CORPORATE GOVERNANCE AND CUSTOMER DUE DILIGENCE IN AFRICA:

Developing Tools for Regional Transformation and Growth

ADDRESS	PHONE	EMAIL	WEB
5550 Nottingham Ct., Suite 210, Dearborn, MI, USA	916-216-7547	ChalhoubConsultancy@gmail.com	ChalhoubConsultancy.com

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Chalhoub Consultancy

Chalhoub Consultancy is a full service regulatory compliance consulting and training firm, specialized in financial regulatory compliance and wealth management.

Established in 2012 by Dr.Chalhoub and a team of PhD graduates with different educational backgrounds in Economics, Political Science and Finance, with the objective of offering a high level tailor made consultancy packages to institutions only available for multi billion firms.

This boutique consultancy firm has been assisting governmental, Semi-governmental and private sector institutions with compliance consultancy on policies, processes, strategies, and responsibilities critical to some industries survival today.

Chalhoub consultancy continues to provide products and training services to firms in the financial services industry and we are recognized for our personal relationships with clients, proactive approach, and immediate response to regulatory mandates. By maintaining a close relationship with regulators our experienced compliance professionals have contributed to the growth, know-how, and future of compliance consulting globally and in Africa specifically.

During the past 4 years, Chalhoub Consultancy has assisted several organizations with regulatory compliance services, such as the development of compliance program infrastructure, evaluation of compliance programs, standard of conduct development and reviews, compliance training programs, logistical operations and issue resolution assistance.

Chalhoub Consultancy's team members have worked both in the highest levels of the financial sector and with the executive enforcement and regulatory agencies of the federal government. Our staff includes senior level consultants from both industry and government, who are able to bring a broad scope and profound depth of knowledge and experience in regulatory enforcement and regulatory compliance industry business and operations. Blessed by different nationalities our staff consults in English, French, Spanish, Arabic, and Mandarin.

Our blend of knowledge and experience of how regulatory compliance works from both inside the government and from private sector financial firms puts Chalhoub Consultancy in the unique position to anticipate the needs of regulatory compliance in he marketplace, gather the best resources, provide innovative solutions, and build critical relationships.

Report Author: Dr. Carlo Chalhoub

Dr.Chalhoub is the CEO of Chalhoub Consultancy, with more than fifteen years' experience in the banking and finance industry. Beginning as a loan manager, he has risen through the ranks of the banking world while building a reputation as a hardworking and charismatic innovator.

After working nine years in the banking sector in Asia and in Europe, Dr.Chalhoub realized the true value of the regulatory compliance risk and promoted corporate compliance in his work environment.

In 2007 he left the finance industry to pursue his Doctorate of Philosophy in Political Science and Economics, with an emphasis on International Money and Finance and International Political Economy. This shift was fueled by the frustration of having to deal on daily basis with the commercial decision overcoming the regulatory compliance decision in the banking sector resulting in all kind of financial fraud and crimes.

By exiting the industry to pursue further academics, Dr.Chalhoub has managed to stay on the forefront of new fiscal and monetary theories, and has expanded an impressive breadth of experience to contain not just in business, finance, and banking, but also in the tangential fields of fiscal policy and monetary theory.

As a lecturer and seminar speaker, Dr.Chalhoub has taught subjects ranging from risk management to Islamic banking to wealth management, and has a reputation for lively discussions and exceptional attention to detail. With more than eleven years of experience, he is recognized by clients as highly skilled and effective. His seminars are marked by the practical experience and friendly, no-nonsense approach he takes to each presentation, and he is known in the industry for the positive feedback his seminars garner.

Dr.Chalhoub has presented papers on Gulf Cooperation Council monetary union with an eye to the potential political fallout and fiscal benefits therein. His analysis has been well received among academics, and he is a frequent contributor to the Claremont Graduate University IMF Working Group.

Report Author: Dr. Moana Vercoe

Dr. Vercoe is an experienced quantitative and qualitative researcher. A natural political scientist, Dr. Vercoe was raised in a milieu of cultures and social environments that primed her for the research she has engaged in throughout her career. From neuro-biological social research to studies of cultural-political variations within nations, Dr. Vercoe has a gift for discerning the truth in the midst of complex socio-political issues.

A native of New Zealand, Dr. Vercoe studied physiological psychology as an undergrad and then went on to earn an MBA before earning her PhD in Politics and Economics from Claremont Graduate University. While completing her degree, Dr. Vercoe served as the first Program Director for Claremont Graduate University's innovative center for Neuroeconomic Studies. As program director she coordinated teams of researchers, guiding multiple research projects and publications while fostering multidisciplinary cooperation and working on the cutting edge of social science.

In addition to her experience as a program Dr. Vercoe has taught at the prestigious Loyola Marymount University while continuing her groundbreaking research. In addition to political science and neuroeconomics, Dr. Vercoe has made a name for herself in the fields of political economy, behavioral economics, and gender studies. Currently Dr. Vercoe is working on studies of the relative costs of institutional access in rural communities in the United States.

CORPORATE GOVERNANCE AND CUSTOMER DUE DILIGENCE IN AFRICA:

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Abstract

This paper evolved from the Afrexim Bank Compliance Project of establishing a Customer Due Diligence Repository for Africa. The objective of this project is to reduce investment risk in Africa while enhancing the African banking sector performance. In addition to reducing compliance costs, this project has developed an effective tool for compiling and accessing data on African customers and businesses that can contribute in building the confidence essential for attracting investors and trading partners.

In examining perceptions of a Customer Due Diligence Repository we surveyed 50 compliance professionals to ascertain their opinions concerning possible threats and opportunities in developing such a repository. Participants were drawn from compliance professionals who completed and passed compliance certification training from January to August 2015. These participants openly expressed their professional opinions using criticism as a constructive tool for creating dialog as the basis of positive change in acknowledging the current African compliance culture and corporate environment.

This information allows us to analyze the expectations of those on the compliance frontline regarding their own institutions, regulators, corporate entities, and regional trends. Extrapolating from this allows us to make recommendations and formulate strategies by which a comprehensive Customer Due Diligence process can contribute to strengthening Corporate Governance in Africa.

This paper provides a general overview of doing business in Africa, with particular attention to Customer Due Diligence and Corporate Governance trends in the nine African countries included in our market research. We discuss challenges in developing and implementing Customer Due Diligence and Corporate Governance; analyze the transition towards a compliance economy in the context of poverty reduction and sustainable development; outline new and emerging challenges facing Africa and

propose recommendations for improving Customer Due Diligence and Corporate Governance.

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1. Introduction

Corporate Governance can be defined as the mechanisms, processes and relations by which corporate entities are controlled and directed. It is concerned with establishing an appropriate legal, economic and institutional environment that facilitates business enterprise growth.

A growing African economy needs not only to protect its small and medium sized enterprises (SME), but also to provide a legal frame work within which SMEs can develop the competitive edge essential for growth. Strengthening and supporting SMEs will help them to attract investment and contribute to expanding the export sector.

With increasing integration into the world economy, financial institutions and corporate entities in Africa face the costs of meeting constantly evolving regulatory requirements. Differences in the development of the financial infrastructure required for effective and efficient compliance increase these costs, since the African context varies significantly from the European and US contexts where the majority of international standards are drafted. Differences in the supporting infrastructure have implications for African trade and trade financing since poor compliance is associated with reduced access to trade services, limited trade and project finance, increased costs of trade and trade financing, and reduced export competitiveness.

Insufficient, inconsistent and unreliable information on creditors and businesses remains a challenge for African corporate and financial institutions engaging in international transactions. This lack of information limits the diversification and development opportunities that support trade. Developing a comprehensive, regional African Customer Due Diligence (CDD) Repository will stimulate expansion, promote diversification, and boost the development of trade within Africa and between African nations and other trading partners that is currently hampered by a lack of information for business decision making – particularly in relation to CDD and Corporate Governance.

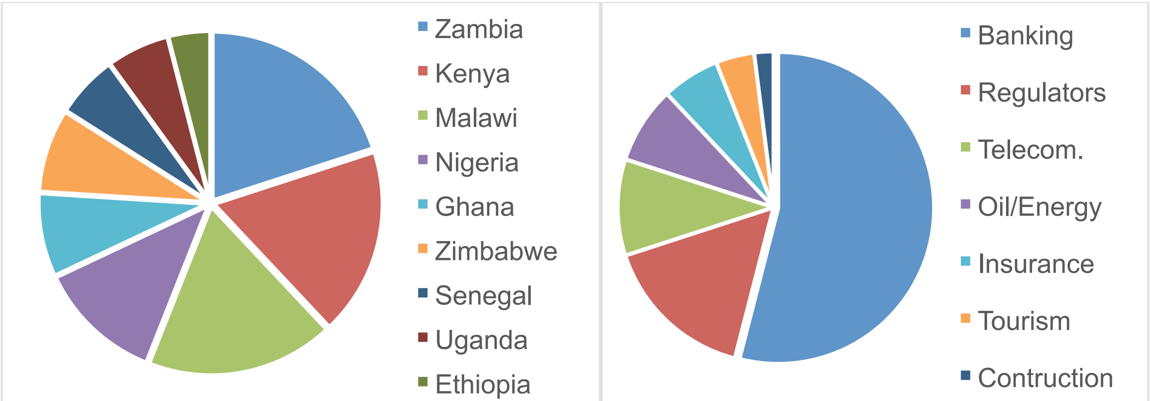
In today's leading economies, established CCD procedures combine with cultures of sound Corporate Governance to support domestic and international investment, and assure investors that the monies invested are secure and efficiently managed in a transparent and accountable manner.

While trends in the world economy highlight the need for improved CDD, regulatory compliance, and Corporate Governance, our experiences in Africa have demonstrated the value of incorporating the specific cultural, historical, social and economic conditions of Africa into any proposed system and/or procedure. We conducted market research to gain insights from those on the frontline of corporate accountability.

The market research we conducted offers insights from those on the frontline of corporate accountability in Africa. From January to August 2015 we sampled 50 compliance professionals who were completing specialized compliance certification. These compliance professionals represent the point of contact between external regulatory requirements and the specifics of the industries they work in and the internal corporate workings. They deal with the daily implementation of compliance programs, and range from 3 to 12 years of work experience related to compliance. As such, they have witnessed the impact of the changing compliance landscape on their individual organizations, their countries and on Africa as a whole. We surveyed these professionals at the start of the training program in order to gain their initial perceptions. In this way, the perceptions gained would represent the general attitudes of those with responsibilities related to compliance in Africa rather than reflect the training content.

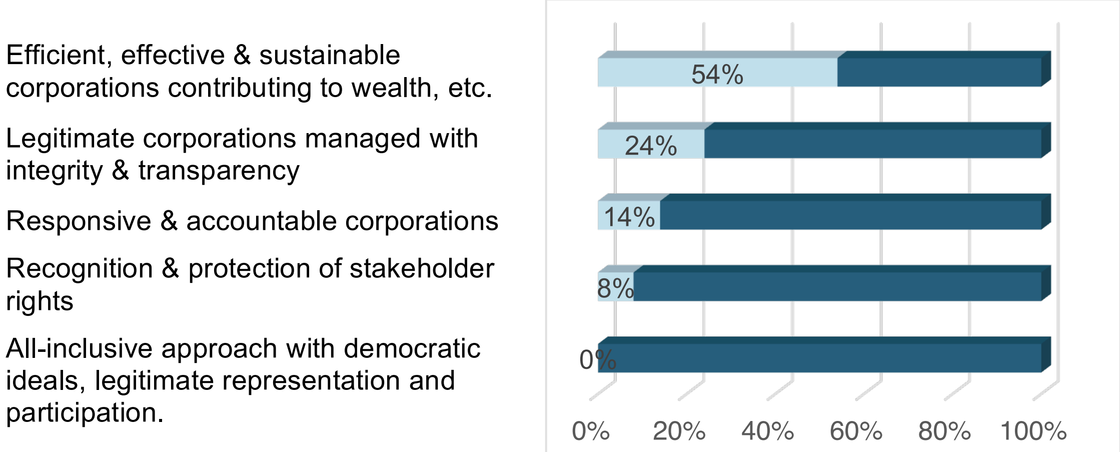
The professionals completing the survey had an average of 5.6 years of work experience related to compliance. Sixteen of the professionals surveyed were women and the remaining thirty four were men. Figure 1 gives the breakdown of the countries and industries from which we drew the participants included in this research.

