

Entrepreneurs in Africa



Hopes and Mirages

Entrepreneurs in Africa: Hopes and Mirages

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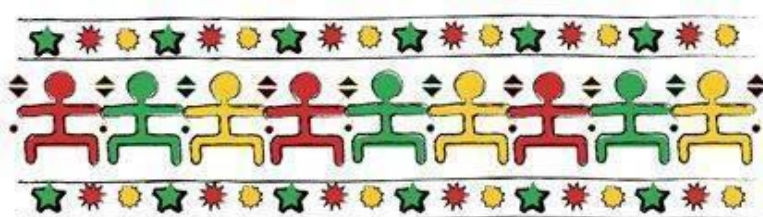


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The Association of African Entrepreneurs

ABOUT AAE

AAE's vision is to create the voice of change and platform for dialogue among the African people as well as involve the international audience to have a role in helping developing nations promote the entrepreneurial spirit.

MISSION OBJECTIVES

- Reintroduce innovative attitudes and to reform structures that mitigate entrepreneurship by enabling a participatory process that involves and includes entrepreneurs
- Make regional advocacy campaign contributions that can support and encourage entrepreneurship
- Work in close consultation with the various government institutions for the promotion of entrepreneurship and innovation.
- Establish, organize and support or implement development programs aimed at promoting and nurturing innovation and entrepreneurial spirit amongst members

We provide news and information that will benefit members and this comes in the form of articles, newsletters, research and current news. We also serve as a venue for public and private dialogue and advocacy.

We provide education and training in other ways of alternative learning among young people from low-income families who are unable to afford the traditional classroom learning. This will involve self-study and apprenticeships as we incorporate the value of self-employment as this is the starting point of small and medium enterprises. We will assist them in the necessary skills and knowledge to run a small business.

We offer linkages, networking and other support in the form of having annual fairs, exhibitions that will enable members to learn new business concepts, new technologies, and to gain prospects for their existing business. A business directory of profiles is offered to members of this site.

We offer coaching and mentoring especially for youths who want to be entrepreneurs. We organize future entrepreneurs by teaching them in business and technology skills, basic economics as well as micro-finance among others.

An Introduction from AAE

Imagine a world where everyone is given an equal opportunity, and anyone can follow their dreams through a supportive structure and can collaborate to enhance those dreams. Since 2004, AAE (the Association of African Entrepreneurs) has been making that world a possibility, by providing financial support and education to small entrepreneurs starting and running their own small-business.

Today, technology drives business and those without technology face severe obstacles. As developing communities try to bridge the global income gap, it is organizations like AAE that will make a difference in success or failure. A critical part of the success is having online and web-based support. Over the years we have seen the online community play a huge role in facilitating services to entrepreneurs and these services rely heavily on volunteers, but they cannot do everything themselves.

The vital link of our website services can only be kept alive through the generosity of others. A thoughtful contribution from you will help ensure that the groundbreaking services we currently offer, such as free analytical research, online courses, online coaching, and relevant business tools will continue to enhance thousands of rural and small businesses and the communities surrounding them.

The current AAE web project provides information on organization, interactive training and education, and business communications to self-employed business owners who otherwise would not have access to valuable resources that improve their quality of life. AAE, with proper funding, would be able to empower more African business owners with the right technological tools to run their business effectively. Every little bit counts when it comes to establishing a new prosperous way of life for thousands of developing African communities, and we would like to invite the international community to play a part in helping developing nations promote an entrepreneurial spirit.

We would like to thank those who have donated, for their contributions in helping to promote business and innovation in poverty stricken areas of Africa. Your gift has gone towards such issues as small-business education for the youth so they may expand their reach in the world, and low-income business families to allow them to coordinate with other communities, learn more skills, and increase efficiency. If not for your charitable actions, then many communities would continue to suffer by being at an educational and technological disadvantage. Thank you for your selfless action that has benefited people in more ways than can be expressed.

Our sincerest thanks for your support,

The AAE Africa Team

AAE Team Message 2010

Entrepreneurs are an essential component in wealth creation, alleviating poverty through the proliferation of prosperity, by operating in ways governments or international NGOs cannot. This is particularly important in Africa, home to many severely marginalised but enterprising people, who work in low income communities, dealing with unfavourable economic policies, illiteracy, and poor enterprise support infrastructures.

In Ghana, the informal sector is comprised of small-scale enterprises on the margins of mainstream business. They operate outside the scope of government regulation and assistance, and while youthful and innovative are burdened with unsafe working conditions, lack of social protection arrangements, and little or no training.

Ghana's informal sector is an estimated 80% of the total labour force. It is the most affected by income poverty resulting from unemployment or under-employment in the formal sector. According to the Human Development Report 2007, poverty is particularly evident in this sector in Ghana, with agriculture the worst affected. Next to agriculture, 29% of those in micro and small enterprises live below the poverty line.

A vibrant business environment is needed for small entrepreneurs to achieve success: one in which information is freely available, and cooperation between decentralised, specialised, and knowledgeable organisations is widespread and encouraged. As developing communities try to bridge the global income gap, it is organizations like Association of African Entrepreneurs (AAE) that will make the difference.

The online community is playing an increasing role in facilitating services to rural and isolated persons. An important part of success is having online and web-based support. The current AAE website project (aaeafrica.org) provides information on the organization, interactive training and education, and business communications to self-employed business owners who otherwise would not have access to valuable resources. AAE, with these inaugural steps, is empowering rural African business owners with the right technological tools to run their business effectively.

The organisation is engaging in extensive research, recruiting grant-writing assistance, collecting online donations, and making full use of volunteer resources. AAE is also establishing ongoing programs of capacity building through regular telecommunication and networking, to ensure all contingents pursue a collective vision aimed at providing peer-to-peer and university education services. AAE anticipates continued expansion across Africa as national projects are established, and representatives are recruited to manage sub-offices and recruit new members. This continued expansion will require the adaptation and refinement of AAE's approach, as it becomes necessary to create standard membership services available to all members across the continent, and to put in place a framework to ensure the successful coordination and management of all sub-offices.

AAE: Promoting Youth Entrepreneurship in Ghana

The Ghana National Service Scheme currently operates under the Ministry of Education and Sports of Ghana, in accordance with the National Service Act 426 (1980). By the Act, the youth service is mandatory for all able-bodied Ghanaians between the ages of 18 and 40.

The Scheme is engaged with other development organizations to support all spheres of national development, policies and strategies. Critical to this is providing service personnel with re-orientation and entrepreneurial skills for post-national service employment, developing theories, principles, and concepts that can be translated into practical actions through Social Entrepreneurship.

AAE cooperates with the National Youth Service Secretariat in Apam Community, a community located in the Central Region of Ghana, where AAE provides entrepreneurial training sessions and youth-led programmes to encourage and support entrepreneurship amongst the youth.

The type of education being offered to the young generation is not at all related to the social-economic and environmental problems the people face. This is clearly manifest in the increasing numbers of the "learned unemployed", the strong social and economic bond on white collar jobs.

The joint action of AAE and the secretariat is helping to break the bond on white collar jobs, creating more job creators than job seekers through Vocational Training, and exposure to seminars and workshops, to help them develop sustainable skills.

AAE: Supporting Self Help Groups

Productivity of poor rural-folks is constrained by a lack of appropriate skills training, but also by environmental changes that are becoming increasingly severe. Reducing vulnerability entails addressing the challenges people face in a range of interrelated contexts, including the home, the local political system, the local financial market, and the local commodity markets.

For a poor community to develop it is essential to have at least a few local individuals coming together as Self-Help Groups, and be able to collectively plan and carry out their small businesses efficiently with the required financial support and personal mentorship. In this way individual, families and the community benefit from a rise in social and employment opportunities.

Often small and weak, self-help groups in developing countries hold the key to developing poor communities, as they represent units for enhancing the impact of training. A group structure supports collective learning and skill development, and helps members factor in 'the greater good' in their individual efforts.

In its project 'Empower Africa-Support Self-help groups in Ghana', AAE puts theory to practice in bringing poor individuals to be part of motivated Self-Help Groups and helping them spur a positive change in their communities.

The Century of African Opportunities

The Deputy Secretary-General of the United Nations:

This is a time of great challenge, and great hope. The continent is coping with numerous threats, and the United Nations and African Union are strengthening our cooperation.

Africa is showing impressive economic growth. The continent as a whole grew by 5.5 percent on average in recent years, and is home to six out of the 10 fastest growing economies in the world. Sub-Saharan Africa is one of the few regions in the world that is showing resilience in the face of the global economic crisis.

Yet Africa, as a whole, is still faced with daunting challenges: water and sanitation, child and maternal health, job creation, food crisis, and famine (as currently seen in the Horn of Africa). In addition, climate change and natural disasters threaten to reverse hard-won development gains.

The most important imperative for our world today is sustainable development. Nowhere is this more pertinent than in Africa. The continent's economic, social and environmental challenges are interlinked. The integrated approach embodied in sustainable development is our most promising path forward, so I welcome your focus on capacity-building.

Let us not lose sight of Africa's wealth and advantages. Africa has avoided many of the destructive aspects of unsustainable development. Countries here can leapfrog straight to green technology, and many are in a strong position to move quickly.

I hope all of you will actively engage in the opportunity to produce greater economic dynamism, social protection and job creation, especially for youth – all while conserving our natural resources. With concrete plans and political will, the benefits will spread across the African continent.

Your work is critical to success. The regional voice must be heard. I count on you to continue your valuable contributions.



An introduction to African Markets

Looking at Africa as a continent has the potential to overlook the intricacies and complexities of its vastness and diversity. Africa is comprised of 55 countries, covering 30 million square kilometres, and 1.0 billion people, with a diversity of languages, cultures, and economies, within and across national boundaries. It would be impossible to cover all these countries – their present, their prospects, and their people – in the detail and thoroughness that they deserve.

This volume serves as an introduction to Africa's diversity of industry, and richness of opportunities, many of which are still waiting to be explored. In examining the business prospects of African markets, we see a side of the continent seldom reported in conventional media, and encourage entrepreneurs, within the continent and abroad, to embrace the continent's surging wealth of potential.

Approaches to African Growth

There are currently two core drivers of African growth: its boom in mineral resources, and its growing domestic markets.

Sub-Saharan Africa has three alternatives for consolidating development:

- expanding the range of primary exports from agriculture and mining
- focusing on industrialisation to achieve quick and sustained economic growth
- promoting tourism catered to overseas demand

The first two options have been tried in the past without encouraging results for the majority of Africans. In the contemporary period, Africa suffers from endemic economic stagnation leading to chronic poverty. So serious is the problem that the continent has a burden of international debts, fiscal deficits, rising inflation levels and declining economic growth.

Africapitalism: The Focus on Private Sector-Driven Growth

'Africapitalism' is an economic philosophy that embraces African private sectors as long-term economic transformation agents, creating economic prosperity and social wealth through capital investments and service provisions:

- Africa needs to encourage and develop business leaders across the continent.
- Grow entrepreneurial SMEs that also help in community development.
- Promote government putting in place an enabling environment for businesses.
- Boost Foreign Direct Investments (FDIs) and encourage local investors.
- Use private-public partnerships to create jobs and re-invigorate infrastructure.

Welcoming the African Lions

In the first decade of the new century (2000-2010), 6 of the world's 10 fastest-growing economies were in Sub-Saharan Africa. The only BRIC country to make the top ten was China, in second place behind oil-producing Angola. Other African sprinters were Nigeria, Ethiopia, Chad, Mozambique and Rwanda, all with annual growth rates of 8% or more. In IMF forecasts, African nations will take 7 of the top 10 places in 2011-15. The World Bank also estimates growth rates in the world's poorest region will pick up from 4.7% in 2010, to 5.3% in 2011, and by 2015 be above 6%. High growth rates were caused by diverse and interlinked factors:

- China's demand for raw materials
- Higher commodity prices
- Inflows of foreign direct investment
- Foreign aid and debt relief
- Urbanisation and rising incomes
- Faster growth in domestic demand

Investment in African Economies Shifting from Raw Materials

Local and foreign investment on the African continent is slowly moving away from agriculture and raw materials to manufacturing, services, communication and tourism, despite poor infrastructure and low skills levels. Africa is perceived as the last frontier of growth and overwhelming, almost virgin business opportunities. In the past, foreign investment was focused on resource extraction; however growth in diversified sectors is increasing exponentially, with 60% of growth coming from non-traditional sectors: retail, manufacturing, financial services, telecoms, and tourism.

Foreign Direct Investment (FDI) increased from \$15 billion to \$80 billion in just eight years. New forms of FDI herald a new era, as foreign companies supply capital and new management methods, skills and technology, while diversifying into sectors which were previously state-owned and underdeveloped.

Infrastructure bottlenecks, poor road networks, inefficient railway systems, and expensive and unreliable electricity supply, are major hurdles as well as opportunities for business. Most African infrastructure needs to be rebuilt or updated, as the cost of business is adversely affected. As the adage goes, 'Africa is expensive because it is poor and it is poor because it is expensive.' Another challenge and opportunity is the skills shortage, and the development of an educated workforce, as well as economic diversification into value-addition and linkages.

The resultant switch has been rapid growth in markets and services for consumers, lower prices and increased access for disadvantaged urban and rural groups, windfall profits for companies pioneering new industry approaches, rapid economic growth, burgeoning government coffers, and most importantly, increasing education and employment parallel to declining poverty levels.

Section I: Entrepreneurs



Ideas & Innovations

The Entrepreneur

By Matthew C. Eineman

Who is an entrepreneur? He or she is a risk taker; a person who works, invests, builds and in essence, creates economic opportunity for themselves and for their employees. In turn, this activity creates jobs, produces tax revenue for the state, produces goods and services for the domestic or international market, stimulates other business activity and helps develop a nation. Governments cannot create prosperity – they can only create the framework for it. NGO's can't create prosperity, they can only alleviate deficiencies. Entrepreneurs have the power to develop new ideas, solve old problems, and create opportunities.

However, this scenario has many problems to overcome. No business person operates in vacuum. If entrepreneurs have to succeed, they need not only capital, markets, trained employees, but also a chance for profit. They need a business climate that is friendly to their activity. They need schools, roads, a society ruled by law, and a tax policy that doesn't stifle their activity. Let's look at the problems. Any list would include access to capital, access to markets, corruption, education, and what I refer to as defining the proper role of government.

Business activity needs capital just as the body needs food. A strong national and regional banking system is vital. Entrepreneurs need not only the money that a bank can provide, but also other banking products such as checking accounts, letters of credit and lines of credit. As part of the banking system, microfinance could have a place where loans are made to small companies getting started or to those that are expanding. Done properly, this could help entrepreneurs who have no other sources of capital.

In the United States, The Small Business Administration, a part of the central government of the United States, backs or guarantees loans from private banks. This allows business people to borrow money at a lower rate of interest. In some cases, they make direct loans to businesses. The establishment of a similar system in a country would increase economic activity and should be a goal of business people- new or experienced.

Finding markets must be a priority. Not only trade barriers between countries need to be abolished but regional trade barriers must also be eliminated.

The use of the internet has proven to be a powerful tool when it comes to finding potential customers. Broadband access available to business and schools alike needs to be a goal of any society that wants to develop.

Corruption must be addressed. Many countries have already put in place anti-corruption measures at the national level. Regional and local governments need to put in place laws that fight it as well. People need to be encouraged to expose corruption without fear of retribution. As long as corruption is a problem, it will act as a deterrent to entrepreneurial activity and therefore to economic growth.

Education is another key factor in economic growth. Where do people go to learn to read and write? Where do people go to learn basic math skills as well as history and science? The answer is obvious: school. Government provided education should be regarded as a basic right.

Yet, there is a role for education provided by non-governmental organizations. In the United States, charter schools are set up by educational institutions such as colleges and universities to compete with publicly provided schools. The idea is that competition will result in a better educational system for the students and make both school systems stronger as well. These charter schools are run by private corporations with funding coming directly from state governments.

Vocational education must also be viewed as a viable option for students. They can be taught and trained in fields that will give them skills necessary to economic development; fields such as medical research, tool making and machine repair to name a few. This type of schooling is particularly well developed in Europe and is being expanded in the United States and Canada as a way to train students for careers that do not necessarily need a university education.

Entrepreneurs, and business owners in general, should be organized to advocate for policies friendly to business activity. Business organizations at the local, regional and national level can take the concerns of entrepreneurs to governments and bureaucrats at every level. The issues and challenges I've written about need to be addressed simultaneously. They need to be worked on and implemented immediately. This takes organization.

Another additional benefit happens when business people come together-mentoring. Successful business men and women can meet people who are new to business and help them develop their talents and skills. The new entrepreneur may have ideas and insights that can help a veteran business person as well. The regular interaction of both veteran and novice business people can benefit both, and may lead to lasting business relationships that can enrich both.

Finally, the proper role of government needs to be addressed. Government cannot create as many jobs as needed in a developing country. However government has a role in creating a business climate where entrepreneurship and job creation can flourish.

The rights of citizens as well as their property rights should be recognized in law. After all, who wants to try and build a business in a lawless society? It can't be done. Courts need to enforce rights without regard to race, religion, tribal affiliation or wealth. Courts must settle disputes peacefully, allowing people to resolve problems and disputes in a way that doesn't destroy a community, region or even a country.

Copyrights and trademarks need to be protected. Who wants to innovate if any innovation can be stolen and used? Copyright and trademark infringement needs to be punished and the perpetrators jailed and or fined.

Tax laws need to be written that encourage risk taking and investment. Corporate taxes need to be kept low to encourage this. Corporations that are charged high taxes, pass these taxes along to their consumers in the form of higher prices. There is a saying in American business schools: Businesses don't pay taxes-they make their customers pay them. High corporate taxes act as a deterrent to growth, job creation and development.

Infrastructure such as roads needs to be mentioned. If there is to be a free flow of goods and people in a country, roads and their maintenance needs to be a priority.

Zoning laws have to be established at the local government level. Business districts should be established for the benefit of all people. Why? People in a residential area or children in schools would not be distracted or put at risk by neighbouring commercial enterprises. Businesses would not have to worry that they are interfering with families who may have members working for them. If a fire should break out, not only would it be easier to fight in a commercial business area, the potential loss of life would be lessened by keeping businesses separated from homes and schools. There is another benefit. When businesses are close by each other, they get to know one another, they can also become customers of each other and work on problems together that they each face.

The entrepreneur and their activities can literally remake a country. Their ambition, initiative, risk taking and hard work will create economic development. With this increased economic activity, the need for resources that come from other nations or organizations is reduced. Interference in a developing country's national affairs - intentional or not - is also reduced. Economic growth and development will bring to an end the last vestiges of colonialism, and entrepreneurs will be leading the way.

Developing and Promoting SME Entrepreneurs

By Lahiri Sirirathne

Small and Medium Enterprise (SME) entrepreneurs can contribute to job growth and overall GDP growth, reduce the unemployment rate and contribute to national income as a whole. A strong, dynamic and efficient SME sector will ensure the sustainable, inclusive and broad-based economic and social development. The SME entrepreneurship provides opportunities for women and youth to participate in the economic development of the country.

Development of SME entrepreneurs is not easy to accomplish because several constraints have been encountered, especially in terms of the lack of capital, limited demand in the market, highly competitive environment as a result of many substitute products/services and numerous competitors, lack of access to modern technology. In response to those existing and potential restrictions, SME entrepreneurs are often required to obtain business knowledge, marketing and management skills in combination with personal ethics and leadership competencies, and obtain adequate capital to deal proactively or actively with current trends among service based transactions where consumers have high bargaining power.

The Goal

Develop and promote SME entrepreneurs through improving access to financing and technology, strengthening export capacities, utilization of ICT solutions, enhance capabilities to innovate and strengthen human resource development through regional programs.

Objectives

- Enhancing internationalization of SMEs and SME Marketing capabilities
- Improving access to finance
- Strengthening SME Human Resource Development and Capacity Building
- Incubator and SME development
- Encouragement of women and youth for SME entrepreneurships
- Reduction of unemployment and poverty challenges

Effective Strategies for Successful SME Entrepreneurs

- Definite market opportunities
- Potential team working
- Suitable marketing entry strategies
- Profitable ventures to operate

The entrepreneurs need to research who the customers are, define strengths and weaknesses, spell out how particular products/services can meet customer needs, define reasonable prices and what promotional materials are needed to attract targeted customers as well as where to locate customers most easily.

To sustain the businesses, SME entrepreneurs may associate themselves with specific corporate social responsibility (CSR) strategies, environmental and financial benefits, while achieving business goals in order to contribute to society, as this may create good images for ventures.

