



Najwa El Iraki

---

# THE NEXT PINNACLE IN INVESTMENT

**Najwa El Iraki**, Founder & Managing Partner at AfricaDev Consulting, speaks exclusively to *Banker Africa* about the investment challenges facing the continent

**W**hat role do you play in the growth of African business?

Through AfricaDev Consulting, we support international businesses in their African expansion success. We play a key role in helping them to grow in the continent by leveraging on a deep understanding of local markets in particular in North Africa, as well as using a network of partners in Sub Saharan Africa.

We work mainly with the private sector, which is a driving force of Africa's growth, providing business development for financial institutions and digital services companies. We also help entrepreneurs who serve as the spark plug in Africa economy's engine carrying out financial advisory assignments notably M&A activities and fund raising for private equity and venture capital.

**Where have you seen the most interest from outside parties to invest in the continent?**

In terms of geography, we can observe a certain interest for East Africa for countries such as Kenya, Rwanda and Ethiopia.

In terms of sectors, most interest expressed to us has been in agribusiness, energy, transport, healthcare and education.

If we take the example of Morocco where we are most active, current major investments are in automotive, aerospace, agribusiness, logistics and renewable energy.

**Does the African continent have an investment image problem? If so, how can we address this?**

I would say that the continent has an investment image problem for those

who do not know Africa and think that it is slipping away. Investors in Africa are overwhelmingly positive, while those not there can be unfailingly negative.

For instance, I noticed during roadshows in the US that there was a general lack of awareness of what is happening in Africa; also, when you go to global conferences, rather than Africa focused ones, very few people show an interest in the continent.

The continent is actually on the edge of economic take-off similar to those seen so dramatically in China and India and it is not surprising that investors from those two countries have a keen interest in Africa.

More and more investors see Africa as the 'final frontier' as emerging markets continue to mature. With a population of about a billion and significant natural resources, the continent has been growing in popularity among investors over the decades. Even though, there are real, structural issues at hand in many African economies, there are incredible opportunities for growth, with more than 20 African countries that are expected to grow at a CAGR at five per cent or above until 2030. >>

► To address Africa image issue, we need to continue building awareness and momentum for increasing trade and investment in Africa, for example, more and more Africa investment rising roadshow tours could be organised to showcase the tremendous business and investment potential in Africa and the forecasted trajectory of its economic growth. Perceptions on doing business in Africa would need to be reshaped by bringing opportunities to international companies and forge stronger connections and partnerships between international investors and African private sector leaders in key growth sectors.

There should be a call to action, meaning to lead and not wait for international investors to come to Africa. Improving know-how, connecting networks, mentoring new

investors, organising transactional events, shaping policy and encouraging greater levels of investment are all part of growing a stronger culture of investing in Africa.

### **What would be the first step that you would recommend to African companies looking to move beyond their own domestic borders?**

African companies looking to move beyond their own domestic borders should look at becoming pan-African and first develop a strong position in their home market, use that as a base for expanding into new markets, adopt a long-term perspective, invest in talent, and build trustworthy partnerships. Thriving in those business markets will require them to develop a detailed understanding of

each country—including the very different growth and stability/risk profiles—and develop sales forces able to target Africa’s relatively fragmented private sector. The best-performing regional champions in Africa to date have been patient and built a wide footprint.

### **What role does the African banking and financial services industry play in supporting growth?**

Generally speaking, a healthy and vibrant economy requires a financial system that moves funds from people who save to people who invest. Financial intermediaries and financial markets play this role by moving huge flows of funds throughout the economy that in turn affect businesses and the production of goods and services. Financial systems are therefore the lifeblood of an economy.

In Africa, the banking sector has developed significantly in recent years while the insurance market is still underdeveloped in most countries and the capital markets still require substantial investment and improvements in regulatory capacity.

