Nigeria takes centre stage as West Africa looks for investment and growth

28 April 2014 by Jonathan Minter

In April, Nigeria became Africa's biggest economy after its government announced a rebasing of the gross domestic product, which resulted in the country's 2012 GDP being revised up 75.6%, lifting its GDP above South Africa's.

This didn't come as a surprise for most observers as Nigeria's growing economic power meant the country, along with Mexico, Indonesia and Turkey (the MINT countries) was already being spoken of as the next BRIC nation for investors.

The rise of Nigeria's importance on the global and African stage is acknowledged by PrimeGlobal Nigerian member firm Adenusi & Co's chief operating officer and partner Ahmed Tunde Adenusi.

He says: "If you are doing business in Africa and you're not in Nigeria, your business is not going to take off because Nigeria is a huge market with a very fast-growing middle class."

The majority of this growth has been driven by the fact that Nigeria is Africa's biggest oil producer, and Adenusi says approximately 85% of Nigerian income comes from extractive industries.

This is being helped by a large returning diaspora, according to Kreston's West African member firm Exco Group Helios's executive director, Ludovic Kabran. These Nigerians are returning to the country after a number of decades in the West, and are now looking to spend the last few years of their career in their home country prior to retirement. He says: "When they return they have business ideas they want to implement. They will have picked up knowledge abroad, and they are able to affect their surroundings by acting like unofficial advisors to people they know. "

Following the general economic growth, Adenusi says his firm is achieving "rapid organic growth" and is adding a number of service lines. A lot of this work is also coming from abroad, as international companies look to move into the country. He explains that his firm started from scratch as an indigenous firm and therefore has a strong understanding of the business environment in Nigeria.

"Being part of an international association gives us the opportunity to bring international best practices to our firm, backed by our local knowledge. This is the competitive advantage we offer our clients," he says.

Although Nigeria has been for years the largest West African economy, its annual GDP growth of 7% is not unusually high for the region.

For accounting firms, the opportunities in the region are vast, according to Kader Kaneye, regional executive partner of HLB KMC West Africa.

He says there are growth opportunities in almost all industry sectors, including telecoms, financial services, construction, infrastructure, public sector and the aforementioned extractive industries such as oil, as well as in all service lines. And while foreign investment from Europe and the US continues to flow into the region, they are now complemented by investments from India and China, he says.

Additionally he points to a number of African initiatives, such as the West African Economic and Monetary Union (UEMOA), and the Economic Community of West African States (ECOWAS) as facilitators of business.

UEMOA is a group of eight countries which share the same currency, the West African CFA franc. And ECOWAS is a regional group of 15 countries with the mission to promote economic integration across the region.

"The ECOWAS treaty allows the products manufactured in Nigeria to be taken to any part of West Africa creating a very huge and fast-developing market," Adenusi says. "This is a tremendous source of opportunity and has significant potential."

West Africa is a mixed bag of Francophone, Anglophone and a few Lusophone countries, and clear differences can be seen between each block.

According to Kaneye, the Francophone countries are highly integrated, as on top of a shared language and cultural history, they share "similar business law, accountancy law and currencies as well as free movements of persons and goods, in principle".

Kabran argues that Anglophone countries are generally more developed, because they are more open, operate in a better business environment, and because their accounting principles are issued in English before they are translated into French.

Firm leaders say that in the West African accounting industry the revenue and capacity gap between the Big Four and mid-tier is a lot smaller than elsewhere.

This is mainly attributed to patchy coverage in some West African countries by the Big Four.

Interviewed firm leaders agree the profession is getting more structured, and the fact the UEMOA area has begun to converge with IFRS is evidence of this.

Despite these opportunities, accounting firms also face challenges in various countries, often of a political nature. Kabran notes: "In a lot of countries the government drives almost everything, and I'm not sure government workers have a clear understanding of what a business environment needs."

He adds that in these countries the size of the public sector can often mean the private sector gets overlooked and that the power of the government means a bad government can make life even more difficult.

Kaneye suggests that training is another key challenge as high-quality staff are rare, and talent is often attracted to more profitable sectors, such as banks or natural resources.

Despite these concerns, somewhat uneven development and the risk of political unrest that is still present in a number of countries, and notably spilled over into civil war in Mali in 2012, the West African accountancy profession has a distinctly optimistic outlook.

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