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■ SISTER POWER: **ROSA WHITAKER** AND **TERESA CLARKE**, THE FUTURE OF AFRICAN ENTREPRENEURSHIP ■ **QUINCY SINTIM ABOAGYE** ■ **AHMED REDA CHAMI** MOROCCO'S MINISTRY OF INDUSTRY AND COMMERCE ■

AFRICA'S NEW BUSINESS CLIMATE: AN INTERVIEW WITH

Rosa Whitaker

Founder and CEO of The Whitaker Group

BY JAKE R. BRIGHT

As South Africa becomes the first African BRIC (now BRICS) and CEOs plot new emerging market strategies for Sub-Saharan Africa, there is one business actor who already holds the credential of facilitating several billion dollars of trade and investment on the continent. That person is Rosa Whitaker, founder and CEO of The Whitaker Group. Rosa's commitment to Africa began long before the recent spike of business interest. Back when all but a handful of top tier companies had categorized Africa as a "do not do business with" continent and most of the public policy community viewed it through the prism of foreign aid. As a senior Congressional staffer in the 1990s Rosa started lobbying for a trade and investment approach to US Africa policy, developing the Africa Trade and Investment Caucus, and carrying that momentum toward the historic passage of the African Growth and Opportunity Act (AGOA). Rosa became the first Assistant US Trade Representative to Africa, playing a lead role in implementing the new AGOA legislation, which has resulted in billions of dollars of two way trade. In 2003, she formed the Whitaker Group, working closely with US companies and African governments to facilitate trade and investment. Global Vision had the opportunity to speak with Ms. Whitaker, tapping her unique perspective on African business issues.

GV: *Why did you decide to leave the public policy world to form The Whitaker Group? What have been some of your biggest goals and accomplishments with the company so far?*

Whitaker: I decided to leave primarily because I thought that between the Clinton and Bush administrations [GW Bush] the U.S. had put in place...the policy framework I thought was good for business. We had some unprecedented initiatives toward Africa. AGOA, the first ever trade act towards Africa, was birthed during that era. OPIC put in an infrastructure fund. The Millennium Challenge Account was born. We had [initiatives in] agricultural policy, transport, a science initiative, an [African] trade capacity building initiative, and high level engagement on Africa at the World Trade Organization. So I thought, for the first time in history there was the right policy framework to transfer into the private sector to see how we make these policies work. It was time to go out and work with the business community to facilitate trade and investment. To work with African countries on how things could become more attractive to the global business community. Despite the policy initiatives, so many people were accustomed to the old Africa – her old ways and old days. I felt this was an opportunity to develop a consultancy exclusively focused on Africa. And not the kind of consultancies we've seen that were basically aid contractors. One really working with the business community to serve as that bridge to make opportunities real. That's what we've done. Since 2003 we've facilitated well over a billion dollars of capital in Africa. We have a good roster of clients. They are your global brands and global companies. We only work with good corporate citizens that believe in not only making profits, but having a strong development dividend on the ground. And we've worked with African governments as well. We started with a strong vision and belief in enterprise solutions to address the development challenges and poverty through economic development in Africa. We've demonstrated that Africa really is a good place to do business and managed to help companies navigate the terrain successfully.

GV: *Over the last couple years there's been elevated interest from the global business community in Sub-Saharan Africa, much of it from actors previously not associated with the continent. McKinsey & Company issued a report on Africa's economic potential. Goldman Sachs and Barron's followed. What's happening with business in Africa? How much of it is real and perceived?*

Whitaker: It's very real. We can see it by the increase in private equity going into West Africa. We can see it by the popularization of information, such as the McKinsey and Barron's reports. These are great validations. Even in the press, if someone were to do a survey 15 years ago to now, the only press out there was about famine, conflict, crises and wars. Now you read press about business opportunity. I also think the global economic crisis was a wake up call, because in the global financial system, Africa's isolation served it well. You did not see a massive collapse of African banks. Africa was not as connected to the global system; therefore its financial system was not as affected. So companies started thinking Africa is a good place to mitigate their risk by diversifying portfolios and investing there. But I think large global companies, and American companies in particular, begin to appreciate that Africa has the highest return on investment. That Africa is projected to be the fastest growing region after Asia. That Sub-Saharan Africa's trillion dollar economy grew faster than Brazil and India over the past 10 years and it's projected to grow even faster. There's some good information out there. Companies are responding. The problem is a lot of those companies, American companies in particular, are new to Africa so they don't know how to navigate the terrain and identify opportunities. And African governments and businesses don't know how to promote those opportunities well. But that is changing quickly.

