The Tony Elumelu Foundation

AFRICAPITALISM

THE PATH TO ECONOMIC PROSPERITY AND SOCIAL WEALTH

Rebuilding and Rebranding Africa as a Land of Investment, Innovation and Entrepreneurship

By Tony O. Elumelu, CON

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A Personal Introduction by Tony O. Elumelu, CON

Africapitalism. It is a deceptively simple notion, but a powerful one that has the potential to remake a continent, and put Africa on an equal economic footing with the rest of the world.

Africa is capitalism's final frontier, and as such it offers boundless economic opportunity — not just for investors and entrepreneurs to build successful businesses, but also for economic growth to solve many of the continent's most pressing social challenges. That is the heart of Africapitalism: long-term investment that creates economic prosperity (a commercial objective), as well as social wealth — a private sector approach to solving some of Africa's most intractable development problems.

Private Sector Development Leads to Both Commercial and Social Success

"However long the night, the dawn will break."
– African Proverb

Let me be clear. I do not suggest that entrepreneurs should build companies in Africa or that capitalists should invest in Africa out of goodwill, in essence because they are the economic equivalent of Father Christmas. I suggest that Africa offers compelling economic and business opportunities that can, at the same time, meet a range of social objectives. In fact, over the past decade we have seen that, in many respects, private sector development has much greater potential to improve self-sufficiency and prosperity in both the economic and social spaces of Africa than charity and development assistance ever have, or ever could. Unfortunately, the story heard about Africa is more often about the charity than the prosperity, something we hope to dispel through our words and our actions. As Banarjee and Duflo argue in their award-winning book *Poor Economics*, ultimately it is the presence of a formal long-term anchor employer in rural areas that create a sustainable road out of extreme poverty. No amount of well-intentioned charitable assistance in healthcare, education, agriculture, and other sectors is able to accomplish the same.[1]

That is the heart of Africapitalism: long-term investment that creates economic prosperity (a commercial objective), as well as social wealth.

Africa's burgeoning private sector and its growing domestic industries have already delivered significant returns to investors and entrepreneurs, while also addressing many of Africa's persistent structural challenges. Consider, for example, my own experience building what is now one of the largest banks in Africa — with 7 million customers, 20,000 employees, and operations in 20 countries, including the United States, the United Kingdom, and France.

[1] Banarjee and Duflo, *Poor Economics* (New York: Public Affairs Books, 2011)

Democratising Nigeria's Banking Sector Solved Problems and Earned Significant Returns

In 1997, I led a group of entrepreneurs in the acquisition of the distressed Crystal Bank, which had shuttered its few branches and was a shell of its former self. We did what business people and investors do all over the world: we sat together to craft the vision and roadmap for the organisation – where we wanted to be, how we were going to get there, the kind of customers we wanted to serve, the value propositions we would offer them and so on. We also employed tried-and-tested business practices, like a debt-for-equity swap with depositors to attract and grow our capital base. We additionally rebranded the bank as Standard Trust Bank (STB) to signal a fresh start.

At the heart of our mission, however, was an important social vision: to democratise the banking sector in Nigeria. In a nation, which at the time had about 110 million people, fewer than 10 percent had bank accounts. We knew we could do better. We believed there was a huge potential market and high untapped demand.

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Within seven years we had grown to become one of Nigeria's top five banks, with a hundred branches, and we were the first Nigerian bank to build the largest branch network offering real-time, online integration. Then something amazing began to happen. Structural problems facing consumers in Nigeria began to work themselves out. For example, parents with children in school in other states used to have to travel to give their children spending money or to pay school fees. No longer. They could now manage their finances from the comfort of their homes and offices. Having an account at STB became a status symbol, a badge of progress that indicated a person's accession to the cutting-edge, new Nigeria. This was especially true among young customers.

Not only were we doing well and earning substantial returns for our investors, we were also doing good by solving people's problems and improving their productivity, and eliminating persistent inefficiencies in what had been a very undemocratic banking sector. All of those trends only accelerated as we grew. In 2005, we merged with the third largest Nigerian bank, United Bank for Africa (UBA), and by 2007, we had grown from about 400 branches to more than 700, with more than 3,000 ATMs — up from 40 in 2005. We also set our sights on becoming a pan-African financial institution. Today UBA operates in 19 African countries as well as the U.S., France and the UK — effectively meeting the increasing demand for trade finance and cross-border finance.

Private Investment and Private Sector Development Bring a New Dawn of African Prosperity

Through private sector development, the Nigerian banking sector has been a force for: greater entrepreneurship in the economy; human capital development for skilled workers; problem solving for consumers and businesses; jobs and wealth creation for tens of thousands of employees; reduction of trade and business barriers among African nations.

Ultimately, it also became a source of financial return for savvy investors who stood with us in pursuing our vision of a powerful, vibrant, modern African banking sector.

This type of story is being repeated every day, in all kinds of industries, all over Africa — East to West, and North to South. Yet, much is still missed and misunderstood about Africa, not just by outsiders, but by Africans as well. There is a formidable economic force gaining momentum in Africa. It will reshape the continent, and perhaps the global economy as well.

This white paper on Africapitalism (and ensuing instalments) will discuss the opportunity at hand. Long-term investments in Africa are delivering tremendous commercial and social returns. In doing so they offer a model for a bright future for Africa. We welcome you to stand with us, in the shining light of Africa's new dawn.

About the author:

Tony O. Elumelu, CON, is an entrepreneur, a philanthropist and the chairman of Heirs Holdings Limited, an investment company that builds sustainable African businesses. He is the creator and the leading proponent of the term *Africapitalism*, the philosophy that long-term investment in Africa, driven by Africa's own private sector will deliver economic prosperity and improve the lives of Africans. In 2011, he started The Tony Elumelu Foundation, an African-funded philanthropic organization focused on supporting entrepreneurs in Africa by enhancing the competitiveness of the private sector.

Mr. Elumelu has received numerous honours, board, and committee appointments, and in 2012, the government of Nigeria conferred on him the national honour of Commander of the Order of the Niger. In 2012, *Forbes Magazine* named Mr. Elumelu one of Africa's 20 Most Powerful People in African Business, and he was included in *New African Magazine's* list of 100 most influential Africans in business. Mr. Elumelu also serves as an advisor to the USAID's Private Capital Group for Africa (PCGA) Partners Forum.

He is married to Dr. Awele Elumelu and together they have five children.

About the Tony Elumelu Foundation:

Founded in 2010, The Tony Elumelu Foundation is an African-funded philanthropic organization focused on supporting entrepreneurs in Africa by enhancing the competitiveness of the private sector. The foundation creates impact through business leadership and entrepreneurship development programmes, impact investments, research, and policy advocacy.

CHAPTER 1

No Longer A Charity Case: Making the Business Case for Africa as One of the World's Most Attractive Destinations for Capital — and for Doing Good

In truth, Africa never should have been a charity case. Our people are as industrious, innovative, and entrepreneurial as any on the planet. Economic growth over the past decade, even under some of the harshest conditions, has been nothing short of stunning.

Based on population growth, demographic trends, and accelerating reforms (in government, regulation, rule of law, and business transparency), Africa is one of the most attractive destinations in the world for investment capital. Nigeria alone provides multiple examples of the strong returns available to forward-thinking investors and businesses — who see opportunity where others are blinded by preconceptions.

