

International Conference on Africa

**IAU Africa Application and
Research Center**

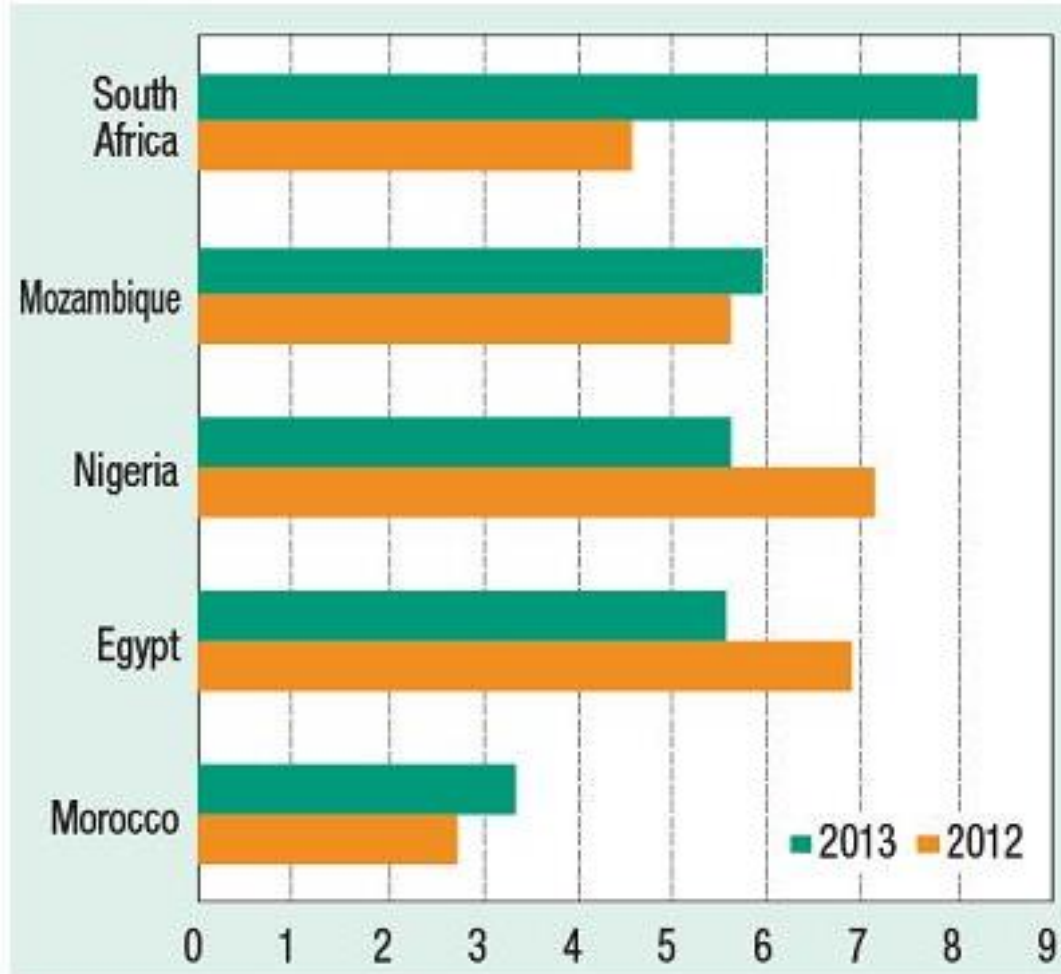
**6th of May 2015, IAU Florya
Campus**

**Prof em. Raymond Saner, Ph.D.
Basel University & Sciences Po, Paris**

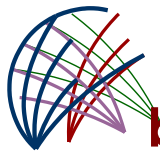
Africa's resources

- Exponential growth of **extractive industry** investment and **agroindustrial** projects implemented by large multinational and national companies, encouraged by numerous **recent natural resource discoveries**
- **Local communities** directly affected by the growth in the exploitation of Africa's natural resources
- **Exploitation** of renewable (land, forests, water) and nonrenewable (oil, gas and minerals) natural resources has been, **subject to political, social, and environmental struggles and armed conflicts**

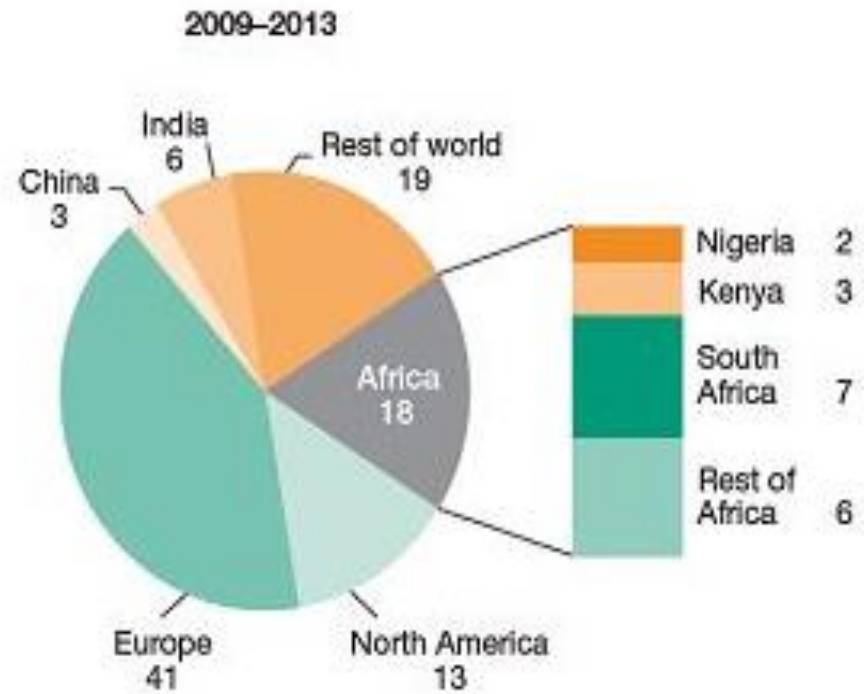
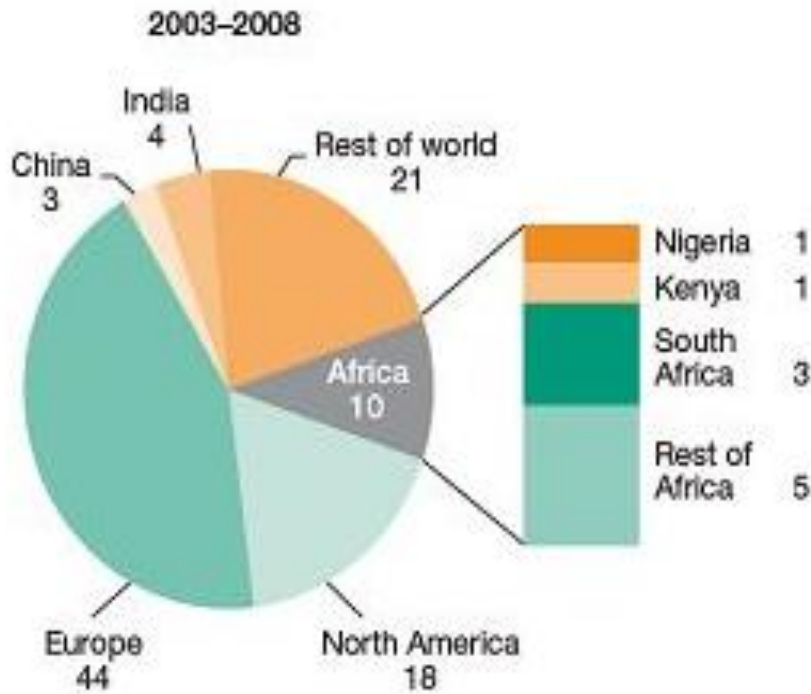
Africa's top 5 recipients of FDI inflows, 2013, 2012 (billions of dollars)



