seized control of some refineries and distribution assets from MNCs. Governments eventually privatised petroleum distribution assets that they had nationalised from companies like Shell BP, Total and Agip. Some of these privatised entities where acquired by indigenous companies.

At the same time, for those companies who continued to market petroleum products, fluctuations in commodities prices affected ability of several countries to finance imports of petroleum products. Increases in oil prices also compelled private companies to increase price of petroleum products, but some African countries were not willing to sanction these increases in price of petroleum products and would rather subsidise these products with debts.

When governments became unreliable in their payment of subsidies, multinational petroleum products retailers exited some African countries. These were the pressures that compelled, Royal Dutch Shell to sell its distribution assets in 19 African countries to a consortium led by Vitol and Helios Investment Partners in one of the largest private equity deals in sub-Saharan Africa in 2010. The scope of the sale included 1300 retail sites, retail sales of around 3,500,000 cubic metres, and 1,200,000 cubic metres of terminal storage.[4]

[3] Africa: Oil and Gas—Oil Refining—Overview: https://mbendi.co.za/indy/oilg/ogrf/af/p0005.htm.

[4] Helios, Vitol to buy Shell's Africa fuelstation https://www.theeastafrican.co.ke/news/2558-1043330-view-printVersionaolo6vz/index.html.

AFFs are now increasing their presence in petroleum product refining, storage and distribution sector.

Engen Petroleum is a South African oil company focusing on the downstream refined petroleum products market and related businesses. Engen is an oil company focusing on the downstream refined petroleum products market and related businesses. The company's core functions are the refining of crude oil, the marketing of primary refined petroleum products and the provision of convenience services via an extensive retail network. Until 1990, it was part of Mobil Oil. In 1993, it changed the brand name to Engen. The company has presence in over 20 countries with products exported to over 30 more countries, mostly in Africa and the Indian Ocean Islands Approximately 1500 service stations across sub-Saharan Africa and Indian Ocean Islands.

Akwa Group has been in the downstream petroleum and gas sector in Morocco since 1932 is the largest distributor of petroleum products in Morocco. The company has expanded into Côte d'Ivoire. **Vivo Energy** is a joint venture between Helios Investment Partners and Vitol that acquired majority holding in Shell downstream operations in 19 countries and recently acquired the majority shares of Oando West African holdings. The company also acquired 50% of the downstream operation of Oando. Oando the petroleum trading subsidiary which operates 320 retail outlets in Nigeria, Ghana, Benin and Togo. It maintains subsidiaries and operations in 16 countries across Africa that encompass the supply, storage, distribution, and retail of a range of petroleum products. Vivo Energy is a Royal Dutch Shell licensee and operates in retail of Shell branded commercial fuels, liquefied petroleum gas and lubricants. It is listed on the London Stock Exchange and is a constituent of the FTSE 250 Index.

Lake Oil Group, was founded by Ally Awadh in 2006 and is now USD1 billion (revenues) integrated energy solutions provider and one of largest African founded energy trading and transportation conglomerates. The Tanzanian AMNE has extensive petroleum products distribution and storage operations in East and Central Africa. Lake Oil Group also distributes and trades fuel products in Zambia, DRC, Burundi and Rwanda. The company owns its own oil storage facilities in Tanzania and the Democratic Republic of Congo and manufactures lubes and The company distributes its products with a fleet of more than 400 tankers. Lake Oil Group also has trading operations and gas stations in Rwanda, Burundi, Mozambique, Uganda, Canada and United Arab Emirates. The company acquired the all the fuel service stations of Hashi Energy, one of Kenya's largest independent oil companies.

KenolKobil is Africa's fastest growing indigenous oil marketing conglomerate with an expansive investment portfolio spanning the entire Eastern, Central and Southern parts of the African continent. The company founded in 1959 in Kenya and started its operations as a wholesaler of packaged Kerosene before investing in service stations. In September 1959, Kenya Oil Company listed its shares on the Nairobi Securities Exchange making it the first petroleum company to be quoted on the exchange. The Group consists of subsidiaries in eight African countries outside Kenya including; Uganda, Rwanda, Zambia, Ethiopia and Burundi. The company trades in both crude and refined petroleum products which include motor fuels, industrial oils, LPG, aviation fuels, lubricants and various other specialist oils (Table 9.2).[5]

[5] Company website: https://www.kenolkobil.com/.

Table 9.2 Some African oil and gas multinationals

Company	Home country	Year founded	Product and service	Countries present in
Sonatrach	Algeria	1963	Oil, gas and petroleum products	Angola, Chad, Egypt, Libya, Mali, Mauritania, Niger, Nigeria, Tunisia, Iraq, Saudi Arabia, United Arab Emirates, Yemen; Bolivia, Brazil, China, Peru, Singapore, Slovenia, Republic of Korea, Turkey; Belgium, France, Germany, Greece, Italy, Portugal, Spain, Netherlands, United Kingdom, United States
Sonangol	Angola	1976	Oil, gas and petroleum products	UK, USA, Brazil, Portugal, China (Hong Kong), Singapore, Congo Brazzaville
Sasol	South Africa	1950	Oil exploration and chemicals manufacturing	38 countries including South Africa, Botswana, Lesotho, Namibia, Zambia, West Africa the United States, United Kingdom, France, Belgium, Germany, Italy, the United Arab Emirates, Singapore, Hong Kong, China and Japan, South Africa
Conoil	Nigeria	1927	Oil Exploration	Nigeria, Benin Republic, Ghana
Lake oil	Tanzania	2006	Petroleum product distribution	Kenya, Uganda, Tanzania
Kenolkobil	Kenya		Petroleum products distribution	Kenya, USA, Uganda, Burundi, Rwanda, Mozambique, Zambia, Ethiopia
Awka Group	Morocco	1932	Petroleum and gas product distribution	Morocco and Côte d'Ivoire
International Trading Oil and Commodities Corporation	Senegal	1987	Oil and petroleum products marketing and distribution	Senegal, West Africa, Central Africa, Middle East
Vivo Energy[a]	London[a]	2011	Petroleum product marketing	19 countries across Africa BOTSWANA Burkina Faso, Cape Verde, Gabon, Guinea, Ghana, Ivory Coast, Kenya, La Reunion, Madagascar, Malawi, Mali, Mauritius, Morocco, Mozambique, Namibia, Rwanda, Senegal, Tanzania, Tunisia, Uganda, Zambia, Zimbabwe

(continued)

Table 9.2 (continued)

Company	Home country	Year founded	Product and service	Countries present in
MeTL	Tanzania	1970	Petroleum product marketing	Wholesaling of Petroleum products in Zambia, Malawi, DRC, Rwanda and Burundi
Gulf Energy	Kenya		Petroleum product marketing	Burundi, DRC, Rwanda, Tanzania and Uganda
Oando	Nigeria		Oil exploration development, pipelines construction and petroleum products distribution	Nigeria, Ghana, Togo, Benin

Compiled by author
[a]Headquartered in UK but Africa focused

9.2.5 The Agribusiness Sectors

Agriculture is the mainstay of several African economies. Africa has 60% of the world's remaining arable land and millions of dedicated farmers. Smallholder farms constitute approximately 80% of all farms in SSA and employ about 175 million people directly. Agriculture is essential to Africa. It accounts for approximately 30% of GDP. Earning from products like cocoa, coffee, tea, and horticulture contribute to household and governments foreign exchange earnings.

Africa, however, has a population of 1.3 billion people, and agricultural productivity, per capita, has remained stagnant, especially in areas where smallholders dominate the agriculture sector. For that reason, approximately 21% of Africa's population is malnourished. Hunger and poor food security lead to under-nutrition, with dire consequences on health, well-being, and economic capacity and growth.

Africa's inability to feed itself has led to food imports to Africa which is a strain on the foreign exchange reserves of countries. In 1980, Africa had an almost balanced agricultural trade when both agricultural exports and imports were at about USD14 billion, but by 2007 its agricultural imports exceeded agricultural exports by about USD22 billion. For food trade in particular, Africa food trade deficit had started at an earlier time (mid-1970s) and ever since it has grown fast and exceeded USD13 billion in 2005 (Rakotoarisoa et al. 2011).

The increase in food imports since the mid-1970s has been particularly striking for basic foodstuffs such as dairy products, edible oils and fats, meat and meat products, sugar and especially cereals, implying that food import has been increasingly important in ensuring food security.

Recognizing the role of agriculture in combating hunger and poverty in Africa, the African Union (AU)/ New Partnership for Africa's Development (NEPAD) initiated the Comprehensive Africa Agriculture Development Program (CAADP) to accelerate growth and eliminate poverty and hunger among African countries. The

main objective of CAADP is to help African countries reach a path of higher economic growth through agriculture-led development, which eliminates hunger, reduces poverty and food insecurity, and enables expansion of export (CAADP), binds participating countries to allocating 10% of public expenditure to agriculture, and, by 2009, certain countries (Malawi, Tanzania, Rwanda, Mali, Ethiopia, Ghana and Nigeria) had reached this goal.

These, and many other policy initiatives at the regional and country levels have sought to increase agricultural output in Africa by adressing every aspect of the agricultural value chain. Some of these initiatives have been aimed at incentivizing private sector to play larger roles in agricultural production in Africa. The private sector firms endorsed the strategic commodities identified by the regional economic for targeted investments. These include maize, rice, sorghum, soya bean, sugar cane, oil palm, fruits and vegetables, cassava and livestock. Despite an increasing production of these commodities, Africa remains a net importer of agri-food (FAO 2011). The shift toward private sector investment in Africa also is notable as the whole value chain is being privatized including production and supply of produce and cash crops.

Several African Lions are among the private sector investors that are increasing access to food and increased production of cash crops. These include Dangote Sugar, Bidco, Shoprite, Tiger Brand and Uganda's Madhvani and others that not only grow their own produce, but also have extensive aggregation and extension services that engages several farming communities.

9.2.6 Agribusiness AMNEs

Domestic private agribusiness investment data are difficult to collect, since most players are small-or medium-scale producers. Despite the paucity of data, the general indication is that domestic private sector participation and foreign investment in agribusiness are very limited but have been increasing in recent years (Mhlanga 2010).

Private investments in the agriculture sector are mainly directed towards high-value crops and non-traditional products such as cut flowers destined for markets in industrialized countries. Fruit and vegetable exports, especially from East Africa, are experiencing relatively high growth. Activities linked to agricultural production are also attracting FDI, including food processing, transport and marketing.

Another recent development is the proliferation of private agribusiness investment funds targeting African agriculture. Similar to the case of land purchases, most of the funds have recently been set up and are still in the fundraising stage of their development. Commodities trader, Olam also has an interest in increased agricultural production in Africa for commodities like rice, maize, and sorghum which it processes in several mills it is building across Africa.

There are four component parts of the agricultural value chain, namely the input, planting, processing, and marketing. The inputs involve finance, chemicals and seed and machinery that are needed to grow agricultural products. Some African Lions grow and process their produce through backward integration. Sugar, tea and coffee

processing companies have nucleus farms from which they obtain produce to process. Processing involves some form of value addition, like milling and storage of grains like maize, rice and sorghum, and processing of raw tea, coffee or cocoa to products sold to consumers. Governments are increasing pressing for more value added manufacturing of agricultural produce. The last component of the agricultural value chain is commodities trading. Some African AMNEs have become global players in the commodities trading space.

For AMNEs in the agricultural sector, meeting domestic demand had been their focus but as they increase their capacity and look to opportunities abroad, they have increasingly become involved in foreign market entry through merger and acquisition and establishment of green field operations.

9.2.7 African Lions Involved in Inputs for Agricultural Production

The role of African private firms in agriculture has increased due to increasing investment in inputs. These inputs include finance, pesticides, fungicide and fertilizers.

9.2.7.1 Finance

Africa's agriculture sector has struggled to access the financing it needs for sustained growth. There is an USD11 billion gap in funding agricultural growth in Africa (Mhlanga 2010). Africa's agricultural sector today attracts less than 5% of the lending from formal financial institutions, leaving farmers and agricultural enterprises starved of the capital they need to operate and grow their enterprises (Snyder 2016). In part, a perceived combination of high risk and modest returns—as well as the costs of extending traditional banking infrastructures in rural areas—has deterred many banks and financial institutions. Between 2012 and 2014, commercial bank lending to agriculture accounted for less than 6% of total private sector. Additionally, interest rates charged by commercial banks is very high ranging from 15 to 25%. For this this reason, financing agriculture has been done by development finance institutions, government and donor interventions which provided important incentives for commercial banks to support lending to the sector. Formal financial institutions including commercial banks and insurance companies have played an important role in agriculture in Africa, although there remains massive untapped capacity (Kanu et al. 2016) New Ways of Financing African Agriculture). Commercial bank lending to agriculture is about USD660 million per year, out of a total of USD14 billion per year, or 4.8% of annual lending (AfDB 2016).

An examples of such initiatives are the Nigeria Incentive-Based Risk Sharing Agricultural Lending Scheme (NIRSAL) supported by the Central Bank of Nigeria, a credit risk guarantee scheme in Ghana supported by a partnership between Standard Bank and multiple donors, and a credit guarantee scheme in Sierra Leone supported by the African Development Bank. Some of Africa's multinational banks

are allocating an increasing amount of their lending to agriculture, but one firms has been dedicated to agricultural lending (World Bank 2016).

An increasing number of investment funds—private equity, venture capital, and impact investing—are also targeting investments in agribusiness. Many of the agribusiness investment funds were set up as public-private partnerships with development finance institutions (DFIs) as major investors in nine of the 16 funds. Some commodities marketers also advance funds to farmers. For instance, in August 2008, Agri-Vie, a USD100 million private equity fund, was formed by Sanlam Private Equity and the investment group Strategy Partners for the sole purpose of investing in businesses operating along the agribusiness value chain ((UNDP 2016) Impact Investment in Africa: Trends, Constraints and Opportunities).

Commodities traders like Stallion, ETG and Olam have become important financier of small holder farmer. For example, Olam provides zero interest loans to farmers as part of the commitments laid out in the company's Livelihood Charter. Olam, has provided USD118.6 m in micro-financing and advances for crop purchases as well as longer-term asset investments.[6]

9.2.7.2 Fertilizer and Chemicals

Fertiliser is a critical input and its production is a priority for many governments. Sub-Saharan Africa has by far the lowest usage rate of fertilizer compared to any other region in the world and Africa currently accounts for less than 1% of the global fertilizer market. Many African farmers do not produce high yields because they cannot afford or gain access to the fertilizers or agrochemicals for their nutrient-depleted soil needs. Fertilizer consumption (kilograms per hectare of arable land) is very low in Africa with the average being 15 K/h against the global average of 140 in 2016. This low level of consumption is due to inadequate production of fertilizer and high cost of transportation. Fertilizer production, processing and blending is gathering pace on the continent driven by investment by foreign and indigenous private and public sector companies. African Lions are among the firms making new investment to increase production on the continent. By January 2018 there were a total of 15 manufacturing and 59 processing plants on the continent (AFO SSA 2018).

OCP is a Moroccan company that is the world's largest phosphate exporter. It is 95% state-owned owned by the state. The group, which controls 75% of the world's phosphate reserves, has a 65% market share of phosphates-based fertilizers in Africa.

It is one of the leading exporters of phosphate rock, phosphoric acid and phosphate fertilizers in the world. The OCP projects in Africa cover the entire value chain, including the local construction of fertilizer plants, the development of logistics and distribution capabilities, as well as investment in research for the development of formulas adapted for the soils and crops (mapping the African soil fertility and respective fertilizer needs. OCP is involved in the construction of the one of the

[6] https://www.forbes.com/sites/skollworldforum/2013/08/26/financing-agricultural-growth-in-africa/#401746b1b619.

largest fertilizer plants on the continent. In February 2016, the OCP Group created a new subsidiary named OCP Africa, which is responsible for leading the development of the group on the African fertilizer market through a network of subsidiaries. OCP has 12 subsidiaries in Africa, but has its focus on its operations in Ethiopia, Nigeria, Ghana, Ivory Coast and Senegal. OCP has been expanding its investments in Sub-Saharan Africa in recent years. The group is set to start production at a USD3.7 billion chemical plant in Ethiopia by 2023/2024.[7] The group plans a blending facility in Rwanda, three in Nigeria, one in Ivory Coast, five in Ethiopia and one in Ghana, with each costing between USD8 million and USD12 million.

Egyptian founded Orascom Construction International (**OCI** N.V.) stated manufacturing fertilizer in 2005 as a unit of Orascom Construction from which it was spun off in 2015. The company is a leading producer and distributor of natural gas-based fertilizers and industrial chemicals in the world, with production facilities in the Netherlands, the United States, Egypt, and Algeria. The company ranks among the world's largest nitrogen fertilizer and methanol producers with a total run-rate production capacity of approximately 14 million metric tons. Nigeria's Dangote conglomerate is constructing a 3 million metric tons fertilizer plant in an integrated petrochemical plant in Lagos.

Added to these another major supplier of fertiliser in the east and southern African region is **Export Trading Group of** Tanzania which imports and distributes fertiliser through its extensive distribution infrastructure in the region. The company now blends fertiliser to local conditions in mainly in plants obtained from its acquisition of the south African company **Kynoch** which blends a wide range of fertilizers and agro-chemicals along with offering specialised agronomy services. The company also owns Zambia fertilizer.

9.2.7.3 Seeds

Seeds are an important part of agriculture and quest for better yielding varieties of crops is the mainstay of seed companies. The vast bulk of food produced on the continent comes from homegrown farmers' seeds (some studies put the figure at 80%) (AFSA, GRAIN (AFSA, GRAIN 2018) THE REAL SEED PRODUCERS Small-scale farmers save, use, share and enhance the seed diversity of the crops that feed Africa). For most Sub-Saharan African countries, the deregulation of formal seed systems in the early 1990s, in principle, ended state-owned monopolies in seed production, marketing, and distribution. In the last decade, significant investments have been made to liberalize seed sectors, resulting in increased participation of private seed. However, the transition towards competitive seed systems has been slow due to weak enabling environments. Providing farmers with new high-yielding and hybrid seed varieties is an important part of the solution to agricultural development. These seeds help farmers generate higher crop yields and overcome the constant barrage of plant pests, drought and disease that are the enemies of agriculture everywhere in the continent.

[7] https://www.reuters.com/article/morocco-phosphate/update-1-moroccos-ocp-plans-african-chemical-plants-fertiliser-blenders-idUSL5N20R4TG).

East African Seed and **Seed Co**., are two both AFFs with extensive operations in Africa. East African Seed was founded in Kenya 1972 and have expanded within the east African region with branches in Arusha, Tanzania and Kampala, Uganda. The company also distributes its products in Ethiopia, Eritrea, Rwanda, Burundi, Somalia, Sudan, DRC Congo and Zambia. EASEED is one of the leading vegetable seed companies in Africa. It has full-fledged R&D Wing focusing on developing Maize Hybrids, Sun Flower and indigenous vegetables and maintaining the genetic purities of existing varieties.[8]

Seed Co. originally from Zimbabwe but now headquartered in South Africa, is the African seed company with the most extensive breeding, production and sales network, and the widest geographic reach in agronomic training in Africa. Seed Co is the leading certified seed company authorized to market seed varieties developed by itself, government and other associated seed breeders in over fifteen (15) African countries. Seed Co is Africa's largest seed production company, selling over 67,000 tons of high-quality seed inputs designed to increase crop yields for over 360 million smallholders in 15 countries. Its success is based on early-mover advantages in new markets, six state-of-the-art seed research and production facilities, an extensive distribution network, and highly trained agronomists. The company has a strong market share among communal and commercial farmers from years of intensive investment in research and development. The company is involved in the breeding, multiplication and distribution of mainly hybrid seed varieties for the following crops: maize, wheat, soya beans, sugar beans, cowpeas, sorghum, groundnuts and vegetables.

Other seed companies include Ugandan companies **Victoria Seeds**, **NASECO**, **Equator Seeds** and **FICA Seeds.**

9.2.7.4 Machinery Leasing and Sales

In line with the conditions in most developing and pre-developing areas, African market for agricultural mechanization is dismal. In sub-Saharan Africa, less than 20% of agricultural activities are conducted using machines, while over 60% is done by humans—mostly women, children and the elderly, and another 25% by animals. The level of mechanization in African farming is still very low. In comparison with about 700–1850 tractors used per 1000 farmers in North America or Europe, the countries in Asia-Pacific (China, India, others), and Africa, exhibit poor rates of 3–6 tractors per 1000 farmers. Kenya had 25 tractors per 100 square kilometers of arable land in 2009 while Nigeria has almost seven, according to the most recent data from World Bank (FAO and UNIDO 2008). That compares with an average of 271 machines in the US. However, initiatives to remedy this disparity are underway, by governmental, regional bodies and others. Consequently, there is a thriving market for equipment rental in some countries, and a growing equipment purchase market. While there are not many manufacturers of tractors and associated machinery on the continent, some AFFs have established an international

[8] East African Seeds: History and Profile http://www.easeed.com/2015-07-16-12-56-28/2015-07-16-12-56-30.

equipment leasing and machinery marketing operations that spans across several countries.

Tractafric Equipment Corporation is a subsidiary of Moroccan firm, **Optorg,** which itself is a subsidiary of the ONA/SNL conglomerate. In agriculture, the company sells, rents and leases selling new and second-hand equipment forestry equipment. Tractafric offers a wide range of forestry equipment used for felling, logging, stump grinding, loading, transport. Focuses on Central Africa and Morocco.[9]

Egypt's **Mansour Group** also has exclusive distribution rights for Caterpillar equipment in Egypt and seven other African countries as well as Russia and Iraq. The company also has the largest General Motors dealership in the world. **AFGRI** is a leading agricultural services company headquartered in South Africa. It's with a core focus on grain commodities and a vision of driving food security across Africa. The company provide services across the entire grain production and storage cycle, offering financial support and solutions as well as inputs and hi-tech equipment through the John Deere brand supported by a large retail footprint. That includes Congo, Mauritius, Seychelles, Tanzania, Uganda, Zambia, Zimbabwe, Mozambique, Botswana and South Africa. Its equipment subsidiary, AFGRI Equipment is a supplier of mechanized equipment tailored to meet the needs of the farmers. It is the largest single John Deere franchise in Africa.

Kanu Equipment is a Mauritian registered heavy equipment trading and leasing company with footprint in 10 countries in Africa. The company was founded in 2012. It rents, leases or purchases equipment, heavy duty equipment for Africa's key heavy industries, including agriculture, forestry, mining, earthmoving, construction and road construction.[10] The company is one of the largest dealers for Liebherr and Bell Equipment in East, West and Central Africa and have distribution centers throughout the continent. The company started out in Congo, followed by rapid expansion into West Africa, Botswana and now East Africa. In 2014, Kanu Equipment Limited and Torre Industries acquired 100% of Minosucra SARL that became Kanu Equipment International Ltd. Minosucra, a Swiss-based company with a 20-year history, supplies equipment, spare parts and ancillary services to customers in Central and West Africa. Kanu Equipment has expanded into 14 countries including Sierra Leone, Liberia, Guinea Conakry, Côte d'Ivoire, Ghana, Cameroon, Congo, Gabon, Equatorial Guinea, Uganda, Chad, Namibia, Kenya, Tanzania, Botswana and Zimbabwe.

9.2.8 African Lions Involved in Farming

Africa has 60% of the arable land in the world but 80% of farming activity is conducted by small holder farmers. However, there is a growing participation of large AMNEs in agriculture. AMNEs in food processing, milling and commodities marketing are establishing large scale mechanized farms. They are also involved in aggregating farmers to produce crops from whom they buy produce as off takers.

[9] Company website: http://www.optorg.com/en/groupe-2/.

[10] Company website: www.kanuequipment.com.

African food and beverage manufacturers and commodities traders are motivated to venture into large scale farming by the increasing difficulties in accessing foreign exchange to finance importation of raw materials and inputs. For commodities traders particularly, the foreign exchange earnings from exports is the motivation for their extensive investments in building relationships with farming communities to improve yields and gain exclusive rights to cash crops. While for the manufacturers, the increasing difficulty in accessing foreign exchange is the reason they have stepped up investment in backward integration.

There has, thus, been an increased investment in large-scale mechanized farming promoted by AMNEs for cereals like rice, maize, sesame and sorghum and for crops like sugarcane. These companies are also stepping up effort to improve yields and access to market for farmers by aggregating and providing them with inputs like finance, chemicals and seeds. Farmers of important cash crops like cocoa, cotton and coffee and tea are the main beneficiaries of these initiatives. Cotton farming especially, is enjoying a boost as African producers of textile and apparel seek to increase local production of textile and yarn in order to meet the requirements of APC and AGOA (Traub-Merz and Jauch 2006) as the industry recovers from several years of decline due to competition from China and India and other far eastern countries.

Cotton is grown predominantly by small holder farmers, but with the African variety being one of the most sought after due to the quality and the length of the fiber, there has been an increased pace of investment in by big firms who help farmers with financing and inputs like farm chemicals and fertilizer (Tschirley et al. 2009).

The loans, inputs and extension services these firms provide to the farmers in improving their yield is mainly to have products for their ginning operations. Ginning companies like **Alliance Ginnery**, Olam and **MeTL** have ginneries in multiple countries in Côte d'Ivoire, Burkina Faso, Mali, Tanzania, Uganda and Zambia. One of the largest cotton farming and processing companies in Africa is Zimbabwe headquartered Cottco, the company aggregates farmers from Zimbabwe and across the Southern Africa region.

There has been a long history of sugar cane farming in Africa with Madagascar and Mauritius being two countries whose growth are associated with the plant. There planting of sugar cane has increased as more companies delve into sugar refining. **Madhvani Group** of Uganda are among the largest producers of sugar in East Africa and the company runs nucleus farms in Rwanda and Uganda. Sugarcane is cultivated on the company's own estate of over 9700 ha supplemented by cane from over 4500 out grower farmers grown on 17,000 ha.[11] In Mauritius, sugar cane industry contributes 15 of the foreign exchange earnings and large companies. The country has 50,000 hectares under cultivation producing 500,000 metric tons of sugar per annum. Four companies are responsible for 80% of all cultivated land.[12] **Omnicane**[13] and **CIEL Agro-Industry**. **CIEL Agro-Industry** cultivates sugar

[11] Company website: www.madhvanifoundation.com.

[12] Company website: https://dangote.com.

[13] Company website: www.omnicane.com.

cane on over 11,500 hectares through **Deep River-Beau Champ Limited** in Mauritius and **TPC Ltd** in Tanzania are among the large. Another Mauritian company, Sunbird Bioenergy is involved in the large-scale farming of sugarcane and cassava to produce ethanol and fire its renewable energy powerplants in Sierra Leone, Zambia and Zimbabwe.[14]

South Africa **Illovo Sugar** has farms in several southern African countries while **Dangote Sugar** has made a USD2 billion investments in six states in Nigeria to establish sugarcane plantations, in a big move at backward integration as it seeks to edge against foreign currency risk. The company aims to have 160,000 hectares under cultivation as it aims to produce 1.5 million tons of sugar in the country. In all Dangote is investing USD5 billion in establishing farms and aggregating farmers in order to increase production of rice, maize and other cereals. Moroccan sugar refiner **Cosuma** is another company that has invested heavily in cultivating sugarcane and beet for its extensive sugar milling operation across Morocco. The company has a total of 50,000 hectares under cultivation across several regions in Morocco.

Two vegetable oil production companies have invested heavily in backward integration to locally source raw materials for their products, Kenya's **Bidco Africa**, has aggregated 12,000 farmers to help farm soy beans in across Kenya and Uganda's **Mukwano Group** has facilitated the large-scale farming of sunflower seeds in Uganda.

Grains like maize are a staple in several societies and some of the largest food and beverage companies require large supplies of these grains in their operations. With increased currency risk due to macroeconomic uncertainty, several have embarked on backward integration projects that involve large scale mechanized farming. These include maize, sorghum and millet. Are staples in Africa and companies like Zambia's **Zambeef**, Eastern Trading Group, Olam and Stallion Group have large integrated farms where the plant the grains that the convert to a wide portfolio of consumer products. Involved in the mechanized production in many southern African countries.

Egypt's **Qalaa Holdings** through its agribusiness subsidiary **Gozour** runs **Dina Farms** which is the largest farming group in the country with 40 mnsq used to cultivate crops like rice, sorghum, maize. The company is also the leading producer of dairy products with its 16,000 heads of cattle. Another subsidiary of Qalaa Holdings has acquired large tracts of land in Sudan and South Sudan to farm staple food items like maize and rice.

Rice has become a major staple food in Africa as consumption patterns have changed in several countries. This newly acquired taste has led to rice imports making huge foreign exchange demands on the resources of governments. This has led to many governments step up initiatives to grow rice on the continent.

Companies like **Dangote Industries**, **Stallion Group** and **Olam**, who were the large-scale importers of rice into Nigeria, are now involved in a concerted push by government to increase cultivation of rice in the country. Dangote announced a UDS1-billion backward integration initiative to grow most of its rice in Nigeria.

[14] Company website: www.sunbirdbioenergy.com.

Olam is producing and million 800,000 tons of rice domestically from its 10,000-hectare farm. These efforts have led to Nigeria being announces recently as the largest producers of rice in Africa.

Firms are also establishing multicounty operations to cultivate flower for exports. For countries like Rwanda, Ethiopia, Kenya and Uganda, flower exports now make significant contribution to their foreign exchange earnings, while the firms have a ready source of foreign exchange to finance their operations with.

9.2.9 African Lions Involved in Processing

There is little value-added manufacturing done in Africa but several governments have started to demand that value-added processing and manufacturing on agricultural products be done locally.

AMNEs have taken up the challenge of preparing, storing, grading and adding value to crops grown on the continent. These efforts are aimed at improving the quality of the crops and increasing the earnings for farmers. About 8% of the cotton traded in the world market is harvested in Sub-Saharan Africa. African cotton is in demand due to the quality of the African fiber, is processed through ginning before being exported as there is relative low consumption of cotton due to the collapse of the textile industry (Tschirley et al. 2009).

Cotton ginning and spinning is increasing with several ginning operations in West and East Africa. Alliance Ginning in Zambia and MeTL are have ginnery in several countries in the regions. Milling and processing grains into consumer products have also is also a domain of some AMNEs including **Tiger Brands**, **Pioneer foods**, **Olam** and **Export Trading Group**.

There has been more investment in storage, milling and processing of cereals on the continent. The investments of private investors including Africa's lions has benefited farmers, reduced post-harvest losses of grains and improved food security. These investments include large storage silos, warehouse and depots. Grains cultivation and milling and storage has particularly benefited from investment of companies like, Stallion, MeTL and Pioneer, Tiger Brand, ETG and Zambeef. As a highly sought-after nut, cashew farming, harvesting and export is another growing source of revenue for firms. **Export Trading Group (ETG)** processes cashew in 10 centers across Southern Africa before exporting to Europe and America.

9.2.10 Marketing and Sales of Commodities

The sale and marketing of Africa's commodities have gone through various policy changes. The sales and marketing of agricultural produce was done by multinationals but in order to get better prices for farmers and their commodities, several African governments established commodities trading boards. The primary concern of governments was that farmers are well remunerated for their crops and also protected from fluctuations in commodity prices. Like most state-owned enterprises,

most of these boards are now defunct and their role has been taken up by a new crop of privately owned commodities trading companies many of which have roots on the African continent.

Notable among them is Nigeria founded Olam, which from marketing cashew, has gone on to become one of the largest commodities marketing companies in the world. The company's operations span 70 countries. Olam is involved in the marketing of cocoa, coffee, cotton, maize, sesame, across Africa. Its operations are heavily vertically integrated. One of the largest commodities traders in on the continent is **ETG** is a Tanzanian headquartered company that was founded in Kenya in 1967. ETG, the largest independent agricultural-commodity supply chain manager in Africa. ETG's footprint expands across sub-Saharan Africa, North America, Europe, the Middle East and South East Asian countries. ETG is globally recognized as one of the fastest growing integrated agricultural supply chain groups. The company is involved in procurement, warehousing, processing and/or manufacturing of finished goods in 40 countries. ETG originates crops from smallholder farmers across Africa, aggregating, processing and distributing these crops across an extensive network of proprietary facilities around the world. ETG is a global leader in pulses, sesame and raw cashew nuts trading.[15] In FY2017, ETG procured and distributed almost 6.6 million metric tons of 10 core commodities including maize, pulses, wheat, rice, sugar, oilseeds, cashew nuts, coffee, fertilizer and farm implements. Eighty percent of the African-originated stock was procured at farm gate level. Another significant commodities marketer in is **Stallion Group** which was also founded in Nigeria in 1969 but has grown into a fledgling multi-business conglomerate, one of the largest in West Africa. Today Stallion has a multinational presence in 18 countries involved in commodities, agri-business, food, industries, automobiles and services.

Shoprite is one of the largest groceries' retailers in Africa, Shoprite markets agricultural produce across its 2000 retail stores in 17 countries.

9.2.10.1 Dairy Products Production

Diary production has been the preserver of multinationals like Danone, Arla and Friesland Campina but a number of home-grown companies have achieved vast growth and scale. In Egypt, **Juhayna** has grown to be a company with revenue of 560 million dollars in 2016. Brookside Dairy Limited, often referred to as **Brookside Dairies**, is a dairy processing company in Kenya, the largest economy in the East African Community. The company offers fresh pasteurized milk, cream, butter, yogurt, ghee, and long-life milk products in Indian Ocean Islands, East Africa, Rwanda and Burundi. It provides products through distribution depots, agents, and sub agents to outlets in East Africa. South Africa's **Clover Industries Ltd** with revenue of USD800 million a year is one of the largest dairy producers in Africa.

9.2.10.2 Animal Husbandry

Some agribusiness companies are involved in the primary production, processing, distribution and retailing of beef, chicken, pork, milk, eggs, dairy products, fish, flour and stock feed in Africa. **Ibru Organization,** a producer of fish and chicken

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[15] Company website: https://etgworld.com/#/home.

was one of the first conglomerate in Nigeria and West Africa. Among the African Lions with operations in several countries is **Inncor** of Zimbabwe, **Rainbow Chicken** South Africa and Zambia founded Zambeef. Zambeef began as a small butcher shop in the capital, Lusaka in 1991 with minimum capitalization. In 2003, the Company was quoted on the Lusaka Stock Exchange and subsequently moved to list in London April 2005 (Table 9.3).

Zambeef is currently one of the largest agro-businesses in Zambia, slaughtering over 60,000 cattle, 26,000 pigs and 3.5 million chickens, producing 8.5 million liters of milk and harvesting 50,000 tonnes of crops every year. The company is also one of the largest cropping operations in Africa with 3660 hectares under irrigation and a further 1500 hectares of dry land crops; has 93 butcheries throughout Zambia, Nigeria and Ghana; 8 Abattoirs around Zambia; a transport fleet of over 200 units; and the largest feedlotter of quality beef in Zambia feedlotting 12,000 grain-fed cattle per annum.[16]

9.3 The Secondary Sector: Manufacturing

It has been the desire of several governments to promote domestic manufacturing in their country. While hinging their growth and development on a solid industrial and manufacturing base, governments initiated the import substitution programs that increased manufacturing in Africa in the post-colonial era. There was significant growth in manufacturing as a result of these measures. However, there was de-industrialisation following the failure of the import substation policy.

The failure of the import substitution strategy meant governments had to abandon the program and privatised several state-owned industries. The mantle of manufacturing had thus fallen on the domestic and foreign private investors.

In the last 20 years, the growth of manufacturing GDP per capita was 1.26% on average per year and lower than those of the extractives and services sector, which grew by 1.47 and 1.33% on average per year, respectively, in addition, the share of manufacturing GDP was 11% in 2013 for SSA as a whole. This was a decline from 14% in 1995. In effect Africa de-industrialize within the period (Punam and Ferreira 2014).

Despite these worrying trends, manufacturing in Africa has grown 3.5% annually from 2005 to 2014—faster than it has in the rest of the world. Some countries, such as Nigeria and Angola, have experienced an increase in output of over 10% per year. As a result, the value of production in sub-Saharan Africa has increased, from USD75 billion in 2005 to over USD130 billion in 2016. The growth of Africa's productive capacity owes a lot to policies by government that has incentivised foreign and domestic investors (Signé 2018).