Figure 1: Country and Industry of Survey Participants



Among other questions included in our survey, we asked these professionals about their expectations of corporate culture and the business environment, and what they considered to have the greatest potential for improving Corporate Governance and thus the business environment in general. Their responses are summarized in Figure 2.

Figure 2: Participant Responses Regarding Drivers for Change & Prosperity



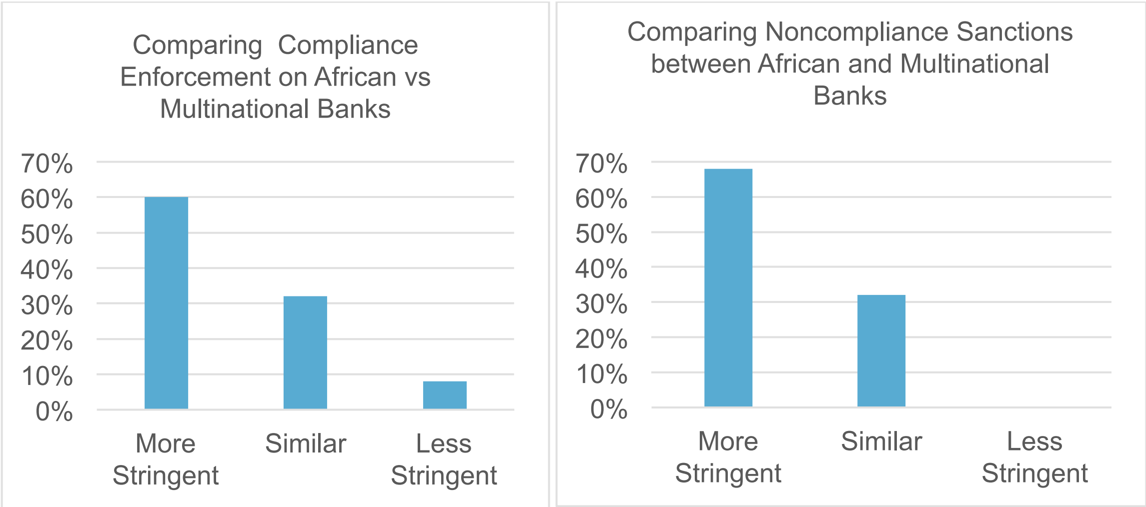
These responses indicate that within Africa economic factors, such as those that contribute to efficient and sustainable corporations are seen as offering the greatest payoffs in creating a business climate for growth. While the emphasis placed on efficient and sustainable corporations indicates a role for government in creating a regulatory environment that is conducive to business, the lowest rankings were given to political factors, such as legitimate representation and participation – with none of the participants agreeing that democratic ideals contribute to national prosperity. Examining the trend in expectations, participants considered the larger picture factors – such as legitimate corporations and transparency – as more important than the specifics of stakeholder rights. This indicates the relative youth of compliance and corporate accountability in Africa.

The elements ranked above by survey participants are achievable, but have limited value added for trade unless they can be validated by information. If collected in a central repository, such information could then be made available to individual, corporate and government decision makers.

In examining perceptions related to compliance, we sought the opinions of research participants on the state of compliance in Africa. We asked participants if compliance was more stringently enforced on African banks compared to multinational banks in

general, and if African Institutions were more severely sanctioned for issues of noncompliance – such as money laundering – than multinational organizations. Their responses displayed in Figure 3 reveal that those working in compliance in Africa believe that they believe they are subject to both more rigorous requirements and harsher sanctions than compliance professionals working in multinational firms and/or outside the region.

Figure 3: Perceptions of Compliance in Nine African Countries



A finding of our research is that most compliance professionals in Africa perceive that international compliance requirements are enforced harshly in Africa. African compliance professionals perceive that African institutions do not benefit the same grace periods in reporting. Within the international community, African compliance professionals believe that African institutions are unduly burdened by biased beliefs based on conditions from the past that have no relevance in the present.

What is also alarming is that most professionals we surveyed perceive the international legal framework to be biased in favour of wealthy economies that have veto power in determining penalties and punishments – leaving African firms at a disadvantage. While discrimination is a subject multinationals escape due to legal constraints, our research has identified an element that will be crucial to address in improving compliance in Africa. In focus groups with compliance professionals, a common sentiment we found was: “We comply because we have to not because we want to” – suggesting that compliance has more to do with external standards rather than African reality. Further

study is needed to verify the discriminatory perceptions of African compliance professionals.

The Afrexim Customer Due Diligence and Corporate Governance Forum (ACDICOG) represents a major step towards developing such information infrastructure in Africa. What Africa expects from its institutions is exactly what ACDICOG expects from its members. ACDICOG offers a reliable information collection and aggregation mechanism that can provide high quality information to governments, investors and academics regarding business in Africa.

Our market research revealed insights from compliance professionals into what they believe will improve corporate governance. This information was incorporated into the requirements for and expectations of ACDICOG membership. (Exhibit A – to come).

2. The State of Corporate Governance in Africa

The 1994 King Committee Report and Code of Practice for Corporate Governance in South Africa demonstrated the success of the Africa Capital Markets Forum on the State of Corporate Governance in Africa in stimulating improved corporate governance in the region. This report indicated that Zimbabwe, Ghana, Uganda and South Africa had put in place national institutional mechanisms to promote good corporate governance.

The World Bank and Commonwealth Secretariat has provided support in training, technical assistance and raising awareness in Botswana, Senegal, Tunisia, Mali, Mauritania, Cameroon, Gambia, Mozambique, Mauritius, Sierra-Leone and Zambia to promote the development of appropriate mechanisms to promote good corporate governance. This was initiated thirty years ago. Although external support reinforces the value of sound corporate governance in the region, lack of follow up allowed these projects to disappear. Current conditions in the world economy and in the individual African economies indicate that without efforts to strengthen corporate governance, the African region will not be able to fully participate in opportunities for expanding growth and trade.

Our research highlighted several challenges facing African institutions that both impact corporate governance and impede the collaborative approach required to improve national and regional economic status. Lowering compliance costs and reducing

investment through the provision of reliable CDD and CG information are necessary for greater integration into the world economy and expanded access to capital.

3. Challenges Facing African Economies

Due to the global challenges, pressure from regulatory agencies (Central Banks, Financial Intelligence Units), stakeholders and the overall ambition of maximizing shareholder wealth, Financial Institutions in Africa are coming to appreciate the need to align their compliance functions with international best practices.

Although significant investment of time, effort and capital towards evolving a credible compliance culture has been made by some African institutions, the perceived reluctance of the international Institutions to engage in financial transactions with Africa remains a major source of concern within the region. This is compounded by the recognition that the institutional infrastructure limitations impose additional costs as Africa continues to grapple with evolving compliance requirements in order to attract trade and investment. The direct cost of compliance, when juxtaposed with the opportunity cost of lost projects and investors that could increase revenues and improve margins constitutes a major risk for financial institutions across Africa.

While issues with the development of the institutional infrastructure required to support a competitive compliance culture have led to concerns from global investors; there remain a range of opportunities for investments in Sub-Sahara Africa. With fewer domestic and interstate conflicts, positive economic growth rates compared with other developing nations, and the expansion of the middle class, Africa has experienced a positive changes that have created a range of trade and investment opportunities. In spite of encouraging macroeconomic developments, the social, legal and political particularities of the region continue to make doing business in Africa cumbersome. As a region, countries within Africa face a number of common challenges in seeking sustainable economic growth.

The Legacy of IMF and World Bank Recommendations on African Institutions

Following independence, almost all African countries followed the recommendations of the International Monetary Fund (IMF) and World Bank in adopting highly interventionist

import-substitution industrialization policies. These policies resulted in the expansion of the public sector and protection of domestic industries. The widespread economic crises of the 1980s reversed the recommendations of these supranational organizations away from import- substitution with the application of structural adjustment policies. This major shift in policy resulted in the contraction of the public sector and reduced protection of import-competing industries. Between the late 1970s and the mid-1990s public sector employment in Africa declined in absolute terms and even more so as a share of the labour force (Goldsmith 1999).

An initial effect of structural adjustment programmes was the decline in private sector industrial employment, as inefficient import-substituting industries collapsed and non-traditional export growth was disappointing. Around 1995, African growth picked up, resulting in increased formal employment, but from an extremely low base (African Development Bank 2012; Fox and Gaal 2008).

Unemployment

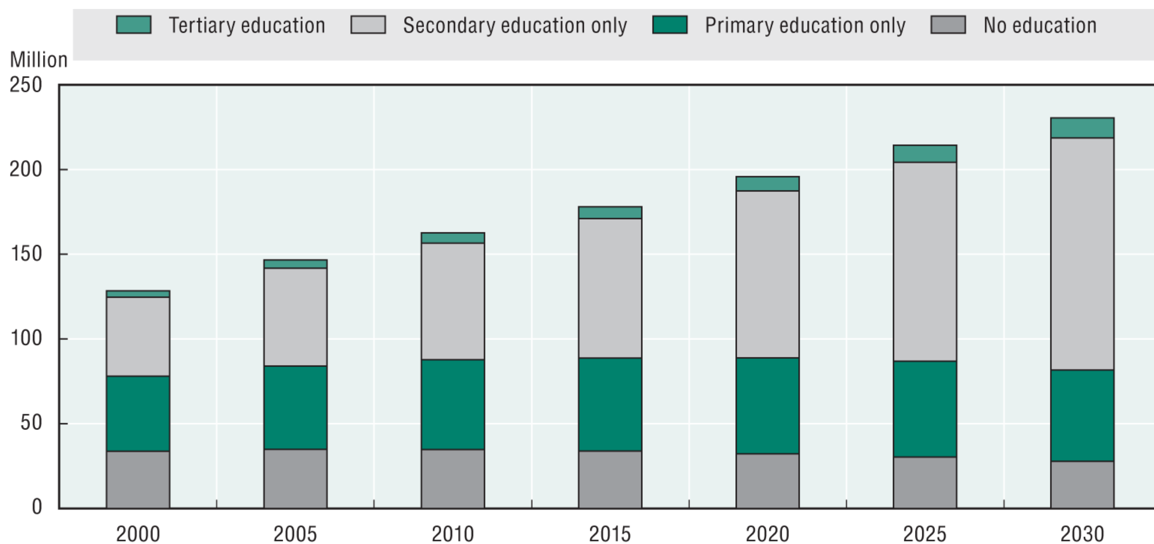
One of the challenges in studying the impact of policy changes on unemployment in Africa is the paucity of data, which is sparse and at best inconsistent. Established concepts of labour force participation, employment, and unemployment used in developed economies do not translate well in low-income Africa where such a high proportion of employment is neither formal, nor recorded (Fox and Pimhidzai 2013; Fields 2012). Consistent across available information is the sharp dualism between very small formal employment sectors and large informal employment sectors in Africa. Agricultural and urban informal sectors feature pervasive underemployment rather than open unemployment. Labour force participation rates in Sub-Saharan Africa do not differ dramatically from other developing regions – being slightly lower for men and surprisingly higher for women compared to Latin America and South Asia, but lower than East Asia. The historically unique aspect of African labour markets is the extent of informality (Roubaud and Torelli 2013).