- The South African mobile phone giant MTN was punished by institutional investors in 2001 when it paid $285 million for a licence to enter the Nigerian market. Yet, within 10 years, the company's Nigerian operation grew from 300,000 subscribers to *40 million*, and now accounts for 28% of the company's approximately global $10 billion in annual revenue.

- Diageo set up a Guinness brewing operation in Nigeria in 1962, which has grown to three plants and more than $1 billion in revenue. Nigeria is the world's second-largest market for Guinness stout, and sub-Saharan Africa accounts for 41 percent of global sales (by volume). Nigeria is also one of the company's fastest growing emerging market regions — with total emerging market sales expected to account for 50 percent of global sales by 2015.

These companies, like UBA and many others, encountered obstacles to their growth, such as poor infrastructure and cumbersome regulatory structures. Yet they persevered and prospered. The story is the same in many parts of the continent.

In all these stories, and all over Africa, private enterprise is flourishing by delivering value to consumers, creating wealth in local communities, and delivering substantial, sustainable returns to investors. This is the story of the "new" Africa: a reinvigorated private sector solving social problems by building businesses and creating social wealth.

"Today, as I sip my Rwandan gourmet coffee and wear my Nigerian shirt here in New York, and as European men eat fresh Ghanaian pineapple for breakfast and bring Kenyan flowers home to their wives, I wonder what it will take for Western consumers to learn even more about the products of self-sufficient, hardworking, dignified Africans. Perhaps they should spend less time consuming Africa disaster stereotypes from television and Vanity Fair."

- William Easterly,
Professor of Economics
New York University

"People go to Africa and confirm what they already have in their heads and so they fail to see what is there in front of them."

- Chinua Achebe,
Nigerian Novelist &
Professor of Africana Studies,
Brown University

"The darkest thing about Africa has always been our ignorance of it."

- George Kimble,
Geographer

It is a drastic departure from the old model of centralised governments managing basic industries, a structure often developed at the recommendation of the well-meaning but misguided global development finance institutions, supplemented by charity and foreign aid to target social issues like food security and healthcare. Yet, two key problems still haunt us:

- Historical prejudices and misconceptions keep outsiders, and even many Africans, from seeing the potential of Africa's private sector economy to create economic prosperity and solve intractable social problems.

- The African private sector itself has not yet fully transitioned from past practices of short-term, rent-seeking (see sidebar) types of economic activity — toward a long-term, entrepreneurial approach to generating wealth.

The "new" Africa: a reinvigorated private sector solving social problems by building businesses and creating social wealth. It is a drastic departure from the old model of centralised governments managing basic industries, a structure often developed at the recommendation of the well-meaning but misguided global development finance institutions, supplemented by charity and foreign aid to target social issues.

Businesses and investors from all parts of the globe, but especially within Africa itself, will benefit from opening their eyes to the growing opportunity to profit from wealth creation, before their competition grabs the opportunity away from them. Never has the business case for Africa been stronger, nor has the potential for private enterprise to do so much good for so many — while achieving a healthy return on its investment.

No One Will Develop Africa but Us: Africa's Private Sector Is Growing Rapidly, but It Must Be Much More Accountable for Creating New Wealth

What is the ultimate goal of Africapitalism? Its primary goal is greater economic prosperity and social wealth, driven by Africa's private sector — its domestic economies, markets, and businesses. There are three fundamental tenets of Africapitalism:

1. ***Wealth Creation*****:** The private sector in Africa — both foreign multi-nationals as well as African business leaders — must break free from the historical tendencies of exploitation and extraction of wealth (i.e., rent-seeking), and instead focus on generating profit through wealth creation. The Nigerian oil industry is a case in point — after 50 years of pumping out billions of dollars of crude oil and natural gas, there is no indigenous oil, and Nigeria still imports refined petroleum for domestic consumption.

2. ***Funding Entrepreneurship*****:** Leveraging private enterprise to solve problems must be a core area of focus not just for investors, but also for NGOs and philanthropists as described in detail in a 2012 report from the Monitor Group: *From Blueprint to Scale: The Case for Philanthropy in Impact Investing*. Some of Africa's greatest private sector successes were launched with public and philanthropic funds. This entrepreneurial investment model should be the model for future philanthropy and aid in Africa. It should also be a guide for Africa's own emerging philanthropists.

What is "rent-seeking"?

In general, "rent-seeking" as an economic behaviour focuses on expending resources to capture a higher share of existing wealth, without creating any new wealth. It is distinguished from "profit seeking," which actually seeks to make a profit by creating new economic and social wealth.

***3. Transparent Competitive Markets*:** Governments are not responsible for running industries; they are responsible for providing a supportive environment for businesses to thrive, in markets that are fair, transparent, and open. Their policies should encourage creation of new wealth rather than support the exploitation and extraction of existing wealth.

Of these three, the most urgent priority is wealth creation by the private sector. Governments have shown a readiness to play their appropriate role, exiting many industries and privatizing assets. In May 2012, in an address to the International Monetary Fund, Rwanda's President Paul Kagame called for "a modern and appropriate legal and institutional framework that meets the interest of business, employees and consumers in a fair, transparent and timely manner." [2]

With government setting the right tone, and donors and philanthropists beginning to shift their focus toward entrepreneurial investment, it is time for Africa's private sector to step up and do its part. As we have seen over the past decade, resource exports can fuel growth, but they do not add value to local economies. It is essentially jobless economic growth that does little to create value and wealth. A paper presented to the African Development Bank in 2011 clearly demonstrated the problem: from 2000 to 2007, during an export-led "growth" boom, each 1 percent gain in African GDP increased employment by only 0.036 percent. At that rate, African GDP would have to increase 28 percent annually to induce just a 1 percent increase in employment. [3]

With the right private sector development in up-stream and down-stream sectors, agriculture could be a huge economic success story — generating jobs, wealth, and financial security — especially in rural areas, and at the same time helping to address the continent's recurrent food security issues.

With the right investment approach, however, Africa can have growth *and* employment — both private profit *and* social wealth. In this regard, agribusiness offers the ability to generate investment return while addressing chronic issues like food security and rural unemployment. Africa has substantial amounts of under-utilised arable land, and agriculture employs 65 percent of Africa's labour force, accounting for 32 percent of the continent's GDP. Yet Africa is a net food importer with farm yields among the lowest in the world.[4] With the right private sector development in up-stream and down-stream sectors, agriculture could be a huge economic success story — generating jobs, wealth, and financial security — especially in rural areas, and at the same time helping to address the continent's recurrent food security issues.

[2] Source: World Bank website
[3] Vinaye Ancharaz, "Trade, Jobs and Growth in Africa: An empirical investigation of the export-led jobless growth hypothesis," paper presented to African Development Bank's 3rd ICITE Regional Conference, September 2011
[4] World Bank Fact Sheet: The World Bank and Agriculture in Africa

Consider Transnational Corporation of Nigeria Plc (Transcorp), which in March 2012 commissioned a fruit juice concentrate plant in Nigeria's Benue State. The new plant is the *first such plant in all of Nigeria* and has the capacity to process more than 26,000 metric tonnes of fruit annually. According to a United States Department of Agriculture (USDA) report, an upwardly mobile population, an expanding middle class, and increasing health awareness are driving the fruit juice market in Nigeria, which has grown by approximately 10 percent annually since 2002. Yet nearly 60 percent of the fruit grown in Benue state rots before getting to market because of a lack of domestic processing capacity or adequate storage. The need to import finished juice concentrates raises the cost of production for juice manufacturers in Nigeria, and raises the price of the finished product for consumers.