Nevertheless, manufacturing in Africa is still held back by lack of infrastructure, high cost of production and a challenging business environment. Unstable supply of inputs and uncertainty of time required for transport and logistics build a binding

[16] Company website: https://zambeefplc.com/.

Table 9.3 African Lions involved in agricultural value chain

Company	Home country	Product and service	Countries present in
OCP	Morocco	Fertilizer manufacturing	Côte d'Ivoire, Senegal, the Democratic Republic of Congo, Benin, Cameroon, Nigeria, Tanzania, Angola, Zambia, Zimbabwe, Mozambique, Kenya, Ghana, and Ethiopia. Argentina, Brazil, India, Pakistan, Turkey
Orascom	Egypt	Fertilizer and chemicals manufacturing	USA, Algeria, Egypt
SeedCo	South Africa	Seeds	Ethiopia, Kenya, Botswana, Mozambique, Zambia, Namibia, Malawi, Madagascar, Swaziland, Lesotho, Tanzania, Uganda, Angola
Eastern Seed Company	Kenya	Seeds	Production in Tanzania, Kenya, Uganda. Distributors in Ethiopia, Eritrea, Rwanda, Burundi, Somalia, Sudan, DRC Congo and Zambia
SIFCA	Côte d'Ivoire	Hevea, oilseed cane sugar	Ivory Coast, Ghana, Liberia, Nigeria, Senegal and France
AFGRI	South Africa	Equipment sales and leasing	Congo, Mauritius, Seychelles, Tanzania, Uganda, Zambia, Zimbabwe, Mozambique, Botswana and South Africa
Kanu Equipment	Mauritius	Equipment sales and leasing	Botswana, Cameroon, Congo DR, Congo Brazzaville, Equatorial Guinea, Côte d'Ivoire, Kenya, Liberia, Mauritius, Namibia, Sierra Leone, Tanzania, Uganda, Guinea Conakry
TracAfric	Morocco	Equipment sales and leasing	25 African Countries
Dangote Industries[a]	Nigeria	Fertilizer manufacturing,[a] rice and sugarcane farming, Sugarcane milling, and sugar refining	Farming and agricultural activities mainly in Nigeria
Bahkresa	Tanzania	Sugar plantation, agribusiness	Tanzania, Kenya
Bidco Africa	Kenya	Aggregating soy seed and sunflower seed farmers	Kenya, Tanzania, Uganda, Zambia, Malawi
Sunbird Bioenergy	Mauritius	Sugarcane and cassava farming produce bioethanol, fuels, electricity	Sierra Leone, Zambia, Zimbabwe
Madhvani Group	Uganda	Sugarcane planting and milling	Rwanda, Uganda, Tanzania, India

(continued)

Table 9.3 (continued)

Company	Home country	Product and service	Countries present in
Eastern Trading Group	Tanzania	Commodities trading aggregating farmers	Tanzania, Kenya, Zambia Uganda
Omnicane	Mauritius	Sugarcane farming and milling, power generation	Mauritius, Rwanda, Kenya
Ciel	Mauritius	Sugarcane farming and milling, power generation	Mauritius, Tanzania, Kenya

Compiled by author from several sources
[a]Dangote industries is a conglomerate with its cement operations spanning several countries but its agribusiness in mainly in Nigeria

constraint for manufacturing FDI in Africa. The dependence on imported production inputs, erratic electricity supply, and poor trade logistics drive the cost up.

Notably, Nigerian manufacturing firms suffer acute shortages of infrastructure such as good roads, portable water, and, in particular, power supply. Electricity outages and voltage fluctuations are commonplace, causing damage to machinery and equipment. Consequently, most firms rely on self-supply of electricity by using generators, which escalates their costs of production and erodes their competitiveness relative to foreign firms.

But despite these constraints, manufacturing in Africa is very profitable. Recent evidence shows that the overall rate of return of manufacturing FDI in Africa has been above 9% since 2006, higher than the world average of 7.5% and developing country average of 8.1% (Chen et al. 2015).

This may be the reason African Lions are quick to engage in cross-border operations. African manufacturing lions first expanded and diversified their operations in their home markets and after improving on their efficiency using backward and vertical integration, sought new markets, first through export of their products to neighboring markets, before establishing subsidiaries abroad.

There are other incentives for manufacturers that encourages them to invest despite the high production cost. Policies encouraging FDI in several African countries give tax weavers, subsidies on inputs sourced locally and allow repatriation of capital. Governments on their part are investing in infrastructure, improving their regulatory framework and institutions in orders to improve the business environment and foster investor confidence in their countries.

Morocco, Nigeria, Egypt, South Africa and Kenya have all enacted statutes to encourage value added manufacturing. The government of Ethiopia, for example, is implementing a SEZ-led strategy and, by focusing on providing land, infrastructure and logistical services to specific industrial parks rather than the entire country, Ethiopia is registering some success. Indeed, the manufacturing sector attracts more foreign direct investment than any other sector in Ethiopia, accounting for some 70% of capital investments in 2014.[17]

[17]Economist: http://country.eiu.com/article.aspx?articleid=754034459&Country=Southpercent20Africa&topic=Economy&subtopic=Regional+outlook&subsubtopic=Economic+growth&oid=464088630&aid=1.

Manufacturing in Africa is today one of the largest sources of foreign direct investment, infrastructural development, employment, skills transfer and sustainable community growth on the continent. MNCs from Europe, America and emerging countries like China, India, Brazil and Turkey, have increased their investment in Africa but African Lions have also grown to be a significant source of FDI for African countries—accounting for almost 40% of total manufacturing investment in Rwanda, for example.

African Lions more often target their operations toward production to ameliorate shortages in the African market, especially consumer goods. The rapid growth of manufacturing has been driven to a large extent by Africa's burgeoning consumer market. African Lions who have taken up the challenge of filling up gaps in the market have focused on including food and beverage, metals and metal products, building and construction materials, healthcare, pharmaceuticals, textiles and apparel and leather and shoemaking.

Most of the manufacturing lions are from South Africa, Egypt, Morocco, Nigeria, Kenya and Tanzania. Even then other African countries have thriving manufacturing industries with some of the notable African Lions. Zimbabwe, Mauritius, and Zambia have vibrant manufacturing industries just as Uganda and Tunisia.

South African companies have traditionally been the largest source of intra-African investment, with USD4.8 billion and nearly 7000 new manufacturing jobs created in 2014. Kenya consumer goods and pharmaceutical products manufacturers have expanded rapidly into neighboring East Africa countries of Tanzania, Uganda, and Rwanda. Morocco is the fastest-growing investment investor especially into Francophone west and central African countries (Signé 2018).

9.3.1 Manufacturing Segments

9.3.1.1 Food and Beverage

As Africa's population expands and the consumer market grows, food and beverages are the largest spend of most African households and the sector has offered the most opportunities for investment for MNCs and African founded companies for several decades.

The food and beverage sector have historically been dominated by large MNCs like Danone, Nestlé, Kraft and Unilever since the colonial era. These MNCs have had a long historical presence in Africa but population growth and rapid urbanisation have fuelled increased demand for essentials commodities like flour, vegetable and fat oil, dairy products, salt, sugar, tea and coffee.

The desire to provide these essentials have been led to the founding of some of Africa's oldest, largest and most profitable challengers. But these African challengers tended to be domestically focused and when they improved their productivity and capacity, they exported their goods. The turbulent political and macroeconomic conditions of the post-independence era did not encourage them to establish cross border subsidiaries.

These domestic focused companies include Flourmills Nigeria, Tiger Brand Fan Milk and beer manufacturers like Tuskers Kenya, Nigeria Breweries. These were the first challengers of the dominant market position of the MNCs that had dominated the food and beverage industry over the years. Sugar cane refining and processing has been ramped up and adds significantly to value added manufacturing that converts sugar to confectionaries, and other byproducts. In Uganda, Madagascar and Mauritius by products of sugarcane milling like bagasse is used to generate electricity. Thirty per cent of the electricity produced in Mauritius is generated by four of the largest sugar mills processing sugar cane (BBC Website n.d.).

Madhvani Group also produces renewable energy from its Kakira Sugar Works in Uganda. Mauritius and today the industry is consolidated with four major sugar mills processing sugar cane into sugar and by products including molasse and, **Omnicane** and. One of the largest sugar processors in Dangote Sugar, whose Savannah sugar factory is the largest on the continent processing 800,000 metric tons a year. Among the largest sugar beet refiners is the Moroccan firm **Cosuma.**

Cevital Food Industry was founded in 1998 as an affiliated company to the Cevital Group, Cevital Food industry is a leader in the food sector and also the biggest private industrial complex in Algeria. The company has the largest sugar refinery in Africa processing two million metric tons of sugar for the Algerian market and exports. The company also has the largest vegetable oil refinery on the continent, refining 670,000 metric tons of oil at its sight in Bejaia Port. Cevital Food also manufactures margarine, fruit drinks and mineral water as well as operating a cannery. Industry has big names of the food industry field among its client such as Coca-Cola, Kraft Food and Danone.

In East Africa, **Bidco Africa** is challenging to be the largest food and beverage company in the region. This is added to their extensive range of products including baking, personal health care and soap and detergent. For Nigerian founded firms including **Dangote flour**, **Honeywell Flour**, **Flour Mills**, and **Nigerian Breweries**, the Nigerian market is huge and domestic demand is still underserved. Even though their manufacturing activities is expanding, there is a large shortfall that is met with food imports. For that reason, Nigerian founded food and beverage challengers have not been active in establishing cross-border subsidiaries even though some export their products to countries within the ECOWAS region. They have focused instead in increasing capacity to meet the needs of the huge domestic market (Deloitte 2016).

South Africa is home of Africa's largest food and beverage companies. There is a great agricultural production heritage in Southern Africa region that has seen some of the largest farms on the continent in countries Zambia, Malawi, eSwatini and Zimbabwe, which was once called the foodbasket of Africa. The large agricultural industry has supported the growth of food and beverage producers. Until it was acquired in 2016, SABMiller was the second largest brewer in the world with market valuation of 75 billion and operations in no less than 40 countries across America, Europe, Africa and Asia. Other large agribusiness firms are from the region are **Pioneer food**, **Tiger brand** and Zimbabwean **Innscor** and **Zambeef**.

The South African companies have the largest geographic footprint across Africa as they seized the opportunity of the country's independence in 1990 to expand

across the SADC region. Tiger Brands has the largest manufacturing and investment footprint, with a presence in six African (and two Latin American) countries.

Egypt and Morocco have the largest food and beverage companies in North Africa but for Egyptian firms, the domestic market is also huge and political activities in the region have made firms focus on export of products to countries in the MENA region.

Edita is an Egyptian FMCG company that produces cakes, croissants and waffles that is active across Egypt and has grown a healthy export business in the face of a particularly tough regional climate. With the 2013 acquisition of HTT brands in Egypt, Libya, Jordan and Palestine, **Edita** greatly expanded its export footprint. The company is expanding to Morocco through a JV Morocco's Dislog Group, a leading local distributor with over 65,000 distribution points has been retained to advise on construction and design.

East Africa is another hub of cross border operation by African Lions as Kenyan firm, Bidco Africa manufactures noodles and other food products and baking products. Tanzanian **MeTL** and **Bahkresa** all have popular food and beverage brands and have expanded operations across the region. In Angola, **Refriango**, which began production in 2005, has conquered the market for nonalcoholic beverages with a rich portfolio of recognizable brands that the company exports to over a hundred countries. The same also in Tanzania were Mo Cola from MeTL and Azam Cola from Bahkresa are popular brands challenging the dominance of multinationals like Coca Cola.

In Egypt **Juhayna** is among the largest producers of dairy products while Zambian agriculture and food company **Zambeef** has grown into Nigeria and manages the meat supply operations of Shoprite in all its shops across the continent.

Tobacco is a highly sought-after cash crop that has long been grown on the continent. Long dominated by MNCs, **Pan African Tobacco** is a Burundian founded company that is involved in the processing of tobacco to cigarettes. The company is the largest African founded tobacco manufacturer in the world with subsidiaries in six countries. These firms are all expanding domestically and internationally as the increase capacity (Table 9.4).

9.3.1.2 Building and Construction Materials

Manufacture of construction materials has been expanded with new plants and factories established to meet Africa's growing need for housing, commercial and retail properties. Housing is a basic need and trading in building materials is among the more lucrative forms of mercantile activities. Cement, steel rods and roofing are among the most important building materials while tiles, door and window frames and wires and cables make up the most basic electrical needs of the industry. Providing the materials for the continents housing needs had been the exclusive prerogative of the MNCs. But as part of their import substitution initiative in the post-colonial era, several African governments established SOEs to produce these materials in an industrial scale. While countries like Nigeria and Egypt made the hugely expensive investments in building steel rolling mills, aluminium plants and cement plants many of these firms suffered the inefficiency that plagued SOEs all

Table 9.4 Some African Lions that are food and beverage products manufacturers

Company	Country	Year founded	Products	
METL	Tanzania			Uganda, Ethiopia Kenya, Rwanda, Burundi Zambia, Mozambique, Malawi, DR Congo and Tanzania
Madhvani	Uganda		Sugar milling	Rwanda, Tanzania
Bahkresa	Tanzania		Packaged food	Tanzania Mainland and Zanzibar, Kenya, Uganda, Malawi, Mozambique, Zambia, Rwanda, Burundi and in South Africa
Tiger brand	South Africa	1920	Packaged food	Nigeria, Kenya, Ethiopia, and Cameroon
Dangote industries	Nigeria[a]	1981	Sugar, rice, salt	Nigeria
Cevital Agribusiness		1998	Sugar, oil, margarine, mineral water, Fish processing	Brazil, Ethiopia, Djibouti
Cottco/AICO	Zimbabwe	1994	Diversified agribusiness, seed, cotton	Zambia and Malawi Tanzania, Kenya, Ethiopia
Pan African Tobacco	UAE[b]	1978	Cigarette manufacturing	Burundi, Congo DR, Angola, Nigeria, South Sudan, Tanzania, Uganda, UAE
Mukwano	Uganda	1986	Vegetable oil refining	Uganda, Kenya, Tanzania
Bidco Africa	Kenya	1985	Vegetable oil refining Margarine, animal feed	Uganda, Tanzania, Madagascar, Kenya
Zambeef	Zambia	1994	Meat processing, farming	Ghana, Nigeria, Zambia
Tongaat Hulett	South Africa	1850	Agri-processing business, Sugar milling and refining	Zimbabwe, Botswana, Namibia, South Africa, Mozambique, Swaziland
Brookside dairy		1993	Dairy product	Nigeria, Kenya, Uganda, Tanzania
RCL Food	South Africa	1900	Poultry products	South Africa, Swaziland, Namibia, Botswana, and Zambia
Astral Foods	South Africa	2001	Poultry products and feeds manufacturing	Mozambique, Zambia, Swaziland, South Africa
Distill	South Africa	2000	Brewing, Beverage	Namibia, Brazil, South Africa, France, Singapore, Ireland

Compiled by author

[a]Dangote industries is a conglomerate with its cement operations spanning several countries but its agribusiness in mainly in Nigeria

[b]Founded in Burundi but now headquartered in UAE

across Africa. Several of these SOEs have since been privatised, and new private owners have focused not only on increase capacities of their plants and expanding their operations domestically, they have also embarked on establishing factories abroad.

Egypt's **Orascom Construction** was one of Africa's first AMNEs following their establishment of cement plants in several countries including the middle east, Asia and Africa. The company has since sold its cement manufacturing interest to leading MNCs Lafarge-Holchem.

Dangote Cement is at present the largest builder of greenfield cement plants on the continent with subsidiaries in ten African countries. The company is now a major challenger of the dominance of Lafarge on the continent.

Moroccan cement producer Ciments d'Afrique (CIMAF), is another African Lion that expanding across Africa. The company is the largest cement manufacturer in Côte d'Ivoire where has a capacity to produce 2.3 m tpa in three different plants. CIMAF is also present in Ghana, Gabon, Burkina Faso, Mali and the Republic of Congo.

Comcraft Kenya Ltd. is one of the largest conglomerates in Africa. The group produces steel, plastics, and aluminium products from its manufacturing facilities in 16 African countries and employs a workforce of over 30,000 people in 45 countries on five continents.

Algerian conglomerate **Cevital** is also a major manufacturer of steel in its industrial complex in Bejaia, Algeria while it owns a steel plant in Italy. The company also acquired companies in France and Spain that manufacture window frames and aluminium products.

Egyptian firm **Elsewedy Electric** is one of the largest producers of electrical cables on the continent and the largest in the Middle East and North African regions with operations in over 20 countries within Africa. The company has established operations in Europe, America, Asia. Founded in 1938 by the Elsewedy family, the company has since been Egypt's sole cable manufacturer. **Elsewedy** has expanded horizontally and vertically by providing more products and services, and exporting products to Algeria, Angola, Bahrain, Chad, Cyprus, India, Iraq, Ireland, Italy, Jordan, Kazakhstan, Kenya, KSA, Kuwait, Libya, Mauritius, Nigeria, Qatar, Romania, Russia, Rwanda, Spain and South Africa. Currently, the company has 30 production facilities located in 14 countries, and exports its products to more than 110 countries worldwide. The company operates through seven divisions: wires and cables, electrical products, energy measurement covers meter and systems divisions; transformers, telecom, wind energy manufactures blades, wind towers and wind turbine, and engineering and contracting offers design, procurement and installation services. In 2017 the company had a market valuation of USD2.6 billion, assets valued at USD2.4 billion and a profit of USD362 million.

9.3.1.3 Pharmaceuticals

As population increased and urbanization gathered pace, the need for qualitative healthcare became a critical desire of many governments especially as several

Africa countries rank poorly in measures like Human Development Index. Africa's pharmaceuticals needs had been provided by MNCs like Evans, GlaxoSmithKline, Pfizer, Roche among others. High cost has, however, made countries turn to India, China, Malaysia and Indonesia to source for pharmaceutical products.

When Africa started to suffer under the devasting effect of the Aids-HIV pandemic, as well as increases in infectious diseases, there was a heightened need for local manufacture of anti-retroviral drugs. This served as catalyst for the growth of new crop of manufacturers that obtained licenses to produce generic version of anti-retroviral drugs. Local manufacture of pharmaceuticals products is seen as part of a strategy to improve heart care outcomes. In 2012, African Heads of State adopted the African Union Commission's (AUC) Business Plan for implementing the Pharmaceutical Manufacturing Plan for Africa (PMPA) (Addis Ababa: African Union Commission United Nation Industrial Development Organization 2012; African Union Commission's pharmaceutical manufacturing plan for Africa: Business plan n.d.). African leaders called later for a strengthening of south–south cooperation—including collaboration with the BRICS countries—to scale up investment in Africa's pharmaceutical manufacturing capacity, especially for generic essential medicines.[18]

Pharmaceutical production occurs at three levels, primary, secondary and tertiary. The primary level includes the manufacture of active pharmaceutical ingredients and intermediates from basic chemical and biological substances. Secondary production includes the production of finished dosage forms from raw materials and excipients. The tertiary level is limited to packaging and labelling of finished products or repackaging of bulk finished products.

Local manufacturing has increased in Africa although local manufacturers import active pharmaceutical ingredients (APIs) and excipients mainly from India and China. Almost all this manufacturing capacity produces generic medicines. Generic medicines are copies of originator or innovator branded medicines; generics have the same dosage form, therapeutic effect, delivery route, known risks and side effects as the originator drug. There is very limited manufacturing of Active Pharmaceutical Ingredients (APIs) in Africa (limited exceptions being South Africa, Egypt and Ghana and most companies are involved in final formulation and packaging of drugs.

And like most manufacturing done on the continent, producers focused on their domestic market. Local firms import plant, equipment and machinery from India and China, while analytical equipment is sourced mainly from high-income countries such as Germany. The growth of local manufacturing capacity of pharmaceutical products means that one third of the products consumed in East Africa is locally produced. Among the most successful pharmaceutical companies in Africa are;

[18] Declaration of the special summit of African Union on HIV/AIDS, tuberculosis and malaria, Abuja, Nigeria, 16 July 2013. Abuja: Abuja +12; 2013. Available from: http://abujaplus12.org/wp-content/uploads/2013/07/ABUJA-DECLARATION-ON-HIV-ETC-SPECIAL-SUMMITEnglish.pdf.

Aspen Pharmacare is one of the largest producers or generic drugs in the world. The company was founded d in 1997 by Stephen Saad and Gus Attridge in a converted house in Durban. They bought SA Druggists, the oldest pharmaceutical company and listed on the JSE the following year. Aspen launched Africa's first generic antiretroviral (ARV) in 2003 and by 2006 was the biggest supplier of generic Anti-Retroviral Viral on the continent. The company also acquired the licenses to manufacture and sell medicine by GlaxoSmithKline medicines, including treatments for epilepsy, thyroid disorders, herpes, heart failure, gout, Crohn's disease and antibiotics. It also bought the rights to commercialize AstraZeneca's anesthetics products in China and dozens of other countries, and bought the rights for Nestlé's infant formula brands in Australia, Latin America and in South Africa for almost R4 billion. It now has more than 10,000 employees in 52 countries, 25 manufacturing facilities across 17 sites and they hold international manufacturing approvals from some of the most stringent global regulatory agencies listed here including, among others, the United States Food and Drug Administration, the Australian Therapeutic Goods Administration and the European Directorate for the Quality of Medicines.

Dawa Limited: is one of the leading pharmaceutical manufacturers of human healthcare products in Kenya and East Africa. In 2004, Medisel (Kenya) Limited acquired Dawa Limited as a strategy to grow and enhance the company's position in East Africa's pharmaceutical industry. This also enabled Dawa Limited to leverage on the expansive network of its new parent company to widen Dawa Limited's market reach. Dawa's products can be found in virtually every African country, thanks to our commercial operations in more than 10 countries in Eastern, Central and Western Africa. Dawa Limited has been pursuing an aggressive growth strategy, which has seen the company setting up a state-of-the-art penicillin manufacturing facility.

9.3.1.4 Textiles and Apparel

In many Sub-Saharan African (SSA) countries the clothing industry is seen as a priority sector for export and employment generation and industrial development. Clothing and textile exports accounted for 5.2% of total SSA manufacturing exports in 2013. The sector was the traditionally the second largest employer of labour after the food and beverage sector. Close to 10% of the world's cotton comes from Africa. However, most of this cotton is then taken to Asia for further manufacturing (Staritz et al. 2017). Cotton production is widespread across the continent: 37 of the 54 African countries produce the crop, out of which 30 are exporters. However, there is little value adding manufacturing done to the continent on the cotton. The African continent accounts for only about 16% of the vast global textiles market, valued at USD1.6 trillion in 2015, while Asia-Pacific accounts for almost 60% (Traub-Merz and Jauch 2006).

Africa currently manufactures about 2% of apparel globally. There are two hubs of textile manufacturing on the continent. Morocco and Tunisia in the North are tied to the supply chains of Europe while Mauritius has been the traditional leader of apparel production in sub-Saharan Africa. Morocco is the largest apparel manufacturer on the

continent followed by Tunisia. Ethiopia, Kenya, Lesotho, Tanzania, and Uganda have been cited as up-and-coming apparel producing countries, fueled by both government investment and preferential market access to U.S. and European markets.

Textile, apparel and footwear manufacturing in Africa has expanded in the post liberalization era in Africa due in part to the opportunity created by trade agreements between the EU and African governments on one hand, and attempts by America to open up trade opportunities for African governments, through African Growth and Opportunity Act (AGOA).

The African Growth and Opportunity Act (AGOA), United States Trade Act, is a unilateral trade program that significantly enhances U.S. market access for (currently) 41 sub-Saharan African countries. The Act was originally enacted to last from October 2000 to September 2008, but amendments have extended AGOA to 2025. For instance, AGOA makes various items of women's apparel from Ethiopia and Kenya sold to the United States 25–50% cheaper than prices for the same goods in European markets. Countries that have capitalized on AGOA, such as Lesotho, have seen boosts to their apparel manufacturing sector.[19]

Production in the African manufacturing sector grew from USD73 billion in 2005 to USD157 billion in 2014. Asian countries are key export destinations and intra-regional African trade is growing as well. The U.S. and the E.U. both have preferential market access programs.

The growth of textile manufacturing in Africa has been due to the efforts of East and southern African countries like Mauritius, Kenya, Lesotho and South Africa. Ethiopia in particular has been cited as the future of Africa apparel manufacturing, with the manufacturing sector growing at roughly 11% per year between 2004 and 2014. In North Africa, Morocco and Tunisia have become major manufacturers and exporter as these countries leverage in their geographic proximity to Europe, especially Spain to become centers of near-sourcing.

Most of the textile and apparel manufacture in Africa is aimed at the export market. The growth of clothing exports in some countries was spectacular. Lesotho, Swaziland, Madagascar, Kenya and Mauritius, became the largest SSA exporters of clothing accounting together for around 80% of SSA's total clothing exports in 2004. By 2004, Kenya, Lesotho and Swaziland exported more than 90% to the US and Madagascar's major exports shifted from the EU to the US. Although exports to US increased the EU remained the major end market for Mauritius. Among the textile and apparels manufacturers from the country are CIEL Textile which has operations spanning across Mauritius, Madagascar, India and Bangladesh. The company has 19 production units in Mauritius, 7 in Madagascar, 6 in India and 5 in Bangladesh. CIEL has 20,000 employees and produces 36 million garments for exports annually.

METL Group is one of the largest textile manufacturers and owns three local textile companies that produce a variety of products, including kitenge and khanga (traditional African print wraps), shirting, suiting and dress material.

[19] https://agoa.info/.

9.4 Services Sector

The largest private companies in Africa are service companies that have taken advantage of liberalisation and deregulation to enter domains that were once controlled by state owned monopolies. The services sector witnessed the most growth in Africa in the era of liberalisation. Today, services contribute 60% to Africa's GDP. Services includes retail and whole sale trade, banking, insurance and other and financial services. It also includes utilities like power, telecoms, water and sanitation, and infrastructure for transport like roads, ports, and airports. Media and entertainment, tourism and hospitality and aviation are also services (UNCTAD 2015).

Trade and formalised retail are services that has seen more private sector involvement in the past two decades, just as liberalisation of the broadcasting, media and entertainment has also engendered the growth of those sectors. The opening up of sectors like banking and finance, telecommunications, port operations and power sectors to private capital has led to the birth, growth and international expansion of some of the largest companies in Africa.

These include better known telecommunication companies like **MTN**, **Econet**, **Globacom**. Investments in telecommunication has also included that in submarine cables that has improved connectivity between Africa and the other continents as well as increasing access to broadband. Submarine cables like **SEACOM**, **ESSY**, **Glo 1** and **WAC** have had an impact in connecting Africa to Europe, Asia and America as well as increasing on broadband penetration and access to the internet in Africa.

SOEs have remained predominant service providers in Africa, especially in utilities like of power, water and sanitation. But governments are opening up these sectors to private investment. In Nigeria, power generation and distribution have been privatised and companies like **Transcorp** and **Sahara Power** are leading investors in that sector. These companies would be poised to expand to other countries as more governments privatise their power utilities. Increasingly also, roads, airports and sea port are being privatised.

The banking and finance services sectors has grown rapidly since being liberalised. The growth has had benefits to the continent that includes improvements in financial inclusion and per capital credit to citizens. The sector has also spawned the most amount of companies with cross-border operations.

At the same time, some companies have found opportunity in commodities storage and trading including trading in import, export, storage and distribution of petroleum products and agricultural produce. Once the preserve of government, commodities trading has created a large number of AMNEs seeking scale through cross-border operations. In oil producing countries like Nigeria, Gabon and Angola, indigenous companies have been licenced to lift and market oil on behalf of governments while others have been licenced to import, store and distribute petroleum products.

Retail in Africa is largely informal. Only a handful of countries on the continent have well developed or mature formalised retail sectors. As Africa's middle class expands and countries enjoy high growth rates, formalised retail has been a growth

sector for some of Africa's largest home-grown companies. Leading this charge into new markets are a troupe of South African retailers led by Shoprite, Spar, and Massmart.

Part of the benefits of liberalisation has been the deregulation of the media and entertainment sector. The private sector has overseen the growth of private media companies including radio, television, Pay Tv, internet service providers. Media and entertainment have been another frontier that has led to greater cultural integration on the continent. Indeed, it is no coincidence that the largest AMNE in Africa, Naspers, has its roots in media and entertainment.

Africa's tourism and leisure industry has also experience growth, as countries like Morocco, South Africa, Mauritius and Kenya attract increasing number of visitors. African hoteling, entertainment and leisure companies have had the scope to expand even as these sectors are dominated by multinationals.

9.4.1 Banking and Financial Services

At the time of independence, most African countries had banking systems dominated by foreign-owned banks. Other banks, if they existed, typically provided a negligible share of total lending. Established during the colonial period, foreign banks mainly provided trade finance and short-term working capital to foreign companies and served the non-African resident community (Beck et al. 2014).

British banks dominated in the British colonies, while French banks did so in the French colonies while Portuguese banks were active in Portuguese colonies. Following independence, the banking sector was one of sectors that saw wide scale reforms including nationalisation, indigenisation as African governments felt that the foreign banks did not serve the needs and development goals of the new states. Banks were criticized for discriminating against Africans and African-owned businesses and lending almost exclusively to foreign companies for the purpose of trade finance and other short-term purposes (Austin and Uche 2007).

Most foreign banks were forced to retreat or scale down their operations in Africa following independence due to policies, macro-economic shock and persistent political upheaval on the continent. While banks like Chase Manhattan, Bank of America retreated from the continent, others like Habib, Société Générale, Citi scaled down their operations and focused on the wholesale sector of the market.

And just as the states were establishing firms for several services including aviation, they also set up financial institutions and also licenced some indigenous private enterprises to operate banks.

Like most state-owned enterprises, state-owned banks failed across Africa except in countries where government intervention was less heavy handed, resulting in relatively less distorted credit markets, as in Kenya, Ethiopia and Zimbabwe, state-owned banks remained functional. This was often because those banks had private sector participation or management provided by a foreign bank.

In the 1990s and the early 2000s the financial sector in many African countries was liberalized. The objective was to restore credit allocation based on commercial

criteria, relying on the credit risk assessment skills of the private sector, and return to market-determined interest rates. The liberalization of the financial sector in turn provided opportunities for entry and expansion of banks across the continent.

The birth and growth of these new private banks also coincided with the growth the private sector and the increasing expansion of African Challengers. Newly founded private banks played an essential role in supporting the early operations and growth and eventual expansion of several AFFs. Essentially, banks were always the first port of call of financiers and were always able to raise funds for their most reliable customers.

Banking and financial services is the sector that has spurned the most amount of AMNEs as it has the largest number of African founded participants.

UNCTAD's database on foreign affiliates, which is based on data from Bureau van Dijk's Orbis database, reports 114 financial companies headquartered in Africa that have established 465 affiliates in other countries, three quarters of them located in the continent. Intra-African FDI has played a vital role in driving Africa's burgeoning financial industry, especially in retail banking services. Financial services accounted for about 50% of intra-Africa greenfield investment projects between 2003 and the start of 2014, with about 38% of these projects in retail banking, and 5% in insurance. African banking AMNEs have predominantly from the countries with Africa's largest economy, namely Nigeria, South Africa, Egypt, Morocco, Kenya, but the sector also has banks from more African countries including some of the smallest in population playing major roles on the continent. Mauritius has developed a strong financial services sector and some banking multinationals are from the small Indian ocean country. Togo, a country with population of is home to two multinational banks including Orabank and Ecobank.

Some of the largest banks by asset are South African banks. South Africa's position as a financial center, its well-developed stock exchange and the large insurance and pension assets have helped in strengthening the asset base of South African banks. Nigerian banks have also expanded across the continent starting with anglophone West Africa countries as their staging post. Moroccan banks have been the vehicle by which King Mohammed has implemented an internationalization policy for Moroccan firms.

The geographical spread of these banks has been impressive: South Africa's Standard Bank operates in 20 countries in Africa; **Ecobank**, a Togo-based pan-African bank in 36; and Nigeria's **United Bank for Africa** in 19. There has also been strong regional expansion by banks from North Africa—especially **Banque Marocaine du Commerce Extérieur** and **Attijariwafa bank** (Table 9.5).

9.4.1.1 Private Equity

Due to illiquidity in the capital markets, private equity investment is currently the most interesting form of investments for foreign investors. In fact, 2013 research by the Emerging Markets Private Equity Association (EMPEA) showed that for the first time those polled considered sub-Saharan Africa as the most attractive investment region. However, the lack of availability of exit options is also a concern for potential private equity (PE) investors in Africa (PWC 2015).

Table 9.5 Some of African multinational banks

Company	Home country	Year founded	Countries present in
Ecobank	Togo	1985	36
Standard Bank	South Africa	1862	18
FirstRand	South Africa		
United Bank for Africa	Nigeria	1949	20
Zenith Nigeria	Nigeria	1990	4
GTBank	Nigeria	1990	10
Orabank	Togo	2005	12
Attijariwafa bank	Morocco	2003[a]	12
Access Bank	Nigeria	1989	9
BMCE	Morocco	1959	18

Compiled by author

[a]Established after a merger between Banque Commerciale du Maroc and Wafabank

There are currently about 207 private equity investment firms in Sub-Saharan Africa among which there are 8 firms managing funds between USD500 million and USD1 billion. Furthermore, there are 60 firms with funds between USD100 million to USD500 million under management within Sub-Saharan Africa. However, a large portion of firms in the region, about 71, manage funds less than USD100 million (AsokoInsights 2019).

Private Equity firms have become a major source of funding for African enterprises, creating an alternative path for firms that cannot access capital on Africa's shallow stock exchanges, or banking credit. Private equity firms raise funds from institutional investors and in that regard argue the business case for African firms that they invest in. Fundraising by private equity firms operating in Africa was USD4.1b in 2014 from USD3.3b a year earlier (EY 2015). The firms also provide managerial knowhow as they take up equity position in firms that they invest in thus improving governance. Among the most notable PE firms are Helios Investment Partners which is headquartered in London but is one of a number of African Focused Companies that has pan-African operations. Helios Investment Partners was established in 2004 by partners Tope Lawani and Babatunde Soyoye who still lead it and is among the few independent pan-African private equity investment firms founded and managed by Africans. It is one of Africa's most successful private equity firms (Table 9.6).

Having raised over USD7 billion since it was founded in 2004. The private equity firm operates funds and related co-investment entities, aggregating more than USD1.7 billion in capital commitments, and is one of the largest investment firms focusing on Africa. Another African focused PE is AfricInvest which was founded in 1994 and is now one of the leading private equity firms in North and sub-Saharan Africa with over USD1.4 billion of assets under management across 13 PE funds sponsored by prestigious DFIs, international private and institutional investors. **AfricInvest** which operates out of **10 offices**: Tunis, Abidjan, Algiers, Casablanca, Cairo, Lagos, Nairobi, London, Dubai and Paris.