Informal employment is defined here as agricultural work, non-wage-employment, and part-time wage employment. In low-income Sub Saharan African countries, informal employment defined in this way accounts for at least **80%** of total employment, and can reach **90–95%** in low-income Sub-Saharan African countries. Government employment exceeds formal private sector employment in Benin, Burkina Faso, Cameroon, Mali,

Nigeria, Rwanda and Tanzania compared to Ethiopia, Ghana, Malawi, Mali, Senegal, Uganda and Zambia where private sector employment exceeds that of the public sector. Regardless of the balance between formal private sector and public sector employment, in all these countries both formal private and government employment fall below **10%**, and often below 5% of the labour force. Informal employment in middle-income Sub-Sahara African economies Botswana and South Africa is lower, although still sizeable at **38%** in both cases. Egypt, typical of North Africa, is an intermediate case, with **61%** informal employment and the bulk of the remainder employed in the public sector **30%.**

A particular challenge facing Africa is youth unemployment. People aged between 15 and 25 years old account for approximately 75% of the continent's population – making Africa the continent with the world's most youthful population. It has been estimated that around a half of these are illiterate with few marketable skills. Figure 3 shows projections of population growth and education in Africa.

Figure 3: Projections of Education in Africa



Source: World Bank EdStats

While these projections taken from the World Bank show Africa's rapidly growing population becoming better educated, the current education gap presents a challenge for policy makers seeking to address youth unemployment.

Inflation

High inflation rates increase the cost of living and decrease the spending power of households through disposable income. In times of high inflation, cash flows are diverted from investment and savings into consumption. High inflation rates impose risks on the currency, increases interest rates, and impacts the ability of the population to borrow money. High inflation also increases the default rate of those able to access loan funding.

Table 1: Inflation Trends in Africa 2005-2014

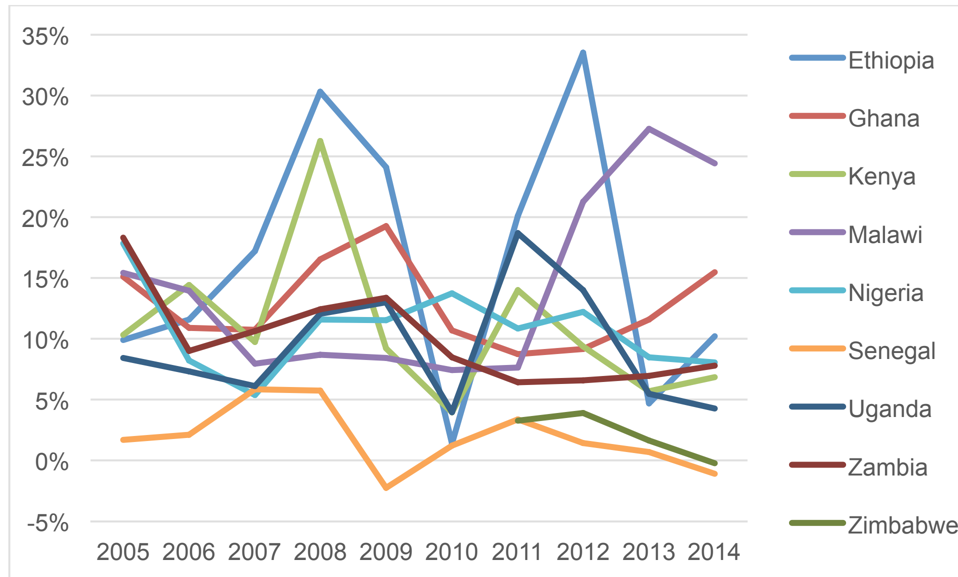
Country	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Algeria	1.38	2.31	3.67	4.86	5.73	3.91	4.52	8.89	3.25	2.92
Angola	22.96	13.30	12.25	12.47	13.73	14.47	13.47	10.29	8.78	7.28
Belize	3.64	4.23	2.32	6.39	-1.08	5.58	-3.65	1.31	0.65	0.91
Benin	5.36	3.78	1.30	7.95	2.16	2.31	2.71	6.75	0.97	-1.09
Botswana	8.61	11.56	7.08	12.70	8.03	6.95	8.46	7.54	5.88	4.40
Burkina Faso	6.42	2.33	-0.23	10.66	2.61	-0.76	2.76	3.82	0.53	-0.24
Burundi	13.52	2.81	8.34	24.11	10.98	6.40	9.74	18.01	7.95	4.38
Cabo Verde	0.42	5.37	4.41	6.78	0.98	2.08	4.47	2.54	1.51	-0.24
Cameroon	2.01	5.12	0.92	5.34	3.04	1.28	2.94	2.94	1.95	1.95
Central African Republic	2.88	6.70	0.93	9.27	3.52	1.49	1.30	5.77	1.50	
Chad	7.89	8.04	-8.97	10.30	9.95	-2.08	-3.70	14.02	0.15	1.68
Comoros	3.01	3.37	4.47	1.70	4.36	3.35	1.77	1.77	2.30	0.58
Congo	21.32	13.05	16.95	17.30	2.80	7.10	15.32	9.72	1.63	
Congo, Rep.	3.09	6.54	2.66	7.33	5.30	5.00	1.33	3.89	5.97	0.08
Cote d'Ivoire	3.89	2.47	1.89	6.31	1.03	1.68	4.91	1.31	2.57	0.46
Djibouti	3.10	3.48	4.97	11.96	1.68	3.95	5.07	3.73	2.42	2.89
Egypt	4.87	7.64	9.32	18.32	11.76	11.27	10.05	7.12	9.42	10.15
Equatorial Guinea	5.63	4.42	2.80	6.55	4.69	7.79	6.95	6.15	6.35	
Ethiopia	12.94	12.31	17.24	44.39	8.47	8.14	33.22	22.77	8.08	7.39
Gambia,	4.84	2.06	5.37	4.44	4.56	5.05	4.80	4.25	5.70	5.95
Ghana	15.12	10.92	10.73	16.52	19.25	10.71	8.73	9.16	11.61	15.49
Guinea	31.37	34.70	22.84	18.38	4.68	15.46	21.35	15.22	11.89	9.71
Guinea-Bissau	3.33	1.95	4.62	10.46	-1.65	2.52	5.05	2.13	1.21	-1.51
Guyana	6.93	6.58	12.30	8.10	2.91	2.09	4.98	2.39	1.83	
Kenya	10.31	14.45	9.76	26.24	9.23	3.96	14.02	9.38	5.72	6.88
Lesotho	3.44	6.07	8.01	10.72	7.38	3.60	5.02	6.10	4.93	5.34
Madagascar	18.51	10.77	10.30	9.22	8.96	9.25	9.48	6.36	5.83	6.08
Malawi	15.41	13.97	7.95	8.71	8.42	7.41	7.62	21.27	27.28	24.43
Mali	6.40	1.54	1.41	9.17	2.46	1.11	2.86	5.43	-0.61	0.89
Mauritania	12.13	6.24	7.25	7.35	2.22	6.28	5.64	4.94	4.13	3.54

Mauritius	4.94	8.93	8.80	9.73	2.55	2.89	6.53	3.85	3.54	3.22
Mozambique	7.17	13.24	8.16	10.33	3.25	12.70	10.35	2.68	4.26	2.56
Namibia	2.28	4.96	6.55	9.09	9.45	4.87	5.01	6.72	5.60	5.35
Niger	7.80	0.04	0.05	11.31	0.58	0.80	2.94	0.46	2.30	-0.79
Nigeria	17.86	8.24	5.38	11.58	11.54	13.72	10.84	12.22	8.48	8.06
Rwanda	9.01	8.88	9.08	15.44	6.42	2.31	5.67	6.27	8.04	1.27
Senegal	1.70	2.11	5.85	5.77	-2.25	1.23	3.40	1.42	0.71	-1.09
Seychelles	0.91	-0.35	5.32	36.96	31.75	-2.40	2.56	7.11	4.34	1.39
Sierra Leone			11.65	14.83	9.25	16.64	16.19	12.87	10.27	7.33
South Africa	3.40	4.64	7.10	11.54	7.13	4.26	5.00	5.65	5.45	6.38
South Sudan					5.01	1.17	47.28			
Sudan	8.52	7.20	7.98	14.31	11.25	13.25	22.11	37.39	29.96	36.91
Suriname	9.90	11.28	6.43	14.67	-0.16	6.94	17.71	5.01	1.96	3.35
Swaziland	4.77	5.30	8.08	12.66	7.45	4.51	6.11	8.94	5.62	5.69
Tanzania	5.03	7.25	7.03	10.28	12.14	6.20	12.69	16.00	7.87	6.13
Togo	6.80	2.23	0.96	8.68	3.31	1.83	3.57	2.63	1.77	0.19
Tunisia	2.02	4.49	3.42	4.92	3.52	4.42	3.54	5.14	5.80	4.94
Uganda	8.45	7.31	6.14	12.05	13.02	3.98	18.69	14.02	5.46	4.29
Ukraine	13.57	9.06	12.84	25.23	15.89	9.38	7.96	0.56	-0.28	12.19
Zambia	18.32	9.02	10.66	12.45	13.40	8.50	6.43	6.58	6.98	7.81
Zimbabwe							3.28	3.92	1.63	-0.22

Source: Wold Development Indicators (2015)

Table 1 shows variability in annual inflation, as measured by the Consumer Price Index and reported by the World Bank's World Development Indicators, across countries and across time. Inflation volatility deters investment as it makes reliable planning difficult for corporate entities, households and individuals.

Figure 4: Trends in Annual Inflation Rates of Select African Countries



To further illustrate inflation volatility, Figure 4 shows the inflation rates for the countries in which we conducted our market research surveying fifty compliance professionals. In spite variations in this macroeconomic indicator, the expectations of survey participants regarding institutional pathways to sustainable growth were consistent across countries.

Inflation in Affrica can change considerably within a year. Table 2 gives the monthly inflation rates for the first six months of 2015 for the neigh bouring countries of Tanzania, Kenya and Ghana. These numbers show that while there may be general trends that impact areas within Africa, such as the upward movement in inflation exhibited in the three nations, there are also differences in the response of inflation by country. In Uganda, the relative magnitude of ther change is greatest, but inflation appears to stablize more rapidly than in the Tanzania and Kenya.

Table 2: Monthly Inflation Rates for Three Neighbouring Countries in 2015

Country	Jan	Feb	Mar	Apr	May	Jun
Tanzania	4.0	4.2	4.3	4.5	5.3	6.1
Kenya	5.5	5.6	6.3	7.1	6.9	7.0
Uganda	1.3	1.4	1.9	3.6	4.9	4.9

The above examples of annual and monthly inflation indicate a possible barrier to increasing investment in Africa.

Balance of Payments

Uncontrolled inflation is likely to have negative impact on a country's Balance of

Payments. A country is more likely to have a deficit in its Current Account under conditions of high price levels, high gross national product, high interest rates, and low barriers to imports. These circumstances may attract foreign investment, depending on conditions in other countries, and the relative exchange rate. The impact on the Current Account of changes in one of the above factors cannot be predicted without considering the effect on the other causal factors. For example, if the U.S. government increased tariffs, Americans would buy fewer imports, which could reduce the current account deficit. But this reduction will occur only if one of the other factors changes to bring about a decrease in the capital account surplus. If none of these other factors changes, the reduced imports from the increased tariff will cause a decline in the demand for foreign currencies (such as the yen, deutsche marks, etc.), which in turn will raise the value of the $US. The increase in the value of the $US will make U.S. exports more expensive and imports cheaper, offsetting the effect of the tariff increase. The net result of the tariff increase will be no change in the current account balance.

Inter-African trade is very important for Africa in mitigating the offsetting trap outlined above so that improvements can be made in the Balance of Payments through regional initiatives.

Financial Independence and Food Security

Inter-Africa trade also has critical implications for food security. When individuals grow their own food, generate their own energy, and garner a livelihood working from a home business or farm, the 'costs of living' becomes largely irrelevant. Such individuals become untethered from the work-earn-spend consumer economy and instead survive in a more local-centred, self-sufficient economy in which monetary income is less essential for a well-rounded life. Attempting to build on this model of self-sufficiency has been part of the ethos of many countries in Africa since independence.