Source: UNCTAD (2014), "World Investment Report", <http://unctad.org/en/pages/PressRelease.aspx?OriginalVersionID=189>



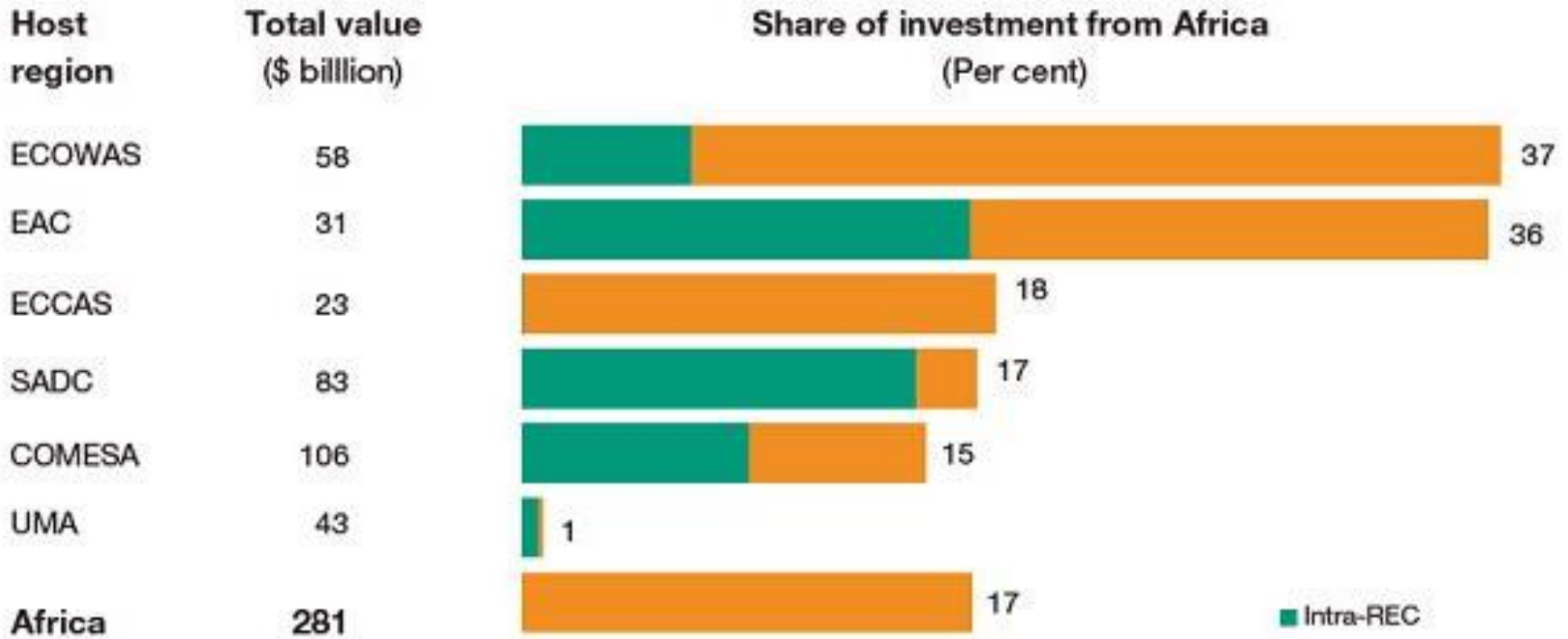
Geographical distribution of greenfield investment in Africa by number of projects, 2003-2008 and 2009-2013, (per cent)



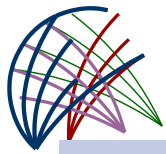
Source: UNCTAD (2014), "World Investment Report", <http://unctad.org/en/pages/PressRelease.aspx?OriginalVersionID=189>

Announced value of FDI greenfield projects in manufacturing and services in RECs, cumulative 2009 - 2013

(billions of dollars and per cent)



Source: UNCTAD (2014), "World Investment Report", <http://unctad.org/en/pages/PressRelease.aspx?OriginalVersionID=189>



Global Competitiveness Index framework (World Economic Forum)



Dip
Dia

GLOBAL COMPETITIVENESS INDEX

Basic requirements subindex

- Pillar 1. Institutions
- Pillar 2. Infrastructure
- Pillar 3. Macroeconomic environment
- Pillar 4. Health and primary education

Key for
factor-driven
economies

Efficiency enhancers subindex

- Pillar 5. Higher education and training
- Pillar 6. Goods market efficiency
- Pillar 7. Labor market efficiency
- Pillar 8. Financial market development
- Pillar 9. Technological readiness
- Pillar 10. Market size

Key for
efficiency-driven
economies

Innovation and sophistication factors subindex

- Pillar 11. Business sophistication
- Pillar 12. Innovation

Key for
innovation-driven
economies

African economies by stage of development



Dip
Di

Stage 1: Factor-driven GDP per capita <US\$2,000	Transition from Stage 1 to Stage 2 GDP per capita US\$2,000 to US\$3,000	Stage 2: Efficiency-driven GDP per capita US\$3,000 to US\$9,000	Transition from Stage 2 to Stage 3 GDP per capita US\$9,000 to US\$17,000	Stage 3: Innovation-driven GDP per capita >US\$17,000
<p>Benin Burkina Faso Burundi Cameroon Chad Côte d'Ivoire Ethiopia Gambia Ghana Guinea Kenya Lesotho Liberia Madagascar Malawi Mali Mauritania Mozambique Nigeria Rwanda Senegal Sierra Leone Tanzania Uganda Zambia Zimbabwe</p>	<p>Algeria Angola Botswana Gabon Libya Morocco</p>	<p>Cape Verde Egypt Mauritius Namibia South Africa Swaziland</p>	<p>Seychelles</p>	<p>-</p>

Africa is getting “crowded”!! What are options for Turkish investors?



- **Old colonial powers still present (UK,F,Port-Brazil)**
- **New actors – China, India, Malaysia, Brazil**
- **Options:**
 - 1. Short term, opportunistic, high risk investment-”gambler”?**
 - 2. Middle-to longterm investor, partner, low profile, initial low ROI but longterm partner?**

Middel-to longterm investment partnership

- **Where to find partners?**
- **Where to find entry points?**
- **What to be aware of?**
- **How to stay on course despite possible disappointments?**

Aspects to consider when doing business in Sub-Saharan Africa



- **Focus geographically** on one country; huge region that may sound not like a connected economy but like a **myriad of truly “isolated” countries”**
- Look for the **long run**
- Identify clearly your **“local connection”**; acquisition maybe an option
- Plan for **doing more** than you are used to
- Develop **local talent** from the outset

Source: Forbes (2014), “Doing Business in Sub-Saharan Africa: Six Aspects To Consider”,
<http://www.forbes.com/sites/iese/2014/07/31/doing-business-in-sub-saharan-africa-six-aspects-to-consider/>



Commodity Development Strategies in the Integrated Framework

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Raymond
Saner, Lichia
Yiu with
Alka Bhatia
for UNDP
(2009)

**TABLE 1: GENERIC COMMODITY DEVELOPMENT MATRIX USED FOR THE COMPARATIVE ANALYSIS
BY COMMODITY AND COUNTRY**

CRITERIA LEVELS	SUPPLY CHAIN ANALYSIS		VALUE CHAIN ANALYSIS								
	Production inputs	Processing inputs	Standard setting	Quality culture	Quality infrastructure	Distribution system	Business linkages	Pricing mechanisms	Investment climate	Social & environmental sustainability	
Policy											
Institutional actors											
Enterprises											



COUNTRY: CHAD

Commodities: 1. Cotton 2. Cattle 3. Petrol 4. Fisheries 5. Arabic Gum 6. Ground nut



