

PARTNERSHIP WITH AFRICA: CHALLENGES FOR AN AFRICAN SOCIAL MARKET ECONOMY

CONFERENCE AT VILLA LA COLLINA, CADENABBIA/LAKE COMO, ITALY, 8 TO 10 MARCH 2012

BACKGROUND OF THE CONFERENCE

The conference „Partnership with Africa: Challenges for an African Social Market Economy“ convened at the initiative of Professor Horst Köhler, former President of the Federal Republic of Germany, and John Kufuor, former President of the Republic of Ghana. It was organized by the Konrad-Adenauer-Stiftung and held in early March 2012 on the grounds of the historic Villa La Collina in Cadenabbia, Italy. The conference brought together high-ranking German and African participants from politics and business to discuss possible models for African development and debate how German-African business partnerships can support this development.

AFRICA ON THE RISE

A Positive Outlook on African Development

This inaugural conference for German-African business dialogue demonstrated a remarkable sense of heading towards new horizons. Although many challenges for the development of Africa were discussed, the participants from Germany and a range of African countries shared a very positive outlook on the future of the continent. Just a decade ago, Africa was still widely seen as a continent of disaster but discussants felt that this perception had been changing in recent years. Consensus is growing that a new Africa is emerging.

Notable Trends

Keynote speakers illustrated the rising importance of Africa with a series of facts. The population of sub-Saharan Africa is growing fast, estimated to reach nearly 1.1 billion by 2020. Africa's population is very young on average and conference participants recognized it as a potent political and cultural force that will increase the continent's influence in world politics. Simultane-



ously, the percentage of the population of working age is increasing, which will lead to a reduction in government spending on health care and increase savings. Befitting this positive outlook, a strong GDP growth can already be witnessed in some African countries. Speakers also pointed to the sharp rise in cell phone usage, meaning that the lives of African people will increasingly be shaped by global and regional information technologies as well as global financial exchanges. Very encouragingly, the number of conflicts has gone down over recent years, while the number of democratic states has increased. These trends have prepared the ground for the development of the private sector.

Africa in the Focus of Investors Worldwide

The new interest of investors around the globe in African business opportunities was a guiding theme of the conference. Participants agreed that unfortunately poverty still grips the lives of the majority of the people of sub-Saharan Africa, but they also found that this poverty is not universal. Business opportunities with the potential to increase wealth existed as demonstrated by the vast investment from China and the recent expression of interest by US investors. Conference participants said they sensed extraordinary buzz among worldwide investors, who no longer talked about Africa as a "hopeless continent" but as "a rising

*Africa ahead:
a container ship
steering towards
Table Mountain.*



*A country's future:
playing children in Burkina Faso.*



"In this conference I find it refreshing that finally Africa is not talked about as a problem to be solved, but as a continent offering very promising opportunities. We have to thank China for this positive attention. Chinese investments demonstrate that they do not see Africa as a basket case, but take note of the rising opportunities."

*Dr. Greg Mills, Director,
The Brenthurst Foundation, South Africa*

continent". While some discussants cautioned that the truth may lie somewhere in between these extremes, conference participants agreed that Africa needs to seize this opportunity to use it to its benefit and further the continent's development.

The New African Assertiveness

During the conference, the spirit of "Africa rising" manifested itself in the forceful expression of the African participants' opinions. While the majority of German participants attended the conference to listen and learn, representatives from African business and politics claimed the lion's share of speaking time. Aware that they know best what their home countries need, they very clearly voiced their opinions and concerns, not hesitating to strongly criticize the institutional environments of their own countries and the past behaviour of foreign investors.

In many instances, African speakers aimed to convince German participants of the business opportunities in their countries and voiced demands for the desired modalities of cooperation. While they made it clear that the increasing interest of investors from around the globe provides them with greater choice in selecting their partners than ever before, African participants expressed their preference for partnerships with so-

cially responsible German investors over foreign market entrants from China.

THE ROLE OF BUSINESS IN SOCIETY

The Multifaceted Goals of Businesspeople

The potential of the private sector, both foreign and domestic, to assist in the development of African countries was a key theme of the conference. While participants agreed that profit maximization is the prime goal of business, they also recognized that the goals of most businesspeople are multifaceted. Both African and German business representatives highlighted the dual motivators of creating jobs and promoting development.