Generally, about 16% of the world's population depends on food produced outside of the country. Marianela Fader and others from the Potsdam Institute for Climate Impact Research in Germany, calculated the food production capacity of every nation in the world based on the population, and food and water consumption in each nation. They then compared this productive capacity with each nation's food requirements. Their model included climate data, soil type and land-use patterns to simulate yields for a variety crops. Although many countries currently choose to import food right now, the

model showed that there are surprisingly few that could not maintain the same diet and still be food self-sufficient. Faber found that: "Today, 66 countries are not able to be self-sufficient due to water and/or land constraints." This means that 16% of the world's population depend on food imported from other countries.

The countries with the greatest reliance on imports were found in North Africa, the Middle East and Central America, with over half the populations of these regions depending on imported food. Most countries in other regions could become food self-sufficient if they so choose. "Assuming that all low-income economies achieve full potential productivity by 2050 in addition to full cropland expansion – which would be a huge societal and technological challenge and thus a very optimistic assumption – the food self-sufficiency gap will still be equivalent to about 55–123 million people, with over 20 million in Niger and Somalia alone," explained Fader.

4. Business Registration: Threat and Opportunity

Worldwide differences in registration procedures show that business registration need not entail high costs and/or long durations.

It has been estimated that mirco, small and medium sized business enterprises (SMEs) account for 95% of all firms in Sub-Saharan Africa. These small firms are categorized by the number of employees:

Micro firms: 1 – 9 employees
Small firms: 10 – 49 employees
Medium firms: 50 – 250 employees

Such firms account for approximately 60 percent of regional private sector employment as shown in Table 3.

Table 3: Employment within SMEs in Sub-Saharan Africa

Category	Share of all firms	Share of employment
Micro	90%	30%
Small	8%	20%
Medium	1.5%	10%
Large	0.5%	40%

Source: Fjose et al. (2010)

Given the impact of SMEs on employment and economic activity in general, the ability to register a business is a factor in both attempting to measure the impact of SMEs on the economy and move those businesses and employees from the informal to the formal sector. In most African countries registration and licencing are serious obstacles to establishing a business. Seven African nations are among the ten nations with the greatest barriers to registering a business. Business registration costs in Africa far exceed those in all other regions – with the number of registration procedures and registration times among the highest in the world. Angola, Chad, the Democratic Republic of Congo, Togo and Guinea are the world's most difficult nations in which to formalize a business. Table 3 offer a global comparison of possible barriers to business initiation by region.

Table 4: Regional Comparison for Starting a Business

Region or Economy	Procedures (number)	Duration (days)	Cost (% of GNI per cap)
High-income OECD	6	25	8.0
East Asia & Pacific	8	52	48.3
Europe & Central Asia	9	42	15.5
South Asia	9	46	45.4
Middle East & North Africa	10	39	51.2
Latin America & Caribbean	11	70	60.4
Sub-Saharan Africa	11	63	225.2

Source: World Bank (2004)

In spite of the dire regional ranking, within the region there are also positive examples of nations meeting world benchmarks in their business environment – Morocco, Ethiopia, Zambia and Tunisia outperform a number of nations within the dynamic Asian and Latin American region. For example in India, the registration process takes 89 days and costs the equivalent of $265US; and in Vietnam start time for a business is 56 days, which is close to the African average of 59 days. Morocco performs best on this indicator in Africa, requiring a mere five procedures to register a business, which on average takes

11 days and costs of $195US. In Tunisia the process involves 9 procedures that take 14 days and cost $277.24US on average.

In absolute terms business registration costs in all African countries are higher than in countries with similar GDP per capita. In Denmark a business can be registered with no fees and in New Zealand, the world's second most efficient system, the cost is only $39. In Africa, the Average cost of registering a business is $785US, with Ethiopia the lowest at $74US and Angola Highest at $6,621US (World Bank 2004a).

Ethiopia has shown what can be achieved in reducing the time and monetary costs of business registration by implementing relatively simple reforms. In 2003, the cost of registering a business was reduced by 80% in Ethiopia with the abolition of the requirement that a business seeking registration publish notices in two newspapers. The process of publication in a journal or newspaper takes 90 days in Angola. In Egypt publication costs account for 52% of the registration costs. The countries with the easiest registration procedures – such as Morocco, Ethiopia, Zambia and South Africa – require no published notice (World Bank 2004a).

Figure 5: Time to Register a Business in Africa in 2014

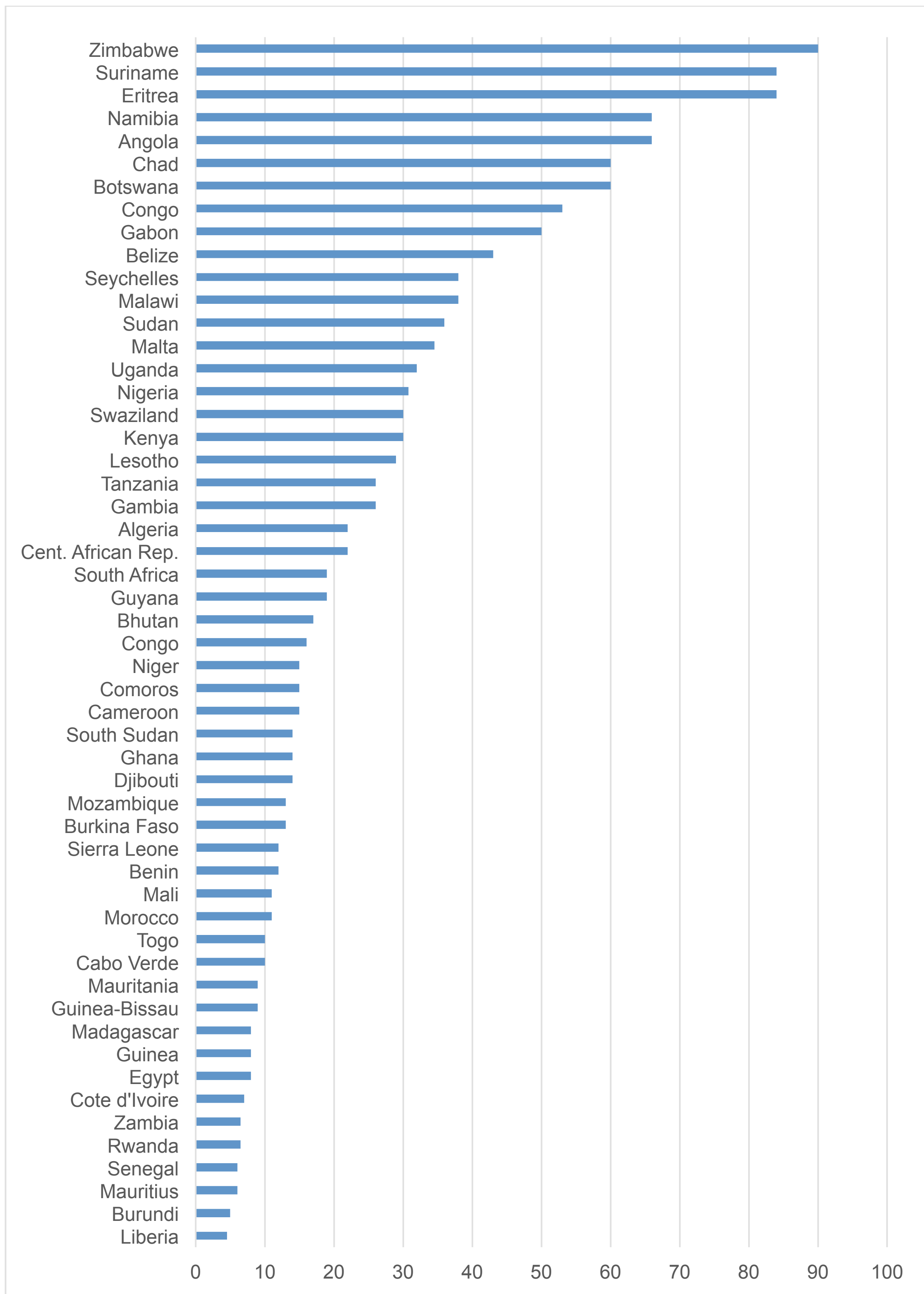

Zimbabwe
Suriname
Eritrea
Namibia
Angola
Chad
Botswana
Congo
Gabon
Belize
Seychelles
Malawi
Sudan
Malta
Uganda
Nigeria
Swaziland
Kenya
Lesotho
Tanzania
Gambia
Algeria
Cent. African Rep.
South Africa
Guyana
Bhutan
Congo
Niger
Comoros
Cameroon
South Sudan
Ghana
Djibouti
Mozambique
Burkina Faso
Sierra Leone
Benin
Mali
Morocco
Togo
Cabo Verde
Mauritania
Guinea-Bissau
Madagascar
Guinea
Egypt
Cote d'Ivoire
Zambia
Rwanda
Senegal
Mauritius
Burundi
Liberia
0
10
20
30
40
50
60
70
80
90
100

Figure 5 shows the time required to register a business according to the World Bank's "time required to start a business" measure. This time varies throughout Africa – for example, it takes 19 days in South Africa, 30 days in Kenya, 26 days in Tanzania, 31 days in Nigeria, and 32 days in Uganda. By comparison, it takes only 4.5 days to start a business in Liberia. Not shown in Figure 5 is Equatorial Guinea where business registration takes 135 days on average. Calls for African countries to re-align their processes removing obstacles to business registration may reveal problem areas in each individual economy. Reducing the barriers for business startups, or the registration of existing businesses, can reduce costs, boost investor confidence and contribute to economic growth and development.

The nature of procedures in Chad, the country with the greatest number of required procedures in Africa (where it takes 60 days to start a business), differs greatly from that of Morocco, the country with the lowest number (where a business can be registered in a mere 11 days). Business registration costs in Chad exceed those of Morocco by more than four times, not accounting for opportunity costs.

5. Threats, Opportunities and Policies: The Kenya Case Study

Promoting Micro, Small and Medium Sized Enterprises

It is estimated that today, Kenya's informal sector constitutes **98%** of all businesses in the country, accounts for up to 50% of new non-farm employment seekers annually, grows at approximately 12-14% annually, makes up 30% of total employment and contributes to 3% of GDP. Unlike most developing countries Kenya recognized informal enterprises as more than a residual employer for poor households. The majority of micro, small and medium enterprises in Kenya fall within the informal sector popularly referred to as *Jua Kali* as they largely start in the open sun under no roof. Strictly speaking, the term *Jua Kali* refers to the full range of enterprises employing between 1-49 workers that are found in all sectors. *Jua Kali* account for over **80%** of Kenya's employment. In its Sessional Paper Number 2 of 1992, Small Enterprise and *Jua Kali* Development in Kenya, the government recognized the importance of small-scale and *Jua Kali* enterprises that could be developed to "graduate into the formal sector" and contribute to the creation of new jobs and economic growth

As part of their economic strategy the Kenyan government has turned to the *Jua Kali* as the possible solution to that country's crippling unemployment, especially among the youth. Over **65%** of the Kenyan working-age population is under 25 years old. The majority of these people are unemployed. Post-election violence in Kenya left over 1,000 people dead and displaced 500,000. While this unrest was politically instigated, it was fuelled by youth unemployment and high levels of poverty. Recognizing the risks of high levels of youth unemployment has re-energised the Kenyan government's resolve to address this issue with such initiatives as *Kazi Kwa Vijana* (Work for Youth) project. This project aimed to employ urban and rural youth in labour-intensive public works and infrastructure projects. With the failure of this project, which was defunded by the World Bank after an audit revealed the misappropriation of funds, the *Jua Kali* became a central element in youth employment.

In mobilizing the *Jua Kali* as vehicles for creating more skilled workforce that move youth employment away from unskilled labor, access to technical and managerial training, work sites, involvement of *Jua Kali* in technological innovation, and the creation of a positive enabling environment are key elements in the Kenyan government's *Jua Kali* development strategy. In moving the *Jua Kali* from the informal to the formal economy, business registration becomes critical.

Business Registration in Kenya

As seen in Figure 5 above, Kenya falls towards the xx of countries in Africa with business registration taking 30 days. In Kenya the legal requirements for starting a business include: registration of the company name with the Registrar of Companies, acquiring a Personal Identification Number (PIN) and Value Added Tax (VAT) with the Kenya Revenue Authority (KRA), Trade Licence with the ministry of Trade, and finally the Local authority licences.