Fatal Mistakes of SME Entrepreneurs

- Lack of financial resources and realistic financial planning and statements
- Lack of education and business skills
- Minimal awareness of available business development services
- Inadequacies of management and marketing
- Lack of skilled workers
- Weaknesses in external information and linkages
- Difficulty in coping with government regulations
- Inability to exploit new products due to organizational and marketing deficiencies
- Resistance to change
- Tendency to ignore procedures
- Focus on short-term requirements
- Lack of strategic vision
- Diffusion of a blame culture
- Scant attention to innovation and unique branding

Skills Management and Capacity Building to Assist SME Entrepreneurs

- Advisory in technical, management, and legal assistance
- Identify entrepreneurs capable of running self-sufficient businesses
- Giving pre-investment advice and assistance
- Provide technical and general training assistance for women and youth
- Offer advance training to create women entrepreneurs of high standards
- Improve the standards of goods produced through research and development
- Provide information through the Internet and publications

It is essential for SMEs to provide scientific diagnosis of production problems, where all the processes involved (such as production, handling, storage, quality, marketing, sales, distribution, financial and accounting system, environment, maintenance, manpower, information system, strategic planning) should be carefully considered, and appropriate solutions should be developed.

- Examine and provide solutions for marketing problems
- Follow-up support in software implementation and development
- Provide SME entrepreneurs with complete sets of training and reference materials covering strategic planning, financial and production performance management issues and implementation of best practices
- Develop applications and best business practices for continuous improvement
- Training of SME entrepreneurs in presenting enterprise performance improvement results to investment and credit institutions
- Introduction of IT tools for business performances

- Conduct sponsoring programs for economic and industrial development, trade and export facilitation, modernization, and knowledge based management
- Develop informative brochures for SME entrepreneurs

Training and Assistance

- Create and promote programs of effective guidance for start-up development
- Develop training programs in marketing, HR, financing and management
- Create financially accessible mentoring programs, favouring e-learning to give guidance and access to information
- Promote internship programs to learn about markets potential and opportunities

Seminars

- Opportunities for SME entrepreneurs to promote new ideas among investors
- Introduction of new versions of financial software
- Explore the potentials of joint ventures and technology transfers

Institutional Guidance

- Improve channels of information exchange to enable an effective way to integrate SME entrepreneurs to policy making and evaluation
- Allow new alternatives for continuing education, so SME entrepreneurs can have more accessible sources of information and training, including learning forums
- Establish wider cooperation with business circles and educational organizations

Effective Networking of SME Entrepreneurs

- Help SME entrepreneurs build productive business networks and links
- Help SME entrepreneurs to gain better insight in to the present status of key business sections of tomorrow
- Facilitate exchange of experiences on the different ways of building business and investment relations among SME entrepreneurs, as well as learning experiences from individuals already successful and leading in the economy
- Educate SME entrepreneurs about technology and build an innovative spirit among them, in order to help them become more competitive in global economy.

Business Incubation for Development

- Foster an entrepreneurial vision throughout university education
- Promote public and private incubators with resources for SME entrepreneurs
- Support the integration of women and youth by providing equal opportunities and eliminating cultural barriers
- Create a permanent forum to provide the SME entrepreneurs a space for business opportunities, best practice sharing and where they can be inspired by the entrepreneurial culture

Financing SME Entrepreneurs

SME entrepreneurs should have their goals clear and have transparency in their projects and then, seek and pursue ways to financing their projects.

- Provide grants for start up businesses
- Provide loan funds specifically aimed at SME entrepreneurs
- Provide low cost start up loans
- Tax concession for SME entrepreneurs
- Availability of equity funds specifically aimed at SME entrepreneurs

Role of Government as Support to SME Entrepreneurs

- Establish procedures allowing consultation and participation of SME entrepreneurs in decision making process for the creation of new businesses
- Create and promote entrepreneurs contents with proper funding and due recognition to economic development
- Develop a regulatory framework that enhances access to financing, information technology and markets
- Set business incubation centres to ensure the success of business start ups
- Create entrepreneur clubs where discussions of ideas can take place
- Promote programs in which SME entrepreneurs can learn necessary skills to create successful businesses

Application of ICT

Information and communication technology (ICT) and e-business applications provide many benefits across a wide range of intra- and inter-firm business processes and transactions. ICT applications improve information and knowledge management inside the firm and can reduce transaction costs and increase the speed and reliability of transactions for both business-to-business (B2B) and business-to-consumer (B2C) transactions.

Benefits of ICT and Internet Use

ICT and e-commerce offer benefits for a wide range of business processes. ICT and its applications can make communication within the firm faster and make the management of the firm's resources more efficient. Seamless transfer of information through shared electronic files and networked computers increases the efficiency of business processes such as documentation, data processing and other back-office functions.

At inter-firm level, the Internet and e-commerce have great potential for reducing transaction costs and increasing the speed and reliability of transactions. They can also reduce inefficiencies resulting from lack of co-ordination between firms in the value chain. Internet-based B2B interaction and real-time communication can reduce information asymmetries between buyers and suppliers and build closer relationships among trading partners.

In the B2C context, the Internet and e-commerce can be effective tools for better communication. A corporate Web site that provides information on products, services or technologies can enhance the quality of a firm's services to customers and attract new customers. By collecting information on customers' needs, it can be used for product development or innovation. A home page with a direct link to the corporate e-mail account provides an easy-to-access contact points.

Barriers to ICT Use and Access

Despite the advantages that effective and efficient ICT use provide, access to them remains limited due to physical, financial, and regulatory barriers cutting SME entrepreneurs off from fully integrating with ICT opportunities.

Common barriers include:

- Unsuitability for the type of business
- Enabling factors (availability of ICT skills, qualified personnel, network infrastructure)
- Cost factors (costs of ICT equipment and networks, software and re-organization, and ongoing costs)
- Security and trust factors (security and reliability of e-commerce systems, uncertainty of payment methods, legal frameworks)

ICT Training

- A program should be designed for SME entrepreneurs with a special emphasis on training in the use of the internet, e-mail and new management techniques
- Building computer and Internet literacy in SMEs
- Training programs for SME managers and employees focusing on both technical and managerial skills need to be provided in cooperation with business and sector organizations, training institution and commercial training services
- Conduct ICT and e-business awareness programs

SME Entrepreneurship for Women

Women's entrepreneurship is an important source of employment and potential growth. SME entrepreneurship represents one of the most important job options for women, especially for women in developing economies. Furthermore, as women behave differently from men, their entrepreneurship provides society with different, and often innovative, solutions to management and organizational problems as well as to the exploitation of new opportunities.

Women represent a clear minority of SME entrepreneurs, generally choosing to start and manage SMEs in different industries than those chosen by men. These industries, primarily retail distribution, education and other service industries, are often perceived as contributing less to economic performance and growth than manufacturing and higher technology activities. Overall there appear to be market failures and impediments which operate to limit the extent to which women become SME entrepreneurs and their prospects for success.

Youth Involvement as SME Entrepreneurs

SME entrepreneurship is a useful way to promote employment among the youth. However they need to be supported with access to infrastructure, seed money, mentoring and other services that can enable to set up their own enterprises. Although starting a business is not the only situation for all the youth, but it is a viable way to create employment and provide livelihoods.

SME entrepreneurship is a significant step to reduce youth alienation and unemployment and alleviate poverty in an effective and sustainable way. Society and government shall assess young SME entrepreneurs to develop their ideas, by giving them confidence and providing them financial support. Fiscal incentives are a way to give young SME entrepreneurs a big opportunity to create new businesses and keep them in the market.

Expected Results

- SMEs may tend to become World Class players with significantly improved performance and value added
- SME entrepreneurs will receive valuable knowledge, improve their business culture and capacity for systematic and effective management of change
- Introduction of effective enterprises information technology tools facilitating best continuous improvement practices
- Significant increase of contribution, improved competitiveness and sustainability of SMEs
- Women and youth involvement for SME entrepreneurship

Ability to Achieve Millennium Development Goals

Through the development and promotion of SME entrepreneurs, there will be a possibility to achieve the following goals;

- Eradicate extreme poverty and hunger
- Promote gender equality and empower women
- Develop a global partnership for development

Conclusion

Development and promotion of SME entrepreneurs is necessary in the medium and long term. Key elements should include promoting and awareness of the opportunities of SME entrepreneurship, providing opportunities to develop enterprise skills at different levels of the education system ensuring the interest of SME entrepreneurs are represented within key membership and business support organizations, as well as by developing targeted programs to assist SME entrepreneurs to encourage any disadvantages they face once they are committed to setting and running businesses.

The Role of Business in Sustainable Development

By Lahiri Sirirathne

Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs. This concept has received growing recognition, but it is a new idea for many businesses. Even though, there are certain challenges faced by businesses when playing their role in sustainable development. Therefore, it is important to consider the significant circumstances.

In business, the concept of sustainable development is built on three pillars:

1. Economic Growth
2. Ecological Balance
3. Social Progress

These items have always been on the sustainability agenda and businesses have also been responding to the above three pillars. But simply, the third – the social pillar – has received less attention until recently. That is changing: far greater emphasis is being placed now on social progress, and specifically on what business is doing to contribute to sustainable development, and how it is delivering its contribution.

This has opened up a raft of issues. One is globalization with a human face. Opening up world markets has, without doubt, created unprecedented global economic growth – with the promise of even more prosperity. Unfortunately, the benefits of this have not been shared equally across the globe. This is leading, understandably, to some questioning about the role and function of free markets.

Businesses are now actively responding to social changes and pressures. The difference now, as the emphasis is put more on the social pillar of sustainable development, is that corporate social responsibility has become an institutionalized element in the debate about what civil society expects from businesses. The path to sustainable development is both aided and hampered by transparency, as the more consumers know, the more important reputation becomes.

“Everyone knows everything about you, all the time” is the motto in today’s information-driven, globalised world. The management of reputation thus becomes a central element in running a corporation, and this involves communicating, explicitly, the values and principles on which companies base their operations and, centrally, how they live up to those values and principles.

Corporations face increasingly intense scrutiny: to contend with this, they will have to enforce a set of globalised corporate values throughout their operations.

Clearly, business believes in free and open markets, but markets must work for everyone. It is important to engage in a process of developing a ‘Global Compact’ between the development communities and businesses to promote a shared set of core values.

The aim should be to underpin globalization and free, open markets with stable societies and a fair distribution of the benefits. Through the power of collective action, the Global Compact seeks to promote responsible corporate citizenship so that businesses can be part of the solution to the challenges of globalization. In this way, the private sector – in partnership with other social actors can help to realize a more sustainable and inclusive development.

Today, there is a general acceptance that the world is tri polar with governments, businesses and civil societies. The challenge, of course, is how these three component parts can interact constructively to find solutions to the challenges of sustainable development. On the contrary, if tri polar governance is to work, all three key players – government, civil society and business have to abandon old, out-dated antagonisms, forge new alliances, and co-operate together as partners to find and implement workable and sustainable solutions.

Civil society has matured, at a time when governments have been weakened. This means that important decisions affecting society can no longer be pushed through without wide consultations with stakeholders. Meanwhile, the role of business in sustainable development has strengthened as well: the more so when, in many parts of the world, governments retreat from their once wide-ranging role and the private sector is asked to step into the breach. As a consequence, business today is expected to produce results in areas previously the undisputed remit of governments. Overall, the societies have to engage in partnerships to find solutions together with other stakeholders.

Another major item in the business world for sustainable development is innovation and technology. Many people are suspicious of new technologies. Yet, new technologies will be a key contribution to sustainable development everywhere. Industry has the innovation and creativity to bring new technologies to the market, and is already engaged in large-scale technology transfer and cooperation with various countries. This is particularly important to help these nations 'leap frog' environmentally damaging manufacturing processes, develop the necessary skills, and introduce innovation into the marketplace.

Technology is vital in managing climate change, particularly in the new era of a carbon-constrained world in which carbon emissions will carry a cost. Obviously, the issues at stake are very different in the developed and developing world, and responses depend upon each country's individual circumstances and requirements. Yet one thing is sure: the flexible mechanisms, in particular the Clean Development Mechanism, need to be made operational if the targets are to be met.

All in all therefore, businesses have much to do to contribute to sustainable development, including engaging in areas within which it previously did not concern or involve itself. In fact, the redrawing of boundaries and the redistribution of roles and responsibilities within the new tripartite world has created two sustainable agendas for businesses. One remains the business agenda: what companies need to continue to do in their everyday operations to become eco-efficient, to reduce environmental impact and create more value with reduced impact – in short, to "do more with less".

It focuses over businesses on how to marry economic efficiency with environmental excellence to ensure continued economic growth, while consuming the world's resources and protecting its environment in a way that do not compromise the needs of future generations. Many companies are today well advanced towards eco-efficiency, and it has also become a widely accepted policy concepts.

Of course, more in businesses need to adopt eco-efficiency, not only the multinationals based in the industrialized countries but also small and medium enterprises in all sectors in all countries. Pushing eco-efficiency further and faster within the whole business community remains of the utmost importance. Corporations cannot be managed on the basis of philanthropic arguments: they must be able to demonstrate that sustainable development is good business.

The second one is the political agenda set and steered largely by forces from outside the business sector, focused on the framework conditions within which businesses must work, and increasingly driven by what governments and civil societies now expect from businesses.

At the moment, the striking feature of the global drive towards sustainable development has important implications and possesses new challenges for businesses. Therefore, it is important to make considerations to build an understanding of where and how businesses can best contribute to sustainable development.

Objectively, the role of business in sustainable development is a theme, which currently works on four topics:

Business and Sustainable Local Development

Businesses have substantial potential to contribute to sustainable development at the local level. But how should businesses engage with local communities and policy-makers for sustainable development goals? How can corporate social investment strategies meet community development needs? And how can multi-stakeholder partnerships and dialogue be most effective at the local level? These key questions guide the work under this topic.

There is a need to catalyse learning and partnerships that can get businesses working as real 'local development actors', or that can see NGOs learning how to apply business skills in market settings - with the goal sustainable development at the local level.

Standards and Tools for Sustainable Development

Getting the right standards and tools in place to support and promote responsible business practices is important. Codes of conduct, ethical management systems, and various kinds of 'social and environmental responsibility' standards for businesses are burgeoning. But who wins and who loses as these tools and standards hit real-world markets and impact on producers in poorer countries?

It is important to understand the implications of existing standards and tools for stakeholders based in middle and low-income countries - particularly smaller producers. There is an importance to shape standards and tools that can maximize positive business practices. It is important to do so in ways that are better attuned to sustainable development outcomes and to the concerns of stakeholders based in middle and low income countries.

Direct Investments and Sustainable Development

Direct investments have the potential to make major positive contributions to sustainable development. But benefits that are promised at national levels are too often not matched by positive contributions to environmental protection, poverty reduction or sustainable livelihoods at the local level. It is important to find ways to strengthen positive environmental, social and economic outcomes from direct investments.

New Business Models for Sustainable Development

This new initiatives build a range of industries, sectors, products and supply chains. It looks at how businesses' and enterprises' contributions to sustainable development are affected by the business models they adopt - including how they interact with each other in procurement, sub-contracting and other direct business arrangements. It explores how private sector, civil society and government can work together to shape business models that deliver positive economic, environmental and social outcomes as well as business viability.

It is significant to reflect longstanding concerns, making sure the interests of stakeholders have a real impact in shaping responsible business practices. It is also important to place particular emphasis on the public policy underpinnings of responsible business practices and corporate accountabilities.

However, it is important to emphasize that sustainable development cannot be achieved by a single enterprise (or, for that matter, by the entire business community) in isolation. Objectively, sustainable development is a pervasive philosophy to which every participant in the global economy (including consumers and government) must subscribe, if we are to meet today's needs without compromising the ability of future generations to meet their own.

Moreover, the image of businesses as contributors to sustainable development should be supported by parts of the business communities, led by major multinational companies. If sustainable development is to achieve its potential, it must be integrated into the planning and measurement systems of business enterprises. And for that to happen, the concept must be articulated in terms that are familiar to business leaders.

While all business enterprises can make a contribution towards its attainment, the ability to make a difference varies by sector and organization size. By taking a principle-based approach to businesses, it will be possible to ensure that sustainable development is achieved and that the benefits of globalization are shared more widely.

Three Case Studies: Entrepreneurial Models

Mauritius: FDI Growing African Business

Mauritius created one of the first EPZ's in a developing country in 1970.

The first formal export processing zones were established in Sub-Saharan Africa in 1971, in Mauritius, and were widely regarded as a success. By 2009, about two dozen African countries had hosted various forms of Special Economic Zone (SEZs), including Export Processing Zones (EPZ), Free Trade Zones (FTZ), and Industrial Parks.

Mauritius ranks first in ease of doing business in sub-Saharan Africa.

African governments have set a variety of conditions on investment. The Mauritian government restricted local investors from moving into the zone, at least in the first phase, because they wanted the special incentives for the zone to be used solely to attract additional new investors from overseas, not given to local investors who, it was believed, would have invested in Mauritius anyway.

Mauritius provides an example of Chinese Traders helping to grow, develop, and promote an African market to do business in. The developers of the Mauritius Jinfei zone expect to use their zone's convenient location to become a hub of Sino-Africa trade and services, including a convention centre, a Chinese language boarding school, a business school, hotels, warehouses and casinos.

Nnewi: Independent African Entrepreneurship

Some African countries already have 'bottom-up' clusters of industries, such as the footwear cluster in Aba, and the vehicle parts cluster in Nnewi in Nigeria (Brautigam 1997; Meagher 2010; Zeng 2008). Yet these spontaneous clusters have significant weaknesses to contend with, most notably poor infrastructure, weak linkages to modern sources of innovation and technology, and a general absence of government support.

Nnewi is an example of grass-roots African entrepreneurship, independent of foreign or government control, which takes a blend of ideas, processes, systems, and strategies from foreign sources, and integrates them into the local African context.

Chinese products still offer considerable competitive challenges to these companies, and with the expansion of Chinese companies on African soil the threat increases, as do the opportunities for African entrepreneurs to copy the model stratagem set in Bangladesh.

Bangladesh: Growing Industry by Growing Skills

Desh Garments Ltd. (established 27th December 1977) was the first export-oriented, ready-made garment industry in Bangladesh. It was set-up in joint venture with Daewoo of South Korea. At its time of inception, Desh was the single largest and most modern garment-manufacturing unit in the sub-continent.

The import and introduction of garments technology itself is credited to Desh. In 1978, Desh sent 130 workers and management trainees to Daewoo's state-of-the-art garment factories in South Korea. They returned home after a six-month training period to form the nucleus of the Ready Made Garment (RMG) sector's technology, and its core human resource base. It was the beginning of a re-birth for Bangladesh manufacturing, and from that small beginning, an entire industry was established.

Despite severe foreign exchange constraints and bureaucratic obstacles, Desh became a successful and competitive producer in the international market. Desh Garments received the President's National Award and the Grand Prix for Commercial Quality 1988, for highest export earnings for two consecutive years, with annual exports of 5 million pieces. It became the first public limited company in the garment sector, listed and actively traded in the Dhaka Stock Exchange.

The founder of the group, Mr. M. Noorul Quader, is acknowledged as the father of the 100% export-oriented RMG industry, and the innovator of the Bonded Warehouse system and the Back-to-Back Letter of Credit system, which are the back bone of the financial structure of the RMG industry.

Through the innovation of the Back-to-Back Letter of Credit system, Mr. Quader eliminated the need for cash working capital and the need for foreign exchange in the RMG industry. This allowed the opportunity for entrepreneurs to set-up factories with low capital investment and thus allowed rapid growth of the industry.

Lessons Learnt

These three models each provide different examples of entrepreneurial approaches:

The successful and rapid growth in Mauritius was driven primarily by large-scale actors, including Chinese enterprises and government policies. Local SMEs had to wait for some time to feel the full effect of the changes wrought on the nation's economic system, or to be permitted to engage fully in the opportunities developed.

The independent, grass-roots and internally generated business clusters in Nnewi took a more direct approach, with local enterprises pooling their resources and creating their own economic clusters of business development.

Both of these models could learn from the success story of Bangladesh's RMG sector, which began with the essential step of skills transference. The training and development of a select few individuals demonstrated the power of knowledge transference to transformed economies and create entire new industries.

Section II: Infrastructure

**Government
& the Ease of
Doing Business**



**Communications
& the Economics
of Information**

**Banking
& Financial
Services**



Government & the Ease of Doing Business

Governments exercise considerable influence over their economic environment. In some instances, governments can open doors, provide incentives, or level the playing field, making it easier for local small-scale entrepreneurs to compete. Alternatively, bad government policy, excessive bureaucracy, taxation, legislation, and even outright corruption, can stifle even the most intrepid entrepreneur, smothering any chance of success.

Government Management

Decisions made by regulators or other policy makers can potentially change the business case for long-term investment at short notice. Countries at the bottom of development indexes share several common features:

Over-regulated Markets

A chief concern of business globally, is that the regulatory regime in which they operate should be transparent, predictable and consultative. When making investments, operators seek to avoid regimes exhibiting poor transparency, favouritism, opaque foreign ownership rules, or inefficient legal processes.