Building up Nigeria's processing capacity will not only contribute to the economic development of Benue State, but also to the Nigerian nation — by creating employment, boosting farmers' productivity and profitability, conserving foreign exchange, providing food security, opening new consumer markets domestically, and supporting the retail sector.

We see a similar example in the catalytic investment made by Heirs Holdings, The Tony Elumelu Foundation (TEF), the Calvert Foundation and Lion's Head Global Partners (LHGP) in Mtanga Farms in Tanzania. Mtanga Farms is a mixed arable farming business with new seed potato operations that will improve the yields of approximately 150,000 smallholder farmers in the East Africa region. The new variety will help increase the earning capacity of these farmers and, at the same time, improve agricultural practices in the region. A similar initiative in Kenya tripled potato yields and doubled the income of smallholder farmers.[5]

These up-stream (e.g., seed production) and down-stream (e.g., food processing) opportunities may offer investors and entrepreneurs substantial long-term returns, and also create employment, wealth, and greater food supply. Such investments mirror the experience of Standard Trust Bank, which entered the financial services market to democratise the industry and meet tremendous untapped demand.

Thus the concept of Africapitalism gains resonance, validity, and momentum. It exhorts Africa's entrepreneurs to join the campaign and put their ingenuity and innovation to work in order to be amply rewarded. It invites investors — foreign and domestic — to be forward-thinking and look for long-term investments where doing well delivers value to the bottom line. And it calls out to NGOs and African governments to act in partnership with the private sector in accomplishing from the bottom up what cannot be imposed from the top down. Governments must create the enabling environment, and also serve as the regulators as NGOs push for transparency and good governance in the private sector.

[5] United States Agency for International Development. "Tackling the food price crisis in Eastern and Central Africa with the humble potato: Enhanced productivity and uptake through the "3G" revolution." 2010.

If Africa's Strong Momentum Is to Continue, Investing to Create Value All Around Cannot Be a Niche Asset Class — It Must Define All Private Sector Development in Africa

During the global recession of 2008-2010, the overall African economy actually grew, and in recovery it grew faster than all other regions except Asia. Africa's momentum continues today: GDP is expected to grow nearly 6 percent in 2012, more than three times faster than the U.S.'s or Europe's, and barely a quarter of a percent behind India's.

Despite its historical challenges, Africa is also making headway in diversifying its economy away from export and resource-led growth. In the coming decade, the resources sector (long considered the anchor of Africa's development) is actually expected to be the laggard. The consumer, agriculture, and infrastructure sectors are all expected to grow faster than resources between 2008 and 2020 — with infrastructure growing potentially more than four times faster.

Exhibit 1 – Expected Sector Growth Comparison

	Estimated Annual Revenue in 2020 ($bn)	Growth 2008-2020 ($bn)	CAGR 2008-2020 (%)
Consumer (e.g., consumer goods, telecom, banking)	1,380	520	4%
Resources	540	110	2%
Agriculture	500	220	5%
Infrastructure	200	130	9%
Total	2620	– 980	4%

Source: McKinsey MGI Africa Report

These changes are transforming the continent's overall economic picture, as evidenced in global rankings of African economies relative to the world's mature markets. The number of African economies "converging" with the developed world is rising rapidly, while the number of "struggling" and "poor" countries is steadily falling. It is important to note that these measures are based on income and GDP growth, which can hardly be the result of charity or aid. (Exhibit 2)

Exhibit 2 – Number of African Countries by Category in a Four-Speed World

	1990s	2000s (pre-crisis 2000-2007)	2000 (Incl. crisis 2000-2009)
Affluent	0	0	1
Converging	2	19	28
Struggling	11	10	6
Poor	34	21	14
Total	47	50	49

Source: African Economic Outlook 2011; African development Bank et al.

As noted, Africa's economies are diversifying as they expand, resulting in more sustainable growth and improving economic conditions for millions of Africans. This is good news, but will remain so only if current trends can be sustained, and only if growth leads to increased employment and wealth.

Currently, the primary advocates for investing with social impact — i.e., the creation of value, jobs, and wealth—are philanthropic agencies and NGOs. Many in the mainstream business and investment community view "impact investing" as a niche asset class or investment approach. But for Africa to successfully achieve optimistic growth targets, particularly in the consumer sector, wealth must be created on a far larger scale, with broader participation than exists today. Thus value and wealth creation can no longer be a niche business and investment practice: they should drive all private sector development in Africa.

The Africapitalism concept asserts that value creation through entrepreneurship is Africa's unique path forward — distinct from emerging markets like China with its state-run enterprises, or Korea with its "Chaebol" conglomerates, or India with its large family-run businesses.

The Africapitalism concept asserts that value creation through entrepreneurship is Africa's unique path forward — distinct from emerging markets like China with its state-run enterprises, or Korea with its "Chaebol" conglomerates, or India with its large family-run businesses. Philanthropic agencies and NGOs have begun to make an impact through their entrepreneurial investments, and have shown how effective this strategy can be in both solving problems and creating wealth. For example, the much-celebrated mobile payments network M-PESA was started with "old-fashioned" development funding, but it was channelled into an entrepreneurial partnership with a social sector organisation and a private-sector telecomm provider. The result was rapid growth of the business, innovative payments solutions for millions of people at the base of the pyramid, and handsome returns for investors.

Venture capitalists, multi-national corporations, and especially African investors and businesses should follow this lead and prioritize productive, entrepreneurial investments that create value and social wealth at the local level. Rent-seeking behaviours and export-led growth that create little benefit to local economies really must become a thing of the past. Sustaining Africa's positive growth story (and the well-being of its people) depends on it.

CHAPTER 2

In the Interest of Capital: Long-Term Investment and Entrepreneurship with Social Impact (Africapitalism) Solves Problems, Grows Africa's Economies, and Rewards Investors

Entrepreneurship should be the cornerstone of Africapitalism — and a defining feature of market liberalisation in Africa. Despite laudable progress, however, the private sector is moving too slowly toward entrepreneurial value creation. If Africa is to meet the demand for new jobs, and to create wealth sufficient to sustain domestic economic growth, we must sharpen our entrepreneurial focus and make faster progress.

Again, long-term investments with social impact can offer outstanding return opportunities when compared with short-sighted, rent-seeking types of economic activities that have defined Africa's private sector for decades. And the collective impact of increasing entrepreneurship, government reform, and appropriate allocation of capital can be catalytic for African society at large.

But why is it in the interest of capitalists to adopt entrepreneurial value creation (i.e., "Africapitalism") as a guiding principle for growth in Africa? Capitalism, from region to region, does not alter its basic shape, nor its most fundamental tenets: entrepreneurs, capitalists, and multinationals do not invest out of altruism. Businesses and markets compete for capital, while capital seeks strong relative opportunity, and a return commensurate with risk. It is quite a simple proposition, and no one talks about Asiacapitalism or Latin-Americapitalism.

