

TECHONOMY

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Africa: The Final Frontier

Speakers:

Bhaskar Chakravorti, Tufts University
‘Tokunboh Ishmael, Alitheia Capital
Nmachi Jidenma, CP-Africa
Gary Rieschel, Qiming Venture Partners
Hannes van Rensburg, Visa

Moderator:

James Manyika, McKinsey & Company

Manyika: I want to welcome all of you to this panel discussion on Africa. We’ve provocatively titled this Is Africa the Next Frontier, and I think to motivate the conversation, I think it is important to keep in mind that there now are a billion people living in Africa. In fact, Africa as a region is actually the second fastest growth region in the global economy in the last decade. Faster than Western Europe, faster than Latin America, faster than the United States, so it’s a very fast growing region, and in fact, if you look at the ability to consume, if you look at internet connections, access to technology, it’s one of the fastest growing regions. What we thought we would do today is have people who are actually involved in shaping and pursuing some of the opportunities in Africa and thinking about the opportunities for Africa. So I’d like to welcome the panel. What I thought I would do to kick this off is to have each of them, starting with Gary, describe what you’re doing, what your interest and connection to Africa is, then we’ll have a bit of conversation, I’ll ask some questions, and then we’ll just open it up and have a conversation. My name is James Manyika, I lead the McKinsey Global Institute. You may have seen some of the work we’ve done on Africa, but in this case I’m simply going to be moderating the conversation and keeping us talking. So Gary, do you want to start and introduce yourself?

Rieschel: Sure. I’m Gary Rieschel. I run a venture capital fund in China called Qiming Venture Partners, which begs the question of why am I on a panel regarding Africa? And it comes from—we had a small investment, personally, we made in a fund, headed by gentleman named Yemi Lalude, and his investment thesis was to do venture capital between investing in both South Africa and Nigeria—this is a few years ago. And then as I’ve been in China, we’ve been watching the capital flows and the investments that China has been making in Africa, basically building out the physical infrastructure for the entire continent at a rapid rate. There are about 1.3 to 1.4 million Chinese nationals now living in Africa in various forms. There’s been quite a bit written about whether that’s positive for Africa, whether that’s negative for Africa, but in terms of looking at innovation, how innovation occurs in China, what China’s likely to do in terms of exporting products, what kind of products it’s trying to develop to export around the world, these are all things where Southeast Asia and Africa are logical markets for those products. So for many of the portfolio companies we have and many of the companies we see, we talk about what would be their first market as you go overseas? And the conventional wisdom has always been, well they’ll come to the United States. That’s absolutely not necessarily where the Chinese companies are targeting, either the SOEs or some of the smaller companies, because the standard that they are now at in the world are what I call a JGE or a ‘just good enough’ standard. Maybe not appropriate for Britain, the United States, but quite acceptable to Indonesia and virtually all the other developing world. And so we’ve had, our interactions been really looking at Africa from that perspective, and then personally just caring—you know, looking at it as an opportunity in terms of where in the future we might spend more significant time.

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Manyika: Nmachi, do you want to just introduce yourself? By the way, we actually have—three of our panelists actually live in Africa, the rest of us just come and go. But, Nmachi, why don't you go ahead—you're one of the ones who actually lives there.

Jidenma: Sure. My name is Nmachi Jidenma. About three years ago I started an online media organization called Celebrate Progress Africa. I was in graduate school in the United States at the time, but I was just terrifically fascinated by the impact mobile technology was having on the Continent, and I thought it would be a great idea to kind of curate the progressive stirrings coming out from the Continent, not just in mobile, but across various sectors. Over the years, it grew to become really popular, especially amongst young people on the Continent, who were also becoming aware about the tremendous opportunities on the Continent and were looking for ways in which they could be part of that great story. So it's been fantastic being a part of that platform and being able to connect with young people who are seeking that kind of information, and are seeking mentorship, training opportunities, and even access to finance to kind of actualize their ideas. The big parts that have been very fascinating have been, obviously, mobile, which I think in many panels yesterday and today have been referenced as a big, inspiring story that is coming from Africa. But from an online media standpoint, it's just fascinating to see how much penetration and how much access in mobile there is. I mean, even as a publisher, it's tremendous. Sixty percent of our traffic comes from mobile devices. A country like Nigeria, which is where I'm from, has the second highest mobile penetration rate for Facebook globally, and I think about seven out of ten of the highest mobile penetration for Facebook globally are actually all African countries, which is tremendous. And so when you see stats like that, and you come to a conference like this where people are talking about how mobile is taking over our lives, it becomes even more tremendous when you look at the Africa space, and places where some people have never owned a laptop or a computer and their first interaction with a digital device is a mobile phone, and it means a lot of things to them. I'm sure many people have already seen a lot of literature around that.

Another thing I've been very passionate about is social, because the platform became popular pretty much because of social media, actually started in social media, on Facebook, which is how it got a lot of traction amongst young people. And young people in Africa are very passionate about social. Facebook grew about 50% between February of last year and now, with about 25 million people on Facebook in Africa last year in February, and now it's about 50 million. There are local social networking platforms, such as Mxit, which has over 20 million users on the Continent. There's another popular one that has a lot of users in Nigeria called 2go, which is very popular. And these platforms, like in many places in other parts of the world, are helping young people express themselves politically, using platforms like blogs as a means of social expression, but also as a means of gaining employment for themselves. In Nigeria, a big topic of discourse now, which was talked about a long time ago in the US, is young people who are using blogs as methods of employment. These are people that have looked for jobs for say three years and haven't found one, and through blogs, they've been able to create sources of income for themselves that they would never have thought was possible. So these issues make me really passionate about what is possible in Africa over the years, and, yes, I'm excited to be here.

Manyika: Well, I'm sure we'll actually come back to a lot of the technology innovations you were describing, but do you want to describe what you're doing and introduce yourself?

Ishmael: Yes. Tokunboh Ishmael, Alitheia Capital, based in Lagos, Nigeria. We are an investment firm, we manage a fund at the moment which is primarily a financial inclusion fund, which means that we invest in initiatives that broaden access to finance, whether that's for households or for small businesses. One of the key things for us is how we can tap into the consumer story,

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not just in Nigeria, but in Africa, and serve the masses, because at the moment there are many opportunities that are focused at the tip of the pyramid, if you like, but we're looking at how can we enable the masses to have access to basic goods and services like finance, housing, clean energy? And so we invest in technology for the impact that it can have, particularly on that group that I talk about. But from a financial access point of view, we also invest in the traditional bricks and mortar initiatives, and what we're trying to do is also see how the new opportunities like mobile savings and payments that we've invested in can be leveraged in the traditional bricks and mortar, to even have broader impact into the more rural areas where there are no banks, not to talk of branches. Because that's one aspect of what we've been doing in Nigeria, and we're now stepping even further afield, now that that fund is fully invested, to look at, again, financial access and inclusion across Africa. And we have four key markets that we're looking at, at the moment—I should say, regions: Nigeria and Ghana, Sierra Leone and Liberia in West Africa; Kenya in East Africa; and Zambia and other Southern African territories. Because we believe that if you can conquer some challenges in Nigeria, which is a country of 160 million people, you can leverage that in other parts of—

Manyika: Well, roughly one in five Africans are Nigerian, right? It has a population density—

Ishmael: Absolutely. We have a little neighborhood in any part of the world. [laughter] So that's our thesis at the moment.