GV: *From a business and investment perspective, what do you see as the most promising sectors in Africa?*

Whitaker: I think that infrastructure is one of the most promising sectors, particularly the energy and power sector. Africa is projected to spend over $70 billion on infrastructure development. So I think markets like big technology and infrastructure development, particularly in energy and power. All the African countries need it. There is massive mobilization of resources to pay for it. Also, when we look at ...the energy and energy services sector you're looking at a region of the world with the fastest growing new reserves. When you look at the instability in North Africa and the Middle East, it's making countries in Sub-Saharan Africa, such as the new oil providers, very important. There have been new discoveries in Ghana, Uganda, and projected new discoveries in Sierra Leone and Liberia. That is very important, so I would certainly say those sectors are very good. I would also say fast moving consumer goods, because we are seeing a new consumer class. McKinsey predicted 1.1 billion consumers [by 2020] with over a trillion dollars of spending potential. There's opportunity for any sectors that would respond to this growing consumer class with more income to spend.

GV: *What about growth in financial services and retail banking?*

Whitaker: We can see evidence that's very strong. With financial services we have so many people in Africa who are unbanked. Those financial services companies that know how to create the innovative products that can unlock the billions of unbanked dollars and the kind of financial instruments that are sellable to and empower the poor, they're going to be the ones that will rule the day. We've seen that with Mobile Money Africa, with some of the new instruments coming out some banks, and some of the creative micro-enterprise initiatives. And there are things that are being talked about such as the Diaspora Bonds and new insurance mechanisms. There are very good opportunities.

GV: *Are you seeing points of collaboration and understanding in Africa between the growing global business community and the long established development community? I*

recall how strongly some prominent NGO leaders criticized Dambisa Moyo for Dead Aid, when essentially both have similar stated aims of alleviating poverty and empowering people in Africa.

Whitaker: Fundamentally, I don't believe that aid will deliver sustainable solutions to Africa's economic development and poverty challenges. I am a strong supporter of humanitarian assistance, but foreign aid, as we know it, has largely failed. Over the past 50 years the US has invested over $324 billion in aid in Africa and only about 40 percent of that aid has actually hit the ground. Indeed, what aid has most notably produced is a humongous aid-industrial complex, with programs that are largely unaligned with Africa's most urgent development priorities, such as improved energy, transport and communications infrastructure. Aid needs to be smart – and it's not always about the quantity but the quality. There are some groups delivering smart aid and getting a good return on taxpayers' money. Notable examples are Technoserve and Fintrac. Aid organizations and NGOs should not be exempt from scrutiny in terms of effectiveness and accountability. We in the US should critically examine the effectiveness of our aid as well as the overheads associated with our aid delivery. Nowhere in the world has aid transitioned a country from poverty to prosperity. What has worked is creating jobs through enterprise solutions and private sector capacity-building as well as direct investments in education and health.. and aid is largely not delivering on that front, but is actually creating perverse incentives. It's disheartening to see brilliant African entrepreneurs employed as drivers for these organizations. And I believe that many Africans have had enough of young, inexperienced donor-supported consultants flying in to give seminars on how to grow rice when what Africans really need is irrigation, not tutorials on something they already know how to do. Aid has to move towards giving Africans the tools to build a strong and vibrant business sector that creates more jobs, develops more skills and adds value to the continent's raw commodities – in short builds real and sustainable prosperity.

GV: *On US policy toward Africa, how would you grade current US economic policy toward the continent? Whether we like the Chinese approach or not, are the Chinese upstaging the US in terms of influence and relevance in Africa?*

Whitaker: Under Presidents Bill Clinton and George W. Bush, the US had an activist policy towards Africa which delivered mutual gains on both sides of the Atlantic. Currently, I would describe the US policy towards

Africa as one of benign neglect at risk of moving towards one of contempt. Both of the previous administrations realized the power of the private sector to build sustainable prosperity and supported AGOA wholeheartedly by backing enhancements and extensions to the legislation. AGOA grants over 6,400 African products duty- and quota-free access to the US, and over the past decade, has resulted in an unprecedented increase in US-Africa trade - $113 billion in two-way trade in 2010, supporting 300,000 jobs in Africa. This administration has yet to provide active stewardship for AGOA, even though a critical aspect of this legislation will expire in 2012 that would result in more than 100,000 Africans losing their jobs. Under the Obama administration, Madagascar was kicked out of AGOA. Just as the country was succeeding - as the textile industry was making $600 million a year and accounted for between 6-8percent of total GDP – and people were prospering, the administration decertified Madagascar. As a result, nearly 50,000 workers, mostly women, lost their jobs. In this administration's budget, funding for the African Development Fund, part of the African Development Bank, was cut by $46 million, and it was one of the few accounts cut even further in the budget compromise. This may lead to the US losing its seat on the board to China. I understand these are difficult times, but only about 0.002 percent of our total budget goes to Africa. The Chinese are upstaging the US in terms of relevance and influence in Africa. Even the George Bush Motorway under construction in Ghana and paid for by US taxpayers, is being built by Chinese companies. We should be finding ways to incentivize US companies to seize the opportunities in the region, thereby benefiting both the US and Africa. Our approach, however, has to be based on a fundamental appreciation of Africa's strategic importance and relevance to the world. I left government because we were in a good place in terms of US policy toward Africa. We had finally and very intentionally moved from a policy of paternalism to partnership. I'm afraid if we don't have a stronger blueprint on US-Africa policy, we could wake up on the wrong side of history. I am hopeful, however, that as President Obama engages more directly in Africa he will see both the value and wisdom of strengthening US support for trade, investment and capacity-building in Africa. That he'll begin the hard but critical work of building on his predecessors' policy successes in the region.