Inefficient Political Frameworks

The lack of consistency, transparency, and industry inclusion in regulatory processes can stifle competition, reducing the level of economic growth. Uncertainty in regulations and policy, or a government's lack of clear long-term strategies, increases risks for businesses and decreases industry development.

Poor Education and Information Systems

Knowledge-based economies perform better in global markets due to their diverse industry base. It allows for growth opportunities on multiple fronts while guarding against any one market falling in value. In addition, education and information are strong base ingredients for the advancement of a key economic ingredient – people power. Nations with poor education or information systems suffer from a lack of economic opportunities for growth and development, much less innovation.

Low Infrastructure Development

Infrastructure is the backbone of industry, and one of the few industries that must be government financed if it is to develop efficiently. Transport structures in particular are vital to allowing products and services to achieve broader market access, on local, regional, and global scales.

Cote d'Ivoire: The Benevolent Dictator

The first president of Côte d'Ivoire, Félix Houphouët-Boigny, and his one party state created Africa's strongest and most prosperous nation in the 1960's and 70's. At his death in 1993 he was the longest serving president in Africa and the third longest in the world.

In his early career he was a strong advocate for African farmers and landowners in dealing with the French. In 1945 he won the 'indigenous' seat, and was appointed to the Commission of Overseas Territories, working towards ending the forced-labour system in French colonies. In 1946 he formed the PDCI (Democratic Party of Côte d'Ivoire), Côte d'Ivoire's first political party.

Houphouët-Boigny was heavily involved in drafting and adopting the [Loi Cadre](#), a law passed in 1956 which provided universal adult suffrage for all Africans in French colonies, as well as preparing for autonomy. Houphouët-Boigny at this point held offices in local, provincial, national, regional and metropolitan French government. He became prime minister of Côte d'Ivoire on 1 May 1959, and was elected as the first president of the country when it gained independence on 7 August 1960. He was re-elected unopposed in 1965, 1970, 1975, 1980, and 1985.

President of Côte d'Ivoire

Houphouët-Boigny ran Côte d'Ivoire as a one-party state. His rule was paternalistic and highly effective, pro-Western and capitalist, and welcomed foreign investment while maintaining close ties with France. He dealt with political dissent by offering opponents political positions in his government. He rapidly consolidated his power, and ruled relatively unchallenged from the mid 1960s until his death in 1993.

The Ivoirians experienced rapid economic growth for 20 years. In the early 1980's Côte d'Ivoire had one of the highest per capita incomes in the sub-Sahara, second only to those with oil exports. This was partially a result of the president's French contacts allowed him to get preferential deals for Ivoirian cash crops.

In the 1970's, Houphouët-Boigny began opening the political process, and encouraging indigenous involvement in national government. A major inequality remained between the elite and peasant classes. The effects of a booming economy were not trickling down from the rich.

In his final days, Houphouët-Boigny had a massive catholic basilica built: Our Lady of Peace in Yamoussoukro. It cost an estimated \$200m, and at the time was the largest Christian church in the world. While a fortune was spent on the basilica, Côte d'Ivoire was forced to suspend debt payments and introduce austerity legislation.

Houphouët-Boigny died in 1993, as Africa's longest serving president. His declining health had allowed power brokers to assume day to day control of the country, which in his absence soon fell into chaos over power disputes.

D.R.C: Zaire's Ambivalent Dictator

Mobutu Sese Seko seized power in one of the first military takeovers in Africa. He formed a one-party state, tolerated no dissent, and encouraged a strong personality cult based around his rule as the absolute embodiment of the nation. Under the ideology of 'authenticity', later known as Mobutuism, he promoted strong nationalism while enhancing his own power. His strength was based on three pillars: violence, cunning, and using state funds to buy off enemies. His systematic looting of the national treasury and major industries gave birth to the term "kleptocracy", describing a reign of official corruption that made him one world's wealthiest heads of state.

Mobutu advocated that an all-powerful and unifying chief was the best form of leadership in Africa, amassing wealth and power. This style was mimicked by African presidents to follow, But the Zairian leader was the most extreme, amassing one of the world's largest private fortunes, even while his country's economy fell. Mobutu travelled on extended vacations, indulged in lavish shopping trips, and converted his northern village of Gbadolite into a virtual palace.

Initially, Mobutu promoted strong economic nationalism, launching a series of major prestige projects intended to transform Zaire into an economic powerhouse in Central Africa. In 1973 the government began taking over foreign-owned industries and plantations. Assets were given to the president's closest allies, creating a new upper class, and bringing the prosperous economy to the brink of crashing.

Two major projects, the Inga Dam (meant to produce 30% of the world's hydro-electricity, and a 1,100-mile power grid, proved to be disastrous. The debt crisis brought on by costly borrowing and the collapse of world copper prices thwarted them. Other bold strokes also backfired, and Mobutu spent most of the 1980's wrestling with increasing and intractable economic problems brought on by heavy debt, and exacerbated by falling copper prices and the regime's own constant theft.

Zaire's economy declined, and when democracy movements swept Africa in the early 90's, Mobutu massacred students, took up residence on a luxury yacht under heavy guard, and later left the capital for his palace nearly 1,000 miles north, all while he printed huge amounts of increasingly worthless currency for bribes and salaries, and ordered hit squads to attack his opponents.

Ongoing rioting turned heavy in 1991 and 1993, raising pressure for democratic reforms. Mobutu's dwindling powers boosted in 1994 when his country took in large numbers of refugees from Rwanda's genocidal civil war. But Mobutu's perceived support for exiled Hutu militia proved costly, and in 1996 a new Zairian militia backed by Rwanda created the most serious threat to Mobutu's control in years.

Having ruled Zaire for 31 years, Mobutu was chased from power after a seven-month rebellion led by his lifelong opponent, Laurent Kabila. In a characteristic boast, he often said that before him there was no Zaire, and that his country would not survive him either. Hours after Mobutu's own mutinous army fired on the cargo plane he used to flee from his opulent palace, Kabila proclaimed himself president. In his first official act, he renamed the country: Congo.

Legislation and Bureaucracy

Starting a Business

African markets present one of the most challenging environments for business start-ups and growth in the global marketplace. The issues stem from political and economic insecurities, to occasional physical insecurities which threaten business survival.

The critical question for businesses to answer prior to engaging in a new environment is the cost-benefit analysis – do the latter outweigh the former to enough of a degree to sustain profitability. The market suffers under uncertainty, and in African markets there are many uncertainties over operating environments.

The major challenges in Africa are infrastructure shortages and instabilities, which make businesses hesitant to establish a presence when transport, communications, and utilities are underdeveloped or intermittent.

Soft infrastructure and business linkages are also vital, such as education and skills development in the workforce, as well as connectivity between industries to foster increased linkages that deliver mutually beneficial growth.

Permits and Access

One of the key ways governments interact with the market is through legislative reform, or lack thereof. Excessive bureaucracy in itself is not enough of a force to drive business away, however it can act as an attraction if reformed and streamlined. At its worst, permits and paperwork can cause burdensome delays on businesses, which increase production and process costs, while reducing the competitiveness of businesses and their ability to react to rapidly changing market trends.

Privatisation and Government Business

While privatisation is a growing trend across the globe, particularly in developing countries which were previously closed off and heavily government controlled, there remain issues over how much government interaction with private enterprise is needed, and where the role of government lies in service delivery.

Increased competition through private companies has undoubtedly increased the depth and breadth of goods and services available to consumers, while simultaneously increasing quality and reducing costs, however private market mechanisms reach limitations of scale and profitability on major infrastructure projects, such as roadworks. These enterprises, while unprofitable on their own, deliver essential services which consumers and the market need, but which they are unable to provide on their own.

Restrictions and Incentives: Manipulating the Market

The crucial role of the government is ultimately to drive, and not hinder, growth.

To provide companies, communities, and individuals with potential opportunities for development, government must make its involvement as efficient and effective as possible. The challenge is the nature of 'unintended consequences', whereby governments take one course of action for the betterment of society, only for unintended consequences to cause more harm than good.

A typical illustrative example is motivating teachers to enhance educational practices to increase the productivity of learning systems, while improving student development. There are no easy ways to implement programs to achieve this; however there is a very simple, straightforward way to test results – tests. Standardised examinations would theoretically show improvements, as well as which areas of the country are falling behind.

There are numerous problems with this scenario, born out by real case studies:

- It fails to take into account variables including socio-economic backgrounds, facilities and equipment, as well as a range of environmental factors
- Educators will be more likely to 'teach to the test' in order to improve scores and access bonus incentives, or reduce risk of penalization
- The breadth and depth of real education will suffer as test rates improve, with children increasing rote learning of select facts but not their knowledge base

The challenge remains for government to examine social and economic issues with careful consideration of all variables, co-ordinating policy initiatives with communities and businesses to reach shared strategic approaches that minimise the risk of the few individuals who might 'game the system', while removing ineffective or negligible legislative or regulatory measures that have no positive impact.

Contracts and Tenders: Race to the Bottom Line

One of the most effective ways for governments to manage their involvement in industry, as well as their budgets, has been the increase in private contracts issued for government works. By generating competitiveness among private enterprises to present the best proposal at the lowest possible price, governments are able to increase internal efficiencies and reduce costs, while simultaneously engaging with market forces to increase sector competitiveness and growth.

The increasing presence of foreign organisations conducting government works in Africa, particularly the boom in Chinese firms across the continent, has both a positive effect on business growth and infrastructure development, while contributing to government effectiveness and economic growth and reform.

Infrastructure

While there are highly developed infrastructure frameworks operating in some countries, most notably South Africa, Egypt, Ghana, and Morocco, there remain short falls across much of the continent. Development lags have been caused by a range of variables including conflict, governance, business climates, finance, and for some industries in particular, environmental or weather factors.

Transport for Trade Development

Highways

Road linkages within and between regions are slowly being developed, however the key issue impeding their growth is not the infrastructure itself, but the non-physical barriers between borders. Truck freight is heavily penalised in Africa compared to other global markets, with the timeline of transport taking longer due to the poor state of the roads, while customs, tariffs, and border post procedures delay it even further.

Costs on road trades have limited formal inter-regional trading, with informal and in some cases illegal black market activities growing in their place. The result of government attempts to gather more taxation from trade (see the tax section) has caused a drop in overall declared trade, and driven many businesses into informal and unregulated market spaces.

Railways

At a time when much of Europe is criss-crossed with extensive high-speed rail webs, large swathes of Africa remain unconnected, and of those that are many are utilising antiquated systems.

In many parts of the continent, railways remain unsuitable as transport options, because of unmanageable distances, unprofitable development costs with little rate-of-return, or seasonal weather factors which would render such infrastructure useless in monsoon seasons.

Ports

Ports in South Africa, Egypt, Nigeria, and on the east coast in Kenya and Tanzania, are significantly developed and competitive in global markets. The rate of trade at these ports, particularly in South Africa and Egypt, are among the highest in the world, operating as key regional trade hubs and gateways to and from the continent.

Yet there remain opportunities for port development, in areas which have remained underutilised despite their potentials. The Democratic Republic of Congo is struggling with internal road and rail transport network options, due to environmental concerns; however its river system carries massive potential to connect communities and local economies with regional and global partners.

The port of Djibouti is in a similar state, although development has progressed further, to enable the port to increase its trade and exchange of Ethiopian goods. Its neighbour's loss of ports to Eritrea is Djibouti's gain, as it sits in a key strategic location with enormous potential to direct trade and transform the region's growth.

Electricity

Electricity services are sporadic across rural areas, where infrastructure is slowly encroaching, while private sector innovations in solar solutions are taking hold and delivering services in the absence of large-scale developments.

The intermittent electricity supplies and frequent blackouts in many areas have adversely affected business, particularly manufacturing industries, which operate further away from well supplied urban spaces yet require greater sums of continuous energy supply to remain productive and profitable.

Education

Universal free education has been touted as a remarkable global advancement in education delivery, enabling millions of children who were previously financially prohibited to attend school and gain a rudimentary education.

The systems success, however, has in some instances been its downfall, as radically increased enrolment rates have put excessive strains on infrastructure and institutions which were already under-resourced. Shortages of teachers, supplies, and financial support from government departments has meant that although enrolment numbers have dramatically improved, the quality of education has in some areas been in decline.

In addition, free education is provided only to primary students, meaning many students drop out before or during secondary schooling, while the prohibitive costs of advanced education has seen tertiary enrolments drop even further. In some countries, 80-90% primary enrolments drop to below 20% in secondary, and by tertiary or vocational education the figures are below 5%.

Information Technology

ICT technologies have been making incredible advances over the last decade, while access to mobile phones has ballooned, making Africa the second largest market in the world. The success of mobile phones has largely been driven by the failings of fixed-line systems, where expansion has been slow and costly.

Mobile coverage has spread rapidly, urged on by influxes of foreign and regional corporations that have embraced the potential in African markets, which is still being realised. Mobile penetration is over 100% in some countries, although large areas of the continent remain underdeveloped and highly profitable.

Taxation

African tax revenue as a share of GDP has been increasing since the early 1990s. With African nations increasingly dependent upon external financial flows, taxes on the extraction of natural resources have been dominant, while taxes on other sectors such as corporate income, personal income, Value Added Taxes (VAT), and excise taxes lag.

Personal Income

Personal income taxes have stagnated, as governments struggle to deal with informal and subsistence sectors which are largely unregulated. Tax rates across the continent vary, with most countries using sliding scales that climb as high as 60%. The standard rate varies between 10%-40%, although in some countries struggling for development the base line starts and remains at 0% or in single digits until a suitable living wage has been earned.

Corporate Taxation

Corporate taxes are a key source of government funds, primarily due to heavy reliance on extractive primary industries, which engage in lucrative global trade deals. At or in excess of 30%, corporate taxation remains high and uncompetitive considering Africa's shortage of enticing infrastructure and legal frameworks, however it is negated by subsidies and exemptions which make the real rate much lower.

VAT and GST

Value-added or Goods and Sales taxes play a prominent role in enticing businesses. Rates are highly variable, with some countries lower than 10% while others remain high at or above 20%. The higher the VAT tax, the more difficult it becomes for companies and countries to remain competitive, as products are priced out of the market, and businesses see easier profits to be made elsewhere.

Trade Taxes

Taxes on international trade are important in Africa, generating an average 28% of total revenues over the last decade, while for sub-Saharan Africa the share goes up to 30%. This compares to 0.8% for high-income OECD countries, 18% for medium-income countries, and 22.5 % for low income countries. While these percentages are progressively lowering, African rates of trade tax are comparatively increasing.

Africa's reliance on trade taxes for revenue is caused by the relative ease of collecting them. Poor economic conditions and lack of administrative capacity have made most countries inefficient in tax collection, with large informal or subsistence sectors avoiding tax altogether. As a result, the domestic tax base is limited, and so government is forced to meet fiscal needs by raising rates on easily taxable sectors.

Going Green: Compulsion or Business Opportunity

by Vijitgpt

Rising energy prices, shrinking oil reserves, binding carbon emission targets and other regulations are forcing companies to adopt sustainable ways of operating, while remaining profitable. Global warming is a hot topic for governments across the globe, and is on the main agenda for many corporate houses. With the new binding emissions cuts agreed on, and with governments thinking of levying carbon taxes, it is time to look at the issue from a new perspective. Going green is a government compulsion, as well as a business opportunity for companies in the long run.

A Compulsion: Governments across the globe are trying to restrict the rise in greenhouse gas emissions. The EU has agreed to reduce emissions to 8% below 1990 levels during 2008 to 2012. The Australian government has proposed carbon taxes from July 2012. The European Union, several U.S. states, Norway and New Zealand already have such rules. India will levy a carbon tax on coal producers, expecting to raise \$535 million that could be used to promote green energy, and a new carbon tax of €15 Euro per tonne was announced in Ireland.

A Business Opportunity: For most of the corporate sector, going green means investing millions of dollars, yet many fail to take into account that adopting small measures can significantly reduce an organization's carbon footprint, leading to considerable long-term savings. Using the latest e-learning technology can save 30 pounds of CO₂ for every 1000 pages of printing avoided. By incorporating light and temperature sensors with video conferencing facilities, it's possible to significantly reduce CO₂ emissions and provide financially viable practices simultaneously.

Adopting green buildings is another option; for example when DPR constructions planned its regional office, the additional costs for adopting green lighting materials, sensors, and architecture costs were around 85,000, but in the next 10 years it will save more than 400,000 in operational savings. Green buildings not only help in saving energy and water, but also help employee retention. IT companies using storage consolidation and server virtualization have achieved overwhelming success, and reduced the need for physical servers. In another example, a company used print on demand and saved printing of around 30,000 pages.

As consumers are now more aware of the consequences of global warming, they could be willing to pay slightly more for products that are produced having a minimum impact on the environment as compared to other products in the market. These companies can use proper marketing schemes to educate consumers that they care for nature and this will help them retain and increase their consumer base. Additionally, it will help them improve their company's image and they will be in a better position than their competitors when strict regulations are put in practice.

Now clients prefer companies who have sustainability on their business agenda. Also, investors are filing shareholders' resolutions requesting more disclosure of what they are doing on a sustainability front. Now the time has come when we can say that reducing environmental impact and profits can go hand in hand.

Communications & the Economics of Information

Africa's Mobile Market

Snapshot

The mobile industry in Africa is booming, and is now the world's second largest mobile market by connections after Asia, and the fastest growing mobile market in the world. Over the past 10 years, the number of mobile connections in Africa has grown an average of 30% per year, with the number of subscribers growing by almost 20% each year, and it is expected to reach more than 735 million by the end of 2012. Fierce competition has lowered prices and increased penetration, as operators compete for market share with innovative revenue and pricing options - making mobile connectivity more broadly affordable to the masses.

Over 90% of subscriptions are pre-paid, with voice services currently dominating, although uptake of data services is increasing steadily. High-Speed Packet Access (HSPA) is a technical standard for wireless and broadband telecommunication. There are currently six HSPA networks across Africa, with more planned in the near future.

The mobile industry in Africa contributes \$56 billion to the economy, or 3.5% of total GDP, with mobile operators alone contributing \$49 billion, and there is substantial evidence indicating a direct relationship between mobile penetration and GDP. The mobile industry contributes \$15 billion in government revenues, and is a significant contributor to employment in Africa: in 2010 alone, over 5 million people were employed directly and indirectly in the mobile industry.

However, huge untapped potential still remains, as a third of Africans within the 25 largest mobile markets currently have no access to mobile services. Projections indicate that reaching 100 per cent mobile penetration could add over \$35 billion in aggregate GDP, but only if governments and operators work together to bring mobile communication to the entire African population.

Evolution of the Market

Mobile services are the primary means of distance communication within Africa, as fixed-line penetration remains low across the continent. Of particular note are Cote d'Ivoire and Benin, which have 95% and 87% mobile penetration, but less than 1% and 2% fixed-line penetration. Even in more developed countries, such as Algeria and South Africa, fixed-line penetration remains below 10%. In most countries of the region, fixed-line penetration is unlikely to grow without extensive investments in infrastructure, which governments cannot currently afford. Consequently, mobiles are set to remain in the ascendancy, as the cornerstone of African communications.

Mobile business arrived in Africa through two key entry points – the Maghreb countries in the north, which were located close to the developed European markets; and South Africa, the major economic gateway to the south. Morocco, Egypt, and South Africa have maintained their leadership in communications technology, in part due to their strategic locations which provide access to international partners, yet African firms are coming into their own in the mobile technology sphere.

Market Characteristics

Mobile phones are an essential consumer good and status symbol across the globe. Given the poor state of fixed-line infrastructure in sub-Saharan Africa, mobiles are often the only means of communication. These factors have contributed to the rapid uptake of services across the continent.

Unsurprisingly, the majority of mobile customers live in urban areas, with larger disposable incomes and the ability to afford more services. In addition, ICT related businesses, occupations, and infrastructure are concentrated in cities and towns. Mobile operators have concentrated on the major cities and towns with the highest levels of population density, more regular electricity supplies, and closer proximity to political and economic hubs and government institutions.

African markets can be compared to Asian markets in terms of mobile usage and purchasing patterns, as both continents differ from Western mobile patterns. In Africa, as in South East Asia, landline communications are minimal, and so mobile phones are far more essential to communication needs. It is also much cheaper to build wireless infrastructure than landline networks, and as an added bonus it provides far more flexibility to customers.

Internet Connectivity

Internet access in Africa has been limited geographically to major urban areas, and financially to those who can afford expensive fixed-line services. Most consumers rely on internet cafes and government institutions for online access, however coverage has been boosted by recent improvements to networks and the introduction of GPRS, EDGE and 3G technologies. Investments in wireless access infrastructure and back-haul capacity have been developing, with strong investment in submarine fibre optic cables over the last decade.

