Unlocking expansion opportunities across Africa

Kigali International Financial Centre

In partnership with

AFRICA LEGAL

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Foreword

Nick Barigye | Chief Executive
Rwanda Finance

Africa’s ambition for growth and development is undeniable.

Businesses want to grow and the Covid-19 pandemic seems to have done little to dampen interest in exploring new African markets.

Making this happen, however, is the ongoing challenge and opportunity

In this, the final of a three-part research and analysis series on doing business in Africa and the unique value of African based IFCs to business expansion, Rwanda Finance and Africa Legal examine why it has, to date at least, been so hard to translate this huge appetite for cross border expansion into reality.

We showcase the resilience of Africa’s key sectors in the face of the challenge and the opportunities presented for businesses to collaborate with corporate service providers to find solutions and unlock value.

The Kigali International Financial Centre was established to allow business to thrive. To do so we must continue to evoke thoughtful discussion, collaboration and action within the communities we serve, and we hope that this report, and those preceding it, have facilitated such discussion.

We are delighted to have completed our 2021 research series with Africa Legal. Thank you to all our contributors, interviewees and community members for their valued honesty and insights.

Together we will truly realise Africa’s potential.

Executive Summary

Africa is a land of vast untapped opportunity for businesses both native and globally. Home to almost a fifth of the world's inhabitants, behind only Asia, it has a young and growing population. Many African countries are also rapidly urbanising, creating jobs and increased demand for consumer goods and services. The scope for companies to expand across Africa is huge.

In this report, Africa Legal and Rwanda Finance—which is developing the Kigali International Financial Centre—surveyed almost 300 businesses, entrepreneurs and corporate service providers in Africa to gauge the current level of cross-border expansion on the continent and how much appetite there is for businesses to expand further.

The report also examines the services that are most in demand when expanding into new jurisdictions and the corporate structures that can best facilitate cross-border growth. It also features commentary and insights from experts on the approaches companies should take when entering new markets and the steps they need to follow to ensure those expansion efforts are a success.

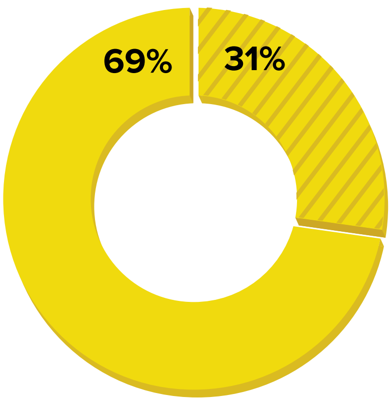
This third and final report concludes a series of research report with a deep dive into the drivers that can help Africa grow. From the continent's need for a modern, forward-thinking international financial centre explored in report one, to the building blocks needed to encourage more pan-African investment outlined in report two, the series has highlighted the scale of opportunity that exists on the continent and the challenges that need to be overcome for Africa to truly unlock its potential.

Expansion Plans

Supporting Corporate Growth Across Africa

The case for businesses to set up or expand in Africa is a compelling one. Africa has a young and rapidly growing population: 1.7 billion people are expected to live on the continent by 2030, up from 1.3 billion today. Approximately 80% of that growth is expected to take place in cities, making it the fastest urbanising continent in the world, says Emmanuel Assiak, acting CEO of Afreximbank's Fund for Export Development in Africa (FEDA).

For Africa's corporates—the vast bulk of which are micro, small and medium-sized entities, among them accounting for roughly 80% of jobs on the continent — that means massive opportunity to scale up and grow both domestically and beyond their own borders.



RESPONDENT BREAKDOWN BY ORGANISATION TYPE

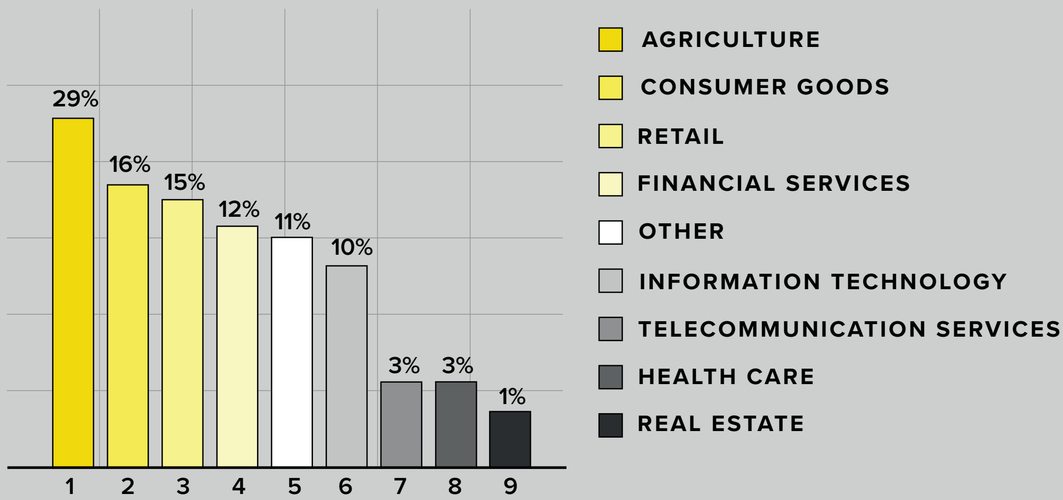
Corporate Service Provider

Business/ Entrepreneur

Right now, few have made the move away from their home markets. Of the 69% of survey respondents that class themselves as businesses or entrepreneurs, 67% said they only operate in one African country. That compares to almost a fifth (19%) which operate in between two and five countries, and just 3% who operate in between six and 10 countries. No respondents said they operate in between 11 and 20 countries, with just 3% saying they operate in more than 20. That suggests most cross-border African expansion to date has likely been limited to regional opportunities, with a small proportion of multinationals operating continent-wide. We explore some of the reasons for these trends further into this report.