In the formal sector, employees are registered for Pay as You Earn (PAYE) taxation with the Kenya Revenue Authority (KRA) so that monthly deductions can be made for taxes, the National Social Security Fund (NSSF), and the National Hospital Insurance Fund (NHIF).

To start a business in Kenya is not easy although the government has tried to streamline the process. There is no one-stop for establishing a business and a number of institutions are routinely involved including:

1. Registrar of Companies
2. Ministry of Trade
3. Kenya Revenue Authority
4. National Social Security Fund
5. National Hospital Insurance Fund (NHIF)
6. Local Authorities like Nairobi, Mombasa, Kisumu etc.
7. National Environment Management Authority (NEMA)

Other agencies are involved depending on the line of business. Ken-Invest [www.investmentkenya.org] offers services to foreign investors that can hasten this process. The biggest challenges and bottlenecks in doing business in Kenya and in many other African nations is bureaucracy. This can result from the many institutions involved, the licences that add to cost of doing business. Additional barriers to establishing a business include access to credit, limitations in roads, energy and other infrastructure and energy costs.

Terrorism as an Economic Deterrent

The major terrorism threat in Kenya originates outside the country and is posed by extremists linked to Al Shabaab, a militant group in Somalia that is opposed to the Somali government. Al Shabaab has issued public threats against Kenya because of military intervention in Somalia. In response, Kenyan authorities have increased security to counter potential reprisal attacks.

The Westgate Shopping Mall attack in Nairobi in 2013 resulted in 67 deaths – including tourists – and more than 175 injuries. Since then there have been a spate of small-scale grenade, bombing and armed attacks targeting public places and public gatherings in Nairobi (especially the area of Eastleigh), Mombasa, and the North Eastern Province. On 2 April 2015 gunmen stormed Garissa University, killing 147 people.

Attacks seem to be indiscriminate, often to targeting government personnel and facilities. Somali government interests in Kenya have also been targeted. In addition to official buildings, areas frequented by foreigners are common targets – including hotels, bars, restaurants, nightclubs, sporting events, supermarkets, shopping centres, beaches, buses, trains and transportation hubs. Coastal areas have been the target of a large number of attacks. Places of worship including churches and mosques have also been

targeted. While travel advisories have been issued to warn tourists of the terrorist risk, these deter foreign investment and limit tourism as a source of income for the country. Terrorism and corruption, like any security issue, raises the cost of doing business within that particular economy.

6. The Challenge of Corruption

Approximately 70% of firms interviewed globally for the World Bank Investment Climate Surveys see corruption as an obstacle to the growth and operation of their business (Hall Ward-Driemeeire). According to a study of Ugandan firms, corruption reduces the short-term growth of firms, since costs associated with corruption exceed taxation payments (Finsman and Svenssons 2002). In Uganda firms pay an estimated average of $8,300 a year in bribes, which represents roughly 8% of their total costs. In Algeria and Kenya 75% of the firms surveyed reported paying a bribe – with firms in Kenya paying the equivalent of 5% of sales revenues in bribes annually (Reinikka and Svensson 1999; Svensson 2003).

Corruption threatens economic growth in all countries, but places disproportionate burdens on small enterprises. Launched in 1965 by Transparency International, the Corruptions Perceptions Index has placed corruption on the national and international policy agendas by providing a measure that can be used to compare countries, and identify patterns over time.

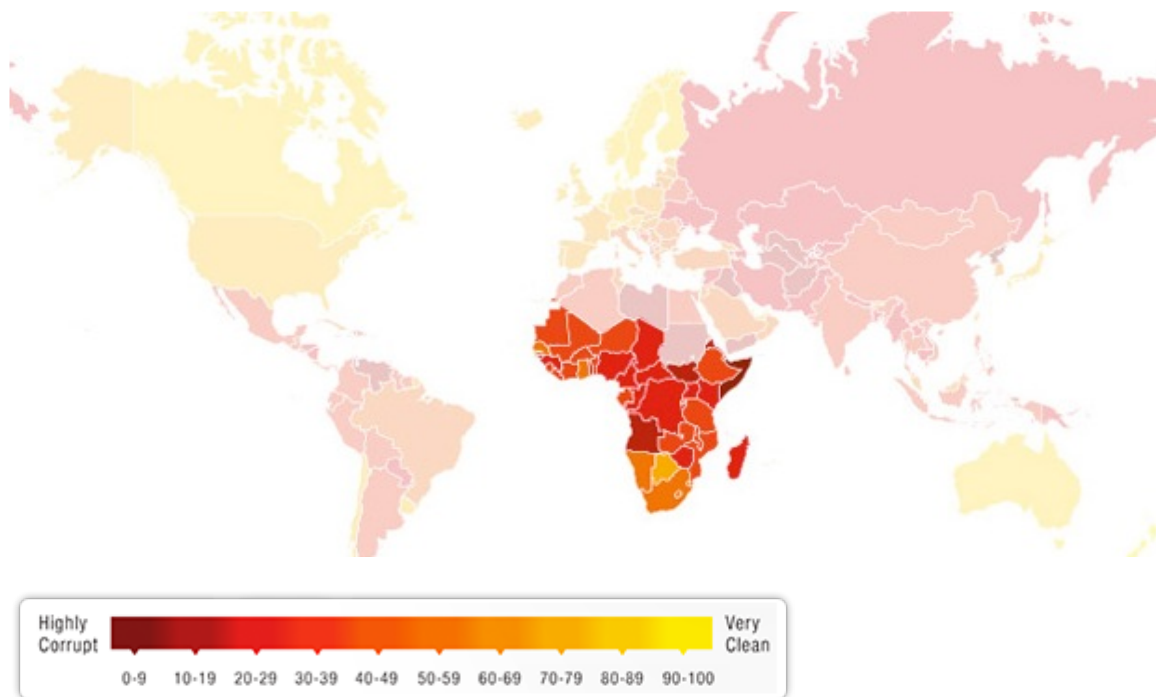
Based on expert opinion from around the world, the Corruption Perceptions Index measures perceived levels of public sector corruption worldwide, and paints an alarming picture. Worldwide, not a single country gets a perfect score and more than two-thirds of countries score below 50, on a scale from 0 (highly corrupt) to 100 (very clean).

A country or territory's rank indicates its position relative to the other countries and territories in the index. This year's index includes 175 countries and territories. All but three African countries are below the 50 mark indicating endemic corrupt. Figure 6 uses the scale from Figure 5 to show national Corruptions Perceptions Index scores for Sub-Saharan Africa within the global context.

Corruption is a problem for all countries. A poor score signals high levels of corruption with widespread bribery, lack of sanctions for corruption, and public institutions that respond poorly to citizen needs. Countries whose scores reflect low levels of corruption

must also act to create a global climate in which corruption is not tolerated. Leading financial centres in the EU and US need to join with fast-growing economies to halt corrupt, and the outward flows of funds that often result. The G20 needs to provide global leadership to stop money laundering and prevent hidden corporate structures from masking corruption. Jose Ugaz, Chair of Transparency International said countries with low rankings need to adopt radical anti-corruption measures in favour of their people, while countries towards the top of the index should take measures to ensure they do not export corrupt practices to under developed countries.

Figure 5: Worldwide Corruption Perceptions Index



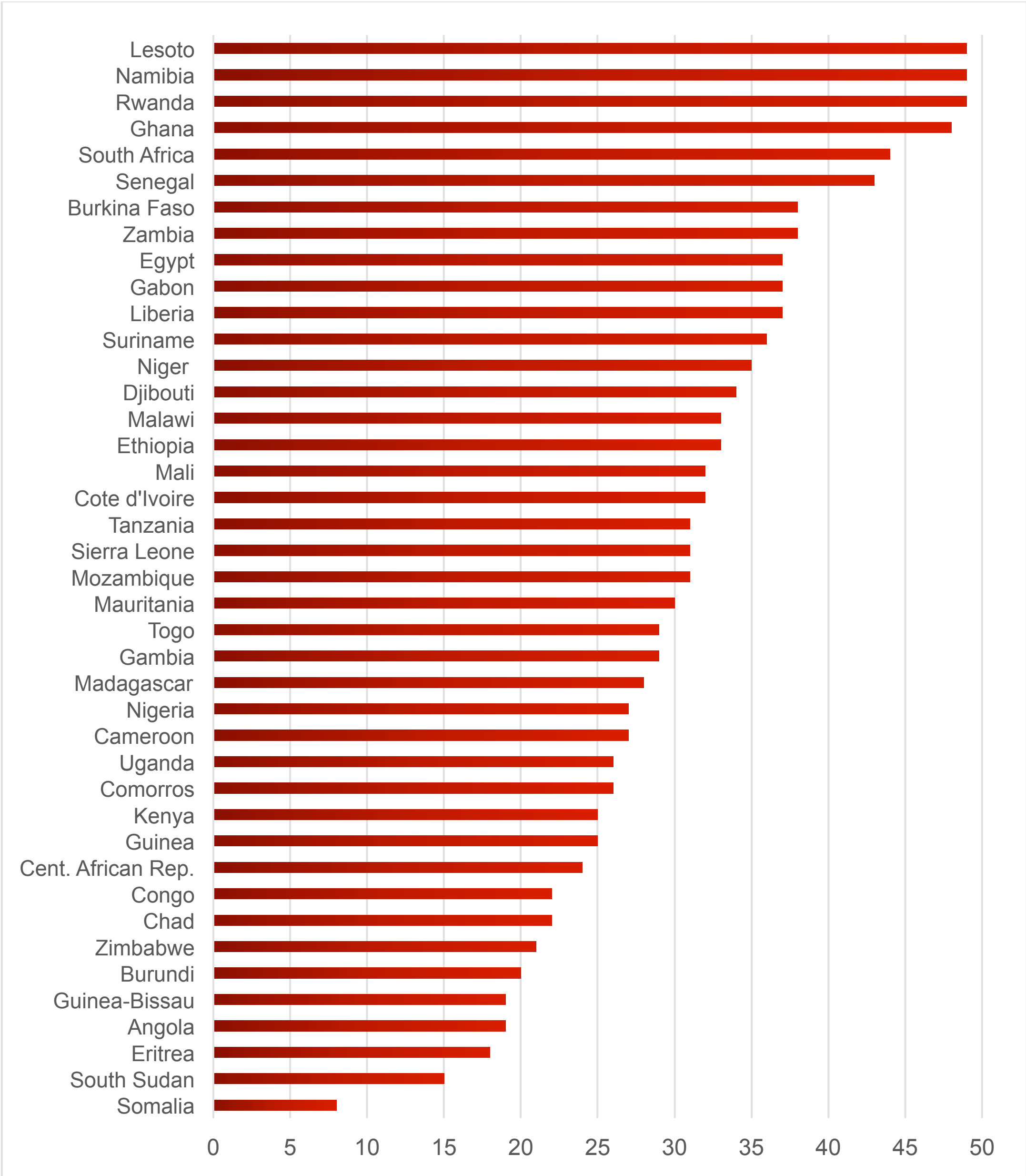
Source: Transparency International

While Figure 5 provides a global overview of corruption, Figure 6 zooms in on African region in showing the Corruptions Perception Index for 41 countries.

In absolute terms Africa is falling behind in controlling corruption – with but there three countries scoring below 50 – but, as can be seen in Figure 6, there is wide variability within the region. Somalia and North Korea share the lowest scores internationally with 8. Not shown in Figure 6 below, Botswana has the highest score in Africa with 63, followed by Cape Verde with 57 and the Seychelles with 55. Thus there are examples of

countries in Africa taking a proactive stance to improve their performance in controlling corruption.

Figure 6: Corruption Perception Index for Select African Countries



Overregulating is commonly cited as a major source of corruption, since convoluted and overregulated state procedures with long lag times provide government employees with opportunities to solicit bribe.

