

## Presentation by Mr. Bunmi Oni\*

Thank you very much Mr. Chairman,

My perspective will be that of an African operating in Africa who is anxious to see the continent grow to be a part of the global company.

First a few words about Cadbury. We are a global player in confectionery and beverages, with 133 factories around the world, 55,000 employees, and about US\$ 15 billion in sales. It is a company that has grown through targeted acquisitions and disposals, which really speaks for the flexibility that was mentioned a little earlier with reference to supply chains, and also for our programme of managing for value. The company has a heritage of more than 200 years, and we have a portfolio of market-leading local and regional brands. It also has a very strong history behind it in corporate governance and corporate social responsibility. The Europe, Middle East and Africa region is one of the five regions in which the company operates, and we have a matrix organization in which the supply chain is separated from commercial management.

The Africa and Middle East sub-region – if you like, this is simply the African continent, with the Middle East – accounts for 16 per cent of the world's population but only 3.5 per cent of the world's money. But in AME, as we call it, we have seen a growth of about 22 per cent compound over the last four years, and such is the opportunity we see into the future that in the next four years we are projecting a 30 per cent compound annual growth rate. We contribute 12 per cent to the sales of the Europe, Middle East and Africa region, and about 15 per cent to the profit, so our sub-region is a little more profitable than the total region as a whole. Within Africa and the Middle East we have 17 factories, just over 7,000 employees and essentially a first-mover advantage, which is supported by the fact that in many of our countries we have a very strong commonwealth heritage.

I would just like to speak about investment by going back to the basics. We must never forget that investment is not for the sake of investment. Investment is what accelerates the free enterprise that drives growth, and its ultimate goal is to raise the quality of the life of the people. This really has to be kept very firmly in view. Our view is that in the process of seeking investment, we have got to activate domestic investment and create momentum because in many of our economies the growth challenge is moving like a flywheel. Once you can get momentum from the flywheel, through domestic investment, then we can accelerate the pace of the growth through FDI, and keep an eye on attaining measurable improvements in human development indices.

Investment primarily links national economies to global trade, and we have seen some studies about how small the contribution is that Africa makes to world trade. But I think that there is one more area in which investment is important. It offers the opportunity to leverage for corporate governance standards, and that is one of the areas in which we, as a company, are seeking to get involved. When we see the movements in stock markets, we find that when you measure the market capitalization as a proportion of GDP, it tends to give an indication of how much leverage there can be. In the case of South Africa, the market capitalization is nearly 150 per cent of GDP. Let me contrast that with a selection of three other countries: Mauritius 30 per cent, Egypt and Nigeria are 25 per cent. Clearly these levels are pretty low.

Speaking as a representative of a global company that operates from within the continent of Africa, I believe that we must address a number of key issues. The first of these is related to the structure of the economy. Many of our economies are simply based on exploiting natural resources and

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generating very little value added. That means that we have very little control over our revenue stream. We have to sell our commodities at the price of the market. We are import-dependent and, therefore, we have to pay the price of the exporter as well. So we are trapped in-between. Most of our markets are shallow and unable to withstand the shocks of the international arena so that when there is a big problem, for example, in the oil market, the economy of Nigeria simply goes into a frenzy. We have, in many cases, weak institutions and a very large informal economy, the size of which in many of our countries, is unknown. In addition, our economies suffer from the dragon of corruption, which I have called the weapon of mass diversion – mass diversion of the nation's resources.

What needs to be done? I think it is mainly a matter of empowerment. Empowering and promoting private investment in prioritized sectors. Since many of our participants are representatives of IPAs, I would like to stress that it is very important that we privatize, and in doing so that we focus on those areas that we are going to develop. We also need to work very consistently at migrating the informal economy into the formal. In many of our economies the informal economy is very big – sometimes as big as the formal – and that does create an issue. And yet, it is not too difficult to begin the process of migration, which can often be initiated simply by granting property ownership. Property ownership, of both real estate and intellectual property, gives informal entrepreneurs a title and makes them visible, and so brings them more into the formal economy.