CRITERION	POLICY						INSTITUTION						ENTERPRISE					
	1	2	3	4	5	6	1	2	3	4	5	6	1	2	3	4	5	6
Warehousing and storage																		
Electricity																		
IT and Telecom																		
Transportation																		
Production inputs																		
Processing the production inputs																		
Standard setting																		
Quality culture																		
Quality infrastructure																		
Distribution system																		
Business linkages																		
Pricing mechanisms																		
Investment climate																		
Social and environmental sustainability																		

Key:

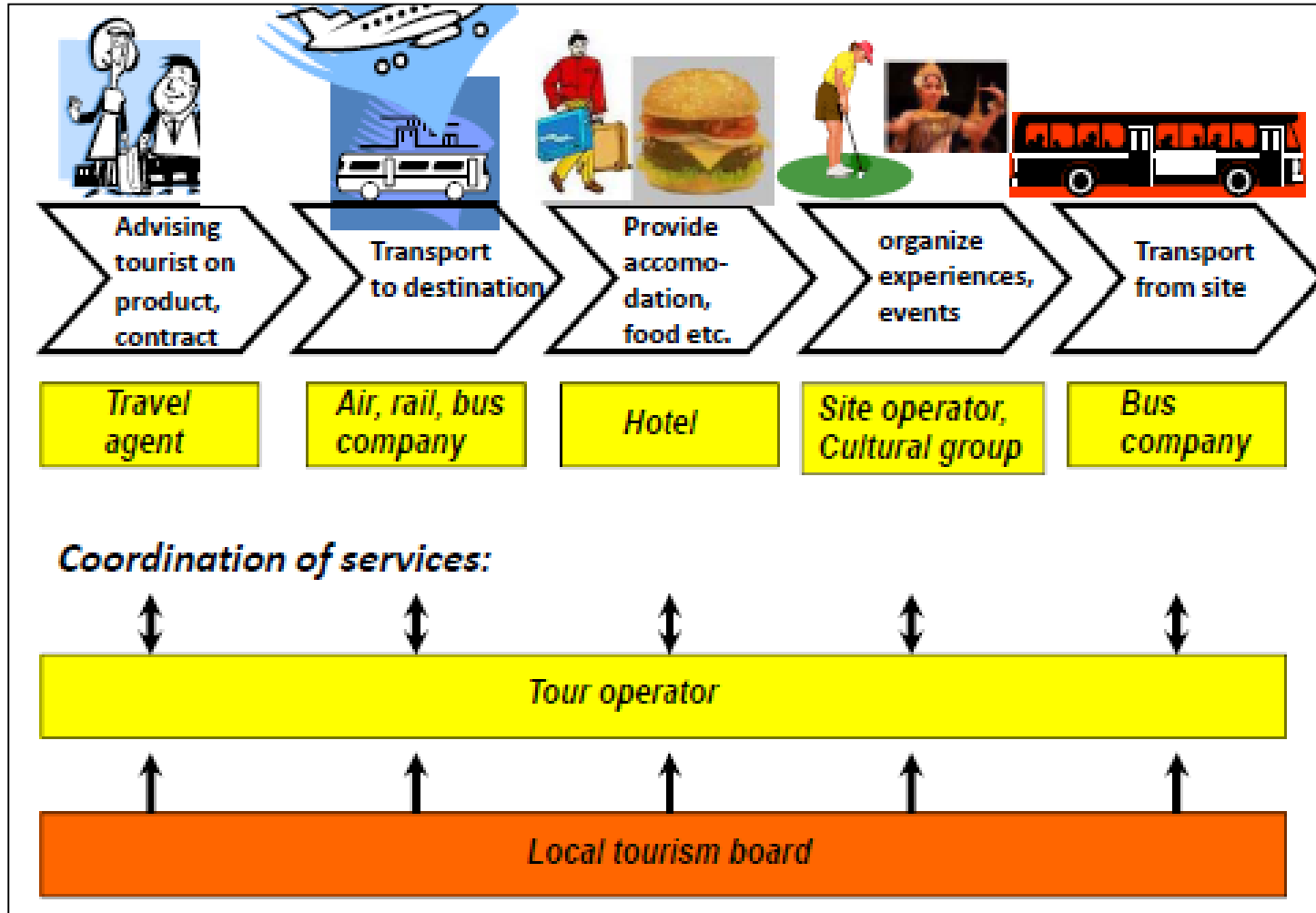
Shaded cells indicate correspondence of DTIS text with criterion

Blank cells indicate absence of DTIS text with respect to the criterion

Total no. of cells (No. of criteria x Levels of intervention x no. of commodities) = 14 x 3 x 6 = 252

Correspondence of DTIS to the criteria = 57 (23%)

Tourism Value Chain



Source: ITC



Country	Transport	Hotel & facilities	Health and Hygiene	Quality Standards	Investment	Education & training services	Local agricultural inputs	CSEND Index Rating*
Benin								3
Burkina Faso								2
Burundi								3
Ethiopia								3
Lesotho								3
Madagascar								4
Malawi								4
Mali								4
Nepal								3
Rwanda								4
Sierra Leone								3
Tanzania								4
Uganda								4
Zambia								4
AVERAGE								3.43

Legend:



DTISs, AMs, PRSPs and/or IPRs make reference (additively) to the selected value-chain component

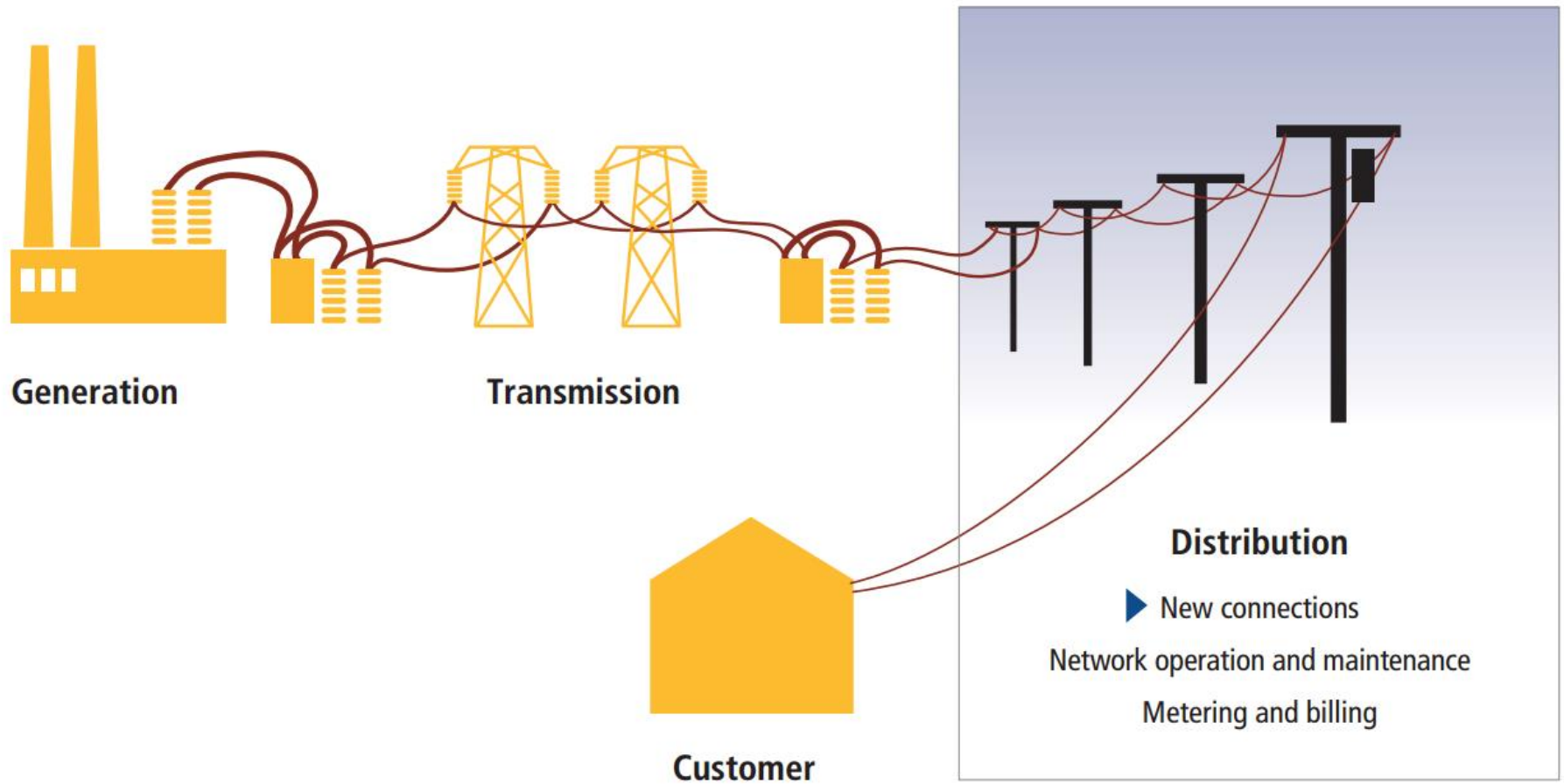
0 = None; 1 = Very low; 2 = Low; 3 = High; 4 = Very high coherence concerning supply chain.

