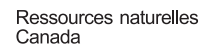
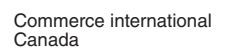
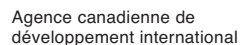


Dialogue on Africa – Focus on Investment and Trade

A SUMMARY OF ROUND TABLE DISCUSSIONS

SEPTEMBER 8, 2005



THE FUTURE OF CANADA'S INVESTMENT AND TRADE AGENDA FOR AFRICA

We would like to take this opportunity to thank all the participants of the *Dialogue on Africa – Focus on Investment and Trade* round table sessions hosted by the Africa Working Group [Export Development Canada (EDC), Canadian Commercial Corporation (CCC), Natural Resources Canada (NRCan), Canadian International Development Agency (CIDA), International Trade Canada (IT Can)] and the Canadian Council on Africa (CCAfrica) on September 8, 2005.

EXECUTIVE SUMMARY

The purpose of this session, which brought together various players from large, medium and small Canadian companies active in the region, non-government organizations (NGO) and the federal and provincial governments, was to gain insight into the opportunities for trade and investment in Africa, identify the key challenges in exporting or investing in the region and develop potential recommendations to facilitate trade and investment in Africa.

The key output from this session were recommendations to be reviewed by the Government of Canada and the Africa Working Group, as well as recommendations that could be acted upon directly by Canadian companies. Such recommendations may be incorporated, where possible, into the development of a comprehensive Canadian strategy to promote Canadian exports and investments to Africa.

The following is a summary of the key recommendations brought forward. In order for Canadian companies to be successful in Africa, Canada and Canadian companies should:

- Develop an integrated Canadian strategy for Africa while recognizing that Africa is composed of several regions and 54 countries;
- Increase Canadian government resources devoted to developing trade and investment with Africa and raise Canada's profile in Africa;
- Take an integrated approach to doing business in Africa, recognizing that the resolution of social problems can sometimes be integral to being successful;
- Better engage the African diaspora in Canada and Canadian-educated Africans in Africa, and improve ties with African private sector business groups in order to identify and pursue business opportunities in Africa;
- Raise Canadian awareness of opportunities in Africa, particularly those projects being funded by international financial institutions, untied facilities from other countries and international donors, by delivering market knowledge/opportunities to Canadian companies;
- Make better use of both CIDA (including CIDA INC) funding to ensure that Canadian companies can compete on a level playing field; and
- Engage the Canadian and international financial community to deliver risk management and financing tools for Canadian companies.

As a synopsis of the discussions, this document will highlight the major opportunities, challenges and more detailed recommendations as identified throughout the round table sessions. We look forward to continued coordination of resources and information and we invite you to provide us with any new comments, input or contributions.

The Africa Working Group will be formulating an Action Plan based on the recommendations put forward in this document.

BACKGROUND

Africa is a vast continent composed of several regions; North Africa and Sub-Saharan Africa, which consists of Southern Africa, East Africa and Western Africa. Africa is also a continent of great contrast, from resource rich countries such as Nigeria, Libya and Congo (Kinshasa), to agricultural countries such as Senegal and Madagascar, to industrialized South Africa. With high resource prices, reform in many countries and the potential for significantly increased aid from the west, Africa is a place of great potential. As several African countries introduce economic and political reforms, we are seeing increasing growth rates. Many countries are also taking advantage of the windfall generated by high resource prices and debt forgiveness to invest in long-needed infrastructure and resource development. This situation has created an unprecedented opportunity for Canada, given the match between Canadian expertise and capability and Africa's current requirements.

Africa is a significant market with more than 800 million people. Several sectors in Africa, in particular, oil and gas; mining; infrastructure; environment; telecommunications; agriculture; health and education, offer good prospects for significant expansion of the Canada-Africa commercial relationship.

While Canadian exports to Africa have been steady at approximately \$1.3 billion/year over the past five years, the product mix has been shifting. Since 1999, wheat exports have dropped from almost 51 per cent of the total to 30 per cent. Exports of manufactured goods such as aircraft, construction equipment, mining and oil and gas equipment, pharmaceuticals and communications equipment have grown strongly. This shift to value added products is good for both Canada and Africa.

Canadian companies believe that there is strong potential to increase our presence in Africa but they require the right tools and support from the Canadian government to do so.

SUMMARY OF RECOMMENDATIONS

Positioning Canada for Growth

The major objective of the round table sessions was to develop a series of concrete recommendations to assist the Canadian government and the private sector in their efforts to promote and increase Canadian exports and investments in Africa. The following represents a synthesis of the major recommendations put forward by the participants.