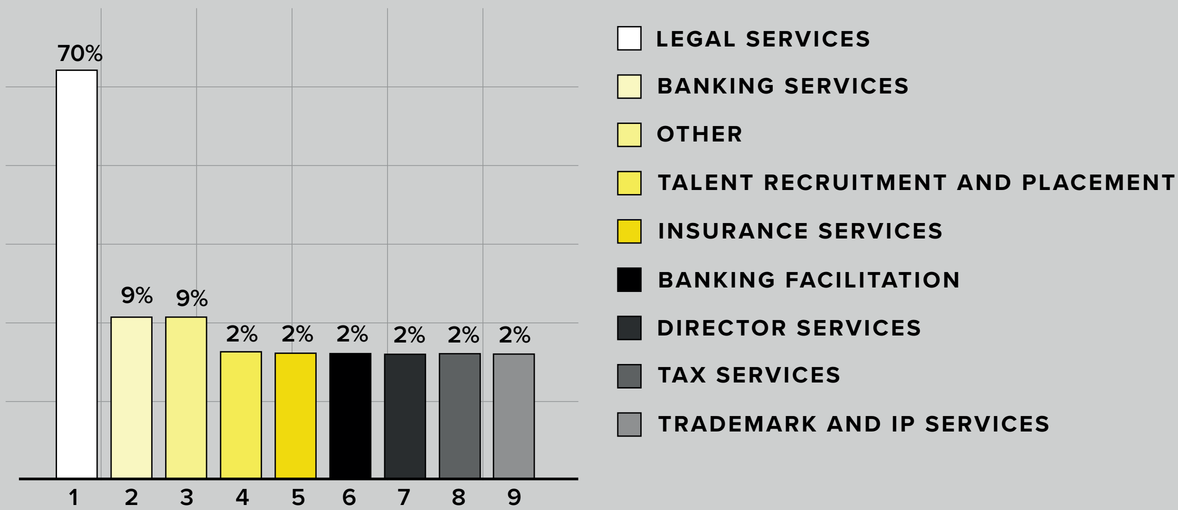
CORE SECTOR OF RESPONDENTS

CORPORATES



CORE SECTOR OF RESPONDENTS

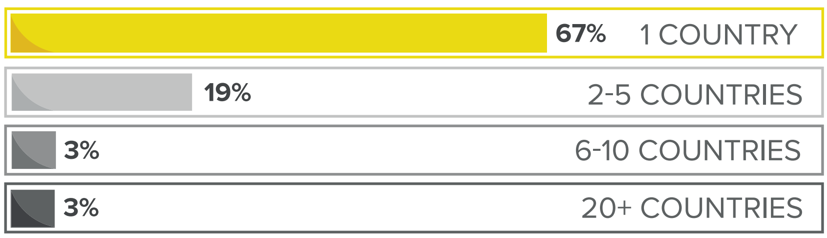
SERVICE PROVIDERS



Meanwhile, for the 31% of respondents that described themselves as corporate service providers—such as law firms, tax advisors and banking professionals—60% said they operate in just one African market. That compares to 15% of respondents who said they operate in between two- and five countries, and between six and ten. Just 2% said they operate across 11 to 20 markets, while 6% said they have a presence in more than 20, highlighting that corporate service providers are one step ahead in their cross-border expansion plans than the companies they are serving.

