

# People Inc.

Tony Elumelu, one of Africa's foremost business people and philanthropists, is also somewhat of a philosopher. He tells *Wings* the revolutionary effect his concept of Africapitalism can have on the continent, and why it's critical to Africa's development.

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**"A**fricapitalism is a call to the African private sector to invest for the purpose of catalysing economic development that will lead to prosperity and social wealth," explains Tony Elumelu, 50, founder and chairman of Heirs Holdings, a pan-African investment company, and the Tony Elumelu Foundation. "We believe that businesses should do well and the communities where they operate should do well simultaneously."

'Africapitalism,' a term Elumelu coined himself, is in his own words an "inclusive brand of capitalism." It's based on four pillars – Home Grown Initiative, Long-term Investment, Impact Investment and Increased Competitiveness. "In the past, it used to be that business would do well, and then begin to think of how to give back to society", he explains. "It's not just about creating wealth in business. Let's make sure that the community where we are operating is enhanced in terms of access to

certain basic services and social facilities."

Oil production is a prime example of big business bringing in wealth at the expense of communities and the environment. Elumelu thinks this can be changed, saying that "You can do well and do good in a way that satisfies your commercial interests, while also making the community better – instead of flaring gas if you have an oil asset, you can produce oil, then convert the gas to fertilise; at the end of the day, the fertiliser helps farmers, so you make more money, and you are not polluting the environment. You are hiring people from the community to get involved. This is what we call Africapitalism."

With every new concept comes critics, and Africapitalism has its fair share of them. A large number of these have attacked the idea as a mere marketing ploy, bringing in more profit for private companies under the guise of helping out communities with no real long-term difference. Elumelu, nominated as one of Forbes Africa's Persons of the Year in 2012, is unfazed by this. "Africapitalism is simply saying there's a better and more ethical way to invest in



***I Got the Power***  
President Barack Obama discusses Elumelu's Power Africa Initiative

***Long Term Thinker***  
Elumelu favours long term investment that factors in social and environmental progress

**"Africapitalism is simply saying there's a better and more ethical way to invest in Africa for a sustainable future for our children"** *Tony Elumelu*



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**“We must ensure that Africa creates the type of environment that fosters innovation and rewards those entrepreneurs who bring new ideas to life and put them in to practice.”**

*Tony Elumelu*

Africa for a sustainable future for our children; a way in which investors look at inclusive growth strategies that will build local value chains. I would like to see both African and international investors review their strategies for Africa. Yes, we are open for business but not at any cost. “Africapitalism” is a philosophy that we at Heirs Holdings have tried to exhibit through our investments.”

Elumelu is certainly ‘open for business’, making his name as an astute banker and business person and becoming somewhat of a legend to bankers across Africa. Heirs Holdings has investments in almost every growing sector on the continent, including real estate, hospitality, oil and gas, energy, healthcare, and financial services.

In 2005, Elumelu was one of a few that set in motion a process that would revolutionise Nigeria’s banking sector. He led one of the most successful bank mergers in the country between Standard Trust Bank, whose fortunes he had previously turned around, and United Bank of Africa (UBA). This merger would go on to achieve phenomenal growth rates and become the first Nigerian bank to record a balance sheet of \$6.3 billion (N1 trillion) in its first year of business.

Elumelu insists that Africapitalism was an underlying feature of the United Bank of Africa’s fortunes. “We started the United Bank for Africa (UBA) as a kind of experiment at the time, but now it is seen as some kind of phenomenon. When we started with UBA, we began with an amount less than \$5 million, and that \$5 million has today created 22,000 jobs across the continent and created more direct and indirect economic activities and prosperity for households and also for government in terms of getting their wealth and revenue through tax payments. The whole idea here is, if we could create 10 or 1000 such activities across Africa, then the whole continent will begin to change.” He adds, “If successful African business people embrace long-term investment and factor in the social and environmental issue, ultimately, it’s a win-win situation for everyone. Africapitalism is not about direct government intervention. It’s about what the private sector does. For the private sector to perform, it must sit in the right environment that the public sector creates.”