Table 9.6 Some of Africa's multinational financial services companies

Company	Home country	Year of founding	Service	Countries present in
MMI Holdings	South Africa	2010	Insurance, asset management	South Africa, United Kingdom, Botswana, Ghana, Kenya, Lesotho, Malawi, Mauritius, Mozambique, Zambia, Swaziland, Tanzania, and Namibia
Liberty	South Africa	1957	Life insurer and financial services	Botswana, Kenya, Namibia, Lesotho, eSwinina Uganda, Zambia
Salam	South Africa	1918	Insurance and finance company	45 countries, 26 African countries
Hollard	South Africa		Insurance	Several countries in Africa, Asia and Europe
Jubilee Holdings	South Africa	1937	Financial services, insurance	Kenya, Uganda, Tanzania, Burundi, Mauritius, and Pakistan
Britam	Kenya	1965	Financial services, insurance	Kenya, Tanzania, Malawi, and Mozambique, Uganda, South Sudan, Cyprus
Wari	Senegal	2008	Money Transfer	Operates in over 60 countries
Investec	South Africa		Financial services	Several countries in Africa and Europe
Imara Holdings	Botswana	1954	Asset management	Botswana, Malawi, Swaziland, Zambia and Zimbabwe
*Helio Investment Partners	UK	2004	Private equity	Portfolios of private equity and credit investments in over 30 African countries
Phembani	South Africa	1994	Private equity	South Africa, Mozambique, Mauritius, Ghana and Nigeria
Remgro	South Africa	1968	Investment Holding Company	Portfolios of investments in companies spread across Africa, Europe and America
Leapfrog Investments	South Africa	2007	Private Equity	Mauritius, Singapore, South Africa, Australia and the United Kingdom
AfricInvest	Tunisia	1994	Private equity	Tunisia, Morocco, Algeria, Nigeria, Côte d'Ivoire, Kenya, Egypt
Interswtich/ Verve	Nigeria	2008	Payment processing Card services	Kenya, Tanzania, Uganda

(continued)

Table 9.6 (continued)

Company	Home country	Year of founding	Service	Countries present in
PayLogic	Morocco	2006	Payment processing Card services	Morocco, Sudan, Gabon, Senegal, Congo, Bénin, Mali
Old Mutual	South Africa	1845	Insurance	Africa (South Africa, Namibia, Botswana, Zimbabwe, Kenya, Malawi, Tanzania, Nigeria, Ghana, Uganda, Rwanda, South Sudan and eSwatini) Asia (China)
Qalaa Holding	Egypt	2004	Private equity	Algeria, Tunisia, Sudan, South Sudan, Ethiopia, Tanzania, Mozambique

Compiled by author
* Headquartered in London but Africa focused

9.4.1.2 Insurance

By global standards, Africa's insurance industry remains relatively underdeveloped, accounting for just under 1.2% (USD0.06 trillion) of insurance premiums written globally but there has been an expansion of insurance assets in Africa. Insurance penetration across the majority of Africa remains very low, with the higher penetration, and market maturity, found mainly in of eastern and southern parts of the continent.

The insurance market is dominated by South Africa, which alone accounted for USD42 billion of the total premiums written, or 0.89% of the global market, in 2016 with other large countries, such as Nigeria, remaining drastically underpenetrated. Penetration is improving as mobile telephony is helping spread insurance products as Vodacom in South Africa, which offers insurance products and Tigo in Ghana, which offers life insurance. In South Africa, the market is quite concentrated with the top five players controlling 77% of the total assets in the long-term insurance market. The largest companies being Old Mutual, Sanlam, Momentum and Liberty.

9.4.2 Telecommunications

Just two decades ago only one person in a hundred owned a telephone in Sub-Saharan Africa. By 1990 the sector was dominated by state inefficient state-owned enterprises who mainly fixed line operators. Only two countries in Sub-Saharan Africa had introduced mobile cellular service, with fewer than 10,000 subscribers between them (IFC 2016). Yet, beginning in 1995, a few African countries began to reform the telecommunications industry, leading to seemingly miraculous results. Governments abandoned their position as the sole provider of telecommunications services, and assumed a new role as the industry facilitator by enacting laws, policies and providing regulatory mechanism to encourage the sector's advancement.

By the year 2010, 77% of all African countries had established an independent telecommunications regulator to ensure the level playing field for all market players, to protect consumer welfare, and to spur the telecommunication sector advancement. At the time of the liberalisation and deregulation of African economies in the 1980 and 1990 there was little appetite from MNCs to invest in Africa. Licensing auctions in Africa happened at a time most MNCs were still not interested in investing in Africa. This meant it was mainly local businesses that participated in licencing rounds and won licenses to operate telecom networks on the continent. By 2000, virtually all countries in Sub-Saharan Africa had mobile service, with total subscribers surpassing 10 million. Within 5 years subscribers had increased to 90 million, expanding to almost 400 million subscribers by 2010 and about 750 million by 2015 (IFC 2016).

The growth of telecommunications sector is the most successful case studies of private capital involvement in the provision of infrastructure and the role played by African telecommunications Lions has been central to that success. The private investment in telecommunications infrastructure in Sub-Saharan Africa as percentage of total GDP had increased to 1% in 2008 from only 0.3% in 2000 and accounted for 80% of all private infrastructure investment in the region in 2011. Most of this private investment was done by African Lions (Gutman et al. 2015).

The telecom sector has been the largest recipient of external investments, accounting for about 40% of total financing for most years between 2000 and 2011. The sector has also attracted the largest private sector injection of capital between 2000 and 2015 of 46 billion dollars. This investment has led to the rapid transformation of access to ICT services to Africans (GSMA 2018). African mobile telecoms have witnessed massive growth over the last decade; compound annual growth rates, CAGR, for subscriptions reached 42% between 2006 and 2008 and 21% between 2009 and 2011. This rapid uptake has been mainly driven by mobile services being a core life enabler to all user segments, favourable macroeconomic factors flowing to higher consumption, licensing opportunities and improved regulatory environment.

Coverage and penetration statistics are equally impressive. The percentage of the population covered by mobile networks climbed from almost zero in 1995 to more than 80% in 2015. Mobile penetration has tracked mobile coverage—as networks expanded.

The defining elements of change in the sector were policy reforms and technology. The two episodic phases of the sector were the licencing and roll out of for voice and the investment in submarine cables and satellite infrastructure for broadband. African telecoms lions were involved in these two epochs with **Orascom Telcom**, **Sonatel Mobiles, Econet Wireless**, **Maroc Telecom** and **MTN** duelling with each other and telecom MNCs like Vodafone, Orange and Millicent Telecoms at various licencing rounds across the continent.

Private sector investment has also been deployed in improving connectivity between Africa and the other continent. Several AFF have been part of the consortium that have financed the laying of submarine cables between Africa, Europe, Asia, America and South America. African companies have led the funding and

laying of submarine cables like GlobaCom, **MainOne**, **SEACOM**, **ESSY** and **WAC**. Consequently, submarine fiber cables had increased the bandwidth capacity in the continent from only 0.34 Terabits per second (Tbps) in 2008 to 17.16 Tbps in 2011 as major submarine cable projects became operational. Similarly, mobile penetration and Internet usage increased from only 1.5% and 0.5% in 2000 to 45.2% and 10.8% in 2010 respectively.

Other companies provide downstream and midstream services including being Internet Service Providers, and establishing data centers. Notable among these is South African SOE **Telkom** which has 38 subsidiaries across Africa. **Liquid Telecom** is a subsidiary of Econet Wireless that provides value added services across East, Central and Southern Africa including laying an extensive fiber optic network across Africa.

The quest for efficiency in the telecom sector spurned the formation of companies that manage base stations and towers. The most prominent being **IHS Towers** and **Helios Towers. IHS Towers** is a Nigeria company that is the largest mobile telecommunications infrastructure provider in Africa, Europe and the Middle East by tower count and the third largest independent multinational tower company globally. These companies provide renting space on the towers to mobile network operators and other telecommunications providers who in turn offers wireless voice and data services primarily to end-consumers and businesses. **Helios Towers Africa** owns and operates telecommunications towers and passive infrastructure in Tanzania, the Democratic Republic of Congo, Congo Brazzaville, and Ghana.

9.4.2.1 Africa's Largest Telecommunications Lions

MTN is without a doubt the biggest mobile operator in Africa, based on turnover and the number of subscribers. In a recent revenue presentation, the company revealed that they have over 176-million subscribers across 16 countries in Africa and six countries in the Middle East. MTN South Africa currently has 23.5-million subscribers 49 million subscribers in Iran and 50 million subscribers in Nigeria where the company has a 50% market share. **Vodacom**, in which UK based Vodaphone is a majority equity holder was founded in South Africa and is now a major investor in East and Southern African region.

Econet Wireless is a diversified telecommunications group with operations and investments in Africa, Europe, South America and the East Asia Pacific Rim, offering products and services in the core areas of mobile and fixed telephony services, broadband, satellite, optical fiber networks and mobile payment. The group's subsidiaries include Econet Global, Econet Wireless Africa, Econet Wireless International, Econet Enterprises, Liquid Telecom Group and Econet Media. The group has an estimated revenue of USD3 billion per annum.[20] **Orascom Telecom Holding**, which is the parent company of Orascom Telecom, is one of the largest operating GSM networks in the Middle East, Africa, Canada and Asia. The company is also 51% owned by Russia's Vimpelcom, and is the sixth largest mobile

[20] Top Ten largest telecoms companies in Africa: https://www.itnewsafrica.com/2012/08/top-ten-largest-telecoms-companies-in-africa/.

telecom provider in the world. Revenue for the company at the end of 2009 was USD5.065 billion, but that took a dip in the following 2 years. In the late 90s the company saw a surge in subscribers, climbing from just over 200,000 in 1998 to over 101 million subscribers after Wind Telecom bought a sizeable stake in the operation.

Telcom South Africa Telkom is South Africa's largest fixed-line and wireless service provider, and operates in more than 38 countries throughout the African continent. The South African government has a 39% stake in the company, founded in 1991. The company provides mainly data and broadband services through its investments in data centers and underground submarine cables. **Maroc Telecom** is the main telecommunications company in Morocco, and is partly owned by technology company Etisalat. The company revealed that it had 51.1-million subscribers, which included 12 African countries in West and Central Africa[21] (Table 9.7).

9.4.3 Aviation

After independence in the 1960s several African governments established national carriers and like most SOEs, these African airlines were unprofitable and accumulated debts. Following structural adjustment and the move towards free market economy in the late 1980s, governments liberalized and deregulated their civil aviation sector. Deregulation allowed private participation in the sector but most often governments retained some stake in their national airlines. Kenyan Airways was among the few national carriers that were privatized but governments retained significant equity in the airlines. But beyond establishing national carriers, aviation within Africa was constrained by politics that restricted intra African air travel.

There was, thus, a need to facilitate greater intra African travel and this led to agreements like the Yamoussoukro Decision in 1999 which was aimed at promoting open skies between African countries. The efforts have continued with the recent adoption of the Single African Air Transport Market agreement by several African countries (SAATM). The growth of aviation in Africa has had a lot to do with these policies pursued by governments. These concerted efforts to open up the African skies to African Airlines as well as the growing African middleclass has led to growth in the aviation industry in Africa. The annual average growth rate is about 5.9%—the highest of any region in the world. IATA found that African airlines enjoyed a 7.5% traffic rise in 2017, compared with 2016 (IATA 2014).

Capacity rose at less than half the rate of demand (3.6%), and load factor jumped 2.5 percentage points to 70.3%. Supports about 6.8 million jobs and contributes USD72.5bn in GDP, according to figures published by the International Air Transport Association (IATA).

[21] https://www.forbes.com/sites/mfonobongnsehe/2014/05/07/maroc-telecom-to-acquire-etisalats-west-african-business-for-650-million/#7240d4b0257b.

Table 9.7 The largest AMNEs in telecommunications sector

Company	Home country	Products	Year of founding	Countries present in
Vodacom[a]	South Africa	National Telephone and Mobile Network Operator	1994	Tanzania, Congo DR, Mozambique, Lesotho, Nigeria, Kenya
MTN	South Africa	Mobile Network operator	1994	Afghanistan, Benin, Botswana, Cameroon' Republic of Congo, Cyprus, Ghana, Guinea, Guinea Bissau, Iran, Ivory Coast, Liberia, Nigeria, Rwanda, South Africa, Sudan, South Sudan, Swaziland, Syria, Uganda, Yemen, Zambia
Econet Wireless	Zimbabwe	Mobile operator Fiber optic		Zimbabwe, Lesotho, Botswana, Nigeria, UK, New Zealand, Bolivia, Dominica, South Africa, Zambia, Botswana, Rwanda, DRC, Tanzania, Kenya Uganda Burundi Central African Republic
Africel	Gambia	Wireless Telecoms operator	2001	Gambia, Sierra Leone, Congo DR, Uganda
Globacom	Nigeria	Telephone operator, submarine cable, fiber optics network	2003	Ghana, Benin, Nigeria
Smile Telecom	Mauritius	4G LTE Data networks		Nigeria, Congo DR, Tanzania, Uganda
Sonatel	Senegal	Mobile Network Operator Fiber optic cable	2005	Democratic Republic of Congo, Egypt, Guinea, Guinea-Bissau, Luxembourg, Madagascar, Côte d'Ivoire, Mali and Moldova
Maroc Telecom	Morocco	Telecom operator	1998	Morocco, Mauritania, Burkina Faso, Gabon, Mali Benin, Central African Republic, Gabon, Ivory Coast, Niger and Togo
Telcom	South Africa	ISP, Data Center	1991	38 countries
IHS	Nigeria	Telecom towers and base stations	2001	Nigeria, Cameroon, Ivory Coast, Zambia and Rwanda
Helios Towers[a]	UK	Telecom towers and base stations		Tanzania, Democratic Republic of Congo DR and Congo Brazzaville, Ghana, South Africa

Compiled by author.

[a]Owned by Africa Focused private equity firm Helios Investment Partners

Currently, aviation contributes around USD70 billion and is responsible for seven million jobs across the continent, but this could easily be doubled or tripled if the right policy framework and conditions were to be put in place.

But several African governments have maintained full control of their national carriers for various strategic reasons. For countries like South Africa, Tunisia, Egypt and Kenya, with large tourism industries, an airline is a vehicle to transport tourist to their counties and within their domestic market. For landlocked Ethiopia and Rwanda, an operational airline is one of their main gateways to the outside world, important not only in trade and freighting goods in an out of the country, but also as strategic assets in the growing flower industry.

Nigeria is one of a few countries whose aviation sector is driven by the private sector following deregulation. The Nigerian government was unwilling to revive the debt-ridden national carrier Nigeria Airways, which was eventually sold off to Arik, a private airline.

Ethiopian Airlines is among the largest airlines in Africa. The airline which was founded in 1945, is wholly owned by the country's government. The airline flies to more destinations in Africa than any other carrier. It is one of the fastest-growing companies in the industry and is the largest on the African continent help by the fact that Ethiopian government has signed over 90 bilateral service agreements. Ethiopian Airlines carried more than 11 million passengers in 2016. The airline flies to 120 destinations with 50 destinations in Africa.[22] The vast majority of Ethiopia's air passenger traffic flows through Addis Ababa Bole International. The airline is a Star Alliance carrier and is currently implementing a 15-year strategic plan called Vision 2025 that aims to position it as the leading airline group in Africa with seven strategic business units.

The airline has the most modern airline fleet in Africa and including the Boeing 737 Max plane that crashed after only 4 months in service. In June 2018, the airline took delivery of its 100th aircraft, a Boeing 787–900, becoming the first African airline to reach the milestone.

Ethiopian is a significant shareholder in West African carrier Asky and is now lobbying some African governments to act as their national airline as well as being the pan African airline of choice by sale of minority stake to African governments.[23]

South African Airways (SAA) is the flag carrier airline of South Africa. The airline flies to 56 destinations in South Africa, continental Africa and around the world from its Johannesburg hub in partnership with SA Express, SA Airlink and its low-cost carrier, Mango.

The aviation industry in South Africa developed out of the isolation the country suffered during the period of apartheid. It was an important vehicle for the government, ferrying passengers between European capitals and the country is host to several of the busiest airports on the continent. In 2017 the airline ferried passenger 6.8 million passengers.[24]

[22] Company website: www.ethiopianairlines.com.

[23] https://qz.com/africa/1355507/ethiopian-airlines-pan-african-strategy-to-dominate-africa-skies/.

[24] Here are the ten largest airlines in Africa https://www.pulse.ng/lifestyle/food-travel/here-are-the-10-largest-airlines-in-africa/lf60d8m.

Air Mauritius Limited is the flag carrier airline of Mauritius. In 2017, the company was the fourth largest carrier in Sub-Saharan Africa and has an important standing in the European, African, and Indian Ocean region markets. The airline won the World Travel Awards "Indian Ocean Leading Airline Prize" from 2005 to 2014. **Air Algerie** is the national carrier of Algeria, operates from its main hub in Algiers operating a mix of African, European and selected Asian routes. The North African airline carried about 7.2 million passengers in 2017, a rise of 6.9% on 2016. Air Algerie operates scheduled international services to 39 destinations in 28 countries in Europe, North America, Africa, Asia, and the Middle East, as well as domestic services to 32 airports. Air Algerie is wholly owned by the government of Algeria.

Kenya Airways is the flag carrier airline of Kenya. Founded in 1977, the airline was wholly owned by the Government of Kenya until April 1995, and it was privatised in 1996, becoming the first African flag carrier to successfully do so. Kenya Airways is a SkyTeam alliance member and operates scheduled services throughout Africa, Europe, Middle East and Asia. Last year it operated 78 routes to 41 countries, carrying 4.59 million passengers. **Royal Air Maroc** is the Moroccan national carrier and the country's largest airline. The carrier operates a domestic network in Morocco, scheduled international flights to Africa, Asia, Europe, and North and South America, and occasional charter flights that include Hajj services. The airline ferried 7.5 million passengers during a year when it celebrated its 60th anniversary. The airline, owned by the Moroccan government, is based at Casablanca Airport and has a fleet of 54 aircraft.

EgyptAir is a Star Alliance member EgyptAir carried in excess of 8.1 million passengers in 2017, placing it second on the list of biggest African carriers. The airline, which operates from Terminal 3 at Cairo International Airport, operated more than 120 routes last year across 53 countries in the world. **Tunisair,** Tunisia's national flag carrier Tunisair increased passenger numbers by almost 6% in 2017 to 3.26 million, figures provided by Sabre show. The airline currently has a fleet of 28 aircraft, including four which are grounded.

TAAG Angola Airlines E.P is the state-owned national airline of Angola. Based in Luanda, the airline operates an all-Boeing fleet on domestic services within Angola, medium-haul services in Africa and long-haul services to Brazil, Cuba, China, and Portugal.

Other notable airlines are Mango which is 100% owned by South African Airways. The airline operates independently as a low-cost airline. **Arik Air**, the Nigerian airline operates mainly from two hubs at Murtala Muhammed International Airport near Lagos and Nnamdi Azikiwe International Airport in Abuja. It carried 2.6 million passengers in 2017, making it the tenth largest African airline.

9.4.4 Retailing

The African market is diverse, complex, interesting, and characterized more by informal than formal retail. The rising middle class is, however, contributing to the modernization of retailing and greater consumer market opportunities. Moreover, Africa has become a laboratory for experimentation in mobile and eCommerce, and presents a challenging opportunity.

Retailing in Africa is dominated by the informal sector. The African retail market is characterised by approximately 90% of transactions occurring through informal channels. Informal retail transactions account for 96% in Ghana and 98% in Nigeria and Cameroon. As the African consumer is increasingly adopting western style habits including shopping in malls, formalised retailing is expanding across the continent as MNCs are making entries into several countries with Carrefour, Walmart and Mango making their entry. These global giants have to contend with African challengers like **Metro** in Egypt, **Kero** in Angola, Una in Morocco, **Prosumar** in Côte d'Ivoire (Deloitte 2015).

South Africa leads the way in terms of formal retail, with 60% of South Africans shopping in formal retail supermarkets. This can be explained by South Africa's relatively well developed agricultural, manufacturing and financial sectors at the time of independence. But this may also have been helped by South Africa's business environment made up of good infrastructure and strong institution.

Ten of the largest formalized retailing lions in Africa are from South Africa. Their knowhow, scope and supply chain have become resources that they have exploited in several markets across Africa. The leading retailing AMNEs from South Africa are **Shoprite**, **Massmart** and **Pick and Pay**. The Shoprite Group of Companies is Africa's largest food retailer. It operates 2689 outlets in 15 countries across Africa and the Indian Ocean Islands. The company earns USD10 billions in revenue. Pick n Pay is the second largest supermarket chain store from South Africa. It has subsidiaries in countries in the SADC region including Botswana, Zambia, Zimbabwe, Lesotho, Namibia, Swaziland, and had plans to open in Malawi but has yet to do so. **Massmart** is another South African AMNEs that owns brands such as Game, Makro, Builder's Warehouse and CBW. It is the second-largest distributor of consumer goods in Africa, the largest retailer of general merchandise, liquor and home improvement equipment and wholesaler of basic foods.

Botswana also has one of Africa's most mature formal retailing market. Botswana's modern retail sector is well developed, and it is led by a number of active local and South African players. The African lion of note is **Choppies** which has 70 outlets in Botswana, 20 in Zimbabwe and 30 in South Africa.

Kenya is the largest retail market in East Africa. It has a population of 43 million people who are used to organised retail and who do their shopping in malls and supermarkets. It has an established consumer goods sector and developed supply chains. The Kenyan retail market is dominated by local private and family owned entities which are Tuskys, Nakumatt, Naivas and Uchumi. Three Kenyan retailers have expanded their operations into some neighbouring countries in East Africa.

Nigeria, with Africa's largest population, the biggest economy, and increasing urbanization, is the largest retail market on the continent but the retail sector is dominated by the informal retailers. The number of retail stores in Nigeria, for example, is low, with formal retailing accounting for just 1% of total retail sales. Following the high growth rate enjoyed by West African countries and the expansion of the middle class between 2000 and 2008 South African retailers expanded into West Africa with mainly entries into Ghana and Nigeria.

9.4.4.1 Online Retailing

Increasingly online retailing is growing in Africa. While formal retailing is limited in Nigeria, the country is at the forefront of online retailing with two of Africa's largest online retailers having their roots in the country (PwC 2015). **Jumai** was founded in Nigeria in 2012 and has now expanded into 21 countries. Jumia was recently listed on the New York Stock Exchange. **Jumia** and **Konga** are two of the biggest e-commerce companies in the continent, and in Nigeria nearly three-quarters of users access the Jumia platform via their mobile phones.

Jumia and Konga sell a wide range of goods but have found particular success in the fashion and mobile-phone sectors. In the case of Jumia, a significant part of its success is down to the way smartphone use is driving e-commerce activity.

9.4.5 Media and Entertainment

One of the bastions of African entrepreneurship has been the media and entertainment industry. Consumption of information and entertainment is an innate need of man and media platforms have always provided opportunities for several applications and uses. The media and entertainment sector have been one of the most successful sectors for African businesses even though it has also been among the most contentious. The media has probably had the largest impact on transformation of the political landscape of Africa through its role in the propagating political message and ideas. Its power as a medium of entertainment maybe the reason that the largest company in Africa, by market capitalization, is a media and entertainment company called Naspers.

Media and entertainment industry found a fertile ground for growth in the African tradition of storytelling and community entertainment, but it has been its power of political mobilization and agenda setting that has made it attractive to investors and politicians alike from colonial times to the present. The industry has gone through various transitions that mirrors the changing political clime on the continent.

The media was used to fight political causes during the colonial and post-independence era with authoritarian or military rule across Africa. Newspapers were the first media form to gain popularity in Africa followed by cinemas, radio and television and later, satellite and cable Pay TV. Radio was and still is a veritable means of information decimation in Africa and television opened the world to Africans as well as being a symbol of growing economic attainment of middle class. Advances in mobile broadband technology has also helped Africa leapfrog into the age of Facebook, Google, music streaming and video on demand.

Newspapers were published in the burgeoning colonial cities of Lagos, Cape Town, Nairobi, Cairo first to inform traders, settlers and the growing crop of educated Africans but these newspapers were soon used to promote nationalist interests. While newspapers are a means of propagating ideas, they are products that create wealth for the owners through sales and advertisements. The post-independent era saw the crackdown on private media as most post-independence African governments became authoritarian since they either promoted socialism and one-party ideals or were under military rule.

Newspapers, however, are some of the most resilient media forms and they have remained popular across Africa. Most newspapers now have extensive online presence. Newspapers grew with private capital in the post liberalization era. Nigeria, and other anglophone West African countries have vibrant newspaper industries. The largest newspaper groups in Africa, however, are found in East and South Africa where there are several integrated media companies.

The advent of radio and television in the post-independence era expanded the reach of promoters of ideas, especially in regions with vast land space and sparse populations. Television stations were established by governments and served to promote the interest and stifled free flow of information as Africa was polarized between ideological, tribal and religious interests. Television programing helped promote culture, religion and propaganda and their popularity reflected the desires of their citizens. Private television stations eventually emerged to deepen political discuss and give a broader view to reporting the activities of in society.

As Africa moved towards multiparty democracy and away from socialism and military rule in the 1980s, Africa's middle class started to escape the propaganda of governments with stations available on costly satellite dishes. Private television stations were later licensed and not long afterwards cable TV stations started to operate on the continent. According to data from London-based Digital TV Research, Africa's Pay-TV subscriber base topped 23 million in 2017—a number forecast to rise 74%, to nearly 41 million, by 2023.[25]

Pay Tv growth in subscribers' numbers was accelerated through content that served different demographics and the as a requirement to meet local content laws providers started screening locally produced movies, and free to air television channels. African Pay TV companies increased their subscriber base when they started airing movies shot in African languages on dedicated channels. **Multichoice** has 50% of the market share but competition is increasing with entry of Kwese, Zuku, and Azam. In Algeria, Euchereia is winning market share in the MENA region. The largest competition though is coming from China's StarTimes.

The advent of the internet and the penetration of mobile telephony on the continent has opened up Africa to digital media and entertainment. Africa's entertainment and media industry has entered a dynamic new phase—a third wave of

[25] Africa to add 17.4 million pay TV subs https://www.digitaltvresearch.com/ugc/Sub-Saharanpercent20Africapercent20Paypercent20TVpercent20Forecastspercent202018percent20TOC_toc_193.pdf.

convergence. The borders that once separated the entertainment and media, technology and telecommunications industries have been blurred in the battle for the attention of the African consumer. In a world that is rapidly digitizing, broadband internet is now provided by mobile phone operators with MTN, Glo, SafariCom and Moroc Telecoms among the largest providers of the service. This access to data is driving a lot of news and media platforms like WhatsApp, Facebook and Instagram and promoting businesses, social and political discuss and entertainment.

Newspapers now have online versons and television and radio stations are streamed and there are now a number of videos on demand services available. Media services have migrated online and are consumed mainly on smartphones. The sector is predominantly driven by indigenous companies. Africa's media companies have expanded cross borders with Pay Tv and Cinema chains requiring physical presence in host countries while some newspaper groups have titles in several countries.

9.4.5.1 Some Media Groups in Africa

In East Africa: IPP Group, was founded in Tanzania by Reginald Mengi who was one Africa's most powerful and most revered media moguls in the East African nation. The group he founded in the mid-1980s now owns ten national newspapers, including Financial Times, ThisDay, and The Guardian, as well as two of the region's most popular television stations, EATV and ITV. IPP also owns ten radio stations.

Nation Media Group (NMG) was founded 1960 to provide independent news. The group is now a USD350 million media conglomerate that owns seven newspapers, three television stations and three radio stations as well as mobile valued added services and internet companies across Kenya, Uganda and Tanzania. The titles include the Taifa and Nation newspapers. Along with its two original publications it also publishes the regional weekly East African as well as running NTV, QTV, QFM and Easy FM radio in Kenya, and NTV and KFM radio in Uganda. It is also one of the largest companies on the Nairobi Securities Exchange (NSE). Radio Africa Group, which owns six Kenyan radio stations: Kiss 100, Classic 105, Radio Jambo, X FM, East FM and Relax FM. The group also began broadcasting TV station Kiss Television, gaining popularity countrywide by airing Premier League matches as well as local and Nigerian movies. The group also owns The Star, the third largest newspaper in Kenya and arguably the most independent, which launched in July 2007 as the Nairobi Star but changed its name after it expanded distribution across the country. Though radio had been a successful venture for the group, the launch of The Star took it to a new level.

In South Africa: Avusa, is a media conglomerate that owns 16 newspapers (including Business Day and Sunday Times), 9 magazines, cinemas (NuMetro), a record label (Gallo) and numerous retail outlets. Naspers, is Africa's most valuable company with market capitalization of USD104bn in 2018. Once a newspaper company (Naspers means National Press), the firm took a strategic decision to venture

into investing in a number of internet start ups. Naspers has transformed into a global internet giant. The group owns significant media and internet interests in over 120 countries including key stakes in global internet blue chips such as Mail.ru, Tencent, Ibibo, Buzzcity and a minority shareholding in Facebook. The company also owns Africa's largest Pay-TV outfit, DSTV as well as the continent largest magazine and newspaper publisher- Media24.

In West Africa: Silverbird Productions in Nigeria was founded in 1980 with only six staff and two business activities, pageant and program syndication. Silverbird owns three radio stations, Silverbird television, the Most Beautiful Girl in Nigeria, Silverbird Cinema, Silverbird Entertainment and Silverbird Galleria. Silverbird Cinema started in Nigeria and expanded into Ghana in West Africa. Silverbird Cinemas—As at 2016, the largest cinema chain in West Africa in-terms of screen numbers, with 69 screens. It has eight theatres located in Lagos, Abuja, Port-Harcourt, Ikeja, Uyo and Accra-Ghana. Africa Independent Television (AIT)—is the first private television network in Nigeria established after military government allowed private broadcasting in the country in 1996. It has 21 stations across Nigeria and west Africa. AIT was also Africa's first satellite television station. In North Africa Echourouk Group is an Algerian generalist channel that broadcasts information and sports. It is headquartered in Algiers. Two years after the official launch of Echorouk TV, on 19 March 2014, the group launched another channel, Echorouk News TV, and 3 years later it launched a special channel for women, CBC Benna.

9.4.6 Technology and Mobile Enable Economy

Technology, and the skills needed to drive technology has become another area for growth especially in this era of internet platforms and the gig economy. Information technology is central to these services and the whole IT value chain has experienced growth with several African firms experiencing growth and achieving growth.

IT firms

A whole range of IT firms been founded in Africa to take care of the needs of Africa's growing corporates and middle class. Demand for data centers and cloud-based enterprise solutions have led to the founding of IT firms of which South Africa's Dimension Data is the most successful. Dimension Data provides information technology products and services, such as those for data centers, security, network integration, converged communications or Microsoft support. Dimension Data was listed on the Johannesburg Stock Exchange in 1987. In addition to offering the sale of physical data centers, it provides operation, management, transformation, and relocation of such data centers. Dimension Data also manages and operates servers and storage and provides backup services in case of damage or disaster. Egyptian firm Rayo Holdings is another technology-focused company with operation in Africa and the MENA region. Raya Holding is a leading Egyptian telecommunications and technology company with several branches in the Middle East,

including Saudi Arabia, UAE, Qatar and Kuwait. There is also a branch in the United States. But one of the fastest growing AMNEs in the technology sector is Ison Group. Founded in Nigeria in 2010 iSON Group is a multicultural conglomerate, focusing on IT and ITeS, with global presence in 29 countries in Africa, MEA and Asia Pacific regions. It commenced operations as an IT only company, with a ten-man team and has witnessed phenomenal growth to become one of Africa's leading multinationals, now offering both IT and ITeS with over 10,000+ employees across its footprint. ISON BPO, which provides Call Centre Outsourcing services, has over 7000 employees across 12 countries, in which 4500 employees are in 10 countries in Sub-Saharan Africa (SSA).

The growth in IT has also spurred the need for better skilled software developers. **Andela** is a New York headquartered African company that identifies and trains software developers. The company launched operations in Nigeria in 2014, to help global companies overcome the severe shortage of skilled software developers and has offices in Nigeria, Kenya, Rwanda, Uganda and the United States. The company has been able to raise USD100 million from investors to fund its expansion.

9.4.6.1 Internet Platforms

An increasingly digital and connected Africa is providing new ways for entrepreneurs and consumers to participate in the economy. A global trend that has spurned the likes of Uber, task rabbit and AirBnB has caught on in Africa as broadband services expand. A study conducted across Ghana, Kenya, Nigeria, Rwanda, South Africa, Tanzania, Uganda and Zambia show that there are almost 300 unique digital platforms in Africa that match providers and consumers of goods and services.[26] The study also revealed that more than 80% of the digital platforms on the countinent were founded in Africa. These platforms operate in diverse economic sectors, including transportation, online shopping, asset sharing and professional services. Most platforms match providers and consumers of services. More than 60% of digital platforms match services such as transport (e.g. Safeboda), courier (e.g. USGoBuy), and professional (e.g. Paydesk) and domestic tasks (e.g. Emakatt Kenya). This was followed by platforms that match physical products (30%) and that allow for asset-sharing (9%).[27]

Some of these platforms have become successful and have scaled up across several countries as they provide unique solutions to Africa's myriad challenges. **Jumia**, **Konga** and other eCommerce sites are the most well-known among them but others provide transport and logistics solution like Nigeria founded Kobo which services as a platform. Others are finding solutions to Africans intractable problems. **Hello Tractor** is connecting small farmers with tractor owners and **Kobo** is addressing haulage and logistic solutions by connecting truck owners to those who need them.

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[26] https://i2ifacility.org/.

[27] https://cenfri.org/blog/the-rise-of-african-digital-platforms/.

9.5 Conclusion

The expansion of private capital in Africa has spanned the gamut of economic sectors from the primary through to the service industries. Involvement in the primary sector has seen the growth of AFF mining companies expanding their operations in and outside the continent. Africa's state-owned oil and gas companies have increased their role in their domestic economies, as they establish subsidiaries to enhance their operations, but their investments outside the region has been mainly to acquire strategic assets to enhance their primary mandate.

Manufacturing in Africa, once in decline following the failure of import substation policies, has started to recover as investors seek to serve the needs of Africa's growing consumer market. Africa's growing population, expanding middle class and rapid urbanization is fueling the need for goods and services that has spurned the investments in manufacturing and cross-border expansion embarked on by market seeking AMNEs.

But the greatest growth since liberalization and deregulation has been in the service sector where the private sector has been responsible for most of the investments in banking, telecommunications, trade and media and entertainment.

African Lions have played a big part in igniting investments on the continent. Their involvement in the various sectors have helped deepen competition and increased availability of goods and services for consumers.

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10 The New Age Entrepreneurs of Africa: The Men Who Founded Lions

10.1 Introduction

Following the success of a growing number of African Founded Firms there is a growing interest in entrepreneurship in Africa. The view on entrepreneurship in Africa has been dismal to say the least. Over the years, studies have mostly dismissed the entrepreneurial effort of Africans finding it falling short when benchmarked against efforts in other regions especially developing countries of South America and Asia.

The preponderant view had been that Africa's entrepreneurs lack the technical and managerial ability to build large firms that grow into viable corporate entities noting that were the most successful African businesses have remained sole proprietorships; few have grown into joint stock companies or even partnerships. No doubt a reason has been a distrust of outsiders, which has often restricted expansion to what could be handled by the proprietor's extended family.

There is no shortage of entrepreneurs in Africa; in fact, over the centuries, there have always been entrepreneurs in Africa. And increasingly, the contributions of entrepreneurs to Africa's development has been recorded by scholars who took a different view to entrepreneurship in Africa. Tom Forest (1994) did an extensive study on entrepreneurship in Nigeria. Walter Elkan (1988) noted the vibrant entrepreneurial spirit of Africans and Keith Marsden (1990) insightfully declared their role in the development of Africa. Ficks (2002) in study across Africa praised the vibrancy of entrepreneurship on the continent and stated that given the opportunity, entrepreneurs in Africa and from around the world will drive Africa's economic trains forward. McDade and Spring (2005) revealed the success of efforts to create network of entrepreneurs in Africa and Ramachandran et al. (2009) categorized African entrepreneurship into three distinct groups who had different levels of access to factors that enhance growth and as a consequence have differing levels of performance and Verhoef (2017) exhaustively chronicled the history of Africa's entrepreneurs and their business enterprises.

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Entrepreneurs are the engineers that get the economic trains moving. Entrepreneurs organize and direct business undertakings. They assume the risk for the sake of the profit. Success often depends upon how skilled, innovative, and passionate entrepreneurs are about their ideas and dreams. An entrepreneur has exceptional vision, creativity, and determination and frequently creates entirely new industries.

Most of the recent studies on entrepreneurship in Africa bring into focus the challenging context in which they conduct their affairs in Africa. Scholars have shown a deep appreciation of the socioeconomic and political constraints faced by Africans entrepreneurs and noted how entrepreneurs were able to grow their businesses despite these constraints.

