

Getting to know Francophone Africa: an interview with Nabil Frik



Francophone Africa has long been seen as a French domain that was closed to other international players, but as prospects in many Middle Eastern countries recede, Francophone Africa is being viewed as an interesting and attractive business opportunity for those who are familiar with emerging markets and who are looking for new clients and relationships.

To find out more about how financial markets in Francophone Africa are changing, *Arab Banker* spoke to Nabil Frik, Managing Director for Africa at BACB, a London-based bank that is active in African markets.

ARAB BANKER: Could you clarify for us what Francophone Africa means?

NABIL FRİK: Francophone Africa includes countries which are members of the OIF (Organisation Internationale de la Francophonie). In Africa, Francophonie includes both of the Congos, Côte d'Ivoire, Senegal, Burkina Faso, Gabon, Togo, Niger, Chad and Cameroon.

What binds Francophone Africa together?

As well as language and colonial heritage, they are bound by a single currency, which is pegged to the euro, and guaranteed for conversion and transfer by the French treasury. There are actually two currency zones, one in West Africa and one in Central Africa. The West African Zone is known as the Union Économique et Monétaire Ouest Africaine (UEMOA – the West African Economic and Monetary Union) and comprises eight countries. The Central African Zone is known as the Communauté Économique et Monétaire de l'Afrique Centrale (CEMAC – the Economic and Monetary Community of Central Africa) and comprises six countries. Both zones use a currency called the CFA franc which is technically different in the two different zones, but in practice is interchangeable.

The exchange rate of the CFA franc against the euro, or the French franc, has not changed since 1994.

There is also a common system of business laws known by

the acronym OHADA (Organisation pour l'Harmonisation en Afrique du Droit des Affaires/Organization for the Harmonization of Business Law in Africa). OHADA was conceived in 1993 and has been reasonably successful in facilitating intra-regional trade. It is also helpful to those doing business from outside of the Francophone region since it reduces the amount of legal work, because the same law applies across the region. Seventeen Francophone countries are members of OHADA.

Isn't business and finance in Francophone Africa dominated by French companies and banks?

French institutions are still very important players, but, as we say, the region is no longer a French *chasse gardée* – a private French hunting ground! Companies and banks in the region are much more open now to doing business with other countries. BACB is an excellent example of a British bank which has established a presence in Côte d'Ivoire and serves the whole region. The British Embassy also reopened its doors in Côte d'Ivoire last year and is encouraging British businesses to invest.

Who are the biggest players in Francophone Africa?

The Moroccan government has taken a strategic decision to invest heavily in Francophone Africa and it is achieving this through the export of manufacturing and financial

services. For manufacturing, we are seeing major centres such as Renault's factory in Tangier and major construction and telecom companies that are using Morocco as a base to expand further south.

As for financial services, Moroccan banks now have more capital invested in Francophone Africa than French banks. The expansion of the major three Moroccan banks into Francophone Africa has been supported and encouraged by the Moroccan Central Bank and revenues from the region now account for a significant proportion of the banks' profits.

Recently, we have also seen big Moroccan insurance companies expanding into Francophone Africa. They are now present in about a dozen countries, sometimes as a result of acquiring local insurance companies.

Who are the other big players?

China is beginning to embed its footprint in the region. However, Chinese firms differentiate between East and Central Africa, where they focus on building infrastructure, and West Africa, where they invest in the agriculture sectors and mining.

Turkish firms are also investing in infrastructure projects in Francophone Africa.

How active are Nigerian banks?

They have a dense network in West Africa, which is not surprising since they are among the biggest banks in Africa, but they are not enjoying a lot of success in Francophone Africa despite their size and numbers. I think this is largely due to cultural issues – Nigerian banks just have a different way of doing business.

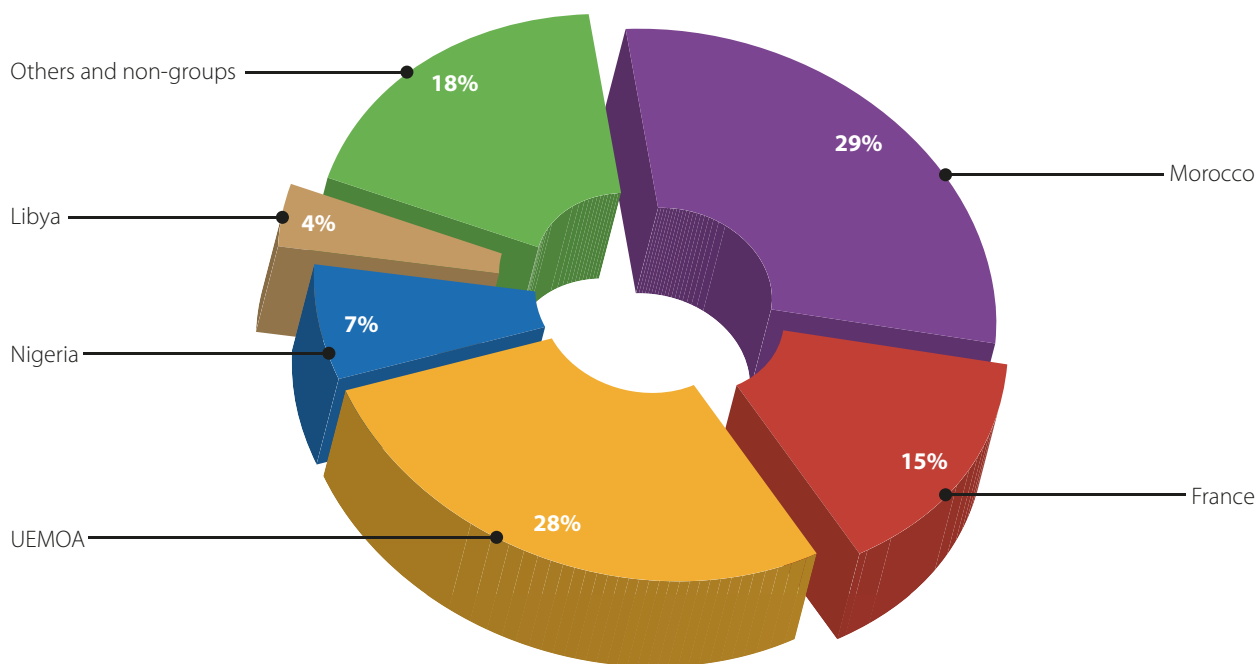
Profile of Francophone African countries