Nowhere has his staunch dedication to this idea been demonstrated more than in his commitment to finding solutions to Africa’s power challenges. Nigeria, Elumelu’s home country, has been plagued by power deficiencies for decades. He is very vocal about power and its role in the gap between rich and poor, saying that it is

“the single biggest obstacle to Africa’s development. Once we get that right, we will bridge the gap.” During President Barack Obama’s recent African tour, Elumelu managed to gain an audience with him due to the Power Africa Initiative, which aims to double access to electric power in sub-Saharan Africa. “It’s the most strategic investment anyone can make in Africa. Doubling our generating capacity will double Africa’s GDP, and move us toward sustainable, domestically-led growth,” Elumelu insists. So committed is Elumelu to this idea that Heirs Holdings has pledged the sum of \$2.5 billion in investment to the required \$7 billion the project needs. It is Elumelu’s view that the private sector has a crucial role to play in repositioning Africa’s economic narrative within the global economy and as such must lead the way in this era of economic change and growth. “In the past we have depended on the government to set the change. We should work with the government to create the kind of enabling business environment we want, so that businesses that we want and desire can thrive and we create the foundation that can help African societies from Nigeria to Liberia to Sierra Leone, create the right opportunities that will usher in the kind of entrepreneurship and entrepreneurial growth phase that we require to take Africa to the next destination, encourage business excellence, mentor people and encourage people who will take over from us and help propagate the private sector growth.”

With all the things Elumelu has to say about the private sector’s role in Africa’s economic development, it’s not surprising that he has an equally strong opinion about the role aid plays. While admitting that there is a “role for aid to play in Africa’s development agenda, particularly in areas such as disaster relief”, he says that over the long-term, many development issues are better addressed through inclusive economic growth, not temporary relief from charities and development agencies. Part of the reasoning behind this is tied to the idea of communities addressing problems to their own satisfaction, rather than the satisfaction of outsiders. “Take water as an example”, he explains, “Charity can pay for a new well, but if no one has a personal interest in it, or responsibility for maintaining it, soon it will fall into disrepair and disuse. On the other hand, structuring that same donation as a for-profit micro-utility creates incentives and resources to maintain it—improving its sustainability and long-term impact.”

Home-grown innovation, one of the four pillars holding up Elumelu’s Africapitalism theory, is crucial if the private sector is going to solely drive African economies. “African economies are uniquely positioned to take advantage of the many technological innovations pioneered elsewhere,” Elumelu says, “but we must also ensure that Africa creates the type of environment that fosters innovation and rewards those entrepreneurs who bring new ideas to life and put them in to practice.”

Elumelu isn’t just a businessman in tooth and claw, ready to fight for the private sector, though. He is also one of Africa’s leading philanthropists, bringing Africapitalism into the Tony Elumelu Foundation, a pan-African not-for-profit institution he founded that is dedicated to the promotion and celebration of entrepreneurship and excellence in business leadership. There is a local focus here, too, with the foundation casting its eye on local leadership and businesses. Elumelu says that it is important to give back. “You get to a stage in life where you have to ask yourself certain questions. My definition of success or accomplishment has changed to what it was 20 years ago. What’s important in life is not your wealth but what your wealth can do. So you ask yourself, what percentage of your wealth can you commit to a cause like this?” For Elumelu, impact philanthropy has more benefits for those who participate than simply giving out money because of the potential “life-changing impact” it can have on society. “This is why we should intervene in a way and manner that creates maximum impact for the greatest number by creating an enabling environment that sustains and builds innovation in what we do and encourage self reliance.” The role of reconciling profits to the idea of giving back to society is a long road, but if anyone can convince the African business community of the benefits of it, then Elumelu is the man to lead the way. ➤