“ THE CONTINENT IS ACTUALLY ON THE EDGE OF ECONOMIC TAKE-OFF SIMILAR TO THOSE SEEN SO DRAMATICALLY IN CHINA AND INDIA AND IT IS NOT SURPRISING THAT INVESTORS FROM THOSE TWO COUNTRIES HAVE A KEEN INTEREST IN AFRICA. ”

**Najwa El Iraki**, Founder & Managing Partner, AfricaDev Consulting



Iraki singled out energy and agribusiness in particular as sectors with investment interest (CREDIT: INGEHOGENBIJL/SHUTTERSTOCK).

One of the contributing factors to the growth of banking in Africa pertains to the rapid rise of pan-African banks. Over the last decade, big local banks have emerged and gone regional. Among the best-developed banking sectors in Africa is that of Morocco, where penetration is rising rapidly (financial inclusion is over 60 per cent). Morocco's institutions include some of Africa's largest banks, and several have become major players on the continent such as Attijariwafa Bank, which is ranked in the top 10 in Africa. Some of the other larger African banks that expanded their footprint include Ecobank (Togo), United Bank for Africa (Nigeria), Standard Bank (South Africa), etc.

As a result, there has been increased banking activity in Africa, which is itself a key driver of growth. M&A deals allow successful local businesses to expand and join forces with others to offer scale. Private equity funds can offer companies access to borrowing at an affordable rate. Infrastructure deals can allow governments to provide amenities which spur further growth, while sovereign bond issues enable them to raise capital.



“EVEN THOUGH, THERE ARE REAL, STRUCTURAL ISSUES AT HAND IN MANY AFRICAN ECONOMIES, THERE ARE INCREDIBLE OPPORTUNITIES FOR GROWTH, WITH MORE THAN 20 AFRICAN COUNTRIES THAT ARE EXPECTED TO GROW AT A CAGR AT FIVE PER CENT OR ABOVE UNTIL 2030.”

**Najwa El Iraki**

Along with this, there has been a step change in the introduction of cards, ATMs and increasingly, mobile banking. In countries such as Nigeria, mobile phone usage is as high as 90 per cent, even while 56 million Nigerians live without access to electricity. In that sense, the banking sector in Africa plays the role of a transformative engine. It will seek to replace existing traditional banking models with models more appropriate to addressing the urgent issues of financing much-needed development and infrastructural projects on the one hand; and, on the other hand, making banking more accessible to the majority of the population at a cost that they can afford.

Should banks be able to tap into the large ‘under/unbanked’ and ‘uninsured’ populations across the continent, it could lead to a significant increase in new deposits and premiums, respectively. Also, even at lower profit margins, the benefits associated with leveraging economies of scale should contribute to returns on the bottom line.

So, while not without challenges—including conceptual and institutional challenges faced by central bankers and financial regulators—Africa’s financial services sector presents compelling opportunities that are crucial in achieving the triple aim of financial stability, growth and equity.

### **What are the key challenges facing companies looking to invest in Africa?**

There are many challenges facing companies looking to invest in Africa. Beyond political risks linked notably with regional conflicts and corruption, key challenges include:

- **Lack of Infrastructure.** Africa has a low human density and per capita income. This makes it difficult for companies to get the electricity, roadways and other necessary components to operate in some areas.
- **Lack of bankable projects in the region.** Apart from general investment barriers, infrastructure projects are coupled with completion risks, performance risks and revenue risks, which effects the project’s overall ‘bankability’.
- **Lack of regional integration/local regulations.** There are multiple jurisdictions, too many trade zones and unharmonised local regulations including foreign investment restriction rules in certain countries e.g. Tunisia or Algeria, exchange controls, ownership restrictions etc.

The African Development Bank has estimated that the lack of regional integration has had an economic cost of three per cent of GDP over the last decade. Integrating Africa is one of the African Development Bank’s main goals for transforming the future of Africa. Ultimately, the creation of a legal framework that has cross-border enforcement authority would expand the possibilities for companies to operate in the region and provide for more liquidity and diversification in the markets. ■

Najwa El Iraki is the Founder & Managing Partner of AfricaDev Consulting Ltd, a business development and financial advisory firm. She is also the Managing Director in Morocco for Opportunity Network, a global fintech matchmaking platform headquartered in London that connects CEOs worldwide for business opportunities.