While it is true that capitalism *per se* does not alter its basic shape from region to region, it does encounter different circumstances on the ground in different regions of the world. In Russia, market liberalisation included the wholesale transfer of enormous state-run enterprises into private hands — lock-stock-and-barrel. In China, the government opened markets but severely limited the equity ownership potential of foreign investors, while retaining central management of entire industries, as well as much of its labour force. In Korea and India, large multi-national conglomerates, which are often family-run, dominate the business landscape.

Africa, it turns out, is a living laboratory for some of the most advanced concepts guiding the development of global business today. In a general way, this idea has been expressed by the notion of the "double bottom line." More recently, this idea was expressed eloquently as "shared value" by Harvard Business School thinker and The Tony Elumelu Foundation Founding Patron, Michael Porter, with his co-author Mark Kramer:

> *"Capitalism is an unparalleled vehicle for meeting human needs, improving efficiency, creating jobs, and building wealth. But a narrow conception of capitalism has prevented business from harnessing its full potential to meet society's broader challenges. The opportunities have been there all along but have been overlooked. Businesses acting as businesses, not as charitable donors, are the most powerful force for addressing the pressing issues we face. The moment for a new conception of capitalism is now; society's needs are large and growing, while customers, employees, and a new generation of young people are asking business to step up."* [6]

Like capitalism itself, the idea is straightforward: "creating economic value in a way that also creates value for society by addressing needs and challenges." The rationale behind this idea is an expansion of the notion of what constitutes a "market" — which Porter and Kramer believe must include societal needs, not just conventional economic needs. Because, just as creating value for society can create value for business, causing societal harm (sometimes called "externalities") creates internal costs that businesses have to bear. To take this further, societal (and environmental) harm, are really factored in to the full cost of doing business. Businesses do not often pay the full cost of the societal and environmental effects, so over time not considering them carefully will mean that the communities themselves along with the broader public will have to bear the full cost in one way or the other.

While short-term, speculative, extractive activities often leave communities worse off and lamenting the arrival of such "investment," long-term, wealth-creating investments build up communities, create opportunities to emerge from extreme poverty, while also creating brand awareness and customer loyalty, solve problems, and deliver sustainable returns to businesses of all sizes and types.

All over Africa, as Africapitalism faces the challenge of economic growth and prosperity, one can see the shared-value model taking shape. While short-term, speculative, extractive activities often leave communities worse off and lamenting the arrival of such "investment," long-term, wealth-creating investments build up communities, create opportunities to emerge from extreme poverty, while also creating brand awareness and customer loyalty, solving problems, and delivering sustainable returns to businesses of all sizes and types — from banking, to consumer goods, to telecommunications and IT. "Shared value" creation promotes a "positive cycle of company and community prosperity," in the words of Porter and Kramer.

As Africa has already done with telecommunications and payments, it can leapfrog the models of the developed world and create a model of capitalism that will benefit our people – and the investors – for generations to come.

So, the answer to the question "Why Africapitalism?" is that it is in capital's own interest to think long-term and invest for social impact. It advances innovative problem solving, while creating jobs, wealth, and social stability. Africapitalism is gaining ground because, not only does it show that businesses can do much good, but also that they can make a lot of money doing so. As Africa has already done with telecommunications and payments, it can leapfrog the models of the developed world and create a model of capitalism that will benefit our people — and the investors — for generations to come.

[6] *Creating Shared Value: How to reinvent capitalism — and unleash a wave of innovation and growth;* Michael Porter and Mark Kramer; Harvard Business Review; January-February 2011

Case in point... Teragro

Teragro is Transcorp's agribusiness subsidiary, with a downstream investment in a juice concentrate plant in Nigeria called Benfruit. Teragro is a full value-chain enterprise set up to create value in agricultural raw materials by using technology to develop, manufacture, distribute,,and market high-quality consumer goods for all markets. Teragro's Benfruit addresses a critical industry need in a state where 60 percent of fruit once rotted before it could get to market, owing to lack of processing capacity. The project adds value to the local economy and contributes to:

- creating employment
- boosting farmers' productivity and household incomes
- conserving foreign exchange
- providing food security
- opening new consumer markets domestically
- supporting the retail food sector

As this example shows, Africa's private sector can often be faster, more innovative, and more effective than charities or public bureaucracies when it comes to solving social problems — with more sustainable results.

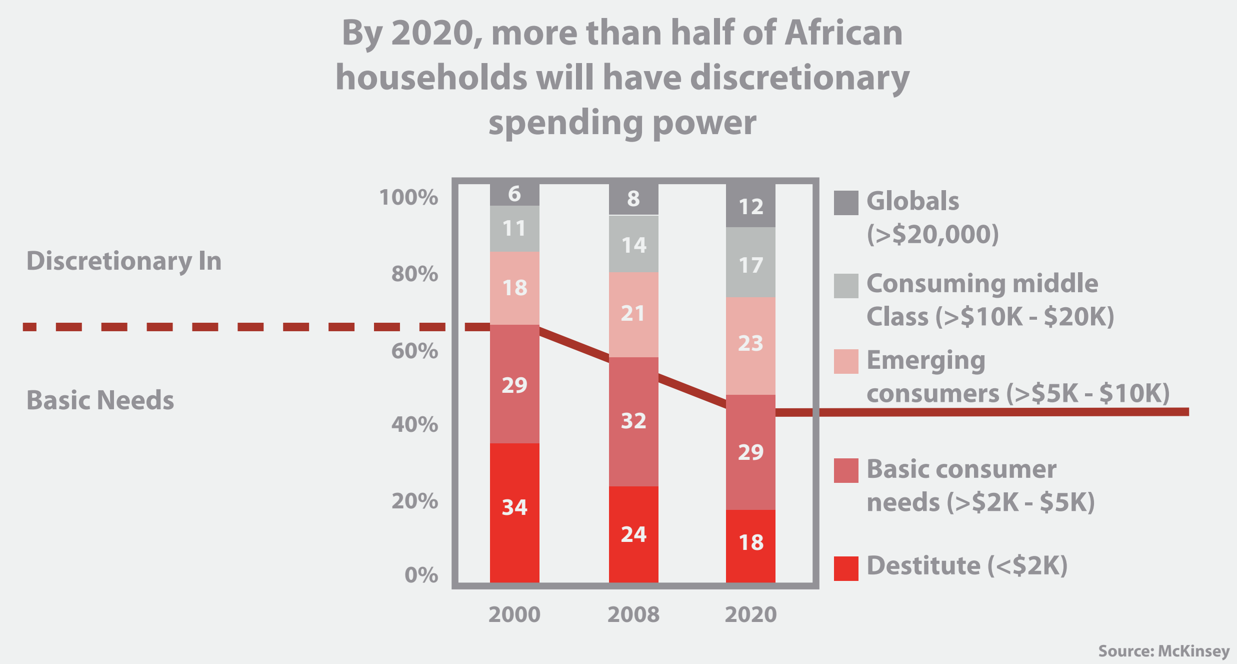
The "New" Africa: Enormous Investment Opportunities Exist Across the Continent, in All Kinds of Industries, but They Lend Themselves More to a Long-Term Approach

In broad scope, the argument for "double bottom line" or creating "shared value" is compelling. But the argument in favour of Africapitalism is articulated in a much more specific way: the focus and rationale for investment needs to change because, in Africa, the nature of the opportunity has changed.