Manyika: Yes, actually one of the things I'd love to come back to later, Tokunboh, is to, in addition to what you're doing, talk about what you see on entrepreneurship in general. I know you and I have participated in that competition across Africa, but we'll come back to that.

Ishmael: Yes.

Manyika: Van Rensburg, do you want to talk about—introduce yourself and talk about what you're doing?

Van Rensburg: Thank you. I'm an African. I may not look like it, but I'm really an African. My parents were born in Zambia, both of them. I can trace my roots back 11 generations and then it gets lost somewhere, so if you think maybe I'm Dutch or something like that, I'm not. I'm African. I live in Cape Town. In 2000, I started a company called Fundamo. It was the first mobile payments company in the world. We deployed our first deployment in Zambia, called Cellpay. It's today the oldest mobile payments, and successful—commercially successful—deployment in the world. And since then has done close to 80 deployments all over the world, ranging from Indonesia, African technology in Indonesia, Bangladesh, Pakistan, many countries in Africa. At one stage, I was voted as one of the top 100 influential people in telecommunications globally, because of the influence that I've had in creating mobile payments in emerging markets. Last year my company was acquired by Visa, so I am now employed by Visa, and very excited about what Visa can and what Visa is doing on the Continent. It's widely accepted in Africa, more so than any other card, and only—Visa is not available in Sudan, Somalia, I think in Djibouti—so anywhere else, if you ever travel to Africa, make sure that you take your Visa card with. [laughter]

So today I'm responsible for Visa sub-Saharan business, and the company, which is now a part of Visa, we use that as a lab for developing mobile payment solutions for Visa in emerging markets. Maybe just something to add, because I think many of you may think, "Well, this Africa thing. What about Africa?" Just a quick, just a short story, because, you know, ten years ago I recall I was in a meeting—or I was supposed to be in a meeting, and the governor was quite late; I won't say which country—which happened a lot, very late, and somebody was kind of frowning when he actually walked into the meeting, and he looked and he

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said, “You know, in Africa we don’t have a lot of money, but we have a lot of time.” And that was then. Today, Africa’s time has come. There’s a lot focus, there’s a lot of energy, there’s a lot of efficiency. It’s a different continent. It’s a continent that’s really thriving, with a lot opportunity and a lot of energy.

Manyika: Okay. Bhaskar?

Chakravorti: I’m Bhaskar Chakravorti. I’m a senior associate dean at the Fletcher School in Boston, which is part of Tufts University, and I run an institute there called the Institute for Business in a Global Context. Like Van Rensburg and several of you here, I’m also originally from Africa, it’s just that I have to trace my origins back like hundreds and hundreds of generations, so [laughs] I can also stake my claim to Africa. My first contact—real—my first personal contact with Africa was in the early ’90s, and like several of our participants in this conference, particularly starting from yesterday, as a technologist, you dream of technology having this incredible impact, and really fundamentally change the state of the human condition. And where can you change the human condition more than in a place like Africa? So Africa has sort of been like a metaphor, a dream, for practically any technologist, anyone who is a problem solver. So in the early ’90s, it wasn’t cloud, it wasn’t social, it wasn’t mobile. The big thing at that time was fiber optics, and something called the internet, which was just taking off. And I spent about two and half years traveling around different parts of Africa trying to develop a project called Africa One, which was essentially an undersea fiber-optic cable that would encircle the Continent and connect it to the rest of the world. And those days our dreams was, if you just connect Africa to the rest of the world through high-speed technology, this would be it. This, you would fundamentally change the world. Well, I ran into something, an event that I would call my Mandela moment, and I’ll just very briefly comment on what that Mandela moment was. My first stop was in Pretoria, and I was trying to convince the Mandarins in the bureaucracy in Pretoria that this is something that South Africa absolutely needs to sign onto. And they said—and I had this wonderful set of PowerPoint charts, the best econometric studies that the world could buy, and I felt that I’d really made my case. And they kind of listened very patiently, and afterwards they said, “You think—you sound really clever, but actually you’re pretty stupid. This is not the way things are going to work here.” This was a time when the African National Congress had just gotten going, it was period of great excitement for South Africa, and of course, that’s why I was there. And what had happened was President Mandela had just come back from Malaysia, and he had had a fantastic meeting with Mahathir, and he and Mahathir had gotten along like a house on fire, and President Mandela had told these guys that, “Tell that consultant out there that what we need is not a fiber-optic noose around the Continent, but a single fiber-optic connection between South Africa and Malaysia, and that’s it. That’s going to be the future.” [laughter] So I said, “That makes no economic sense.” And this guy again took me aside and he said, “You don’t understand. You do not argue against Nelson Mandela.” And really, you don’t argue against Nelson Mandela. So I went off to a different part of the building and tried to talk to the old guys, the guys who’d been around from before the African National Congress. And they said, “That’s total nonsense. These guys don’t get it. What we need is a single fiber-optic link that connects South Africa to Europe, and that’s it.” So essentially my Mandela moment was that technology, business, economics—that’s only part of the story. What we really need to understand is the context, and the context is politics. The context is geography. The context is history, an enormous amount of very complicated history. So I’m going to cut my story short here, and we can get into the discussion. I wanted that Mandela moment, my personal Mandela moment, to be shared by a lot of other people, and just two weeks back I organized a conference called Africa’s Turn?—and the emphasis was in the question mark—and was fortunate enough to have about 400 people at the

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conference, many of whom were, like you, incredibly, deeply knowledgeable within Africa and they were helping make change happen in Africa in all quarters. And collectively I hope I managed to create a Mandela moment for about 400 people, and maybe I can share some of that with you as we get to the discussion.

Manyika: Well, I'm sure we're going to cover a lot of territory in this conversation, but before we get too far afield, I guess I'd like a couple of you to speak to this question: What is it that we think has changed, that's creating all this excitement? Because this is not a conversation we were having about Africa ten years ago. So what has changed? What's creating the opportunity?

Van Rensburg: First, I mean, I would say the first thing that changed is that the predictability of the environment changed. I would say pretty much every country in Africa has got a democratically elected government. It's going to happen—many of them twice. Next year, there's going to be quite a few elections. There's predictability in terms of who's going to be in power, and that there's going to be somebody that's going to be democratically elected. Yes, there's one or two instances in—how many countries do we have in the Continent, 54 countries?—where there's some instabilities, but on general, 95% of people in Africa live under a predictable political situation.

Manyika: So there's a bit of a—almost a governance dividend, so to speak?

Van Rensburg: Yes. And that gives you the comfort to go there, to invest, to build and to do business.