Top ten and Bottom Ten Performers in Africa

Top 10 Countries	Global Ranking	Bottom 10 Countries	Global Ranking
Mauritius	28	Mauritania	176
South Africa	43	Congo (Republic of)	178
Rwanda	46	Guinea Bissau	179
Tunisia	60	Angola	181
Ghana	70	Congo (DRC)	184
Morocco	71	Chad	185
Botswana	74	South Sudan	186
Seychelles	85	Central African Republic	187
Namibia	88	Libya	188
Swaziland	110	Eritrea	189

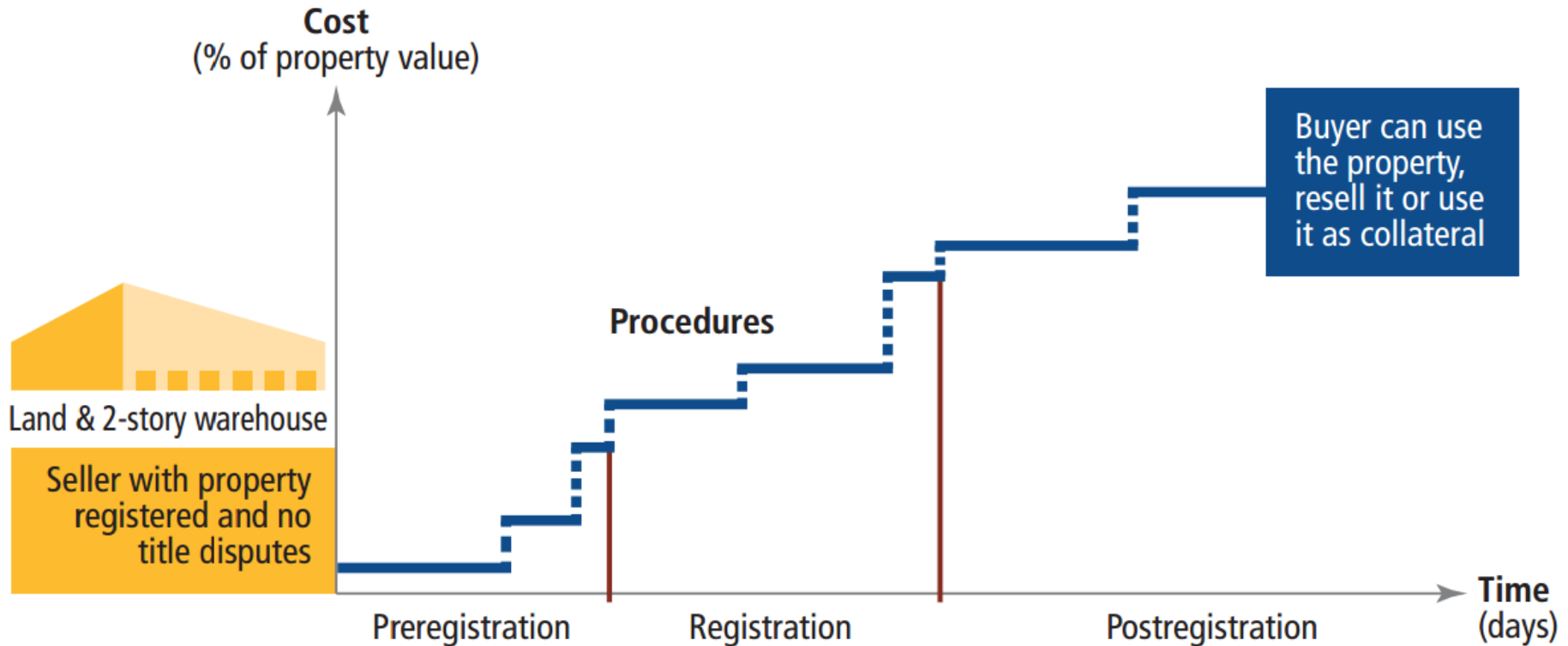
Source: World Bank (2015), "Doing Business Report

Connection process at the level of distribution utilities



Source: World Bank (2013), “Doing Business in the East African Community”,
<http://www.doingbusiness.org/~media/GIAWB/Doing%20Business/Documents/Special-Reports/DB13-EAC.pdf>, p.71

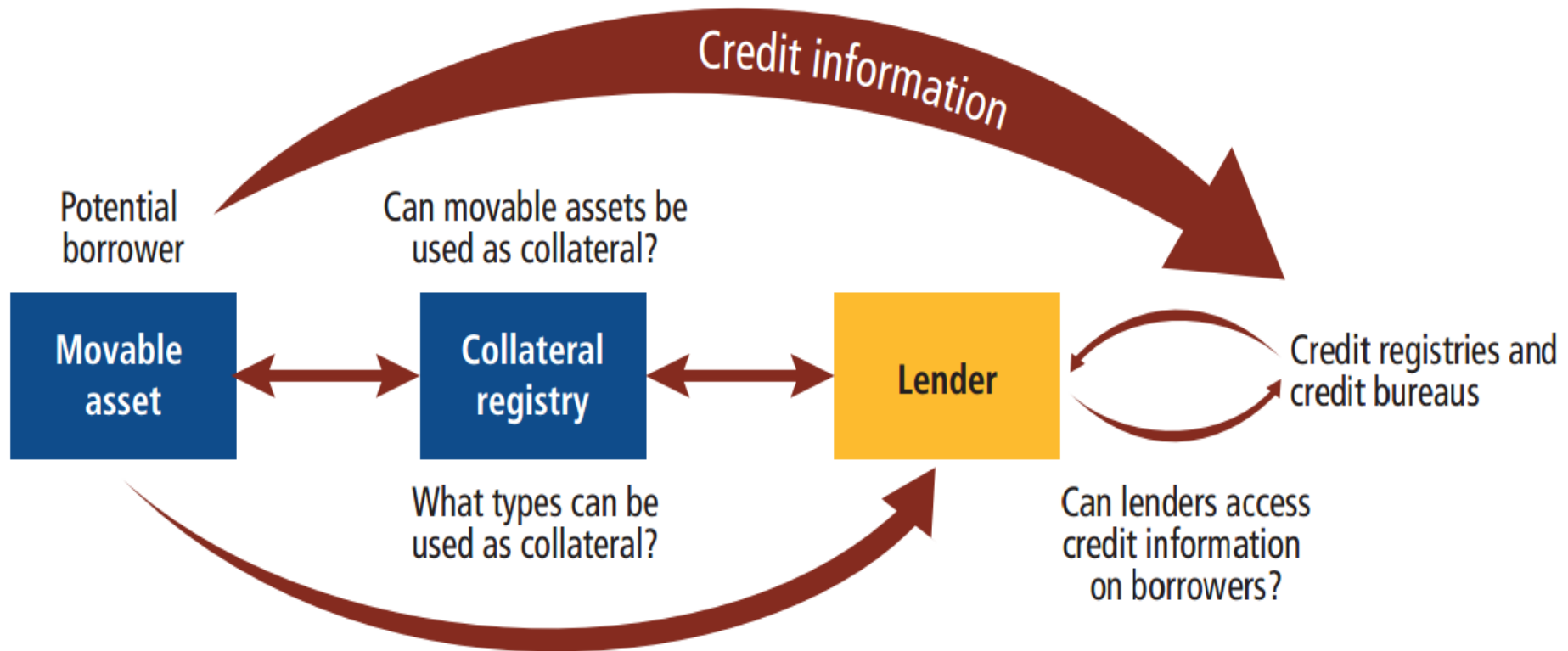
What are the time, cost and number of procedures required to transfer property between 2 local companies?