The issues that motivate investors most are local markets, labour availability, regional markets and, to some extent, labour costs – labour costs not just from a cost point of view but from quality as well. I would say that in each of these areas Africa can develop a significant advantage, especially if we pool our regional markets together instead of operating as fragmented little markets. Concerning labour availability, we have in many of our countries trained people but they need to be exposed more to be able to match the investors' requirements. I would say here that this potential advantage reflects a window of opportunity, which may not last very long. As you have seen, there are many other regions of the world that are competing on the same grounds and I reckon that, unless we do something very clearly in the next three years, that window may gradually begin to close and the opportunities will not be as available as before.

In managing the turbulence that we see arising from the transition from public sector-led planned economies into private sector-led economies, I think we need to develop more public-private sector partnerships to smoothen the change in that process. I think this is what President Museveni was speaking about a few minutes ago. That transition has got to be made and we have got to make the transition seamless.

Sector reforms and a focused IPA agenda are also important. Some of the survey reports also did show that only 7 per cent of investors were made aware of the opportunities within the various countries through IPA activity. Those of you who have read Jim Collins will know that the power of focus involves the merging of the issues that we feel passionately about as a country: What drives our economic engine, what are the areas in which we can really develop and grow our economies the fastest, and what are the areas in which we are better than everyone else, i.e. what are our areas of competitive advantage? Focusing on the areas of intersection of these three will be a very great advantage, and I think IPAs would find this concept very useful.

The opportunity that we find is that, almost wherever we turn, the base is very low. Most of the markets are under-supplied. In Nigeria, we have seen a 10-fold explosion of the telecom sector in the last two years, only because that is how long that sector has been completely de-regulated. Even despite this phenomenal change that has taken place in the last two years, the market is not nearly supplied completely. We have just under four million GSM telephone lines at the moment, but the market is put at something like 25 to 30 million at least.

The growth engine of the future will be given by the fact that we have fairly significant local markets, especially if we bring them together as regions, which is one of the reasons we at Cadbury now

operate on a sub-regional basis. We regard West Africa as one single block. We find that this is basic common sense because many people in the informal sector have been operating like that for decades and even centuries over borders, which only exist in the mind of the politicians because they cannot seek votes from across the borders – even though they try, sometimes. There is also an opportunity to generate value in the baseline economic sectors. Many of our baseline economic sectors – such as agriculture in many countries, mining in many others, and tourism in quite a few others – have not been developed.

Just to round up: In promoting investment a focused IPA agenda is very critical. It is also important to establish partnerships with existing investors, using them very critically as ambassadors in order to drive both domestic and foreign investment. There are many Africans living abroad who should also be engaged. India provides an excellent example. I think they set up a whole department in a ministry for non-resident Indians, and that is one of the things that we are beginning to do as well. A strong drive for FDI in priority sectors will also require managing some of the very significant image issues that our countries face. The Nigerian situation may be seen as an example in this context. But we are beginning to see democracy take hold in many countries. We are also beginning to see economic reforms, and the establishment of competition and anti-trust legislation. In addition, we are seeing steps being taken against corruption across the continent.

Where can UNIDO come in to support this? I think one major area is in capacity building among the IPAs, and a forum like this will help to build capacity by helping IPA representatives and executives to develop their own agendas and providing a platform for sharing best practice. This is very critical, and I think that sharing best practice does not need to happen only every other year when we gather together, but that it is important to maintain the network and the linkages on an ongoing basis. Finally, I think that UNIDO can help the IPAs to clarify their objectives, align their own agenda, make their agenda consistent with the economic reform agenda, involve themselves with policy advocacy because many of the things that are required and which are stumbling blocks today are still related to policy issues, serve as catalysts for public-private partnerships, and provide a window to the investing world by showcasing successes. I think UNIDO can serve that purpose to help in the issues of image management.

Thank you very much indeed.