Ishmael: Yes, I would add to that, that that facilitated a number of people in diaspora going back to Africa, and with them landing on the shores of Africa saying, "What can I do now that I'm here?" You know, it's—for whatever reason, whatever might have been happening outside the Continent, it was a time for them to move back. And being there, they wanted to—in their individual countries, their individual cities, they wanted to make it livable for them, so you had a lot of entrepreneurship springing up from that, but they also wanted to have an impact. And I say to people, "I can live outside of Africa. I've chosen to live in Nigeria. And if I'm going to live there, I want to do something meaningful." And that was the same for many. There was a consciousness that, "How can I have an impact?" And I just want to pick up on your story and link it to entrepreneurship. At the moment, there's a lady—her name is Famke Q___ [ph]—she has been instrumental in landing subsea cable to Nigeria, and her story is quite interesting from the perspective that she was one of those that moved back to Nigeria to do something else, but it didn't work out right. And one of the investors in that entity said, "Look, think of something you want to do and come back and let me know." And you know, entrepreneurship, it's hard to get funding in Nigeria, which is one of the reasons we are providing access to finance. And she said, she went to him—and he was, when he tells this story, it's quite funny. He says he was expecting her to come back and say, "Oh, I'd like to open a shop," or something, and she comes back and says, "I want to build a subsea cable." And he said, "Yeah, whatever." [laughter] But she kept on coming back, and so he seeded her some funding—which is rare—and lo and behold, about three years later, we have subsea cable. Now, in how many countries around the world can some woman, like myself, stand up to somebody and say, "I want to land cable to this continent?" And that's just one of the entrepreneurial opportunities that's available across the Continent.

Manyika: But just to maybe push on that a little bit, one of the things you can say when you look across Africa in aggregate is that much of the growth we've seen in the last decade, a fair portion of that you can attribute to the resource boom. So if you look at economies like Nigeria, like the Congo, we've had an incredible resource boom that those countries have benefitted on. So is it really that, that's creating the excitement? Or, you're arguing it's more entrepreneurship—

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Van Rensburg: There's much more—

Ishmael: There's more than that. And especially because that resources—it's not broadly distributed, right? So there's more than that. There's more of a sort of ground-swell, bottom-up opportunity. I mean, this lady—it wasn't resources that funded what she was doing, but she knew she had the experience and expertise and could bring people together, and she made it happen.

Van Rensburg: Massive growth in telecommunication. Massive growth in banking. Massive growth in retail. Massive growth in construction. Massive growth in agriculture, of course. So there's many, many sectors that's actually going hand-in-hand to growth. I mean, some of the best performing stocks on stock exchanges anywhere in the world—

Ishmael: Have nothing to do with the commodity [OVERLAPPING], yes.

Manyika: Yes, actually just to agree with you, I mean I was quite struck by the fact that I think the consumer spending in Africa and Nigeria is actually higher than India, on a purchasing power parity adjusted base, which is quite extraordinary. But let's talk a little bit about technology, I mean, we are at Techonomy after all. I mean, often the story you hear about technology is, I think technology in Africa probably first came to prominence around—remember the time there was trouble in Kenya, for example, and social media was used a lot, there were a lot of entrepreneurs who used blogging and social media to basically increase awareness. How much impact really has technology had in Africa? I mean, Nmachi, you were starting to talk about some of that at the beginning, but could you talk to the impact of technology for a bit?

Jidenma: What I think the impact has been has been mostly in the aspiration of the youth. And I think that's so important when you remember that 70% of people in Africa are under the age of 35, and when you look at the unemployment numbers and see how—you see how deep the unemployment numbers are in places like Nigeria. So what things like social media has done is that it's given people a voice, which I think is just so important now, because young people are growing up hearing about—they've heard the dark stories about Africa, about the poverty, the war, and all the negative stories, but what's happening is because of technology they can access other information. And people have been talking about this throughout the conference. Because of technology, even if they can't afford to go to a certain kind of school, they can take a course at udacity.com and challenge themselves and push themselves forward. And aggregate and incubation labs are growing all over the Continent. So just this hope, and just having an aspirational standpoint is so important, because it lets young people feel like they can actually better themselves, and they can actually be a part of the Continent's growth story.

Manyika: Have there been many sort of, call them homegrown innovations around technology—in addition to the use; obviously, people are using Facebook—but how many, how much sort of actual innovations happen ground up? Are there some exciting examples you're excited about?

Ishmael: High and low tech. I mean, recently, four teenage girls—and this just warms my heart—they developed a system to use urine to power generators, you know, like in Nigeria. And one of the things, one of the questions we're asking is, you know, is the world ready for Africa, right? I mean, Africa is changing its story. It's no longer about bringing aid to Africa, it's no longer just about trade, but it's engaging as innovators, and having innovation exported out of the Continent. And even with the mobile, there's so many things that are happening with the mobile beyond payments, that have not happened here in the

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West. And so there's that leap-frogging going on. And now, I mean, on the low tech side, like I said, people want to solve problems on an everyday basis. They want to use technology—it's not technology for technology's sake. It's like, "Okay, we have this problem. Diesel is expensive. We don't have power. How can we use what we have to better ourselves?" The farmers, there's something called a tri-ctor, which is a three-wheeled tractor, which is at a price point that small-scale farmers can afford. It's not about them trying to get some big John Deere or what have you. It's made from a motorcycle with implements added. So it's those sorts of innovations that we're seeing coming up that really will be exported to other places.

Van Rensburg: But also high tech . Also high tech . I mean, something that I enjoy saying sometimes, people don't know, but Amazon's got a lab in Cape Town, right? The On-Demand stuff was built in Cape Town. So, the cloud that—Amazon was one of the first—the cloud that we all talk about was invented in Africa. In effect, built in Africa, in the labs in Africa. There's many examples in mining, you know, that is really, really high tech , in telecommunications that's actually being developed in Africa, in Kenya, in countries like Ethiopia. High education, really, really highly educated engineers coming out of countries like that, which you would never have thought, right? Who would have thought that Ethiopia, which, what is it, three years ago just became a democracy, that that's actually what's coming out of those countries.

Rieschel: Can I add one thing? I think that we—this is with David's background, so we're clearly always thinking about the IT industry—we have to look at the other technologies that Africa's able to take advantage of now. There's a massive amount of railroad infrastructure that's being put in place. So all of the nice things that would happen in retail, all of the nice things that would happen in agriculture mean nothing if you don't have really efficient distribution. So some ridiculous amount of vegetables and fresh cut flowers are flown every day from Kenya to Europe, and you're talking now about a business that's probably on the order of tens of millions of dollars, if not hundreds of millions of dollars a year. And that only works because the port infrastructures, and the friction in terms of the commerce in certain areas has started to come down. And that would actually be the area where you'd like to see technology applied more in Africa, which is reducing friction between countries. Because very few of the countries yet have the scale to actually be really at critical mass or the most efficient production values by themselves, so to create regional areas, or to create areas where that friction is virtually zero and you can get higher efficiency, but the physical infrastructure that's being put in place should facilitate that.

Manyika: So do you get the sense that the rest of the world is really engaging in Africa around the opportunities? At least what you typically see and read is the fact that there's a lot of South-to-South flows that are happening between China and Africa and so forth. But do you think—I mean, how much is the rest of the world, the entrepreneurs or venture capitalists and others outside of Africa participating in Africa?