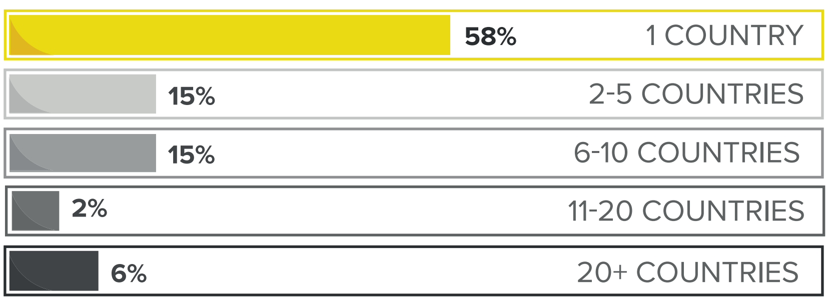
NUMBER OF AFRICAN COUNTRIES WHERE RESPONDENTS OPERATE

CORPORATES

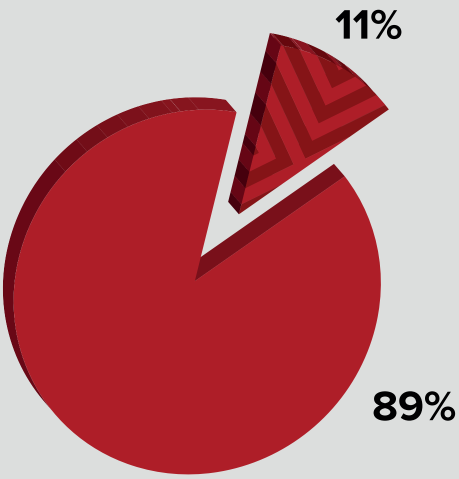


NUMBER OF AFRICAN COUNTRIES WHERE RESPONDENTS OPERATE

SERVICE PROVIDERS



That data points to a huge untapped opportunity for African businesses to scale up and enter new markets—and the majority have the ambition to do just that. As many as 89% of business and entrepreneur respondents said they expect to increase the number of African countries they will operate in over the next five years, compared to 77% of corporate service providers.



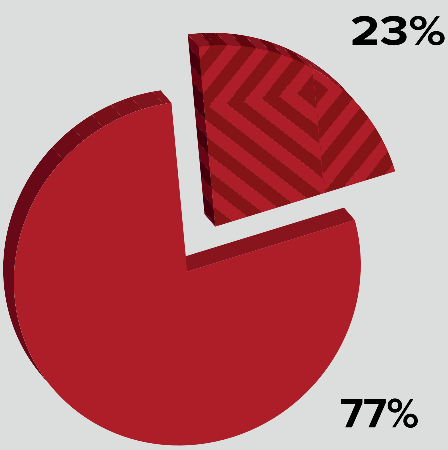
EXPECTATION OF EXPANSION

CORPORATES

Do you expect to increase the number of African countries where your organisation operates in the next 5 years?

Yes

No



EXPECTATION OF EXPANSION

SERVICE PROVIDERS

Do you expect to increase the number of African countries where your organisation operates in the next 5 years?

Yes

No

Among those businesses and entrepreneurs, almost a third (30%) said they are already in the process of expanding, while 57% said they plan to expand sometime in the next 12 to 18 months. Just 4% said they are retracting or reducing their African operations.

That compares to 36% of corporate service providers who said they are currently expanding, and 38% who plan to expand sometime over the next year to 18 months. Another 6% said they plan to restructure or consolidate their African operations, with just 2% saying they plan to scale back their presence on the continent. Some respondents also had slightly longer-term horizons in mind—one respondent said they plan to expand sometime in the next two or three years, while one said they have a strategic plan to expand over the next decade.

EXPANSION PLANS

CORPORATES

EXPANSION PLANS

SERVICE PROVIDERS

Q&A

with **Emmanuel Assiak | Acting CEO**
Fund for Export Development in Africa (FEDA),
Afreximbank

What can be done to help African companies scale up and grow outside of their domestic markets?

“There are a number of things that we can do. First of all, efforts to align trade policies among countries and reducing tariff and non-tariff barriers as envisioned under the African Continental Free Trade Area will help. Some of the businesses that are small today, have inhibiting elements of trade that are holding them back from reaching their full potential. If such companies are able to move from being importers, to playing first in the import substitution space, via value-addition, and then becoming regional exporters, there is some room to grow there. Number two is the promotion of efficient trade models, which would allow for easy movement of goods and services across Africa. For example, Afreximbank recently initiated a pan-African payment and settlement system—PAPSS—which supports the efficient settlement of cross-border transactions. If, say, you are in Rwanda and you want to import items from Ghana, PAPSS enables you to settle with Rwandan Francs and the party in Ghana receives Ghanian Cedis. So you’re cutting out the cost and the reliance on the dollar, and this will facilitate easier trade and create value for Africa ultimately.”

How important will trade finance be for driving growth in Africa?

“Trade finance is at the heart of driving growth in Africa. If you look at trade ratios today, regional trade in Africa is still below 16%. Compare that to the regional trade numbers for South East Asia which is at about 60%, in the Americas mid-50% and in Europe about 70%. We need to finance trade much more so we can grow capacity within Africa. To put it into perspective, studies have shown that between 15% and 20% of the drop in trade that occurred during the 2008 and 2009 financial crisis was actually attributable to shortages in trade finance. If you don’t have funding that is targeted at supporting trade, businesses will not be able to operate efficiently and reach their potential. Of course trade finance will also be critical in expediting Africa’s economic recovery from the coronavirus pandemic as businesses require additional cash flow to increase capacity.”

What advantages are there to using a holding company (holdco) structure when seeking to expand in Africa?

“There are huge benefits accruable from using a holdco structure when seeking to expand in Africa. First, the structure provides the investor some room for risk minimisation: a single company having multiple businesses has all its assets and business exposed if there are any issues in any part of the business. The holdco structure allows better asset management, better distribution of assets and efficient sale of the asset. Second is enhanced or what you may call optimal borrowing capability; there is no dependency on a single mortgage or loan provider. Each company can approach a different commercial loan provider to avoid the problem of the first charge and second charge. A holdco approach also allows for efficient management of related party borrowings. Opportunity for efficient tax planning is another benefit: a holdco structure allows for the incorporation of the holding company in tax efficient jurisdictions. One area a number of businesses do implement well is succession planning. A holdco structure promotes tidy succession planning, particularly when businesses are transitioning from one generation to another. Finally, using the holdco approach provides for efficient dividend income management. Dividends up-streamed by subsidiary companies are exempt from corporation tax, mostly only attracting withholding tax. In addition to the tax benefit, a holdco structure accords more control over dividend income to ultimate beneficiaries/shareholders.”