Recommendation #1 Develop an integrated Canadian strategy for Africa

In order to respond to current challenges and opportunities, it will be necessary to develop a comprehensive, integrated strategy. This strategy must include all levels of government and the private sector. The Canadian Government must take a leadership role in the development of this integrated strategy. The response of the Prime Minister and Minister of Finance to the needs of Africa, as articulated in G-8 forums, should be reflected in Canada's actual approach to engaging with Africa. Canada's strategy with Africa cannot be about aid alone.

Specifically, Canada must:

- Better integrate at least a portion of Canada's aid program with Canada's strategy to develop Canadian private sector activity in Africa;
- Focus on sectors and regions where Canada can have the most impact;
- Create a one-stop shop to assist Canadian companies in all of their requirements for developing trade and investment with Africa (i.e.: information, matchmaking, visa assistance, etc.);
- Coordinate efforts across different stakeholder groups and create a more collaborative approach to identify opportunities;
- Increase monitoring of other countries' aid programs to ensure that untied aid is truly untied;
- When planning investments, Canadian companies must take an integrated approach which takes social issues into account; and
- Identify NGOs that are business friendly and determine if better co-operation between NGOs and private businesses can be encouraged.

Finally, participants indicated that there was a need for the private sector's views to be heard directly by Canadian elected officials. There is a need for direct dialogue between the Canadian business community and political leaders that will be instrumental in establishing the future orientation of Canada's trade priorities and strategy.

Recommendation # 2 Raise Canada's profile in Africa

There must be strong on-the-ground, on-site support, in order to raise awareness within Africa and demonstrate that Canada is serious about trade and investment in this region. Specifically;

- Canada should consider establishing additional embassies and placing more Trade Commissioners in Africa. Consideration should be given to extending trade commissioner rotations to four to five years. As well, more Canadian Ambassadors to Africa should come from a trade background.
- More trade and investment missions are required, including sector-specific missions to Africa and reverse missions to bring African buyers to Canada. Canadian presence at trade shows in Africa should be enhanced, including the Government representation in order to add credibility to Canadian companies.
- Better use should be made of African-Canadians and Africans educated in Canada in promoting Canada as a place with which Africa can do business.
- We need to improve Canada's visa system in order to facilitate business trips from Africa to Canada.
- We need to implement Double Taxation Treaties and Foreign Investment Protection Agreements (FIPAs) in key African countries.
- We need to identify business groups in Africa that may be interested in increasing ties with Canadian business groups such as CCAfrica.

Recommendation # 3 Raise Canadian awareness of opportunities in Africa and provide increased market intelligence to Canadian companies

It was noted at the round table that Canadians hold certain misperceptions regarding the current business environment and future potential of Africa. It was also noted that key issues vary greatly from country to country. Given the high levels of aid that will be spent in Africa by various international development agencies and individual OECD countries including Canada, over the next 10 years, Canadian companies must be aware of which opportunities they can pursue. In order to better promote opportunities in Africa, we must:

- Build awareness of possibilities in Africa by providing better information to Canadian companies on the opportunities in Africa, including advice on specific opportunities as they arise;
- Provide better intelligence to Canadian companies on upcoming projects for which international firms, including Canadian companies, are eligible to bid. Such projects are typically funded by international financial Institutions or through untied aid offered by other donor countries or by other international donors, including those funded through pooled funds or budget support;
- Create targeted events and in-bound trade missions on specific countries/regions and sectors; and
- Analyze what the competition is doing and learn from their experiences. Where possible, we should work collaboratively with competing countries and/or companies that have demonstrated success in Africa.

Recommendation # 4 Deliver risk management and financing tools for Canadian companies

Canadian businesses require risk management and financial resources that will facilitate exports and investments to Africa. Companies want to see:

- Recognition by CIDA of the role that the Canadian private sector can play in African development. Canadian companies are seeking more opportunities to benefit from the money that CIDA will be spending in Africa. If funds can't be used specifically for Canadian procurement, CIDA should be promoting projects and sectors that Canadian companies have the expertise to bid on;
- Pre-feasibility financing previously provided by Program for Export Market Development (PEMD) is required;
- Increased risk appetite by EDC and identification of other sources of financing support for Africa; and
- Improved working capital financing from the Canadian banks for companies pursuing transactions in Africa.