Chakravorti: So, maybe I can take that. A couple of observations that—this is something I tell my students all the time: Get instantly suspicious when everybody cites the same example in every conference. So if every conference, people are talking—and with due respect to others who have been pioneers in the space, people talk about mobile banking—it's Empasa, man, Empasa, and, you know—

Ishmael: Not anymore. Not anymore.

Chakravorti: I'm sorry, but you just—it just—I'm sick and tired of hearing the same example at every—

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Van Rensburg: Let me give you some more.

Chakravorti: But we are in an enlightened place here, right? And it's the same story of Kenya—you know, "Empasa worked in Kenya. How come Empasa is not..."—or equivalent, the same degree of penetration hasn't happened elsewhere.

Van Rensburg: It has. It has. [laughter]

Jidenma: It's tricky.

Manyika: Actually, to that point, Bhaskar, one of the things that Tokunboh and I participated in in the last few years is an entrepreneurship competition that's Pan- Africa. And I think all the businesses that we saw, we'd never heard of.

Ishmael: Yes.

Van Rensburg: Yes.

Manyika: And they were doing everything from technology, from cloud innovation—we'd never heard of any of those companies.

Chakravorti: But this is precisely the insight coming out of Africa. To some extent, there's a cognitive dissonance between that and the conversations that are happening outside of Africa about Africa. So I'll give you another example. PlayPumps International. Have people heard about PlayPumps? PlayPumps was one of the most hyped stories of all—not of all time, but one of the most hyped stories I had heard about Africa, which, there was a Frontline documentary on PlayPumps, and essentially this was such a beautiful story about this entrepreneur who built a merry-go-round in primary schools, primarily in South Africa, and children would play on the merry-go-round. The merry-go-round was connected to a pump, and the pump would then pump water, which would be stored in an overhead tank, and the overhead tank had sort of four sides, and all four sides there were advertisements by Colgate and Procter & Gamble, Unilever, and one side there would be public health commercials on it, and that advertising revenue would pay for the whole system. This was so beautiful, everyone loved it. Bill Clinton loved it, you know, the Case Foundation loved it, Jay-Z loved it, Frontline loved it, and today PlayPumps is shut down. And Frontline went back and did an apology tour for—and essentially trying to explain what went wrong. So essentially the issue is the narrative about Africa outside Africa to some extent is a little warped by these cute stories that get told, and it does not connect with the larger realities that folks who are on the ground there can tell. So there needs to be a greater interplay and interaction, and potentially collaboration, between Africa and the rest of the world.

Manyika: Well, we're going to start opening this up shortly to questions in the group. Go ahead—

Ishmael: Can I just add something to that, and say that part of the issue as well is actually treating Africa as one. So, because there's many stories within the countries, within the cities, and those that are on the ground are hearing about those stories, and—I mean, I take your point that outside there needs to be more discourse. But maybe outside as well, if the world is going to be ready for Africa, they need to start thinking about it as discrete unit as well.

Manyika: Actually, to that point, what is the right way to think about Africa? So do you pick countries, and say there are ten countries that are interesting? Or do you pick particular demographic groups and say I'm going to go after the urban wealthy in Africa? I mean, how do you think about Africa from an opportunity standpoint?

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Van Rensburg: Well, I mean, the first thing that irks me about how people look at Africa is the first thing when you get asked about Africa is—and I bet it sits in all of your heads, right? Or not all—some of you, right? What about corruption? Right? That's the first question that people ask, right? Now, I've been doing business in Africa for best part of 15 years. I have never got involved with corruption. It's a choice that you make. Many, many businesspeople, and most people that I deal with, do business with no corruption. I mean, if I think of the Nigerian minister of finance—what's the name again?

Ishmael: Ngozi.

Van Rensburg: Ngozi. And I mean if you talk to her about corruption, it—I mean, the Nigerian government are so focused and absolutely above, I would say, any suspicion of corruption, right? So the first thing that people say when they think about Africa is a continent awash with corruption. Wrong. Totally wrong. Of course there's—

Ishmael: Pockets—

Van Rensburg: There's instances like everywhere else in the world, in a way, right? So there's in many, many ways, a total misconception, in my mind, about Africa.

Manyika: Let's try to open it up, if questions in the audience, I'll hand this to you, but we'll keep the conversation going. If you have a question, just put up your hand. Go ahead.

Audience: I just want to ask about China and China's role, because it seems so overwhelmingly strong, and the US has this corruption focus and maybe sort of a racist bias or whatever, but the US has clearly not engaged with Africa anywhere close to the way that China has. And it's gone in there with self-interest, but also with tremendous impact, and I'd just love to hear a little more about that.

Rieschel: So I guess, so one observation would be the US—I think the mistake the West has done with Africa is they provide welfare. They provide aid. That's really not what a society or a country or a continent at that scale needs. It needs infrastructure. So what the Chinese have done is said, "Look, we want your materials." They're not shy about it. "We need water, we need farming, we need coal, we need minerals, etc., so we're going to build you ports, and we're going to build railways, and all the rest of it." Now, what you do with those railways and things after that is really up to the country to decide, but the fact that that infrastructure gets built is a huge advantage if the countries then really realize that it's an internal governance issue on what happens to that infrastructure after, and how fairly that's used and what that's used for. So I think there's probably been far more engagement between America and Africa over the years than there's been with China, but China's really focused, and what they're not afraid to do is, they have 1.3 to 1.4 million Chinese who have moved to Africa, and it's the same thing—you cannot stop Chinese from being Chinese. I'm sorry, it just doesn't work. [laughter] And so they are incredibly entrepreneurial, and what they do is they take advantage of what's there physically, and then they start building shops, and then they start working on the education system, and then they start bringing their friends and their family over from the mainland, and pretty soon you have entire pockets of Chinese. You have Chinatowns springing up all over Africa. Now, that's kind of a bad thing, you feel bad, but why? Because the overall level of that community, from a security perspective and everything social, increases, and more and more wealth comes in. Then it's really a question, again, what does that local government do with that benefit? And I think that—one last story, when I was talking to some folks in the Middle East who own

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big sovereign wealth funds, they said, “Oh, we’d really like to invest in China.” I’m like, “Why? They don’t need you. They don’t need money. What you should do is you should follow the Chinese infrastructure in Africa”—and we were talking about Egypt, and we were talking about South Africa, where the Chinese are building the roads and dams and mining infrastructure and things. Well, two years later, I went back and talked to them, and they’d invested in Chinese hotels, Chinese restaurants—basically, they’d put almost \$100 million of investment in providing services to the Chinese that were working in Africa, and they were making a ton of money. Because you followed—it’s really predictable what they’re going to do, so follow that physical infrastructure, and figure out how to take advantage of it.

Ishmael: So from an investment point of view, that makes sense for an investor, but on the ground, we are concerned. And when you talk about raising the livelihoods of people because infrastructure can—well, if the Chinese are bringing in drivers and construction workers, then it’s displacing people on the ground, and so amongst my peers there’s a debate about whether this is the second colonization of Africa. And, you know, have we properly prepared ourselves to engage with the Chinese? And so that level of debate is beginning to come up, and the question is, is Africa sufficiently ready for the world? Because we need to reengage and reorganize ourselves around this kind of intervention, because it is disruptive on the ground. It looks good from a macro perspective, but it is disruptive nonetheless.