Mobile networks are leading expansion of broadband internet access, with current access confined to the more developed countries. Poor infrastructure remains a key barrier to the expansion of broadband, however the roll-out of 3G services has provided a viable alternative in the form of internet enabled handsets and wireless modems. With current penetration low, growth is expected to increase exponentially and there are estimates that by 2015 sub-Saharan Africa will have more people with mobile access than electricity.

SME's in Africa: Underdeveloped Opportunities on the Web

Less than 20% of SMEs in Africa have a website, compared to 80% in high-income countries. Developing country SMEs use the internet to obtain information rather than to conduct transactions, even though efficient computer and internet use is critical for entrepreneurs to participate in international value chains.

Nevertheless, for many enterprises in developing countries, the Internet is primarily used to send and receive e-mails, with few businesses engaging in electronic commerce, while those that do use it for placing rather than receiving orders. In general, it is easier for enterprises to purchase than to sell goods and services online, as the latter may involve creating or upgrading a Web presence and restructuring sales and inventory processes.

Overall, usage of computers and high-speed internet by SMEs in developed countries has become common, though they do not always apply them in day-to-day activities, either because they are too expensive or too untrustworthy. Yet there are many online tools which could assist businesses:

- Voice over Internet Protocol (VoIP), such as Skype, are less expensive communications links than traditional telephone services
- Broadband connectivity allows for increased use of social media, such as Facebook, Google, and Twitter, to tap into their expanding customer bases which present huge economic and marketing opportunities

Contributing to Economic Development

The mobile industry in Africa is enabling social and economic development in a range of industries, including agriculture, banking, education, healthcare, and gender equality. The Mobile Money industry, in particular mobile banking and transfers, are putting Africa firmly at the forefront global advancements. Universal access has also been promoted by most African governments using taxation schemes, but there is limited transparency around the distribution of funds.

The Broader Mobile Industry

The Mobile Industry consists of 5 groups which directly contribute to GDP:

- Infrastructure vendors and support services
- Network operators themselves
- Handset and device manufacturers
- Distributors and retailers
- Content and service providers

Indirect Value Adding to the Economy

Mobile communications have also improved the productivity of workers who use mobile technologies in their daily lives, impacting individuals as well as industries. For a country's workforce, mobile technology enables better coordination of activities, efficient allocation of resources, and a reduction in unnecessary travel.

Entrepreneurial Opportunities in Communications

Africa represents a continent of tremendous, under-developed opportunities for entrepreneurs to capitalise on. An increased mobile presence is attractive to companies in virtually any industry, to build and maintain brand recognition, customer and client awareness, and to promote goals and postulate achievements. Using mobile communications increases business effectiveness and efficiency in reaching target audiences and consumers, as well as streamlining processes.

The key for entrepreneurs will be information – knowing when and how to capitalise on trends in different market environments, from urban to rural, country to country. There are huge opportunities available in providing mobile access and services for low-income earners, as well as middle class and high-end consumers.

Mobile computing could become just as popular in Africa as elsewhere in the world, if not more so. The current shortage of personal computers could contribute to a boom in mobile computing, allowing consumers to leapfrog mid-range developments to link in to the latest, cutting-edge technologies.

Mobile as a Driving Force for Development and Innovation

Importance of Mobile Connectivity for the Unconnected

Over a third of the continent's population currently lack mobile connectivity, due to coverage requirements and ultra-low incomes limiting opportunities. By bringing communications to unconnected communities (the 80% of Africa's population with incomes less than \$4 per day, and the 60% on less than \$2 per day), the mobile industry can act as a catalyst for rural and regional development and innovation.

Rapidly decreasing prices and greater availability of pre-paid services is increasing the spread of services, and consumer opportunities to be connected. Pre-paid services allow users with low and uncertain incomes to obtain connectivity when needed, while those who cannot afford a handset many own a SIM card which they use in friends' or relatives' phones. Mobile phone operators provide services by leasing mobiles like payphones, or by using community phones which have a dedicated connection even where coverage is limited.

Helping to Achieve ICT Development Goals

In 2001, the African Union established the New Partnership for Africa's Development (NEPAD), along with an e-Africa commission. The mandate of the commission was:

- Accelerating development of inter-country, intra-country and global connectivity
- Developing African markets in the Global Information Society

Government ICT Leverage Promotes SME Growth

Governments can use ICT more effectively to support SMEs, while accelerating job creation and business growth. The ICT dimension is frequently absent from private sector development strategies, with governments and business failing to harness new possibilities to the fullest. Some countries are developing stronger links between ICTs and private sector development to improve competitiveness.

The expanding range of mobile applications, such as text messaging, mobile internet, and mobile money can deliver a multitude of services for SMEs. In some developing countries, high-speed wireless subscriptions now surpass fixed broadband, with mobile broadband in some cases 1,400% higher than fixed broadband. By providing market information and financial services to SMEs, governments can assist in promoting SME growth. Other priorities are:

- ICT modules in business skills training programs
- Better leveraging of ICTs in support of women's entrepreneurship
- Harnessing mobile money services to make financial markets more inclusive
- Adopting regulatory frameworks to support new applications or technologies

Mobile Impacts on Industry

The mobile industry is a major contributor to the economic development of African nations. Beyond its direct contribution, it has a powerful ripple effect on other industries, it generates significant value-adding, creates direct and indirect employment, and contributes taxes to public funding, enabling governments to achieve national development goals. As governments consider policies and their economic and societal effects, they must consider the mobile industry's role.

By 2015, sub-Saharan Africa will have more people with mobile access than electricity. As access across Africa exceeds other core infrastructure, the mobile industry is beginning to have a significant impact on society. As well as improving communication, the mobile phone is facilitating improvements in agriculture, banking, education, healthcare and the empowerment of women and rural communities.

m-Banking

Mobile banking is revolutionizing financial services, particularly for low income groups, and the mobile money industry in African countries has become a world leader. Africans are now able to use mobile banking to access:

- savings accounts and pensions
- micro-finance loans and transaction services
- agriculture insurance, health insurance, and life insurance

Mobile banking can provide greater stability to low income groups, while acting as an entry-point to more formal banking and loan services, providing an immediate service to the poor, while acting as a catalyst to on-going economic development.

Africa Leads: Mobile Money Supporting SME's

Africa is leading the trend, with 51 mobile money systems in place, 37 of which are in least developed countries. Mobile money is providing increased access to finance for SME's, which traditionally have been poorly served by existing institutions. Banking through mobile phones allows real-time transfer and receipt of small amounts at low cost, reducing business operating administrative costs, and easing access to small loans by encouraging lenders to extend credit to SMEs.

These basic money transfer and payment functions have a major impact on the way small businesses operate, as they enable them to manage cash flow and deliveries of goods and services with increased efficiency.

m-Education (also known as m-Learning)

Education is widely regarded as the best long-term tool to improve the standards of living for the poor. M-Education initiatives facilitate education and learning in even the most remote locations, providing a supplement to bricks-and-mortar schools in areas where schools are sparse and access to education is limited.

Low income groups' access to education is restricted by many factors including: the cost of education and expectations that children may undertake child employment, as well as language and social barriers.

M-Education offers a solution to several of these key challenges. It is inclusive and non-discriminatory, it can be accessed from wherever the user wishes to learn, can be tailored to individual learning needs and can progress at each users' own pace, while fitting around income generating activities. M-Education can also help to overcome the gender inequality in many developing countries, by providing women with a safe learning environment without leaving the household or community.

In addition to providing general education, m-Learning is also providing valuable support to professionals in on-the-job training. Community Health Workers (CHW) in the UN's Millennium Villages in Uganda, Rwanda, and Kenya access to m-Learning modules on their mobile phones. Information on reproductive health, and care for new-borns, are two of the subjects CHWs can download from a central database to their mobile phone. Mobile networks provide the privacy, quality of service and interoperability required to deliver this learning application, to improve the lives of the communities that the CHWs serve.

Open Universities: Education Without Borders

In countries struggling with infrastructure development, and in communities distant from traditional formal education centres, Open Universities provide the opportunity to engage a new generation of students, providing a level of accessibility and convenience to achieving an education that was previously unobtainable.

There is now an enormous range of universities available to potential students, with leading institutions from Africa, Asia, and Europe globally accessible. Open Universities provide the additional benefit of no pre-requisites, so students are no longer required to have a specific educational background. The versatility of this new educational platform holds the potential to transform opportunities for growth across the continent, providing students with connections to global partners and ideas, interfacing with the cutting edge of industry and technology developments.

Distance Education provides an opportunity to reach community members who would otherwise go without, and generates revenue not just for the institution and student, but contributes to growing the economy of the entire community.

m-Health

Sub-Saharan Africa has the lowest average life expectancy of any region in the world. Access to appropriate, quality healthcare remains a major challenge to improving the standard of living across the continent. Mobile technology is emerging as a valuable tool in improving delivery of healthcare services, currently used in:

- Capturing and analysing data for disease surveillance
- Providing remote diagnoses via telemedicine
- Supporting community health workers gathering and managing information
- Improving health education, information and resources through hotlines
- Coordinating drug and medical supply distribution

In Rwanda, MTN, Voxiva and the GSMA Development Fund have deployed a system to enable healthcare workers to use mobile phones to collect a range of data related to the outbreak of contagious diseases, number of patients, drug stocks, and more. Mobile technology makes the information available in real time, avoiding the inefficiencies and delays of paper-based systems.

In Ghana and Nigeria, systems allow users to check the authenticity of medicines. Counterfeit drugs are a major issue in Africa, and the scheme, is being promoted by a number of drug companies to protect copyrights as well as patients from ineffective or even dangerous fakes. The initiative enables users to send a code printed on the drug packet via SMS, receiving a reply verifying the authenticity of the drugs or giving a warning that the product may be fake, providing a helpline to call for advice.

m-NGO's

NGO's play an important role in African aid and development projects providing healthcare, education, and humanitarian support. Mobile technologies are enabling NGO's to deliver services more efficiently, enabling resources to be rapidly allocated to those with the greatest need. A survey by the UN Foundation and the Vodafone Group Foundation found that 86% of NGO employees use mobile technology to support their work. It listed the benefits of mobile technology for NGOs as:

- Increased efficiency and time saving (95%)
- Ability to mobilize or organise projects and individuals more effectively (91%)
- Enabling access to communities previously difficult or impossible to reach (74%)
- Ability to gather data more quickly and accurately (59%).
- Ability to transmit data more quickly and accurately (67%)

NGO uses for mobile technology range from the Tunisian Red Cross providing mobile phones to allow people fleeing the recent conflict in Libya to call their loved ones; to Cell-life in South Africa providing HIV/AIDS outpatient services.

The Social Impact of the Mobile Industry

m-Women

The GSMA Development Fund formed the m-Women program after identifying a sizeable gender gap in mobile phone ownership. Women are on average 23% less likely to own mobile phones than men, denying them many social and economic benefits that mobile connectivity brings. A recent survey showed 93% of women felt safer and more connected to friends and family with a mobile phone, whereas 85% felt more independent. In addition, 41% of women reported increased earnings or professional opportunities due to mobile ownership, a figure which rises to 55% among female business owners.

In Liberia, MTN recognised that women in the market were under-served and only required regular contact with a small circle of family and friends. MTN developed new tariff plans for a “Her & Home” segment, offering discounted calling and preferential rates for a selected group of friends and family. The marketing of these services were designed to appeal to the needs of women to encourage uptake.

m-Disaster Preparedness

Mobile technology is providing new ways to cope with natural and man-made emergencies and disasters. From providing communications infrastructure when all other infrastructure has been destroyed, to mobilizing charitable donations, mobile technology is playing a key role in pre-empting and responding to emergencies.

In December 2004, the Indian Ocean tsunami struck the coast of Tanzania. At the time, very few of the many fishing boats working along the coast had radios, and the only means of communication was via mobile phone. There were only 13 fatalities along the entire Tanzanian coast as a result of mobile early warning systems.

The GSMA Development Fund: Promoting Community Access

The GSMA Development Fund has created 35,000 Community Phones and 600 internet cafes, in increasingly rural locations. These community phones and internet points use shared GSM devices and computers at fixed booths, providing communications to whole communities, and employment to local entrepreneurs.

In some cases, projects are extending the coverage of the mobile networks into previously unserved areas. These areas will be introduced to the technology, and service levels will be expanded as demand is established and grows.

By monitoring the activity in each of the communities, mobile operators are able to identify areas where usage is sufficient to justify a fixed installation. This project is not only bringing mobile connectivity to the unconnected, but also promoting social enterprise and generating a return for mobile operators.

Infrastructure Investment

Between 2000 and 2008, mobile operators invested US\$54 billion in infrastructure across the sub-Saharan, with higher investments in more advanced markets in Egypt and Morocco. While population coverage has increased to an average of 50% or greater, in countries such as Ethiopia it remains confined to major cities.

As a result of limited power supply, operators are forced to use alternate energy sources, including generators at every base station. In Nigeria, where generators work for up to 22 hours a day, the cost to run a base station can be as high as US\$2,000 per month compared to US\$429 per month in India. In more energy reliable markets such as Ghana, Kenya and Tanzania, the cost can be half that.

Two diesel generators (costing US\$40,000) are used per mobile base station, at a significant cost to the industry. Innovative operators are attempting to tackle the problem by introducing solar and wind powered base stations, providing excess power to local communities living around the base stations.

Limitations to Expanding Infrastructure

Network sharing is common in developed markets, helping to reduce capital expenditure and operating costs by maximising economies of scale, particularly in low penetration markets. The African sector is still new to network sharing, and it is currently limited to Ghana, Nigeria, and South Africa, though other countries could benefit immensely from its implementation.

The Democratic Republic of Congo has a penetration rate of only 17%, with 5 mobile operators. Network sharing would enable the operators to expand coverage and increase penetration, while substantially reducing their respective investment and operating costs.

Liberalised Markets and International Gateways

Ensuring mobiles remain competitive and affordable requires reformed and liberalised telecommunications markets. Although competition has improved, international gateway monopolies still exist in over 50% of sub-Saharan countries. Even with volume growth, there is no bargaining power for operators, making it harder to reduce end-user prices, particularly for roaming and international calls.

In the Middle East, international call prices declined by up to 90% following liberalisation, and roaming call prices between countries with liberalised gateways were substantially lower than between those with gateway monopolies.

Regulations to Enable Growth

Transparent, Predictable and Consultative

Mobile operators are currently investing funds into licences and developing infrastructure. The level of transparency and predictability in regulations are important factors in investor decision making. To ensure a thriving telecoms sector that maximises the benefits for society, governments and regulators should ensure:

- Major regulatory decisions are made in a transparent, inclusive manner, drawing inputs and feedback from industry stakeholders
- Regulatory policy is based on a legal system providing contract enforcement, appeal processes, and effective implementation

Reducing Ineffective Taxation

Mobile operators face industry-specific surcharges such as licence fees, spectrum usage charges, services taxes, USFs, and more. Numerous African countries employ sector-specific excise duties or 'luxury taxes' on handsets, mobile usage, and ICT equipment, as well as SIM activation charges and surtaxes on international calls. Taxation strategies include:

- Minimising levies to encourage adoption of mobile services

More developed countries (Nigeria, Tunisia, and Ghana) have adopted revenue maximisation approaches, rather than driving uptake. A consequence is higher public funding requirements to achieve universal service and ICT development

In 2009 the Kenyan government decided to exempt mobile handsets from VAT, generating significant benefits for consumers, and increasing handset purchases by over 200%, while penetration rates increased from 50% to 70%.

- Sector-specific taxes to maximise government revenue

Reducing mobile-specific taxes can actually increase total revenue, while generating significant economic and social benefits. Telecom-specific taxes raise entry barriers to new competition, drive up prices, and limit access options for lower socio-economic groups, who need it most.

Gabon charges an 80% tax on handsets, including a \$5 special tax when purchased, plus 30% import duty and 18% VAT. Niger levies a 66% tax and Cameroon 49% on handsets, including import duty and VAT, while Gabon charges a 36% tax on usage purchases, of which 18% is standard VAT, and 18% is an airtime specific tax.

Banking & Financial Services

Enhancing Access and Economic Resilience

Across Africa, less than 20% of households have access to formal financial services. The constraints are both physical and financial:

Physical:

- poor infrastructure, particularly in transport and communications
- low population density hindering development of markets as well as services

Financial:

- cost barriers, in particular high transaction fees
- volume barriers, such as minimum savings balances or loan amounts

These affect access to general payments or deposits, and more substantial credit or insurance needs. Lowering the financial barriers to access, and offering financial products to low income areas, allows households and small businesses to maximize their cash-flow to increase their income and productivity.

Types of Finance

Four main types of finance are increasing opportunities for access:

Informal Finance

Informal lending and saving is unregulated by central banks, the legal system, or other authorities, and is common among financially excluded low income earners.

Microfinance

Microfinance provides loans, savings, money transfers, or insurance services for low income households, and is a rapidly growing market within Africa.

Finance for SMEs

Access to loans, leasing, and trade credit supports the growth of productivity and outputs in small and medium enterprises. The SME sector makes significant contributions to economic growth, development, and the fight against poverty.

Mobile Banking

Mobile banking allows the access and transfer of banking services without the need for physical infrastructure. It is an increasingly used format for financial transactions, particularly in remote areas, which are rapidly expanding access to services that were previously non-existent.

Increasing Financial Capability

Consumers, businesses, and communities need the skills and confidence to manage their money well. Financial capability enables consumers to understand their financial circumstances, adapt to new financial opportunities, and know how to manage their money and assets to make the best decisions.

Growing networks of unconventional financing, including microfinance, remittance networks, and mobile banking technologies, have expanded financial markets in developing countries. It has enabled financing to reach millions of poor consumers who are inexperienced with traditional financial systems, and who lack the knowledge to harness or fully appreciate the benefits they can offer.

Low-income households in Africa have limited access to savings, loans, and insurance, and are particularly vulnerable to economic shocks, macro or micro (changing industry trends, or the poor health of a primary earner). Strengthening financial capability improves financial inclusion and security, broadens opportunities to grow and develop, and helps people manage their assets and debts, while educating them on their rights and responsibilities.

Yet financial capability carries a parallel need for consumer protection, with a growing need to ensure reliable information on the prices and risks of services, so that consumers can make informed choices. While regulation can establish a framework, it is up to services providers to maintain responsible, transparent and reliable services, and for consumers to exercise due diligence.

Finance for SMEs

SMEs play a vital role in economic development, by increasing competition, fostering innovation, and generating employment. SMEs employ the largest share of workers in African countries, even though their contribution to GDP is on average less than 10% (in high-income countries, SMEs contribute up to 50% of GDP).

Challenges to SME growth range from macroeconomic environments to administrative barriers and red tape, yet the biggest obstacle remains their limited ability to access financial services. Traditional long-term bank finance is largely inaccessible to SMEs due to lack of collateral, and high transaction costs leading commercial banks to focus on lending to established businesses and multi-nationals.

Leasing equipment and capital goods has become a viable alternative for smaller businesses lacking credit histories or significant collateral in traditional forms of financing. Leasing generally provides lower transaction costs compared to loans, and can be an attractive option for small-scale rural and agricultural operators.

Yet the leasing market is in its infancy in Africa, with penetration rates from 1% to 5%, compared to a global average of 20%. The market is more developed in Egypt, Morocco, Tunisia, Nigeria and South Africa, where more favourable taxation and regulation measures have been adapted to the sector's requirements.

Informal Finance

Most informal finance providers focus on a specific service - savings, credit, money transfers, or insurance - rather than offering a range or bundle of services.

Informal finance in Africa includes:

Susu or Esusu deposit collectors in West and Central Africa

Susu or Esusu collectors provide access to credit, savings, and withdrawals for a small fee. For example, a saver agrees to deposit a specific amount for an agreed period, as determined with the collector. At the end of the period, the Susu collector returns the accumulated savings to the client, keeping one day's savings as commission.

Hawala cross-border transfers in North and East Africa

Hawala is a traditional means of transferring funds across borders and within countries, whereby funds are transferred by means of a network of hawala brokers (hawaladars) who charge a fee or an exchange rate spread in exchange for their services. The strength of the hawala system is that it is fast, cheap, confidential, and easily available.

Stokvels in South Africa

A common group saving scheme, members meet monthly and deposit money into a common fund. The accumulated amount is then paid out to one of the members on a rotating basis. About 12 percent of the population are members of Stokvels.

Tontines

Tontines are another prominent means to pool resources, whereby a group of individuals agree to regularly pay small amounts into a common fund - the tontine – which is then loaned for a month, without interest, to one of the members. Typically, these people share similar interests or common relationships, which strengthen social control and ensure the functioning of the scheme.