African Perspectives

African speakers voiced their hope that private entrepreneurship could significantly foster scientific and technological innovation and create valuable linkages in the domestic economy of African countries. They see the creation of a large number of private sector jobs as crucial for moving the continent forward. Representatives of African businesses underlined this perspective with numbers on the positive impact of their companies' growth and related social responsibility activities.

At the same time, African representatives demanded that foreign investors not remain passive in the face of African grievances. Instead, they need to understand and embrace their role in and responsibility for promoting African change. They firmly believe that German businesses can play a significant role in developing the African economy. Therefore, they called on German business representatives to wake up and help Africa get out of poverty with the help of socially responsible investments. Crucially, African representatives do not regard such engagement of German companies as an extension of development aid but, on the contrary, as very much in the interest of profit-seeking German

business. It is important to note that in general the term (development) aid did not play a significant role in the discussion. By contrast, the focus was very much on mutual benefits and a positive-sum game.

German Perspectives

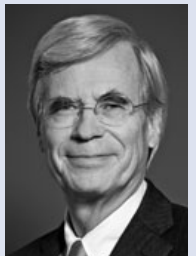
The demands by African conference participants were heard and positively received by their German counterparts. The representatives of German business embraced their corporate social responsibility in cooperation with African partners and recognized the need to focus on technical training for local employees, worker safety, social housing, CO₂ reduction, and support for local small and medium enterprises. They identified the following prerequisites for both economically successful and socially responsible investment: environmental policies need to be strictly enforced, the development of local leaders must be promoted, business partnerships need to be tightly integrated with local communities, and products need to be specifically developed to meet local "bottom of the pyramid" needs.

In this context, German speakers placed special emphasis on the potential of their country's small- and medium-sized enterprises (SME) to create employment opportunities and thereby foster development in African countries. Since the SME sector, which includes some 1,500 global market leaders, forms a particularly strong pillar of the German economy, speakers considered the socially responsible investment of SMEs in German-African partnerships as important and potentially highly beneficial for both sides.

While it is by no means sure that all German investors will equally embrace their social responsibility when entering African markets, it is very encouraging that the business representatives who were present at the conference demonstrated a very acute conscience of their role for the positive future development of African economies.

"With their business know-how, German companies can contribute to a modern development policy for Africa. The Otto Group, for example, runs a project showing cotton farmers how to produce more efficiently with less pesticide. We guarantee sales for the farmers. Our alliance partners pay license fees to bear the label of this project. These fees are used for training cotton farmers, paying dividends to them and building schools for their kids."

*Dr. Michael Otto, Chairman of the Board,
Otto Group, Germany*



"Long-term and fair investment is crucial to strengthen new business locations. It not only benefits the companies concerned but also serves the host economy and society in several ways: it creates technological 'spill over' effects, enhances competition, increases the productivity of entire sectors, helps to transfer know-how via production processes and management of modern industrial plants, and it secures a permanent information flow into the country through the movement of qualified staff from international technology-oriented companies to local industries."

*Professor Hans-Peter Keitel, President,
Federation of German Industries (BDI), Germany*



AFRICAN EXPECTATIONS FOR COOPERATION ON EQUAL TERMS

Differentiation

The representatives of African business and politics were very interested in cooperating with German businesses, but simultaneously clearly outlined their ex-



*Employee in a candy factory
in Mozambique.*



"After all these fifty years of freedom from colonial rule, why should I sell you my cocoa, if you use it to make chocolate in your country and then sell it back to us? Why don't you bring your company and make it here? Do you really mean it well with African development or are you only paying lip service? We urge you to take action and show your commitment to equitable partnership!"

*Chris Kirubi, Chairman & Executive Director,
International House Ltd., Kenya*



"Africa is inarguably a land of vast resources. Whether you go east, west, south or north, the continent is blessed with immense raw materials for almost every finished product available for man's consumption on earth. These include gold, diamonds, manganese, cocoa, timber, bauxite and oil. Africa brings all of these freely to the table, but with little or no value addition. Our focus is on the development of Africa, using the manufacturing sector as the engine to drive that development. This particular engine will be manned by Africa and Germany. My worry is: How can Africa be recognized more for its significant contribution, acknowledged better as a key player and compensated appropriately for its offerings and prospects?"

*Dr. Joyce R. Aryee, Former Chief
Executive, Chamber of Mines, Ghana*

pectations for equitable partnerships. One major point concerned the economic and political differences between Africa's 54 sovereign states. African speakers demanded that German investors stop talking about their continent as if it were a monolithic entity. Instead of following a previously rather common "one size fits all" approach, they were strongly encouraged to take account of Africa's heterogeneity, approach the conti-

nent country by country and broadly collect information from local experts to tailor their engagement to country-specific circumstances.