GV: *With the recent financial crisis and recession, it's hard to see business and markets as a panacea. Most accept that markets and companies need an appropriate regulatory environment to really benefit countries and people. From a regulatory perspective is Africa ready on a global and Pan African level?*

Whitaker: What is going to be very important is...regulatory systems that promote more regional integration and the ability of investors to take advantage of the regional markets. Part of the problem we have in Africa is the balkanization of the markets and the fact that too many countries have individual regulatory systems. One of the biggest barriers to attracting more capital and investment is that you have to move capital, move products, move technology, in a regional market where you may have 15 countries all with different regulatory systems. That's a barrier. So I think Africa...needs to really focus on harmonizing regulatory systems to make it more attractive and facilitate faster movement of capital. On regulatory systems, Africa is behind. That's not all bad news, because it provides the opportunity to do it right: balancing between regulating the free market system and building in the right safeguards, while also not having unnecessary barriers to business and trade. In order to have strong regulatory systems, you have to have strong governance and institutions. You can't have the systems and policies without having the strong institutions to back them up and execute those policies. So the approach has to be a comprehensive one. I think these things have been neglected in Africa, but I think it's been recognized and they are working on it. One of the reasons why it's been neglected is because on the ground African governments have been facing enormous economic and social emergencies. Focusing on regulatory systems is really a luxury compared to that. It only becomes a necessity when you have the kind of business interest that Africans are experiencing now. So now there is a great deal of focus by people who move global capital that is forcing Africa to put in the kind of systems to absorb this interest and this capital.

GV: *How do you see the increased trade and investment changing the continent, especially with regards to governance, corruption, and human development goals?*

Whitaker: The more you have successes in business from companies who bring a good development dividend, the more investors, projects, and companies will be attracted to the region. Getting an investor in, getting an infrastructure project done is not just about business; it's about the development dividend. We are going to have to create an enormous amount of jobs in Sub-Saharan Africa, because you have 70 percent [of the population] 30 or under and 50 percent 16 or under, so you have to have jobs or you are going to have what's happening in North Africa happen exponentially. And how can you create these jobs without the private sector? This current low level capacity of the private sector in Africa can not create these jobs. So it's going to have to be a strategy to build the indigenous private sector so they can create the capacity with foreign investors and global companies. We do have some giant companies in Africa. We have the MTNs, the Ecobanks, the SABMillers, but they are not enough. We are going to have to multiply that for the kind of job creation needed for the stability of the continent. We are going to have to create the kind of investment projects and facilitate the kind of capital flows that will also have that job creating impact. That has to be priority. When you have that job creating impact, you have the impact of women being empowered, more people being educated. The kind of governance that we hope for in Africa is going to require an active, educated civil society. It has to be people driven and it has to come from people's demand. Until you get more people who are educated and empowered, it's hard for those same people to demand that kind of accountability from their governments.

GV: Have you been doing anything to support female entrepreneurship in Africa?

Whitaker: We think female entrepreneurship should be integrated into every initiative possible. We've seen some excellent work from SABMiller in terms of starting a female entrepreneur training program. We are working with a group Hand in Hand, out of the UK and Sweden, that is creating a micro-finance initiative where they are supporting and training female entrepreneurs, focusing on women entrepreneurs who have the most potential to create jobs. Their mission is to create 10 million. They are already in South Africa and Kenya and we are working to bring them to Lesotho. It's only when you can empower the women that you are going to truly see transformed societies.

GV: What's next for you and your company? Where would you like to see yourself and Whitaker Associates in 5 - 10 years?

Whitaker: I would like us continually on the forefront of the changing landscape of business in Africa. We are pioneering a lot of new models in terms of advancing business in Africa. We have a lot of experience. We know what works, so we want to take more businesses in and at the same time create the kind of models...that can build local private sector capacity and also provide capacity to address poverty. Because no region of the world has ever transitioned from poverty to prosperity, from the margins to the mainstream of the global economy without business. So we are operating in that nexus between business, policy, and government. And you need all three to promote the kind of business [needed] in Africa – bringing in global companies to build local private sector capacity, not just on a CSR basis, on a profitable business basis. In the next 10 years I want to see the Whitaker Group as a part of the changing landscape and one of those forces that helped change the paradigm to create this new landscape. Longer term I also would like to see us become an investor in Africa. To transition from consulting work to investing our own money in the region.

GV: So you're considering starting an investment fund?

Whitaker: We may consider working with a fund. We would like to co-invest in some of these projects. We think we mitigate risk, having a unique knowledge base for Africa of what will work profitably, not work, where the landmines are, what's right and what's not right. At the end of the day we hope that people will say Africa is...converged with the rest of the world economically and the Whitaker Group demonstrated it was possible. That a small group of people can make a difference in the world and that we helped contribute to this new era of growth and opportunity in the region. That would make me very happy and that's the direction we are moving in every day.