Economic transformation in Africa in the past three decades has been due largely to the efforts of a generation of entrepreneurs who have shown commitment to the continent. Driven by entrepreneurial insight, these men and women saw opportunities where others saw challenges, they showed resolve overcoming Africa's myriad challenges, they innovated to overcome operational obstacle, pitched to raise finance and found clever ways to push their products and services to the consumer. Africa's new age entrepreneurs showed resolve to grind through uncertainties and ultimately, they found a way, to not only grow their businesses in their domestic markets, but eventually sought new markets in Africa and the world.

Due to their success, there is increased desire to know more about their success, the names behind the growing horde of African Lions. There have been attempts to understand the men and women whose entrepreneurship have helped them establish huge business empires, amass much wealth, employ multitudes and brought so much progress to Africa. Among the many achievements of the founders of African Lions is that they were able to move beyond the dominance of small and medium sized companies to found companies that grew into large firms. In doing so, they were able to overcome the primary challenges of technological and managerial capacity that had dogged the entrepreneurial efforts of several African firms.

The process of growing small and medium enterprises into large firms is daunting all over the world but in other climates there are structures that enable growth of firms. In Africa the process is more onerous. African countries occupy the lower rungs of the Ease of Doing Business Index of the World Bank and the Country Competitiveness Index of the WEF. Africa also rank poorly on the Corruption Perception Index. The Heritage Foundation captures Africa's poor ranking in the Economic Freedom access. These indexes lay bare the herculean task entrepreneurs have to overcome to become successful in Africa.

African governments differ in their attitudes toward entrepreneurship. Some have deliberately discouraged the emergence of private African capitalism (Marsden 1990). So the road to entrepreneurial success has involved building a complex web of relationships in an environment with high corruption, poor infrastructure, poor little access to finance and tribal and ethnic tensions. Managing these relationships into a mutually reinforcing dependency is the unique gift of African entrepreneurs. These relationships were built not only with suppliers but also with Africa's notoriously corrupt and ethno-phobic bureaucrats. Some bureaucrats and politicians have

used the instrument of government to promote or stymie the growth of the private businesses of specific tribes, ethnicity and political class.

Ethnicity, tribalism and racial divisions have defined African societies for several centuries and these divisions have led to businesses being conducted within regional and tribal enclaves. Ethnicity and racism African politics for decades triggering several coups, civil wars, and political upheaval in Africa on the continent. Ethnicity and tribalism also limited the world view of the older generations of African entrepreneurs forcing them to conduct businesses just within the confines of their ethnic or geographic boundaries. Yet discrimination and curbs against tribes have not stopped African firms from growing,

Africa's new generation of entrepreneurs have been able to find ways round the physical and institutional challenges. By forming networks, they were able to conduct business within a closed system of trusted partners and therefore mitigate against the risk of opportunism in an environment with poor property rights. They found solutions to problems related to the shortage of infrastructure and thought out means of improving access to their market (McDade and Spring 2005). These realities have required the African entrepreneur to be dogged, resilient and gritty.

Access to capital is vital to businesses and Africa's new generation entrepreneurs have found means to raise the capital that they ultimately used to fund their growth, at a time when capital flows into Africa was low and domestically mobilized capital was puny.

Governments in Africa have, however, changed their attitude toward private sector involvement in their economy and have in the process facilitated the emergence of some of Africa's better-known entrepreneurs. So, putting the real achievement of founders in context, they formed large companies on a continent that has a plethora of physical and institutional challenges. They looked beyond the narrow confines of tribalism, ethnicity and racism to find markets outside their natural domain they built relationships that sustain the continuous growth of their organizations.

In order to build these AMNEs founders have had to wear many hats. They were visionary, seeing opportunities in places others saw risks entering segments and sectors that has yielded vast profits and growth. They were activist who prodded governments to open up sectors that were the dominated by inefficient public organizations. They were innovators who built networks of trusted partner to govern the behavior of network members. This governance benefited every member of the network as their companies grew and expanded together. They were advocates for better regulations and policies to support private sector investments.

African entrepreneurs also prompted their companies to innovate to overcome operational challenges. They invested in developing supply chains and were quick to build their own infrastructure where critical utilities like power, water and security are not available. As leaders of expanding companies, African entrepreneurs searched for new sources for funding for their businesses. They convinced new investors to invest in Africa. They were also marketers, who pitched their message to financiers and investors at regional, continental and global forums, inviting them to partake in the economic growth of Africa.

African entrepreneurs are advocates of diversification. They seek to take their governments away from dependency on commodities by building conglomerates that operate in several sectors of the economy. They sometimes become politicians and venture into government to push for policies that would enable private sector growth.

The founders of Africa's Lions are resilient and dogged, sometimes losing their assets and property to expropriation by the state, yet they fight on and return to build even bigger businesses. Many are philanthropists readily investing in social enterprises and funding in education, health care and social projects to uplift the people around them.

10.2 Founders of African Lions Are Visionaries

The transformation of small trading companies or family businesses to large companies with strong regional or nationalist root to multinationals serving large regions is usually driven by the strong vision of founders and leaders. These leaders have a view of business that transcend the obvious risk and challenges inherent in the business domain. They sense opportunities and make bets that ultimate lead them to spectacular success. It is this vision that has led to the extraordinary growth of some of Africa's AMNEs. Among the most notable was the extraordinary vision that has driven the growth of Naspers. The Naspers Group is the largest media company in terms of market size outside of the US and China. Before its transformation and growth. Naspers was a media company that was founded in 1915 to represent the viewpoints of the Afrikaans in South Africa. After publishing newspapers for several years, the Naspers made investments that transformed it into a force in the media and entertainment sector. Today **Koos Bekker** is revered for transforming the newspaper publisher into an ecommerce investor & cable TV powerhouse. An innovative entrepreneur, he grabbed the opportunity of the global slump in the printed media and the dire domestic situation of Naspers, to effect a fundamental overhaul in the local media house. During his tenure as CEO, which began in 1997, Bekker oversaw a rise in the market capitalization of **Naspers** from about USD600 million to USD75 billion. He is also the largest individual shareholder. Naspers controls twenty-three magazines, seven newspapers, Brazilian publisher Abril and Pay-tv giant DSTV. **Koos Bekker** believed the future of the media is online, and spent hundreds of millions buying large stakes in some of the highest-valued internet companies in the world, including a 30% stake in Russian internet giant Mail.ru. Naspers has also bought stakes in Mxit Lifestyle[1] and QQ (Venture Africa 2012). Bekker started the digital revolution in media in South Africa. Bekker transformed the newspaper and book print company into a multimedia company (Verhoef 2017).

He led the founding team of M-Net in 1985, which resulted in Pay TV operations today spanning 48 countries in Africa. In the early 1990s MTN was launched together with partners. Koos served as CEO of the MIH group until 1997, when he took over at **Naspers**. He led **Naspers** to invest in **Tencent,** the Chinese Internet and

[1] 24.com

media firm. **Tencent** is today a sprawling conglomerate that owns the messaging platform WeChat and a host of payment apps and mobile games. Naspers made an investment of USD 32 million in **Tencent** in 2001 which turned out to be extraordinarily successful. Naspers today the largest shareholder of **Tencent**. The value of the stake was USD175 billion in March 2018 when Naspers raised nearly USD10 billion by selling down its stake from 33 to 31%.

Another visionary who saw a path to transformation was **Aliko Dangote** who is founder of one of the largest conglomerates from West Africa and the second largest manufacturer of cement in Africa. Aliko Dangote was born into a wealthy family in 1957, he grew up in Kano Nigeria. His great-grand father was at the time of his death, the richest man in West Africa. His grandfather Sanusi Dantata was at a time the richest man in Kano and his father was a politician and businessman. Before venturing into manufacturing, Dangote Industries was one of the largest commodities traders in Nigeria. His company, **Dangote Industries**, were importers of sugar, flour, salt and cement into Nigeria but a visit to Brazil in 1995 opened led him envision a new path for his company-Manufacturing. A USD500,000 loan from his uncle set up 21-year-old Dangote as a trader of rice, sugar and cement (Brown 2015).

He was well capitalized and a naturally talented trader. He imported sugar from Brazil and rice from Thailand and sold them locally. A 1995 trip to Brazil convinced him to shift from trading to manufacturing. His started manufacturing the same products he was importing or buying from others. In 1997, he built a plant and started manufacturing the things he has been importing: pasta, sugar, salt and flour.

He went back into cement business but this time as a manufacturer. By 2005, he had built a multi-million-dollar cement factory. Of the money spent to build the new factory, USD319 million was his own money while a USD479 million loan from the World Bank completed the financing. Dangote Sugar started in 2000 and quickly expanded the annual production capacity of its sugar refinery at Lagos Apapa Port to 1.44 million tons, enough to satisfy 90% of Nigeria's domestic demand. By the time Dangote Sugar debuted on the Nigerian Stock Exchange in 2007, sales had quadrupled to USD450 million. Dangote also ventured into producing flour. Dangote Flour, which began in 1999 produces pasta and noodles, followed a similar trajectory. It began with a single mill, tripled revenue to USD270 million, increased capacity eightfold to 1.5 million tons—then joined Dangote Sugar on the NSE in 2008, the same year Dangote became the first Nigerian on FORBES' World's Billionaires list, at No. 334. Dangote's rise to the position of the wealthiest black man in Africa resulted from his entrepreneurial insight into the context of business in Nigeria as well as hard work to realize his ambitions as businessman.

Aliko Dangote is today investing 17 billion dollars in one of the largest petrochemical complexes in the world which would have a three million metric ton per annum fertilizer plant and refinery. The plant is expected to produce 650,000 barrels of oil a day. Both projects are projected to vault Dangote Industries' annual revenue from USD4 billion to about USD30 billion, roughly 8% of Nigeria's gross domestic product (Henry 2018; Tom Metcalf and Deven Pendelton 2019).

10.3 They Are Advocates of Diversification

Most African countries are reliant on a single commodity or sector to power their economies. This is either the extractive sector or agriculture. Governments have stepped up efforts to diversify their economies through value added manufacturing and expansion of the services sector. For founders are Africa's lions, diversification is a not only a vision they pursue it's a necessary pathway as they expand their business and invest in backward and vertical integration. As they have large reserves from their profits or funding from investors and financiers, they venture into a vast array of businesses, thus growing into conglomerates.

A prominent advocate of diversification is Issad Rebrab, the founder and Cevital, Algeria's biggest privately-held company. Issad Rebrab has been a longtime advocate for the diversification of the Algerian economy as he has been at the forefront of moves to break the oil-dependence and poverty. With holdings in agribusiness, steel production, and technology, as well as 26 subsidiaries under four principal sectors, Cevital Group still holds its own today as one of the first and largest conglomerates in Algeria (Henry 2018).

The company owns one of the largest sugar refineries in the world; a feat that also sees it dominate over 60% of Algeria's sugar market share. As much as 1.5 million tons of sugar is believed to be produced by the sugar refinery on a yearly basis. Cevital Group is also known to have interests in margarine and vegetable oil processing. Rebrab has plans to build a steel mill in Brazil to produce train tracks and improve transportation logistics for sugar, corn and soy flour exports. The entrepreneur has contributed significantly to the development of renewable energy sources in Algeria and some of these contributions have involved collaborations with such companies MAN Solar Millennium, Siemens, Abengoa Solar, HSH Nordbank, and Munich Re.

Issad Rebrab's story started with humble beginnings and modest backgrounds in Taguemount-Azouz in Kabylia, Northern Algeria. He was born into a family that was nowhere near comfortable or well-to-do in May 1944. His family had barely enough, but Cevital owns one of the largest sugar refineries in the world, with the capacity to produce two million tons a year. Cevital has been buying European companies in distress, such as Groupe Brandt, a French maker of home appliances, and an Italian steel mill (Henry 2018).

Entrepreneurs in East Africa are also promoters of diversification with Tanzania harboring a large group of businessmen with diversified holdings including MAC Group, Sumeria Group, MeTL, and Bahkresa Group. Most of these firms are private, family-run affairs with reclusive founders who started out very small. In what was long a closed economy, suspicious of outside investment, they built up diversified companies that supply the nation with everything from soap to soft drinks, ferries to fuel (Financial times n.d.). Among the largest and most diversified is Bakhresa Group Said Salim Bakhresa (SSB), 65, laid the early foundations of the Bakhresa group in 1963 as a teenager when he began selling potato mix after dropping out of school. He subsequently opened up a series of small business operations including a small restaurant and an ice cream manufacturing operation and reinvested his

profits in setting up a grain milling operation. Today, Bakhresa Group is Tanzania's dominant food manufacturing company. The company's interests include Manufacturing and distributing dozens of products, from ice-cream and biscuits to fizzy drinks and flour, trading agricultural commodities, ferrying passengers, and fuel distribution. Active throughout the region. Bakhresa's two sons, Mohammed and Abubakar, are both Executive Directors of the company and independently manage arms of the business outside Tanzania.

10.4 They Are Salesmen for Investments in Africa

Severall founders of African Lions are also veritable sales men of the continent, selling the continent to investors at every gathering of global leaders. One passionate advocate of investment in Africa is Nigeria's Tony Elumelu who was managing director of UBA when the company expanded into 20 countries. He is now the chairman of Heir Group.

Tony Elumelu is an exponent of Africapitalism. Africapitalism states that Africa's development cannot be the left to governments, donors and philanthropic organizations alone but rather that Africa's private sector can and must play a leading role in the continent's development (Amaeshi et al. 2018). Tony Elumelu came into the limelight in 1997 when he led a group of investors to take over a small, floundering commercial bank in Lagos and changed the name to Standard Trust Bank. Elumelu and his team managed the bank to profitability within a few years and in 2005 he merged it with United Bank for Africa. Elumelu oversaw the growth of UBA into one of the largest banking groups in Nigeria and he initiated the banks expansion into markets across Africa. UBA now has subsidiaries in 20 African countries and in the US and UK. Elumelu retired from the role of managing director but remained as Chairman of the board.

Sequel to his retirement from UBA in 2010, Elumelu founded and established the Heirs Holdings; a company dedicated to the investment in all sectors including financial services, energy, real estate and hospitality, agribusiness, and healthcare sectors. He established Tony Elumelu Foundation in the same year, an Africa-based and African-funded philanthropic organization bent on promoting excellence in business leadership and entrepreneurship and to enhancing the competitiveness of the private sector across Africa.

In 2011, Heirs Holdings acquired a controlling interest in the Transnational Corporation of Nigeria Plc (Transcorp), a publicly quoted conglomerate that has business interests in the agribusiness, energy, and hospitality sectors. Elumelu was subsequently appointed chairman of the corporation.

Tony Elumelu is always at global gatherings like the annual World Economic Forum meeting in Davos marketing Africa to investors. Tony Elumelu is a believer in the profits on the continent is one of the foremost salesmen of private sector businesses in Africa.

10.5 They Are Activist

When governments are slow to open up sectors to the private sector, they usually get a prodding from development institutions like the World Bank and IMF to liberalize or deregulate such sectors. But sometimes governments have to face the activism of some African entrepreneurs.

Most African governments are of the view that utilities and provision of infrastructure should be the exclusive preserve of SOEs, but most often, these public companies are poorly run and inefficient and the private entrepreneurs feel they can do better. There are then calls for governments to open sectors to private sector investment. This sometimes leads to legal tussles between activist entrepreneurs on one hand and politicians and civil servants in government in another had. One of such struggles was that between Strive Masiyiwa and the government of Zimbabwe.

Strive Masiyiwa is the founder of Econet Wireless (Econet), a privately held global telecommunications company with business operations and investments in more than 20 countries in Africa, Latin America, The United Kingdom, Europe, China, United Arab Emirates, and New Zealand. When he first created Econet in the 1980s, he was unable to obtain an operating license from the government. Masiyiwa appealed to the Constitutional Court of Zimbabwe, on the basis that the refusal constituted a violation of "freedom of expression".

The Zimbabwean court, then one of the most respected on the continent, ruled in his favor after a five-year legal battle, which took him to the brink of bankruptcy. The ruling, which led to the removal of the state monopoly in telecommunications, is regarded as one of the key milestones in opening the African telecommunications sector to private capital. The company's first cellphone subscriber was connected to the new network in 1998.

Econet is now the largest mobile phone network in Zimbabwe. He owns just over 50% of the publicly-traded Econet Wireless Zimbabwe, which is one part of his larger Econet Group. Masiyiwa also owns just over half of private company Liquid Telecom, which provides fiber optic and satellite services to telecom firms across Africa. His other assets include stakes in mobile phone networks in Burundi and Lesotho, and investments in fintech and power distribution firms in Africa.

10.6 Some Are Politicians

Business and politics have a close relationship in Africa. Business people find the need to stay on the right side of politics. As politicians enact policies that can affect the strategic wellbeing of firms. Politicians can disrupt business growth and increasingly entrepreneurs are venturing into politics not only to protect their business interest but to be able to influence policies that would improve business climate in their country.

Some of these founders have being elected to parliament, served as cabinet ministers and even become ruling heads of government. The most notable among these are South African President Cyril Ramaphosa and King Mohammed of Morocco.

King Mohammed VI of Morocco is Africa's wealthiest monarch with a fortune estimated by Forbes to be worth USD 5.6 billion, derived from his stake in investment company **Société Nationale d'Investissement** (SNI), ascended the throne on the 23rd of July, 1999 at the age of 35 after the death of his father, King Hassan II. The young King is a visionary and a smart leader. As head of state, he has not only helped to institute policies to make Morocco attractive as an FDI destination, he has also encouraged the outward expansion of Moroccan firms.

Since ascending the throne, King Mohammed has initiated, accelerated and consolidated a range of social, democratic and economic reforms to strengthen the Kingdom's institutions and improve infrastructure. These initiatives have improved business climate and infrastructure in Morocco, including facilitating the construction of a high-speed railway and one of the largest ports in the Mediterranean in Tangier.

As a staunch supporter of free trade, Morocco has so far signed FTAs with 55 countries. After a 33-year hiatus over the issue of Western Sahara, King Mohammed VI decided to rejoin the African Union (AU) in 2017. Since then, most African countries have shown a great deal of enthusiasm in fostering a strong relationship with Morocco.

King Mohammed is also an astute business man and through his holding company, **Siger**, he holds a 41% stake in **SNI** which is one of Morocco's largest conglomerates and operates in different fields such as banking, telecommunication, renewable energy businesses and food industry among others. **SNI** holds stakes in some of Morocco's largest private companies: Attijariwafa (Banking), Managem (mining), Nareva (energy firm), Lafarge Cements, and Marjane (supermarket chain).

King Mohammed initiated a policy to encourage Moroccan firms to expand into new markets in SSA and this has led to the expansion of Moroccan firms into Franco-phone countries in West and Central Africa. This expansion has been led by companies under the SNI group, including Attijariwafa Bank which made entry into 16 countries in the regions. Another company that has actively sought new markets in Africa is OCP, the phosphate fertilizer company.

South African **President Cyril Ramaphosa** is also a politician with strong roots in activism and entrepreneurship. He was the first Chairman of **Jonnic**, which was the majority equity holder of MTN at the time of its founding. Ramaphosa later founded Shanduka Group, an investment holding company that has interests in the resources, telecoms, food and beverage, property, financial services, energy, and industrial sectors. In several African countries. The company had invested in a diverse portfolio of listed and unlisted companies, with key holdings in the resources, food and beverage industries. Shanduka also invested in the financial services, energy, telecoms, property and industrial sectors. The group had investments in South Africa, Mozambique, Mauritius, Ghana and Nigeria.

Ramaphosa first came to prominence in the 1980s as founder and promoter of the National Union of Mineworkers, created to improve the rights of black African workers. In 1991, at age 39, he was elected secretary general of the African National Congress and was the main negotiator with the National Party during the transition

to democracy. After less than 3 years in parliament Ramaphosa resigned in 1997, first joining New Africa Investments and then starting the Shanduka Group.

He was later appointed as deputy president in May 2014 by South African President Jacob Zuma. After his appointment, Cyril Ramaphosa has stepped back from his business pursuits to avoid conflicts of interest. He sold his 30% stake in Shanduka, which is merged with **Pembani Group** to form a "Pan African Industrial Holdings Group" with USD900 million in assets.

In 2017 was elected president of South Africa and assumed office 15 February 2018.

Other prominent founders who have either been voted into parliament or held cabinet position are.

Mohammed Dewji is the CEO of METL, a Tanzanian conglomerate founded by his father in the 1970s. METL is active in textile manufacturing, flour milling, beverages and edible oils in eastern, southern and central Africa. METL operates in at least six African countries and has ambitions to expand to several more.

In 2000, Tanzania hosted its second multiparty elections where Dewji, at the age of 25 competed to become the Member of Parliament (MP) for Singida Urban. Despite winning the preliminary votes for the ruling party, Chama Cha Mapinduzi (CCM) with an overwhelming majority, Dewji was deemed too young to hold the parliamentary seat. Tanzania held its third multi-party elections in October 2005 and Dewji stood for the parliamentary seat again and was chosen by CCM to stand as a candidate for Singida Urban (Mumbi 2019). In the general election he won with 90% of the votes and was sworn in as an MP for Singida Urban constituency on 29 December 2005. Dewji served for 10 years before resigning from politics in October 2015.

Aziz Akhannouch is the majority owner of Akwa Group, a multibillion-dollar conglomerate founded by his father. It has interests in petroleum, gas and chemicals through publicly-traded Afriquia Gaz and Maghreb Oxygene. Aziz Akhannouch is the majority shareholder of Akwa Group, a multibillion-dollar Moroccan conglomerate with interests in petroleum, gas and chemicals through its publicly traded subsidiaries.

Akhannouch is Morocco's Minister of Agriculture and Fisheries.

Moulay Hafid Elalamy is a Moroccan businessman and politician. He is the founder and owner of the **Saham Group**. In 2018 he sold his stake in **Saham Group**, which had subsidiaries in 26 countries, to South Africa Salam Insurance group for USD 1billion. He serves as the Minister of Industry, Trade, & New Technologies.

10.7 They Are Adept at Attracting Capital

Capital is a critical part of growing an enterprise and one of the great skills of the modern-day African entrepreneur is that he has been able to source for funds from a large pool of investors to finance their growth and expansion.

African founders were particularly adept at raising capital from a wide variety of sources. The quickest way of raising funds is by floatation on the stock. Yet not all of AMNEs raise capital from the stock exchange, many have remained private businesses so several founders had to find means of raising capital from development finance institutions, banks, private equity firms and by issuing corporate bonds.

This collaboration between founders and financiers has helped fund the expansion of AMNEs. A particular company that is adept at raising capital is IHS Towers, a Nigerian phone tower company founded by Lebanese-Nigerian businessman Issam Darwish. IHS is the largest towers company in Africa with close to 20,000 sites spread across Nigeria, Ivory Coast, Cameroon, Rwanda and Zambia.

Issam Darwish began his professional career in 1992, in Lebanon and in 1998, was appointed Deputy Managing Director of Motophone, Nigeria's first GSM operator. Following the Nigerian government's 2001 plan to privatize its telecommunications industry, he cofounded mobile infrastructure company, IHS Towers stated out building base stations for mobile operators but the company eventually took over management of the base station for MTN and Airtel.

With the business growing fast, IHS needed capital, so it listed on the stock exchange in 2008, raising USD65m. Demand of for towers grew as Nigeria experienced rapid growth of mobile subscribers and IHS needed to expand further. Unfortunately, the crash at the NSE in 2008 had left investors wary, so the company looked to the global markets, for funding by selling equity to the International Finance Corporation, Investec, the Dutch Development Bank FMO, ECP Private Equity, European investment firm Wendel and Nigeria's Skye Bank. By December 2012, IHS has raised USD269m in equity, and USD480m in debt to fund its expansion (Proshare 2011).

High operating cost and thin margins finally convinced operators to sell off their base stations and IHS acquired assets from MTN and Airtel that was paid for with USD2.6bn in equity and debt in one of the biggest private funding packages for an African business. The company raised USD2bn in equity from a consortium of Asian, European and African investors alongside a loan facility of USD600m. Money has also been raised from existing shareholders, which include funds managed by Goldman Sacks. The company's investors include Wendel Group, a French investment company and Pan-African private equity firm Emerging Capital Partners. Since 2012, the company has raised USD4.5 billion to fund it growth.

James Mwangi was not the founder of **Equity Bank** but he was responsible for its transformation from a small savings and loans bank that was set to be liquidated, to one of Kenya's leading banks on the back of his ability to raise capital and attract investors. **Equity Bank** was founded in October 1984 as **Equity Building Society**, originally as a provider of mortgage financing to customers in the low-income population. By 1993, the bank was technically insolvent so in his capacity as Finance Director, **James Mwangi** was tasked with winding up the organization.

However, Mwangi, aged about 31 at the time, began to motivate the 27 staff members to give better customer care to the 27,000 customers. He also encouraged them to use 25% of their salaries to buy EBS shares. When things began to brighten

up at EBS, the society began to sell shares to customers and to pay annual dividends in 1997.

On 31 August 2004, Equity Building Society became **Equity Bank Kenya**. In 2006, the bank listed on the Nairobi Stock Exchange (NSE). Under James Mwangi's leadership the bank was able to attract more investors and capital. In 2007 **Helios Investment Partners** acquired a 24.99% stake in the bank for USD 180 million. In 2008, Equity Bank began its regional expansion, establishing subsidiaries in both Uganda and Southern Sudan.

Equity Bank grew at a compound rate 30% annually between 2007 and 2014. **Helios Investment Partners** eventually sold its 24.99% stake in 2015 for USD500 million, a 436% return on investment. New investors now include Norfund and NorFinance, NSSF Kenya, NSSF Uganda and Genesis Investment LLP, Investec, African Alliance and Renaissance Capital.

By September 2015, Equity Bank had more than 9.2 million customers and USD 5 billion in assets. The Banker Magazine listed Equity Bank among the Top 1000 Banks in the World with the highest return on assets in the African continent. Equity Bank group has subsidiaries in Kenya, Uganda, Tanzania, Rwanda and South Sudan and it is making an entry into Congo by the acquisition of a local bank.

James Mwangi has a 4.88% of the banks listed shares making him the single largest individual investor in the bank.

10.8 They Are Intermediaries into a Risky Continent

The business environment in Africa is a challenging but that challenge has become a source of opportunity for founders of some AMNEs. Leveraging on their knowledge of Africa, founders have become guides and strategic partners to MNCs seeking to enter the African market. Increasingly, as founders meet with leaders of the world's leading companies in forums such as WEF meeting in Davos, they form friendships and associations that sometimes translate into tangible relationships.

Most often, founders of AMNEs act as guides and proxies for leading MNCS, helping them navigates Africa's challenging terrain and forming beneficial relationships with them. Sometimes, this relationship is strengthened not only by the knowledge of the business climate, but also by the strategic distribution infrastructure and knowhow that the AMNEs possesses.

And this knowledge of the business terrain in Africa and added advantage of extensive distribution assets, was cited as reason is given the main reason for an increasing number of strategic partnerships between AMNES and MNEs. Danish dairy products producer **Arla** recently announced a partnership with Egyptian consumer and dairy group **Juhayna** and American dairy company, **Land O'Lake** announced a partnership with Kenya's **Bidco Africa.** But one of the most the most successful partnerships between MNCs and AMNEs is that between General Motors and Egypt's **Mansour Group** under the leadership of **Mohamed Mansour**.

Mansour Group was founded in 1952 by **Loutfy Mansour** as a cotton trading company. It was nationalized in 1970 under Gamal Abdel Nasser's rule, but the

Mansour family was able to continue its activities when Egypt returned to a market economy.

When Loutfy passed away in 1976, **Mohamed Mansour** took over leadership of the company and the next few years started the process of transforming Mansour Group from a parochial commodity trader into a bona-fide global powerhouse. **Mohamed Mansour** a deal was struck with the US carmaker General Motors, handing the group control of thousands of dealerships and distribution centers across Africa. GM set up a factory in in Egypt in 1985. The **Mansour Group** and has since become the largest General Motors dealer in the world. **Mantrac**, a heavy equipment division, was formed, securing the right to sell and distribute Caterpillar digging equipment: first across Egypt and the Maghreb; later, across Sub-Saharan Africa, Russia and Iraq (Wilson 2016).

Mansour Group also has dealerships with many other international brands including Philip Morris International, and McDonald's. In 2000, the company launched Metro Markets, the first Egyptian-owned supermarket chain, and launched first discount store in 2006.mIn 2016, the company reported revenues of USD6 billion, with 60,000 employees and operations in 120 countries.

10.9 They Undertake Huge Capatal Projects

The quest for increased capacity drove Mike Adenuga, founder of GlobaCom to invest in one the largest capital projects undertaken by a single telecoms company in Africa. GlobaCom was founded in 2003. The company now has 45.2 million subscribers across Nigeria, Republic of Benin, Ghana and Côte d'Ivoire. It was Adenuga who in 2010 envisioned that the future of mobile telecoms in Africa is data.

He led GlobaCom to invest in a submarine cable which the company single handedly financed. Glo-1 is the first successful submarine cable from the United Kingdom to Nigeria, and GLO is the first individual African company to embark on such a project. The 9800 km long cable originates from Bude in the UK and is laid from this origin to Alpha Beach in Lagos, Today, that asset has become GlobaCom's most significant competitive tool in the challenging, but lucrative Nigerian telecoms market especially as the consumers migrate to using smart phones for internet connectivity.

Mike Adenuga obtained an MBA from New York's Pace University. He has interest in oil exploration as his Con Oil was the first indigenously private oil company to find success in Nigeria's oil and gas sector. Conoil also has downstream operations that distributes petroleum products in service stations in West Africa.

Another founder who has made an impact with the huge projects he has envisioned is Dr. Ahmed Heikal. Dr. Heikal is the founder of **Qalaa Holdings**. Dr. Heikal holds a Master's degree and a PhD in Industrial Engineering and Engineering Management from Stanford University. Under Dr. Heikal's leadership, Qalaa Holdings transformed from a general partnership private equity manager with EGP two million in capital to a leading investment holdings firm investing in Egypt and

East Africa with EGP 9.1 billion in capital. The firm is a leading investor in a number of platform companies in the energy, cement, transportation & logistics, mining, consumer finance and retail sectors.

Through the **Egyptian Refinery Company**, Qalaa Holdings was responsible for coordinating the construction of the largest oil refinery in Africa. The greenfield refinery has a 4.3 million tons capacity and will produce up to three million tons of Euro V diesel and jet fuel, enabling Egypt to reduce its current level of diesel imports by 50%. The project value is USD 4.5 billion and it is one of Africa's largest project finance deals. Prior to founding Qalaa Holdings, Dr. Heikal had joined EFG Hermes in 1992. At the time, EFG Hermes had a capital of EGP 250,000. Dr. Heikal was instrumental in transforming EFG Hermes from a small financial consultancy into the leading investment bank in the Arab world and emerging markets.

He spearheaded some highly successful private equity investments, including the creation of Egypt's leading IT company (Raya Holding) and Egypt's largest natural gas distribution company (Genco). He also raised three rounds of financing for regional mobile telecommunications operator Orascom Telecom and led the IPOs of Orascom Construction Industries and Orascom Hotels, among other landmark transactions.

Dr. Heikal is also the Chairman of Citadel Capital.

10.10 They Are Philanthropists

The success enjoyed by some African entrepreneurs has led them to establish Philanthropic and humanitarian initiatives. These initiatives are conducted under their corporate banner or through their personal foundations. Of particular interest to most African founders is education. Several of Africa's most successful entrepreneurs have instituted programs to support African students with their education. One of the most notable philanthropists on the continent is Manu Chandaria, Chandaria is one of East Africa's most venerable business leader as chairman of the Comcraft Group, a USD2 billion industrial behemoth which produces steel, plastics, and aluminum products from manufacturing facilities in 45 countries 16 of which are in Africa. He is renowned as Kenya's biggest philanthropist. His Chandaria Foundation is active in over seven countries, and has given away millions to causes in education, health and the arts. Chandaria, 83, holds the title of the Elder of the Burning Spear, one of Kenya's highest civilian honors.

Econet Founder, Strive Masiyiwa is generally recognized as one of the most prolific philanthropists to ever come out of Africa. He has used his own family fortune to build one of the largest support programs for educating orphans in Africa. At any given time, his family foundations support and educate more than 40,000 children. Masiyiwa is also a member of the Bill Gates and Warren Buffett initiative known as the Giving Pledge.

Patrice Motsepe, founder of African Rainbow Mining and Mohammed Dewji, of MeTL have also signed the Giving Pledge. Another Tanzanian entrepreneur who was generous with his fortune was Reginal Mengi, the founder of the IPP Group. In

recognition of his philanthropic achievements and his unwavering commitment in the fight against social injustice, Dr. Reginald Mengi received several international and national awards over the years before his death in 2019.

10.11 Conclusion

There has been a new age of entrepreneurship in Africa, one that has spawned entrepreneurs who have been able to grow their small private businesses into corporate behemoths. In doing so, they have had to find means of getting around Africa's traditional institutional and physical challenges while looking beyond the limitations brought about by a history of tribalism, ethnicity and racism.

These new age entrepreneurs have had to wear several hats. Acting as activists who prod governments to improve the business climate and open up sectors to private investments. They are marketers who pitch the exceptional growth rates and profits in their business to investors as they seek more funds to finance expansion. They are also advocates for the diversification of the economy and some believe that Africa's development lies in indigenous private sector growth.

Many successful entrepreneurs are now giving back, through the corporate social responsibility initiatives of their companies or through their personal foundations. They are philanthropist supporting Africans with several social interventions.

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Part III

The Lions Driving the Development of Africa

11

A Detailed Look at the Contributions of African Multinationals Enterprises to Africa Economic Development

Great Africans are not judged by how much money they have—
but what they've done for their people.
–Patrice Mostope

11.1 Introduction

From 1980 to 1989 Africa's Gross Domestic Product (GDP) grew by an average 1.8% per annum, by 2.6% per annum between 1990 and 2000, and by 5.3% per year between 2000 and 2010. Supported by sound economic policies, debt relief, stronger institutions, and high investment, many countries in sub-Saharan Africa have now sustained 5–6% growth rates during 2000–2012, and this has helped reduce poverty rates and improve living conditions (United Nations Conference on Trade and Development 2014).

Africa's place in the world continues to evolve as the structure of the global economy changes. The continent is the source of several of the world's most valuable minerals and these minerals has been the mainstay of the economies of several African countries for decades, but Africa is transforming into a productive hub, bubbling with manufacturing energy and seething with a new innovative verve from a thriving service industry. At the heart of this transformation is a crop of businesses that have found ways to thrive in Africa's challenging business climate and tap into the opportunities offered by its growing consumer market.

Governments on their part have focused on creating the environment that would enable investments and growth on the continent. Having been confronted by their countries poor ranking in measures such as World Banks's Ease of Doing Business index and its correlation with attracting foreign direct investments several African countries are putting together policies to improve their place on the index.

A Detailed X-ray of The Contributions of Africa's MNEs To the Development of Africa.

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Management for Professionals, https://doi.org/10.1007/978-3-030-33096-5_11

Governments have enacted policies that facilitate the growth of private sector investment. These policies create clarity for investors by defining the framework under which their investments would be protected and supported. The fact that these reforms have been successful improving Africa's business climate have been captured in several studies (MGI 2016).

These policies and reforms may not have attracted the flow of FDI from developed country MNCs as governments may have wanted, but they aided the birth, growth and expansion of home-grown companies. Private capital has accelerated the in the past two decades and have become the driving engine of investments and development in Africa (African Development Report 2011). Private capital investments in Africa has accelerated at a time that public sector investment have retreated and today the private sector is responsible not only for the provision of goods and services on the continent, but increasingly for the provision of utilities and infrastructure.

The success of AMNEs and other private sector investors is a testament to the fact that despite the challenging business environment, the African marketplace rewards entrepreneurs that are innovative, adventurous and capable of surmounting the huge obstacles to business on the continent.

Today, African private sector, led by a plethora of AFFs, represents two third of the total investments in the continent, three quarters of the generation of wealth, and 90% of the employment opportunities (African Development Report 2011). Taking into account its importance for the African economy, even if the situation differs from one country to another, the private sector is unquestionably the engine driving economic development.