Africa's markets are evolving rapidly with its growing population, enormous and expanding labour pool, increasing spending power, and accelerating reforms. Exhibit 3 shows the rapid growth of consumer groups in Africa. Meeting their demand for products and services will fuel growth in most sectors of Africa's economy — from consumer products, to education, to finance, to agribusiness, to infrastructure. Successfully addressing this increasing demand, however, requires building companies and brands, acquiring and keeping customers, reinvesting to expand capacity, and building a company's skills and knowledge base to manage and grow the business effectively. This is a very different model than relying on government to manage markets and supply basic services, or than handing over resources to private interests to be extracted and refined elsewhere.

Africapitalism builds the productive power of Africa's economies and the purchasing power of Africa's growing consumer class. It could be argued that approaches used in the past — which often extract wealth without a positive local impact — put businesses at a competitive disadvantage. Which company would you choose to do business with, one that creates jobs and wealth, or one that ships resources and profits out of the country and leaves behind merely scraps, or worse, degradation?

Exhibit 3



The growth of Africa's domestic industries, and the increasing purchasing power of its people, create a new dynamic in which the old private-sector business approaches — short-sighted extractive activities that add limited local value — are no longer viable. They end up misallocating capital away from wealth creation, and neither is sustainable in the long term.

This was certainly true when Nigeria's government-owned telephone provider NITEL was finally targeted for liquidation in March 2012, after the Nigerian government was unable to find a buyer. Private sector competitors created by African entrepreneurs such as MTN, Globacom, and Celtel had created tens of millions of telephone lines while the plodding state-run company floundered: the private sector solved problems, invested billions, built loyalty, expanded the market, made large profits, and won the day. This kind of long-term approach — investment, reinvestment, and growth — succeeds by building capacity for value creation in Africa's domestic industries, something that until recently had struck many investors as a wildly irrational idea.

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Remember that the wireless carrier MTN was punished by institutional investors when it paid $285 million for an operating license in Nigeria. For how many people in Africa could possibly afford a cell phone? To date, it turns out that the number is around 300 million people — and growing.

These telecoms businesses, and many more like them across Africa, are growing and thriving — not by extracting or exploiting wealth that already exists, or through government-sponsored monopolies, or by exporting raw resources and leaving little value behind. Instead they are creating new value in local economies and addressing a lot of unmet needs in the market.

In short, successful investments in the new Africa are long-term, catalytic, and rooted in value-adding organic growth. Successful investing also hinges on a new mindset, and a new, "shared value" execution strategy.

Cases in point... NITEL and MTN

Emerging opportunities in Africa come from bottom-up value creation, not top-down economic tinkering. For investors to succeed in the new Africa, they must address problems and have a sustainable, long-term business model. That is the winning competitive strategy. In Nigeria, for example, the state-owned phone company NITEL could not compete with problem-solvers from the private sector:

- NITEL was slow to innovate and failed to solve long-standing structural problems limiting access to phone lines. As a result, it lost out to private sector competitors that were faster, more innovative, and more responsive to customers. As a business, NITEL failed and was eventually put into liquidation by the government.
- By contrast, in just over a decade, MTN has built a subscriber base in Nigeria of 40 million, now generating $5 billion in revenue annually.

CHAPTER 3

African Governments' Role as a Partner That Propels the Private Sector

Governments in Africa have started evolving toward a new and successful role as partners to private enterprise. Governments can make a huge difference: creating an environment for businesses to thrive and ensure that the wealth they create can be retained and reinvested in African communities. Many governments in Africa are well along in this process.

Government Support and Participation Makes a Robust Private Sector Possible

Two investment programmes discussed earlier — Mtanga Farms in Tanzania, and Transcorp's commissioning of the juice plant in Nigeria — could not have been accomplished without facilitation from the government. Investors in Mtanga Farms worked with the Tanzanian Ministry of Agriculture to fast track the seed review and approval process. Under a regional development agreement within the East African Community (EAC), Tanzania was able to accept seed trial data from a similar project in neighbouring Kenya, which shortened the regulatory approval process in Tanzania from five years to just one.

In Nigeria, the commissioning of the juice plant by Transcorp would not have been possible without the partnership of the Benue State Government, which initially built the plant. The plant, however, never operated successfully. Transcorp took over this moribund project and revamped it, with support from the local government in the form of access roads. At the commissioning ceremony of the revamped plant, Nigeria's President Goodluck Jonathan commented, "The idea is to encourage the private sector because our dream is to propel the country economically... We must industrialise and doing that means we must partner with the private sector." [7]

In 2001, Ethiopia established the Ministry of Capacity Building (MoCB), which focuses squarely on building industrial and manufacturing capacity in the country, through its own programs and in partnership with other Ministries. Ethiopia has traditionally been an exporter of hides and skins, such that much of what is known as 'Italian leather' is actually from Ethiopia.

[7] *Import: Nigeria to save $1 billion from local fruit juices says Elumelu*, People's Daily, 3/11/12

To move up the value chain and capture more of the value domestically, in 2010 MoCB, together with the Ministry of Trade and Industry, signed a development agreement with India's Footwear Design & Development Institute (FDDI) to upgrade technology, manufacturing capacity and quality, and worker skills. This bottom-up approach to supporting entrepreneurs has the potential to increase Ethiopian footwear export to US$500 million by 2015,[8] from just $100 million in 2008.

The Nigerian Ministry of Agriculture and Rural Development is currently following a similar model with cassava, a crop for which Nigeria is the largest producer in the world but has little value-added cassava processing taking place within the country. At the same time, Nigeria is one of the world's largest importers of wheat, a crop unsuited to grow in Nigeria's climate. The Ministry of Agriculture is therefore instituting various policies to encourage the processing of cassava into higher value produce. Specifically, it seeks to ensure there is import-substitution of wheat for cassava in the country, thereby saving the country billions of dollars.

An example of actions the government is taking is how it is expanding production of high quality cassava flour to substitute for imported wheat in the baking industry. Incentives are also being provided to investors who enter the cassava processing business (e.g. starch and sweeteners). The overall intention of these policies is to drive up the value of Nigeria's cassava production, and create substantial wealth.

African governments are also becoming more strategic in making public investments where the private sector is not ready to step in, and then stepping away at the appropriate time. The government of Rwanda did this first, to attract MTN to the Rwandan market, and again through investment in RwandAir when they realised that Rwanda was not connected enough through air transport, yet the air travel market in and out of Rwanda was not yet a profitable investment option for private investors. Both paid off handsomely in the end by catalysing development in Rwanda while also building large businesses that can attract private capital in their own right.

Older trends still linger, however, as is the case with Ethiopia's tight control on their telecoms and financial services sectors.

As economic development and diversification continue across Africa, we are seeing a refashioning of the role of government in economic affairs. Increasingly, government is acting as a strategic catalyst, promoting private sector investment while also removing regulatory and administrative roadblocks. This is a welcome change, which bodes well for all.