Advanced Manufacturing in Africa

The strong focus of past foreign investors on low value-added resource exploitation in African countries faced strong criticism by African conference participants. They deplored the fact that the continent's vast resources are mostly exported as commodities, refined in the investing countries and then frequently sold back at a substantial price premium to African consumers. African speakers unanimously demanded that the real value creation based on African resources take place in their countries of origin.

These demands specifically focused on the metal and food production industries. Concerning metal industries, African conference participants called on the leading German engineering companies to commit to a partnership in the development of Africa's engineering industry. For the food sector, they demanded that German partners lend assistance to African businesses engaging in local food production.

African conference participants denounced past international trade patterns, which for a very long time forced Africa to "specialize in being poor" by perpetually exporting raw materials and importing manufactured goods, in particular consumables. At this point in time, Africa feels in the position to stipulate more equitable trade. Therefore African representatives repeatedly highlighted that African-German cooperation needs to be planned in a way that recognizes the continent more for its significant contributions and compensates it appropriately.

Fostering Local Skill Development

The development of indigenous technical skills was underlined as a further prerequisite for African development. Many African speakers deplored the fact that the

current systems fail to produce a sufficient number of experts to enable the development of sophisticated local businesses. In this context, they voiced the expectation that German business partners would bring in their globally renowned technical expertise and invest in mathematics, science, engineering and management education in Africa. This constitutes a notable parallel to German engagement in China, where investing in training was made a requirement for the market entry of multinational corporations.

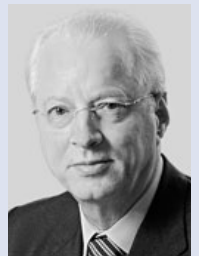
While some German business representatives proposed to train talented young Africans at production sites in Germany, their African counterparts emphasized that education needed to be done in Africa to avoid brain drain. Ideally, German institutions should assist African universities in running technical programs.

Engaging in Long-Term Partnerships

Representatives of African business and politics clearly expressed their expectation that German businesses should initiate cooperation with African partners with a long-term vision and a clear agenda of social responsibility. To demonstrate that they have come to stay, German investors are expected to make a strong commitment by bringing more high value-added activities and jobs to Africa. The German side was asked to have their whole value chain in Africa, not only the first (extracting raw materials) and the final steps (sales).

While African conference participants outlined demanding expectations for German-African business partnerships, they at the same time warmly welcomed German investment. They admitted to accepting investment offers from any country, but clearly expressed their preference for socially responsible German investment. Therefore they asked German business leaders to openly declare their interest in African countries, hoping the rest of Europe would follow Germany's lead. Discussants agreed that conferences like this one are a very useful forum for initiating these processes.

"The Bosch Group is very conscious of the fact that Africa is a very attractive future growth market. Over the next years, Bosch expects to grow in Africa twice as much as the average GDP growth rate on the African continent. Right now Bosch is only an observer in most African countries. However, we are planning to increase our engagement in these markets step by step until we can manufacture locally and assemble in Africa for Africa."



*Tilman Todenhöfer, Board Member,
Robert Bosch GmbH, Germany*

GERMAN EXPECTATIONS FOR COOPERATION WITH AFRICA

Entering New Growth Markets

Compared to the assertive stance of African business representatives, their German counterparts attended the conference mostly to listen and learn. In this vein, they hardly contested the hopes from the African side outlined above. While it is unclear if the challenging goals expressed by African representatives will be met in all future partnerships, German business representatives stated their intent to comply with these demands to the best of their abilities. Their hopes for partnerships with African companies centre on the large growth potential of so far untapped production sites and markets.

Mutual Gains from Improved Education in Africa

German business representatives strongly embraced African calls for investment in skills development, hoping to create a win-win situation. Whereas German companies can benefit from close ties to local market experts, skilled technicians can support the development of high value-added businesses in African coun-



Locksmith trainee in a training workshop, Rwanda.

tries. The motto "What is good for Baden-Württemberg is also good for Malawi" was therefore put forward in two ways. On the one hand, German speakers expressed the conviction that their tried and tested education model also works for African trainees. On the other hand, they expected both parties to benefit equally from investment in skills development.