Source: World Bank (2013), "Doing Business in the East African Community",
<http://www.doingbusiness.org/~media/GIAWB/Doing%20Business/Documents/Special-Reports/DB13-EAC.pdf>, p.73

Do lenders have credit information on entrepreneurs seeking credit?

Is the law favorable to borrowers and lenders using movable assets as collateral?



How well are minority shareholders protected against self-dealing in related-party transactions?

Extent of disclosure

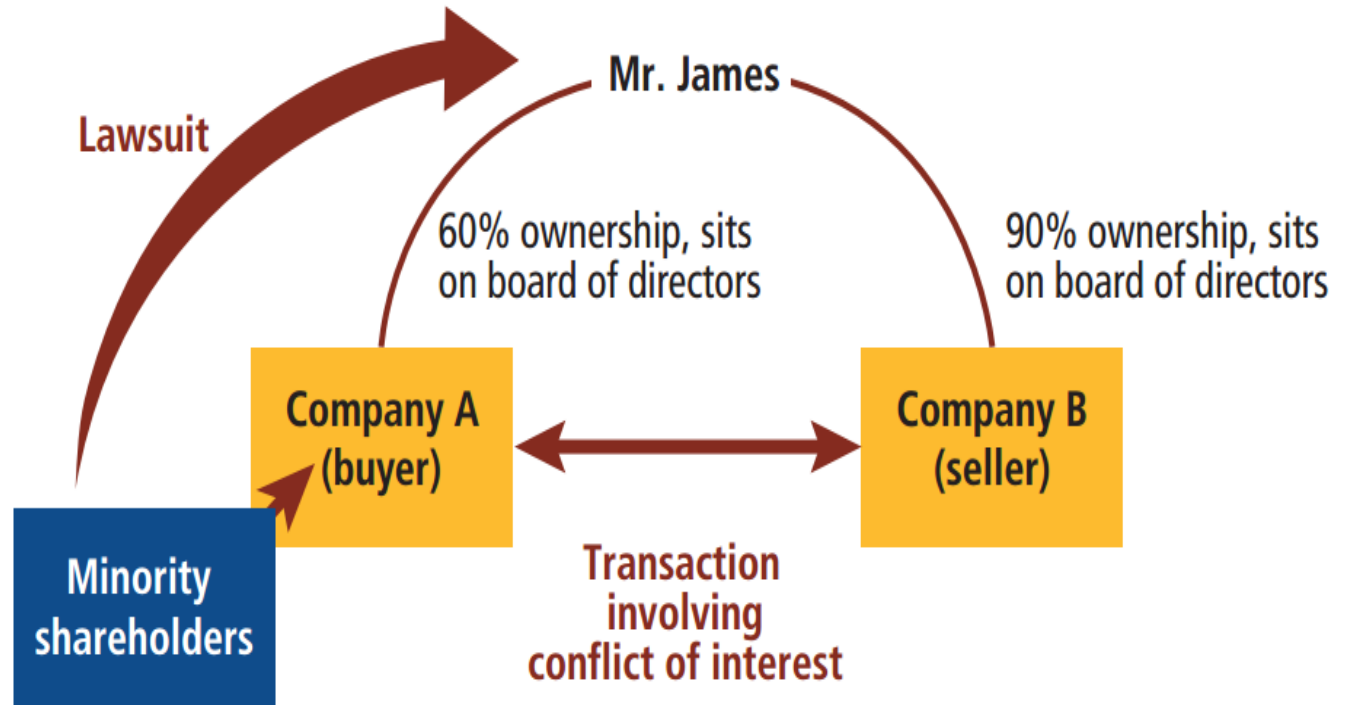
Disclosure and approval requirements

Extent of director liability

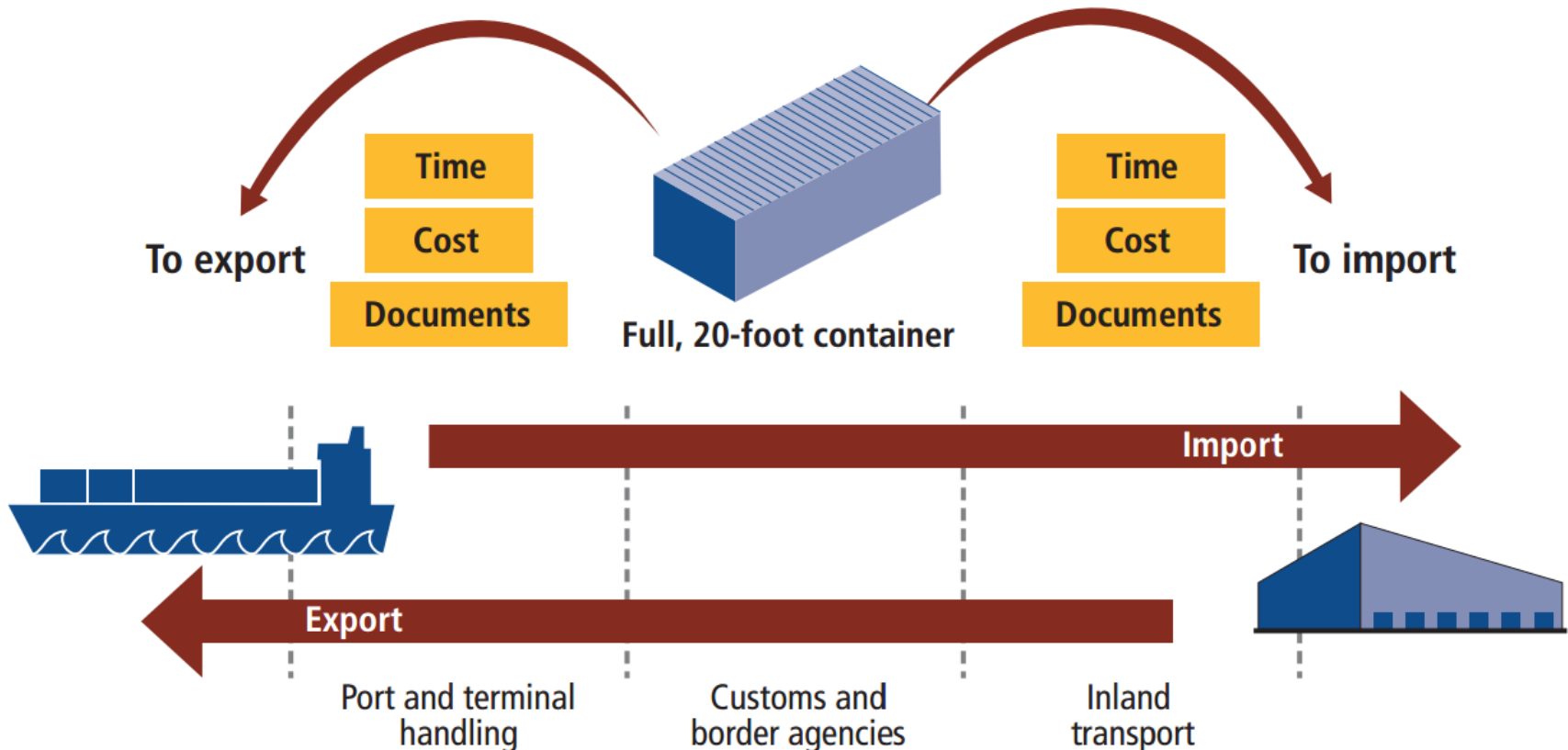
Ability to sue directors for damages

Ease of shareholder suits

Access by shareholders to documents plus other evidence for trial

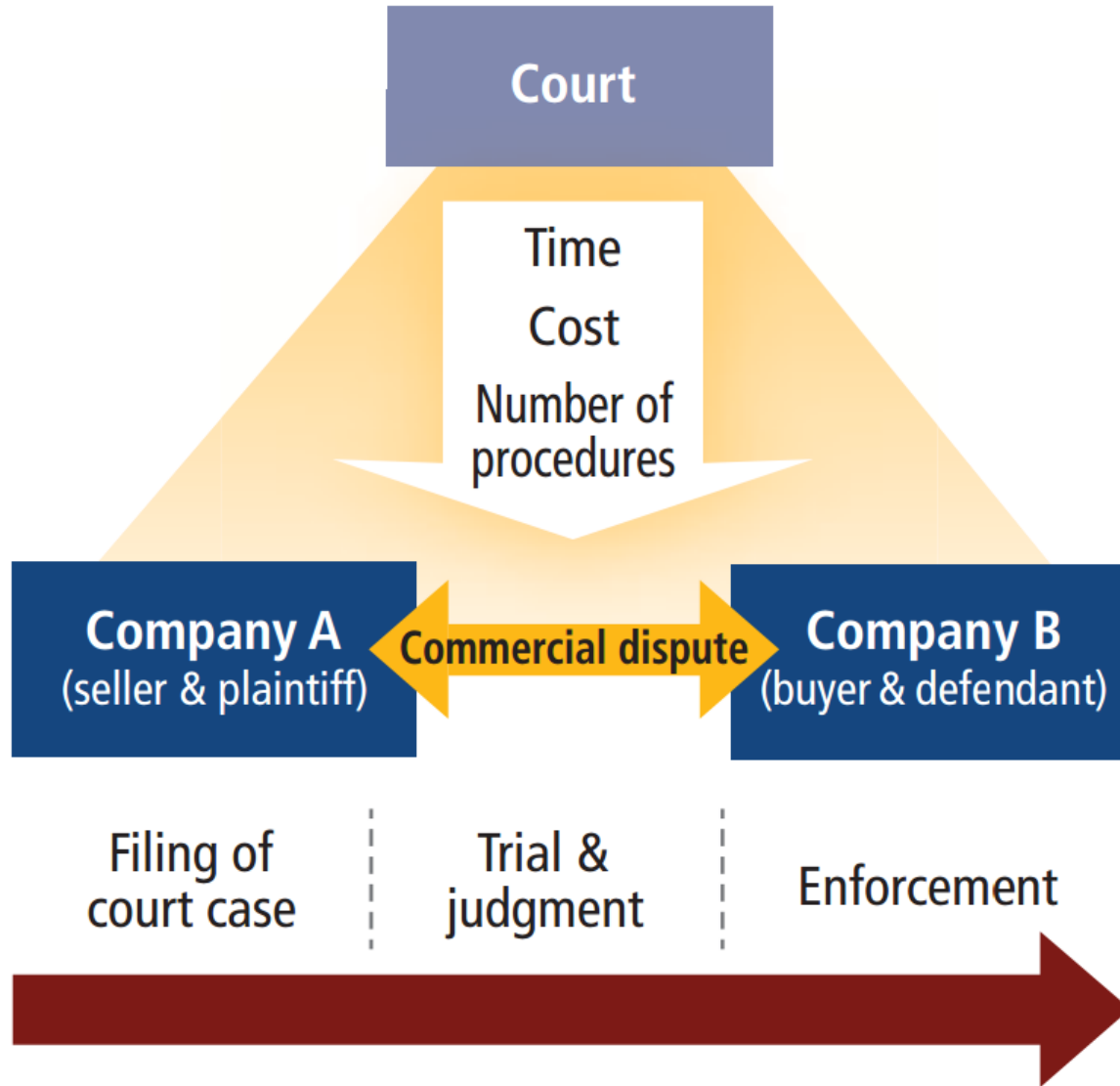


How much time, how many documents and what cost to export and import by sea transport?

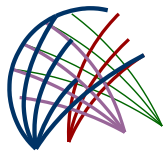


Source: World Bank (2013), "Doing Business in the East African Community",
<http://www.doingbusiness.org/~media/GIAWB/Doing%20Business/Documents/Special-Reports/DB13-EAC.pdf>, p.82

What are the time, cost and number of procedures to resolve a commercial dispute through the courts?



Source: World Bank (2013), "Doing Business in the East African Community",