Chakravorti: To some extent, to your point earlier, there isn’t one Africa, so there are probably very different China stories that are happening in different parts of the Continent, and there are some part of the Continent—for instance, if you talk to some folks in Rwanda, they will have a very different perspective, and they basically take the attitude that the West had its chance. The Chinese are here, and the Chinese don’t bring attitude, which the West did before, and the Chinese have a purely mercantilist approach, you know, “We want your materials, your commodities, and so on, and we’ll build some roads and highways and we don’t want to impose our culture or values or whatever it is on you.” On the other hand, there are other parts of Africa, such as Ghana, where they’ve actually—I think a large part of this is Africans themselves developing that negotiating leverage to negotiate with the Chinese and get on an equal footing. So in Ghana, for instance, they have actually insisted that they use Ghanaians for many of the projects and not bring the Chinese workers over to build the roads, to build the highways and the sports stadiums and so on. And they’ve been able to do that despite the fact that they don’t have laws on the books which would get them to use local labor. But it was developing that confidence, and saying, “We are going to take control over how this goes.”

Ishmael: Except, when you go on the ground—

Manyika: To push on—

Chakravorti: I’m sorry?

Ishmael: Except when you go on the ground it’s not being enforced.

Chakravorti: I agree, I mean—

Manyika: But to be specific, though, the China and Africa story is largely around the resource rich nations. Right? There are countries that are not that profile that are engaging very differently. Could you talk about not just the resource rich countries, but also the other—

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Van Rensburg: Maybe, I mean, just another perspective of America's involvement in Africa—and it's maybe a more positive story, because, yes, the Chinese are in Africa, but we wonder some—we're a bit suspicious about why they're there. But if you go and you look at what the best known brands in Africa? Coca-Cola. If you go and you stay in hotels, it's Hiltons or Holiday Inns. You know, I mean, Wal-Mart just bought Massmart, Unilever. I mean, Visa, that bought my company, and we're investing heavily—as a US company, Visa Inc. is investing heavily in Africa, but investing on the basis of free markets. We want to make money out of it. We want to make money with you out of it. Many, many Africans are employed by the US companies, and so in a way I think the relationship with the US is kind of come of age. We work together, it's a free market system, let's see where's the opportunity to make money, and we make money together. The Chinese are kind of still trying to figure out what the relationship is with us.

Ishmael: I agree with that.

Manyika: But just to make this specific to—certainly at least the three of you who are active in Africa and investing in building businesses, when you think about, from a Visa or payment or commercial platform standpoint, are there particular countries you think about as the most interesting? And I'm also curious what you think about, as an African-based investor, are there particular countries or opportunities you pay attention to more than others? I'm just trying to get specific to where's the excitement, where's the energy, and where's—

Chakravorti: Well, if you don't have Nigeria on the list, then you're not playing. So, definitely Nigeria.

Ishmael: Yes, so—I mean, not just because I live in Nigeria, but Africa needs Nigeria. And then, we—Ghana is a natural sort of next but one market. We're also looking at Kenya, just because. I mean, Silicon Africa is happening out of Kenya, and there's some—we believe there's some—

Manyika: So you're saying Kenya is the technology center? I mean, is that where most of the—

Ishmael: Well, at the moment, it's perceived so. But we, obviously Nigeria believe that's because we've not been loud enough about what's going on. [laughter] We're loud in everything else, but we want to be loud enough there. So there's that. But also, in Anglophone West Africa, because of some of the money that has been directed to post-conflict countries like Sierra Leone and Liberia, we see that there's opportunities for growth there, and so opportunities for regional integration between Nigeria, Ghana, Sierra Leone and Liberia, in terms of the same companies sort of being encouraged to expand in that manner. We're also looking at Zambia, close to South Africa, also able to import from South Africa in terms of technologies and resources and what have you. So those are the key markets that we're looking at, at the moment, for us.

Van Rensburg: When you look at markets, then, you should look at the big markets, right? So definitely Nigeria. And also hubs, right? If you're in Nigeria, then you know, Cameroon, Ghana and so forth, you could be looking after—very interested in Angola. It's growing at a hell of a rate, right? It's a really fast growing country. Kenya, definitely. Ethiopia is interesting. But I think the most interesting country, and the jury's still out what's going to happen there, in terms of potential growth, is the DRC. Huge country. Massive resources. But politically unstable, still. So if they come through a few iterations of their democracy, then DRC is a country to watch.

Audience: The Chinese are sort of very active there, so—

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Van Rensburg: It's dicey.

Chakravorti: I guess one more point I would add to that is that—coming back to this question of what's the right unit, and clearly the right unit is not Africa, and I don't believe that the right unit necessarily are the 54 individual countries. And that maybe the ECOWAS, the SADC, the regional collections, at least on a project by project basis, that may be a way to think about some of these questions and the answers to some of these questions.

Manyika: We had a couple questions.

Audience: Well, I just had a question about Francophone, Africa, which you started to answer talking about the DRC. Can you elaborate a bit on—it sounds like your emphasis is more on Anglophone Africa. Can you talk about Francophone?

Ishmael: For us, we are not going to Francophone. Other than language matters, the legal framework is just too complex for us. You can get people on the ground, but that adds its own complexity. But there are funds that are based out of Senegal, for example, that are looking at the Francophone market, so there are people that are looking at that.

Manyika: Another question in the back.

Audience: Yes, I'm David Aylward from Ashoka, and I can attest secondhand to the explosion of entrepreneurialism in Africa from our growing fellowship there. The question I had was about two huge demographic trends that seem to be happening in Africa. One is still a population boom, and second, the movement to cities. I went to Lagos for the first time a couple of months ago, and I've just never seen anything like it, except Mumbai or Nairobi. So what is Africa doing, or what are these arrival cities doing to prepare for this overwhelming influx of people who will be coming in?

Ishmael: So this is another—so now we go away from regions, and even within the country, Nigeria, you're seeing different strategies from different cities and different states. Lagos State, where you visited, they definitely have a plan. There's a lot of development happening, and I'd say they're the most advanced out of the states that we believe that they'll be huge population explosion. Some of the other states are still in the planning phase. River State, which is where much of the oil is, there's a lot happening there, in terms of them now beginning—the government there beginning to think that, "Okay, we really need to use this resource to develop our state, and we need to think about how we develop communities, how we look at construction." Construction is a huge part of what's driving growth in those areas. So I would say Lagos State and River State for sure, are beginning to think more consciously about this. In your reports, out of the top—there were top 20 cities with the youth consumer coming out, five of which are in Nigeria. So that's Lagos, Plateau, Ibadan—which is in Oyo State, where the government's been a bit slow, personally for me quite frustrating because that's where I'm from. And Ibadan has a rich history, and actually used to be the largest trading post in West Africa. So there's opportunity there, and McKinsey has obviously seen what's happening there, but again, the governments around these five cities need to be the ones driving it, because it's not going to happen from the federal level.

