Photo: Sophie Ikenye, BBC Journalist; Aliko Dangote, Chairman & CEO of Dangote Group; Paul Kagame, President of Rwanda; Nana Akufo-Addo, President of Ghana; Daniel Kablan Duncan, Vice President of Côte d'Ivoire; Yaw Nsarkoh, Exec. Vice President of Unilever Ghana & Nigeria; Benjamin Dabrah, McKinsey Senior Vice President.

Heads of state, CEOs raise the bar

What do presidents and business leaders talk about when they get together? Participants at the 2018 African Transformation Forum had a bird's eye view.

by Dede Amanor-Wilks | Aug 1, 2018

The moment that everyone had been waiting for came right at the end of the 20-21 June African Transformation Forum (ATF2018) – a moderated conversation between some of Africa's most talked about heads of state and some of its most celebrated business leaders.

On one side of the conversation were Rwandan President and current African Union (AU) Chair, Paul Kagame, Ghanaian President and ATF2018 co-host, Nana Addo Dankwa Akufo-Addo, and Côte d'Ivoire's Vice President, Kablan Duncan.

On the other side was Africa's richest person, Aliko Dangote, together with Unilever's Executive Vice President for Ghana and Nigeria, Yaw Nsarkoh, and McKinsey Senior Vice President, Benjamin Dabrah. The conversation was moderated by BBC Focus on Africa anchor, Sophie Ikenye.

Had the attractively designed stage been set for a cosy exchange between partners in development, or for a face-off between competing forces, big business versus the state?

The physical separation of the two sides became less clear when Dangote arrived late, delayed by the terrible Lagos traffic, he explained, and was slotted in between President Paul Kagame and moderator Ikenye at one end of the stage, while his fellow CEOs, Yaw Nsarkoh and Benjamin Dabrah, were seated at the other end of the stage.

And after a few mild salvos, the panel settled into a useful conversation on some key challenges bedevilling the continent that raised the bar on a long-running and often controversial debate about the relative importance of markets and states in African development.

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After a brief discussion by President Kagame on the portability of Rwanda's investment model, which he said was not unique and could be replicated in other parts of Africa, the first salvo came from Akufo-Addo, responding to a question from Ikenye about developing leadership for social and economic transformation.

"Is the business community in terms of the private sector up to the task?" the Ghanaian president asked. But he softened the blow by first acknowledging the contribution of Africa's unrivalled business hero.

"There is one Aliko Dangote who has emerged in Nigeria. It is important that we have several for the continent. Are there going to be many such people who are going to come forward and invest in their countries and economies? And not try to stick away monies elsewhere but look seriously at the process of contributing to the transformation of our continent?" said Akufo-Addo, who is co-chair of the UN SDGs Advocates Group of Eminent Personalities.

Risk-averse banks

Akufo-Addo accepted that capital and the cost of capital were constraints to investment, but pointed his comments at the banking sector. "In our own country, Ghana, the banks for the past 30 years have been very content with making lots of money", while "not being particularly involved in the risk-taking that contributes to economic development or significant transformation."

The structure of the financial and banking system was at fault, said the Ghanaian president, adding: "The foreign-owned banks are the major players of the economy and they have their own goals, which are not necessarily about the development of the economy but the profits they are going to gain."

He continued: "I don't have a problem with faulting people wanting to make money, but I do have a problem with making money in an environment whereby it is not making a significant contribution to the transformation of the economy." ▸

He said this required "important policy making" to "promote the indigenous companies that are in our country to grow to become stronger to take on the role of providing the financial wherewithal of transformation."

He said, "having banks that are prepared to finance relatively risky ventures both in industrial and agricultural initiatives" would "enable us to get to the transformation that we are seeking."

When Ikenye asked Dangote what he looked for before deciding to invest in a country, the billionaire did not hesitate to throw back his own challenge. Listing leadership, population and the size of the market, and rule of law as the things he looked for, he added that the two main reasons investors go bankrupt are "lack of [electrical] power and inconsistencies in government policies."

Left to right: Aliko Dangote, CEO of Dangote Group; Paul Kagame, President of Rwanda; Nana Akufo-Addo, President of Ghana, with BBC's Sophie Ikenye at far left.

Leadership is the backbone

And Dangote had more moments of frankness: "Your Excellencies, my message here is to show that leadership is important but it should be the backbone of making sure that the private sector is being established. There is no need for anybody in government to be unhappy with somebody making money. Yes, the person should make as much money as possible but he should be socially responsible, he should pay his taxes."

He said while a five-year tax holiday could allow a start-up investment to grow and translate into billions in taxes down the road, government coffers stood to gain. He said that after a tax holiday, just one of his companies had been able to pay trillions of naira in taxes to the Nigerian government between 2007 and 2017. He said his sugar, flour and food, and cement business would be paying a combined US$ 1.3 billion a year in taxes for the next five years.

"To transform the economy is not the job of the government." Dangote said bluntly. "The job of the government is actually to facilitate." Government facilitation meant that the Dangote Group would have $30 billion in revenue by 2020 and that government would be the "biggest beneficiary" through the collection of taxes, he pointed out.