[8] Source: FDDI

We can look again to Nigeria to see the breadth of such initiatives, as well as their potential economic impact. To grow, the private sector needs more skilled workers, yet until 1999 the only road to higher education in Nigeria was through the government-run university system. Then in 1999 the government opened up education to private institutions, and private universities began to flourish. Since then, 50 private universities have received operating licenses and expanded the capacity of the university system by tens of thousands seats per year.

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The capacity of the overall tertiary education system is not nearly high enough to keep up with demand. Only by leveraging the strengths of both public and private institutions can the gap between available seats and demand for tertiary education begin to be closed.

To be sure, as government yields to the private sector there will be challenges. For example, Nigeria's private universities face hurdles in the areas of cost, capacity, and quality. But the principle of private sector development, versus government control, is a sound one.

Government leaders across Africa are seeing that the machinery of government can be much more effective in the role of facilitator and enabler than as a director or centralised manager of entire segments of the economic landscape.

Africa can only expect accelerating investment and economic prosperity if the conditions for investment success are in place, and this is the sole province of government, through regulatory, administrative, and legal reform.

Africa as Global Citizen: Creating a Transparent, Supportive Environment for Private Investment Is a Core Responsibility for African Governments

As an economic region, Africa competes for capital – financial and human – with many other parts of the world: developed markets as well as "emerging" and "frontier" markets. It can ask no favours or favouritism from capital. Africa can only expect accelerating investment and economic prosperity if the conditions for investment success are in place, and this is the sole province of government, through regulatory, administrative, and legal reform.

In fact, Africapitalism argues that it is an essential *responsibility* of African governments to create a hospitable environment for private investment. It should be a primary focus as it is something only they can do.

The economic data is conclusive: government reform leads to accelerated growth. McKinsey's *MGI Africa Report* notes that African nations classified as "reformers" grew 3.2 percent faster during 2000-2008, compared to the period 1990-2000. By contrast, Africa's "non-reformers" grew only 1.1 percent faster during 2000-2008, compared to the period 1990-2000. In other words, "reformers" grew nearly three times faster than "non-reformers."

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Therefore, government partnership in creating a suitable investment and private sector is a *must have*. In this area, Africa has shown steady advancement, with several nations ranking at the top of the World Bank's 2012 "most improved" list in its annual *Doing Business* survey. Governments across the continent have worked toward increasing market transparency, simplifying tax regimes, strengthening shareholder protections, easing administrative and regulatory roadblocks to starting businesses — to name a few initiatives.

For example, the Rwanda Development Board has eased the process of everything from paying taxes and fees, to applying for a visa (which can now be done online), to setting up a corporate entity. As a result, Rwanda saw more than 3,000 entrepreneurs start new businesses in 2010, compared to a previous annual average of only 700 new businesses per year. Liberia, as another example, has aggressively pursued legal reforms and increased the capacity of its judicial system, creating a more stable and predictable environment in which businesses can operate.

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The private sector thrives most when three key conditions are met: ease, safety, and transparency. Governments have indeed taken great steps forward, but Africa needs more progress on this front. Yet much greater progress is required to fulfil the economic and social promise of Africapitalism.

The continent desperately needs a 21st century economy, but it cannot build one without a 21st century legal, regulatory, and administrative framework. So while co-investing and public-private partnerships are an important step toward growth in many instances, as Africa competes more intensively for investment capital on the global stage, governments need to resist the temptation to hold on too tightly to economic control in its many forms. They should focus more on efficient administration and effective regulation.

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Africa's Demographic Two-Edged Sword: Governments Race Against Time to Open Their Economies

The clock is ticking for greater advances in government reform — the need gains urgency when one considers the astonishing and rapidly growing human potential in Africa — and the unimaginable consequences if that potential should be squandered. By 2040 Africa will be home to 20 percent of the world's working-age population, and a greater working population than India or China — making Africa "a manpower reservoir for the world economy." [9]

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So, demographics are forcing a new and pressing reality, in which governmental reform becomes not merely a rational choice, but a moral imperative. Accordingly, Africa must rapidly accelerate its economic growth in order to meet the future on its own terms, as opposed to being overtaken by events.

[9] *Africa's Infrastructure Outlooks 2040*, SOFRECO Report 2011

Twenty percent of its population today is between the ages of 15 and 25, and, according to *The Economist* magazine:

> *"The median age [across Africa] is now 20, compared with 30 in Asia and 40 in Europe. With fertility rates dropping, that median will rise as today's mass of young people moves into its most productive years. The ratio of people of working age to those younger and older — the dependency ratio — will improve. This 'demographic dividend' was crucial to the growth of East Asian economies a generation ago. It offers a huge opportunity to Africa today."*

The continent's "demographic dividend" is a two-edged sword. It may contribute to Africa's global competitive advantage, but without the proper development it could pose a difficult burden. This is one of the many moral implications of Africapitalism: what will become of all that potential should Africa fail?

The continent's "demographic dividend" is a two-edged sword. It may contribute to Africa's global competitive advantage, but without the proper development it could pose a difficult burden. This is one of the many moral implications of Africapitalism: what will become of all that potential should Africa fail?

If history is an accurate guide, creating employment and prosperity of sufficient scale, within the limited timeframe ahead, isn't achievable through centralised management. The best way to ensure the advantage — and avoid the burden — is to create opportunity for millions of people entering the workforce through growth in domestic industries and economic sectors. Those in turn, depend on the leadership of African governments to enable and partner with the private sector.

On many occasions and in many different ways, African governments have shown themselves capable of such leadership. Now, they must accelerate the pace.

Case in point... Ghana

Ghana has been working for years on both economic and monetary reforms: lowering budget deficits, modernising its tax infrastructure, expanding its tax base, building its agricultural competitiveness, privatising the communications, energy, and transportation sectors. A few successes include:

- The telecom sector continues to attract private capital despite fierce competition from established players in the Ghana market, and more than 70 percent cell phone penetration—most recently Vodafone purchased the state-run carrier Ghana Telecom.
- Financial sector liberalisation led to expansion of credit, higher savings, and improved risk management and capital adequacy in the banking sector. The reforms also opened the country to UBA and other Nigerian banks to increase competition and provide greater access to banking services.
- Liberalisation of Ghana's pension fund sector enabled the country's largest fund The Social Security and National Insurance Trust (SSNIT) to support local entrepreneurship by investing in non-traditional asset classes like venture capital and private equity.
- The government's focus on improved production approaches, incentives, and land development has helped increase the competitiveness of Ghana's agricultural sector, which has become one of the top-five fastest growing agricultural sectors in the world—growing approximately 5 percent annually for the past 25 years.

The growth and diversification of Ghana's economy has been in large part due to the sustained effort of the government to foster private sector development and wealth creation, which have reduced poverty in that nation from 52 percent in the 1990s to 20 percent in 2011.

CHAPTER 4

No One Will Develop Africa But Us: On the Path to Prosperity, Africans Must Take the Lead

Africa grew strongly in the past decade, no doubt, even without Africapitalism. So why do Africans need it now? Because, despite a decade of economic growth and accelerating entrepreneurship, Africa still lags in value and wealth creation. The continent has leaned heavily on resource exports to drive growth. And it is still the case that the majority of consumer goods purchased in Africa are imported from outside Africa — or are made in Africa by foreign multinationals. Neither of these are drivers of true economic self-sufficiency. Africans themselves need to build the kinds of companies that make the products we buy, adding value within the continent for Africa's own benefit, and building our own capital base to sustain job and wealth creation.