Remittances

For centuries, people have crossed borders seeking better opportunities for themselves and their families. However, over the past thirty years, economic migration has accelerated, driven by the rapidly growing gap between developed and developing countries, and made easier by improved transportation and communication technologies.

As a result, remittances --- the cross border money transfers sent to family members of migrant workers living abroad – have recently become the subject of great attention because of their growing scale and potential impact.

Today's African Diaspora consists of approximately 30 million adults, sending about USD 40 billion annually to their families and local communities back home. For the region as a whole, this represents 50 percent more than the net official development assistance (ODA) from all sources, and, for most countries, the amount also exceeds foreign direct investment (FDI). In several fragile states, remittances are estimated to exceed 50 percent of GDP. Although most remittances are used for daily necessities, up to 20/25 percent (USD 8 – 10 billion) are available for other than immediate consumption.

The African remittance market is marked by limited competition, high costs, and difficulty in reaching rural areas, which receive up to 40% of all remittances. As for the families who pay high fees to receive money, and who are often forced to travel significant distances, these are generally outside of the financial system, without access to savings, credit, or other means to leverage their remittances.

Most African countries restrict the payment of remittances to banks, which in turn, typically enter into exclusive arrangements with large money transfer companies, like Western Union or Money Gram, to operate on their behalf. This results in limited competition and limited access for consumers, which is graphically illustrated by the fact that one country with a very competitive remittance market – Mexico – has as many pay-out locations as the entire continent of Africa, which has ten times the population.

Improving legal and regulatory frameworks by opening up remittance markets to non-bank financial institutions could have a dramatic positive impact on increasing competition, lowering costs, and improving convenience.

This would in turn expand access to the financial system, thereby providing recipients with more options to save, invest, and use their remittances productively.

Microfinance in Africa

By Sowmyan Jegatheesan

Microfinance provides access to various financial services such as credit, savings, insurance, remittances, leasing to low-income clients including consumers and the self employed, who traditionally lack access to banking and related services. Its main objective is to provide a permanent access to appropriate financial services including insurance, savings, and fund transfer. It is rather an important tool for the eradication of poverty. Poor will be able to deal with emergency and also make significant investment expenditures.

As microfinance becomes more widely accepted and moves into main stream, the supply of services to poor may also increase, improving the efficiency and outreach while lowering the costs. Microfinance must involve the people themselves in examining the problems and creating solutions if it is to be sustainable with those upon whom development is targeted. To meet unsatisfied demand for financial services, a variety of microfinance institutions (MFIs) has emerged over time in Africa.

Needs of Microfinance in Africa

1. Only 6% of Africans borrow to start a business, while 13% borrow to buy food
2. 50% of the population live with less than \$1US or less per day
3. Africa's saving performance over time displays a downturn of saving rates over the past 3 decades
4. High Interest rates make it harder for people to get credit

Key Principles endorsed by the CGAP (Consultative Group to Assist the Poor) and G8 Summit:

- Poor People need a variety of financial services not just loans
- Microfinance is a powerful tool to fight poverty
- Microfinance means building financial systems that serve the poor
- Microfinance can pay for itself and must do so if it is to reach number of people
- Microfinance is about building permanent local financial institutions
- Interest rate ceilings hurt poor people by making it harder for them to get credit
- The role of government is to enable financial services not to provide them directly
- Donor funds complete private capital not compete with it
- The key bottleneck is the shortage of strong institutions and managers
- Microfinance works best when it measures and discloses its performance

Achievements of Microfinance in Africa

- 164 MFIs are the most important
- 500 MFIs belong to AFMIN (The Africa Microfinance Network) with 10 million members

With Respect to WAEMU (West African Economy Monetary Union)

- 700 Institutions
- 5,328 Service points
- 10 million beneficiaries

Types of MFIs

1. Banks
 - Commercial Banks
 - Agricultural Credit Banks
2. Project/State funds
 - International aid programs
 - Para-public organisations
3. Informal Resources
 - Family
 - Tontines
 - Money Lenders
4. Credit & Savings
 - Direct credit
 - Traditional savings
5. Non Government Organisations (NGOs)

The performance of MFIs (Microfinance Institutions) can be judged through their financial viability, and their outreach to poor people. These performances could be influenced by the technical, political and the social factors to combine traditional and modern Microfinance approaches.

Microfinance: How to Make it Successful in Africa

Many approaches have been used, ranging from traditional group based systems, to specialized lending by banks and funded by international NGO intermediaries. Growing linkages between MFIs and the banking system in Africa appear to be mutually beneficial as MFIs rely on banks for a variety of services, including deposit facilities, liquidity management services, and emergency credit lines to cover cash shortfalls in some cases.

OSCAL (Office of the Special Coordinator for Africa and Least developed countries) developed four principles:

- Pooling together people's resources
- Relying and building upon what people know
- Reinforcing microfinance to empower the African private sector

- Striving for efficiency, include maintenance of tools and developing new systems

In last twenty years Africa has made significant advances in understanding and providing financial services to better advance development and eradicate poverty. In 2006, the government of Rwanda ordered to close the country's largest MFI's for bankruptcy due to gross mismanagement of funds and poor credit practises.

In Benin, there are a very small number of bank branches, with just 35 catering to a population of 7 million, and the majority of branches concentrated around the capital. Against this backdrop SLCs (Saving and Loan cooperatives) are the only MFIs that collect savings and service loans to rural and regional areas.

In Guinea, reach of banking sectors is constrained by the limited number of deposit money banks, and credit is concentrated on largest domestic companies. MFIs have started to fill this gap.

In Ghana, MFIs have a strong savings orientation, and a greater role is played by NGOs and RCBs (Rural and Community Banks). Savings and Loans (S&Ls) account for most of the microfinance activities.

In Tanzania, only 6% of the population has a bank account. The primary sources of microfinance services are Savings and Credit Cooperatives (SACCOs), The National Microfinance Bank (NMB), Cooperative and Rural Development Bank (CRDB), Akiba Commercial Bank (ACB). In addition there are few regional and rural banks engaged in deposit-based microfinance operations which lack branch network.

Methods in Microfinance

To maintain a sustainable microfinance enterprise, various methods can be followed. Some of them are listed below.

1. Community based Approach

Many MFIs rely on local communities to support the development of MFIs, outside the formal banking sector. Traditional community-based cooperative groups such as village associations and local groups play a central role in the savings mobilization effort and expansion of other microfinance services. Microfinance seems to be rooted in local culture which is more participatory because clients are more ready to identify with and thus get involved in making financial decisions and actions that shape their lives. The unique features of the approach are:

- Simple and easily adapted framework catering to illiterate group members
- Promotes group solidarity, learning and establish a vehicle for addressing community development issues
- Does not rely on infusion of outside funds
- Does not require physical infrastructure

2. Informal Methods for Financial Intermediation

Various Informal traditional methodologies used by licensed MFIs have been instrumental in mobilizing savings from poor income households and giving them access to financial services.

3. Group formation and Networking

MFIs can use and support with regular meetings to emphasize group solidarity, discipline and consequent repayments. Some of them are commonly focused on women; they may also benefit other social groups.

The efforts of MFIs to work through group schemes yield a wide range of benefits, developed by the Grameen Bank. MFIs that serve groups and communities could empower underprivileged social constituencies to encourage economic development and poverty reduction.

4. Reinforcement of Microfinance to advance African Private Sector

If microfinance has a sustainable impact on poverty eradication, then it must level up as into starting a private sector of entrepreneurs who function in formal economy. It can support inventiveness for direct supply and market linkages to small and medium businesses that target entrepreneurs in non-traditional, low volume but high value-added products in potential role growth areas of economy.

5. Prioritisation of Operational Efficiency

If MFIs are to have a better impact on poverty eradication they must be capable, financially viable institutions that can develop the financial leverage to extend outreach at a sustainable level. Key Principles include:

- Target the poorest of the poor
- Mobilize the Savings
- Charge less interest rates that only cover Operational Costs
- Market Research
- Modernizing and Spread out Operations
- Utilizing Volunteer Staff
- Prioritizing Women
- Develop Monitoring and Assessment Tools
- Investing in Training
- Tackle the problems
- Utilize Pre-Existing Support Organisations
- Evade External Dependency

Table: Overview of African Microfinance

Country	Population (x105)	% population below poverty line	GDP per Capita (\$US)	HDI Ranking	Borrowers from MFI's	Savers from MFI's
Angola	16,100,000	---	2058	162	11,056	27,042
Benin	8,500,000	73.3	508	163	110,728	54,760
Botswana	1,800,000	55.5	5,846	124	0	0
Burkina Faso	13,900,000	71.8	391	176	136,888	515,747
Burundi	7,900,000	87.6	106	167	10,272	2,796
Cameroon	17,800,000	50.6	1,034	144	86,289	360,738
Cape Verde	500,000	---	102	---	0	0
Chad	10,100,000	64.0	561	170	15,348	53,118
C.A.R	4,200,000	84.0	339	171	2,176	34,724
Comoros	800,000	---	654	134	---	---
Congo	3,500,000	---	1,273	139	2,719	20,398
Congo DR	58,700,000	---	123	168	196,244	569,200
Cote d'Ivoire	18,500,000	48.8	900	166	5,117	17,196
Djibouti	800,000	---	894	149	---	---
Equat. Guinea	500,000	---	6,416	127	---	---
Eritrea	4,500,000	53.0	220	157	---	---
Ethiopia	79,000,000	77.8	157	169	1,795,559	856,903
Gabon	1,300,000	---	5,821	119	65	1,578
Gambia	1,600,000	82.9	304	155	574	8,825
Ghana	22,500,000	78.5	485	135	213,341	361,323
Guinea	900,000	40.0	350	160	99,105	65,470
Guinea-Bissau	1,600,000	---	190	175	---	---
Kenya	35,600,000	58.3	547	148	857,953	3,142,155
Lesotho	2,000,000	56.1	808	138	---	---
Liberia	3,442,000	---	---	---	2,711	0

Madagascar	18,600,000	85.1	271	143	28,815	157,806
Malawi	13,200,000	62.9	161	164	60,536	147,405
Mali	11,600,000	72.1	392	173	194,649	382,233
Mauritania	3,000,000	63.1	605	137	---	---
Mauritius	1,200,000	65.0	5,059	---	---	---
Mozambique	20,500,000	74.1	335	172	49,327	91,567
Namibia	2,000,000	55.8	3,016	125	---	---
Niger	13,300,000	85.8	244	174	97,495	141,372
Nigeria	141,400,000	92.4	752	158	404,683	181,610
Rwanda	9,200,000	87.8	238	161	39,000	39,563
SaoTome&Principe	200,000	---	451	123	0	0
Senegal	11,800,000	56.2	707	156	206,125	524,428
Seychelles	100,000	50.0	8,209	---	---	---
Sierra Leone	5,600,000	74.5	216	177	10,318	6,264
Somalia	8,196,000	---	---	---	---	---
South Africa	47,900,000	34.1	5,109	121	636,387	837,700
Swaziland	1,100,000	77.8	2,414	141	14,430	0
Tanzania	38,500,000	89.9	316	159	238,613	0
Togo	6,200,000	32.2	358	152	88,964	318,952
Uganda	28,900,000	37.7	303	154	207,200	614,494
Zambia	11,500,000	87.2	623	165	14,354	0
Zimbabwe	13,100,000	83.0	259	151	---	---

Financial Needs of Entrepreneurs in Africa

Most African small business operators lack an adequate understanding of what it takes to be successful entrepreneurs. They lack necessary technical management skills and confidence, personal ambition and willingness, and through fear of sharing ownership frequently fail to form what could be successful and growing partnerships.

What follows are some basic tips to help entrepreneurs more effectively handle their finance management, particularly concerning microfinance activities. These will help

to expand the scope of businesses, allowing them to scale-up to reach the global community.

- Acknowledge and Empower African People
- Set up Realistic Expectations
- Perform Research
- Approve Plans Supporting Microfinance Infrastructure
- Start a Supportive Legal Environment
- Develop Monitoring and Assessment Tools
- Change the Public Structures
- Encourage Microenterprise Initiatives
- Reinforce Staff Training
- Utilize pre-existing Institutions such as Postal Savings Banks (PSB)
- Encourage Networking and Cooperation

African governments, rather than viewing local entrepreneurs and capitalists as social threats, or passive owners dictated by external forces, should consider them as potential creators of wealth, and transformers of the same environment in which they fight to exist.

Government leaders should adopt national development strategies that generate an investment environment conducive to long term business activities. This type of environment can attract a flow of better educated professionals, administrators and technicians into private business.

In Africa, Entrepreneurs:

- Must set high standards of personal achievements and strive to attain them
- Should maintain considerable ingenuity and possess business skills
- Should take tremendous risks in experimenting with new ideas
- Should be ready to move away from the present “Profit for self and family” attitude to “Profit for business growth” philosophy
- Must utilize higher levels of technology with proper training and specialization
- Must obtain greater degrees of organisational competence and delegate responsibility
- Must establish more impersonal systems of control
- Must encourage wide range marketing

Some of the elements to be considered for a start-up of an Enterprise

- The nature of the enterprise must be appropriate in economic, social and environmental terms
- Enterprise policies must be flexible to facilitate local circumstances
- It should involve features that go beyond traditional enterprise policy
- They should have special policies and programs for the development and channelling of entrepreneurial talent

Some of the Problems faced by the Entrepreneurs and the possible solutions are described below:

1. Technical Assistance
 - High Costs
 - Few Support Institutions
 - National trainers/counsellors can be prepared
 - Implementation of successful experiences
 - Development of institutions for support services of technical kind
2. Entrepreneurial Attitude
 - Tendency towards isolation
 - Lack of organisation and integration
 - Entrepreneurial training and preparation of young people
 - Support to and cooperation with existing entrepreneurial associations
3. Financing
 - Limited access to financing, both for start up and expanding
 - Lack of endorsement and guarantees
 - Association-grouping
4. Policy and Enabling Environment
 - Excessive regulations and formalities
 - Political and economic instability
 - Identification of specific obstacles
 - Recommendations for change and environment within these areas
 - Adaptation of legal framework
5. Market
 - Problems in acquisition of inputs
 - Lack of expertise in domestic and external marketing
 - Vertical Integration
 - Information links, regional and international links

Banking

Banks have a central role in financial sector development, by connecting savers and entrepreneurs, reducing risk for both parties, making funding available to the market, and reducing barriers to entry. Effective banking systems expand opportunities for large, small, and micro-enterprises, providing essential services in safeguarding savings and backing loans.

African countries differ in the development of their banking sectors, which range from world-class to infant, although most are small by global standards. The lack of economies of scale is linked to inefficiencies, insufficient expertise, dated technology, and limited services catering primarily to urban centres.

African banks have significant development opportunities compared with other developing regions, with less than 20% of African adults holding a bank account, compared to 30-50% in other developing regions. This is attributed to high fees, low branch penetration, and excessive documentation required for opening accounts.

African banks are characterized by high overhead costs, limited risk diversification, weak frameworks, political volatility, and insufficient competition to encourage growth. Vast improvements have been made during the past decade, particularly in increasing efficiency and accountability systems.

Mobile Banking

The low density of bank branches or ATMs has left many Africans with few options, if any, for accessing banking services or transferring money. Branchless banking, known as Mobile or m-Banking, refers to the delivery of banking services through mobile phones, which are less bound by the limitations of physical infrastructure.

Mobile phones have unique features that make them a close substitute to other banking channels, while maintaining their broad access advantages. Inherent functionalities and portability has seen the mobile phone emerge as a possible lower-cost alternative to banking via internet, ATM, or point-of-sale.

Mobile banking business models range from banks providing additional mobile services to existing customers, to utilizing a network of mobile agents in lieu of branches, both of which serve to reduce delivery costs by limiting bank participation.

The potential of mobile banking is increased by the exponential growth in mobile penetration rates across Africa. Averaged across the continent, 40% of consumers have access to a mobile phone, while only 20% have access to finance.

Nonetheless, uncertainties remain over the implications of mobile banking, ranging from regulatory approaches, security concerns, lack of human interfaces, speed of service, affordability of transactions, the effect on the retail sector, and the potential to reach the financially excluded.

Capital Markets

Deep, transparent, and accessible capital markets are a vital element of the financial sector. As a vehicle for long-term investment finance and for diversification of funding sources, capital markets strengthen the overall economy and render it more resilient in the face of economic shocks.

African financial markets are dominated by banks, but capital markets are slowly developing and are beginning to play an increasingly important role. Since 1989 the number of active stock exchanges has increased from five (South Africa, Zimbabwe, Kenya, Nigeria and Uganda) to seventeen. However, only a few – most notably the Johannesburg Stock Exchange – are active and well developed. Stock market capitalization remains low and, with the exception of Nigeria and South Africa, sub-Saharan stock exchanges are characterized by low numbers of listed companies.

Capital market regulation differs widely across Africa, as legislation and regulatory structures vary according to local market conditions and historical backgrounds. In some countries, regulation falls into the central bank's regulatory powers; in others, it is the ministry of finance or an independent authority.

Domestic institutional investors (such as banks, insurance companies, pension funds) and local private investors dominate the investor base in African markets. Boosted by social security reforms, pension funds and insurance companies are looking to channel increasing amounts of long-term savings into the markets.

Improving financial literacy and good return prospects will foster increased participation of domestic private investors, as well as the African Diaspora. From an international perspective, most of the continent's markets are considered to be frontiers, with high returns, high risks, and low liquidity.

Russian Funds Invest in African Futures

The Pan African Fund and the Sub-Saharan Fund were launched by Russian-based investment bank Renaissance Capital, to capitalize on the continent's rapid growth and strong financial potential.

African markets have a number of appealing qualities to investors:

- Incredibly cheap entry points for investment
- Broad-based GDP growth
- Substantial political change and increasing stability
- Improving government transparency and control

While African growth is seen as being commodity-based, in reality it accounts for just a third of growth opportunities. The major attraction to foreign investors in the new century has been the African consumer, and the large, relatively untapped market that they represent.

Institutional Investors

Pension funds, insurance companies and collective investment schemes are collectively known as "institutional investors". Institutional investors mobilise the savings of individuals, pool them together and invest them to provide specific outcomes – income in retirement, protection against risks and savings, respectively.

Institutional investors have become major players in the financial markets, as they accumulate contributions or premiums over time, with substantial investments in equities and bonds. Institutional investors help promote the development of capital markets by helping people to use their savings efficiently and by providing funds to governments and companies who need them to finance deficits or expansion.

Collective Investment Schemes

A collective investment scheme, often called a mutual fund, is a way for investors to pool their money together and participate in capital markets by buying into a diversified, professionally managed portfolio. Collective investment industries are in their advanced stages of development in South Africa and in Mauritius, the latter of which is an international financial centre. Collective investment schemes are also available to investors in other countries such as Botswana, Egypt, Ghana, Kenya, Morocco, Nigeria, Tanzania, Tunisia, Uganda, Zambia and Zimbabwe.

Several legal structures are used, the most common being unit trusts, investment companies, or contractual pools, which all share common characteristics:

- **Diversification** – funds reduce risk by investing in a range of financial instruments, with a minimum required level of diversification being established in fund law or regulation;
- **Professional management** – money raised by funds is invested by a management company that specialises in investment analysis and portfolio management;
- **Transparency** – investors can monitor returns and receive regular reports on the progress of their investment;
- **Ease of administration** – the company that manages the fund takes all the decisions and carries out all administrative procedures;
- **Market valuation** – the shares or units are valued at current market values at stated intervals and published so investors can regularly monitor the value of their investment.

If the fund has a fixed number of shares or units in issue (a closed-ended fund) and listed on a stock exchange, investors can sell their units or shares on that exchange; or, if the fund has an unlimited number of shares or units (an open-ended fund) investors can ask the management company to redeem their units in the fund. Such funds redeem at regular intervals, often daily.

Financial Crisis Management

In the wake of reduced global growth, GDP growth in the continent declined to 2.9% in 2009, just over half of the 5.6% expected before the crisis. Many African countries postponed plans to tap international markets for financing their growth plans and capital investments.

The early effects of the crisis were evident in reduced capital inflows, with major markets such as Nigeria and South Africa experiencing larger net outflows than inflows. Remittances are estimated to have declined between 4.5% and 8% during 2009. While some measure of recovery has since taken place, equity markets have fallen substantially – the Merrill Lynch Africa Lions Index, accounting for 15 African countries, dropped 70% between March and December in 2008.

In response to the crisis, African countries established the Committee of 10 (C-10) at a meeting of Ministers of Finance and Governors of Central Banks in 2008. The C10's role is to monitor the impact of the crisis on Africa, assess regional and international responses, and proposals to help mitigate its economic effects.

Micro Insurance

Micro Insurance provides protection against specific perils to low-income groups, who have often been ignored or excluded by mainstream commercial and social insurance schemes. It does not refer to the size of the risk or the risk carrier.