In Africa, poorly equipped schools, counterfeit medicine and elections decided by money are just but some of the consequences of public sector corruption. Bribes and backroom deals don't just steal resources from the most vulnerable – they undermine justice and economic development, and destroy public trust in government and elected leaders.

7. Addressing Corruption: The Ghana Case Study

Ghana is an important regional financial center for both legitimate and illicit financial activity – including money laundering. Political stability in Ghana, relatively strong democratic consolidation, and rapid economic growth have reinforced the need for the country to develop a robust anti-money laundering and combatting terrorist financing (AML/CFT) regime. As shown in Figure 6, Ghana ranks within the top 10% of African countries in controlling corruption.

Most of the money laundering in Ghana involves narcotics trafficking, various forms of fraud, and public corruption. Advance fee fraud, lottery, romance, and inheritance scams, e-fraud, credit cards and ATM account numbers, and check cloning are on the increase. Technological advancement has complicated regional AML/CFT efforts as computer systems have become the main conduit for financial crimes. In Ghana, internet fraud schemes known locally as *sakawa* continue to proliferate. Most fraudsters target unsuspecting foreigners.

Public corruption is a major source of laundered funds in Ghana, occurring mainly in relation to public procurement or the awarding of licenses. Criminals launder illicit proceeds through investments in banking, insurance, real estate, automotive and general trading businesses and, reportedly, donations to religious institutions.

Regulations governing domestic and offshore banks are aligned in Ghana, with local banks held to the similar standards as those offshore. Regulatory compliance is required in performing customer due diligence and can help identify activities that would need to be reported in suspicious transaction reports (STRs); however, monitoring and due diligence procedures to date are under-developed.

Ghana's macroeconomic performance has been positive over the past few years despite a few recent challenges. Notable among these economic challenges are continuing shortfalls in tax and non-tax revenues, lower national output, high levels of public debt

and the consequential depreciation of the Cedi, which is having adverse effects on economic activity, public expenditure and other macroeconomic variables.

Recent policies such as the removal of subsidies and widening of the tax net seek to increase government income and reduce the fiscal deficit in the medium to long term, whilst the initiation of the Ghana Gas Project in 2015, can potentially reduce pressure on the government finance and also reduce petroleum imports.

In addition, power supply deficits are expected to improve, oil production is set to increase and policy oversight from the IMF will underpin investor confidence moving forward. A combination of macro-economic policies aimed at realizing stable inflation, encouraging tangible processes on fiscal consolidation and stabilizing the currency can ensure the country's growth prospects remain positive for the foreseeable future.

The domestic market in Ghana is relatively small, but it is growing. A regional market is provided by the 15 members of the Economic Community of West African States (ECOWAS), though integration of the individual countries is yet to be achieved. The free trade agreement among ECOWAS member countries creates an opportunity for an expanded market for players in the sub-region. ECOWAS recently urged its member states to work towards improving their economic growth in order to meet the 2020 target for the introduction of a single currency.

The government of Ghana, sponsored by the World Bank is also striving to make Ghana the gateway to West Africa by positioning the country as a hub for import, export, storage, assembly, distribution, and manufacturing, as well as trans-shipment of goods, services and passengers.

Attracting foreign direct investment continues to be an integral part of the Government of Ghana's policy and is crucial to maintaining Ghana's current economic trajectory. Foreign investment is particularly important given recent macroeconomic imbalances – high fiscal and current account deficits – and to overcome an infrastructure funding gap estimated to be at least $1.5 billion. The Mahama Administration recognizes that inward investment requires an enabling legal environment and is open to discussing issues that impede foreign investment. The Ghana Investment Promotion Center (GIPC) Act of 2013 (Act 865) governs investment in all sectors of the economy and outlines the

government's investment framework, but the full implementation of this legislation could increase the compliance burden on domestic and international investors.

Mobile telephone technology is one of the fastest growing industries in Ghana. Mobile Money services are new and fast growing services provided by telecommunications companies. Currently six service providers, including MTN (Scancom), Tigo (Millicom), Airtel (Bharti Airtel), Vodafone, Kasapa and Globacom offer services to over 30 million mobile phone subscribers. The introduction of third generation services has increased the range of services provided by telecommunication operators. 4G technology is now making inroads in Ghana through partnerships between local and internationak service providers. Surfline Communications of Ghana, launched the country's first 4G data network in partnership with French technology company, Alcatel-Lucent. Blu Telecommunications, a Ghanaian owned telecommunications company has also deployed 4G LTE network, partnering with Huawei Technologies. 4G LTE pre-paid data-only service is available in the capital of Accra and the nearby port city of Tema, but companies hope to take this service nationwide within two years.

The expansion of telecommunication services and the growth of mobile money have raised concerns over money laundering in Ghana's Financial Intelligence Centre (FIC). The use of mobile money platforms by criminals could increase if proactive measures are not implemented in a coordinated manner by all stakeholders to address the fraudulent use of mobile money and other advances in cell phone application.

"Currently, criminals operating on the Internet have resorted to the use of mobile money payments to perpetrate their illicit trade. Issues of identification of mobile money patrons — both physical and electronic identity will, thus, become a major challenge in combating money laundering if stakeholders do not marshal forces to adequately regulate this sector," the Chief Executive Officer of the FIC, Samuel Thompson Essel, said. While the introduction of guidelines by the Bank of Ghana will ensure greater regulation of the mobile money operations, he said, "I strongly recommend a more stringent regulatory and compliance regime specifically designed to address current and emerging issues pertaining to MM operations." Essel emphasized the need for clarity in law as to what constitutes the electronic identity of a mobile money patron and how regulators and other stakeholders can authenticate such identities.

8. Regulatory Compliance in Africa

According to the Basel Committee on Banking Supervision (BCBS) compliance is the risk of legal or regulatory sanctions, material financial loss, or loss to reputation an institution may suffer as a result of its failure to comply with laws, regulations, rules, related self-regulatory organizational standards, and codes of conduct applicable to its banking activities (BCBS, 2005). Moves towards the international harmonization of regulations, particularly in relation to finance and banking mean that regulators in Africa must balance international requirements with the specific conditions of their countries and the needs and preferences of local and regional stakeholders.

The institutional context in Africa is influenced by the interaction of three factors:

1. The legacy of colonialism, including the transplantation of western institutions into Africa
2. Existential issues related to the identity crisis of defining an African identity given and what modernization in Africa should look like in relation to western pressures for standardization
3. Marginalization and is impact on a sense of belonging. Can African nations participate in the international community as equal members without prejudice? Many in Africa perceive that they are looked down upon as subordinate within the international system in spite of some former Eastern European nations falling behind Africa on political indicators such as bribery, corruption and unethical political behavior

These factors have implications for attempts in Africa to create vibrant cultures of compliance and improved corporate governance that can support greater levels of international trade and investment. To date Investors and trade partners have tended to shy away from Africa due to the lack of confidence when dealing with African financial institutions and corporate entities.

Concerns from potential business partners persist regarding difficulties of doing business in Africa as a result of insufficient and unreliable information. Stimulating a consistent expansion, diversification, and development of African trade has been adversely affected by perceived or actual lapses/gaps in governance processes in Africa – particularly when it comes to customer due diligence and corporate governance. Standardized African solutions are needed to combat the challenges confronting African businesses seeking to engage in international transactions and stimulate consistent expansion that can bring diversification and trade development.

Inadequate physical infrastructure and its financing present a major challenge in the African region. In 2010 the African Development Bank estimated that $US93 billion per year was needed to address infrastructural deficiencies in Africa. Problems with infrastructure development extend to banking and finance institutions. The Banking system in most African countries remains underdeveloped, but positive changes are occurring. At least nine Sub-Sahara Africa domiciled Financial Groups operate banks in seven or more African countries. For example, Ecobank currently operates in thirty-three countries and is one of the five largest banks in eighteen African countries. Several South African and Nigerian Banking Groups have also expanded regionally.

While the evolution of regional banking in Africa is a positive development, a large number of state owned banks remain. Additionally the supervisory and regulatory frameworks vary greatly in their level of development across the region. As a result, raising standards in line with global best practices has been difficult for most regulators

There is rising cost to African financial institutions and corporate entities of meeting constantly evolving compliance requirements has implications for African trade and trade financing. Without the regional coordination of compliance procedures, the costs to the region include reduced access to trade services, cuts in trade and project finance, higher costs of trade and trade finance, and reduced export competitiveness.

9. Reducing Compliance Costs through Customer Due Diligence and Corporate Governance

The systematic recording of economic information is critical to the performance and delivery of a vibrant economy as it provides data for research comparing opportunities in different African economies. Collecting customer due diligence information can also contribute to planning, allocation and decision making. Such information should be holistic and robust enough to encompass the financial, real estate, non-financial services, oil and gas, information communication and technology, and manufacturing sectors – the economic fulcrum driving African economies.

Customer Due Diligence

The key to a good customer due diligence revolves around these key pillars:

1. **Licensing** : Company registration, documentation, special permits , licensing requirements for business being engaged in

2. **Industry:** Size of industry, global impact, dynamics, players, regulators etc
3. **Political Affiliation:** Is the business a government agency, PEP's on management or board
4. **Shareholding:** Ownership structure, owners details, links to sanctioned countries and/or individuals

Customer Due Diligence Outside the African Context

Currently, certain institutions/infrastructure are in place to champion the CDD drive. Non-African CDD institutions/infrastructure have been established such as the European Committee of Experts on the Evaluation of Anti-Money Laundering and the Financing of Terrorism (Moneyval), the Asian Pacific Group on Anti-Money Laundering (APG), the Financial Action Task Force on Money Laundering, (CFATF), The Eurasian Group (EAG) that collectively make up the Non-African CDD Group. The Non-African CDD Group CDD standards require that certain CDD measures are in place, including:

- identifying the customer and verifying their identity using reliable, independent source documents, data or information
- identifying the beneficial owner, and taking reasonable measures to satisfactorily verify their identity (including, for legal persons and arrangements, taking reasonable measures to understand the action mandates, ownership and control structure)
- obtaining information on the purpose and intended nature of the business relationship
- conducting ongoing due diligence on the business relationship and scrutiny of transactions undertaken throughout the course of that relationship to ensure that the transactions being conducted are consistent with the institution's knowledge of the customer, their business and risk profile, including, where necessary, the source of funds

Other key considerations of the Non-African CDD Group are that:

1. institutions should be wary not to tip-off customers about the CDD exercise and thereby jeopardise any on-going or future AML/TF investigations
2. once CDD has been performed on a customer it need not necessarily be considered for each and every transaction the customer undertakes
3. timing of the CDD exercise is fundamental in order not to interrupt business

EU CDD Directives

Customer due diligence (CDD) is required by the 2007 international Money Laundering Regulations. Within this context CDD is geared towards identifying suspicious transactions. Knowing your customer allows institutions to better serve them and pin point irregularities in their requests. Stakeholders in the African financial services sector have established an African customer due diligence repository to assist in reducing costs incurred by financial institutions in meeting compliance requirements on African transactions.

The EU Third Anti-Money Laundering (AML) Directive states that CDD shall include procedures for:

1. Identifying the customer on the basis of documents, data or information obtained from a reliable and independent source;
2. Identifying, where applicable, the beneficial owner and taking risk-based and adequate measures to understand the ownership and control structure of the customer;
3. Obtaining information on the purpose and intended nature of the business relationship;
4. Conducting ongoing monitoring of the business relationship including ensuring that the transactions being conducted are consistent with the knowledge of the customer, the business and risk profile, including, where necessary, the source of funds and ensuring that documents, data or information held are kept up-to-date.