Van Rensburg: But you would agree that there's a big need to grow infrastructure?

Ishmael: Absolutely.

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Van Rensburg: Electricity, big problem. Anybody that's gone to Nigeria, if you don't have a generator—yes. So, electricity, transport, there's big problems that need to be solved, right? In order for us to actually propagate in terms of the growth.

Ishmael: Yes, and these governments that I mentioned, Lagos and River State, they are definitely doing something about that. We're having a light railway system put in in Lagos State, independent power plants, certainly in Lagos State and River State. The others, Ibadan in Oyo State, Kaduna in the north. It's slowly slow with "Mañana, mañana," [laughter] but it's really going to happen around the state governments. It's not going to be from the federal level.

Jidenma: No, but going back to this question, I mean, I think you're perfectly right in the sense that a state like Lagos State is very progressive. It's kind of seen as the shining light in a country like Nigeria, but you talked about the organization trend, and the truth is that the growth is so fast, that even though we see the efforts that are being made by some of these more progressive governors or states, to me it's clear that it needs to be faster. And I think the same story goes across various other segments. People are saying Africa is rising, but the truth is that to get to a certain level of prosperity over a certain period of time, Africa needs double digit growth. And so we have to start asking ourselves questions like, yes, Africa is rising and maybe some countries are growing at 5%, maybe 7% per year, but is that fast enough, and what kinds of efforts do we need to make to make that grow fast enough? So when I hear this state or that state is doing XYZ to solve unemployment or to deal with urbanization, we have to step back and see if they're doing enough, because this is so important because if they're not doing enough, even though they are doing piecemeal things, eventually it might catch up and become like a disastrous situation.

Ishmael: And I agree, but what we're seeing is that, because those states are doing things, the other state government are slowly sitting up. And even though they're copying what they're doing—so it's slower because they're waiting for the next move that those state governments are making—they're more conscious that they need to do something about it.

Manyika: Let's get a couple questions in the back.

Audience: Okay, sure. This is a politics and governance question. So a lot of what we've talked about at the conference has been the culture of innovation in the United States, and some of the people that I read have talked about, you know, our country was founded on democratic principles, with a lowercase d, on the one hand, and republican principles, with a lowercase r, on the other, and so while democracy is important, so also are property rights, from the ownership of land to the intellectual property system that we have. And as businesspeople and entrepreneurs, I'm wondering, are you seeing adequate long-term institutions, policies, laws, regulations, being put into place in some of the countries you mentioned, for the protection of property rights on the one hand? And, whether you see that currently or not, has there been explicit recognition that that might be a long-term competitive advantage for Africa, or at least those countries within Africa, as compared with maybe India, as compared with maybe China, and those types of places? Thank you.

Van Rensburg: Adequate is a strong word, right? There's definitely the right intention, but in my—and it's different, once again, from one country to another. I would say that there's definitely an intent, but it's very immature, right? The kind of things that many of the legislation, in my perception, are grappling with are things that in the first world, in the US, you've gone past. Like now you're thinking about information ownership, you know, and rights to information and things. Not an issue in Africa, right? The kind of legislation that we're grappling our ownership and rights like that. You have to be savvy in terms of how you deal

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with it, but I've always been able to manage. There's good legal support in the countries. You go get local legal support, and you can mostly navigate through it in a very responsible and transparent manner.

Chakravorti: If I may actually take you back to a study that McKinsey—my old firm and James' current firm—did, which is often used as a reference point for many of these discussions on Africa, that essentially segments many of the countries we're talking about into distinct clusters. So if you look at kind of one cluster, which is along the extraction dimension, and very high on the extraction and resource dimension, it's a very different cluster relative to the ones that are somewhat more economically diversified. And there's actually only one country that happens to act as a bridge between the two, and that's Botswana. At least, from what I remember the graph—now that may have evolved a little bit. Now, Botswana is a great story, but it's a tiny little drop in this giant bucket we're talking about. So the governance problems—you know, the resource-led countries have the classic resource curse, which is the governance systems are inversely related to the degree to which it's reliant on resources. Now, when you look at the cluster that's on the other side, if I remember the countries right, other than South Africa, most of them are like Libya, Tunisia, Egypt—that's not really Africa, that's not what we're talking about.

Van Rensburg: And things change drastically there. [laughs]

Chakravorti: Exactly. And things have changed in those parts, right. And then there are sort of another cluster that's identified as the pre-transition economies, which are the Kenyas, the Tanzanias of the world. They're still evolving on all fronts, on the governance front and on the economic front, and they may have a few spikes in technology and so on. So, I think—

Van Rensburg: No, I think you're right. I think your report may be a year or two old, right, so there's really been progress in East Africa for sure, progress in West Africa as well, but you're absolutely right. Yes.

Ishmael: But on a practical level, I mean, if you find yourself in a situation where you're trying to make an investment, say where, I don't know, construction, so land is important there, I mean, the thing is not to be in too much of a hurry, because what I find is that people come in from the West and they want to do things now, so then you end up sort of compromising, and then that's not good for you. So you really need to—and that's why you need to have people on the ground that can sort of stay the time.

Manyika: Well, let's play this forward a bit, and maybe I'll throw out a couple hypotheses. What do you see as what Africa might look like 20 years from now? One version of that, it becomes the world's factory, because there's a large working age population, and in fact, education levels are rising pretty fast, so Africa becomes the next "China"—the world's factory. You can imagine a different version where Africa is creating its own products and services for its own consumption, so it's less about being a—but can you talk through a little bit about what you think, how you think this might unfold.

Chakravorti: So, we did a project at the Fletcher School, writing an issue of *The Economist* magazine for the year 2020, and the cover—and we had like four different versions of *The Economist* magazine, and one of the covers of that *Economist* magazine was, the cover story was, The Africa Union—so that's one scenario. I'm not saying I believe in it, but I can paint a picture of a scenario where there's essentially a Chinese-led coalition of African countries, which are—essentially there's a most favored trading partnership with China, there's transfer of a number of skills and so on, and infrastructure, both hard and soft, from the Chinese to Africa, and the guaranteed supply of land, of agricultural products and raw materials from those countries back to

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China, and to some extent, the currency is the rand, maybe. And you know, and that's a version of Africa that, depending on who you speak with, they find perfectly believable for, not all of Africa, but a certain—

Manyika: For the resource rich countries.

Chakravorti: Yes.

Chakravorti: So that's one vision. I'm not saying I believe in it, but that is a plausible model.

Van Rensburg: Something that may be interesting to think of, in terms of the future—I cannot talk about what will happen in the future—is that Africa's inflation in many countries are pretty much under control. That's I think very important, right? And it looks like the fiscal management of most countries are such that we're not going to see hyper-inflation. I think that's a very good story. Coupled with the fact that the debt of nations are low. I would say extremely low if you compare it to the rest of the world. I think there's a story in there, economists would probably be able to do something with it, but if you just look at the fiscal situation of Africa, it's a pretty good platform for things to happen.