	GDP (\$bn)	Population (mn)	Member of a CFA Zone?	Member of OHADA?
Benin	8.5	10.9	UEMOA	Yes
Burkina Faso	11.1	18.1	UEMOA	Yes
Cameroon	29.2	23.3	CEMAC	Yes
Central African Republic	1.5	4.9	CEMAC	Yes
Chad	10.9	14.0	CEMAC	Yes
Congo (Dem. Republic)	35.2	77.3	CEMAC	Yes
Congo (Republic)	8.6	4.6	No	Yes
Côte d'Ivoire	31.8	22.7	UEMOA	Yes
Gabon	14.3	1.7	CEMAC	Yes
Guinea (Bissau)	1.1	1.8	UEMOA	Yes
Guinea (Conakry)	6.7	12.6	No	Yes
Mali	13.1	17.6	UEMOA	Yes
Niger	7.1	19.9	UEMOA	Yes
Senegal	13.8	15.1	UEMOA	Yes
Togo	4.9	7.3	UEMOA	Yes

- Figures for GDP are the World Bank's estimates for 2015, which were the most recently available as Arab Banker was going to press.
- See the main article for more details on the two CFA zones.
- OHADA also includes Comoros and Equatorial Guinea.



Market share of bank assets in West Africa*



*Share of assets of banks in the 15 countries comprising the Economic Community of West African States (ECOWAS).

How influential are local banks in Francophone Africa?

One must recognise that, with the exception of regional banks, local banks in Francophone Africa are very small by global standards. Furthermore, life will become more difficult for the small local banks if the central banking authorities of the two CFA zones introduce Basel II or Basel III. At the moment, the two authorities impose a single borrower limit of 75% of capital, whereas the Basel standards specify a 25% limit.

Are multilateral financing institutions active in Francophone Africa?

Yes, we're seeing Afreximbank, based in Cairo, playing a bigger role and making loans to companies and to banks. The African Development Bank, based in Abidjan, finances infrastructure projects. One new development is the increased activity of the Islamic Development Bank (IDB), based in Jeddah. The IDB's Islamic Trade Finance Corporation is filling the gap left by Western banks that are disengaging from the region as a result of 'de-risking' and increased compliance requirements.

What is BACB's business strategy in Francophone Africa?

BACB is becoming an important player in Francophone Africa. We use our capital to finance both sides of a transaction – we call it a 'two-client approach'. For example, we might finance an industrial company to purchase cocoa beans from farmers, and then provide import finance to the company's clients who want to buy the processed beans.

More fundamentally, our strategy is to finance exports that contribute to a country's economic development – an example is cotton, whose export generates foreign exchange;

and to finance imports that are of strategic importance such as energy and power generation equipment.

What is your advice to bankers and banks who want to develop a profile in Francophone Africa?

Learn to speak French! It is possible to work in Francophone Africa in English, but it is very difficult and you won't be seen as a serious player if you can't conduct your business meetings in French. Some form of local presence is also essential – you can't just fly in and fly out and hope to develop long-term business relationships. That is why BACB has opened an office in Abidjan in order to be closer to the market and to build long-term sustainable business relationships. BACB is committed to the region and we are there for the long term. ■

Nabil Frik

Nabil Frik is an Algerian living in London and Frankfurt. He took his Baccalaureate in France and then studied engineering and finance in Germany. He is an expert on Africa and structured trade finance and held a number of senior positions in banking before joining BACB in 2013 as Managing Director for Africa.

BACB is an international wholesale bank with a focus on facilitating trade to and from developing markets in Africa and the Middle East. Established in 1972, BACB is a UK-registered bank with its headquarters in London and representative offices in Algiers, Abidjan, Dubai and Tripoli. It is regulated by the Financial Conduct Authority and the Prudential Regulation Authority.