Illness or Death coverage are the prime Micro Insurance products in Africa, although schemes also cover loss of property, damage to crops, or natural disasters. Micro Insurance offers a means to manage risk, and provides some measure of reinsurance to low-income households, which are often more vulnerable to crises but unlikely to have sufficient resources to cope with them.

Appropriate cover, simple products, manageable premiums, suitable delivery channels, and convenient premium collection methods are key drivers in reducing the vulnerability of low-income earners. Microfinance institutions play a significant role in Micro Insurance, working alongside NGO's, trade unions, and community-based organizations who also offer a limited range of services.

There are large numbers of health-related schemes in West and Central Africa, but an almost total absence of Micro Insurance in North Africa. South Africa, by contrast, has one of the world's highest rates of insurance among the low-income population, much of it related to funeral cover.

Burial Society Funeral Insurance

Burial Societies are aimed at ensuring sufficient funds are available to cover funeral expenses. An estimated 28% of South Africa's population, and 21% in the SACU (Southern African Countries Union), are part of a burial society, which operates on the contributions of its voluntary subscribers.

Islamic Finance, Banking, and Insurance

Islamic finance is structured in compliance with Shariah law. It encompasses the same range of standard financial products and services, with some key additions

and style differences. Personal and corporate banking, insurance, capital market securities, investment funds, and microfinance are mainstays, while models for their operation and procedure may differ significantly.

The underlying principles of Islamic finance include:

- **Riba:** the prohibition of usury or interest
- **Gharar:** prohibiting excessive uncertainty (less stringent than Riba)
- **Maysir:** prohibiting gambling activities

In addition to these restrictions are underlying access requirements:

- Assets and investments can only come from Shariah compliant activities
- Finances invested or transactions undertaken must also be compliant
- Transactions must be backed by tangible, identifiable underlying assets
- Risk and profit must be shared between involved partners
- All financial institutions offering Islamic financial products and services must be supervised by a Shariah Supervisory Board

While Islamic finance accounts for only about 1% of global financial assets and systems, it is one of the fastest growing segments of international finance, with growth rates exceeding 20% per annum over the past decade. Islamic assets stood at US \$1 trillion in 2010, and are expected to reach \$1.6 trillion in 2012 and if growth is sustained by 2015 they will reach \$3.8 trillion.

Africa's Islamic Market Potential

Africa is home to over 25% of the global Muslim population, and so features a strong potential demand for Islamic financial services and products. Opportunities exist across the continent to develop and deepen market penetration of Islamic financial services, which are comparatively underdeveloped not just compared to western style banking services but to the presence of Islamic finance in comparative Muslim predominant countries. Islamic finance is currently engaging in increased expansion across the continent, particularly in the North, as well as the East and West coasts.

Islamic financial institutions

Islamic Financial Institutions (IFIs) are however still largely absent from Central and Southern Africa, with the notable exception of South Africa and Mauritius which both feature burgeoning Islamic financial segments. Assets in established Islamic markets such as Egypt and Sudan reached USD 6.3billion and USD7.2billion respectively by end-2008, while several countries such as Nigeria, South Africa and Kenya have intentions to develop their markets into Islamic financial hubs for the continent.

Islamic Banking

Islamic banking is becoming increasingly popular due to its two core tenets, based on sharing profit and loss, and prohibiting usury (the collection and payment of

interest). Islamic banks are the dominant Islamic financial pioneers, holding 75% of global Islamic assets worldwide.

Takaful and Retakaful: Islamic Insurances

Takaful and Retakaful are mutual assistance, burden-sharing, and joint guarantee insurance systems. The number of Takaful companies in Africa remains limited, though they are growing in market share and gross income, sustaining 20%-25% compound annual growth over the last half-decade.

Islamic Capital Markets

Islamic Capital Markets have significantly expanded following the development of Islamic banks, which have paved the way for diverse Islamic services and support agencies, including accounting standards and regulatory bodies. The firms differ from their western counterparts in that Gharar and Maysir prohibit trading in derivatives, although they are making up for this lack of diversity with increasingly sophisticated platforms focused on raising Shariah compliant funds.

Sukuk

Sukuk are Islamic financial certificates, similar to bonds. They have expanded rapidly in international markets, most notably in Malaysia (the world's biggest Sukuk market at 39% share), and the London Stock Exchange (which is the largest in Europe). Sukuk markets in Africa are still limited in very few countries, such as Sudan and The Gambia, while Egypt has announced plans to further development.

Sukuk are structured to place the assets into a Special Purpose Vehicle (SPV), which provides returns based on concrete transactions rather than the generation of interest, which under Sharia law is forbidden.

Islamic Microfinance

Islamic Microfinance offers the potential to significantly expand in Africa's markets, where poor and unbanked households who cannot access conventional financial services account for a large section of the informal market. Islamic microfinance currently accounts for less than 1% of the microfinance market, and even less of the formal financial sector, although it has incredible potential for growth if services are delivered to and accessed by rural consumers.

Section III:

Market Opportunities



Agriculture
& the Seeds
of Growth

Manufacturing
Increasing Market
Linkages



Services
SME Development
& Tourism

Agriculture & the Seeds of Growth

Agriculture is an essential foundation of economic balance and social sustainability. Countries without sufficient and sustainable agriculture industries risk not only food security but national sovereignty, and are left at the whims of international market rates.

Subsistence farming is a significant industry, with over 50% of the population in most African countries relying on it for continued survival. While agriculture helps economies and societies survive, it also functions as an important stepping stone in driving economic growth and developing alternative industries in product development, refinement, and service delivery.

Throughout history, agriculture has been the mainstay industry which led to the establishment, development, and growth of manufacturing and service sectors, many of which initially catered to agricultural goods.

Yet the challenges Africa faces today are unlike any which came before. The established international market competition has limited opportunities for African development, and presented challenges which did not exist when European, American, and even Asian markets entered the field before them.

The climate of lowering prices for agricultural commodities has weakened the bargaining position of African agricultural commodities, and made the transition to integrated, diversified, and fully developed economic structures that much harder.

The challenge today revolves around a clear examination of the present state of agriculture in Africa, and how it can be developed and refined to prosper in the future. There are many ways in which African agricultural sectors and products can be made more successful – from embracing innovative new technologies and methodologies, to reverting to traditional farming methods and indigenous planting varieties.

The ultimate challenge will be how African governments and individual small farmers integrate these ideas into their established systems, and if successful new models for innovative, SME farming enterprises can be developed on a large scale.

The transition need not be from small-scale to large. Indeed, a number of innovative designs have shown that small family enterprises, which are common across Africa, have strengths which have remained largely underdeveloped.

By utilising simple, low-cost technological innovations, new approaches to systems including drip irrigation, diversity of plantings and crop rotations, and growing high value specialties as well as staples, small-scale African agriculture could not only compete in the global market, but pioneer new approaches.

A Continent in Crisis: The Next Step Forward

African agriculture is in crisis. Although urbanization is increasing rapidly, agriculture still provides livelihoods for roughly 60% of the continent's active labour force (in some countries it is up to 80%), contributes 17% of Africa's total gross domestic product, and accounts for 40% of its foreign currency earnings.

Farmers' yields have remained stagnant for decades, although total output has risen steadily as a result of expanding cultivation. Growth has barely kept pace with the increasing populations, with food production in particular lagging, and the number of chronically undernourished people increased from 173 million in 1992 to 200 million in 1999 (194 million of which were in sub-Saharan Africa). This growth in hunger has come despite high levels of food imports — costing \$18.7 billion in 2000 alone.

The reasons for stagnation are multiple:

- continuing dependence on uncertain rainfall
- small and dispersed domestic markets
- decline in native crop varieties reducing yields
- prevalence of foreign crop varieties unable to achieve high yields in African soils which do not have the required capacity or combination of nutrients
- instability and decline of world prices for African agricultural exports
- farmers' frequent lack of organization
- lack of rural infrastructure, particularly roads and communications
- neglecting needs of women farmers (who are the primary food producers)
- encroaching spread of HIV/AIDS and its impact on rural areas
- difficulty for farmers to access financial services including loans and insurance

Huge investments are required on a range of fronts, to address these issues and keep agriculture in Africa sustainable and competitive in the global marketplace:

Required investments in African agriculture, 2002-2015	
<i>Activity</i>	<i>US\$ bn</i>
Land and water investment	37
operations and maintenance	32
Rural infrastructure investment	89
operations and maintenance	37
Trade-related capacities	3
National food security	6
Regional food security	1
Research and technology	5
Humanitarian safety nets	42
Total	251
Source: Comprehensive Africa Agriculture Development Programme	

The Role of Government

Investments and Incentives

Government policies in agriculture have been poor, providing weak economic incentives to rural producers. Privatization and other structural adjustments led to an overly hasty state withdrawal from direct production, which in the absence of a strong private sector disrupted production, trade, and farmer support services.

Agriculture is starved of investment, with many African governments devoting less than 1% of budgets to agriculture, and declining donor aid levels shifting from agriculture to other sectors. Worldwide, the aid allocated to primary agriculture declined from \$11 billion in 1990 to \$7.4 billion in 1998, and was especially sharp at the World Bank, which provided 39% of its total lending in 1987, but only 7% in 2000.

Although available financial resources need better management, overall investments in agriculture must drastically increase if Africa is to pull out of crisis. The four pillars highlighted in the CAADP plan (below) require \$251 billion in investments by 2015. The annual average of \$17.9 billion is less than the continent spends on yearly food imports, while it carries the potential (if invested wisely) to increase domestic agricultural yields to sustainable levels, with the opportunity for increased export.

CAADP Plan: Four Pillars To Prosperity

The Comprehensive Africa Agriculture Development Programme (CAADP) has been endorsed by African Heads of State and Governments as a vision for the restoration of agricultural growth, food security, and rural development in Africa.

Its aim is to attain an average annual growth rate of 6 % in agriculture, by directing investment to four interlinked pillars:

1. Sustainable Land and Water Management: extending the area under sustainable land management and reliable water control systems
2. Improving Market Access: improve rural infrastructure and trade-related capacities for market access
3. African Food Security: improve risk management, increase food supply, improve incomes for the poor and reduce hunger and malnutrition
4. African Agricultural Productivity: improve agricultural research, technology dissemination, and adoption, through strengthened knowledge systems to deliver profitable and sustainable technologies farmers can use to sustain agricultural growth.

Rural Education: Cultivating Agriculture's Future

Motivating Farmers

While Africa generally has positive farming conditions, many farmers lack the motivation to farm. Problems lie not only in poor growing technologies, farming machineries, seeds or fertilizer usage, but the fact that many African countries do not have incentive policies to encourage farmers to increase yields by providing infrastructure and at times operational support.

After China's reform and slow opening to global markets in the late 1970's, the country adopted the system of increasing production volume to increase income. The Chinese government subsidized, and still does, some state-owned companies to purchase domestic-grown grains at protective prices, which are higher and more stable than market prices. These incentive measures encourage Chinese farmers to stay in the field, and even though many of these incentives have been cancelled since, the farming community remains strong, partly as a result of earlier support.

This model has the potential to be used effectively in African agricultural development. Farm aid organizations can buy the grains grown by local people at higher prices, and then sell them at lower prices, with the aid funding making up for the losses.

Mary Abukutsa-Onyango: Practical Education

Mary Abukutsa-Onyango is a full Professor of Horticulture at JKUAT in Kenya. Her area of specialization is vegetable crops, and for the last 20 years she has been working on food, nutrition security, and health in Africa by focusing on the potential of indigenous African plants.

"I believe Universities create a wealth of knowledge that has been lying on shelves. This valuable information needs to be translated into development, which can only be done by researchers and the media translating findings and project ideas into a format farmers can use."

m-Agriculture

The International Food Policy Research Institute estimate 65% of sub-Saharan Africa's population relies on subsistence farming. Yields can be highly variable, straining farmers' ability to maintain their livelihoods, or even feed themselves and their families. A key problem is that poor farmers lack access to vital agricultural information, training, and advice: on pests, diseases, and weather; fertilizers, equipment, and farming practices; or trade news and the latest market values.

Mobile connectivity offers an opportunity to bridge this gap, by connecting the farmer with up-to-date agricultural knowledge.

The African Virtual University: Open, Distance eLearning

The increasing presence of mobile technologies and distance education services has provided rural communities and students the opportunity to remain connected to international education institutions, such as the African Virtual University.

Seven African Governments (Kenya, Senegal, Mauritania, Mali, Cote d'Ivoire, Tanzania and Mozambique) established the AVU as a Pan-African Intergovernmental Organization. The AVU aims to increase access to quality higher education and training, through the innovative use of information communication technologies.

It has developed significant experience in the following areas since 1997:

- Delivering programs through information and communication Technologies (Certificate, Diploma, and Degree Programs)
- Building and managing large consortia of African Educational Institutions
- Designing and implementing Multinational eLearning Projects
- Developing African residential and eLearning materials for Partner Institutions
- Establishing state-of-the-art eLearning centres in Partner Institutions
- Training of Partner Institutions staff in eLearning methodologies
- Developing and implementing Open Education Resources (OER) strategy
- Managing a digital Library

The AVU has trained over 40,000 students, and considers its greatest asset “the ability to work across borders and language barriers in Anglophone, Francophone, and Lusophone Africa”. As part of the Pan African eLearning Network, the AVU has more than 53 Partner Institutions in 27 countries.

Roads and Marketplaces

Paved rural roads scarcely exist in Africa. Most produce is taken to market by cart or bicycle, over unpaved roads or by foot, along narrow paths cut through bush. Africa has the lowest density of paved roads for any world region. Out of 1.8 million kilometres of roads in sub-Saharan Africa, only 16% are paved.

Many of the roads that do exist have deteriorated badly, from overuse and poor maintenance. Because of bad road quality, transport costs are higher, which raises the price farmers charge, and ultimately reduces their competitiveness in domestic and international markets. Farmers don't have much incentive to grow more without roads, storage facilities, and other physical infrastructure, yet they also need communications resources to market their crops, gauge accurate pricing and the latest market information, enabling farmers to take advantage of changing market opportunities.

External markets are vital for many African producers of cotton, cocoa, coffee, tea and other exporting cash-crops, yet world market conditions have not been favourable to African farmers. International agricultural prices are volatile, African

exports have restricted access to Northern markets, and high subsidies paid to rich farmers in industrialized countries severely hurt African competitiveness.

Agricultural and Rural Finance

Rural or agricultural finance refers to the range of financial services offered in rural or agricultural areas, catering to small or family enterprises. It covers traditional financial services (such as loans, leases, and banking), while also catering to specific markets such as crop and livestock insurance, covering the entire agricultural value chain - supply, production, processing, distribution, wholesaling, and selling to market.

While the majority of Africa's population live in rural areas, and are dependent on agricultural production, the supply of financial services is inadequate, with an average 5% of domestic resources allocated to the agricultural sector. Reasons include slow and uneven formal entry points, remoteness of rural clients from service providers, institutional reluctance to recognise market potential, and the perception of high-risk, low-return profiles.

Poor infrastructure and dispersed populations raise transaction and information costs, while ownership claims are often difficult to verify, hindering collateral. Subsidized lending programs have obstructed development of sustainable market development, while farmers facing seasonal incomes are exposed to equally significant risks. Price fluctuations, crop failures, pests, diseases, and environmental factors weigh heavily. Seasonal flux requires specialised services, such as longer repayment periods, less frequent repayments, and increased leasing options.

Innovation and improved risk management, in both farmers and providers, have created new practices, include flexible credit schemes, value-chain finance, insurance products, growing financial literacy, mobile technologies,

FAST (The Finance Alliance for Sustainable Trade)
<http://www.fastinternational.org/>

FAST is an international, member-driven non-profit, representing financial institutions and sustainable producers dedicated to the production and trade of sustainable products. Launched in 2007, FAST is a pioneer in bridging the financing gap in agricultural SME finance.

FAST aims to ensure the continued growth of sustainable production and trade by increasing the number of producers in developing nations who successfully access quality trade finance, credit, and risk management tools.

The organisation works to leverage the partnership between lenders to access loan capital to meet ever-growing demand, by developing instruments to help mitigate risk and identify opportunities for streamlining the lending process by sharing best practices.

Grass Roots Community Food Security

Locally coordinated grass-roots Community programs have been developed across the continent to address the most significant constraints to agriculture's revival, working with small-scale farmers, schools, and rural communities to improve natural resource management and food security.

Many small-scale farmers are giving up their fields and moving into towns and urban areas to begin new careers, as a result of the decline in agriculture's profitability, and increasing difficulties in making enough to sustain their families.

Community organisations are aiming to stem the tide, advocating for increased food production, better availability and access, higher quality modelling and promotion of community-led enterprises, and gender-sensitive food and income options, all in an effort to scale-up production.

Small-scale farmers are a critical part of the food security chain, and although innovations have been developed to help increase yields or obtain better technologies or equipment, little of this has filtered through to the farmers.

The issue lies in inefficient or ineffective linkages between the different branches of the agriculture industry, with researchers and scientists operating separately from policy makers, development partners, and donors, failing to make connections and improve strategic relationships.

Community groups are seeking to supplement inefficient or collapsed agricultural extension systems, by implementing aggressive awareness campaigns to connect farmers to teachers, educating small-scale farmers on newest techniques, and making agricultural activities more sustainably viable.

The focus has been on a bottom up approach, advocating professionals in the industry meet with farmers on their land, to exchange ideas, new techniques, and approaches to solutions at the grass-roots level. These direct partnerships aim to boost yields and grow local communities in connection with the wider framework.

Experiments have been made to diversify production, and introduce urban and peri-urban agriculture, as well as aquaponic and hydroponic systems, useful for people with limited land for cultivation.

Food Insecurity

Escalating levels of food insecurity in rural and urban households are caused by both natural and human-induced factors:

- low food production

- low purchasing power
- inefficient agricultural policies
- institutional impediments
- flawed product market mechanisms

Getting More for Less: Innovations in Production

Technology for Development

To successfully boost agricultural output, African farmers must integrate the latest technological and production developments. Currently, only 20% of African cereal crops are sown with improved seeds. Many new varieties of maize and rice have been developed in laboratories, but must be adapted to Africa's environmental conditions. Research shows improved varieties of millet, sorghum and other traditional African grains can also significantly boost yields.

Beyond seeds, farmers need access to animal health remedies, safe pesticides and other inputs, as well as training in agro-forestry and husbandry skills.

African research institutes and extension services currently have very little capacity to engage in new research, or get existing technologies out into farmers' fields. It is partly a problem of finding new ways to generate and handle scientific knowledge, and of integrating farmers more closely in research and dissemination. Researchers must start participating with farmers, listening to what they have to say, changing the way they operate, and blurring the line between research and application.

Changes in functioning and financing are vital. Public spending on agricultural research has largely stagnated since the 1980's, though the private sector offers significant opportunities for rapid developments and innovations of small-scale technologies. By taking a customer-oriented, market-based approach, private sector involvement in creating and disseminating new agricultural technologies has the potential to reach millions of small-scale farmers over a short time frame.

With adequate government resources supporting the framework for industry growth, it will be much easier to build a diverse, integrated system of agricultural research, extension, and education that is responsive, accountable, and above all competitive, in a win-win for farmers, agribusiness, consumers, and government.

Food Aid

Many countries require food aid to supplement locally grown or regionally sourced food supplies, or risk famine. The situation is particularly dire along the east coast, and in 2007 over 40 million tonnes of food aid were required (each) for Chad, Sudan, Uganda, Ethiopia, Kenya, Somalia, Malawi, Zimbabwe, Mozambique, and Madagascar.

The shortage was caused by a range of effects: environmental flooding or drought; economic encroachment of biofuel farming; population growth outstretching food growth; social shifts into the city; and financial difficulties in developing and sustaining farming growth.

Technical Development

Mechanisation

The rate of mechanisation in African agriculture is highly variable. Some nations have embraced mechanisation, with Nigeria, Burkina Faso, and Libya all reporting over 1,000% increase in mechanisation from 1965-2002. Others remain committed to traditional agriculture methods, as in Rwanda where there is a ratio of just 1 tractor per 71,000 agricultural workers.

This distinct lack of advanced mechanisation in African agriculture can actually be a blessing. Wage rates in majority of countries are low, while mechanisation costs are substantially higher, and infrastructure and maintenance industries remain in their infancy.

GM (Genetically Modified) Crops

Aside from a growing GM presence in South Africa, the continent remains largely GM free. While the advantages of genetically modified crops include increased yields from crops which are more resistant to disease, their disadvantages outweigh the benefits, at least in the African context.

Genetically modified crops are expensive to purchase and maintain, particularly for small farmers. They have a tendency to spread, and whilst there may be benefits had in their increase of yields, it rules out potential access to organic markets, which are an important opportunity for small farmers growth in profit and diversity.