Jidenma: Back to your question about what the future will look like, I really found the panel on robotics very interesting, because I mean when people are talking about a future whereby manufacturing lines are done by robots and the potential of that to decrease the cost of producing goods across the world, and then you ask the question about whether Africa is going to be the world's factory, it's a little difficult to think about both realities, because it goes back to the point about people who are worried that if Africa doesn't bridge the digital divide between itself and the rest of the world, they worry about what the future might look like. And then, when you attend such panels and you hear from the experts what they think the future would look like, and you hear those kinds of future predictions, you wonder where that would leave Africa, because if we're still imaging a future whereby a labor-intensive way of producing goods and services is still the reality, and if 20 years from then, if that's not the reality in the world, then you wonder what the reality for Africa should look like. So I think it's tricky, just because the rest of the world is accelerating at such a fast pace, and Africa is trying to catch up. Which is why I think it's very important for the 'Africa is rising' story to be very deeply grounded in the amount of speed of innovation and technological progress on the Continent that is needed for Africa to catch up. I think we're a little bit—the world's a little bit excited by the progress that seems to be happening on the Continent, without realizing that the progress that is needed for the Continent to really transform itself is an immense amount of progress that maybe the current governments in many African countries are not even really thinking about, in terms of the amount of work that they need to do.

Rieschel: If I just have one thing to—where I think—if I looked at where Africa is likely to be a huge competitor, as an entity, it's with India. And I actually think if I look out 20 years, I would be far more positive about Africa than I would be about India. Probably knowing more about India today than I know about Africa, but looking at it from the standpoint, again, of the infrastructure, the pockets of entrepreneurship, and the fact that now there really is a much more open attitude, and an attitude that's really based on value, not just based on need. And I think that the West is starting to get the right idea about investing the opportunity. You know, the Chinese, forget that, the raw materials, forget that. But investing in the opportunity. I mean, Carnegie Mellon setting up a campus in Rwanda—I mean, come on. Who could have possibly seen that 10 or 15 years ago? So that type of investment in the people is what gives Africa a huge advantage, if it gets its governance in order. And I would—parts of Africa will lead India in governance. India has huge, huge governance issues today.

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Van Rensburg: Let me just add—there is something very interesting about what you just said which surprised me, you know, and people can check me—maybe I've got the wrong statistics. Africa invests much more in education per capita than India.

Audience: That is true.

Van Rensburg: I mean, that just supports, in terms of what you're saying.

Ishmael: On the prediction point, if I can just make two points and sort of respond. The first one is that when we talk about the future and we talk about all this robotics and the technological advancements, one of your reports, again, says what most Africans want is a job. And if robotics are going to take over, and with a population explosion, what jobs are going to be available for the people coming through? So that is a challenge that we'll need to be thinking about. But there's also a statistic that says that, I think it's by 2020 or by 2025, 40% of the youth globally will be from Africa. Which for me means that the youth, who tend to dictate things—it may mean that the youth in Africa will be the ones dictating what's happening, whether it's fashion, culture, what we're all thinking about, what companies are thinking about producing, and I don't know whether the world is ready for that, so that's something that we need to think about.

Manyika: I want to get a question in the back, now.

Audience: Good evening, my name is Kate Krontiris, I'm from Reboot. My question is about sort of investing in entrepreneurs. So we've heard that it's very difficult for entrepreneurs to get capital, and I could imagine a piece of that has to do with the formal financial system, a piece of it has to do with sort of measuring risk and managing risk, and a piece of it has to do with property rights and being able to demonstrate that you have some collateral. And I'm wondering if anyone on the panel has ideas about technology is being used or could be used to sort of impact each of those areas, in terms of mapping perhaps formal systems to informal networks, or thinking about measuring and managing risk in different ways, or thinking about using technology to actually document property lines, for example. Are there interesting and useful ways that technology can help in addressing this sort of provision of capital issue?

Ishmael: There's some rule-based systems that are being used for investing, so when entrepreneurs determine are they appropriate—so even without collateral, determine ahead of time whether or not they will pay back—and this is more for the small business than micro, because micro is no collateral anyway, so you just go for that. And that's coming out of Harvard, I believe, and that's being used by a couple of the local banks. But I'm also of the opinion that the investment that's required in entrepreneurship shouldn't be coming out of banks anyway, and we need to see, not necessarily the Silicon Valley model, but the African Silicon Valley model, where you are prepared to step out and take some risk in some entrepreneurs, because you've ticked off some things like, okay—the typical things like management. We know that there's a market, but how can we bring together the appropriate ingredients to make this work? So we need to formalize our own way to invest in entrepreneurs in our market. The challenge is that there isn't a lot of local money, and I mean local African money, that's going into funds. In fact, most of the funds on the Continent are receiving their moneys from Europe, from the development finance institution. The local pension funds are not investing in the funds, no local insurance, asset management. It's all coming from development money at the moment, and a point for the Americans in the room—which, you know, we're in America—most of that money is coming from Europe, so even in terms of yourselves being competitive within sort of seeking out investment opportunities in Africa, you all are not really playing in that investment scenario at the moment.

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Van Rensburg: But the problem is much more fundamental, right, in terms of your question. It's not just about how do you invest in these companies. There's things that you take for granted in the Valley or, you know, anywhere else, about management. I have—I'm an entrepreneur, so I'm not a very good investor, but so I have this one company that I found in South Africa that I really want to see if I can help. The management, the CEO, was so bad about managing creditors, that I had to go and get him out of jail, right? Now, that's not what you would invest in, not because he's not good, but because he does not understand how suppliers and creditors and payments and warning about paying—it's like foreign. It may seem strange, but those are some of the fundamentals that we've got to teach to youngsters so that they actually become better businesspeople. Very, very fundamental stuff that we still got to sort out.

Jidenma: I agree that training's a big part of it, and I think it mirrors itself in several African countries, but something I find very exciting about what is going on in the United States are startups like Kickstarter, for instance. I feel like a Kickstarter, an African Kickstarter, that essentially opens the doors for young entrepreneurs with ideas, who may be—I mean not all entrepreneurs lack the training. Some of them actually are quite gifted and know quite a lot about running businesses. So if you open the doors to these young people and kind of give them access to global capital—and global capital not even being Silicon Valley VC, global capital being someone who has a job at Google and sees the entrepreneur's idea and thinks it's a great idea, and donates \$20,000 to that idea. I think those kinds of platforms would make a big difference on the Continent. However, as with many other sectors and many ideas on the Continent, what I don't like is, I feel like a lot of the progress is dependent on governance, and I know we kind of talked about governance briefly. And the way it relates to even this idea specifically is payments. Currently, at least I can speak for Nigeria, it's difficult for someone in the United States to make a payment to someone's bank account in Nigeria and have that process seamlessly. PayPal doesn't allow transactions from Nigeria. Actually, anytime I got to Nigeria and I log into my PayPal account, it gets shut down immediately. [laughter] I'm serious. So there are fundamental issues like that, like if you can't track—if there's no capital flow flowing in from Africa to the US and back and forth, then you can't give people access to that opportunity. But I think a platform like that would make such a huge difference. It goes to other areas. I know yesterday you mentioned that Amazon wasn't doing a lot in Africa. But again, it's the payments issue, and it kind of has to do with governance. The government has to understand that it's critical, it affects ecommerce. Ecommerce in Nigeria is—a lot of people know there is opportunity there, and there are lots of foreign companies. Rocket Internet has like two portals, they're trying to do a lot of work in ecommerce in Nigeria, but it's hard because nobody has figured out the kinks, the distribution is not there. So again, it's back to governance. If the government has the willpower, has the knowledge, has the foresight to make all these things happen, then Africa will grow much, much, much faster than it's growing currently.