Despite these common goals, however, there was some disagreement about the optimal location of education. Whereas discussants from German business suggested training talented young Africans in German corporations and reported remarkable success stories about the initiative "Afrika kommt" introduced by former German President Professor Horst Köhler, some African speakers voiced concerns about possible brain drain. Specific incentives need to be created for the trainees to return to home and use their skills for the benefit of local economies.

Promoting a Social Market Economy

Representatives of German politics ventured out farther, expressing the hope that stronger economic involvement in African countries could promote the development of social market economies following the German model. In these systems entrepreneurs should be able to securely purchase property, while embracing the responsibility that accompanies it. Speakers recommended creating the necessary framework by implementing a progressive income tax system and providing better health insurance for workers. Overall, they underlined the importance of business people's belief in the common good and expressed their hope that regional, family and clan patronage will decline.

POLITICAL CONCERNS OF AFRICAN REPRESENTATIVES

Self-Interested Political Leaders

The political instability in some African countries and its disastrous implications for business development constituted the most important grievance for African conference participants. Much emphasis was placed upon a functioning democracy as a central prerequisite for successful African development. At the same time, however, discussants agreed that many African leaders of the past had been rather short-termist or even outright predatory vis-à-vis their local economies. African speakers identified this problematic leadership behaviour as the reason why the immense inflow of foreign aid has had so far rather insignificant net results. In their view, the situation will not improve as long as African leaders are unwilling to create an institutional environment conducive to economic development.

African representatives agreed that serious leadership should not try to cure the symptoms of poverty, but engage with its causes. Leaders need to change the way things are done, plan properly for the medium



The Story of Econet Wireless

"In 1993, a new disruptive technology was introduced into the telecommunication market. I travelled to Siemens production sites to learn about this innovation. But when I tried to introduce this technology at home through licensing, the reaction from officials was extreme. To uphold the existing telecom monopoly, they persecuted me and put me in prison. My case was never mentioned in newspapers! Only when the courts finally ruled that this monopoly was unlawful could I start my company. I had to do this all alone, because potential foreign partners were so terrified of Zimbabwe's government. Today my company is the largest in the country!"

Strive Masiyiwa, Executive Chairman, Econet Wireless, Zimbabwe

and long term, monitor progress, follow up on previous programs and crack down on corrupt officials. In a similar vein, conference participants suggested that development aid should only be granted to states where the minimum requirements of good governance, accountability and democracy are met.

Instability in the Institutional Framework

Conference participants from Africa unanimously highlighted that leadership must become more transparent and accountable to their populations in order to create an environment where entrepreneurs can fulfil their beneficial role in society. Maintaining political stability, institutionalizing the rule of law and guaranteeing citizens' property rights and physical safety were seen as essential for an African development model. With one voice, participants fervently called for strong, independent and credible institutions based on transparency, separation of powers and checks and balances to uphold democratic principles. Free elections were considered to provide a basis for democratic processes, upon which appropriate monetary and fiscal policies can follow.

Rampant Corruption

Representatives from African business and politics furthermore strongly denounced the widespread corruption in their home countries and other African states. Although some cases of corruption were heard in court, there have been very few convictions. In some countries such as Malawi, the head of the anti-corruption unit is appointed by the head of state and cannot be considered independent. Conference participants agreed that these practices send the wrong message to local government officials and deter foreign investors.

In their view, it would be of great assistance to extend global institutions' efforts to curb money laundering and corrupt financial networks in African countries. If they succeeded in reducing corruption, public opinion

"We definitely need decisive actions on corruption. I would like to urge the elites, non-governmental organizations, civil society, political parties, the media, parliament and the general public as well as our development partners to continue fighting corruption and expose any corrupt activities without fear. Together we shall win, separated we shall lose the fight against this social evil that eats into the very fabric of the society. Where there is embedded corruption there is no possibility of economic development even if many billions of dollars are pumped into a country."

Dr. Willibrod Slaa, Secretary-General of the CHADEMA Party, Tanzania



and trust in African leaders would be enhanced. Discussants expressed the hope that compliance in taxation and government revenue would increase simultaneously, which might, if applied well, eventually heighten purchasing power.

Little Progress in Regional Integration

A final political concern voiced by African conference participants referred to the hesitant progress of regional integration. Most speakers found a stronger co-operation between African states to be desirable for fostering cross-border business activities. German discussants joined in this call for common policies, since many African countries have markets of sub-critical size, which by themselves do not warrant significant investments. However, contrary to these calls for regional integration, other voices cautioned that in some cases small-scale regional integration has created fault lines between different blocks of countries within Africa. Thus, it becomes clear that integration needs to be designed in a way that fosters rather than impedes cross-border business activities.