<http://www.doingbusiness.org/~media/GIAWB/Doing%20Business/Documents/Special-Reports/DB13-EAC.pdf>, p.83



Documents required to export and import (number)

Bank documents

Customs clearance documents

Port and terminal handling documents

Transport documents

Time required to export and import (days)

Obtaining, filling out and submitting all the documents

Inland transport and handling

Customs clearance and inspections

Port and terminal handling

Does not include sea transport time

Cost required to export and import (US\$ per container)

All documentation

Inland transport and handling

Customs clearance and inspections

Port and terminal handling

Official costs only, no bribes



What do the trading across borders indicators measure?

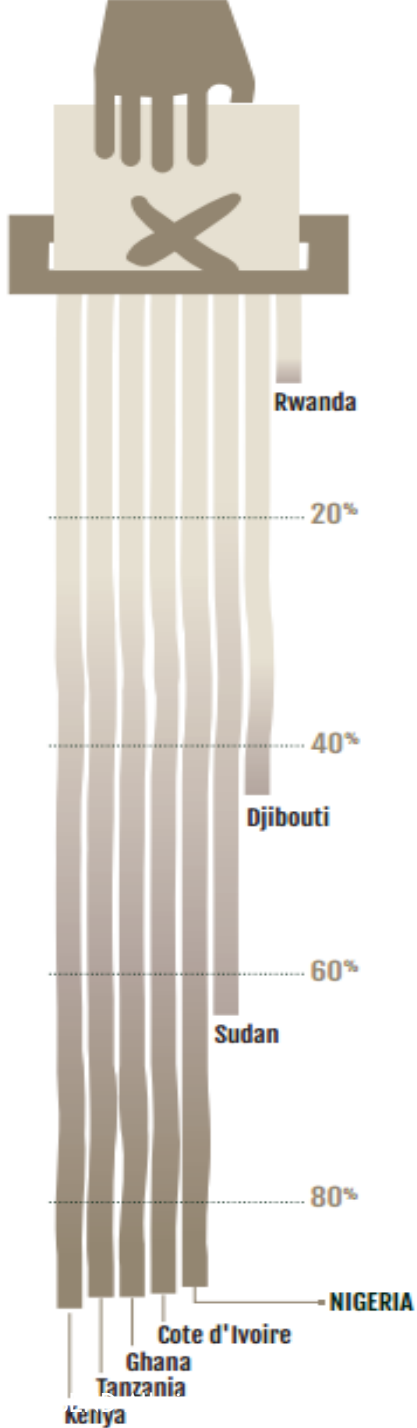
When 'Development' Drives Inequality and Poverty



- The World Bank's Doing Business rankings reward countries who service the needs of **large-scale international business**, to the **detriment of the majority**, and punish those that don't
- Rankings are merely about missing bureaucracy
- Developing countries to develop must **be connected to global markets** and must **be able to sell** their products / services. Land is a visible and tradable asset by big foreign corporations or local elites