What steps do companies need to take to ensure their African expansion efforts are a success?

“First of all partnering with the right people and ensuring all the partners’ interests are aligned—if interests are not aligned it will never succeed. Number two is having the right management team that is well experienced, with appropriate market knowledge—people who have done this before and have a strong demonstrable track record. The third most important factor is having clarity on what you want to achieve—some people go in first and then decide what to do, but that is a game of chance. At FEDA we would not invest in a business if we do not know exactly what we will do to help that business grow from point A to B. The enabling environment is also important—if the operating environment is not supportive or is unstable, it doesn’t matter how many of the other elements you get right. And then finally you need to see the big picture, so no matter what obstacles might get in the way, you know where you are ultimately heading.”

FEDA
Fund For Export Development In Africa

Growth Opportunities

Motivations for those expansion plans for businesses and entrepreneurs varied widely, though common themes included taking advantage of growth opportunities and to reach more customers.

Despite the impacts of the Covid-19 pandemic on global growth, Africa's economic outlook is bright, underpinning the positive sentiment among survey respondents. Sub-Saharan Africa is expected to see GDP growth rebound to 3.7% this year, up from a 1.7% contraction in 2020, according to the IMF.

Growth prospects for sectors where respondents are most active—agriculture, consumer goods, financial services, IT and retail—are also strong.

Agriculture and fish production, for instance, is expected to grow by 23% over the next decade in Sub-Saharan Africa, according to the OECD. Meanwhile, Africa's demand for consumer goods is also expected to rise, with total consumer spending in Sub-Saharan Africa on track to reach $2.5 trillion by 2030, up from $1.4 trillion in 2015, according to the Brookings Institution.

While the retail sector has been particularly hard hit by the pandemic, retail occupancy rates have remained relatively resilient in Africa, averaging about 80% across the continent, according to Knight Frank. Covid-19 has also boosted e-commerce activity, with Africa's online retail giant Jumia reporting a 50% jump in transactions during the first six months of the pandemic.

The outlook for Africa's financial services sector is positive as well. African fintech companies continued to attract investment during the pandemic, raising $1.35 billion last year, up from $1 billion in 2019. By contrast, fintechs in other emerging markets such as Latin America and India saw funding decline in 2020, according to a report by BFA Global.

Africa's favourable demographic backdrop is also a reason for optimism among respondents. As one noted: "Africa has an expanding young population, while the rest of the world is generally ageing. This means that Africa has a unique opportunity to become the global centre of labour-intensive industries—think manufacturing, agricultural, service and creative industries—as the ageing-crunch takes full hold."

Here is a snapshot of responses from businesses and entrepreneurs:

> We started in Kenya in 2017. In 2019 we began operations in Uganda and are currently studying various proposals to venture into Rwanda and Tanzania.

> We need to expand in order to reach more customers and more investors.

> Markets for agriculture produce is never ending. We also do value addition of our produce thus there's a huge demand, hence the expansion.

For corporate service providers, expanding into new markets ahead of their clients can give them a potential advantage in those countries. As one respondent noted: "There is increasing demand from a number of our existing clients and prospective clients for our presence in jurisdictions where they are currently present or plan to expand their markets to."

Others said their motivation to expand is based on the potential opportunities being opened up by the introduction of the African Continental Free Trade Area (AfCFTA). "We are expanding essentially for growth within the sector and also to take advantage of the continental free trade agreement in relation to provision of business and legal services across the continent," another respondent said.

Q&A

with **Diane Karusisi | CEO**
Bank of Kigali

What can be done to help African companies scale up and grow outside of their domestic markets?

“The business climate has to be attractive in other countries. We have more and more national champions—companies that have grown and have been able to scale in their domestic markets—but it has not been easy for these companies to scale outside of their domestic markets because of the business climate in general, and sometimes instability and lack of predictability in the region. It’s really important for businesses to have confidence and that their activities will not be hampered by new unforeseen regulations that can affect activities.”

What are some of the key challenges you face as a lender when financing companies that are seeking to expand?

“One key challenge we face is the corporate governance of the companies we give money to. For those companies that have successfully grown and scaled over the past two decades, you find they have the right governance structure, including proper financial management, competent board and management and so on. We have seen businesses struggle after the founder and owner has passed on, so proper governance structure and succession planning is critical. Today, we provide pricing incentives to our clients—who have proper financial management, audited accounts, and so on. It is working, but slowly.”

How should companies structure themselves when seeking to expand in Africa?

“I believe it always makes sense to partner with local champions when establishing a new venture in a different country. As much as foreign companies bring capital and expertise, local partners add value in terms of understanding the context and having the right networks, and so forth. Typically I would not go greenfield in a new market, I would look for partners who understand the local context and then blend our capabilities to build something that is relevant to that market. Obviously, some people are more bold and are comfortable to go completely greenfield in a new market but my preference would be to partner with existing players.”