Across Africa, political leaders are proving their mettle and taking up aggressive reform agendas. To date, however, we have yet to see an equal commitment from all of Africa's most capable and resourceful investors. On the governmental front, positive examples include:

- Kenya's Information and Communications Permanent Secretary, Dr. Bitange Ndemo, led the way toward a digital revolution by championing the expansion of Kenya's fiber optic network, marine cable network, and incentives for the IT sector. As a result Kenya's "Silicon Savannah" is in a position to challenge India's dominant position in IT outsourcing and software development.

- Nigeria's former Central Bank Governor, Professor Charles Soludo, reformed and strengthened the Nigerian banking sector — setting the stage for the industry consolidation, which enabled Nigerian banks to play a bigger role in financing Nigeria and Africa's economic development. The current Governor, Sanusi Lamido Sanusi has further strengthened those reforms by increasing transparency and tightening governance.

- President Paul Kagame of Rwanda championed the creation of the Rwanda Development Board, which combined eight existing agencies into a single streamlined agency, easing processes for everything from business registration, to visa application, to import permitting — all in an effort to stimulate investment and business growth.

Yet in the private sector, energetic, aggressive reformers are few and far between. In many cases, successful Africans ship their capital to Europe, America, or other "safe havens" far from Africa's shores. This is true despite the strength of the investment case that Africa can make for itself: no region in the world offers a greater diversity of opportunity, and few other regions are expected to have growth as high and as sustainable as Africa.

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It is important to remember that the best way to attract outside capital and accelerate the pace of growth even further is for Africans themselves to lead the way with value adding domestic investment. This is true despite the strength of the investment case that Africa can make for itself: no region in the world offers a greater diversity of opportunity, and few other regions are expected to have growth as high and sustainable as Africa.

Africans must lead by example, investing in Africa to build economies and domestic industries that rival those in other parts of the world. Africans can no longer wait for outsiders to make the first move, or depend on outsiders for validation of Africa's investment opportunities before taking up the mantle themselves. Ceding "first-mover" status to outsiders potentially puts them in the driver's seat, once again leading to the forfeiture of Africa's economic self-determination.

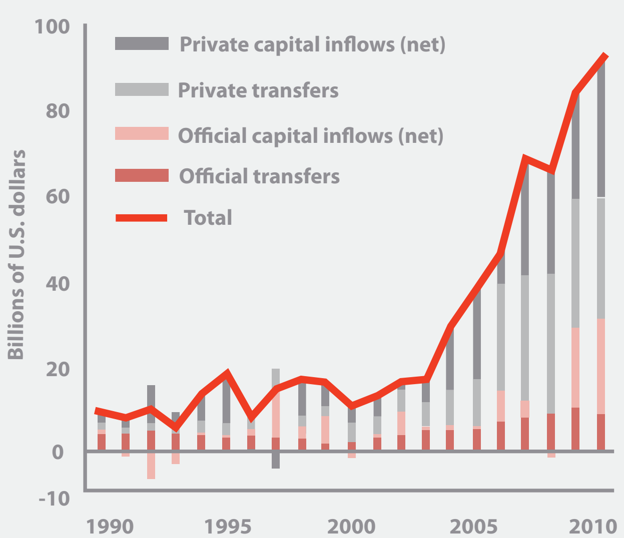
Exhibits 4 and 5 show an impressive rate of capital inflows into sub-Saharan Africa in the past five years, including a significant increase in portfolio investments. Yet where are the multi-national, multi-billion dollar *African* companies?

The best way to attract outside capital and accelerate the pace of growth even further is for Africans themselves to lead the way with value-adding domestic investment.

As of 2010, Africa had just 20 companies with more than $3 billion in revenue. Compare that to a list like the U.S.'s *Fortune 500*, in which the *smallest* of the 500 companies had revenues of $4.3 billion in 2011, and the largest had revenues of $422 billion. (That largest company was Walmart, which in 2011 made its first acquisition in Africa: Massmart of South Africa. The "first movers" from outside Africa are now arriving, again raising the question: where are the "first movers" within Africa itself?)

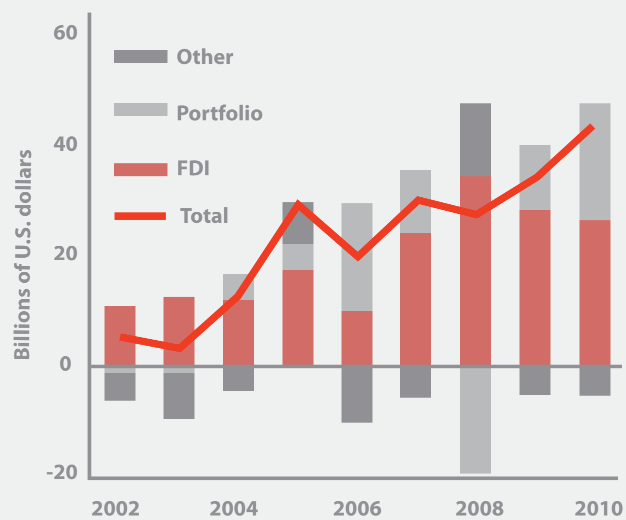
Exhibit 4

Private vs. Official Financing to Sub-Sahara African Countries*



Source: IMF, World Economic Outlook database.
*Private versus official refers to destination of flows.

Net Private* Capital Flows to Sub-Sahara African Countries



Source: IMF, World Economic Outlook database.
*Private refers to source of flows.

To solidify Africa's place in the world economy, it needs large, liquid capital markets, and successful businesses with sufficient scale to compete for equity capital from around the world. Getting to this point requires investment by Africans in their own economies and their own markets. There will be no one to blame but Africans themselves if others grab the investment rewards to be had in Africa, should Africans fail to make the first move.

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Case in point... Mtanga Farms

Up-stream agribusiness investment can create much needed seed supply in a country where it has been lacking for decades. Such is the case with Mtanga Farms in Tanzania, which has been capitalized by Heirs Holdings, The Tony Elumelu Foundation, Calvert, Lion's Head Global Partners, Voxtra,, and others.

The project will increase revenue for both the seed supplier and has the potential to increase crop yields-increasing income for smallholder farmers and supporting food security for the region. The beneficial impacts extend to creating employment, deepening domestic markets and supporting the retail food sector.

Agriculture is an area where Africans can be leaders in developing our own resources. We know our lands, crops, and needs better than anyone else. Capital requirements are low relative to industrial sectors. So there should be few barriers to domestic private investment, and the need is quite urgent. And this is but one example of many areas of investment potential within Africa, where Africans should be leading the way. No one can develop Africa but us.

We Succeed Together: Intra-African Cooperation, Collaboration, Trade, and Talent Mobility Are the Most Effective Vehicles for Getting Africa's Economies Growing Quickly and Reliably

With a construct like Africapitalism, which fuels economic growth through catalytic social impact, one must look for triggers wherever one can find them. In Africa, two of the most effective triggers are intra-African economic cooperation and intra-African trade. When African nations trade with each other, there is greater economic impact than trade with non-African partners. Regional trade also is a critical pre-requisite to economic integration. Learning from each other and sharing "best practices" can improve the competitiveness of all. Finally, talent mobility ensures that Africans are the primary drivers and beneficiaries of the continent's growth.