But private enterprise in Africa is still dominated by the informal sector. The share of informal economic activity in Sub-Saharan Africa remains among the largest in the world, although this share has been very gradually declining, as seems to be the case globally. The SSA unweighted average share of informality reached almost 38% of GDP over 2010–2014. This is surpassed only by Latin America, at 40% of GDP and compares with 34% of GDP in South Asia, and 23% of GDP in Europe. In OECD countries, the informal sector is estimated to account for 17% of GDP (Medina et al. 2017).

The sheer size of Africa's informal, small and medium enterprises shows how daunting it is for businesses on the continent to scale up their operations. The lack of the capital, skills and the necessary operating environment militate against the growth of businesses. Big formalized business had been the exclusive preserve of the MNCs. Yet in the midst of these challenges, some African founded companies have been able to grow into national challengers, exporters and eventually multinationals.

The impact of the success of these African Lions have had on Africa has gone far beyond their primary mandate of providing goods and services to the African consumer. There have been benefits to the continent that are not only economic, but are also social and institutional.

African Lions are today at the heart of the diversification of the African economy. Investments across the agricultural value chain is increasing the ability of

Africans to feed themselves and improving the livelihood of millions of small holder farmers and while also increasing the exports earnings of countries. Their investments are increasing the contribution of manufacturing to GDP and reindustrializing Africa. They are also the second largest source of job creation on the continent after governments.

There is increased intra-African trade as more products and services flow between regional neighbors. A lot of this trade has been due to growth and cross-border expansion by African Lion.

Between 2006–2007 and 2015–2016, the average annual amount of African foreign direct investment-money that African companies invested in African countries-nearly tripled, from USD3.7 billion to USD10 billion. In 2013 AMNEs contributed close to 23% of FDI investments in Africa (8% in 2007), their investments are in second place behind those of Western European businesses.

Over the same period, the average number of yearly intra-regional M&A deals jumped from 238 to 418, with African-led transactions representing more than half of all African deals in 2015. Meanwhile, average annual intra-African exports increased from USD41 billion to USD65 billion. And the average annual number of African tourists (Africans traveling in Africa) rose from 19 million to 30 million. African tourist made up more than half of all tourist on the continent (BCG 2018).

AMNEs have become one of the more viable vehicles by which African government implement policies. When government demand increased value added manufacturing, it is the private sector that makes the investments that brings the dreams to life. In return for their investments, they get incentives in tax breaks, import tariffs weavers and other subsidies.

While the driving motive of the investments by AMNEs have been economic profit, their investments has had significant social impact, including employment, increase in inter-regional trade, technology transfer, and upgrade of skills of workers in they operate in. They also contribute to the income of the people in rural communities through their backward integration activities, and provision of infrastructure, healthcare and schools to communities through their CSR activities.

The scale of this impact can be better appreciated when an analysis is made of the contributions to GDP of almost all African countries from the sectors that AMNES have a preference of investing in. Countries with largest number of African Lions like South Africa, Nigeria, Kenya, Morocco and Egypt have seen increased tax contributions and increased economic activities and growth in GDP due to the investments of African Lions. While there is marginal increase in the participation of Africa's Lions in the extractive industry, it is their role in the services sector that has contributed the most to the expansion of GDP.

Reforms and profitability in the African market places has attracted a growing number of MNCs to Africa and when they seek entry to the continent, they have shown a preference to do so through strategic partnerships with AMNEs who guide them through Africa's challenging business terrain. When development agencies seek interventions in Africa, they seek out AMNEs to help implement programs that have social impact (IFC 2012). When development finance institutions want to make investments that have spillovers and trickle-down effect in African countries,

they invest in AMNEs whose operations have linkages to local communities (UNDP 2014).

The exponential growth of banking and financial services sector in Africa has been fueled by the creative means by which African founded banks have been able to mobilize capital from a wide range of sources including their domestic customers, development agencies, private equity investors and the bond market. This in turn has facilitated their primary role of intermediation.

The primary sector has traditionally been dominated by MNCs, and even now, it attracts foreign companies from China, India and Canada, but indigenous companies play significant roles in the capital-intensive parts of the value chain by developing mines, exploring and drilling for oil wells and establishing refineries. The greater participation of these home-grown companies in the primary sector has been due to policies like Local Content Laws and Black Economic Empowerment initiatives. In some countries though, state owned industries are the dominant players in these sectors.

In agriculture, AMNEs have increased their investments in the whole agribusiness value chain. Starting from inputs like seeds and fertilizer, milling, processing, value added manufacturing through to marketing of commodities to the global market. AMNEs have moved into sectors considered the preserve of governments, like healthcare and education by building and managing hospital groups, building pharmaceutical plants, and establishing primary, secondary and tertiary institutions all across the continent.

To facilitate their growth, AMNEs build sustainable relationships with stakeholders including their customers, communities in which they operate, governments, financiers and investors. Taking a panoramic view of their contribution, AMNEs produce products and service at scales that benefit the consumer in price and quality; they employ locals, pay taxes to governments and attract financing from global investors.

Consumers have benefited from the investments of AMNEs due to improved availability of consumer products in the markets and on the supermarket shelves. Investments by companies like **Bidco Africa**, **Tiger Brand**, **Olam**, **Cevital Group**, **Madhvani** and **MeTL** have made food products like vegetable oil, flour, sugar and dairy products to be readily available in African markets just as there has been increased availability of healthcare products like soap detergent and tissue paper. Meanwhile, companies like Elsewedy, Comcraft and Dangote Cement are establishing industrial complexes to manufacture products for the building and construction industry several countries.

These figures become stark when you take into account investments in the telecommunications sector where the involvement of private sector operators following privatization and deregulation has led to an exponential growth in telephone subscription in countries all across Africa. Investments by firms like Econet, GlobaCom and MTN outpaced those by MNCs including **Vodafone**, **Millicent**, **Orange** and **Etisalat**.

Investments in the telecommunication sector has been of the most transformative event in Africa in the past two decades between 1995 and 2005. The numbers are

staggering and the impact has been far reaching. Unique mobile subscriber penetration in Sub-Saharan Africa stood at 44% at the end of 2017, still well below the global average of 66%. The subscriber base in the region totalled 444 million, equivalent to around 9% of subscribers globally. The regional subscriber base will grow at a CAGR of 4.8% for the period 2017–2022, more than double the global growth rate over the same period. The penetration rate is forecast to reach the 50% level by the end of 2023, and 52% by 2025.These investments have increased people's access to telephones and broad band internet services. Improved telecommunications has led to improvement in ecommerce, media and financial services as telecom firms and financial institutions now work improve mobile banking. Africa has the most countries with the highest adoption of mobile banking which is helping bridge Africa's huge gap in financial inclusion and powering payment solutions for business.

The expansion of services sector has led to improvements in retail, trade, banking, media and entertainment, education and spurned a digital economy. There is increased availability and choice for consumers in the African marketplace due to the investments of AMNEs.

Governments have earned increasing amounts of tax revenues and have found development partners in these firms. African Lions, in being the main drivers of manufacturing and services like telecoms and finance, have taken the burden off governments, many of whom are even divesting their holdings in utilities like power, transport and water and sanitation. Most of these firms are also major earners of foreign exchange as their operations abroad are considered to be exports.

Competition has intensified in the African marketplace, as MNCs have had to respond to the loss of market share to AMNEs. African subsidiaries of companies like Lafarge-Holcem, Unilever, Danone, and P&G have increased capital investments on the continent in order to ward off the challenge of AMNEs. MNCs are reevaluating their strategy in Africa and have become more agile and responsive to emergent changes in the African marketplace.

Investors have reaped huge gains in Africa as they have seen the value of their investment grow. The investments by African Lions have helped attract increased capital flows to Africa. No least among them have been development institutions like IFC, foreign and local banks, private equity firms and portfolio investors whose capital have supported the growth of many African Lions.

Business to Business suppliers of goods and services have also grown as the firms they service grows. Developing the supply chain has been beneficial firms to B2B firms. In fact, most of the spending of AMNEs is to suppliers (MGI 2016). Several B2B firms have expanded internationally as they follow their clients into new markets. A bank like Standard Bank, expanded its footprint across Africa mainly to follow the expansion of south African AMNEs across Africa just as Attijariwafa Bank, the Moroccan bank expanded across West and East Africa to service the financial needs of Moroccan firms. Zambian meat processor, Zambeef has followed its client Shoprite to expanded into 21 markets across Africa. Even then there have been increased opportunities for suppliers of logistics service, raw materials and agricultural produce.

Companies themselves have benefited from international expansion. Their expansion has been used to edge against political and macroeconomic risk in their home markets and many of the firms now earn significant amount of their revenue from their international operation. AMNEs have acquired knowledge of the business environment in several African markets and use that knowhow to good effect when the venture out of the continent. **MTN** is an example of an African Lion that learnt to deal with the physical and institutional deficiencies of Nigeria and used that knowledge in expanding across the continent.

Communities across the continent have also been positively impacted by the activities of AMNEs with the most telling impact being employment and improvement of their livelihood. Several communities have been transformed when selected to host facilities of these AMNEs. Their presence sometimes leads to the provision of infrastructure like roads and electricity and educational and health care facilities for the communities. For those farming communities that are important to the backward integration efforts of consumer products companies, they benefit from advances of farming inputs and extension services provided by AMNEs to improve yields which ultimately leads to improvements in the income of farmers.

Firms like Cevital and Tiger Brand, Olam, Madhvani, and ETG are now involved in huge backward integration agricultural projects that aims to achieve self-sufficiency in the local production of rice, maize, sugar. These multi-million-dollar projects include the establishment of huge farms, state of the art milling facilities and provision of infrastructure like roads and electricity to rural communities. These projects employ workers from local communities and provide extension services to farmers to be able to improve their yield. Olam has invested 300 million dollars in the building rice and maize mills in in Ghana, Mozambique.

11.2 The Lions Diversifying the African Economy

Resources and agriculture still account for a large proportion of government revenue in many countries. They also make up a major share of goods exported—98% in Angola, 92% in Nigeria, 80% in Zambia, and 45% in South Africa, for example—heightening many economies' vulnerability to commodity price volatility. But the contributions of the extractive sector has progressively declined in the past decades as private sector investments have become the new engine driving several African economies.

Governments have made efforts at economic transformation and diversification of their economies. At the continental level, economic transformation is one of the key priority issues in the draft strategic plan of the African Union entitled Agenda 2063. It is also one of the four priority issues identified by African countries in the African common position on the post-2015 development agenda. The other issues are innovation and technology transfer, human development, and financing and partnerships. At the national level, many countries have also made economic transformation a key focus of their development agenda in the medium to long term. For example, the Ethiopian Government has a Growth and Transformation Plan aimed

at boosting agricultural and industrial growth. Cote d'Ivoire has an Economic Emergence Strategy aimed at making it an industrial economy by 2020. Similarly, Uganda intends to accelerate its socioeconomic transformation through Vision 2040 and Lesotho's Vision 2020 gives pride of place to industrial development. For Kenya, among the various government initiatives to spearhead diversification in the economy, the principal one is Vision 2030, the government's key policy for Kenya's economic development in the years leading to 2030. Vision 2030 identifies economic diversification as the main thrust of this development strategy (United Nations Conference on Trade and Development 2014).

Countries such as Egypt, Rwanda, Sierra Leone, South Africa, and Zimbabwe, among others, have also developed plans and strategies to transform the structure of their economies towards manufacturing and agribusiness in the medium to long term. These plans have attracted FDI investments from both outside and within Africa.

African Lions have been at the heart of this renewed growth of private sector investment in Africa and in the process are diversifying African economies away from their resource and agricultural foundations. Diversifying African economies is not an easy task. One of the key challenges is how to overcome over-specialization, whereby some countries have developed systems and know-how for one specific area of the economy but find it difficult to transfer these to other sectors and activities (Gurria and Mayaki 2011).

The combined share of services and manufacturing grew from 65% of GDP in 1999 to 68% in 2014. Manufacturing had been decelerating in Africa over the past three decades from 1981 falling from a high of 16% in 1981 to a low point of 11% in 2011. It has however grown marginally to contributing 10.17% of SSA GPD in 2017. This marginal growth has been on the back of AMNEs investments (World Bank Development Indicators database).

African Lions pushing the growth of manufacturing include Dangote Industries in Nigeria, MeTL and Bahkresa in Tanzania, Chanderia and Bidco Africa in Kenya and Cevital in Algeria whose business interest spans retail, agribusiness, manufacturing. Cevital's operations contributes 3% of the GDP of Algeria which is heavily dependent of oil and gas for its foreign exchange revenue.

For countries like Egypt and Morocco, long reliant of tourism and agriculture the investments of OCPs, Yana, Cement d'Atlas and OCI, Elsewedy and Ezz steel are expanding the scope of their economies. As these cross-border investments are considered as exports, African countries can be said to be diversifying their export earnings when AMNEs repatriate profits from their host countries.

Yet the larger contribution to growth in Africa has been in the services sector. Liberalization and deregulation let to the growth the financial services, telecoms, retail and trade, media and entertainment and the tourism industry.

Telecommunications particularly has had a tremendous impact on African economies both as sector that facilitated communications and as an enabler of the digital economy. In 2017, mobile technologies and services generated 7.1% of GDP across Sub-Saharan Africa, a contribution that amounted to USD110 billion of economic value added (GSMA 2017). The huge private sector investments in Africa is the

backbone that today supports the growth of eCommerce, online retailing, mobile money and 300 platforms that have given rise to a vibrant gig economy in Africa in Africa. Africa's financial services sector has also expanded leading to improvement in credit to business, access to capital and financial inclusion. Banking groups like Ecobank, Attijariwafa, Ecobank and Standard Bank are the banks making investments that is impacting on African economies.

11.3 The Lions Industrializing Africa

Manufacturing in Africa contributes 10% of GDP, but manufacturing is expected to grow as populations increase and Africa's consumer market expands. Following the withdrawal from state led industrialization, Africa went through a sustained period of deindustrialization but Africa's industrial rebirth has been led by private sector.

Manufacturing has picked up pace marginally as firms increase capacity to produce fast moving consumer goods. Growth in manufacturing in Africa between 2003 and 2015 has been driven mainly by domestic demand and the specific needs of each country (UNIDO 2018). Between 2005 and 2014, manufacturing production more than doubled from USD73 billion to USD157 billion, growing 3.5% annually in real terms. Some countries show particularly strong annual growth: Uganda's manufacturing grew by 5% over 2010–2014; Zambia's by 6% over 2008–2012; and Tanzania's by more than 7% in the last decade (Balchin et al. 2016). The share of medium- and high-technology activities in total manufacturing value added increased from 25% in 2000 to 29% in 2008. Furthermore, the share of medium- and high-technology exports in total manufacturing exports rose from 23% in 2000 to 33% in 2008. The growing share of medium- and high-technology activities in both African manufacturing value added and manufacturing exports is important because technology-intensive manufacturing sectors grow faster, have greater learning prospects, and have more spillover effects on the rest of the economy (UNCTAD 2013).

The food and beverages sector increased faster than average, partly because of the importance of growing domestic demand. Africa's Lions have been investing in manufacturing. Firms like Bidco Africa, MeTL, Chanderia, Bahkresa are investing in new plants and factories as they expand aggressively across East Africa. Apart from its consumer healthcare products, Chanderia Industries is at the forefront of establishing large industrial recycling plants across East Africa.

Tiger brands, the largest consumer goods manufacturer in Africa, has established plants all across Africa, just as other South African food and beverage firms including Distell and SABMiller, now a part of Anheuser-Busch InBev. Investments in Agribusiness value chain have led to African Lions like OCI, OCP and Dangote Fertilizer expanding fertilizer production and output on the continent.

With manufacturing and blending plants in 10 countries, OCP is the leader in the production of fertilizer, accounting for 65% of phosphate fertilizer manufactured on the continent. Currently, the OCP is building a 3.5 million metric tons plant in partnership with the government of Ethiopia. OCI NV is the largest manufacturer of

fertilizer on the continent with factories in Iowa, America, Algeria and two plants in Egypt. The 3million metric ton plant in Algeria is in partnership with the Algerian government.

On its part, Dangote Industries is constructing a three million nitrogen fertilizer plant in an industrial complex in Lagos. Dangote is also constructing a 650, 000 barrels a day refinery on the site. With an investment of USD17 billion as the cost of both projects, Dangote Industries has embarked on the largest single private sector industrial project in Africa and one of the largest in the world.

Dangote Industries is, however, known more through its cement subsidiary, Dangote Cement that has established large scale cement plants in several countries on the continent. The company has built large cement plants in Zambia, Tanzania, Ethiopia, Senegal and Congo. In its home market, Nigeria, where the company commands a 65% market share, Dangote has established three large 3 plants that have helped increased cement production in Nigeria from 2.5 million tons in 2000 to 40 million metric tons.

Figure 11.1 shows that the contributions of value-added manufacturing to GDP has started to trend upwards due to the investments of African Lions after a long period of deindustrialization.

Egyptian Elsewedy has established plants in SSA and the Middle East to produce electrical cables, transformers and other electrical components. Another Egyptian Ezz steel has establish five plants across Egypt and is today the leading producer of steel in North Africa and the Middle East producing 5.8 million metric tons of steel. Other companies are establishing plants to manufacture steel and aluminum including Kenya's Conglomerates Comcraft and Ramco. Comcraft produces aluminum from plants in across Africa.

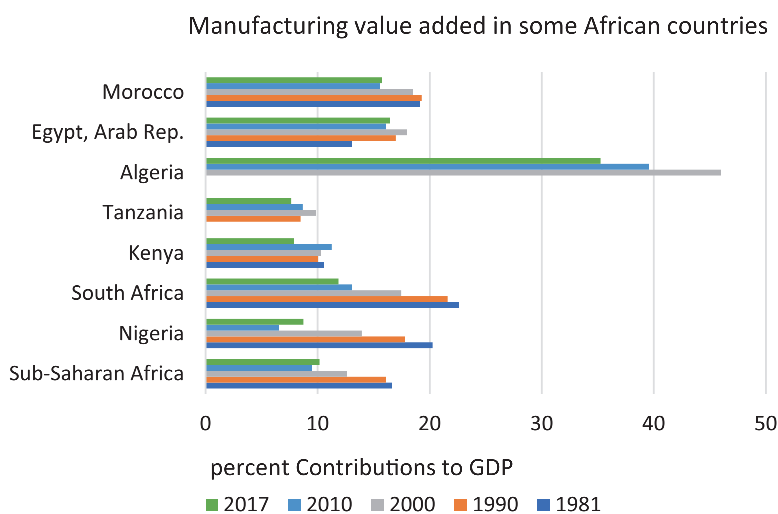

Fig. 11.1 Contribution to GDP of value-added manufacturing in select African countries. *Data source from WDI of World Bank*

These industrial complexes are modern, more efficient and productive. They increase technology transfer, improve workers skill and contribute enormous revenues to governments. Establishment of refineries and fertilizer plants particularly not only increases availability of fertilizer and petroleum products to consumers, it helps reduce or eliminate the need for ineffective government subsidies and importation of petroleum products. The case of Nigeria is particularly poignant. The average use of fertilizer per 10,000 sqm of land is 5 kg against a sub-Saharan average of 15 and the attempt to subsidies importation and sales of the product to farmers have largely failed with a government report noting that only 15% of the imported products get to the farmers. These investments have helped to increase production and eliminate corruption (FAOSTAT).

11.4 The Lions Feeding Africa

There been several initiatives to address food security and improve the production of cash crops that are important to the economy of several African countries. These initiatives have been led by governments, development agencies like the FAO, and development finance institutions like AfDB. Food security is particularly worrisome due to its socio-economic implications. For many governments, there is the added urgency of reducing imports of commodities like rice, maize, vegetable oil, wheat and sugar with local substitutes as this constitute huge strains on foreign currency reserve.

Eighty percent of Africa's agricultural output is driven by small holder farmers who have limited resources and access to markets. Africa's agriculture is about 96% rain fed. Only 4% of sub-Saharan Africa's farmland is irrigated (7% on the entire continent).[1] Access to markets continues to be one of the key bottlenecks. Nearly one half of the sub-Saharan Africa rural population has to travel 5 h or more to reach the nearest market. There is high level of post-harvest loss of food because of lack of storage and postharvest processing infrastructure. FAO estimates from 2011 suggest that as much as 37% of food produced in Sub-Saharan Africa is lost between production and consumption. Estimates for cereals are 20.5%. For post-harvest handling and storage loss only, the FAO estimate is 8%, and the African Post-harvest loses Information System (APHLIS) estimate is 10–12%. These post-harvest loses cost Africa USD4 billion per year. Furthermore, use of basic agricultural inputs and mechanization is low. African farmers use only about 15 kg/ha of fertilizer, with smallholder farmers using far less, compared to the global average of over 138 kg/ha. Africa has 13 tractors per 100 km of agricultural land compared to the world average of 200—approximately 3.5 million more tractors are needed to put Africa on par with other regions (FAOSTAT).

Governments and development agencies have fashioned policies and frameworks that seek to get more actors into the agribusiness value chain in order to maximize efficiency and productivity. In the past two decades, however, there have increased

[1] https://www.aphlis.net/en#/.

involvement of private sector investment all across the value chain. This has been led by AMNEs whose investment have led to improvements inputs, processing, value added manufacturing and marketing of agricultural produce.

Efforts to improve access to finance to farmers have been initiated by government agencies, agricultural banks and DFI but increasingly commercial banks like Standard Bank, Equity Bank and Kenyan Commercial Bank are playing significant roles in the finance of agriculture. Seed quality and output has expanded due to the efforts of companies like **Seedco** and Eastern Seed Company.

Large scale investments in fertilizer production has led to improved availability of fertilizer on the continent and led to improvements in use of fertilizer in agriculture. The vast investments by **OCP Africa, Orascom** and **Dangote Fertilizer** are increasing availability of fertilizer and other chemicals on the continent.

Morocco's OCP Group, the world's leading phosphate exporter, signed a USD3.7 billion deal with Ethiopia's state-owned Chemicals Industries Corporation (CIC) to build a 3.5 million metric tons/ annum fertilizer plant in Ethiopia which would be largest fertilizer complexes in the world. Dangote Fertilizer is also building a three million metric ton plant in Nigeria. The investments by these AMNEs including others by ETG are expanding fertilizer production capacity in African.

As food and beverage manufacturing companies invest in backward integration, they establish mechanized farms or aggregate small holder farmers in order to produce at scale. Aggregation has been adopted by large commodities dealing companies like ETG, Olam, Stallion Group to increase access to cereals like maize, sorghum, sesame and rice. Additionally, as these African Lions establish large scale farms, they invest in irrigation schemes, seeds and good agronomic practices to improve yields. Additionally, investments in storage facilities and milling by firms like Bahkresa, Bidco Africa and Tiger brand ultimately reduces post-harvest loss and enhance food security. When the crops are for export, storage ensures uniformity and stability in markets.

In Nigeria particularly, AMNEs have responded to government's efforts to reduce importation of rice, sugar and wheat with extensive investment in larges scale farms. They have also invested in aggregation of small holder farmers. They constructed storage silos and mills. By 2018 Nigeria became the largest producer of rice on the continent. Dangote Sugar has earmarked USD1 billion in an effort to get 160 hectares of land under cultivation as the company seeks to refine 1.5 million tons of sugar from its sugar mills and refineries in a decade. These practices have been critical in increasing farming of cash crops like cocoa, Coffee, cotton, tobacco and tea.

11.5 The Lions Investing in Africa

The relationship between foreign direct investment and economic development has been studied extensively. There are several areas though which FDI affects development (UNCTAD 1999) and these include, employment and incomes, capital formation, market access, structure of markets, technology and skills, fiscal revenues, and political cultural and social issues (UNCTAD 1999).

AMNEs have become significant investors on the continent. While the value of their investment may vary year on year, they have joined the traditional investors on the Africa continent. AMNEs from South African have been the largest investors on the continent, but the expansion of AMNEs from Morocco, Nigeria, Egypt, Mauritius, and Kenya have increased the role of African AMNEs in accelerating foreign direct investment on the continent.

AMNEs usually invest in sectors that have backward and forward linkages to the economy like banking, telecommunication, agriculture, food and beverage, retail, education and media and entertainment.

The biggest beneficiaries of these investments are often regional neighbors, as African Lions have been described as being local optimizers (Ramamurti and Singh 2009). It is for this reason that Kenyan AMES tend to invest in the EAC region and Moroccan and Egyptian AMNEs invest in the MENA but they have, however, increased the pace of their investment in SSA. South African firms expanded within the SADC region but some have expanded to all regions of the continent.

In 2008, at the zenith of the global financial crisis, African firms dramatically expanded their Africa-wide presence. Intra-African greenfield FDI projects accounted for just 8% of all such projects into Africa in 2007, but rose to 22% in 2013, making Africa the second largest source of greenfield FDI projects into Africa in 2013, after Western Europe. Its relative contribution by capital expenditure is very similar. Relatedly, mergers and acquisitions (M&As) by deal volume shows that African acquirers have been the primary source of cross-border M&A since 2006 (UNCTAD WIR 2018).

Foreign direct investment in African manufacturing is increasing from a low base, having risen in many countries between 2003–2006 and 2010–2014. And direct investment from one African country to another is now a significant source of FDI, ranging from 4% in Ghana, 25% in Mozambique and Tanzania, to more than 40% in Rwanda (Balchin et al. 2016). In industries other than finance, more than 60 African MNEs in both infrastructure and trade have expanded abroad, reflecting demand for these services. In trade, three quarters of 265 foreign affiliates are located within Africa, while in infrastructure two fifths are intraregional (UNCTAD WIR 2015).

At the forefront are South African firms. The share of African countries in South Africa's outward FDI assets nearly doubled between 2004 and 2012, to 21%.2 South African firms accounted for one third of all intra-African greenfield investment projects between January 2003 and January 2014, with the remainder coming from Kenya (14%) and Nigeria (12%), followed by Togo, Egypt, Mauritius, and Tunisia (20% combined).

Less risk-averse, African investors look beyond the usual physical and institutional challenges that define the African business climate. The largest recipients of intra-African FDI projects between January 2003 and January 2014 were (in order) Ghana, Uganda, Tanzania, Nigeria, Kenya, Rwanda, and Zambia. These seven countries received over 45% of total intra-African investment projects (over 400) during this period. Moreover, intra-African FDI was the primary source of project

inflows for several smaller African economies (e.g., Burundi, Rwanda, South Sudan)—even if absolute numbers are modest (Krüger and Strauss 2015).

FDI by African Lions are usually market seeking. These investments tend to have more linkages and benefits to the host country economy. This has supported a widespread relative shift away from resource-seeking FDI, which declined from 35% of the number of incoming greenfield projects (and 81% of capital expenditure) in 2003, to 11% of project inflows (and 36% of capital expenditure) in 2013.

The rise of intra-African FDI has had two clear impacts. First, African investors are slowly becoming more competitive as they acquire complementary assets, expand scale and enhance brand value. Second, competition in Africa is increasing. This is creating a virtuous circle as investments from companies who fear being permanently disadvantaged as late movers, or see their market positions slipping, are sucked in. This has prompted tradition MNC and new entrants into Africa to increase their investments in all aspects of the value chain in order to keep abreast with the competitive strategies of the African Lions. Long the dominant producer of cement in Africa, Lafarge-Holcem was forced to consolidate their operations across Africa and invest in new capital projects following the rapid expansion of Dangote Cement across Africa.[2]

Investments by AMNEs have helped to increase intra-African trade, improved regional integration and improved the mobility of Africans across African countries. As capital inflows into Africa increase, a few countries get a disproportionate inflow of private capital. South Africa and Nigeria have traditionally led the list of recipients of private capital inflows, including investment from private equity firms, private lenders and investments by development finance agencies and portfolio investors and investment funds (UNDP 2014).

Investments by AMNES benefit countries like Uganda, Ghana, Rwanda, Malawi, Zambia, Tanzania, Senegal and South Sudan that have less inflow of private capital into their economies. In effect AMNEs help redistribute capital flows into Africa.

South Africa particularly, attracts 90% of the portfolio investments flowing into Africa, thus empowering South African firms listed on the Johannesburg Stock Exchange to have the funds to finance operations, improve their product and service offering and embark on international expansion (Sy and Rakotondrazaka 2015). It is this investment by South African firms that benefit smaller regional neighbors, especially, eSwatini, Lesotho, Namibia, Zambia, Malawi and Zambia.

The same is true with West Africa where regional powerhouse, Nigeria, attracts the most FDI and private capital flows, thus empowering Nigerian Lions to invest across the region especially Nigerian banks, which are dominant players the banking markets of Sierra Leone, Gambia, Liberia and Ghana. African Lions expanding into Africa bring capital, technology, managerial and operational knowhow into their host market. South African retailer, Shoprite has been successful in developing supply chains in markets outside South Africa where there is little formalized retailing like Nigeria and Ghana (Deloitte 2015). Banks and insurance companies have

[2] https://www.worldcement.com/africa-middle-east/04062014/lafarge_group_announces_creation_of_lafarge_africa_296/.

also helped improve the capabilities of host market incumbent through their governance, operational methods and marketing. Nigerian GTbank and Access Bank have found success across Africa on the back of their reputation.

Investments by AMNEs is usually in manufacturing and services which have more linkages in the economy. The most investment in services have been in financial service, telecommunication and transportation. Intra-African FDI has played a vital role in driving Africa's burgeoning financial industry, especially in retail banking services (UNCTAD WIR 2015). Financial services accounted for about 50% of intra-Africa greenfield investment projects between 2003 and the start of 2014, with about 38% of these projects in retail banking, and 5% in insurance. Intra-African FDI in the financial industry has been led by banks from South Africa, Nigeria, Morocco and Kenya. The geographical spread of these services is impressive: South Africa's Standard Bank operates in 20 countries in Africa; Ecobank, a Togo-based pan-African bank in 36; and Nigeria's United Bank for Africa in 19. There has also been strong regional expansion by banks from North Africa—especially Banque Marocaine du Commerce Extérieur and Libya Foreign Arab Bank. Much of this expansion has occurred since the 2008 financial crisis. For example, in response to the crisis, South Africa's Standard Bank changed its strategy and refocused its international operation on Africa.

AMNEs are responsible for some of the largest and most impactful capital investments on the African continent outside the oil and gas and resource extraction sectors where MNCs dominate. Most of these investments are aimed at increasing the scale and scope of the operations AMNEs and they ultimately have had great benefits for the economy of the host country.

Large scale investments in telecommunication infrastructure, food processing and grains storage facilities, oil refining and cement manufacturing have been undertaken by AMNEs as Africans are less risk averse than MNCs operating in the secondary and tertiary sectors of the economy. South African power utility Eskom supports some of the largest greenfield investments in hydroelectric power in several countries including the Grand Inga dam project in Congo DR where the firm has invested USD2.5 billion dollars. Telecommunication companies like MTN, GlobaCom and Econet have cumulatively made USD40 billion investments in the telecommunication sector (Gutman et al. 2015).

In the last decade, Maroc Telecom, has invested nearly EUR 6 billion infrastructural modernization projects and the improvement of the quality of its services in Africa.[3]

These big-ticket projects are easier for AMNEs to embark on because of their knowledge of the business environment of Africa and the profitability of these investments. The profitability of these greenfield investments encourages AMNEs to continue to invest.

In 2015 WIR by UNCTAD noted African investors accounted for 31% of global planned capital expenditure in announced greenfield FDI projects on the continent in 2014. Some 21% of all such projects in transport, storage, and communications were led by Africa-based investors (UNCTAD WIR 2015). A testament of the

[3] https://www.moroccoworldnews.com/2017/12/236174/maroc-telecomawarded-best-african-operator/.

appetite for large capital investments by AMNEs is the investment by Dangote Industries which is investing USD17 billion dollars to build 650, 000 barrels per day refinery and a fertilizer plant that would produce three million tons of fertilizer per annum in what is described as one of the largest integrated petrochemical and petroleum refining complex in the world (Bloomberg 2019).

11.5.1 Investments that Have Linkages in the Local Economy

AMNEs tend to invest in sectors of the economy that have forward and backward linkages and spillover effects to host country economy. FDI by MNCs and other foreign interests in Africa is heavily skewed towards the primary sectors like mining and oil and gas. These sectors are capital intensive and require specialized skills thus they usually do not address the employment needs of communities.

It is for these reasons that resources extracting and oil companies like Shell, Agip Total, BHP Billington, and Vale usually find themselves in trouble with local communities where they operate as their activities have little economic benefits to the communities that ultimately bear the brunt of the exploration activities like oil spills, polluted rivers and collapsed dams. Expansion of the operations of AMNEs have been of immense benefit to several stakeholder, including communities and large unemployed youth urban youth populations.

The telecommunications sector is a capital-intensive sector but the poor infrastructure and security meant firms had to provide their own power and security. AMNEs like GlobaCom and often supported their operations with power generators, which need diesel to run and had to be protected from vandalization and theft. Thus, the rapid growth of the telecommunication sector in Africa created opportunities for a whole range of suppliers, including generator manufacturers, diesel suppliers, and communities who played crucial roles to secure the base stations and equipment of the telecoms operators in their localities. Ultimately, this need for efficiency in the sector led to the creation of firms like IHS and Helios Towers to manage the down operations for Telco. These operations still employ a lot of people.

While implementing an innovative payment solution for African consumers, AMNEs like MTN, Econet and GlobaCom introduced top-up and recharge cards that was sold to consumers through plethora of sales agents. The sale of recharge cards became a full-time job for millions of youths and women who would otherwise had been unemployed. The amount of people engaged in the sale of recharge cards across Africa has been estimated to be around six million.

This improvements in access to funds has helped the growth of several SMEs on the continent. Banking AMNEs almost always competed as retail banks. With poor legal and properties rights and lack of credit bureaus, these banks were forced to adopt relationship banking practices to be able to identify potential targets for loans and protect against possible defaulters. Relationship banking was a risk mitigation strategy that helped African banks thrive in a segment of the banking market that is avoided by multinational bank.

In so doing, they forge strong bond with their customers and help them grow their businesses to the benefit of the bank and its customers. Banks like GTBank, UBA, Equity Bank and Ecobanks owe their phenomenal growth to these practices. Relationship banking was a strategy for risk mitigation and it helped banks increase their lending to African entrepreneurs and SMEs. There has been growth in the credit made to the private sector in countries where African multination banks operate.

The convergence of telecommunication and banking has seen the growth and adoption of mobile banking. Sub-Saharan Africa is the leading adopter of mobile banking solutions globally. This has improved financial inclusion on the continent and payment systems.

The expansion of manufacturing in the food and beverage sector has had the added benefit of stimulating backward integration investments by AMNEs like Bidco, Dangote Sugar, Tiger Brand, Zambeef in order to improve local sourcing of agricultural produce. This has prompted AMNEs to seek better means of improving the yields for farmers, thus, they have had to invest in extension services as well as providing farming communities with inputs like seeds and fertilizer. This has helped to boost the incomes of farmers. In real economic and social terms, these investments by AMNEs are usually of more intrinsic value to the local communities than that done by MNCs.

11.6 The Lions Attracting Capital to Africa

There has been a fundamental shift in the economic structure of African states. By 1990, African governments were in debt following two decades of experimentation with an expensive import substitution policy, and economic stagnation brought about by coups, wars and political upheaval. Official Development Assistance (ODA)from the developed countries was the main source of foreign capital inflow in SSA except for only Liberia and Nigeria (Sy and Rakotondrazaka 2015).

Total external flows grew more than six times during this period, from USD20 billion in 1990 to more than USD120 billion in 2012. ODA, which accounted for a just under two-thirds of total flows in 1990, is now much lower and comparable to remittance flows. Private capital flows are now the single-largest source of external financing for the region, with more than half of the total flows.

A confluence of factors was responsible for the surge in private capital. A significantly improved macroeconomic performance across much of the continent, and for some countries, the implementation of the Multilateral Debt Relief Initiative, coincided with increases in global liquidity and higher oil and commodity prices (Deléchat et al. 2009). The global liquidity combined with low interest rate in developed countries made Africa a destination for private investors seeking higher returns on their investments.