In a lively discussion: Dr. Mohamed Ibn Chambas, Secretary General of the ACP Group, Jürgen Langen, Secretary-General, German Africa Foundation, and Strive Masiyiwa, Executive Chairman, Econet Wireless (from left to right).



POLITICAL CONCERNS OF GERMAN REPRESENTATIVES

Instability in the Institutional Framework

German conference participants supported the criticism by African panellists of the insecure and volatile institutional framework in many African countries, who reported that many prospective German investors indeed are strongly deterred by political instability and potential threats to their property rights. The importance of local governments for establishing stable frameworks for business activities was highlighted as a key prerequisite for successful partnerships. In unison with their African colleagues, German business representatives also expressed their worries about corruption. To exclude ethical dilemmas for German investors, organizations like the German-African Business Association were called upon to take a firm stand



"I really wish German politicians could hear the voices raised here in this meeting! When it comes to Africa, the elite consensus in Germany is totally different from what we are discussing here. The German consensus is that we need a higher quota of Official Development Assistance. NGOs demand to use 0.7 per cent of the German GDP for development aid, believing that this will save Africa. To raise money, our churches and aid organizations always portray Africa as very poor, and talk about HIV, malnutrition and child soldiers. Whenever I say that Africa is a continent with significant business opportunities, people shout 'How dare you!' But we really should not talk only about poverty reduction. We should enlighten people about what the real Africa is!"

*Dr. Uschi Eid, Deputy President,
German Africa Foundation, Germany*

demonstrating that German investors will definitely not pay bribes.

The Role of Political Parties

Tying in with African discussants' concerns about self-interested leadership, worries concerning the party systems in many African states were raised and intensely discussed by German representatives. With their democratic socialization in mind, they highlighted that multi-party governments can only function democratically if political parties follow clearly outlined and distinct programs. Unfortunately, German observers did not always find this to be the case in African countries, where frequently campaigning does not focus on issues, but on the funds to pay key people. As these practices make political parties appear less like democratic and more like mere vehicles for gaining power, some disillusionment about multi-party governments in many African states was discernible among German observers. These worrisome issues were traced back to many African countries' lack of domestic capacity to democratically fund political parties. Finding ways to enable viable forms of party funding and strengthening the oversight power of legislatures were therefore identified as central challenges for the next generation of African leaders.

German business representatives highlighted the severe implications of faulty democratic processes for foreign investors. Under the impression that doing business in Africa must always go through politics, they deplored the fact that German businesspeople are very inexperienced in negotiating with local officials.

Problematic Perception of Africa in German Politics

Interestingly, conference participants from German politics were not only concerned about political conditions in Africa. They also expressed their worries about the perceptions of parliamentarians at home and denounced the fact that North-South relations are currently rather peripheral to the German political agenda.

When Africa is addressed at all, they said, it is often discussed as if Germany was a teacher or master; it is not talked about in terms of equitable partnerships. This asymmetry was seen as very problematic.

Discussants from the German political arena furthermore regretted that Africa is conventionally labeled as “poverty-stricken”, “underdeveloped”, “malnourished” and “constantly needing aid”. Reinforced by the 2005 G8 Gleneagles Summit, the German intellectual consensus considers a substantial increase in development aid to be the chief avenue for advancing Africa. Mutually profitable business partnerships, which can make a significant contribution to development, are usually not in the sights of many German politicians. In this respect, conference participants strongly expressed their wish to promote different views on Africa among German parliamentarians.

Lack of Political Support for German Companies Venturing into Africa

German business representatives also criticized the somewhat passive stance taken by German ambassadors in many African countries. To successfully initiate partnerships with African businesses and overcome regulatory and political obstacles, well-founded information about local institutions as well as contacts to local decision-makers are needed. Business representatives called on German embassies in Africa to make greater efforts in providing this information and creating linkages between German investors and local officials.

