

The business environment is improving, but in a gradual and disparate way, which engenders integrity risks for firms

How to invest in a context of precarious governance that poses particular political and integrity issues?

Context

→ Progressive improvement of African governance

Measured with Global rankings such as Doing Business or Mo Ibrahim's Index

→ Increasing weight of OHADA regulation in francophone countries

The "Organization for Business Law Harmonization in Africa" represents a big improvement in the context of business and an important protection for investors



⚠ 2 Important issues for the SMEs and start-ups

- Dealing with public administrations and companies remains a risk: Very few companies can escape the generation of outstanding payments that can lead, in many cases, to bankruptcy
- the fight against corruption evolves unevenly between countries. In many countries, the situation is stagnant or is becoming worse and concerns both the public and private sectors

How to manage integrity at company level?

African companies sometimes have to bear substantial costs due to integrity problems. Here are a few best practices to better manage these situations:



Prioritize Human Resources above everything else: The CEO – and the Director of Human Resources for big enough firms – must foster employee adhesion to the company, aligning employee interests with the firm's and enhancing transparency



Always implement strict procedures and clear rules, describing both the means and the goals to be fulfilled, and permitting frequent controls and formal audits



Always monitor cash flows, which represent high vulnerability zones. In this regard, the spreading of mobile payment technology is a wonderful opportunity.



A business must always remain or become formal: it is important to fight systematically to redirect informal flows into formal channels, even if this entails certain costs. The use of informal circuits can represent substantial risk in the accounting, integrity or fiscal areas.

Key Learnings

- ▶ **Analyzing the governance environment should be a priority for all investments:** Investors should be prepared to renounce interesting investments that can only be driven if the firm remains informal or that bear substantial financial and legal hazards that cannot be accepted.
- ▶ **Limit contact with public entities** in favor of purely private businesses, on the customer side as well as on the supplier side. This general rule may suffer a few exceptions that must be cautiously analyzed and justified before investing.
- ▶ **Current and future competition with the informal sector must be carefully assessed,** especially when the domestic market is heavily protected with customs barriers.

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