What are the biggest challenges for corporates looking to establish a foothold in or expand across Africa?

“The challenges are the same time the opportunities. We still have low financial inclusion in the region, so it is a challenge but at the same time an opportunity for companies in our industry. However, in a tightly regulated industry like banking, the big challenge is navigating through regulations in a new market. Over the years Rwanda has been able to streamline regulation, that is established in a very collaborative and inclusive process, giving an opportunity to all stakeholders to contribute. This has helped us to build a friendly climate for business. That is a challenge elsewhere—so being sure that you can invest and there won’t be dramatic changes in regulation in a short period of time, and being able have confidence that what you see is actually what you get and is predictable, that is important.”

BANK OF KIGALI
Financially transforming lives

Cautious Approach

Expanding across borders is not without challenges. Respondents listed a range of concerns that are complicating their expansion plans, from government red tape and the slow pace of getting things done, to a lack of capital and issues around security and political stability. Corporate service providers also flagged regulatory uncertainty as another potential hassle. “In my experience as a legal and tax advisor for businesses, the biggest concern is usually that regulators in Africa are very unpredictable. This applies to a big majority of regulators including tax regulators, companies’ registries, immigration departments, and licensing entities, among others. That trend seems to be similar across several African countries,” a respondent noted.

The Covid-19 pandemic and low vaccination rates across the continent may also act as a handbrake on any near-term expansion, as could concerns around climate change, says Emmanuel Assiak, CEO of Afreximbank's FEDA. A lack of infrastructure can also dampen appetite for expansion in certain jurisdictions.

“One of the attractions that we see in places such as Rwanda is the whole focus of the country around creating an enabling environment for businesses to thrive—if you don’t have the enabling environment, you won’t have the ability to attract these businesses,” Assiak commented.

Here is a snapshot of concerns about business expansion voiced by both sets of respondents:

> The financial and administrative burden of having to maintain and operate physical offices across African jurisdictions which may not be supported by sustained client growth.

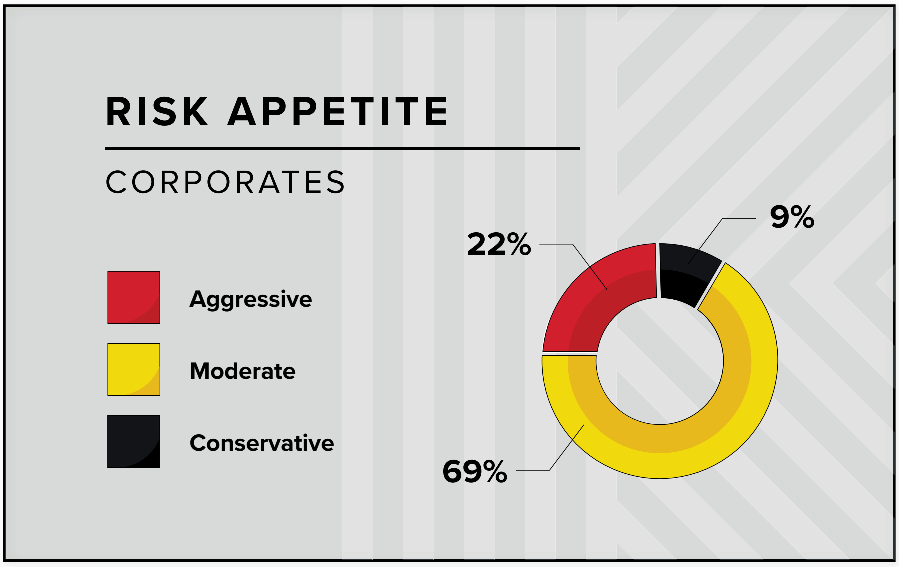
> Political landscape and lack of competitive skills to match the technical requirements to push expansion of business in Africa. Additionally, the inability or unwillingness of family owned companies to cede ownership in their respective companies.

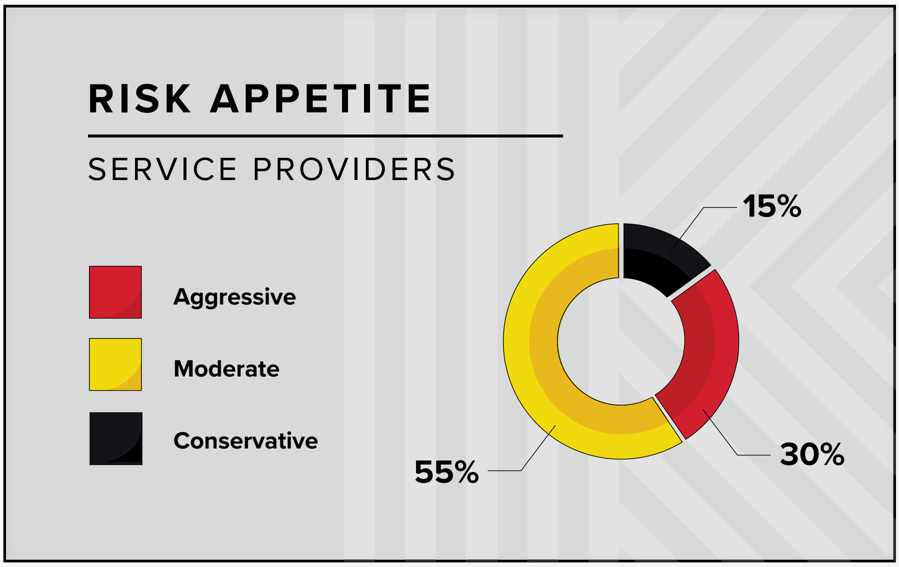
> Lack of infrastructure and high cost of capital and access to finance.