ECONOMIC CONCERNS OF AFRICAN REPRESENTATIVES

Poverty

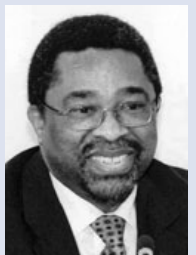
African speakers identified the pervasive and extreme poverty in many African regions as the central impediment to economic development. Too many African

people live on less than a dollar a day and have only restricted access to clean drinking water. Discussants pointed to the fact that 39 African states are net food importers. With cereal yields stagnating in sub-Saharan Africa and global food prices rising, the standards of living are declining even further for large parts of the population. If basic needs cannot be safeguarded Africa’s economic advancement faces severe obstacles.

Absence of Savings

Representatives of African business and politics furthermore expressed concerns about the very low or even nonexistent rate of capital building in their home countries. For the above-mentioned reasons, the majority of citizens spend three quarters of their daily income on food. To compound this issue, speakers noted a culture of “conspicuous consumption”, which promotes consumption at the expense of saving. In South Africa, household consumption therefore reaches 70 per cent of GDP, whereas it only amounts to 35 per cent of GDP in China. Most discussants found this widespread attitude rather worrisome, emphasizing that investment, not consumption will be both the goal and arbiter of success. However, some speakers cautioned against discounting consumption per se, since consumption of local goods may also spur growth.

“Compared to Germany, Japan and the BRIC states, South Africans spend a very high percentage of the country’s GDP on household consumption. The rate of capital formation is alarmingly low. In China, the percentage of gross capital formation exceeds the percentage of private consumption – this allows the Chinese to heavily invest in Africa.”



*Moeletsi Mbeki, Deputy Chairman,
South African Institute of International
Affairs (SAIIA), South Africa*

Exclusive Focus on Raw Materials

Another serious concern of African conference participants was their home economies' strong dependence on commodities. Since oil and other minerals still constitute more than 70 per cent of African exports, economic growth tends to track volatile commodity prices. Speakers deplored Africa's 'charcoal' rate of growth, meaning that development rests on unsustainable foundations in low-tech industries with little job creation. Discussants recognized that growth per se does not yet bring benefits for a country. As long as it comes from oil extraction only, profits do not accrue to local populations.

In contrast, the industrial sector including manufacturing and construction was found to present greater opportunities for long-term growth, employment and poverty reduction in Africa. So far, however, Africa has no control over these sectors. Despite its abundant raw materials, African industries account for just 1 per cent of global manufacturing according to a recent UNCTAD report. Speakers identified the scarcity of a skilled labour force as a central cause of this deficiency.



"Many German SMEs have very little idea what they need to take into account when they venture into Africa. They just don't know that it is crucial to talk to government officials rather than just look for local partners. Another problem for German investment in Africa is German business-people's fear of the unknown and the insecure. This fear is not very rational, but it is there. So problems are more atmospheric than rational. To tackle them, we must inform German SMEs much more comprehensively about opportunities in Africa."

Dr. Stefan Liebing, Chairman of the Board of Directors, German-African Business Association, Germany

Africa's Bad Image Among European Investors

African discussants moreover voiced their concern about the continent's negative representation in the European media. They called upon German media to quit portraying Africa solely as the dark continent constantly wracked by war, and instead adopt a more positive view showing positive aspects of African life. These wishes met agreement from German participants, who pointed to European consumers' negative perception of the quality of African products. Before local production of consumer goods can become truly profitable, these misperceptions need to be changed. African and German conference participants therefore agreed on the need to make joint efforts in spreading the word about the exciting, new and emerging opportunities in African markets.

Women's Under-Representation in Decision-Making

A final issue raised by African speakers referred to women's under-representation as decision makers in African countries. Although women have a very important role in the continent's economy, supply more than half the workforce on farms, are often responsible for food production and fulfil important roles in various low-tech industries, their voices are frequently not heard. Speakers named cultural and religious constraints to female education, leading to the fact that African women hold only 10 per cent of the continent's wealth, while they frequently work longer hours than men. Not only the (under-represented) female conference participants, but also their male colleagues emphasized that women's advancement will be important for the development of African economies in general.

ECONOMIC CONCERNS OF GERMAN REPRESENTATIVES

Perception of a Risky Environment

According to German business representatives, managerial perceptions of African countries as very risky en-

"This conference has shown that we agree on the market economy as the right coordination system for a sustainable development in Africa. To work for all, this economy needs to be supported by clear rules of the game. Values like honesty, solidarity and good governance are crucial in this respect. There are some differences in how German and African partners define good governance, so we need to engage in constant dialogue about these issues.

At this conference I noted with humour and satisfaction that African entrepreneurs are encouraging German entrepreneurs to detect and seize the obvious opportunities in Africa. This shows me that German-African partnership is desirable and possible!"