Source: Think Africa Press (2014), "Doing Business with the World Bank: When 'Development' Drives Inequality and Poverty", <http://thinkafricapress.com/development/ease-doing-business-the-rules-world-bank>

Perceptions of Corruption



NIGERIA IS THE
**5TH MOST
CORRUPT**
OF AFRICAN
COUNTRIES
MEASURED



250,000
BARRELS OF OIL
ARE STOLEN DAILY
IN NIGERIA

Source: Legatum Institute (2013), "Insight on Africa: Special Report",
http://media.prosperity.com/2013/pdf/publications/PI2013Africa_WEB.pdf, pp.13 and 14

Challenges of doing business in South Africa (1)

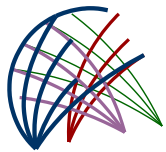


- **Starting a Business**
 - Cost of starting a business is 0.3% of income per capita (compared to over 60% elsewhere on the continent).
- **Dealing with Construction Permits**
 - Takes 13 procedures and 127 days.
- **Getting Electricity**
 - Takes 226 days and involves a string of lengthy procedures. Eskom, an electricity public utility, can take 60 days to provide an estimate after the application has been received, and 165 days to complete external connection works.
- **Registering Property**
 - Takes 23 days and six procedures to register a property, although that can fluctuate significantly depending on how quickly a rates clearance certificate can be obtained from the local authority and how long it takes the conveyancer to lodge the deed at the Deeds Registry.
- **Getting Credit and Protecting Investors**
 - South Africa ranks in first place in the world for ease of getting credit, according to the World Bank and IFC.

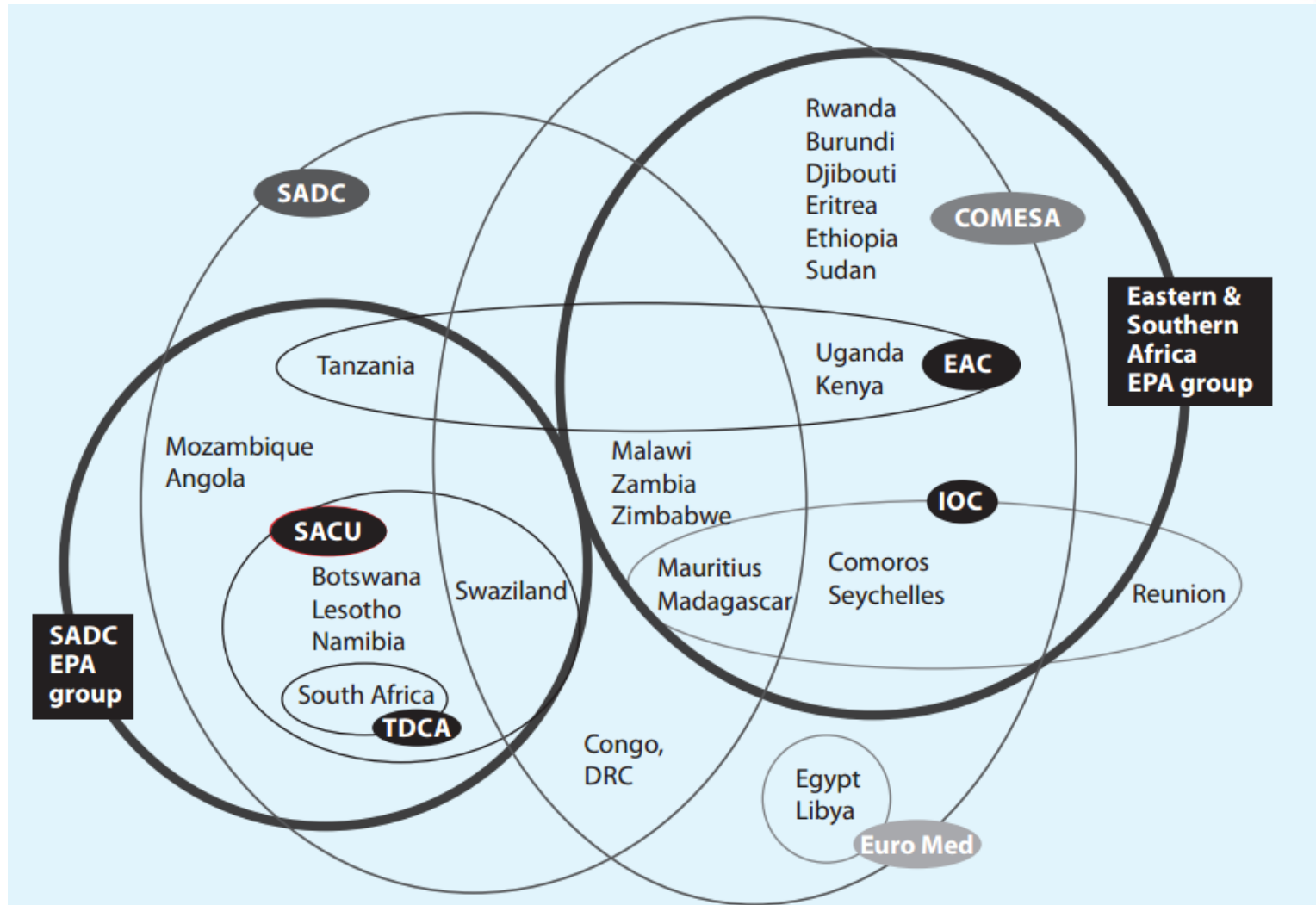
Challenges of doing business in South Africa (2)



- **Paying Taxes**
 - Takes 200 hours to complete per year and requires nine payments. Corporate income tax and unemployment insurance contributions (UIC) are two of the most arduous procedures, the former is also one of the most expensive.
- **Trading Across Borders**
 - Cost is a concern, but the time required to compile documents and gain approval is the most taxing aspect of international commerce.
- **Enforcing Contracts**
 - Trial and judgement can take almost 500 days on average when enforcing contracts and the cost of an attorney and court fees can make the procedure an expensive ordeal.
- **Resolving Insolvency**
 - Takes two years on average to resolve insolvency, costing 18% of the estate with a recovery rate of 35.4%.
- **Culture**
 - There are multiple cultures and a number of different languages spoken. Business environment is quite informal and South Africans can be rather direct in their approach.