11.6.1 Increased Private Capital Inflow

In 1990 the composition of external flows to sub-Saharan Africa was about 62% ODA, 31% gross inflows from the private sector, and about 7% remittances. However, by 2012, ODA accounted for just about 22% of external flows to Africa less than half the share of gross private capital flows (54%). Also, notably, in 1990, FDI flows were greater than ODA flows in only two countries (Liberia and Nigeria) in sub-Saharan Africa excluding South Africa, but 22 years later, 17 countries received more FDI than ODA in 2012. A good size of this FDI—suggesting that sub-Saharan African countries are increasingly becoming less aid dependent (Sy and Rakotondrazaka 2015).

The external flow of finances into Africa has been in the range of 10–12% of GDP during the past decade but is concentrated in a few countries. The external flows have averaged USD190 billion per year during the period (AfDB, OECD, and UNDP 2016). At the same time, domestic revenue collections have increased from USD281 billion during 2004–2008 to USD461 billion in 2014. Foreign direct investment (FDI) and portfolio investments have formed the largest share of external flows in recent years in the range of USD50 billion to USD80 billion annually.

The data also show that private capital flows to sub-Saharan Africa over the period of 2001–2012 have mostly benefited two countries—South Africa and Nigeria—which accounted for 45 and 13% of total private flows to sub-Saharan Africa, respectively. These two countries have attracted the most flows in part because they are the largest in sub-Saharan Africa, together making up more than half of Africa's GDP. Other countries attracting private capital flows include Kenya, Morocco and Egypt.

African Lions from these countries, through their expansion across Africa have helped to redistribute the inflow into the continent. Thus, the international expansion of African Lions from South Africa, Nigeria, Kenya, Morocco and Egypt help to redistribute this capital injection across countries with smaller economies Rwanda, Liberia, Uganda, Malawi.

11.6.2 Proxies for Investors

AMNEs have become the main magnet attracting flow of capital into Africa either as portfolio or private equity investments. AMNEs have been able to raise increasingly huge sums of money from the stock exchanges across the continent, the bond market, fund managers and private equity financiers.

Access to capital has been one the factors limiting the growth in scale and scope of AFF. However, through aided by their rapid growth and profitability, African Lions of have improved their ability to source for funds from foreign fund managers and portfolios investments.

Between 2000 and 2010 Foreign investors found African Lions particularly attractive for their profits and high returns on investment and made huge bets as reflected in the growth of African burses within the period. Additionally, the large

appetite for the shares of AMNEs encouraged then to embark on dual listing on an African burse and a European bourse like London Stoch Exchange and Euronext and the New York Stock Exchange as well as issuing Global Depositary Receipts for their shares to be traded in several markets.

The most sought-after shares and equities on burses around the continent include those of AMNEs like Naspers, Shoprite, MTN, Equity Bank, Orascom, Ecobank and Standard bank, Dangote Cement and GTBank. Development Finance institutions, private equity firms and fund managers prefer to engage with African Lions. Thus, AMNEs now act as proxies for global investors who invest in African Lions to help them gain access to the profits and high returns inherent in the African marketplace while minimizing their risk. Firms like Kenya's Equity Bank and Togo's Orabank saw their market valuation skyrocket after their initial Public Offering due to investments following a period of private equity investment.

In growing into big firms, AMNEs are able to attract capital more than the plethora of small and medium scale companies in their home markets. Since establishing their first greenfield cement plant in Nigeria in 2006, Dangote Cement has been able to attract over 10 billion dollars from investors from far afield as China, Europe, and America to finance the establishment of new plants in Nigeria and across Africa. Three subsidiaries of Dangote Industries (the Holding company) were at one time responsible for over 40% of the total valuation of the Nigerian stock exchange.[4]

In a recent diversification effort, Dangote Industries was able to raise another UDS 10 billion dollars in funding for a refinery and petrochemical plant that is being built in Lagos, Nigeria and which would be one of the single largest of such plants in the world. In the same manner, Egypt's Qalaa Holding, a private equity and investment company was able to put mobilize funds for the construction of a 88,000 b/d refinery in Cairo from a wide variety investors.

11.6.3 Corporate Bonds

Apart from raising capital on the stock exchange and through private equity investments, African Lions are also active in raising funds through the issuing of corporate bonds. Long before African governments began accessing the bond market. African Lions have been raising corporates bonds after subjecting themselves to the due diligence of investors and the scrutiny of rating agencies like Standard and Poors, Moody's and Fitch. Indeed, the ability of these AMNEs to attract private capital from investors is higher than the ability of African governments of the countries in which they are headquartered to raise funds as reflected in the rating for corporate and sovereign bonds by these rating agencies.

This is reflected in the size of loans and bonds AMNEs can muster from financial institutions and the interest rates they pay for their debt when compared to against that which most of the 54 sovereign countries in Africa can get. It is as if the

[4] https://www.african-markets.com/en/stock-markets/ngse/dangote-group-controls-43-of-nigerian-stock-market.

investing world is saying we trusts Shoprite, Nasper, MTN or Econet, more than we trust African governments. It is worth noting that this was happening against the backdrop of sustained period of low interest rates in Europe and America between 2000 and 2010 when interest rates were pegged as low as 1% by European and American government to stimulate growth in their economies. That prompted European fund managers to seek out other markets for better yields for their capital. The yields that bonds issued by African Lions, which was sometimes as high as 7%, was very attractive to fund managers, despite the risks. African multinational banks, particularly, were active in the international bond market and long before African countries began to issue sovereign bonds. Banks like Nigeria's GTbank, Kenya's Equity Bank and Togo's Ecobank periodically issued Eurobonds that were usually oversubscribed.

These multinational banks were thus acting as intermediaries between European and American investors interested in Africa and Africa's entrepreneurs. Funds raised by banks was used to fund the growth of African enterprises as bank loans and retained earnings were the main sources capital for African enterprises seeking growth capital (Ramachandran et al. 2009).

11.6.4 Private Equity Investments

Private equity firms are increasing their positions in AMNEs usually following the continent-wide practice of taking minority stakes in these companies. Many AMNEs had to subject themselves to the scrutiny of rating agencies and opened themselves up to stringent governance mechanism and due diligence demanded by private equity investors. Ultimately, this has improved governance and reporting in these firms, many of which are privately owned or are family business groups. It is not uncommon to find private equity firms including Carlyle, Blackrock, KRK holding significant positions in AMNEs as part of their emerging market portfolio and strategy. The KRK, Blackrock, Blackstone and Carlyle have lunched Africa focused funds, but the most active private equity firms in Africa have included Actis, Helios Investment Partners and AfricInvest, African Capital Alliance and Phembani Group. AMNEs like Equity Bank, MTN, ETG, IHS Towers, Diamond Bank and Orabank, Oson were beneficiaries of investments by private equity firms.

11.6.5 Impact Investment

Development Finance Agencies have found the benefit supporting AMNEs. IFC has been a major player in promoting the growth of AMNEs by extending and mobilizing funding for their growth and expansion (IFC 2012). IFC has invested more than USD25 billion in African businesses and financial institutions, and current portfolio exceeds USD5 billion. Beneficiaries of financing from IFC have included, MTN which got a USD100 million in 2001 to finance the rollout of MTN services in Nigeria. In Tanzania, IFC supplied funds that helped Bakhresa Group expand the

national milling company it purchased in a privatization, and now also produces flour in Malawi that is sold both domestically and abroad. The IFC also helped strengthen Zambia's Zambeef, a local agribusiness leader that is now expanding into other countries such as Nigeria. In 2005 Dangote Cement, secured a USD75-million-dollar loan from IFC for the establishment of its first greenfield plant in Obajana Nigeria while IFC invested USD36.5 million in Bidco Africa to support expansion of the company's consumer goods operations into new market categories and create more opportunities for small farmers to enhance productivity and earn better incomes as well making an investment in Tanzania's Bahkresa to build a storage mill and milling plant.

IFC also mobilizes capital from other investors who invest alongside IFC in critical sectors for Africa's future. African banking MNEs, particularly, have been very successful in raising funds from development finance institutions like FAO, IFC, DMO, Norfund and DFID that make impact investments or funnel low interest loans to SMEs, farmers, and women entrepreneurs in Africa (UNDP 2014).

11.6.6 Domestic Mobilized Pension and Insurance Funds

AMNES have also been able to access domestically mobilized funds. Several African countries have instituted Pension Reforms and raised large pools of funds. According to a recent report by PricewaterhouseCoopers, "Africa Asset Management 2020" total assets under management in 12 selected Africa countries were USD293 billion in 2008, more than doubling to USD634 billion by 2014. Pensions are increasingly important as many countries set up and grow pension funds. The giant African pension fund is South Africa's Government Employees Pension Fund (GEPF), which had an investment portfolio of (USD124 billion) at 31 March 2017 while accumulated funds and reserves grew at 10.2% a year for the last decade, according to the latest annual report. Namibia's Government Institutions Pension Fund (GIPF) told a workshop in October 2017 its total assets were (USD7.9 billion), Botswana Public Officers Pension Fund has assets under management of (USD2.6 billion). In September 2017, Nigeria's PenCom put pension fund assets was USD20.1 billion (PWC 2015).

AMNEs have become investment vehicles for these pension funds. Most of these funds make investments in AMNE including MTN, Standard Bank, Shoprite, and Tiger Brand. Their investment includes a 20% stake in Ecobank.

11.6.7 Import-Export Banks

Meanwhile, as African manufacturing multinationals acquire machinery for their plants and factories from countries like China, India, Brazil and Turkey, they have also been able to access low interest loans from the Export-Import banks and other financial institutions of those countries at rates well below commercial bank interest

rates in Africa with more liberal tenor and terms. China particularly enticed AMNEs to use Chinese machinery and equipment with these loans.

11.7 The Lions Integrating Africa

The integration of Africa has been a desire of policy makers for several years. The continent is fragmented across 16 regional groupings. African government have recently pushed forward the latest policy initiative to integrate Africa, the African Continental Free Trade Agreement, which commits countries to remove tariffs on 90% of goods, progressively liberalize trade in services, and address a host of non-tariff barriers (Songwe 2019). While government are striving to create one seamless African marketplace, African Lions have become facilitators of African integration through their investments and activities.

11.7.1 Integration Through Increased Intra-African Trade

Trade between African countries has increased in the past two decades as AMMEs find new markets within the continent. African multinationals are at the forefront of increasing the pace of integration of the continent through their cross-border activities. By establishing subsidiaries in other African countries, African Lions are increasing intra-African trade.

The share of intra-African exports as a percentage of total African exports has increased from about 10% in 1995 to around 17% in 2017. African countries are increasingly exporting manufactures to each other. Between 2005 and 2014, the share of intra-African manufacturing exports in the total value of African manufacturing exports increased by nearly 15 percentage points to reach 34%. In comparison with other regions, however, intra-African trade still plays a trifling role in the continent's overall trade (Balchin et al. 2016).

Recent evidence shows that when African countries trade with themselves they exchange more manufactured and processed goods, have more knowledge transfer, and create more value. In fact, manufactured goods make up a much higher proportion of regional exports than those leaving the continent—41.9 compared to 14.8% in 2014. Manufacturers are taking advantage of regional bodies to export within their region and establish cross border operations. African Lions like Cevital, Bidco, Dangote, Tiger Brand, Elsewedy and Bahkresa are among the companies whose products are traded mostly within their region. In 2016, about 55% of Africa's GDP was generated by services. The share of services in Africa's trade reached 22% in 2016, following a steep increase and catching up process to the global average of 24%.

Through their investments across Africa, African Lions exchange goods and services for profits which are most often repatriated to their home countries. Operations of AMNEs in foreign countries are considered as exports and some AMNEs have established vast pan African operations from which they are repatriating increasing

amounts of profit back to their home countries. Services are an intergral component of that trade as media company, Multichoice, telecom operator, MTN, retailer, Shoprite earn increasing amounts of foreign exchange for South African from their pan African operation. Just as Attijariwafa, BMCA and Maroc Telecoms are significant contributors to the Moroccan economy through the profits from their vast operations across West and Central Africa. The contribution to AMNEs in the manufacturing and services sector to intra-African trade statistics may not have been properly evaluated.

11.7.2 Increased Intra-African Travel and Connectivity

Africa is a continent spanning 11,668,599 sq. miles (30,221,532 sq. km), a horizontal width of 4355 miles (7009 km) from Dakar to Mogadishu, and vertical length of 4504 miles (7248 km) from Cape Town to Tripoli. Combined with the major African islands, intra-Africa travel is challenging. Direct flights between African countries are few, and flight times are long- the longest in the world on the average, at 12 h between cities, including connections (BCG 2018). The expansion of inter-African trade has also increased cross-border movements. Travel to African countries had required transit through Europe, but interconnectivity within African states has improved due to the growth of national and regional airlines on the continent as several African airlines now offer travelers easier pathways to travel within the continent.

AMNEs have been one of the vehicles driving these improvements in connectivity between African countries and the rest of the world. Intra- and intercontinental traffic increased from 41.2 million passengers in 2002 to 127 million passengers in 2014 at an average growth rate of 16% (ICAO 2013). Policies like Yamoussoukro Decision and SAATS have been enacted with the aim of opening up the African skies to African founded airlines and this has led to more travel within Africa by African airlines. African airlines have rapidly expanded the number of countries that they serve often establishing routes and stations ahead of actual passenger demand. Ethiopian Airways flew to 36 nations in 2016, up from 24 in 2006. Royal Air Maroc serves 30 countries (twice as many as in 2006). Air Cote d'Ivoire flies to 17 countries, and RwandAir to 16. African airlines are making intra-African air connectivity- a prerequisite to economic integration- a reality.

By 2018, Ethiopian Airlines increased its African network to over 58 out of its over 100 international destinations, introducing flights to Kaduna, Nigeria; Kisangani in DR Congo, and Nosy-Be in Madagascar. In 2010, Ethiopian Airlines partnered in the launch of ASKY Airlines, a community airline based in Lomé (Togo) to serve the West and Central Africa region. Similarly, Ethiopian Airlines launched another hub in Lilongwe, Malawi with the establishment of Malawian Airlines. In the fiscal year ending July 2018, the carrier announced it bought a 45% stake to revive Zambia Airways, which went into liquidation way back in 1994. To spread its regional footprint, it also kickstarted negotiations to establish new hubs in Mozambique, Chad, and Equatorial Guinea in addition to the ones it already

operates in Malawi and Togo. In fact, Ethiopia Airway is setting itself up as a Pan African airline and its chief executive has muted the idea of selling shares in the airline to other African governments.[5]

Egypt Air's capacity to Africa has grown by approximately 60% over the last 2 years from about 26,000 weekly seats in Jun-2011 to about 42,000 weekly seats in Jun-2013. Africa now accounts for over 17% of the carrier's total international capacity—still a relatively modest sum but significant as for the first time EgyptAir has more capacity in its home continent than to Western Europe. Most of the capacity increase has been driven by additional flights within North Africa, where EgyptAir's international capacity has roughly doubled.[6]

Royal Air Maroc flies to 30 destinations in Africa and is set to become Oneworld's fourteenth member in 2020, and the first African carrier with full membership in the global alliance. The Casablanca-based carrier will add 34 destinations to the Oneworld network, including Abidjan in Ivory Coast, Bamako in Mali and Cotonou in Benin, the alliance says and FlightGlobal schedule data shows.[7] African Airlines have also joined global alliances like Oneworld, Skyteam and StarAlliance. In Africa. SkyTeam's members include Kenya Airways and Star's members include Ethiopian Airlines and South African Airways.

Increased Tourism: Africa's airlines have been critical to the diversification of African economies though their role in promoting tourism. Ethiopian Airline, Royal Maroc, South African Airways, Egypt Air and Kenyan Airways play a critical role of ferrying tourists to destinations in Africa. In 2016, Africa's tourist arrivals increased to 62.9 million, up modestly from 62.5 million in 2015 (a 0.64% increase); this is a 5.1% share in worldwide tourism arrivals. Morocco, South Africa, Tunisia, Egypt, and Zimbabwe led in tourism arrivals as the top five African destinations with over 2 to ten million arrivals (Africa Tourism Monitor 2018). In 2016, South Africa surpassed ten million arrivals for the first time (with a 12.8% increase from 2015), joining Morocco for the first time. In 2016, global tourism receipts totalled USD1225 billion. International tourism receipts in Africa totalled USD36.2 billion in 2016, comprising 3% of global tourism receipts. Tourism significantly adds to employment gains on the continent, and also provides tremendous opportunities for skills development and advancement. Direct travel and tourism employment in Africa increased to 9.3 million (2.6% of total employment), with 6.8 million jobs in sub-Saharan Africa and 2.5 million jobs in North Africa in 2017.

Improved Logistics: Improved connectivity and logistics have been vital in the growth of the cut flower and horticultural industry in the east African countries. Ethiopian Airlines, RwandAir and Kenyan airways play the vital role of transporting freshly cut flowers to European capital. Kenya exported USD816.4 million

[5] https://qz.com/africa/1355507/ethiopian-airlines-panafrican-strategy-to-dominate-africa-skies/.

[6] https://centreforaviation.com/analysis/reports/egyptair-plans-further-restructuring-as-losses-mountbut-outlook-may-brighten-as-egypt-stabilises-172745.

[7] https://www.flightglobal.com/news/articles/royal-air-maroc-to-be-oneworlds-first-africancarri-454183/.

worth of cut flower in 2017.[8] Kenya is the world's fourth-largest exporter of cut flowers behind the Netherlands, Colombia and Ecuador, and makes up some 7% of global market share, according to Kenya Flower Council data. Products are exported to 60 countries worldwide; some 59% of domestic production is routed through the Netherlands' flower auctions, accounting for about 35% of all flower sales in EU markets, while other key markets in terms of export market share include the UK (14%), Germany, Norway and Australia Turning west, the launch of direct flights between Nairobi and New York's JFK International Airport by Kenya Airways was part of a strategy to open North America market for Kenyan flower growers, with faster uplift times and lower costs boosting product appeal. Ethiopia is the second largest flower exporter in Africa after Kenya. In 2017 the country made USD207 million from cut flower and just like Kenya Ethiopian Airlines is important to the industry.[9]

Besides connectivity, however, air transport supports 6.8 million jobs and contributed USD72.5 billion to gross domestic product (GDP) in Africa. Besides the USD9.9 billion of direct impact in GDP, the sector impact reaches economies. The effect of the procurement of goods and services through the supply chain has an impact of USD11.3 billion. The benefits that arise when employees of the industry and its supply chain spend their wages in the local consumer economy account for another USD5.2 billion of economic impact. Direct, indirect and induced, respectively, contribute USD26 billion to the African GDP. In addition, the spending by foreign tourists in the region accounts for USD 46 billion of the total economic impact (Aviation Benefits 2017).

Other Benefits of Growth of Aviation: Due to the expansion of the investments of African airlines, air transport supports 6.8 million jobs and contribute USD72.5 billion to GDP in Africa. Air transport supports 6.8 million jobs and contributed USD72.5 billion to gross domestic product (GDP) in Africa. Besides the USD9.9 billion of direct impact in GDP, the sector impact reaches economies. The effect of the procurement of goods and services through the supply chain has an impact of USD11.3 billion. The benefits that arise when employees of the industry and its supply chain spend their wages in the local consumer economy account for another USD5.2 billion of economic impact. Direct, indirect and induced, respectively, contribute USD26 billion to the African GDP. In addition, the spending by foreign tourists in the region accounts for USD46 billion of the total economic impact (Aviation Benefits 2017).

11.7.3 Integration Through Better Communications

There has been no greater success on the role of the African Lion in developing Africa than their activities and investments in the telecommunication sector. Since the liberalization of the sector the private sector has invested USD40 billion between

[8] https://oxfordbusinessgroup.com/news/cut-flowerexport-growth-comes-kenya-looks-new-markets.

[9] https://atlas.media.mit.edu/en/profile/country/eth/.

2000 and 2015. These investments have helped African countries to leapfrog into a wireless mobile age of 2, 3, and 4G.

The rate of subscription growth in Africa has expanded over the past two decades. On average, mobile subscription penetration has reached 72% across Africa. The number of subscriptions has reached 800 million in early 2017 (WDI database).

There is an accelerating migration to mobile broadband capable connections in SSA. Smartphone adoption continues to see rapid growth in the region. The total number of smartphone connections stood at 250 million at the end of 2017, equivalent to around a third of the total connections base (GSMA 2017).

Sub-Saharan Africa now accounts for nearly a tenth of the global mobile subscriber base and is expected to grow faster than any other region over the next 5 years (GSMA 2018).

With improved internet connectivity, a strong mobile industry had developed on the continent. Mobile banking by cell phone in Africa is one of the most significant developments in the recent history of the continent's financial sector. Across the region, mobile money plays a key role in extending financial services to people with limited access to traditional financial institutions, particularly women and rural populations. There were 135 live mobile money services across the region at the end of 2017, with 122 million active accounts. The success of some of the early pioneers of cell phone banking has been replicated in other countries, through the launch of other types of financial service products delivered by cell phone (GSMA 2018).

The mobile ecosystem also makes a significant contribution to the funding of the public sector. In most countries, this includes value added tax or sales tax, corporation tax, income tax and social security from the contributions of firms and employees. In some countries, besides general taxation, consumption of mobile services is also subject to levies specific to the industry. These impressive numbers in subscriber base and broadband penetration is due to the investment of mainly African telecommunications multinationals. Africa's largest network operators, include MTN, Econet Wireless, Maroc Telecoms, Globacom and Vodacom which have established operations all across Africa. Between them, African telecoms operators have more that 250 million subscribers on the continent.

In 2017, mobile technologies and services generated 7.1% of GDP across Sub-Saharan Africa, a contribution that amounted to USD110 billion of economic value added. The mobile ecosystem supported almost three million jobs in 2017. In addition to the impact on the economy and labor market, the mobile sector also makes a substantial contribution to the funding of the public sector, with almost USD14 billion raised in 2017, taking into account general taxation as well as sector-specific levies on the consumption of mobile services (GSMA 2018).

Today, mobile connectivity has become the main platform for innovation and the driving force for greater inclusion, with about 270-million people in the region accessing the internet through mobile devices (Fig. 11.2).

African telecoms multinationals have made the larger share of the USD40 billion that has been invested in the telecoms industry in Africa. Investments in base stations, fiberoptic networks and new telecoms technology including 3G and 4G networks have led to leaps in subscriber numbers, for voice calls while investments in

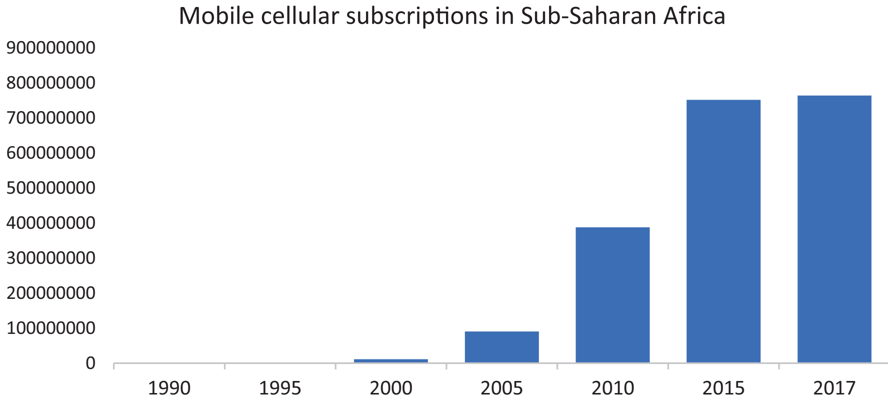

Fig. 11.2 Chart showing the growth of mobile subscription in Africa. *Source: World Bank Development indicators*

submarine cables have led to increased broad band penetration and internet connectivity. As has been the case in other sectors, African Lions have been the main investors in smaller African countries like Rwanda, Benin, Lesotho, Zambia, Ghana, Côte d'Ivoire, and Cameroon effectively redistributing capital that they had been able to into expand their network.

A highly profitable sector to date among industries, after capital expenditures, telecommunications has been very profitable globally. It has been particularly profitable in Africa. In 2014, at the end of a four-year period in which capital-expenditure intensity was 17% margins on earnings of 45% were achieved in the Middle East and Africa region, well above the global industry average of 34%. This exceptional profitability was achieved at de facto global average capital expenditure rates, paving the way to exceptional returns (MGI 2016). Profitability has also propelled investments in submarine cable networks have improved the connectivity of African countries to each other and other continents. With the various investments in submarine cables there been greater integration of telecoms networks in Africa. The Internet Society's 2015 report on Internet development and governance in Africa, credits submarine cables like Seacom, the Eastern Africa Sub Cable System (ESSY), the West African Cable System (Wacs) and the 2012-launched Brics cable, as having played a key role in accelerating Africa's access to international bandwidth by 20-fold in just 5 years (Internet Society 2015). There are now 16 submarine cable systems in Africa and most of them are owned by consortia of AFFs. Africa's youthful and increasingly urban population moved online, primarily through mobile channels. Mobile broadband subscriptions in Africa grew by over half in 2013, around triple the global expansion rate.

There are also investments in terrestrial fiber optic network all across the continent with the most ambitious being a partnership between leading pan-African telecoms group, Liquid Telecom, and Telecom Egypt, to deliver a terrestrial fiber network stretching all the way from Cape Town, South Africa, to Cairo, Egypt. This growth in broadband has had the liberating effect of opening up Africa to the mobile

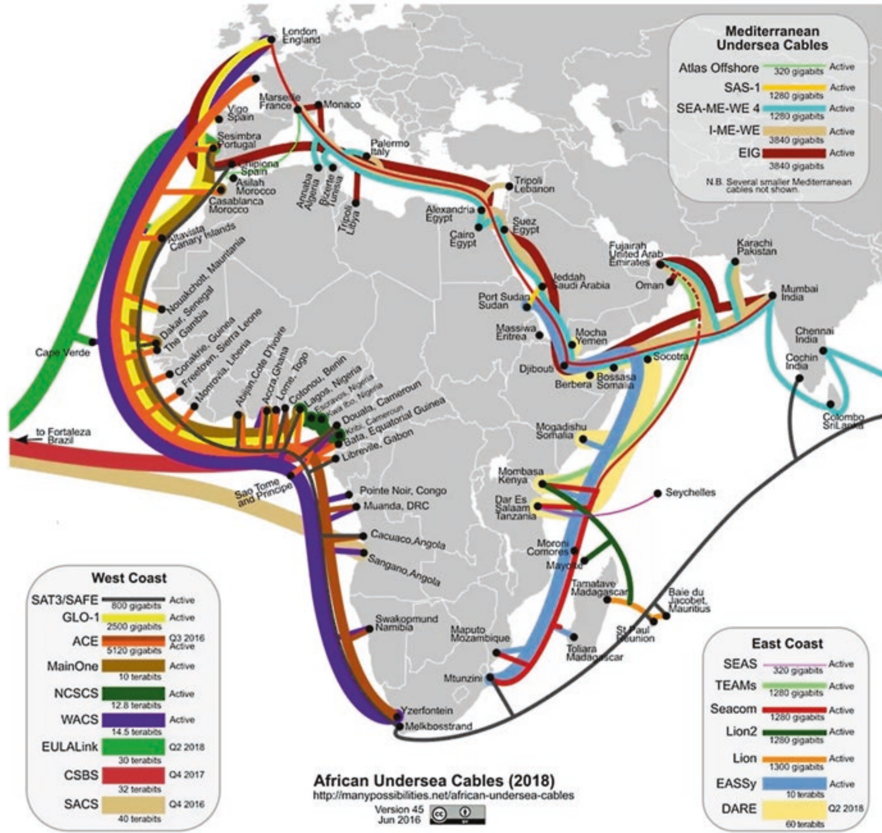

Fig. 11.3 A map of the active submarine cable lines in connecting Africa and with Europe, Asia and America. Africa submarine cable system

economy. There are almost 300 platforms creating solutions for Africans from ecommerce, the ride hailing and logistics (Fig. 11.3).

11.7.4 Integration Through Information and Culture

One of the most transformative events for the African consumer was to have choice in news media and entertainment platforms. With state owned media outlets being the sole provider of media content in several African states, government propaganda formed a significant part of their programing and that was the only option available to most African consumers of media content. Following deregulation and liberalization, several African governments licensed the establishment of private companies. African entrepreneurs have invested in newspapers, television and radio stations and new media platforms on the internet.

No company has been better at taking advantage of this opportunity than South Africa's Naspers. Naspers is a media and entertainment behemoth. The company is

the largest company in Africa with market valuation larger than the total valuation of the Nigerian and Egyptian and Kenyan Stock exchange combined.

With a market capitalization of USD80 billion, Naspers has become so big it has had to spinoff one of its most successful units, Multichoice, as an individual company quoted separately the Johannesburg Stock Exchange. Naspers is a media and internet powerhouse. In 2003 the company invested in Tencent and it 30% stake in the company to worth a USD175 billion today.

While Naspers may be better known for making that farsighted bet on Tencent, Naspers's presence pervades Africa through its ownership of Multichoice. Multichoice, and DSTV, a Pay TV platform that uses satellite technology to distribute its service through across Africa. Satellite technology enabled Multichoice to leapfrogged existing technology and bypass the need for laying cable, a requirement of terrestrial Pay TV systems. Satellite technology enable Multichoice to deploy its services across 20 countries in Africa all at once in 1992. Today, Multichoice broadcasts in 50 countries in sub-Saharan Africa, including Cape Verde and Madagascar. Local language program content is available in French and Portuguese in certain African territories, as well as the 11 official languages within South Africa.

Multichoice produces movies and documentaries in languages that are spoken extensively in several regions across the continent like Hausa, Yoruba and Swahili.

Multichoice has also invested in supporting sports in several countries and through its SuperSport Channel supports football and basketball leagues in several countries as well as promoting boxing.

In creating its own content, Multichoice lunched the careers of several African film makers, but it was by creating channels like Africa Magic that MultiChoice introduced the vast African movie industry to Africans and to the world. These industries include those in Nigeria, Ghana, Kenya and South Africa thus promoting cultural integration. It also introduced the music of Africa to Africans and the world through channels like Channel O, while creating a platform for television program producers to have a means of reaching millions of Africans.

Cultural integration is also promoted by Iroko Tv, which though is headquarter in London, promotes Africa's vast culture to the growing African diaspora.

Tanzania's IPP Group have also become influential media group with its newspaper's publication, radio and television stations. Azam TV is also based in Tanzania but with presence in Kenya, Malawi, Uganda and Tanzania. It is growing as a challenger to Multichoice in the region.

The growth in the subscriber numbers of services in local African languages like Hausa, Xhosa and have helped DSTV increase its subscriber base and across regions of the continent where these languages are extensively spoken.

11.8 Conclusion

African Lions have become a force accelerating the development of Africa. Their investments have become a major driver of economic growth, intra-African trade and regional integration. Their investments also improve the availability of goods and services, increase economic activities, feed Africa's growing population and

enable the growth of new vista of entrepreneurship. They have been particularly successful in reindustrializing Africa, supporting the growth of the agricultural sector and driving the boom in the service sector across the continent.

At the back of the numbers illustrating growth in Africa, is investments of AMNEs. As governments enact policies to diversify their economies, AMNEs have made the investments that improve the economic robustness and complexity of African economies. As government push for more investments in the agricultural sector, Africa's Lions are laying down the investments that improve yields, store and process food, and improve the income and livelihood of Africa's small holder farmers.

Africa's lions have been the loadstone attracting the interest of investor back to Africa. As private capital flows into Africa, it is the profits of AMNEs that investors tap into as portfolio investments on the stock exchange, corporates bonds and private equity stake. And as capital flows into Africa increases, African Lions have become an investment force of their own, contributing significantly to the FDI stock on the continent.

The cross-border activities of Africa's Lions is complementing the efforts of integrating Africa. The investments of AMNEs is facilitating the integration of Africa through increased intra-regional trade, improved means of communication and mobility. There is also increased cultural integration due to the media and entertainment investments of AMNEs.

African governments are looking to how private capital can replicate successes in telecommunication, manufacturing and financial services sector in the power, water and sanitation, transport sector. They have opened up to the world the immense possibilities in Africa and in so doing attracted greater investment to the continent. The success of the lions has attracted the Americans, the Chinese, the Japanese Indians to Africa. But they all have to contend with the savviness of the Lions in the African market place.

Africa's lions have become pivotal agents of development of the African.

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12 The African Lions in a Changing Marketplace

12.1 Introduction

Africa is changing, high population growth and rapid urbanization is creating an urgent need for the sustainable development of the continent. The need for food security, employment, and inclusive growth has prompted African governments to seek new paradigms and partners of development. Governments have increased their effort to improve the business environment in their countries through reforms and massive investments in infrastructure. The opening up and liberalization of many African economies engendered the expansion of private investment. These policies have led to increased investment by MNCs and spawned the growth and expansion of AMNEs. The success of Africa's Lions has signaled to the world that there are opportunities for profits despite the risk and challenges associated with the continent.

African countries have emerged among the world's fastest growing economies. And the GDP of some countries have expanded in the past three decades through economic diversification, the spread of new technologies, rising productivity in agriculture, marginal expansion of the manufacturing sector, and the exponential growth in the services. African leaders want to sustain this GDP growth over the long term. The success of African Lions is a testament to the liberating effects of free market focused policies and the role private sector investments play in economic development. The view to private investments in Africa is today more favorable and African governments are now opening up more sectors to private capital.

Meanwhile, the growth in Africa's population, rapid urbanization and economic development has increased the consumer class who have greater spending power. Annual household spending growth in Africa easily exceeded the corresponding global figure for most years. The world is realizing that the opportunities in Africa go beyond her endowment in natural resources, but now includes her growing consumer class.

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African Lions have shown that business in Africa may be challenging but it is profitable. They have efficiently deployed resources to build factories, employed the best talents including locals and foreigners to run their businesses and increased the availability of goods and services for the African consumer. By their success, African Lions have made MNCs rethink their African strategy and increase their engagement with the continent.

Africa is attracting more investments from developed and emerging market MNCs hoping to profit from these growing opportunities. Chinese, Indian, Turkish MNCS have joined the other established MNCs in investing in Africa. The high profits inherent in the African marketplace has encouraged more MNCs to look beyond the primary sector and venture into manufacturing and services.

The African markets place is rapidly changing and it is to be seen if African Lions will survive the jungle.

12.2 The New Scramble for Africa

Africa's destiny has for long been shaped by forces outside the continent. The continent has been the battle ground of foreign geopolitical gladiators seeking her resources, market or influence with her 54 sovereign states. European countries including Britain, France, Belgium and Portugal, who have a long history with the continent have been joined by America, China South Korea,Brazil, Turkey, India, Russia, Japan and the UAE and other Gulf and Middle Eastern countries in a new scramble for Africa.

In the late part of the nineteenth century, the arrival of a new power, Germany, triggered the partition of Africa in 1885. Then a struggle for ideological hegemony between the capitalist West led by America and the Western Europe, on one hand, and the communist and socialist East led by China and the Soviet Union, on the other hand, shaped post-independence Africa between 1960 and 1990. Today, the distortions in the global world order brought about by China's phenomenal economic growth, America's status as the only global superpower, and the consolidation of the interest of Europe into the European Union is stirring renewed interest in Africa. Added to this, the increase in Africa's population and its expanding consumer market is attracting more political, economic and business interest.

And as the global economy expands and new economic powers emerge, there has been an increased urgency to seek and secure access to mineral resources like iron ore, bauxite, copper, diamonds, gold, oil and gas and cobalt. Africa riches in minerals including bauxite, chrome, diamonds, petroleum and platinum, and cobalt is needed by old and new industries alike. There have been increased effort by these powers seeking Africa's mineral to increase their engagement with Africa. For a privilege to exploit Africa's resources, they offer rewards including development finance, lines of credit, and financial and technical support for the development of infrastructure.

There have also been elaborate agreements between individual governments and regional bodies to guarantee access to these minerals. Additionally, there has been

increased investment into Africa by MNCs from these countries. The investments have spanned manufacturing and services, indicating that these countries want to play in the broader African economy. There are now more private companies from China, India, UAE, Turkey and USA investing in Africa and these companies have become competitors with African Lions.