Professor Horst Köhler, former President of the Federal Republic of Germany



vironments for investment constitute the strongest impediment to German-African partnerships. Not only do most listed companies refrain from weighing down their balance sheets with such risky investments, but small and medium enterprises which do not face shareholder concerns also tend to shy away from country environments perceived as uncertain. Some discussants found it mindboggling how decision makers at German headquarters are influenced by mainstream thinking and saw their future task as convincing German managers that the risks come with high potential gains.

SMEs' Weak Position Vis-à-vis Local Institutions

In Germany there are 1,500 small and medium-sized enterprises that are world market leaders in their specialized segments. Conference participants repeatedly highlighted the potential of these businesses to create significant value and a large number of skilled jobs through cooperation with African partners. However, they unanimously stated that the insecure institutional environment of many African countries presents especially formidable obstacles for German SMEs, as they find it hard to get access to local authorities. If they do, their bargaining power remains very limited. Consequently, they find it difficult to access land, get clearance at checkpoints and defend themselves against corrupt structures. In addition, most German engineer-led SMEs lack knowledge about the cultural environment of doing business in Africa. Conference participants agreed that shortcomings in cross-cultural competence can severely impede foreign entrants' business success.

Lack of Infrastructure

German discussants furthermore pointed out that the underdeveloped infrastructure in many African regions seriously impedes their efforts to set up operations, which may facilitate positive change. African participants acknowledged the existence of these barriers, which lead to large market inefficiencies. Unfortunately,

local decision-makers often hamper the speedy construction of roads and railways. Conference participants therefore agreed that infrastructure development must take priority in any model for African development.

Chinese Competition

Competition by investors from other countries emerged as a major concern among German business representatives planning to invest in Africa. Specifically, they expressed their fear that assets might be preempted by Chinese investors who may find it easier to accommodate corrupt local officials. Also, the German preference for planning everything in detail before deciding about partnership agreements was identified as a handicap in the race for profitable investments in Africa.

Concurrently, African conference participants encouraged German investors to recognize the opportunities offered by African markets before competitors from other countries seize them. They made it clear that their countrymen will certainly accept Chinese investment, even though it is often considered less sustainable and less socially responsible than German investment. It was pointed out that Chinese investors have recently started investing in education and local skill development. African participants' message to German businesses was clear: Seize the opportunities before they slip away!

TOWARDS A FUTURE AGENDA

Unanimity Between African and German Representatives

German and African participants of the conference demonstrated remarkable agreement about central challenges for business partnerships and African development in general. No apparent conflicts of interest were raised. Instead, discussants unanimously emphasized that positive development can happen, if German business know-how and African local market expertise come together. The atmosphere was characterized by

*The conference attendees:
African and
German partners.*



strong optimism and a sense of new opportunities. Although the conference has not yet outlined a conclusive model for African development, the dialogue has been initiated very successfully.

Paradigms Shifting from Aid to Trade

To translate talk into action, conference participants agreed that existing approaches to African development need to change. In this respect, out of the box lateral thinking was seen as an important virtue both for African leaders and German businesses.

A central theme of the conference was the necessity of shifting paradigms from a focus on development aid to a focus on equitable trade. While discussants recognized that foreign aid can be used beneficially to support entrepreneurial start-ups for people from poor backgrounds, they also criticized that large parts of foreign aid ultimately subsidize flawed local governments. Furthermore, foreign aid may be detrimental to small local businesses and erode African people's self-reliance. Contrary to the elite consensus in Germany, conference participants therefore agreed that equitable trade constitutes the best way to help African countries rise out of poverty. For a modern development policy, a healthy mix of economic development programs and well-controlled aid was called for to increase the independence of the local population. Discussants agreed that European and specifically German investors can make a very important contribution in this respect.

Sustained Dialogue

Overall, the conference has clearly demonstrated that potential African partners warmly welcome German businesses. To foster these desirable partnerships it will be very important to sustain the dialogue and bring private entrepreneurs from Germany and different African countries together. Through their exchange of ideas, trust can be built and the groundwork for sustainable cooperation can be laid. As one speaker put it: "We should not put our trust in money, but put our money in trust."

Many speakers raised the hope that a follow-up conference could take place in an African country, bringing together local politicians and entrepreneurs. In the firm belief that "things will work if people are enthusiastic", conference participants pledged to become champions for German-African cooperation.



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