African CDD Institutions and Infrastructure

The oldest and most notable initiative for combatting money laundering and addressing customer due diligence is the Eastern and Southern Africa Anti-Money Laundering Group (ESSAAMLG). In its *Mutual Evaluation Report on Anti-Money Laundering and Combating the Financing of Terrorism* released in October 2012, ESSAAMLG observed that:

> [T]he initial process of due diligence, even if applied in general by a majority of banking institutions, has two major shortcomings in terms of effectiveness: (1) the CDD process rests on documentation which is difficult to obtain for the majority of the population, therefore keeping it out of the formal sector, and (2) obligations related to the identification of beneficial ownership or of a trust constituted according to foreign law do not seem to be applied in practice. As regards the on-going process of due diligence (including simplified and enhanced due diligence), the assessment team is not satisfied that these obligations are being implemented either, as a majority of banks met during the on-site visit did not even seem to understand how to do it. In addition, with regard to the definition of those lower risk and higher-risk categories of customers, the assessment team is not satisfied that public entities and postal services should be considered low risk. With regard to the records to be kept by Financial Institutions… does not specify that those should be readily available to the relevant competent authorities. Overall, the assessment of the team is that many important obligations… are not being implemented or enforced, and the regime is currently not effective.

These concerns raised by ESSAAMLG apply to most African countries and African CDD initiatives because these countries and initiatives do not tailor CDD requirements borrowed from the developed world to the African environment. This should be an area to which more effort, research and innovation is channeled to make CDD implementation in and for Africa a seamless exercise.

Challenges to Establishing CDD Systems in Africa

Inasmuch as governments, national regulators and the compliance stakeholders in African countries have now began to appreciate (and are discussing the need to set in motion) a collaborative African CDD initiative. A number of common challenges must be overcome for such an initiative to be successful. These include:

- *CDD information gathering templates* to date have been set by developed, non-African countries and compliance with these standards in African countries is burdensome, resource intensive and time consuming.
- *Problems with rating agencies* like Standard and Poors, and Fitch. African countries should move from reliance on rating agencies for purposes of securing debt financing for their budgetary needs, since these agencies do not account for

the specifics of the African context. African countries should also discourage the use of such rating agencies within their borders for local businesses that seek financing for their projects.

- *Existing CDD institutions are typically based in non-African states.* Data collected by outside agencies and the cogency of such data cannot be fully relied upon by African countries and interested investors (as such information is persuasive but not binding, and not free from error). African-based/oriented CDD institutions are essential in developing a system that responds to African needs and can champion the African cause.
- *Fear of the misuse of CDD data*. There are fears that a centralized African CDD will work against individual business entities and economies by, for example, providing sensitive business information to competing firms, other regional/continental players, etc.
- African countries are grappling with debt financing (which is tainted with corruption) and hence some countries view CDD initiatives as expensive, unnecessary ventures aimed at promoting the interests of other players other than the African populace. Such countries should be encouraged to have a long term, rather than a short term, view of the benefits of an African CDD infrastructure;
- *Increasing compliance costs* until an African-based CDD criteria is put in place. Without a standardized regional system, existing CDD modes will increase compliance costs as Africa is expected to meet both American and European, rather than African standards e.g., especially cumbersome Know-Your-Customer requirements which are meant for mature, developed economies. Implementing systems from more developed companies impose undue burdens on entities that have not developed the required information management capabilities.
- *Lack of technical capacity and* training of record clerks to participate in CDD scope of work from the grassroots to the greater African platform remains a challenge. This is coupled with the need to employ better technology/software over and above much of the obsolete technology/software that African countries rely on. African countries should therefore work to identify and implement cross-border technologies that support domestic data collection and international trade seamlessly.

- *Self-interest*. Nationalist interests exist within each African country that seek to protect the economy and business fraternity from competition in the event that a uniform approach to business and collecting CDD information is adopted (especially for countries that are less technically ready to work in or belong to current African regional/continental blocs like the East African Community, Economic Community of West African States, Southern African Development Community.
- *The negative legacy of financial aid and the neo-colonialism*. Many African states and their citizenry still hold to the notion of western superiority. Evidence of western tastes in education, art, sports, food and clothing can be found in many African countries. While such preferences are relatively innocuous at the individual level, an uncritical adoption of western institutions will not serve Africa in the long run, as outlined above. The thought process must be challenged and changed so that Africans appreciate the potential Africa has to be competitive in the global market place on its own terms.
- *Incentivizing crime* by celebrating, and encouraging the culture wherein African officials and elected representatives plunder their own resources and invest the funds outside of Africa. Such a culture cannot benefit Africa and therefore must be overcome.
- *Political and economic instability* remain challenges for many African countries. These perennial problems have plagued the continent for years. It is not sustainable to retain a vicious cycle of wallowing in war and confusion while many citizens are retained in abject poverty and the rest of the world is bettering their systems, economies and sharpening their competitiveness to benefit more from international trade.
- *Brain-drain* remains a concern within Africa. This loss of expertise constitutes a loss of investment. African nations need strategies to meet the needs of educated Africans to keep them productively engaged in the continent.
- *The need for strong institutions* is a prerequisite for common standards and greater regional integration. Improved institutional strength would provide national, regional and international benefits as strong continental currencies would be a result.

The ultimate goal for an African CDD repository is to reduce compliance costs, reduce the risk of doing business without essential African CDD data, boost the economic performance of African states to build investor confidence, and attract further investment in African economies, avail stakeholders an opportunity to readily access customer information at a time of their convenience and benefit.

The businesses resulting from stronger institutions would contribute to gradually growing a self-sufficient African middle-class that can provide the costs of feeding, eating, education and medication without reliance on the government, minimal imports to Africa from Europe, USA, etc; and little reliance on foreign institutions like the World Bank and IMF. If Africa sets its own CDD terms and conditions, it will no longer be subject to requirements of USA, European Union, IMF, WB, China, etc.; and this will ensure a stronger African economy that primarily serves the goals and interests of Africans.

10. The Role of Corporate Governance in Enhancing Corporate and National Performance

Corporate governance relates to the mechanisms, processes and relations by which corporate entities are controlled and directed. Whilst corporate governance ensures that companies are able to meet their relevant corporate targets, the ability to meet the stringent standards being set by the international community revolves largely around the business and governance framework set by industry regulators and the business norms of the respective countries. Corporate Governance is a key ingredient for promoting both economic efficiency and equity (through lower cost of capital, large capital markets, higher market valuation of firms and profits) in an enterprise. It is not restricted to any specific functional area, but instead permeates on all aspects of a business enterprise, whether small or large.

Research conducted by African Development Bank revealed a range of factors that impede the mainstreaming of Corporate Governance in several African Countries. Chief among them are problems of poor political and economic governance -- including poor performance on controlling corruption and weak rule of law.

In Africa, the challenge in creating a corporate governance structure for companies and financial institutions falls to the regulators of the respective industries. Regulators are generally responsible for setting standards in collaboration with industry leaders, paying

attention to international standards. The regulators retain the ability to impose fines and revoke operating licences in order to ensure full compliance to the set standards. The development of regulatory standards is slow in most countries. In Ghana for example, a significant source of concern stems from data collection and data quality. Data collection and quality lag considerably behind western nations, with most industry regulators not able to provide a timely and up to date database of information to allow comparison and accurate measurement of compliance.

The culture of disclosure in African corporations generally is yet to attain parity with international standards. The challenge is to convince corporations that disclosures are an asset rather than a burden. This is starting to occur as corporations in some countries are acknowledging the competitive value of improved governance and reporting. Another challenge rests with industry experts, government officials and regulators and their lack of specific training and experience to regulate and govern the industry operations.

A further challenge facing reform in Africa is how to ensure the quality of the regulatory and institutional framework to promote transparency and accountability. Many financial institutions in African are branches or subsidiaries of financial institutions from the Western world. As such pressures from parent corporations may prevent the African financial institutions from fully supporting collaborative efforts on the regional level.

Benefits of Improving Corporate Governance in Africa

Africa's corporate entities, financial institutions and the development of the continent stand to benefit from the results of strong corporate governance infrastructure, norms and practices. The flow on effects of corporate governance include:

- Greater accountability of corporate boards and corporate entities, shareholders, employees and the business itself to the regulators, government and other stakeholders.
- The culture of doing business in an ethical manner will be enhanced and institutionalized. This will be a big win for Africa.
- Easy determination, and honoring, of tax obligations by corporate entities for the benefit of the economy and populace.
- Easy access to business-related information for research and development through CDD.

- Confidence in the continent by investors and external business partners who will be able to develop opportunities in African countries based on reliable, up-to-date information.
- A reduction in business risk and the cost of doing business in Africa.
- Less plundering of Africa's resources by 'kangaroo businessmen.'
- Corporate entities, regulators and governments will be able to concentrate on better developing quality of goods and services as opposed to being persistently trapped in a web of corruption, AML/TF investigations, processes and procedures.
- The promulgation of a strong ethical culture that bridges the public sector, private sector and the general African citizenry.
- Decision making will transparent and loyalty and commitment from employees, shareholders, governments, regulators and citizenry will increase
- Unethical business practices will decrease, as unethical businesses will not remain competitive.
- African employees and all stakeholders shall be guaranteed fair treatment and equal opportunity in global business environment.
- African countries will be able to better finance education, health and infrastructure necessary to boost economic development.

Foundations for Improving Corporate Governance in Africa

Africa's corporate entities, financial institutions and the development of the continent stand to benefit from the strengthening of corporate governance infrastructure, norms and practices. Political will and corporate commitment is required to support the development of distinctively African institutions that can meet the requirements of global markets. The application of risk-rating methodologies that account for African variables and create African standards are essential for African sustainable development. State-owned financial institutions that exist in most African countries can provide leadership in coordinating systems to meet these new African standards. In addition to corporate commitment and political will, funding will be key in developing a strong infrastructural base.

The development of a strong corporate governance model, culture and practice depends on a fundamental shift in the way Africa's leaders, institutions and corporate companies

think, plan and execute their mandates. Changing the corporate culture to inculcate strong governance requires corporate entities, regulators, governments and governmental agencies to actively and mutually:

1. commit to compliance with (or amend) applicable local laws to improve disclosure of interest obligations of public sector and private sector human resources, managers, board of directors, customers/clients by seeking to attach close friends, acquaintances and confidants with whom they deal with on a daily/frequent basis
2. establish independent compliance and internal audit functions as part of a good and respected corporate governance model
3. engage each other more often so as to be able to anticipate and influence/lobby against (or for modification of proposed) new legislation before the same are put in place
4. continuously champion, encourage and reward ethical conduct so as to motivate and engrave a responsible culture for the individuals', company's, economy's and public's interest
5. encourage each other to put in place a sound corporate social responsibility function that ensures buy-in from such communities and guarantees their faith and trust in the business, government and the economy
6. adopt a know-your-employee (KYE) approach to compliance and conduct legal criminal background checks and drug tests before and during their employment life. For such checks/tests, a criminal record or drug addiction is the best behavioral red flag that must be taken into account in screening individuals more susceptible/likely to commit fraudulent, negligent acts to the detriment of the business and national economies
7. develop stronger reading and training cultures for both the learned and unlearned population/human resources with a view to empowering such target groups with relevant/tailored information and skills that will help them perform at their respective jobs and make sound decisions for the individual benefit, as well as that of their businesses and country's economies.

With CDD becoming a necessary part of business, corporations and governments can take a risk-based approach to determine the extent and quality of information required and the steps to be taken to meet the requirements.

Western models of CDD require reliance on Institutions that are either under-developed or conspicuously absent in most of African economies. These institutions verify and authenticate information. In the absence of such institutions, a centralized system would be an important intermediate stage in establishing a repository. In Kenya for instance, the Credit Reference Bureau (CRB) determines and reports creditworthiness. This system, which relies heavily on data provided by commercial banks, has proven to be effective since the CRB operates within an established legal framework.

11. Developing Customer Due Diligence in Africa: Comparative Case Studies

Across Africa governments and corporations are taking steps to improve the institutional infrastructure in order to attract trade and investment, and enhance global competitiveness. Uganda, Nigeria and Kenya offer examples of the varying levels of development of the regulatory environment, and how changes are being made by governments and corporations.

Uganda

Uganda provides an example of a country with some CDD institutions and data gathering processes in place. These systems provide a possible base for a one-stop CDD depository. Uganda is aware that CDD can aid businesses, governments and other stakeholders by keeping records pertaining to how their businesses and the economy as a whole are being run – achievements, challenges and areas under which improvement may be identified and implemented for purposes of improving businesses and economies as players in the global environment.