12.2.1 China in Africa

There is a growing presence of China in Africa that has impacted on the development of the continent and the redefined the relationship between Africa, the European countries and America. China's influence has grown steadily and today the Asian country has a new found clout on the continent as a financier of public and private projects and an alternative market for capital, machinery and partners for African businesses (Executive Research Associates 2009).

China was first attracted to Africa because of its rich mineral resource, but China is today seeking opportunities far beyond the primary sector. Since the post liberalization era in Africa, China has grown to become the second largest economy in the world. An upsurge in the demand for raw materials to fuel this rapid growth led China to forge relationships with resource rich African countries (Dollar 2016).

China's rapid march into Africa happened at a time when Europe was "pulling out" after the Cold War, which lead to China's increasing presence in Africa being more or less overlooked by Western powers. China started to by granting aid to some African governments. One of the main reasons for China's success in Africa is that they offer African countries an alternative to the old European colonial powers and international institutions such as the IMF and the World Bank. With a generous mix of preferential loans and credits, infrastructure development, debt relief and development assistance, China has managed to establish good political and economic relations with African governments. Much thanks to their no-strings attached policy and the non-interference in domestic issues.

This, together with the Chinese government urging the country's businesses to seek opportunities overseas, led to a rapid expansion of Chinese companies operating on African soil. Chinese companies were bidding for contracts in Africa, and earning hard currency. Chinese companies, with the strong financial support of the Chinese government and private banks, were able to win bids in Africa by offering more competitive rates for contract, goods and services than European, American and other Asian firms. As Chinese manufacturing took off in the 1980s, China started to see Africa not only as a place to extract raw materials and build infrastructure, but also as a potential market for the good and services produced by Chinese firms (Dollar 2016).

Meanwhile, western initiatives, such as the structural adjustment program that several African countries were forced to go through in the 1980s, also helped China enter the African market. Trade liberalization, new investment codes, currency convertibility and the reduction of labor costs in Africa made it possible for China and other emerging economic powers to invest in Africa. The Chinese government took

full advantage of the opportunities created by liberalization to be able to compete against large MNCs (Brookings India 2015).

Another international event that has helped China invest in Africa is the Millennium Development Goals (MDG). The attention of the MDGs on social investments that were aimed at ending poverty and hunger, fighting malaria, and achieving gender equality and universal primary education, which moved international aid away from agriculture, infrastructure and production. The Chinese, however, were there to fill the gap, increasing their share of the market in these sectors, especially infrastructure (Executive Research Associates 2009).

Since the late 1990s, Sino-African trade has grown rapidly, with China now Africa's largest trade partner. In 2016, China's exports to Africa stood at USD82.9 billion while imports from the continent were valued at USD54.3 billion. China exports a wide variety of consumer and capital goods to Africa but mainly imports commodities such as oil, minerals and other natural resources.

China has been Africa's largest trade partner since 2009. Between 2001 and 2010, China's Export-Import Bank extended USD67.2 billion in loans to sub-Saharan AfricaUSD12.5 billion more than the World Bank. In 2018, China-Africa trade was USD170 billion, off its 2014 peak but still nearly 20 times higher than at the start of the millennium. By contrast, US trade with sub-Saharan Africa was just USD39 billion (UNTAD WIR 2018).

China has invested about USD125 billion in African countries in the decade to 2016, according to the China-Africa Research Initiative at Washington's Johns Hopkins University. China has invested an estimated USD12 billion in infrastructure projects in 35 countries in Africa. Between 2000 and 2011 China invested in 1673 development projects in 51 countries valued at an estimated USD75 billion. By the end of 2013 China has built 3203 km of railroad, with another 1424 kilometers under construction. China has also built 34 power plants, 9 ports, 14 airports, 11 bridges and several sports stadiums capable of seating 800,000 people in Africa (Brookings India 2015).

China is today a big investor in Africa. China's share of total FDI inflows into Africa averaged about 5% of annual global FDI flows to SSA over the past decade. China's outward FDI stock in SSA reached USD24 billion in 2013, up from USD462 million in 2003. African countries, such as South Africa, Zambia, Nigeria, Angola, DRC, and Ethiopia attracted the lion's share of Chinese FDI (UNCTAD WIR 2013).

Chinese FDI presents in a broad range of countries, including non-resource-rich countries in East Africa countries in order to penetrate the domestic and regional markets. Sizable inflows from China are going into manufacturing, construction, and services. The latter includes financial services, ICT, and electricity (Sun et al. 2017).

In 2004, China-Africa trade reached USD221.9 billion. Several of these companies compete with African businesses and some entered sectors where there were no local incumbents.

Presently more than 10,000 Chinese companies operate in over 50 countries in Africa. Of these, 85% were privately owned. Chinese firms operate across many sectors of the African economy. Nearly a third are involved in manufacturing, a

quarter in services, and around a fifth each in trade and in construction and real estate (McKinsey and Company 2017; Sun et al. 2017). One of these companies, **Transsion** has the largest market share of smart phones sold on the continent, pushing aside Samsung with its **Techno, Infonix and Itel** brands.

Mckinsey & Co estimated that in manufacturing 12% of Africa's industrial production—valued at some USD500 billion a year in total—is already handled by Chinese firms. In infrastructure, Chinese firms' dominance is even more pronounced, and they claim nearly 50% of Africa's internationally contracted construction market.

The Chinese firms are mostly profitable. Nearly one-third reported 2015 profit margins of more than 20%. They are also agile and quick to adapt to new opportunities. Except in a few countries such as Ethiopia, they are primarily focused on serving the needs of Africa's fast-growing markets rather than on exports. Most Chinese firms have made investments that represent a long-term commitment to Africa rather than trading or contracting activities.

12.2.2 United States America in Africa

The U.S. has significant economic and national security interests in Africa. The economic interest lies in America's need for minerals like cobalt, uranium and chromium while the security interest in due to Africa's strategic importance and the ongoing fight against militant groups (Rice 2003).

Trade between Africa and America has been on the decline in recent years even though investment by American MNCs has been increasing. The United States had a USD39.0 billion in total (two ways) goods trade with Sub-Saharan African countries during 2017. Goods exports totaled USD14.1 billion; goods imports totaled USD24.9 billion. The U.S. goods trade deficit with Sub-Saharan African countries was USD10.8 billion in 2017. US has, however, stepped up efforts to grow its influence and economic clout on the continent especially in the face of growing Chinese and Russian presence in Africa (USTR 2019).

The US government has lunched several initiatives to address the perceived decline in relations with Africa, the latest effort being the lunch of in 2018 of an economic program called Build Africa Act and the formation of the USFI. The program aims to support American registered companies investing in Africa by making UDS 60 billion available to them. Earlier initiatives include the African Growth and Opportunity Act (AGOA), a trade preference program enacted in 2000 that is at the center of U.S.-African engagement on trade and investment. By providing duty-free entry into the United States for almost all African products, AGOA helped expand and diversify African exports to the United States, while at the same time fostering an improved business environment in many African.

Another initiative of the US was President's Emergency Plan for AIDS Relief (PEPFAR), an initiative to address the global HIV/AIDS epidemic and help save the lives of those suffering from the disease. The initiative was launched by U.S. President George W. Bush in 2003. PEPFAR provided more than USD80 billion in

cumulative funding for HIV/AIDS treatment, prevention, and research since its inception, making it the largest global health program focused on a single disease in history.

Sensing that the primary need of Africa is infrastructure, Barack Obama initiated the Presidential Power initiative, also known as Power Africa Initiative. The program is designed as a multi-stakeholder partnership among the governments of the United States of America, Tanzania, Kenya, Ethiopia, Ghana, Nigeria and Liberia, the US and the African private sector. The initiative aims at supporting economic growth and development by increasing access to reliable, affordable, and sustainable power in Africa.

America's security interest in Africa is evinced by the increased military deployments and contruction of US military bases across the continent. These activities are coordinated by The United States Africa Command (AFRICOM). It is responsible for U.S. military operations, including fighting regional conflicts and maintaining military relations with 53 African nations. Its area of responsibility covers all of Africa except Egypt, which is within the area of responsibility of the United States Central Command. AFRICOM headquarters operating budget was USD276 million in fiscal year 2012.

US registered firms, however, have continued to be the leading investor in Africa, accounting for 13.5% of inward investment projects in 2016. Companies from the US invested in 91 projects down 5.2% creating 11,430 jobs. South Africa (28 projects) continued to be the key target of US-based companies, with Morocco (14 projects) and Egypt (13 projects) outpacing Kenya (11 projects) to become the second and third-largest recipients of US investment, respectively (EY 2017).

America MNCs have been dominant in the resource extraction and oil and gas sectors with ExxonMobil, leading a plethora of companies that include, ConocoPhilips, Chevron, Texaco.

American MNCs including manufacturers and service companies are increasingly entering Africa. Food processor Kellogg, Kraft, Land O Lake, P&G are American consumer goods manufacturers that have entered Africa in the last decade, while retailer Walmart acquired one of the largest retailers in Africa when it purchased Massmart in 2012. Additionally, Marriot has expanded its footprint on the continent with the acquisition of South African hotel chain, Protea.

12.2.3 Japan in Africa

Japan has always sold goods to Africa. Starting with cheap consumer electronics, in the1970 to cars, Africa has always represented a market as Japan rolled out an aggressive export strategy to grow its economy.

But Japan is increasing its engagement with Africa beyond selling goods, it is beginning to invest in Africa. Japan directed 27 FDI projects to Africa in 2016, more than double the 12 FDI projects in 2015. Both capital investment and jobs created increased during the 2 years, up 757% and 106%, respectively. These projects cuts across manufacturing electronics to pharmaceutical and utilities.

South Africa was the single largest destination for Japanese investors, accounting for more than one-third of projects, followed by Egypt and Tanzania. In recent years, Japan has deepened ties with Africa in a bid to secure resource supplies and in return, fulfil the continent's demand for infrastructure.

Japan has been holding multilateral engagements with Africa and in 2016 The sixth Tokyo International Conference on Africa's Development (TICAD VI), held in Nairobi, Kenya. Japanese Prime Minister Shinzo Abe announced USD30 billion in investment to Africa, including about USD10 billion committed toward electricity generation projects and for the upgrading urban transport systems and ports.[1]

12.2.4 European Union in Africa

During the colonial era King Leopold II, the Belgians objectified Africa as a "magnificent cake" which would yield up resources and wealth for Europe. Even though the colonial rule of Africa lasted less than a century, it established a pattern of trade between the two continents, where Africa exported cheap raw materials to Europe and imported expensive manufactured goods back.

This relationship has been stronger with the individual colonizing powers maintaining ties and influence in the economy and polity of their former colonies. France signed a military pact with the Francophone countries of West and Central Africa and French companies still dominates the economies these countries. UK maintains strong ties with its former colonies, including regional powerhouses, Nigeria, South Africa, Kenya and Egypt.

These colonial ties are now subsumed under the rules of the European Union and the EU has sought to preserve these relationships in arrangements and agreements intended to maintain and develop raw materials access and production on the African continent. The first of the agreements between EU and Africa goes back to the Treaty of Rome. The Yaoundé Agreement marked the start of cooperation between the EU and the newly independent French speaking countries of Africa, and was later renewed (Yaoundé II) in 1969 with a focus on building infrastructure following the end of colonial rule. It should be noted that the Yaoundé agreement only included the Sub-Saharan African countries (Hole 2014).

In 2008 Resource Mineral Initiative was launched by the European Union in the context of rising commodity prices and the fear of losing access to raw materials crucial for European competitiveness. The RMI marked a shift in the EU raw materials strategy; from a rather passive approach where private companies had the responsibility to acquire their own resources, to a more pro-active approach were the EU plays an important role in facilitating raw materials extraction through raw materials diplomacy.

The Cotonou Agreement, signed on July 23, 2000. The Agreement had 102 signatories, 77 from the ACP and 25 from the EU, and it was supposed to run for

[1] https://www.un.org/africarenewal/magazine/december-2016-march-2017/africa-welcomes-new-trade-initiatives-japanese-investors.

20 years, with possible revisions every 5 years. It entered into force in 2003, and was revised in 2005 and 2010. With the Cotonou Agreement and the EPAs even greater pressure was put on Africa to lower its tariffs and remove all export restriction on raw materials.

The EU is Africa's biggest trading partner, accounting for 36% of Africa's trade in goods, worth €243.5 billion in 2017. EU was also the largest regional investor in Africa in 2016, making up 37.7% of FDI projects and 13.3% of capital investment. The UK, which has led Western European investment in Africa since 2010, saw its share of FDI projects ease from 10% in 2015 to 6.1% in 2016. The more notable decline was in FDI jobs, down by a significant 81.4% (EY 2017).

In contrast to the UK, France moved up the rankings, becoming the second largest investor. France invested in 81 FDI projects in 2016, up 39.7% on 2015, with total investment of USD2.1 billion, and creating 8087 jobs. With a 50% increase in FDI projects, Switzerland became the seventh largest investor in Africa, up from tenth position in 2015. Nigeria and South Africa were the largest destinations for Swiss FDI projects, securing 14.8% each, followed by Morocco.

12.2.5 Turkey in Africa

Turkey has joined the scramble for Africa as it seeks new markets for its burgeoning economy. Turkish engagement with Africa has increased in sectors such as education, tourism and manufacturing. Turkey's improving relations with African countries have also been reflected in the growing trade volume.

Turkey's trade volume with Africa totaled USD 19.5 billion in 2015, up 16% from 2008 and 258% from 2003. Turkey's export in 2003–2015 increased almost six folded and import has more than doubled in the same period. Turkey's share of Africa's trade volume rose to 2.35 in 2014 and the share of Africa in Turkey's trade volume was 8.7% in 2015. In 2003, they were 1% and 4.5% respectively. Turkish FDI (stock) in Africa has exceeded USD 6 billion in 2015 whereas it was less than USD 100 million in 2003.[2]

Turkish contractors have won contracts in Africa and continue to build Africa in 2015 and the volume of the projects undertaken by Turkish companies has grown to USD55 billion so far since the early 1970s. The trade with North African countries totaled USD117.5 billion, accounting for 66% of the total trade with the countries on the continent. In the last decade, the export of Turkish products was valued at USD121 billion while imports totaled USD58 billion. Turkey declared 2005 as the Africa year and this gave momentum to the political and commercial relations between it and the countries on the continent.[3] To bolster the relationship, Turkish Airlines established direct flights between Turkey and several African countries,

[2] https://www.trade.gov.tr/multinational-relations/turkeyafrica-economic-and-business-forum/turkey-africa-relations.

[3] https://www.dailysabah.com/business/2019/04/26/turkey-africa-trade-volume-totals-179-billion-in-last-decade.

while the Turkish government opened several embassies across the continent. To increase its influence on the continent, Turkey also holds an Africa-Turkey Economic and Business Forum.

12.2.6 India in Africa

India has two reasons to take an interest in Africa—it's deeply concerned about China's forays into the continent's strategic and economic space, and it's also mindful that it requires the support of its 54 nations if it is to realize its ambitions to become a permanent member of the U.N. Security Council (Brookings India 2015).

India is a latecomer in Africa, but as a demonstration of its pro-active engagement with the continent, the government has set ambitious trade targets with the continent has now been revised upwards to USD90 billion by 2015, up from the previous target of USD70 billion.

Africa-India trade jumped more than ten-fold from USD7.2 billion in 2001 to USD78 billion in 2014—making India Africa's fourth biggest trading partner, according to the UN Economic Commission for Africa. Investment from India is also significant. The total stock originating from India in SSA was more than USD12.9 billion as of 2012, accounting for 3% of the total FDI in SSA.

The total Indian foreign direct investment (FDI) outflows from India to the world from 2008 to 2016 are estimated at USD250.9 billion. Receiving investments of USD52.6 billion, the African continent accounted for about 21% of the total Indian investment outflows during that period. Indian FDI outflows to Africa grew from USD3.2 billion in 2008 to USD4.9 billion in 2016 (Chakrabarty 2017).

The growing ties between India and African nations has seen bilateral trade soar over the past decade, and India has established a number of pan-African institutions under the umbrella of the India-Africa Forum Summit for capacity building and human resource development across many areas, including the India-Africa Institute of Foreign Trade, the India-Africa Diamond Institute, the India-Africa Institute of Educational Planning and Administration and the India-Africa Civil Aviation Academy and the India-Africa Business Council.

India seeks ways of enhancing economic and commercial relations with Africa, especially in areas including agriculture, agro-processing, manufacturing, pharmaceuticals, railways, energy and petroleum and natural gas. As of now, India is in no position to take on China in Africa. There are over two million people of Indian origin in Africa, unlike China, the Indian government keeps an arm's length from the Indian community and did not officially grant them economic, diplomatic or political recognition.

India has traditionally concentrated on Mauritius, partly due to the ethnic links and the latter country's offshore financial facilities that are used as transit points of FDI to other countries. As for sector, India has focused on manufacturing such as textile and garment, construction and related activates, as well as services (ICT in particular). Most Indians in Africa have more affiliations with Africa than with India. Since liberalization, India trade with Africa has grown to USD78 billion in

2014. India now has its own summit with Africa, the India-Africa Forum Summit. The first summit was held in 2008 in New Delhi, followed by the second in 2011 at Addis Ababa, Ethiopia and the third in 2015 in New Delhi.

Africa's trade surplus with India is rising rapidly, albeit driven in large part by a narrow range of commodities. The top six African exporters, viz. Nigeria, South Africa, Angola, Egypt, Algeria and Morocco account for 89% of total African exports by value to India, thanks mainly to exports of oil and gas, ores and gold.

India was the eighth largest investor in 5 Africa in 2014 (World Investment Report 2016). Both Indian public and private sector companies have made significant inroads in Africa. For instance, the Oil and Natural Gas Corporation's overseas division, ONGC Videsh (OVL), is one of the most active Indian companies in Africa. On the other hand, private corporations like Reliance, Varun Beverages, Bharti Airtel, Essar Group, and the TATA Group have also made huge investments in many African countries. So far, 597 Indian companies invested in Africa between 2008 and 2016, totaling USD5 billion, the top 11 companies account for about 80% of the total Indian investment flows to Africa. Indian outward investment to Africa is thus heavily concentrated within a few large firms. In addition, there are a multitude of small and medium Indian enterprises operating in India's FDI flows to Africa and many are concentrated in Mauritius, which accounts for about 19% of Indian FDI flows to the world. From 2008 to 2016, Indian FDI outflows to Mauritius totalled USD47.6 billion. Only USD5 billion went to the rest of Africa which 4 represents only 2% of global Indian FDI and 9.6% of Indian FDI flows to Africa (Chakrabarty 2017).

12.2.7 UAE in Africa

UAE has joined a growing list of emerging market countries to increase its engagement with Africa. According to data released by UAE's Ministry of Foreign Trade, UAE's overall trade with six non-Arab African countries alone (Angola, Kenya, Nigeria, Ethiopia, South Africa and Tanzania) reached USD6.2 billion in 2010. That's a lot more than the third biggest (Italy, at USD4 billion) though still way behind China's USD36.1 billion. The report showed that UAE-led FDI rose 161% from 2015, when it pumped USD4.2 billion of capital expenditure into African projects. Gulf companies and governments invested more than USD30 billion in infrastructure development in Africa from 2004 to 2014.[4]

The main promoters of trade in the Emirate are Dubai and Abu Dhabi according to data from Dubai Chamber of Commerce and Industry, released at the event. Dubai has increased non-oil trade with the continent by 700% over the past fifteen years, according to the DCC. Abu Dhabi, meanwhile, has focused heavily on investing in infrastructure.

Trade between the UAE and countries that form the COMESA economic bloc has been on the increase in recent times. COMESA is the largest economic bloc of

[4] https://www.arabianbusiness.com/politics-economics/383195-the-importance-of-africa-to-the-uae-growth-story.

African countries with 19 member states that includes Burundi, Comoros, the Democratic Republic of Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Libya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Sudan, Swaziland, Uganda, Zambia and Zimbabwe.

The UAE also hosts a Global Business Forum on Africa to increase its access to governments. UAE has position itself as the entrepôt for trade into Africa and its Jebel Ali Port is a logistic hob for several companies trading in Africa. The governments of the UAE have backed a wide range of initiatives aimed at promoting trade with Africa. So much so that Dubai is now one of the most popular places in the world to hold African trade events.

The Emirate has lent considerable capital to the construction of large-scale projects across Africa including a port in Eritrea, renewable energy projects in the Seychelles that include a solar farm, and an electric power grid on the island of Mahé, as well as the expansion of rural infrastructure in Uganda and Tanzania, jointly funded by the Abu Dhabi Fund for Development (ADFD).[5] Dubai Ports (DP) World has invested over USD440 million to build and manage a world class port in Berbera, Somaliland over a 30-year concession period. The UAE also built the Doraleh port in Djibouti.

12.3 Other Changes Happening in the African Marketplace

Added to the intensity in the scramble for Africa, there are changes taking place in the African market place that are changing the business landscape of Africa, in the process, they create opportunities and threats for African Lions.

12.3.1 Growing Consumer Markets

With a population estimated to be 1.7 billion by 2030, and an urbanization rate that is the highest in the world at 4% growth rate. Africa's economic progress and its 350 million middle class holds great promise as a consumer market. According to the World Bank's Global Consumption Database, total household expenditure on FMCG goods reached almost USD240 billion in 2010 for a sample of 39 African countries. Household FMCG expenditure was highest in Nigeria (USD41.7 billion), followed by Egypt (USD27.6 billion), South Africa (USD23 billion), Morocco (USD20.1 billion) and Ethiopia (USD19.2 billion). These figures are projected to grow further as incomes rise and the middle class expands (Deloitte 2014).

Other countries with fairly large FMCG markets in an African context include Kenya, DRC, Ghana, Ivory Coast and Tanzania. But Africa's huge consumer markets offers other opportunities and increasingly foreign MNCs are investing in sectors outside the primary sectors. Chinese companies are now involved in manufacturing and provision of infrastructure, American companies are investing in

[5] https://www.africa-business.com/features/uae-africa-trade.html.

tourism, retailing and power utilities. The United Kingdom is still significant in finance, mining and oil and gas. All this while AMNES are feeling the pressure of entry of new competitors into their market and market segments.

12.3.2 Reforms and Improved Business Environment

While geopolitical events outside the continent have led to interest in Africa, changes in the African market place is also being fostered by the actions taken by African leaders. As democracy gets better entrenched in Africa, the need to be accountable to the people has also increased and there is now an ever increasing need to deliver dividends of democracy to the electorate. Job creation and increased economic growth are motivations that are driving African leaders to seek FDI for their countries.

Some countries have an inherent advantage in attracting FDI because of their endowment of natural resources. But the capital intensive and specialist nature of resource exploitation means that usually these investments do not have linkages to the domestic economy and benefits few stakeholders. There is now a push towards developing the manufacturing and service sectors of the economy (Maré 2011).

Reforms has been implemented to make their countries attractive. These include improving tax codes, enactment and enforcement of effective anti-corruption and anti-money laundering laws, legislation to protect of property rights and creditors' rights, effective private sector regulation, and bureaucratic streamlining. African states have also worked at improving the domestic environment more generally to make it easier for Africa's own entrepreneurs to succeed.

Countries with large populations like Nigeria, Egypt, Congo, Tanzania and Ethiopia have an inherent advantage in attracting manufacturing and service FDI. Yet population also would not suffice, as the business environment has been proven to be a major influencer of FDI. African governments have taken huge strides to move their countries up the World Bank's Ease of Doing Business Index and the World Economic Forum Competitiveness Index and though Africa remains low on the index, there have been improvements over time. For those countries that have succeeded in improving their business environment, the reward has been increased FDI, even when the country does not boast of a huge population. The growth of Mauritius, Rwanda and Morocco as destinations for FDI in Africa is attributable to their high ranking on the Ease of Doing Business index.

12.3.3 A More Contestable Market

The African marketplace is transiting from being restrictive and state-led to being a more liberal and better regulated one. The competitors in the market have expanded as the profits that AMNEs have being able to extract from consumers have attracted other companies into Africa. The African market has become more competitive and contestable. In the Africa Competitiveness Report, the World Economic Forum concluded that competition in Africa has intensified in recent years due to mainly three factors (WEF 2011). The dismantling of previous state monopolies and increased

privatization; the rise of domestic entrepreneurs challenging incumbent firms; and 3 the inflow of foreign firms, in particular the inflow of Chinese FDI has been subject to much debate.

Africa is becoming attractive to more MNCs because of her growing consumer market. Already Chinese, Indian, and other emerging market companies have joined the African marketplace, manufacturing products and providing services. These firms are challenging for market share with local incumbents. In a study on Chinese firms in Africa, McKinsey &Co estimated that there are now over 10,000 Chinese private enterprises operating in Africa, a number much larger than official figures. India.

This increased entry by MNCs into Africa's manufacturing and services sectors by consumer good manufacturers like Proctor & Gamble, retailers like Walmart and Carrefour, banks like Barclays and telecoms operators like Orange into countries like Morocco, South Africa, Kenya and Nigeria means increased competition for African Lions.

12.3.4 A More Diversified Marketplace

The African market place is moving away from its extractive root. Mining and oil still provide a larger part of the foreign exchange for resource rich countries. But countries like Mauritius, Ethiopia and Morocco that are not as resource endowed as Nigeria and Congo have expanded their economies through diversification that has seen expansion of manufacturing and services.

Manufacturing value added only contributes 10% of the GDP in Africa, but that figure is growing. Growth has, however, been more in the services sector which now contributes 60% of GDP (UNCTAD 2015). While MNCs like Unilever and Nestle have long been producers of most consumer goods on the continent, the entry of African Challengers and their rapid growth and expansion into MNEs is evidence of the profitability of the African marketplace.

AMNEs have by their growth made Africa attractive and more MNCs are entering Africa to manufacture goods and provide services than those entering to extract minerals. The success of AMNEs in manufacturing and services sectors has led to a more diversified market place. Increasingly, MNCs are entering and leisure, retail, construction, and utilities.

Chinese and Indian firms have their preference in the manufacture of textiles and apparels, shoe, building materials including pharmaceuticals, ceramic tiles and iron and steel (Chakrabarty 2017). American firms are expanding their investments in hotels and hydroelectric power. Turkish firm play in the education space. The role private sector has extended into utilities, and even social services including education and healthcare.

12.4 Will AMNES Survive in the Changing Jungle?

The changing marketplace creates uncertainties for Africa's nascent multinationals. The companies have grown and expanded primary on the back of their knowledge of the business climate in Africa. But as more players enter Africa, the market

becomes more competitive. knowledge of the business environment may not be enough to stave off the increasing competition for market share.

However, there are still changes taking place that represents opportunities and threats to AMNEs.

12.4.1 Opportunities

There are a number of social evolutions going on that presents opportunities for greater investment on the continent, especially by African Lions. Projections for population growth, urbanization and the growth in the size of the consumer indicate that there still would be a large unserved and underserved markets in Africa. Some of the factors that represent opportunities for AMNEs include.

Populations growth: The United Nations (UN) Population Division estimates that the African population reached 1.16 billion in 2014. Although significantly smaller than that of Asia, the size of Africa's population is larger than any other continent. Furthermore, Africa's population is forecast to expand rapidly over the next 15 years. The UN Population Division forecasts Africa's population will approach 1.68 billion by 2030, more than 6% higher than the figure recorded 20 years earlier (United Nations 2015).

Africa is the world's second-largest continent with 20% of the total global land area. It is also the second-most populous, currently representing 16% of the world's population. The estimated population of 1.18 billion in 2015 is expected to increase to 2.48 billion by 2050, by which time it will represent percent of the global population (Canning et al. 2015).

According to the UN Population Division, there are 53 urban agglomerations in Africa with a population of more than one million. Of these agglomerations, seven house more than five million people. These agglomerations, in order of population size, are Cairo, Lagos, Kinshasa, Johannesburg, Luanda, Khartoum, and Dar es Salaam. Interestingly, as of 2015, Africa has two so-called mega-cities, with population of more than ten million. Cairo is also the ninth largest agglomeration in the world.

According to the World Bank, Africa's median age was 19.7 years in 2012, and it is expected to increase to 25.4 years in 2050, making Africa the continent with the youngest population. Estimates suggest the continent had a population of 226 million aged between 15 and 24 years in 2015. This is expected to double by 2045 (Canning et al. 2015).

Consumer growth: In the first decade of this century, Africa's household consumption grew rapidly, at 5.8% a year between 2000 and 2005, and 5.2% a year from 2005 to 2010. However, between 2010 and 2015, the rate of growth fell to 3.9%, reflecting the continent's economic slowdown. Nonetheless, Africa's private consumption was the fastest growing of any region except emerging Asia, and it outstripped that of Central and Eastern Europe, which grew at 2.3% a year between 2010 and 2015, and Latin America's 2.5% growth. Africa's overall consumer spending totaled USD1.4 trillion in 2015. This was significantly higher

than that of India or Brazil, and more than double consumer spending in Russia (MGI 2016).

As the purchasing power of the African and the middle class expands, the African markets is transitioning to being a huge consumer market. According to the World Bank's Global Consumption Database, total household expenditure on FMCG goods reached almost USD 240 billion in 2010 for a sample of 39 African countries (World Bank Database).

Sub-Saharan Africa's GDP per capita in purchasing power doubled to USD 3831 between 2000 and 2016. During the same period, in North Africa and the Middle East it increased from USD 9914 to 18,175, reflecting a compound annual growth rate (CAGR) of 3.9% over the period.

Household consumption expenditure in 2013 was highest in Nigeria, reaching close to USD 377 billion. Nigeria was followed by Egypt and South Africa, where household consumption expenditure reached USD221 billion and USD213 billion in 2013, respectively. These three countries are by far the largest consumer markets on the African continent. Other large markets include Algeria (USD73 billion), Angola (USD63 billion), Morocco (USD62 billion), Sudan (USD53 billion) and Kenya (USD44 billion).

Manufacturing for the world: China's rapid manufacturing growth was based in part on its low labor costs, but this advantage is fast eroding. Average Chinese hourly wages rose from USD0.43 in 2000 to USD2.88 in 2013, an annual increase of 16%. This creates an opportunity for Africa (MGI 2016). In many of the continent's low-income manufacturing nations, labor costs are closer to China's in 2000. Some countries have already translated this advantage into rapid growth in labor-intensive manufacturing exports.

Tanzania, for instance, has achieved annual growth in such exports of 9% since 2004; Ethiopia's exports have grown at 12% a year. Already, a large contingent of Chinese firms are relocating some of their operations to Africa. AMNEs can enter strategic alliances with firms to shift manufacturing to their plants. This is already the case in Ethiopia. Ethiopia is investing in the necessary infrastructure that would attract more FDI to the country as the government seeks to make Ethiopia part of the Global Supply Chain. Already, Ethiopian shoe, textile and apparel industry is attracting global brands to the country.

Urbanization: The world, including sub-Saharan Africa, is undergoing the largest wave of urban growth in history. More than half of the world's population now lives in towns and cities, and by 2030 this number will swell to about 5 billion. Much of this urbanization will unfold in Africa, bringing huge social, economic and environmental transformations.

Continued urbanization will have a major impact and it is estimated that the urban population in Africa will increase to 56% in 2050 from 35% in 2010, making it the most rapidly urbanizing region in the world. From changing demand patterns and consumer tastes to pressure on supply chains, unprecedented shifts in demographics will affect the retail and consumer sector fundamentally (PWC 2016).

Policy improvements: African governments seek greater contribution to their GDP from the manufacturing and service sectors and have continued to enact

policies that encourage private domestic and foreign direct investments in their countries. These policies represent opportunities for AMNEs as they include incentives that lower cost for investors.

As long as countries like Morocco, Nigeria, Kenya and Ethiopia continue their effort to attract FDI in their manufacturing and their services sectors using the instrument of policies like tax weaver and subsidies, there would opportunities for investment for AMNEs and MNCs (UNCTAD 2014).

Increased investments in infrastructure: Africa's infrastructure deficit is one of the factors that add to increased cost of production and limits Africa's competitiveness. Bad roads, poor power generation, lack of rail and poorly equipped ports add in making Africa's business environment challenging. Analysts have estimated that the total financing requirements is about USD92 billion per annum.

African governments have increased effort to provide infrastructure needed for the growth of private investment in their countries. Private sector investment drove growth of the telecommunication sector in Africa and governments are opening up and other sectors like power generation, ports operations, airports, roads construction to private investors and some are using options like Public-Private Partnerships to fund infrastructure development (Boston Consulting Group, African Finance Corporation 2017).

Funding for infrastructure has been expanded to include development finance institutions and the private sector, and governments are working out modalities of channeling domestically mobilized funds, including, sovereign wealth, pensions and insurance to infrastructure development. But it is China that is today the biggest source of funds for projects including roads, rail, bridges and ports on the continent.

While public sector budgets are critical as they establish the strategic framework within which support through external financing ought to be coordinated. Based on IMF estimates, countries in sub-Saharan Africa finance about 65% of their infrastructure expenditures—almost USD60 billion (about 4% of sub-Saharan Africa's GDP)—from their public sector budgets (this amount excludes financing from multilateral institutions) (Brookings 2015).

In absolute terms, South Africa dominates these expenditures with about USD29 billion (in 2012), with Kenya, the next country, only allocating about USD3 billion. Development practitioners advocate a benchmark or norm of 5–6% of GDP for infrastructure financing to sustain growth—although this number varies, understandably, by country needs and level of existing infrastructure. It is therefore not surprising to see wide variation across sub-Saharan Africa, with countries such as Lesotho, Cape Verde, and Angola investing over 8% of GDP and oil-rich Nigeria and fragile South Sudan allocating less than 1%.

Nigeria has privatized its power generation and distribution sector while Chinese funded rail project is being built across the country. Investments in improving port facilities are ongoing in countries like Nigeria, Morocco and Angola, while two large hydroelectric dam projects are being built in Congo and Ethiopia. Governments have also expanded the sources of finance for infrastructure development on the continent to include domestic revenues, DFIs, PPPs, natural resource-backed contracts, bilateral, and the like.

Investments in transport infrastructure like ports and rail have increased in pace especially with funding from China and UAE. Africa is a critical part of China's Belt and Road Initiative and South Africa, Kenya and Djibouti have benefited from Chinese funded rails, and ports. Dubai Ports (DP) World has invested over USD440 million to build and manage a world class port in Berbera, Somaliland over a 30-year concession period. The company had earlier built Doraleh Port in Djibouti. The impact of investment in road and rail infrastructure has already been felt by Morocco, which has commissioned a high-speed rail link between Rabat and Casablanca and a deep sea port in Tangier.

12.4.2 Threats

Changes in the African market place are throwing up realities that present a threat to the existence of AMNEs. These threats include long standing weaknesses in the business environment in Africa. Corruption, lack of infrastructure, poor governance and rule of law and the growing call for nationalization of private assets as well as the looming threat of acquisition by MNCs.

Targets of acquisition: AMNEs that have been able to achieve success have become takeover targets for international companies. The acquisition of AMNEs is made easier as there are a number of investors who want to cash in on their investment and are thus amenable to selling successful AMNEs and African Challengers to MNCs. The home and personal care category is dominated by multinationals such as Colgate-Palmolive, PZ Cussons, Beiersdorf, Johnson & Johnson, Procter & Gamble and Unilever. In 2013, French beauty giant L'Oréal acquired the health and beauty business of Kenyan company Interconsumer Products, maker of the Nice & Lovely range of beauty products that are priced for emerging middle-class consumers.[6] American retail giant, Walmart struck a USD2.4 billion deal in 2010 to pick up a 51% stake in Massmart, which has stores in 13 other African countries, while Protea Hotel was acquired by Marriot.

This threat looms large as macroeconomic shock often leads to devaluation of currencies which make African assets cheaper. That, and the fact that AMNEs still purchase their machinery and issue debts instruments and bonds in foreign currency. Most of the debt was to finance their rapid Get Big fast expansion strategy.