OPPORTUNITIES FOR GROWTH

Many countries within Africa are experiencing high growth rates and are beginning to invest in their infrastructure and open up opportunities to the private sector. The following represents a synthesis of the opportunities in Africa as noted throughout the round table discussions:

Specifically, opportunities for Canadian providers and expertise exist within the sectors of:

- Infrastructure (utilities, ports, communications, environmental, water)
- Transportation (air, rail, road)
- Mining
- Oil and Gas (on and off-shore)
- Education & Training (from university education to business training in English and French)
- Information technology
- Health Care
- Agriculture and food processing

Other factors that can contribute to Canadian opportunities:

Companies noted that there were good opportunities in Africa and several reasons why Canada should be well placed to benefit from these opportunities. These included:

- Canadian companies will be eligible to bid on many projects that will be paid for by multi-lateral organizations and from untied funding provided by several Western countries.
- Canada has a positive image around the world, specifically in Africa, as Canada was not a colonial power. In particular, many Africans have been educated in Canada and now either work in Canada or Africa. These strong personal ties can be used to facilitate business.
- Canada can work with Africa in both English and French.
- Canadians have a competitive advantage over other western countries because of our willingness to work with local partners and engage in technology transfer.
- Canada is one of the world's leading country for mining and a leading country for oil and gas, both key sectors to the future of several African economies. As the economies of India and China grow, the importance of African resources to those economies will grow significantly.
- A young population means that Africa will be a growing market for consumer goods and improved infrastructure. A growing middle class also means growing markets.
- Indigenous African financial institutions are starting to strengthen and improve.

CURRENT CHALLENGES TO GROWTH

While opportunities for Canadian exports and investments to Africa are poised to take off, companies identified several factors that could challenge our ability to capitalize on this potential. The following represents a synthesis of the challenges to growth as noted throughout the discussions:

Lack of Knowledge of Region:

- Canadian companies are not generally aware that this region has an opportunity for growth, so there is a lack of Canadian companies in the market.

Lack of Canadian Public and Private Presence

- There is a lack of Canadian government presence in the region; many countries do not have Canadian embassies and several embassies do not have experienced trade sections. Embassies tend to focus on aid rather than trade. Companies need stronger support from our trade staff, including the identification of leads and more money allocated to trade promotion.
- Given the relations between trade, investment and aid, the Canadian government needs to offer a more co-ordinated approach to helping Canadian companies working in Africa.
- There is a lack of Double Taxation agreements and FIPAs between Canada and African countries.
- It is extremely difficult and time consuming for African businesspeople to get visas to come to Canada. As well, given the limited number of embassies in Africa, it can be necessary to travel great distances to an embassy that can issue visas.
- There is insufficient contact between Canadian and African businesspeople. It is difficult to identify African business associations interested in working with Canada.
- It is difficult to find Canadian-based experts with experience or interest in Africa.
- There is limited communication and appreciation between the Canadian business community and NGOs involved with Africa.

Financing

- While the Canadian government has indicated its interest in increasing support for Africa, this support is being delivered primarily through CIDA with little consideration for increasing trade and investment opportunities with Africa.
- CIDA no longer wishes to work with the private sector in Canada. Most aid is provided either directly to the recipient country or to multi-lateral agencies and not necessarily for projects or sectors in which Canadian companies have a competitive advantage.
- Canadian companies are hampered by a lack of PEMD financing for Africa.
- EDC and Canadian banks need to take more risk in Africa. Canadian banks are not interested in providing working capital to Canadian companies following contracts in Africa. EDC is not aggressive enough in the market.
- There are limited foreign banks operating in Africa and none of them are Canadian. Local banks are not strong, have high interest rates and are reluctant to support local companies.
- While there are development banks focused on Africa such as the African Development Bank, Canadian industry knows little about their programs.

Business challenges:

- Local countries often have limited capacity in project design, development and management. Skilled labour can be difficult to source. Health issues may also limit availability of workers.
- Levels of business freedom, transparency and corruption vary from country to country and from sector to sector.
- When investing, taking into account social issues such as health and dealing with redundancies, can have a high cost, but is often critical for success.
- The legal and regulatory framework can present certain business and personal safety risks.
- There are poor air connections between African countries and a lack of any direct air connections between Canada and Africa.

Competition

- There is increased competition from European countries well established in Africa, and a growing presence from China, India and Brazil. South Africa and Tunisia are leading the competition from among African countries. The United States is also a key player but in selected sectors and countries. The overall level of competition for Canadian companies is, however, less strong than in China or India for example.
- European governments provide higher levels of aid to Africa and are often willing to link aid financing to procurement from their country even when aid is supposed to be untied. Many western governments coordinate their overall aid and trade programs better than Canada.

Export Development Canada
151 O'Connor Street, Ottawa, Canada K1A 1K3

www.edc.ca

R e a l i z e a W o r l d o f O p p o r t u n i t y

Canada 


Exportation et développement Canada
Export Development Canada