.Uganda has undertaken a number of initiatives related to CDD that can be adapted to other African contexts Currently the financial services sector benefits from the Credit Reference Bureau (CRB) put in place to keep records of customer credit histories and to monitor potential Anti-Money Laundering and/or Terrorist Financing (AML/TF) activities because these activities in and around Uganda have negatively impacted the economy, investor confidence and interest of overseas investors in the country, and through flow-on effects the government of Uganda. Financial institutions are required by local and international laws, regulations, and standards to establish the origin and purpose of

funds being exchanged via the country's numerous financial institutions and money exchange platforms – including mobile money where all users of mobile phones have been required to register for ease of identification.

In accordance with IMF recommendations, the Bank of Uganda keeps monthly, quarterly and annual economic records detailing the performance of all sectors of the economy. This information is a valuable resource that investors and business partners can utilize. Reviewing reports available on the Bank of Uganda website allows interested parties access to timely and salient economic information.

Realizing the challenges faced by consumers in the financial sector, and attempting to protect consumers from abuses that can result from CDD shortfalls, in 2011 the Bank of Uganda established *Financial Consumer Protection Guidelines.* Building on this, the Bank of Uganda is currently formulating interest rate regulation in an initiative to stabilize money markets. This regulation will greatly impact how business is conducted in Uganda. Initiatives implemented by the Credit Reference Bureau and Bank of Uganda are encouraging developments supported by the Government of Uganda in promoting reform throughout all areas of the private sector.

In addition, the Uganda Investment Authority is working to encourage all Ugandan businesses to adopt a culture of data collection so that records are kept on how the business is run, revenue streams, etc.

Uganda's government is taking steps to reduce barriers to registering a business. It has set a target of reducing the startup from the 32 days in 2014 by the end of 2015.

The government and Bank of Uganda are cognizant that one of the greatest remaining challenges in facilitating domestic business activity and foreign investment is working with other African governments and central banks to establish vibrant and consistent African institutions that support, encourage and enhance customer due diligence with respect to African businesses because the current available data in other countries is:

1. not up to date
2. unreliable, and
3. not collected, collated, prepared nor stored by African institutions or persons but rather other non-African stakeholders whose motive cannot be genuinely established.

Data Collection and Information Reliability in Uganda

The Bank of Uganda's *"Monthly Report on the Performance of the Economy, January 2015"* reveals that Uganda's:

- total export earnings dropped to US$2,659.59 in 2014 from US$2,828.71 in 2013 as a result of decreases in both coffee and non-coffee formal exports
- inflation rates (for the period between January 2014 and January 2015) were lower (at 1.3) than that of Uganda's neighbors, Kenya and Tanzania
- total tax revenues in January 2015 amounted to UGX. 799.2 billion – with projected tax revenues estimated at UGX. 815.2
- non-tax revenue collections in January 2015 amounted to UGX. 14.1 billion compared to projected non-tax revenue estimated at UGX. 18.2 billion.

From an African perspective, the mere fact that Uganda projects and records such information is an advantage for the country and by extension for Africa. Official data collection such as this helps inform investor decisions about Uganda and provides information on the economic potential that Uganda, which has the stability of being able to act as a regional food basket able to provide for its own domestic needs and supply food to other African countries.

The systematic recording of economic information is critical to the performance and delivery of a vibrant economy as it provides data for research comparing opportunities in different African economies. Collecting customer due diligence information can also contribute to planning, allocation and decision making. Such information should be holistic and robust enough to encompass the financial, real estate, non-financial services, oil and gas, information communication and technology, and manufacturing sectors – the economic fulcrum driving African economies.

Nigeria

Based on the revised Central Bank of Nigeria (CBN) Code of Corporate Governance effective October 1, 2014, Banks and Discount Houses in Nigeria are required to submit quarterly returns reporting on their compliance with the provisions of the code to the CBN. Bank External Auditors report annually to the CBN regarding the bank's compliance with the provisions of the Code of Corporate Governance.

Corporate Boards are held responsible for the performance and affairs of the bank under the provisions in the Companies and Allied Matters Act of 1990. Under this Act the Board shall define each bank's goals, approve strategies and monitor their implementation by management. In accordance with the extant CBN Guidelines on Fit and Proper Persons Regime, Board members must be qualified persons of proven integrity who are knowledgeable in business and financial matters.

The Board delegates part of its authority with the appointment of CEO and other high level management staff. Bank staff must comply with the provisions of the CBN's Circular on Harmonization of Job Roles in the Banking Industry. The Board and all bank staff are subject to the CBN Code of Corporate Governance.

Kenya

Kenyan regulators have established financial reporting centers for monitoring all suspicious transactions. This central organization has helped financial institutions in addressing money laundering activities and combating terrorist financing in line with international compliance recommendations. The financial reporting centers are tasked with investigating potential money laundering activities and issuing guidelines to financial institutions with the aim of standardizing the national CDD approach.

There has also been a shift on the appointment of the Governors of the regulating body from political nomination to a more rigorous process that includes vetting by third parties. This has served to ensure that the regulating bodies are relatively independent of politics and are thus better able to concentrate on matters of good corporate governance. The independence of Governors, who owe no allegiance to any politician, serves to ensure they are not biased and are able to regulate the financial system without bias. The change in the system of appointment has also included more rigorous requirements for potential Governors regarding qualifications and experience, and a more extensive vetting process.

The interest rates charged by credit facilities are also regulated. Most financial institutions would charge exploitive rates to their clients with little basis for such charges. However, the introduction of regulated rates this has increased the credibility financial institutions. Financial institutions are now realizing the benefits of maintaining strong

governance cultures as a mechanism for creating competitive advantage. Governance is improving within the financial sector in a bid to win customers confidence.

In building further corporate credibility and competitive advantage, corporate entities in Kenya have formed an umbrella bureau that is a responsible for issuing credit ratings. This is an important CDD development as it anticipates a future in which a customer can qualify for a line of credit on the basis of his/her credit rating as opposed to other documentation.

12. Recommendations for Improving DCC and Corporate Governance in Africa

In the absence of a centralized CDD system, individuals, firms and other stakeholders must rely on established mechanisms that may, or may not, report data on a regular basis. These mechanisms include:

- a credit or financial institution
- auditor, or EEA equivalent
- insolvency practitioner, or EEA equivalent
- external accountant
- tax adviser
- independent legal professional

Professional associations are another potential source of information if the sector or industry is subject to mandatory professional registration under the law.

Passporting Clients Between Jurisdictions as a Possible Solution

Many firms have branches or affiliated offices ('international offices') in other jurisdictions and will have clients who utilise the services of a number of offices in different national locations. It is not necessary for a client to provide original identification material to each different national office they deal with.

Some firms may have a central international database of CDD material on clients to which they can refer. Where this is the case, corporate CDD material and procedures should be in accordance with the EU's Third AML Directive. Additional information, if

required, should be added to the central database. Alternatively, initial CDD approval controls put in place could be sufficiently stringent to ensure that a client is compliant over the full range of activities.

Some firms may wish to rely on their international offices to provide a letter of confirmation that CDD requirements have been undertaken with respect to the specific client. Such information can only be relied upon under the terms of Regulation 17 and the CDD is completed in accordance with that regulation.

Finally, firms without a central database may wish to undertake country-level CDD measures with respect to the client, but ask their international office to supply copies of the verification material, rather than approaching the client directly themselves. Such an approach does not create reliance, but outsourcing instead.

It is important to remember that because of the range of services most international firms offer, a client at one office who is not a Politically Exposed Persons (PEP) in that country, may be a PEP when utilizing different services at different location. As such, each national office need a process to check whether a client passported into your office is a PEP and, if so, undertake appropriate enhanced CDD measures.

Natural Persons Requirements

A natural person's identity can be determined a number of ways including: name, current and past addresses, date of birth, place of birth, physical appearance, employment and financial history, and family circumstances. Evidence of identity can include identity documents such as passports and photo-card driving licences, or other forms of confirmation, including assurances from persons within the regulated sector or those in your firm who have dealt with the person for some time.

In most cases face-to-face verification of producing a valid passport or photo-baring identification should enable most clients to meet AML/CTF identification requirements. It is considered good practice to require either a government document that verifies the client name and address, or name and date of birth, or a government document that verifies the client's full name and another supporting document which verifies their name and either their address, or date of birth.

Standardizing Business Registration Processes

As discussed earlier, business registration processes vary widely in Africa and can form an impediment to nation's seeking to leverage the power of domestic entrepreneurship. The most efficient way to reduce the number of registration procedures is to create single-access points. Using an existing agency to be the single point for assembling representatives from various other agencies involved in business registration has proven effective – for example the system in Kenya since 2003. Front-line officials in such agencies should speak the first language of the people they serve, removing a constraint for many informal businesses needing to deal with the bureaucracy. Morocco has a one-stop shop, reducing the number of registration procedures to five. Reform efforts in Mozambique include the introduction of a one-stop business registration agency. Single access points for business registration could then be incorporated into CDD procedures.

Standardizing CDD Processes

There is increasing pressure to adopt principle-based, risk-based approaches to anti-money laundering and the control of terrorist financing in moving away from checklist approaches. Institutions must assess specific customer risk as well as risk by customer type, business relationships, structured products, and services. The systems and institutions used in streamlining business registration processes into a one-stop process could be used as a possible interface with a centralized CDD repository to create a seamless data gathering and verification system.

Adapting to International Compliance Standards

Through our research and work in Africa, we have identified two factors for consideration in developing region-wide institutions that can serve as vehicles for advancing Africa in the global market. While practitioners and researchers have cast these factors as 'cultural barriers,' we believe that when acknowledged these factors can be mobilized to contribute to positive change:

- Colonial backfire -- not everything that is foreign is good for Africa
- Differences in economic infrastructure and history between the economies where the compliance requirements where drafted and the African economies that make compliance costs greater for African businesses than for competing business interests in western economies

Like the Chinese economic transformation, African countries are switching to an Africa-comes-first model in listening to the international community, but applying what is

beneficial for Africa in the knowledge that Africa is too big to be ignored or marginalized in the world system.

Much discussion among African compliance professionals revolves around compliance failures and the resulting international scandals – from Rolls Royce to Volkswagen to FIFA and the financial institutions that have funded these institutions. These scandals raise questions about applying foreign regulations in Africa. Some regulators and central banks in Africa are questioning the efficacy of international bodies in guiding international policy.

12. Concluding Recommendations

This paper not only provided a general overview of CDD and CG in Africa, but it also raises areas for the potential creation of comparative advantage – as shown by the case studies and examples. Within Africa some countries have been able to adapt a well-tested foreign policy approaches to create fluid and compliance business processes. Others have adjusted international policies to the domestic environment to streamline procedures and enhance efficiency.

We recommend dialogue between nations and international and domestic stakeholders to identify best practices and leverage lessons learned, so that proven processes and innovations that take the specific conditions of the African environment into account in creating advantage can be generalized at the continental level, building on enhancing the strength of critical areas such as CDD and Corporate Governance. Working collaboratively, Africa should first insist on strengthening each individual economy in terms of institutional framework and corporate governance structures. This will pave the way towards establishing a legal framework for the continent into which the different national systems will report. Efforts towards having a standard currency is a welcome idea. This can be seen as strengthening of African currencies. Africa can benefit from a common market and the development of regional trade preference to ensure that it competes in the global market as a block.

Moves towards increasing transparency and openness in African governance are starting to offset the effects of corruption and poor governance that have characterized the region in the past. If reinforced and supported, these changes can provide the basis for continuous improvement in corporate governance, and the establishment of regional

standards and a possible region al platform for CDD. While countries in the region are beginning to experience the benefits of these changes domestically, global perception lags behind. The ability of Africa to change and adapt is creating investment opportunities that can tip the balance of "***global concerns about the difficulties of doing business in Africa***" in favour of the continent overtime. With appropriate institutional changes, and the development of regional systems of CDD that can contribute to improving Corporate Governance and the general business climate, the African continent will be able to attract appreciable foreign investments for its development.

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