> Primarily government interference, and the larger political instability.

> Official red tape and corruption.

Against that backdrop, companies are likely to remain relatively cautious before committing to any move. More than two-thirds of business and entrepreneur respondents (69%) said their risk appetite is moderate, compared to 22% who said they have an aggressive outlook when it comes to expansion and 9% who said they are conservative. Corporate services providers, however, are slightly more hungry: 30% described their business's risk appetite as aggressive, with 55% saying they are moderate and 15% conservative. Given the large proportion of respondents who have moderate risk appetite, the wide-spread ambition among African businesses to expand over the next five years may be tempered if external conditions become more challenging.





“Although the Covid-19 crisis has negatively impacted the revenue and valuations of many African businesses, it has also sparked extraordinary initiative and innovation as companies find new ways to serve the needs of both consumers and business customers. This spirit of entrepreneurship is visible from both large businesses and micro, small and medium enterprises.”

Acha Leke | Chairman
McKinsey Africa Region

Q&A

with **Acha Leke | Chairman**
McKinsey Africa

How has Covid-19 impacted the business potential across Africa and to what extent should businesses be adjusting their strategies to adapt to the new environment?

"Although the Covid-19 crisis has negatively impacted the revenue and valuations of many African businesses, it has also sparked extraordinary initiative and innovation as companies find new ways to serve the needs of both consumers and business customers. This spirit of entrepreneurship is visible from both large businesses and micro, small and medium enterprises. The pandemic encouraged businesses to move fast to meet customers' increased appetite for digital. For example, insurers have shifted to end-to-end digital customer journeys, using video and live chats for customer interaction and moving their claims-submission processes to mobile. Retailers, for example, built up their online presence and developed new logistics solutions. This transformation helped make it easier for businesses to build a footprint across African borders. The pandemic refocused attention on practical implementation, including a pan-African payment and settlement system to drive local and regional manufacturing. You do not have to visit every single country anymore to get a license or open up a physical branch. This model supports expansion across Africa."

How important will M&A activity be in driving growth in Africa and how should companies approach M&A opportunities?

"In past crises, resilient companies often divested assets that were no longer core to their businesses, and looked to acquire companies that would help them build new capabilities or expand their footprints in key markets. The Covid-19 pandemic has encouraged other companies to adopt a similar posture on divestitures, mergers, and acquisitions. However, companies need to be clear why they are doing the deal. For example, it could be to strengthen their market position and market share, or it could be because they want to enter a new market or new category of product. But there is definitely a shift towards mergers and acquisitions, in part because valuations are often lower."

How important are factors such as healthcare and education when companies are considering entering a new market?

“These are secondary factors, but important ones. When companies start looking at an opportunity to enter a new market, they will first look at the business environment and ask themselves if they can do business in a particular market and what it would take for them to be successful there. Multinational companies looking to bring expats into a country often focus on factors including healthcare and education, but they may not be the deciding factor. They will have a long-term perspective—integrating what they would usually outsource, targeting high-potential sectors with low levels of consolidation, and investing in building and retaining talent.”

What regulatory developments are needed to support corporate growth in Africa?

“The Africa Continental Free Trade Area (AfCFTA) is now the world's largest free trade area by the number of countries. With 54 countries, Africa has never been an integrated community, but opportunity always existed. The AfCFTA now enables movement of goods and services across the continent, creating a continental customs union to streamline trade, and attract long-term investment. Many African markets are small, making it difficult for them to create scale and be competitive. The AfCFTA aims to increase market access and enhance competitiveness. The pandemic also highlighted the need for political and regulatory support to manufacture vaccines in Africa. The AfCFTA, as well as the promise of greater harmonisation of markets offered by the African Medicines Agency and regional economic communities, are all important steps. ”

McKinsey & Company

Holdco Advantages

When entering new markets, organisations also need to think about how they intend to structure their business. Take Nigerian payment service provider Paystack. It has expanded into markets such as South Africa and Ghana, and has used a holding company (holdco) structure to manage this efficiently.

“Paystack’s corporate structure utilises a Delaware holdco which in turn owns our local operating subsidiaries,” said Falgu Shah, business operations lead at Paystack. “Historically, this helped the founders of Paystack to raise money from US-based and international funders, and allowed the company to participate in Y Combinator in the US (a tech startup accelerator programme). We have retained this structure and continue to incorporate our subsidiaries under our Delaware holdco.”