Two of the most effective growth triggers are intra-African economic cooperation, and intra-African trade.

It is notable that intra-African trade offers some of the best opportunities to create jobs and wealth. According to a working paper on trade finance published by the African Development Bank (AFDB), intra-regional trade involves significantly higher levels of manufactured goods than trade with non-African trading partners. This is important: manufacturing not only creates jobs, but creates jobs that pay more and add more value to the local economy.

Further, intra-African trade improves the success potential of unified trading zones such as the Southern African Development Community, East Africa Community, Economic Community of West African States, the Common Market for Eastern and Southern Africa, and the Economic Community of Central African States. The AfDB working paper explicitly states that regional trade *precedes* regional integration. That is: "Regional integration efforts are most successful when intra-regional trade represents a large share of total trade *prior to the regional initiative*." [emphasis added] In other words, one cannot put the cart before the horse and simply expect policy changes to result in more trade and tighter regional integration. However, for intra-African trade to occur, Africa must build its capacity to process its raw materials and transform them into finished goods.

We also need targeted development of processing capacity for raw materials, so that we can produce finished industrial and consumer goods for export to other African nations. Intra-African trade, or the ability to create local wealth, will never be increased by focusing nearly exclusively on trading unprocessed raw commodities. The greatest promise for Africa's economic revitalization is the ability to manufacture finished goods.

Finally, the entire African economy can grow more competitive — rivalling the competitiveness of the West — if it can apply the best practices of each country and region across the entire continent. The need for improved processing/technological capacity is evident as these can catapult Africa's economic transformation. For example, consider the World Bank's 2011 report *Doing Business in the East Africa Community*. The authors observed: "If each East African country were to adopt the region's best practice in each of the *Doing-Business* indicators, the region's average ranking on the ease of doing business would be 18 rather than 117. In other words, if the best of East African regulations and procedures were implemented across the board, the business regulatory environment in East Africa would be comparable to that in Japan."

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– World Bank
"Doing Business in the East African Community 2011"

That is a stunning finding: an African trading block as competitive as one of the most developed economies in the world. It is true and achievable. African governments are implementing revolutionary reforms that could catapult Africa into the ranks of the most competitive economies in the world but only *if* African countries can work collectively and collaboratively to implement those reforms on a much larger scale than they are being considered today.

Regional cooperation is, in fact, on the rise. Trading zones are in the beginning stages of rationalising their regulatory, tax, and other governmental structures that impact trade. Regional infrastructure projects, such as the West African Power Pool and the Maputo Corridor, have the potential to create vast economic benefit across multiple countries by lowering barriers to trade.

However things need to move faster: better coordination can translate into more jobs and more wealth, but here Africa often runs into a familiar problem of perception. Many Africans suffer from the same preconception about Africa's limitations as outsiders. In the technology industry, for example, India is often perceived to be a superior partner to Kenya, when, in fact, in some IT sectors, such as financial services software, Kenyan expertise compares closely to India's. Africans must remember that when a Nigerian business purchases IT services from Kenya, it means that Kenyans then have the means to purchase finished goods from Nigeria.

Just as African investors need to arrive at new appreciation of the opportunities in Africa, every African nation needs to arrive at a new appreciation for the quality goods and services becoming available from its neighbours. Trading with neighbours has the added benefit of creating wealth for countries on both sides of the transaction, and it helps deepen economic integration — promoting a virtuous cycle of growth and development.

Case in point... East African Community

Individually, countries in the East African Community have implemented important reforms, but sharing best practices could make them even more competitive — on par with the largest of the developed economies. Their example underscores the benefits that can accrue to the African economy overall by increasing trade and economic cooperation:

- Better coordination means more bargaining power
- More intra-regional trade supports the manufacturing sector and creates local jobs/wealth
- Sharing best practices makes regional economies more competitive
- Higher regional trade paves the way for successful regional integration (i.e., trading zones)
- Talent mobility decreases labour costs

Africans must become more proactive about taking the lead in creating prosperity across and within the continent. Governments are doing their share to create a conducive environment for private sector growth; it is up to the private sector to make the most of those opportunities.

CONCLUSION

Africapitalism Combines Profitable Investment with Social Impact — Creating a Promising Future for the African Continent

In Africa, the goal of economic development cannot merely be growth. For decades, even in Africa's fastest growing economies, growth has had less of an effect on poverty than in Latin America and the Caribbean, emerging Europe, and Central Asia. Why? Because until now the growth process had not been inclusive enough. Growth has not been driven by long-term investments that add value domestically, but instead by the export of raw commodities at continually increasing prices. According to the *2011 African Economic Outlook,* "Growth needs to be associated with employment creation because employment is the main channel through which growth affects poverty."

Thankfully, today's Africa has embraced a new model for growth, one capable of delivering a promising and different future. The African private sector is demonstrating its entrepreneurial strength, its appetite for reform, and the power of its determination. Meaningful growth is happening not just at the national level; it is happening at the local level, as businesses grow and prosper, gain customers and solve problems, and create lasting wealth and economic security. There are still challenges to be overcome, many of them, but the way forward could not be clearer:

1. There is no substitute for private investment and private-sector development when it comes to advancing sustainable economic security. However, this has the greatest impact when it comes with a long-term horizon and an eye on adding value in Africa.

2. Africa's entrepreneurs have proven themselves more capable of solving social and economic problems than governments and aid agencies — if provided a stable, safe environment in which their businesses can thrive.

3. Governments' appropriate role is to facilitate private-sector development by ensuring ease, safety, transparency, and equity; its role is not to control or manage from the top down.

4. Accelerating the reform agenda of government gains the weight of moral imperative when one considers the scale of job creation required in Africa over the next 30 years: the only viable path to success in this regard is economic democratisation and business development.

5. It is in the interest of private capital to embrace a catalytic role in the African economy: doing so adds to the bottom line, by conferring competitive advantage on value-creating businesses.

6. African investors and businesses must do more to take control of the economic destiny of the continent; investing in Africa and trading with other African nations are two of the most powerful ways to attract capital, drive growth, and create wealth.

These precepts exist alongside, and depend on, one key reality: Africa has changed, and so its image must change as well. It is well worth repeating here a quote from the beginning of the paper: "People go to Africa and confirm what they already have in their heads and so they fail to see what is there in front of them."

Africa has changed and will continue to change, and those who are able to see this change will be able to participate in what promises to be an economic transformation of epic proportion. Dawn has broken over the world's last economic "frontier. " This is an exciting time in Africa, a time to shed preconceptions, raise expectations, and recommit to the power of human industry. There are many roles for many participants, from government leaders, to private investors, to individual entrepreneurs, to philanthropists and development professionals, to consumers, to educators, to labourers and to problem solvers — every citizen of every stripe. But first, we all need to wake up to the reality that the old Africa is no longer. Before we can make the most of the opportunities now at hand, we need to be able to see the hard-working, innovative, economically diverse "new" Africa that is right here in front of us.