Pesticides

Pesticide use is more prevalent, particularly in coastal countries, although the continent as a whole accounts for less than 6% of global sales. Where pesticides are used, the application is generally sparse, unlike in China where farmers use twice as much as advised by government safety standards. This is in part due to lack of access, from financial and infrastructure restraints.

Fertilisers

African countries use less non-organic fertilisers per hectare than any other region in the world. Use is most intensive in the north, and in the south which is increasing. Interestingly, there are differing trends in neighbouring countries – Rwanda and Malawi are showing increases over 100% while Tanzania is declining, and in the west Nigeria is decreasing while Benin and Chad are showing marked increases.

Egypt is the largest country (in landmass) to appear in the top 10 countries in the world for fertiliser use. Egyptians use, on average, over 400kilograms of fertiliser per hectare.

Potential for Organic Markets

Organic markets are growing around the world, particularly in rich developed countries in Europe and North America. Organic produce fetches higher prices compared to industrially processed foods, making it particularly attractive to developing nations. However, although over 80% of farmers in developing countries use low industrialised organic farming methods, they are not officially certified as such.

High value agricultural goods produced in Africa – cocoa on the west coast, tea and coffee in the east – have potential to serve huge organic markets premium products, increasing their revenue and establishing brand recognition.

The Rising Cost of Food

Household expenditure on food is astronomically high in some African countries, with Sierra Leone and Mozambique spending 50% of consumable budgets on food, while in Rwanda it is often over 70%.

Access Issues

Certified Sub-Saharan organic farming is the smallest continent market in the world, despite the fact that the majority of farmers use organic methods. The problem lies in lack of access to certification methods – because infrastructure and industry regulation is haphazard, and small acre farmers are the norm, it is challenging for African farmers to be officially certified, and then to find access to the wealthy markets where demand is highest.

Uganda and Tunisia are continental leaders in this regard. Tunisia in particular is in close geographic proximity to abundant European markets.

Heavily Subsidised Competition

Developed nations in Europe and North America heavily subsidise farmers, hindering unprotected and unsubsidised African farmers' competitiveness. African markets are vulnerable to foreign imports, some of which are tied to aid, while African exports face difficulties in establishing footholds in countries which hamstring their competitiveness by pricing them out of the market.

Urban Farming

There are significant scales of subsistence and commercial urban farming in urban cities, with Bamako in Mali and Nairobi in Kenya home to urban businesses that include milking cows. The industry is a growing concern across the continent, as urban populations increase with the influx of rural migrants, who bring with them the agricultural know-how to work on even the smallest scale plots.

Opportunities for Market Development

Labour Force

One of the greatest strengths of the African agricultural industry is the abundant labour force, most of which is relatively cheap compared to global standards. The continent relies on agriculture as an economic lynchpin, and also as a primary employer, with agriculture employing over 50% of the workforce across half the continent, and the figure rising above 70% on the east coast and in parts of West Africa.

The Role of Women

Women play a crucial role in agricultural production, and account for more than 50% of the workforce, while children also play a significant role, particularly at harvest time or on small family holdings. In Kenya children account for a third of coffee pickers employed.

The Effect of AIDS

AIDS has had a devastating effect across the continent, but the industry hardest hit is agriculture. The loss of labour force brought about by the disease is estimated to rise as high as 20% in Namibia, South Africa, Botswana, and Zimbabwe, while Malawi, Uganda, and Tanzania are expected to lose over 10%. The disease not only devastates families, but also communities, economies, and food security in threatened areas.

Fish Production

Fish stocks are being exploited globally, with over 80% of ocean areas exploited at or beyond sustainable yields. African fish production and exports are relatively small compared to global trends, with Egypt as a leader in the trend, producing over half a million tonnes of fish by aquaculture annually.

Other countries with substantial fish production: Ghana, Algeria, Mauritania, DRC, Angola, and Cameroon

New Farming Methods: Small Plots, Big Diversity

Boosting Yields

African farm yields can be significantly increased through simple methods improving soil fertility, and better utilizing available water. Currently, only 12 million hectares of agricultural land are under managed systems of water and land development. The vast bulk of farmland is left to the weather, including insufficient rainfall and flooding that strips topsoil, as well as unsustainable farming that depletes soil nutrients.

Over 800 million hectares of land are suitable for agriculture, yet 80% of it is seriously limited by factors such as poor soil fertility. Roughly 15% of Africa's soils are categorized as "low nutrient," compared with just 4% in Asia. Every year, depleting soil nutrients causes crop losses estimated at between \$1-3 billion.

These nutrients are not being replaced. Total fertilizer input in sub-Saharan Africa is just 9 kilograms/hectare, compared with 100 in South Asia, 135 in East and Southeast Asia, 73 in Latin America, and 206 in industrialized European countries. If progress is to be made, an integrated approach is required, combining greater use of organic matter and mineral fertilizers, and higher-yielding hybrid seeds.

Small-scale irrigation is another key element, with just 7% of arable land in Africa currently under irrigation (40% of which lies in North Africa). As with fertilizers, Africa's irrigation use is dismal compared with other regions: irrigated farmland in South America is at 10%, in East and Southeast Asia 29%, and in South Asia 41%.

There is a growing need to upgrade and rehabilitate existing large-scale irrigation schemes, and to develop new small-scale ones, particular ones that can reach poor farmers. Through a combined approach, irrigated farmland could increase exponentially over a relatively short period of time, easing food security.

Raising agricultural productivity is essential for reducing rural poverty, stimulating economic growth, increasing foreign trade, and above all combating hunger. One-third of sub-Saharan Africa's population is chronically hungry. Boosting the yields of staple food crops can resolve the issue, while better 'safety nets' put in place by government can protect poor people in times of drought, flood, or war.

China's Agricultural Exchange: Maximising Potential

Since 1993, China Agricultural University (CAU) has been conducting agricultural exchanges with 35 African countries, introducing them to China's agricultural technologies. In 2001, the university launched a program to train African government officials and experts in the agriculture sector.

Between 2003 and 2008, over 4,000 African professionals travelled to China for agriculture courses lasting from 3 weeks to 3 months, bringing back with them a wealth of new ideas and strategies to discuss within local industries.

Preserving Local Food Biodiversity

A 'Brown Revolution' is growing across the continent, among food experts and farmers who favour a rejuvenation of indigenous food, cultivated from domestic biodiversity. The drive has been brought about by a desire to see African agriculture survive, not as a monoculture offshoot of Western crop techniques, but with traditional food production methods and plant varieties that predate Europeans.

With increased education, there is a renewed interest in the diversity that once made indigenous plants a reliable, and nutritious, native food source. Long-term solutions are being sought to affect a lasting revolution in regional agriculture, by integrating traditional agricultural mainstays with modern cultivation varieties and methods, to get the best of both worlds.

Benefits of Native Plants

Traditional varieties have proven to be more resilient to local diseases and strains of common agricultural ailments, as well as being ideal for Africa's unique soil, which has different nutrient compositions from European or North American soils.

After years of being spurned as second rate, and suitable only in times of starvation, or for those at the bottom of the economic ladder, indigenous varieties are now being spurred in cottage industries aimed at simultaneously reducing poverty, increasing yields, enhancing economic performance, and improving rural diets.

Mixed Balance: Old and New

Hot, arid lowlands are ideal for indigenous crops, while cool, damp highlands have proven to be ideal for growing cash crops. By integrating both varieties into farmlands side-by-side, farmers can increase their yields and the diversity of their market segment with a versatile, sustainable production model that insures nutritional security and prosperity.

Traditional crops are also vital in addressing nutrition security, poverty, and health, by being readily available and accessible to grow, for even the poorest farmers who might not be able to afford more intensive cash crop cultivation.

Crusading for Kenya's Native Plants

Mary Abukutsa-Onyango, a Kenyan horticultural scientist, teacher, and researcher, has reintroduced some of the country's 200 vegetable varieties once thought extinct:

"We have over 100 farmers and farmer groups who are trained in all aspects of growing indigenous crops, from seed production to processing, using organic methods. Farmers that do well are taught simple food preservation techniques like drying, which increase shelf-life but retains nutrients, and are linked to supermarkets to sell their vegetables. Because of their extensive training, they are able to pass on their knowledge of indigenous food growing to others in their communities."

Manufacturing

Manufacturing accounts for a very small proportion of GDP in most Sub-Saharan African countries, with manufactured goods constituting only 14% of Africa's exports. Even in South Africa, the continent's industrial powerhouse, manufacturing declined significantly, and its contribution to the total economy is now just 15%.

Challenges facing Africa's manufacturing sector include:

- a shortage of skills
- rigid labour laws (in some countries)
- inadequate electricity supply
- outdated and expensive transport systems
- low levels of productivity
- political instability and corruption

Although Africa has a population of over a billion, many individual country markets are too small for manufacturers to be competitive. Many nations are banding together into 'blocks', sharing trade and development initiatives. Examples include the Southern African Development Community (SADC), the East African Community (EAC), and the Common Market for Eastern and Southern Africa (Comesa).

Roadblocks to Regional Integration

Regional manufacturing integration has promise but remains hindered, primarily due to the gap between policy and practice. Issues include:

- Regulatory Trade Barriers

Distort trade within the bloc, damage competitive advantage in industries, and deter investment in sectors with slim margins dependent on clear regulations

- Infrastructure Bottlenecks

High electricity tariffs and frequent shortages force companies to shift to neighbouring countries with stronger service provisions.

- Slow Implementation of Policy Reform

On diverse issues including customs duties and unions, free movement of labour, and countering corruption at weighbridges and roadblocks

These combined issues force a rise in the cost of inter-regional trade, leading to costly delays of shipments, hinder market expansion, and delay investment. With tariff barriers gone, market access is slowly developing, yet non-tariff barriers remain, which hinder regional integration and growth. In contrast, the removal of internal duties reduces protection against competitors within the region, opening fledgling markets to imports from more developed competitors.

Light Manufacturing: Textiles and Food Processing

Despite underemployment, low wage levels, and favourable trade agreements, including the Africa Growth and Opportunity Act (AGOA), Africa's world market share in light manufacturing is low, and declining. Most African countries do not export or produce simple, locally consumed products, which do not require major investments or skills to produce – reflected in a very low and stagnating share of manufacturing (less than 10% of GDP for most African countries, as compared to more than 30% in East Asia).

This prompts a number of important questions:

- Why are products which are locally consumed not manufactured locally, when they generally require low levels of investment and minimal skills to produce?
- Why does Africa export so few light manufacturing products, given the potential strengths of underdeveloped African markets?
- What will it take for African nations to become competitive in light manufacturing?

Heavy Manufacturing

Africa could benefit from manufacturing bulky products, which are key inputs to other industries, such as cement and fertilizers. It has a competitive advantage in this field due to its abundant raw materials, particularly metals. Some of the main constraints to the development of heavy manufacturing industries in Africa include:

- high cost of capital
- unreliable and costly energy
- cost of importing and maintaining equipment
- trade barriers to competition
- poor market infrastructure

Nevertheless, successful initiatives have taken place in Ivory Coast (cement), Zimbabwe (wood products), and South Africa (fertilizers), and Mozambique (aluminium). These cases focus on the institutional processes which led to these successful ventures, for example a government taskforce enabled Mozal (a major aluminium smelter in Mozambique) to be built in record time, and under budget.

Can Africa become the next China?

In 2000, it was predicted that by 2050 Africa would replace China as the world's manufacturing hub. With factory wages rising in China and other parts of Asia, some multinational companies have considered moving their production plants elsewhere.

Value-adding

Africa has an abundance of primary resources, from minerals to agricultural produce. Most of these are exported for processing abroad, without adding value to their raw material. African nations have few processed exports, as most industrial developments on the continent are in light industries such as textiles and food processing.

Value-adding can significantly increase the productivity and robustness of an economy, and contribute to job creation while diversifying market opportunities and creating linkages between businesses. For example, unrefined Titanium Sand sells for US\$440 a ton, but when processed into Titanium Sponge it sells for \$4,000 a ton. If processed even further as an alloy used in the aircraft industry, the value reaches as much as \$100,000 a ton.

Labour Intensive Manufacturing

Africa is losing ground in labour intensive manufacturing, an industry which is vital as the entry-point in industrial development, and which is particularly important in African nations where cities are growing rapidly, and jobs are required to grow with them. Successful strategies to gain ground in manufacturing will hinge on government support of private firms, steering investment and business activities into industries crucial for long-term economic growth and employment generation.

It also requires improved performance from businesses, particularly in the production of competitive export goods and worker productivity. Labour in African nations is among the most competitively priced in the world, however it comes at a cost of skill deficiencies. If companies wish to expand into value-added manufacturing for export, then labour productivity should be a top priority.

Labour Productivity

Low wages are no longer enough to attract manufacturing firms. The key calculation today is productivity. If productivity is high, wages are increasing. For example, in China or other developed nations, workers participate in higher productivity, and so producing more in less time. This affects a rise in wages, whereas wages for unproductive labour is normally lower, and also less desirable.

A trained workforce is crucial to boost industrial output. Training a workforce to international standards is essential, especially if manufacturing for export to developed nations, where standards of production and packaging are exceptionally high. In addition to a skilled labour force manning the production line, academically educated and institutionally trained line managers and support personnel are also required. Every link in the chain must contribute to maximizing productivity, and if there are any short-falls or skill deficiencies then these have the potential to limit the company's competitiveness in the international market.

Four Reasons Why Africa Is the 'Next Big Thing'

The World Bank gave four reasons why it thinks the continent has “an unprecedented opportunity for transformation and sustained growth.”

1. Until the global economic crisis, economic growth averaged 5% a year for a decade, accelerating to 6% for 2006-8.

Growth was widespread, with 22 non-oil exporters showing 4% or higher growth from 1998-2008. While Africa was badly hit by the crisis, the continent avoided an even worse growth shortfall in 2009, and has rebounded in 2010.

2. Progress on the Millennium Development Goals (MDGs) has been sufficiently rapid that many countries (such as Malawi, Ghana and Ethiopia) are likely to reach most of the goals, if not by 2015 then soon thereafter.

Africa's poverty rate was falling at one percentage point a year, from 59% in 1995 to 50% in 2005. Child mortality rates are declining, HIV/AIDS is stabilizing, and primary completion rates are rising faster in Africa than anywhere else.

3. Africa's private sector is increasingly attracting investment, with much of the funding coming from domestic banks and investors.

Returns to investment in Africa are among the highest in the world. Success of ICT, especially mobile phone penetration, shows how rapidly a sector can grow. Private capital flows are higher than official development assistance (and FDI is higher than in India). China, India and others are investing large sums in Africa.

4. The climate for market-oriented, pro-poor reforms is proving robust.

Although the payoffs to economic reforms fell during the global crisis, policymakers continued with prudent economic policies, even in the face of contradictory policies elsewhere – because the public demanded them. The voice of civil society is increasing, as evidenced by Uwezo on education in Kenya, citizen report cards in Ghana, and the various groups demanding accountability for resource revenues.

The World Bank added that despite optimism,

“African countries still have to tackle persistent, long-term development challenges, such as undiversified production structure, low levels of human capital, poor service delivery, and weak governance, including corruption”.

Manufacturing for Export

Africa's manufacturing growth is more likely to come from breaking into export markets than from going back to domestic monopolies. The problem is how to get firms over the initial hump of competitiveness, as Africa's manufactured exports have thus far been competitively weak:

- Sub-Saharan Africa contains roughly 12% of the world's population
- Its share of global manufacturing exports is less than 1%
- Mauritius, South Africa, Botswana, Swaziland and Namibia are the only Sub-Saharan countries to export over \$100 of manufactured goods per capita
- Most Sub-Saharan countries export less than \$10 per capita
- Mauritius, Madagascar, and Cape Verde are the only countries in which manufactured goods account for more than 30% of total exports
- Sub-Saharan exports average \$36 of manufactured goods per capita
- The comparative average is \$680 in China and \$1,317 in South East Asia

Comparisons with Asia

Asian and African manufacturing sectors differ in their ability to export into world markets. Aside from the level of exports, a crucial difference is the structure of exports. In Asia, the value of manufactured exports exceeds processed commodities, which in turn is greater than primary commodities. In Africa, the hierarchy runs in the opposite direction. It is the value added through processing and manufacturing that generates profit, income and jobs for the domestic economy. The only Sub-Saharan African economy where the hierarchy matches Asia is Mauritius, which is in part modelled on Chinese SEZ models for economic growth.

The Benefits of Export

Economic history points to manufacturing as a key driver of productivity growth, bringing significant improvements in standards of living. Exporting companies tend to be more productive than those focused solely on the domestic market, while exporting economies have increased strength and protection in diversity of markets.

Africa's ability to export manufactured goods, possibly even capital intensive manufactures, will increase as trade restrictions are abolished, regulations streamlined, and infrastructure and labour skill-sets are developed. Macroeconomic and policy uncertainties are more important than lack of credit in holding back investment, making the government's role all the more significant in generating industry advances.

A Strategy for Successful Manufacturing in Africa

Developing manufacturing in Africa will not be as straightforward as it was for Europe, America, or even Asia. The increased competition of integrated global markets, in particular the rise of China to a position of dominance in manufactured goods, means that surviving the competition long enough to grow will be all the more complex without a strong regional strategy in place.

A two-stage approach to planning is required:

1. Narrow the list of possible products, potential export markets, and countries already successful in exporting each product
2. Design and implement knowledge transfer processes to develop these industries by locating and attracting the expertise that will help manage the process of manufacturing development, raising the probability of success

Stage 1: Market Research

Narrowing the List of Countries

The first step involves identifying countries to analyse:

- Identify countries with similar natural resource endowments to the home country, where value is added to domestic resources prior to export
- Identify countries that have succeeded in developing the targeted industry, regardless of the source of raw materials used in the production process.

The option of matching natural resource endowments is probably most appropriate for African countries, which have little to no value-adding manufacturing in place for the continent's abundant wealth in natural resource exports.

Identifying Potential Products

Having shortlisted countries, it is necessary to identify individual products with parallel development potential. It is relatively simple to identify 'downstream manufactures', or primary resources that are able to be refined. More complex is the process of defining how to refine the resource to add the most value and reach the largest foreign markets. For example, any number of products are sugar or rubber based, however there are likely to be just a few with significant market and profit potential.

Pairing Countries with Products

Once the countries of interest and possible products have been determined, additional research is required to gather data on the sources of imports into advanced economies for each product combination.

The focus on advanced economies reflects their position as the largest importers of finished goods, the markets where African-produced manufactures might be able to carve out niche markets which, while small in global market share, would be large relative to African economies' output.

Extensive market analysis is then required to compare potential products and their potential in the country's manufacturing strategy. The first method is to set simple benchmarks: in size of markets, item profitability, ease of manufacture, infrastructure required, global competition levels, or potential for growth.

Utilising a range of analytical measures provides the opportunity to consider the potential of products in comparison to every variable that could make or break the industry, significantly improving the chances of strategic success.

Stage 2: Design and Development

Having identified specific products and economies, knowledge transfer processes need to be developed and implemented to manage production development.

It includes a wide range of tasks to be completed:

- Identifying and developing industry associations
- Liaising with government bodies over legal and regulatory frameworks
- Securing finance services from formal banking institutions
- Garnering investment from individuals, firms, and investors
- Developing management personnel and staff skill-sets
- Developing business structures, strategies, policies, and processes
- Formulating logistical arrangements, particularly in shipping transit
- Liaising with companies in target markets, developing contacts, negotiating pricing structures, formulating trade agreements

Services

SMEs: The Untapped Sector

By Maria Theresita T. Quinto

Small and Medium Enterprises (SMEs) are the key to accelerating a country's economic growth and sustainability. Because SMEs are active in virtually all economic sectors, policy makers, governments and other experts across the world have recognized the sector's role in addressing pressing issues such as unemployment, poverty, income disparities and gender inequality. SMEs' contribution to commercial economic activity is extensive.

In OECD countries, SMEs comprise over 90% of firms, 60 to 70% of employment, contribute 55% to GDP and are the primary generator of new jobs. In emerging markets, SMEs employ around 70 to 80% of the total workforce, comprising 40 to 50% of GDP. In developing countries, this sector makes up more than 90% of companies outside the agricultural sector.

Emerging economies, such as Taiwan, have implemented successful SME models. The operating performance of Taiwan's SMEs was ranked 4th by Switzerland's International Institute for Management Development (IMD) in its 2008 World Competitiveness Yearbook. Taiwan's SMEs account for 97% of all enterprises in the country, making up around 77% of the nation's total employment. Similar successful SME environments can be found in many APEC countries, where the sector constitutes above 60% of firms within these economies.