Noting that there was "no way government on their own will be able to transform the African continent," he said it would take a "partnership between the private sector and the government to be able to get to the Promised Land." Nigeria, he said, had been "talking about setting up refineries for over 35 years", but it was the private sector that had decided now, "Okay fine, we will take the risk." But "unless the government by their own conscious effort develop their own private sector, it is going to be very difficult for us to develop the economy of Africa," he cautioned.

He concluded, "So, it is paramount for political leaders to make sure that they develop local capacity, not to have one or two Dangotes in Africa but 10 Dangotes in Ghana and then they can see a lot of miracles."

Finally, Dangote had a word to say about the relationship between local and foreign investors. "We need to build the capacities of the local people also. I am not against foreign investors, but foreign investors will not come unless they see a lead by local investors."

Catalysts for investment

Asked to comment on catalysts for investment in Côte d'Ivoire, Vice President Kablan Duncan stated modestly that his country's remarkable growth of 9% annually from 2012 to 2016 and 18% in 2017 could be attributed to investment by the private sector, which he described as the "engine of growth".

> **"We do not need to have all 54 countries to have visionary leaders. What we need is a maximum of 20 of the likes of the presidents of Ghana, Rwanda and Côte d'Ivoire." – Aliko Dangote.**

Nevertheless, African integration was key to achieving the economic and social objectives of the country's 2016 to 2020 plan, said Duncan, who is a former prime minister and finance minister of Côte d'Ivoire. He added that more work was needed on Africa's transportation network, including the intra-African railway lines to be constructed from Abidjan to Lagos through Accra, Lomé and Cotonou. "Integration without systems such as these will be difficult and without integration, Africa's development is not achievable," Duncan said.

Picking up the thread in the conversation on the value of increasing taxes, McKinseh's Benjamin Dabrah said it depended on the effect on the spending power of the average household. "Growth is good and government revenues drive growth. For true transformation to happen, that growth needs to be reflected in a growth in households to improve their standards," Dabrah said, adding: "Research shows that money in individuals' pockets is much more beneficial to economic growth and transformation than money in the pocket of government." ▸

Executional Muscle

The discussion on tax segued into a discussion about implementation. In relation to "the things that we say we will do," as Unilever's Yaw Nsarkoh put it, "have we put in place the executional muscle on the public and private sectors?"

Responding to the Ghanaian president, Nsarkoh said, "We are extremely clear that we have the courage to do what it takes," adding: "We chose to be in Africa because we know this is where we will make a difference." But, he said, "courage to transform the continent together" was insufficient and that success would depend on "execution".

With questions invited from the floor, James Mwangi of the Dalberg Group linked the problem of execution alluded to by Nsarkoh to that of international trade. "How do we actually move from a theoretical and integrated African market to valid and rapid execution of things at a time that the rest of the world is closing in and shutting out?"

Intra-African Trade

After President Akufo-Addo expressed the view that this problem would "reinforce the necessity to make sure that the CFTA works", Ikenye asked President Kagame what he was saying to countries that hadn't ratified the CFTA and countries that were saying "America first".

Kagame responded that "if the rest of the world, so to speak is shunning Africa, it is a reminder to us that the more we come together through increased intra-Africa trade and investment, the better we are."

Dangote observed that the current trade wars had little to do with Africa but would "strengthen our position to be able to trade with each other." But much work was needed to make sure that regional markets worked, he said. Citing infrastructure challenges and border checks along the 1,000 kilometre Lagos to Abidjan road, which he said could take two weeks to navigate, and bottlenecks including that "Benin sometimes adamantly does not allow goods from Nigeria to go into Benin," Dangote appealed to President Kagame as current AU Chair to "bring things to order".

Reiterating his initial point about leadership, Dangote said: "We do not need to have all 54 countries to have visionary leaders. What we need is a maximum of 20 of the likes of the presidents of Ghana, Rwanda and Côte d'Ivoire."

Other issues discussed by the straight-talking panel included corruption, particularly the corruption at borders impacting on trade. Recounting Rwanda's own experience, Kagame said it used to take 22 days for a container to get to Kigali from the port of Mombasa passing through 54 East African roadblocks where inducements were demanded in cash or kind. Thanks to "political will between the private sector and the government," he said this had been reduced to five days.

There was acknowledgement of the man behind the African Transformation Forum, ACET's President, K.Y. Amoako, whom President Akufo-Addo described as a public servant who has "devoted his entire career to this theme of transformation of our continent." ▸

Amoako's focus, the Ghanaian president said, "has to be the focus of all of us because that really is the burning question on our continent. How are we going to transition from the state of poverty to a state of situational prosperity?"

The final conversation at ATF2018 gave a good sense that the answer to that question might depend on political and business leaders putting their heads together more often to help create solutions to tangible challenges holding Africa back.

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ACET African Center for Economic Transformation

The African Center for Economic Transformation (ACET) is a Pan-African economic policy institute supporting Africa's long-term growth through transformation.