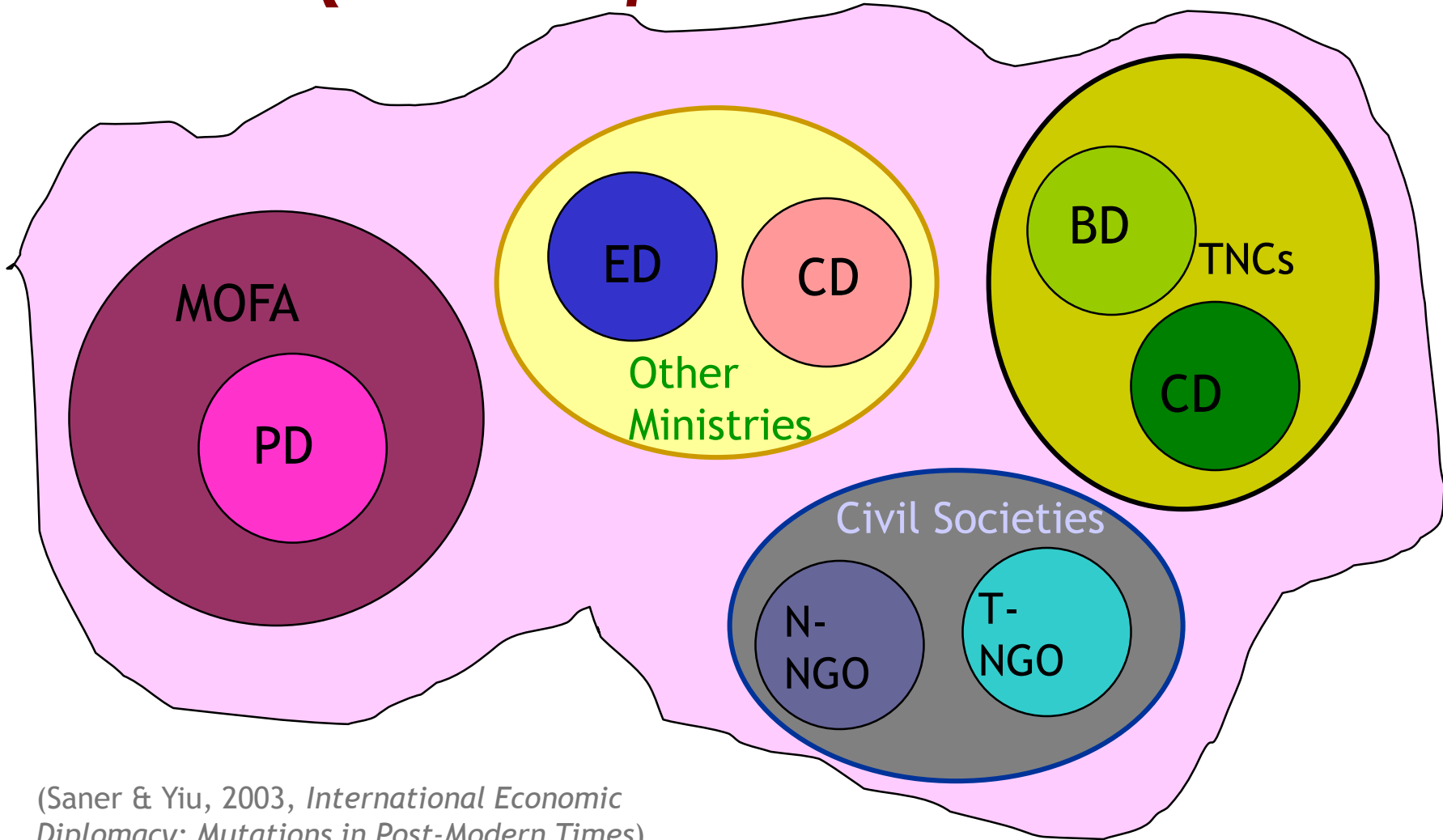


Regional integration initiatives and EPA configurations in Africa



Source: The African Capacity Building Foundation (2014), "Africa Capacity Report: Capacity Imperatives for Regional Integration in Africa", <http://www.acbf-pact.org/knowledge-learning/africa-capacity-report/africa-capacity-report-2014-capacity-imperatives-regional>, p.44

Post-Modern Economic Diplomacy ("New Diplomacies")



(Saner & Yiu, 2003, *International Economic Diplomacy: Mutations in Post-Modern Times*)

Oil groups face rise in threats to security

Shell warning on risks from terrorism and corruption
 "It is very uncomfortable to produce oil with guns"

By Steve Emswiler and Thomas C. Bruneau

International terrorism, corruption and local violence are creating oil shortages in an ever-widening area of the world's major energy arteries, according to a report by the International Energy Agency, head of Global Energy Services at Shell International, and the growing oil price. Shell said that it is "very uncomfortable to produce oil with guns" and that it is "very uncomfortable to produce oil with guns" and that it is "very uncomfortable to produce oil with guns".



Shell says it has had to make its own security arrangements in 'hot' environments

of International Affairs in London, said separate reports in Nigeria but suggest operations in the country. Nigerian government, which struggled to keep on top of the security situation, with between 10 and 20 Shell suspension facilities in Nigeria since the year 2000 and an estimated 100,000 a year of oil production being affected in the whole of central Africa.

Mr McCrory said the problem was "to manage with corruption for most of the world which is not there... It is a very uncomfortable situation to produce oil with guns and we don't like it".

Last month, Chevron was forced temporarily to shut down a primary market in Nigeria and Shell had to evacuate staff from three oil and gas facilities because of local violence.

The International Energy Agency said the "critical flow of operating trade right security" for Shell and "it is a very uncomfortable situation to produce oil with guns and we don't like it".

you mentioned yourself with Exxon, you are getting the trouble. (Shell) things don't look too bad but there are areas that are creating trouble through the bulk of oil flow.

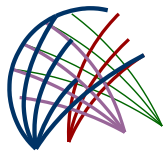
In Africa, Shell has been to

from 10 to 20 security because of the threat of industrial espionage from local oil concerns and the activities of corrupt officials. Shell is making a push into Africa, where it is the largest single foreign investor. Mr McCrory said political instability in West Africa was being driven by the resurgence of the rebel force. He also referred to the growing threat of piracy in the Atlantic Ocean, one of the most important shipping lanes in the world. The security cost for Shell was rising by 100 per cent in some areas, he said. Mr McCrory noted that as the world's oil price rose, it was also rising in countries that used it.

Mr McCrory noted that as the world's oil price rose, it was also rising in countries that used it. He also noted that as the world's oil price rose, it was also rising in countries that used it.



One example with Oil Companies:
 Their problems are also concerns of the UN and the international community at large, calling for cooperation not confrontation



Shell in Nigeria

(Saner, Yiu & Sondergaard, 2000, „Business Diplomacy Management“)



- **Accepting exploitation conditions set by military ruler (joint venture with “National Energy Company” source of corruption, mismanagement)**
- **Perceived as “treasurer” of military dictator providing finances for arms purchases used to repress ethnic minorities (Ogoni tribe)**
- **“business as usual”= lost time to create perceptual distance between Shell and dictator = target for insurgents**
- **Underestimating international NGO’s power, catastrophic loss of reputational capital despite effort to “repair” perceived past mistakes (building schools, hospitals, clean up polluted rivers etc)**

Shell in Nigeria

(Saner, Yiu & Sondergaard, 2000, „Business Diplomacy Management“)



Why failure?

1. **Business is business (shareholder vs stakeholder)?**
2. **Biafra war dividend and commitments?**
3. **Colonial habits? (siding with ruling elite, old ties, comfortable with rent seeking)**
4. **Local MD not competent in BDM?**
5. **Headquarters mesmerized by stock market valuation?**
6. **Other?**

OECD Guidelines for Multinational Enterprises-



43 Countries have signed it.

Turkey adhered to OECD Declaration in 1981

Turkey National Contact Point (NCP) since 2000

NGOs (foreign and national) can complain about potential violation of guidelines by Turkish companies and request mediation

Better help Turkish companies comply with OECD guidelines rather than face international embarrassment and loss of reputational capital



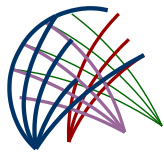
Turkey's NCP:

Murat Alici

DG for Incentive Implementation and Foreign
Investment

Ministry of Economy

İnönü Bulvarı, Emek,
06510, Ankara, Turkey



Further Reading



- 1. Trade & Development in Least Developed Countries: ASSESSING TRANSPORT & TRADE FACILITATION IN UGANDA, RWANDA AND TANZANIA (Capstone report 2009-2010, Science Po,**
http://www.csend.org/images/articles/files/20100701_Full%20Report%20Assessing%20Transport%20&%20Trade%20Facilitation%20in%20Uganda,%20Rwanda%20and%20Tanzania%20-%20MPA%20Capstone%20Report.pdf
- 2. Links to CSEND/DiplomacyDialogue publications on the new diplomacies and on trade:**
<http://www.diplomacydialogue.org/publications.html>
<http://www.csend.org/trade-policy-govenance>
- 3. Saner, R; Yiu, L, “Business Diplomacy Competence: A Requirement for Implementing the OECD’s Guidelines for Multinational Enterprises”, the Hague journal of Diplomacy 9 (2014) , Brill Nijhoff; Leiden, 311-333**

**Thank you
teşekkür ederim**