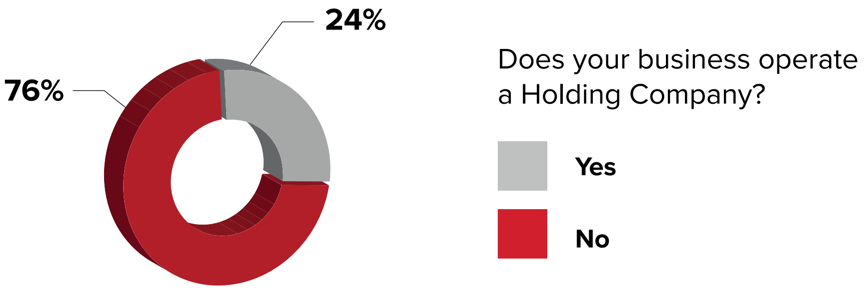
Shah says the company has discussed whether maintaining the Delaware holdco in the US is the best way to structure the business or whether it would be more convenient to locate the holdco within Africa, but is still undecided.

> “There are definitely conversations from an operational perspective if that makes sense given Paystack doesn’t have any operations in the US. Administratively it can be a bit of a hassle. If we could find a viable alternative in Africa that offered the same benefits and protections as Delaware, that would be something we would consider,” said Shah.

Given the relative lack of cross-border expansion in Africa to date, the use of holdco structures remains fairly limited. Just 24% of business and entrepreneur respondents said they operate a holding company. However, 42% of corporate service providers said that a significant part of their client-base makes use of a holding company, suggesting they begin to get more prevalent as companies grow and seek support services. (Note that 72% of corporate service provider respondents operate in the legal services space.)

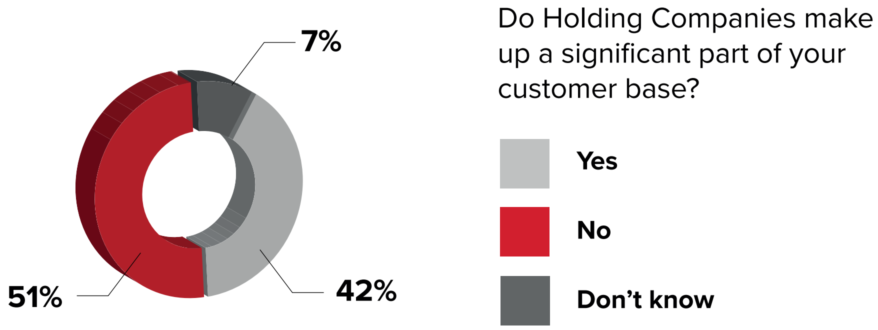
UTILISATION OF HOLDING COMPANIES

CORPORATES



ADVISING HOLDING COMPANIES

SERVICE PROVIDERS



Setting Up Shop

Entering new markets is a complex process that requires a range of support services to ensure companies can hit the ground running. One route is to simply partner with a local business to access their expertise and market knowledge, but for companies that are starting from scratch they will likely benefit from a certain amount of hand holding.

“There is a need for business development services in general, but also recruitment because if you go to a new market you want to get local talent, and it’s not easy so it’s good to have someone who can help you through the process,” said Diane Karusisi, CEO at Bank of Kigali. “Obviously we have audit firms locally that you find everywhere, but getting local talent and business development professionals who understand the market to support your market analysis is very important.”

It is not just the business climate that companies need to consider when entering new markets; the softer elements such as healthcare, education and the general living environment are also important factors to take into account.

“As we build a pan-African software business, we have expanded our engineering hubs from Lagos to now include Dubai and Cape Town,” said Shah. “When it comes to building future talent hubs, we are looking to cities with attractive living standards. However, we are very cognisant that we want to offer our products and services across Africa. Each country requires its own support engine or user operations team, as well as business development talent, to ensure we offer the best service and solution for our customers.”

Q&A

with **Falgu Shah | Business Operations Lead Paystack**

How have you been approaching your expansion outside of Nigeria?

"Today, Paystack is live in Nigeria, Ghana and South Africa—markets which have been rapidly digitising in terms of commerce and services over the past decade. As an online and offline payment service provider, we look to enter African markets which have demonstrated a shift towards the digital economy, and where merchants are building innovative solutions which require reliable payment rails to work. From a bottom up perspective, we also assess new expansion markets through the lens of regulation. Payment facilitation can be a highly regulated business in many markets. Paystack seeks to fully understand the costs of licensing and ongoing compliance to determine if the business case makes sense. We take a proactive approach to working with regulators to ensure we are offering innovative and compliant products in each jurisdiction we operate in, with the long-term vision of boosting a country's GDP flowing through the internet."

What are some of the challenges you face when looking at operating in new jurisdictions?

"As we enter new markets, it's critical for us to fully understand and immerse ourselves in the local context when it comes to laws, how to do business, and cultural nuances. Before employing our own staff on the ground, we rely heavily on local advisors to help us navigate the regulatory and business environments to set up our initial infrastructure such as licenses and bank accounts. Then we'll obviously put resources behind sending people from Paystack HQ to those markets to further assess whether the product we're offering is in and of itself attractive to merchants in that market, and what we'd need to do to get local product market fit. So it's a dual-strategy in terms of relying a lot on experts to tell us what it is like, but then also having people on the ground to understand how our merchants do business, how customers are used to paying for things and figuring out what the product market fit might look like. This has certainly been challenging during the coronavirus pandemic, since our company and many others have been operating remotely."

What are some of the factors that you look for when considering setting up in a new jurisdiction in terms of the operating environment?