Aspen Pharmacare, Africa's largest drug manufacturer has found itself in quagmire over its debts. Its difficulties in paying off its debt has led a fall in its valuation market valuation on the Johannesburg Stock Exchange in 2019. In Egypt, Kellogg in 2015 announced two acquisitions it made in that market, first the company acquired majority shares in 60 years old biscuit manufacture Bisco Misr[7] as well as the acquisition of a family owned cereal maker, Mass Food Group.[8]

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[6] http://venturesafrica.com/loreal-buys-outkenyas-nice-lovely-kinuthia-becomes-a-billionaire/.

[7] https://www.prnewswire.com/news-releases/kellogg-company-completes-acquisition-of-majority-stake-in-bisco-misr-300021126.html.

[8] http://newsroom.kelloggcompany.com/2015-09-28-Kellogg-Company-Acquires-Mass-Food-Group-Egypts-Leading-Cereal-Company.

Other considerations other than debt may have led to the sale of some other AMNEs. Wal-Mart Stores acquired South Africa's Massmart Holdings in 2011 while Marriot also acquired Protea, Africa's largest hotel chain.

Increased consolidation by MNCs: The rapid growth of Africa's Lion has triggered to a response from MNCs operating on the continent. Leveraging on their better access to capital and technology, MNCs are fighting back against African Lions that have robbed them of revenues, market share and profits, through increased consolidation and new green field investments.

A case in point is the consolidation undertaken by Lafarge Africa. Following the phenomenal expansion of Dangote Cement across Africa, Larfarge-Holcem, which is the largest producer of cement on the continent changed their organizational structure to better respond to the changes in the market and increasing threats from the African Lions. The company has embarked on a number of new greenfield investments to modernize its factories and expand capacity. Telecom operator, Orange, the mobile arm of France Telecom is also expanding its footprint in Africa by acquiring assets across Africa.[9]

Threats of policy changes, nationalization and political risk: Politics is never too far from business in Africa and some countries have elements within their political class that are calling for more government control of some sectors of the economy. The rhetoric of populist politicians presents a possible a threat, as the investments of AMNEs are usually the target politicians in their home and host markets.

This has led to inconsistencies in policy which has been the bane of several African governments. Policy changes are a major contributor to uncertainty in the business environment. This view of the role of private capital in the economy has led to reversals of sale of public assets following privatization. This creates mistrust of governments and contributes to high perceptions of uncertainty in Africa.

While policies like local continent laws may benefit local businesses, the African political class continue to be divided on the right course of action to take to promote development in their various countries. Policy changes in the oil and gas sector in Nigeria, and minerals sector in Congo has led to investors reining in their planned investments.

There has been increasing calls for nationalization of private assets in South Africa, home of half of Africa's lions. Politicians insist that this is the only way to address the imbalance in the distribution of wealth in the country. This, and call for the redistribution of land in the country is creating new tensions among the business community. Under such circumstances, additional investment in sectors like agriculture may have become less likely.

Even though such policies had been carried out in Zimbabwe, Uganda and Nigeria with a negative toll on the economy, it remains attractive and may be responsible for the sense of urgency by some South African companies to expand out of their home markets in order to diversify their risk.

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[9] https://www.business-standard.com/article/companies/bharti-airtel-sells-burkina-sierra-leone-biz-to-orange-116011300126_1.html.

Meanwhile, Africa continues to suffer political upheavals, insurgencies and wars. Tension remains in at the horn of Africa and the Maghreb region. Elections are periods of increased political risk. Civil war in South -Sudan has severely affected the investments of Kenyan, Tanzanian and other AMNEs that expanded into the country. The Boko Haram insurgency in Nigeria has been a dampener on the Nigerian economy since 2014. Egypt, Zimbabwe, Algeria, Sudan and Ethiopia have suffered from varying levels of protest that attack the economic heart of the countries.

Macroeconomic risk: The volatility of African economies to macroeconomic shock remains a big threat to AMNEs. Heavy reliance on commodities leaves several African countries exposed to fluctuation in the value of these commodities. Added to this, several countries are reliant on just one commodity or only one sector for their foreign exchange earnings. Despite high growth rates, continued investments in infrastructure and social projects like health and education are part of the efforts of African government to improve their ranking on the Human Development Index. These investments limit, curtail investments in infrastructure that would attract more investor to the economy. A case in point is South Africa where investments in social services has led to shortfalls in investment in the power infrastructure, whose growth was not able to keep pace with the expansion of the South African economy. The country is now faced with load- shedding by the power utility Eskom which is encumbered by a USD30 billion debt the savings buffer African countries require to ride through fluctuations in commodities prices.

Severe balance of payment constraints usually forces African governments to devalue their currency and in so doing upset the projections of investors. Dangote Cement lost USD5.4 billion as the Nigerian currency was devalued in 2015 following a fall in price of oil. The economies of Algeria, Angola and Egypt were similarly affected.[10]

Poor Business Environment: The business environment in Africa continues to be challenging despite the efforts of several governments to improve the ease of doing business and country competitiveness. Infrastructure and other externalities like security weigh heavily on the cost of operating business on the continent. African countries continue to rank low on measures like the World Bank's Ease of Doing Business Index, The Country Competitiveness Index of the Word Economic Forum, the Logistic Performance Index and the Corruption Perception Index of Transparency International.

Effort to improve institutions and regulatory frameworks have become subjects of intense battles in several legislature and when eventually laws to improve business environment are enacted, there is still a lot of confusion as regard implementation. Even then, some countries have made advances in improving their business climate. Despite the impressive movement of countries like Mauritius, Rwanda and Morocco, however, a majority of African countries continue to wallow at the lower rungs of these indexes.

[10] https://www.bloomberg.com/news/articles/2016-08-31/nigerian-billionaire-aliko-dangote-s-wealth-plummets-chart.

Increased presence of Chinese and Indian companies: There is a growing influx of foreign owned firms into Africa. Among the most prolific of these entrants are Chinese and Indian companies. There are now close to 10,000 Chinese business in Africa. These firms are in direct competition with African challengers. Several seek out sectors where they have comparative advantage to enter.

Using machinery from their home country, Chinese and Indian firms have manufacture pharmaceutical, consumer electronics, textile and apparels, construction materials and water and sanitation products. These foreign firms challenge local incumbents, and in some sectors have eaten into their market share. The impact of Chinese entry into Africa was felt most in the textile and apparel manufacturing industry where Mauritian, South African and Madagascan textile companies found themselves struggling to compete with Chinese firms.

Another Chinese company, StarTimes is posing a strong challenge to the dominance of MultiChoice in Africa. StarTimes is a state affiliated but privately-held pay television company.[11] StarTimes is partnering with African state broadcasters and other organizations to provide both new channels and digital satellite infrastructure. Its influence is only likely to increase, as research predicts that this company will be the biggest beneficiary of the pay TV market subscription growth in the coming years in Africa. Digital TV Research claims StarTimes subscribers, currently at around 7.75 million, will have jumped to 14.85 million by 2024.

The company traverses vast but previously disregarded territories in within countries such as Uganda, Zambia, Guinea, Botswana, Ghana, Senegal, and the Democratic Republic of Congo for an operation called the 10,000 Villages Project. DSTv, owned by MultiChoice which is part of South Africa's Naspers, targets the most affluent viewers, offering the English Premier League and UEFA Champions League, but StarTimes is step-by-step making incursions at the cheaper end, providing the Europa League, Bundesliga, and last year's FIFA World Cup.[12]

Chinese firms have also entered sectors where African firms are not dominant players. Chinses consumer electronic firm Transsion focused its growth and expansion on the African continent. The Hong Kong founded firm targeted African consumers across the continent including in Nigeria, Ghana, Kenya, Uganda and Rwanda by offering the African consume the features they seek in a phone like longer lasting batteries, dual sim phones and cheaper alternatives to high-end phones like Apple and Samsung. Using product extension Transsion offered three phone brands, Techno, Itel and Infonix. The company now holds the largest market share for smartphones on the continent. Transsion now assembles its phones in a factory in Ethiopia.

The entry of India's telecoms giant Bhati airtel into Africa in 2010 was the largest Indian investment on the continent then. The acquisition of the assets of Zain put India's largest company in direct competition with the largest African telecoms

[11] https://thediplomat.com/2019/02/how-a-pay-tv-company-isserving-up-a-soft-power-win-for-china-in-africa/.

[12] Angela Lewis: https://thediplomat.com/2019/02/how-a-pay-tv-company-is-serving-up-a-soft-power-win-for-china-in-africa/.

company in lucrative markets like Nigeria, Kenya and Congo. The market position of MTN was not adversely affected but Airtel has consolidated and sold its loss making units as well as its base station and towers. With a presence in 16 countries in Africa Airtel represents a quite threat, a rival that is patiently waiting for a strategic mistake from its rival.

12.4.3 Strengths

The greatest asset AMNEs have over foreign competitors is knowledge of the African market place. This deep understanding allows AMNEs to be flexible in their investment decisions and relationships with suppliers. An investment in power generators is done without hesitation because of its importance to operations. Expenditure in building relationships with suppliers is viewed as a strategic necessity as it builds trust, limits opportunism and limits exposure to unreliable legal and judicial systems.

In sectors such as agribusiness, manufacturing and services, AMNEs have devised innovative ways of sidestepping limitations in supply chain, opaque regulatory framework and weak institutions. In the midst of Africa's challenging business environment, they continue to grow by investing in aggressive domestic and host country expansion and still make profits. A good illustration of this is in the retails sector. The advent of established retail brands into their home countries is driving African retailers to focus on business model development. This includes seeking to improve sourcing and speed-to-market lead times, and updated and diversified offerings that are comparable to those of international players. This is accentuated in the South African market (Deloitte 2015).

As international retailers increase their competitive footprint in the African market, they are faced with an African retailer with competitive advantage in established supply chain operations with access to local suppliers of products and manufacturing bases enabling them to reduce operating costs; as well as clear understanding of local cultures, languages and tastes.

The same is also true for the manufacturing sector. In expanding aggressively through the grow big fast strategy, AMNEs have created a barrier for risk averse MNCs whose focus on political and macroeconomic risks keeps them paralyzed and slow in making investment decisions.

12.5 Conclusion

In what some has called a "new scramble for Africa", Africa has attracted interest from more countries who seek her rich mineral resource and her growing consumer market. Trade between Africa and China, India, Turkey and other emerging market countries have grown exponentially as countries seek more engagement with Africa. The changing patterns of engagement—which have led Washington and Europe to reassess their stance towards the continent—are reflected in trade. China supplanted the US as Africa's biggest trading partner back in 2009.

In the midst of these increased engagement, AMNEs have shown the role of indigenous private investments in the economies of Africa, they have used efficient deployment of resources to establish plants and factories, employed the best talents including locals and foreigners to run their businesses, increased availability of goods and services for the African consumer and generated huge profits in the process.

By their success in Africa, Africa Lions have made MNCs rethink their strategy in Africa and forced them to increase their investments on the continent. Their success has also attracted emerging market MNCs from China, Brazil, India, Turkey and UAE among others.

In spite of Africa's well-documented problems of business environment, African companies still turn in good profits. This has prompted more MNCs from the developed and emerging countries to entered the African market especially in light of Africa's growing population and middleclass. Chinese, Indian and Turkish MNCs are now competing with AMNEs. This has made the African market more competitive.

AMNEs also face the increasing risk of political upheaval and policy changes on the continent. Another reoccurring risk, and one that has shaped the strategic decisions of AMNEs, is currency risk and other macroeconomic shocks due to fluctuations in the price of commodities.

The African Lions though can be assured that their biggest comparative advantage remains their deep knowledge of the business environment in Africa. They have used this knowledge to forge relationships that has helped them mitigate against risks despite the reality of weak institutions on the continent.

The success of African Lions has led to a more competitive marketplace. In the same vein, threats have cropped up as governments policies and initiative to improve the business climate and attract FDI has led to increased entry by MNC into Africa, thus posing a threat to AMNES.

But AMNEs can continue to leverage on their knowledge of Africa, to remain competitive.

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13 Postscript: Sustaining the Growth of Private Sector in Africa

13.1 Introduction

There has been a renewed vigor in the development of Africa. In the decades following the stagnation of the 1980s, the continent has enjoyed sustained periods of growth, powered mainly by the upswing in the price of commodities. Yet, there has been another form of growth, that brought about by structural changes in the economies of several African countries.

Africa's rebirth has had a lot to do with government initiatives and policy reforms that gave a greater role to the private sector. So at a time when foreign multinationals gave Africa a wide berth, the task of taking up the responsibility of meeting the needs of Africa fell to African entrepreneurs. For the past three decades, African Founded Firms, have made the investments that have provided the goods and services for Africa's growing population.

The success of African firms has been revelatory, showing the potentials and possibilities on the continent despite the enormous inherent challenges. As governments continue with reforms and investments that address the weakness of the business environment, the private sector needs greater support, especially as projections on population growth portends that more needs to be done to feed and meet the needs of Africans.

Repeatedly, studies have shown that access to finance and the business environment are the biggest constraints militating against the growth of the private sector in Africa. Yet, Africa continues to miss out on the capital flows to spur privates sector growth. Africa attracts the least FDI globally and the continents share of global investable capital flows remains minuscule relative to other regions and despite the valiant efforts of Africa's private sector, the growth of the manufacturing sector in Africa has been marginal.

But even the marginal growth signposts enormous potential. It shows a turning point after several decades of decline and deindustrialization. Africa's great triumph has been the exponential growth of the services sector and its contribution to

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Management for Professionals, https://doi.org/10.1007/978-3-030-33096-5_13

GDP. But policymakers fear that a leap from an agrarian to services led economy is an aberration that may not be sustainable. The historical progression has always been one where countries move from the primary, through to the secondary before developing the tertiary sectors of the economy. Among the spillover effects of a highly developed secondary sector is that it absorbs a large part of the workforce in the employment it creates and spurs economic growth in the capital it accumulates as well as accelerates technology transfer.

Africa's industrial growth is still waiting to happen and the hope for its takeoff lies with the private sector. The initiatives are heartwarming. Refineries, fertilizer plants, petrochemical plants, auto plants and consumer goods manufacturing plants are springing up across the continent. Leading these investments are African Lions, of which Dangote Industries, OCP, Orascom, Mansour, Qalaa Holding, Sasol and Bidco Africa are prominent players. The strategy then should be to give these firms greater support so that they add to the efforts to fulfil Africa's developmental potential.

13.2 The Private Sector Has Grown in Africa

There has been a fundamental shift in the economic structure in Africa. The African marketplace, once dominated by state owned enterprises, and multinationals now has a significant player, the indigenous African private sector (Elkan 1988).

The private sector in Africa employs 90% of the labor and contributes 60% to GDP (African Development Report 2011). The private sector was once the domain of informal, small and medium scale enterprises, but in post-liberalization period more firms have grown into large corporations and have affirmed their belief in Africa through continuous investments and innovations. Their profitability has shown that their efforts have been worthwhile while their rapid growth and expansion is a testament to the fertility of the African business space despite the inherent challenges.

The private sector is recognized as a critical driver's economic development, a provider of jobs, goods, and services that enhances people's lives and help them escape poverty. Taking into account the structure of the African economy the private sector is unquestionably the engine driving economic development on the continent. The private sector has helped stimulate GDP growth in Africa, improved agricultural yields, kickstarted the reindustrialization of the region and taken control of the responsibility of providing services and utilities on the continent.

13.2.1 African Multinationals

Africa's private sector ranges from a multitude of micro-enterprises that provide marginal employment for a single individual to a small number of large corporations employing hundreds of people. The configuration includes informal and formal sector businesses, traditional and modern, indigenous and foreign-owned

enterprises geographically dispersed in rural and urban areas (MCdade and Spring 2005). The informal sector is estimated to contribute as much as 40% of GDP in Africa. Yet, the formal indigenous private sector continuous to grow.

There has been transformation of the entrepreneurial landscape, however, as more indigenous private sector firms have expanded into large firms with some having multinationals operations. There are now 700 large companies with revenues of over USD 500 million in Africa today (MGI 2016). The continent has also 400 companies with revenues of more than USD1 billion per year, and these companies are growing faster, and are more profitable in general than their global peers.

Additionally, among these large firms, over 300 have cross-border operations within and outside Africa. The growth of African Multinationals Enterprises has been rapid and phenomenal.

13.2.2 New Pipeline of Large Private Companies

While a number of companies have transited into large firm, Africa still has a preponderance of medium scale companies. Nevertheless, a large number of these medium sized firms are also expanding into large companies. A report by PWC, however, identified 360 companies from 32 different countries across the continent that boast an incredibly impressive average compound annual growth rate of 46%. On average, each firm employs over 350 people, with an average compound annual employee growth rate of 25 (LSEG 2019). These companies operate in diverse sectors and this paints an encouraging picture of the future of the African economy. This shows that the transition of indigenous private firms in Africa into larger firms is still continuing.

13.2.3 The Privates Sector Is a Contributor to Development of Africa

Today, the African private sector represents two third of the total investments in the continent, three quarters of the generation of wealth, and 90% of the employment opportunities (African Development Report 2011). The private sector has played a large part in diversify the economies of African countries, through their investments in manufacturing and services. Their growth has been driven by innovation, and it has engendered competitive intensity in the market place, employment and increased tax revenue for governments.

Their expansion into large firms and multinationals is particularly significant because, in any economy, large firms are the primary drivers of growth, investment, corporate tax contributions, exports, and productivity. Large firms also foster sustainable small-business creation through the upstream and downstream ecosystems they help to create.

Private sector investment and production has increased intra-African trade with several African firms contributing to the integration of continent through

investments that has improved telecommunications connectivity, transport connectivity and financial systems integration (BCG 2018).

The private sector has had a tremendous impact on poverty reduction and inclusive growth through investments that have significant spillover effects in local economies as they seek means of sourcing locally.

13.2.4 The Privates Sector Development in Africa Lags Behind Other Developing Countries

Despite the impressive growth of the private's sector in Africa, its still lags behind its developing countries peers. Especially in revenue and productivity performance. Africa has only 60% of the number of large firms one would expect if it were on a par with peer regions—and their average revenue, at USD2 billion a year, is half that of large firms in Brazil, India, Mexico, and Russia, for instance (Dinh et al. 2012).

Large firms also lag behind other developing country peers in productivity due to the toll brought about by the business environment, which imposes a lot of added cost to the operations of African firms. The performance of Africa's economies has improved recently, but there is still a huge lag in terms of long-term growth, structural change, and industrial development (UNCTAD 2014).

13.2.5 The Private Sector Faces Several Challenges

The private sector in Africa faces many constraints in such areas as access to finance, infrastructure, investment climate, and the investment climate. The top obstacles for firms in developing countries include problems with. Data from the World Bank Enterprise Survey of firms in Africa show that the top obstacles for firms in Africa includes problems with access to finance, infrastructure, investment climate, and worker skills. These obstacles tend to be worse in poorer countries and for smaller firms (Teunissen and Akkerman 2006). Obstacles such as finance and infrastructure tend to be more acute in lower income countries. For finance, smaller businesses report greater difficulty with access at all country income levels. SMEs in particular suffer from scale issues and weak information and bank systems. To address finance there is need to develop new models to increase access to finance for African firms.

13.3 The Need for Support for Africa's Private Sector

Africa has a challenging business environment and large indigenously owned firms are few in number and lag behind their non-indigenous counterparts. But it has been shown that a higher private sector investment is associated with faster-growing economies (UNCTAD 1999). Supporting indigenous firms must be a focus of policymakers in order to create a broad-based private sector.

Competitiveness, local processing, intra-African investment and, indeed, Africa's financial capacity are vital ingredients in the promotion and continued expansion of the African private sector. A key mechanism for economic growth is higher productivity and knowledge transfer, and the private sector can be a critical facilitator of this process. Private firms and entrepreneurs invest in new ideas and new production facilities so focusing on private sector development can help address these constraints and can be most effective by targeting high-impact sectors and projects, ensuring sound business practices, leveraging partnerships, and focusing on segments.

13.3.1 Financing the Private Sector Is the Key to Africa's Development

Lack of finance has frequently been identified as a major constraint to business activity in developing countries and a brake on company growth prospects (Ajakaiye 2005). African systems are noted for the restrictiveness of their financial markets, often under-capitalized and with limited liquidity. Furthermore, the cost of credit is high and there is a very weak mobilization of medium- and long-term resources.

While the research shows that access to finance is frequently a major obstacle for firms, that obstacle may reflect a number of different underlying causes. In many cases, limited access to finance is also related to the underlying risk factors of business in Africa, which is driven by factors such as the investment climate, government credibility, and the quality, skills, and governance of local businesses.

13.3.2 More Funding for Indigenous Entrepreneurs

The rapid expansion of AMNEs has shown the benefit of support for the private sector. The range of sources from which AMNEs could raise capital aided their expansion domestically and internationally, and it financed their investments in backward and vertical integration. But the private sector in Africa still needs more. Despite high profitability and growth, capital flows into Africa is the lowest globally.

So what has been holding back further investor interest in Africa? It seems it may be fear about the continent from lack of information and misinformation. The information which flows to investors is often inaccurate and out of date. Major investment promotion campaigns fail to overcome distortions and exaggerations in a sensationalist international press.

Most international investors cite negative press as powerfully discouraging investment. Even successful countries suffer from negative information about the

continent as a whole: "potential investors lump them together with other countries, as part of a continent that is considered not to be attractive" (UNCTAD 1995).

13.3.3 IFIs Need to Increase their Investments in the Private Sector

Multilateral development banks and bilateral development finance institutions together called International Finance Institutions, or IFIs, play a significant role in supporting the private sector in developing countries. They provide critical capital, knowledge, and partnerships; help manage risks; and catalyze the participation of others. They support the kind of entrepreneurial initiatives that help developing countries achieve sustainable economic growth (IFC 2011).

The private sector in Africa has benefited from the investments International Financial Institutions. Notable among them has been International Finance Corporation, IFC, the African Development Bank, AfDB, while the most engaged bilateral IFI have been CDC, the British development bank, FMO, the Dutch development bank, and French Investment and Promotions Company for Economic Cooperation (Proparco) (UNDP 2014). Private sector–oriented IFIs are at the interface of public and private sectors, with a unique mission and perspective that allow them to provide a special role in projects. Private sector–oriented IFIs address private sector challenges by providing finance and knowledge and catalyzing others:

The support of IFI was critical in catalyzing the growth of AMNEs like Dangote, support was also extended by this World Bank affiliate to Bidco in Kenya, Madhvani in Uganda and MTN.

The investments of IFI in Africa has been vital to the growth of the private sector and the transformation of small and medium sized companies to large firms with cross border operations. Their sectorial specialization has also been valuable in developing sectors like Financial services, agribusiness and is imperative that IFI continue to extend their investments in Africa, both as direct investors and mobilisers.

Despite their growth, private sector–oriented IFIs are still small relative to total economic activity in developing countries. For example, IFI annual finance is about 1% of private capital investment in developing countries and about 2–4% in Sub-Saharan Africa or the Middle East and North Africa (IFI 2011). Thus, overall, IFIs are big enough to be an important factor in private sector development but still small on the global scene. Thus, the challenge for IFIs is to leverage their increasing private sector presence for greater impact.

IFIs must increase their budgetary allocation to supporting private investment in Africa. To make the most difference, the IFIs must deploy their resources strategically: by focusing on investment areas and approaches with high development impact, by providing investment and advice not available commercially, and by leveraging partnerships with the private sector, other IFIs, and governments to maximize impact.

13.3.4 Increase Public Investment and Improve Business Environment

In the past three decades, the share of public investment as a share of GDP has been decreasing while that of the private sector has been increasing. But development economists have found that the public sector investment is complementary to private sector investment and both are needed to sustain economic growth (UNCTAD 2014).

To maximize development impact, public and private sector policies in each country need to be coherent and complementary. There needs to be a virtuous circle between public and private undertakings to maximize development impact and ensure inclusive growth. Basic services such as water, electricity, Internet and road transport are two to seven times more expensive for African businesses than for their Asian counterparts. African firms consider physical infrastructure (in particular the cost and reliability of power supplies), finance, governance, regulation, and services to be constraint on their growth and it is important that policymakers must continue effort to improve the business environment (Eifert et al. 2008).

African governments have invested improving their ranking of the indexes that measure business climate like Ease of Doing Business index. But governments still need do more to protect property rights. Governments must step-up public-sector investment in the provision of infrastructure especially as the continents needs a USD 90 billion per year investment over the course of 10 years to bridge the deficit in infrastructure (Foster et al. 2010).

African governments need to step-up public-sector reforms and increase public sector investments. These include privatization, tax reform, enactment and enforcement of effective anti-corruption and anti-money laundering laws, protection of property rights and creditors' rights, effective private sector regulation, and bureaucratic streamlining. African states must also improve the domestic environment more generally to make it easier for Africa's own entrepreneurs to succeed (Ramachandran et al. 2009).

While governments maintained their role of managing policy and regulatory frameworks, they have to allowed more private sector provision of services.

13.3.5 Integrate Africa into a Larger Market Place

Africa is a marketplace that is constricted by the borders of 54 sovereign countries and African leaders have understood the benefit of opening up the continent to trade and efforts and successes of several regional trade agreements, customs and monetary unions at the regional level has led to an ambitious attempt to create a single market. Sparse and fractured markets in Africa make trade less profitable and economies of scale more difficult to achieve.

As governments step up efforts to improve Africa's business environment and infrastructure, the need to create larger markets with fewer barriers have become an imperative for policy makers. Africa has pursued integration at the regional level.

There are 16 regional blocks on the continent. But the barriers in Africa is historical. Division of the continent into French, Anglophone and Lusophone countries constitute barriers to overcome.

Attempts at integration has been on for decades. The main aim is to create a single market through the formation of the African Continental Free Trade Area. Steps so far taken to create the area include the formation of African Continental Free Trade Agreement which has so far been ratified by 29 states. These initiatives are aimed at promoting intra Africa's trade and mobility of persons and goods within the trade area.

The agreement initially requires members to remove tariffs from 90% of goods, allowing free access to commodities, goods, and services across the continent. The United Nations Economic Commission for Africa estimates that the agreement will boost intra-African trade by 52% by 2022. The proposal came into force after ratification by 22 of the signatory states.

ACFTA gives hope that trade flows will increase from West to East and South to North of Africa. Already these movements are already happening at the regional level, the expansion of AMNEs have been facilitated by regional trade agreements like ECOWAS, ECA and SADC. The EAC particularly has led to the flow of trade between Uganda, Kenya and Tanzania and Rwanda. For South African firms looking for expansion after several years of sanction, SADC and NEPAD where the platforms on which the lunched their foray into Africa.

So far, 52 of the 54 Sovereign African states have signed the agreement of the free trade zone and it is hoped the AfCFTA will catalyze intra-African trade and help the growth of the private sectors. Efforts must continue to oversee the successful implementation of the agreement.

13.4 Strategies for More Investment Capital

There is a global battle for capital inflow. After a long period of being shunned by international investors, capital flows to Africa increased in the 2000s. Abundant global liquidity combined with improved economic policies and prospects in many SSA countries led to a surge in private capital flows, with sharp increases in all forms of private capital inflows—FDI, portfolio investment, and private debt flows—to SSA.

But despite the huge capital flows into Africa between 2000 and 2010, it only represented 2% of all capital flows in the world. There was 1.4 trillion dollars that went into investing in 2018, only 40 billion of that money came to Africa (UNCTAD WIR 2019). With South Africa and Ethiopia attracting the largest share. Africa only gets 1.5% of foreign direct investment. At the moment, only around 1% of the £8trn in assets managed by the City of London are invested in Africa (LSEG 2019).

The various continents and regions of the world are in a continuous struggle to attract FDI. South East Asian countries like Vietnam, Bangladesh, and Thailand have attracted greater investment as they develop strategies to make their countries part of the global supply chain.

Increased capital flows can contribute significantly to Africa's development through the increased public sector and private sector investments. The US has enacted the Build Act that pledges USD 60 billion support for US registered firms investing in Africa. The Chines government has also pledged USD 60 billion and the Japanese government announce it would spend USD 30 billion in Africa while the UK has pledged 4.5 in spending in Africa, but these sums are a far cry from the needs of the continent for investment in infrastructure and private sector development.

African governments, policy makers and private sector firms need to develop strategies to attract more capital to Africa.

13.4.1 Risk Mitigation

One of the strategies for attracting more capital flows to Africa would be to assure investors though mechanisms to mitigate risk, this could help for a more balanced and sustainable growth. One where Africa plays a greater role in the Global Supply Chain. While institutions like MIGA aim at de-risking investments in Africa, risk mitigation mechanisms should be a norm to give the investors' confidence.

Institutions and multilateral agency can support sovereign guaranties for projects and lending for critical investments.

13.4.2 Strengthen Africa's Stock Exchanges

Another obstacle to investing in Africa is the lack of liquidity in stock exchanges. The lack of liquidity can largely be ascribed to poor pricing of markets, lack of digitization, high trading fees, and a lack of choice in investments due to the relatively small number of companies listed (LSEG 2019).

Africa capital markets represent less than 1% of the world stock market capitalizations. There are 23 stock exchanges. And their total capitalization is USD 610 billion, which represents less than 1% of global capitalization, this is 25 times less than the New York Stock Exchange or 7 times less than the London Stock Exchange. The percentage of the stock exchange capitalization to Africa's GDP also lags behind global averages. While representing 30% of the continent's GDP, and rising strongly, this ratio remains weak compared to other countries: 115% in the USA, 70% in France, 45% in China (excluding Hong Kong at 420%).

The concentration of the portfolio investments into Africa in a few countries is also a problem for private sector development across the continent. Over 90% of portfolio investment flow into Africa goes to the Johannesburg Stock Exchange (Sy and Rakotondrazaka 2015). The JSE is the largest and most liquid exchange in Africa. Its market capitalization represents 74% of all the stock exchanges in sub-Saharan Africa and trades an average of USD1.6 billion per day. Additionally, the bourse benefits from large sums of captive capital in South Africa, with funds under management in excess of USD500 billion. Recent South African Reserve Bank

regulation amendments provide foreign companies listed on the JSE with the ability to raise capital in South Africa and redeploy it elsewhere without restrictions. There are currently 54 foreign companies listed on the JSE and 37% of the JSE's market capitalization is held by foreign investors[1].

This situation has created a distortion in access to finance in Africa. It is imperative then that African governments must find a collective strategy to make regional or country stock exchanges more attractive to investors.

13.4.3 Private Equity Investment

Due to illiquidity in the capital markets, private equity investment is currently the most interesting form of investments for foreign investors. Research by the Emerging Markets Private Equity Association (EMPEA) showed that for the first time those polled considered sub-Saharan Africa as the most attractive investment region. However, the lack of availability of exit options is also a concern for potential private equity (PE) investors in Africa (PWC 2015). PE is growing in Africa; according to AVCA, there are over 200 PE funds investing in Africa. Most of these are investing in growth capital and their fundraising processes are generally long due to the strategic efforts required. Investment periods correspond to this longer time horizon with an average of about 5 years.

Currently, the majority of deals are small; 80% below USD 50 million in 2013. It seems likely that deal size will grow to be more in line with other emerging markets as these economies and regulatory frameworks develop. Likewise, legislative changes to encourage PE investment via state investment vehicles would give domestic firms both money and expertise in order to grow the private sector.

13.4.4 Domestic Mobilized Funds

As African governments are putting in place policies to grow the domestic mobilized capital, it should be noted that a lot of it should be allocated also to the growth of the private sector. The traditional model has been through the stock exchange but frequent shock in the stock exchange make policy makers to be wary of allocating large stocks to the stock exchange. Regulations and policy reforms should be put in place to allow pension funds, sovereign wealth funds and insurance companies to invest more on portfolio and private equity funds to create more access to capital for private sector.

[1] By Zukile Siko, and Oluwakemi Owonubi, Rand Merchant Bank THE JOURNEY TO A LISTING IN SUB-SAHARAN AFRICA https://african-exchanges.org/sites/default/files/publications/acm_insight_volume_4_issue_3_2013.pdf.

13.4.5 Continuous Relations with China

China's influence in Africa has grown in the past few decades. Their focus on developing infrastructure has been critical to the continent. But China's value to Africa is way beyond development finance, China's economic growth has benefited Africa in more ways than one. China's engagement in Africa has been disruptive to the multilateral decision framework of European and America over Africa. China's role in Africa has been to give the African governments and private firms alternative markets for finance, machinery and equipment.

The value of this alternative market cannot be overemphasized. Over several decades, African governments and entrepreneurs have had to engage politically and economically with European governments and private businesses that are wont to work as cartels. Europeans cartelize their policies through multilateral organizations like the EU or private financiers like the Paris Club of lenders. They take common positions and set a common price for their aid, inventions, capital and technology. These cartels take common decisions that usually leave African governments feeling trapped with no alternatives. The cartelization has hampered Africa's ability to negotiate good rates for commodities, bonds, machinery and other services bought from European and American vendors. Access to technology is guided and protected (Jones 2005). China's technology, knowhow and finance has disrupted these cartels and given Africa an alternative route to financial markets and access to cheaper machinery and plants. China's knowhow and machinery gave small scale entrepreneurs the appropriately sized plants and machinery that ultimately could be scaled up as businesses thrived. Chinese lending to Africa has created an alternative source of finance outside the European financial markets and the multilateral financial institutions like the World Bank. Chinese lending to Africa has increased significantly since 2010. Overall, between 2000 and 2017, China disbursed USD143 billion in loans to African countries. Furthermore, China has pledged an additional USD60 billion in aid, credit and loans to African countries over the next 3 years.

China's engagement in Africa has been useful to governments and the private sector. It is imperative her relationship with the continent is deepened even though concerns about increasing debts should be address through creative economic models.

13.5 A Word on Africa's Industrialization

Africa's industrialization has been given impetus by the investments of Africa's indigenous private sector. But to a large extent, industrialization has been focused to meeting domestic needs, exclusively inward-looking industrialization strategies, however, have severe consequences. The experience of import-substitution industrialization in Africa suggests that an industrialization program that focuses exclusively on the domestic market and does not have an export promotion component is likely to run out of steam. While there is a large need to satisfy domestic demand, African industrialization needs start to look to integrating with the Global Supply Chains.

Additionally, the small size of domestic markets in most African countries implies that they are unlikely to sustain an industrialization program without access to external (regional and global) markets. External markets would provide an opportunity for African countries to expand production as well as exports, and reap the benefits of scale economies. It would also provide access to the foreign exchange needed to import intermediate inputs and capital goods for domestic industries. This means that both the domestic and external (regional and global) markets are important in the industrialization process (UNCTAD 2013).

Again, Africa's indigenous private sector is again critical in meeting this aspiration. Especially as they have contributed significantly to the marginal increases in manufacturing on the continent so far. There is need to extend support to expand their capacity and productivity to be able to serve world. The AfCTA is an opportunity that would broaden markets for African private sector to trade within the continent. But Africa still need to put the structure to encourage African manufacturing to be part of the Global Supply Chain.

13.6 Conclusion

The privates sector led investments in Africa has contributed immensely to economic development. But when benchmarked against their developing countries peers, the privates sector lags behind in performance, revenue generation and even contribution to GDP. Repeatedly, studies have shown that the biggest constraints to business in Africa is access to finance and the business environment. There is a need therefore to develop strategies to attract more capital to Africa for investment in the private sector.

The role of the IFIs is supporting growth of the private sector has been commendable, but their contributions still remain puny relative to total flows into the continent. A critical part of that strategy should be how to increase the liquity of Africa's stock exchanges and spread the portfolio investment coming into Africa outside its concentration in South Africa and a few other burses. There has been growth in domestically mobilized fund through reforms that has strengthened pension funds, sovereign wealth funds and insurance, legislation needs to be approved to allow increased investments in the private sector with these mobilized funds.

In two decades of growth in privates sector investments, there was a reverse in public sector investment. Investments in infrastructure development has regressed or has not met up with population growth and urbanization rates. It is imperative to increase public sector investments as studies have shown the complementary relationships between public and private sector investments in pushing growth.

There have been improvements in the business climate on the continent but not enough to ease the unseen cost of doing business in Africa. African countries still straddle the lower rungs of almost every index that measure business environment and competitiveness. The pace of reforms must not only be sustained but accelerated (Eifert et al. 2008).

The private sector in Africa needs to be supported, sustainably, in its growth and expansion. An expansion that is accelerating the development of Africa.

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