Manyika: Well, one of the things that's often cited, and I think some of you made this point, is perhaps the difficulty of accessing capital. And I'm just wondering, how much of that is really an exposure question? So do investors or potential providers of capital have enough exposure to entrepreneurs in Africa in a credible way? I'm just trying to get David, by the way, to bring more African entrepreneurs to Techonomy—that's really where this is going. But I mean how much exposure do—

Jidenma: I think it's a bit complex. I don't think they have a lot of exposure, but in the past year we've seen some VCs from Silicon Valley come down to Lagos, to Nairobi, to get pitches from entrepreneurs, and the common comment I've heard from a lot of them is that, you know, these people have great ideas, these people are ambitious, these people are hardworking, but these people need training. So it's back to this management issue you're talking about. They say, "Okay, no, no, no, we think it's

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too early for funding. We think you need to go back to the basics and in the first place, know how to make a good pitch.” Like, they argue that even something as fundamental as being able to make a good pitch to an investor, that a lot of our entrepreneurs are not good at that. So it’s a little complex because what happens is at panels like this we talk about these issues, and it’s clear that there isn’t access to capital, and VCs go, “Oh, well let’s go visit. Let’s go see what ideas are there.” And then they go and then they don’t like what they see, and then it’s kind of bad for the ecosystem, because it’s a little complicated.

Rieschel: One thing about this, though, is you have to be realistic. VCs absolutely don’t care about anything other than can they get their money out.

Ishmael: Absolutely, yes.

Rieschel: And so the problem—if you could do one thing for Africa, in terms of investing capital in entrepreneurs, you’d create a NASDAQ for Africa, that would be a continent-wide exchange, that would have very clear listing requirements, and—because right now, virtually none of these countries, or none of these companies get to scale that you could bring to NASDAQ or bring to any of the international exchange, so you have to scale the exchanges to the opportunity, and to that particular exit. That is something that is really worth investing in, if you want to attract all of the expertise and the knowledge capital into the market. You know, China, lots of people invested in China and India back in the early ’90s. That money is still somewhere, but it certainly isn’t in a public market anywhere, and that money basically became dead money, and it went in, and it will never get out. And so I think the key is, I mean, when we meet entrepreneurs, the way we say no is, “Well, we need to see a more complete management team.” The reality is, if we find one person with a great idea, and we can get our money out, we’re going to invest in that person and then we’re going to coach them. But you have to know how you’re going to get your money out, and that’s something that structurally a group, a Pan-African group, could really do a great deal of good.

Ishmael: Yes, but you know, lots of exits are happening in Africa, and I wouldn’t be quick to jump on sort of an African NASDAQ, or what have you, because there’s a lot that bubbles up into a NASDAQ that actually is not of good. So I wouldn’t be quick to do that. I think, like I mentioned earlier, we need to think about ways in which we invest that suit our environment, and we have found different ways for exits, whether it’s structured exits, whether it’s promoter buy-backs, whether it’s trade sales. A lot of that is happening, if you—

Van Rensburg: But not enough.

Ishmael: Not enough, but—

Van Rensburg: Too many failures, still.

Ishmael: There’s still a lot of failures, but I wouldn’t be quick to say that some kid necessarily has to be supported to get onto NASDAQ, and I think—

Van Rensburg: But we have stock exchanges that we could use. And I think your idea—

Jidenma: Not liquid enough.

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Ishmael: But if I could just finish this point. My point is that, when we say the VCs are coming in and they're saying everyone needs training, yes, you can't just bring finance without some sort of mentoring and training. But also, many of us are looking in the wrong places. You're looking for people that already know that they should come out and start something up. But there are many people that are working in large corporations that have great ideas, but it's not public about where they can go to get money to finance those ideas, so they're not coming out. And why isn't it public? Because there aren't enough pools of capital to be able to say that. And there was a great article about a year or so ago that says why Nigeria will never have—why Africa will never have a Steve Jobs. Well, because there aren't enough pools of capital that are attracting those people to say, "I'm leaving my banking job or my management consulting job. I'm going to go and start something, because I know that..."—and those sorts of people are not necessarily the people that need all this minor training, or NASDAQ.

Manyika: Bhaskar, you want to comment—we're going to start wrapping up, but do you want to make a comment?

Chakravorti: Yes, I think that personally I feel a little self-conscious talking about these issues sitting in the Ritz Carlton [laughter] and using the traditional models of venture capital and entrepreneurship that we're familiar with in Silicon Valley or Route 128 or Cambridge, Massachusetts and somehow imagining that there's some sort of a version of that, that we can take to Africa. There has to be a complete paradigm change in terms of our understanding of the problem and our understanding of what the right investment model is. So there are—there's a ton of entrepreneurship that's happening inside, deep inside Kibera, in Nairobi, which frankly, investors, they should be going out and investing in that, it's just the model's going to be different and you really have to understand the concept of how to you replace the so-called flying toilets in Kibera with portable toilets, right? And there is a real model there.

Manyika: Actually, on that note, are African investors investing in these businesses? I mean, there have been some spectacular successes. Individuals who have made huge amounts of money who are African. How much of Africa is Africa investing in itself? I'm just curious.

Ishmael: Well, like I mentioned, there are funds in Africa that are investing in these businesses, but those fund themselves—it's not African money that's in those funds, right?

Van Rensburg: Well, there are exceptions in South Africa. There are funds in South Africa—

Ishmael: South Africa is a bit more mature in that respect.

Van Rensburg: And there are a lot of people that's made a lot of money in South Africa that's reinvesting. I just want to quickly tell you, if we had this at the Serena in Mount Kenya would have been just as nice. [laughter]

Chakravorti: Well I just wanted to make one more point, because I think no conversation about Africa should be complete by just talking about Kenya and Nigeria, South Africa. I mean, there is a place called Somalia, which is also in Africa. There are lots of problems there. In the presidential debate, Africa was mentioned more than Brazil or India or even Mexico. One country was mentioned, that was Mali, all right? And there are problems in Mali, that we are all well aware of. So question is, are there entrepreneurial or technology solutions to some of those deep, fundamental problems that are afflicting Mali right now, or that are afflicting Somalia? And a few people have come up with some ideas that leverage technology, that use crowd-sourcing to predict or inform people about crises and so on. And we should pay attention to those as well, and not—you know, the lion's

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on the move? Absolutely. But there are lots of animals, small creatures that are suffering in the rest of the Continent that we need to pay attention to as well.

Manyika: I think on that reminder, that might be a good place to stop. Thank you.