"Given that we are operating across many jurisdictions, we seek business-friendly environments from a regulatory, tax, compliance, foreign exchange, and substance perspective so we can reasonably manage local requirements. If the costs of doing business locally outweigh the commercial opportunity, it becomes hard to make a case for entry."

What support services have been most intrinsic to your growth and development?

"Our business is based on partnerships to help us scale fast and realise our pan-African vision. We rely heavily on law firms who have experience and expertise in fintech to inform us of all applicable local laws and regulatory requirements that we have to consider. Banking partners are critical to our success as a payment service provider. We have relationships with dozens of banks across the continent to help us process transactions for our merchants. Our focus is building reliability and redundancy into our offering and so our multiple bank partnerships are very important."

paystack

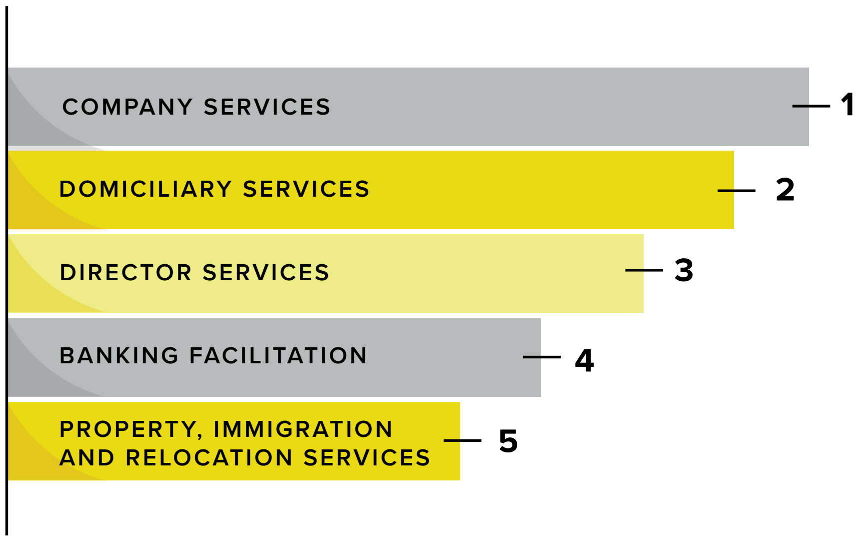
Business and entrepreneur respondents said the most important services they need when expanding their operations in Africa are company services, such as company incorporation, followed by domiciliary services, director services, banking facilitation, and property, immigration and location services. For those that are setting up or consolidating their business operations—including establishing a holding company—respondents ranked company services first, followed by banking facilitation, property, immigration and location services, domiciliary services and director services.

KEY SERVICES WHEN SETTING UP OR CONSOLIDATING AS RANKED BY RESPONDENTS

CORPORATES

KEY SERVICES WHEN EXPANDING AS RANKED BY RESPONDENTS

CORPORATES



COST SAVING SERVICES

CORPORATES

Which of the following have the greatest potential to significantly reduce the time and resource requirement when setting up or consolidating African business operations?

Respondents also said that company services and domiciliary services have the greatest potential to reduce the time and resource requirements when consolidating their business or setting up a holding company. All of which underscores that companies generally want to get their foot in the door first, and then build from there.

For corporate service providers that are seeking to expand into new jurisdictions, the most important aspects they consider are the ease of navigating the regulatory and compliance landscape, followed by a critical mass of customers, ease of access to customers, tax incentives and introductory services to customers. Respondents said global rankings—such as where countries sit on transparency and quality of life indices—was the least important aspect, followed by the innovation backdrop and international reputation. In other words, they just want to go where their clients are—or are likely to be in future.

NEW MARKET CONSIDERATIONS

SERVICE PROVIDERS

When expanding business operations to a new jurisdiction which of the following are most important?

Conclusion

Through this series of reports we have explored the need for a new and modern international financial centre in Africa (report one) and the environment needed to attract more pan-African investment (report two). This final instalment in the series has highlighted the scale of ambition African companies have to expand beyond their domestic markets and spread out across the continent. The next stage is making it happen.

As our surveys have underscored, to facilitate these expansion opportunities, corporates need access to capital and a range of professional services providers, as well as a stable and predictable political and regulatory backdrop. We've also seen how more sophisticated corporate structures can help smooth this process and make expansion efforts more efficient—both operationally on the ground and through financial matters such as tax planning and M&A.

In report one—A Modern Africa. A Modern International Financial Centre—we learned how African businesses are underserved by financial centres globally and why having a new onshore IFC in Africa could help provide that access to capital and professional support needed to spur more investment and development on the continent.

That is just the first step in propelling Africa forwards. In report two—Realising and Facilitating pan-African Investment—we highlighted the misgivings investors typically have about putting cash to work on the continent and outlined ways to potentially assuage those concerns, such as through local capacity building and robust regulation.

By having all of that in place—access to capital, reliable corporate services, local skills and regulatory certainty—businesses can start to unlock the expansion opportunities that can help drive faster and more sustainable African growth.

If your business is considering expanding its footprint in Africa or simply to learn more about the KIFC and how it can help facilitate cross-border investment and growth, get in touch via the contact details below.

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