There is no universal approach to defining micro, small and medium enterprises (MSMEs). However, there are common quantitative parameters used by recognized international organizations to identify this business structure. The most common criteria are the firm's total number of employees, its annual sales and total assets.

In the case of UNIDO (United Nations Industrial Development Organization), the organization includes qualitative factors to differentiate SMEs from large companies. These factors are categorized into the type of management, personnel, the organization, the company's sales position and its buyer relationships, type of production, research development and source of funds. As an example, UNIDO compares an SME to a large company by classifying the former as primarily sourcing its funds from family or self, and the latter generally having access to capital markets or diversifying its ownership structure.

SWOT Analysis: How to Measure and Modify Strengths, Weaknesses, Opportunities, and Threats

By Charles N. Emezi

Business environment is characterized by many challenges and competitions which can be converted to business opportunities by a firm with strategic advantages and resources to tap into the environment. Every business environment can be characterized by its strengths, weaknesses, opportunities and threats, and these make it more competitive or a death trap for unsuspecting investors.

For an investor to profit from his investment in any given situation or country, the need to carry out a SWOT analysis of the proposed business environment is vital and must not be overlooked. Gaining strategic advantage over present and future competitors and ensuring the survival of a business in a hostile environment is one key objective of SWOT analysis.

Nigeria's business environment can be described as a hostile environment. When you look at the business environment from a distance, what you see is a new, unexploited and untapped country, promising opportunities. But in the true sense no Nigeria market or business sector is unexploited or untapped, from telecoms to oil and gas, manufacturing, insurance and banking, agriculture, power, and other related sectors.

The issue is that either the sectors are not being fully exploited, or they have been abandoned for one reason or another. Venturing into Nigeria business environment without a SWOT analysis could be likened to planting a good seed on a rock.

Many small and medium businesses have been declared bankrupt, leading to their liquidation and closing down of their business. Udokwu's (2003) survey of 900 Imo state SMEs shows that most of these SME owners do not study their environment before locating their business.

To present a summary of Nigeria's business environment, this study is designed to focus on the strengths and weaknesses of small and medium enterprises, and the opportunities and threats present in Nigeria's business environment.

Doing Business in Nigeria

Nigeria presents challenges to investors that are unique to its business environment. From government agencies regulatory frameworks to the diverse circumstances in rural and urban landscapes, Nigeria presents a range of alternative environs for potential businesses to study and understand in order to be successful. The criteria listed in this case study are examples of some, but not all, potential issues SMEs face.

Use of SWOT

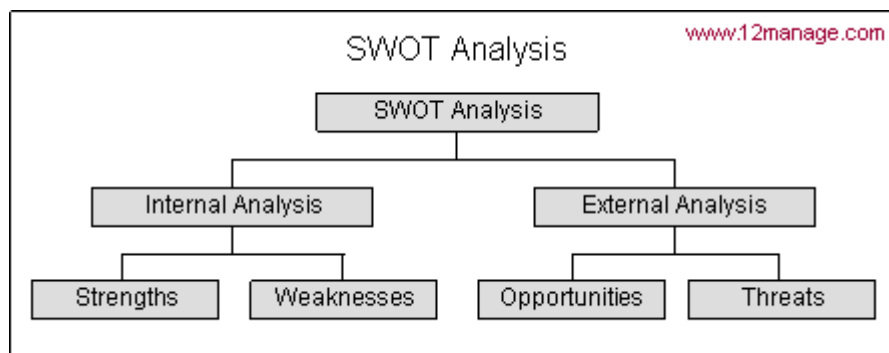
A strengths, weaknesses, opportunities and threats (SWOT) analysis is an environmental scanning tool, and given its success at presenting a good and unbiased assessment of business and its environment, it has gained wide acceptance amongst management scholars. A SWOT analysis examines the organization internally to establish a strategic fit between the organization's resources and the opportunities that exist in the external environment.

Strengths: characteristics of the business or team that give it a strategic advantage over others in the industry.

Weaknesses: characteristics that place the firm at a disadvantage relative to others.

Opportunities: *external* chances to make greater sales or profits in the environment which the organization has the resources to tap.

Threats: *external* elements in the environment that could cause trouble for the business and lead to its liquidation if not properly managed.



When discussing business environment, it must be noted that this involves two parties. The SWOT analysis of Nigeria's business environment involves both organizations that are operating or will be incorporated in Nigeria and the activities of the external environment. The need to understand the strength required for an organization to successfully operate in Nigeria is very vital for its profitability, market standing and positioning. Having a clear profitability profile of the opportunities and threats in the business environment plays a big part in achieving the set goals. Strengths and weaknesses are **internal factors** that create or destroy value. They can include assets, skills, or resources that a company has at its disposal, compared to those of its competitors. They can be measured using internal assessments or external benchmarking.

Opportunities and threats are **external factors** that create or destroy value. A company cannot control them. They emerge from either the competitive dynamics of the industry/market, or from demographic, economic, political, technical, social, legal or cultural factors.

Business Environment

Internal business environment includes factors that the business has control over, including organizational mission, corporate culture, policies, and informal groups within the organization, unions, employees and top management style. External environments are made up of the economic, social-cultural, technological, political, legal/regulatory and international environment.

Iwueke and Agu (2003) summarized Nigeria's business environment as follows: “the extent of government regulation of an individual business as we see in the case of various policies like SFEM, privatization and deregulation playing a major role in the business environment. Such roles can be either favourable or adverse to business operators.

The spill over effect is noticeable in our economic system where high prices of goods and services are the order of the day, coupled with increasing unemployment. For example, privatization of firms leads to unemployment and collapse of such government ministries and the folding of small businesses that service such firms in various ways”.

Strengthening Small and Medium Businesses in Nigeria

According to Egua (2011): “The Federal Government has committed about N75 billion (\$500 million) to boosting of the growth of Small and Medium Enterprises (SMEs) and Small Growing Businesses (SGBs) in the country”.

The intervention fund is to be managed by the Bank of Industry (BOI), and the Central Bank of Nigeria (CBN). N200 billion was established by CBN for the SMEs, out which the CBN announced the release of N130 billion, with the maximum loan amount being N100 million. CBN has also approved the establishment of N200 billion Small and Medium Enterprises Credit Guarantee Scheme (SMECGS) to increase access to finance of SMEs operator in Nigeria.

According to Businessday 2011, Nigeria has been identified as “one of the countries with the highest investment potential, by some of the most influential figures in emerging markets finance, at the Reuters’ Emerging Markets Summit in Sao Paulo in July 2010”.

The SMEs are not the only sector getting government attention; this is the case with other sectors including manufacturing, oil and gas, telecommunication, agriculture and transportation. The government's efforts are channelled toward developing the SMEs as well as large scale industries, although arguably no SME can survive without the presence of larger companies.

Nigeria's business environment also has its share of economic depression, but the speed of its recovery is noteworthy. The strong banking, telecommunications and supportive industries are making Nigeria a potentially enticing location for investors, and a welcoming environment for SMEs.

Strengths

For any organization to operate in Nigeria and stand the test of time, it must have the basic strengths to be able to balance its weaknesses. When taking stock of the strengths needed by an organization to do business in Nigeria, it was discovered that business owners cannot do without the ability to generate electricity, good knowledge of the market/business, information and telecommunication technology and many more. These strengths are presented below:

Generate Electricity

Lack or inadequate power supply to industries in Nigeria has resulted in the bigger companies solely depending on power generating sets for power to run their factories. The issue of power has made doing business in Nigeria very difficult for SMEs and even multinational corporations. The government of Nigeria has drafted a new power master plan to solve the problem of power in Nigeria. But as we can't wait for the master plan to start-up for now, SMEs coming to operate in Nigeria must see the ability to generate power as a strategic advantage, not a weakness, for operating in Nigeria.

Thus, the cost effect on the final price of output is also a factor to be considered. It will result in a higher price of product, making the imported ones cheapest for the market. For any SME to operate and compete in the market it must have a strategic advantage in power generation, not depending on Nigeria's power sector master plan white paper for power. As this has been noted as the main problem of Nigeria's business environment; a good entrepreneur must convert this problem into an advantage to survive.

Basic Knowledge of Business

It is amazing to see people going into business without the basic knowledge of the business/market, and relying solely on their shallow and inadequate experience for competitive advantage. Udokwu's (2003) survey of 900 Imo state SMEs discovered that 89.50% did not have a basic knowledge of business before starting. Given the high rate of advance fee fraud and other related financial crimes, one should not do business in Nigeria without a basic knowledge of business. Having an in-depth knowledge of what it takes to run a particular business is a source of competitive advantage. Nigeria's market being very vast and lucrative, it is not the kind one can venture into with poor or no knowledge of its needs.

Any business that must operate in Nigeria, either local or foreign, should first have accurate information about doing business in Nigeria from the relevant government authorities, such as the Standard Organization of Nigeria, Corporate Affairs Commission, The National Drug Law Enforcement Agency, The Copyright Commission, National Agency for Food and Drug Administration and Control, and others. Consulting registered consultancy firms is also a viable option to consider. Nigeria's market is a mature market. If you want to tap the opportunities or seek understanding of the latest situation in the legal/regulatory environment, Nigeria is initiating various forms of reforms and you must be informed about these.

ICT

The world is now a global village. The speed at which things are done is wonderful; one can't be standing apart from this trend. For any SME to enjoy profitability in Nigeria's business environment, it must have a competitive competency in ICT. Having information to work is not everything. But do you have the strength to organize your information resources to your strategic advantage?

Nigeria's business environment is information driven; if you did not get the right information, at the right time, in the right place, with the right price and right qualities, the business only has only a few hours before liquidation. If SMEs can't build up strength in information technology, Nigeria's business environment will not be of advantage to them.

Product Innovation Skills

Innovation is the development of new products or services to meet marketing objectives, and adding new value to existing products to improve the consumer end value of the products. As previously indicated, Nigeria's market is not a new or unexploited market, but opportunities have not been fully tapped. To enter a market with such a characteristic you don't do what others are doing but start what is totally new to the market. Nigeria market behaviours in general have a strong liking for improved functions in products, so for any SME to operate profitably, it must not settle for turning out the same product quality; there must be an improved function in the product. Product innovation is a pivotal element in Nigeria's markets.

Any SMEs that do not have this strength may hardly break even. It is not all about how bad the system is, but is what you are bringing to the system. When conducting research for this paper, the most frequently given opinion blames business failures on external factors, but the internal factors which they can control are left unattended or not considered. When thinking about Nigeria's business environment, think: what innovation can I contribute to this vast and profitable market? If the result is nothing, please don't lose your capital in this market. Look at another one for strategic competitive advantage. I believe this is a better option.

Superior Technological Skills

No meaningful innovation can be done without superior technological skills, nor are economies of scale possible. Superior technological skills provide mastery of the various technological components that entrepreneurs use in their production processes. Mastery of the production system is one core factor. You may have the latest technology, but if you can't put it to use, it is of little benefit to you. So when I say superior technological skills, I mean master the technology you are using, to the extent that you can find more uses for it. Nigeria's market should not be mistaken as an 'anything goes market'. Nothing goes without the mastery of your technology. Many SMEs make the mistake of buying the most expensive technology without the skills to operate it. I will also advise SMEs to consider how their technical skills are in relation to those of their competitors.

Cost Advantages

Nigeria's market is very price sensitive, and any increase in the price of a product may trigger a negative reaction to the product. Even though Nigeria's market is vast, consumers with little money are a factor that cannot be eliminated, and these set of customers form the majority of the market. This creates a fast reaction to price increases. Many factors are greatly responsible for price increases, including poor power supply, multiple taxation, bad road networks, poor physical infrastructure, high cost or limited access to investment fund, and high cost of communication. One cannot push in totality the final cost to the market.

This is where cost advantages come in. How can you manufacture product at a very low price when compared to competitors? Will you handle your supply source or outsource? Or will you go on mass production, to reduce cost per unit? Cost advantage is one factor still vital to have, as many people live on less than one dollar a day (about 70.2%). SMEs find it difficult to build a strategic advantage in this area, due to lack of finance, information, technical-know-how and poor planning. As an example, speaking with the MD of GENE FARMS (NIG) LTD on the subject of cost advantage, he said that in 1978 when he proposed to start his farm, many farmers were in his region of Northern Nigeria.

The cost of land was high. He was aware that cost advantage is a key factor to doing business in Nigeria and that location also plays a vital role. He therefore moved to Owerri where had land located between two higher institutions (Federal Polytechnic Nekede and Federal University of Technology Owerri) and 15 minutes drive from the state capital. This gave him a cost advantage over the others in the business, and therefore higher profit.

Other SME strengths not covered here include better manufacturing capability, good reward systems, well-conceived functional area strategies, and better advertising campaigns.

Weaknesses

Obsolete Facilities

Operating in Nigeria's business environment, up-to-date facilities are preferable to meet the demands of the market. Working with outdated or second-hand facilities may result into regular breakdown of production processes, resulting in low output and poor performance. Any SMEs that do business in Nigeria must have production facilities that meet the demand of customers in a timely manner.

Lack of Key Skills or Competencies

Every potential success factor should be taken into consideration, and key issues must not be left out. Jumping into business without thoroughly researching the decision is one great disadvantage that should not be ignored. When starting a business all success factors should be researched.

Lack of Managerial Depth and Talent

Lack of strong managerial depth is a weakness never to be associated with. Where this is the case, the best option is to hire a person with the knowledge to run the business and report a profit at the end of the accounting year.

Other potential weaknesses include inability to finance needed changes in strategy, higher overall unit costs relative to key competitors, lack of clear strategic direction and other related factors. Working on these weaknesses to build competitive advantages over others in business is a step for all SMEs to take.

Opportunities

“Nigeria has much in common with Brazil; similar population, abundant resources, an increasingly functional democracy and a well regulated financial system”. Baldwin Berges, managing director of Silk Invest, quoted by Godfrey Obioma (2010). No better testimony can be given for a growing economy. Furthermore, the Report for New Partnership for Africa’s Development (2008), reports the following data:

- Reduction in inflation (5.9% in 2007, from 8.5% in 2006)
- Substantial increase in foreign reserves equivalent to 12 months import cover
- Moderate decline in poverty index from 65.6% in 1996 to 53.4% in 2004
- Considerable decline in external and domestic debt stock, particularly the grant of debt relief with the resultant reduction in the debt service claims on the budget
- Moderate revival of non-oil sectors: in spite of the substantial share of oil in the GDP, Nigeria’s recent growth has been driven by the non-oil sector, which averaged 10% during 2004-2008 compared to 0.54% for the oil sector
- Some successes in the fight against corruption and transparency in governance have contributed to improvement in the country’s sovereign debt rating

These are due largely to effective economic reform, and have impacted on the growth of macro-economic stability.

The lifting of the ban on some products previously on the banned list (toothpicks, cassava, furniture, textiles and cars from 10-15 years old) is a good business opportunity for SMEs. To date, many entrepreneurs will have seen this as an unwise move, but it is a good opportunity to import these products to supplement production capacity and also to outsource production.

However, the tariffs and duties on these products are kept very high in order to ensure cost advantages over imported products. To help encourage competition in the market, it helps to produce standard products. The problem is that many Nigeria entrepreneurs are afraid of foreign competition due to the fact that most of their own products are sub-standard. Given the high rate of unemployment in Nigeria, the government has formulated policies – the National Economic Empowerment Development Strategy - directed at reducing unemployment in various sectors.

A table of these is shown below:

Proposed Sources of Growth and Means of Employment Generation

Sources of growth	Proposed means of employment generation
Agriculture and Rural Development	<ul style="list-style-type: none"> • Productivity enhancement for peasant farmers • New jobs in rural areas arising from improved rural infrastructure. • Increased employment from commercial agriculture.
Manufacturing and SMEs	<ul style="list-style-type: none"> • Increased production through programmes co-ordinated by the Federal and State Governments. • Federal/State collaboration in the development of industrial clusters and parks.
Solid Minerals	<ul style="list-style-type: none"> • Prospective new investments will result in increased mining and exploration activities. • Improvement of infrastructure at mining sites.
Information and Communication Telecommunication	<ul style="list-style-type: none"> • Expansion of telecommunication industry and the coming on board of the second national carrier will generate both direct and indirect employment.
Services (especially tourism)	<ul style="list-style-type: none"> • Increases in distributive trade as a consequence of growth in productive sectors and services. • New focus on tourism will also lead to more direct and indirect employment e.g. the Obudu Cattle Ranch. • Growth in the entertainment industry, particularly export of home video, is expected to lead to increased employment in the sector.
Oil and Gas	<ul style="list-style-type: none"> • Enforcement of the local content policy will lead to more jobs in the sector. • Envisaged growth in the gas sector.
Power	<ul style="list-style-type: none"> • Increased participation of Independent Power Providers (IPPs) will expand productivity and lead to greater demand for both skilled and unskilled workers in the sector.
The Social Services (Education)	<ul style="list-style-type: none"> • Commencement of UBE and increasing growth of private provision of education and skill training.
Works and Housing Construction	<ul style="list-style-type: none"> • Use of public works in the construction of roads and other public utilities especially by state and local governments. • New and continuing boom in housing construction across the country will continue to generate mass employment.
Intervention Schemes	<ul style="list-style-type: none"> • Micro-credit and concessional credit to provide start-up capital for new businesses will generate new jobs.

(Source: Debate to Action)

There are great opportunities presented to SMEs in 2011; all sectors are getting the attention and support needed to provide growth.

To address the problem of finance in small and medium businesses, the government directed all commercial banks to make a provision of 10% of their profit after tax to help the financing of SMEs, and around N40 billion had been raised by 2006. In addition to this, CBN N200 billion industrial intervention funds for SMEs have been opened for all SMEs registered in Nigeria. The requirements are not strict; some of the documents to be submitted to facilitate processing of applications include directors' passport photographs, certificate of incorporation, memorandum and articles of association, board resolution to borrow, valuation on the assets of the company, feasibility report/business plan, audited accounts of the previous year's activities, repayment plan, and risk analyses and mitigation strategies.

Threats

The statement of company Chairman John Holt in his 2000 Annual Report presents the threats of Nigeria's business environment as follows:

“During the year Nigeria witnessed an unsatisfactory growth rate, high rate of unemployment, and low industrial output coupled with poor demand. Energy crises continued unabated. Supply of petroleum products was irregular and serious bottlenecks were created in the production and distribution processes, culminating in increased operating costs. Electricity supply from NEPA was, to say the least, disruptive. Our operating units were forced to rely heavily on power generating facilities requiring an exorbitant spend on diesel. Petroleum products were, in fact, not available during certain times, leading to loss of man-hours and profits. Bank interest rates continued to fluctuate.

Effective rates were prohibitive and our dependence on bank loan facilities meant that the charges impacted adversely on our trading profits. The Naira exchange rate depreciated seriously against the major currencies. Again, this situation had a negative effect on our cost of sales, due largely to the foreign component of our products profile. The company is unable to pay a dividend and as a result, the Board has not recommended any dividend in respect of the year under consideration”.

The report of the New Partnership for Africa's Development (2008), presents some of the drawbacks of Nigeria's business environment as follows:

- A long-standing neglect of some sectors such as agriculture and manufacturing: two critical sectors of the economy capable of impacting positively on Nigeria's development if given adequate attention
- Vulnerability to external shocks in the oil sector with serious consequences for macro-economic stability and socio-economic development
- Multiple taxation
- Soaring inflation, high interest rates, frequent policy reversals and unpredictable government reactions to domestic and international events
- Poor physical infrastructure, burdensome administrative red-tape, an inhospitable institutional environment for business and lack of sustained economic growth

The report also identifies corruption as a major threat to Nigeria's business environment:

- The offering of bribes or inducements in public sector transactions to procure a favour for the person paying the bribe or inducement
- Favouritism
- Embezzlement and diversion of public funds for private gain
- Nepotism, especially in the awarding of government funded contracts for the supply of goods and services
- Smuggling of goods
- Collusion with foreign elements to over-invoice on goods and services supplied to both government and private organizations

These threats exist despite the present government's effort in fighting corruption and providing a peaceful and profitable business environment; many attempts have been made to reduce or eliminate them in totality. These steps, and the overall fight against an unprofitable business climate, has created large pools of business opportunities and an investment-friendly environment for small, medium and large scale businesses in Nigeria.

Tourism

Snapshot

Tourism is a growing industry in Africa, playing an important role in economic and social development strategies. When well managed, the industry creates employment opportunities, develops SMEs enterprises, boosts foreign investment, promotes awareness and understanding between cultures, helps environmental protection, and creates economic linkages with agriculture, light manufacturing and the services sector, as well as breeding a unique informal sector.

Tourism has become a fiercely competitive global business, with competitive advantage no longer determined by the natural resources of a region, but by how these resources are managed, and complemented with man-made innovations driven by science, technology, information, and innovation.

Africa's natural endowment for tourism is exceptional, and the potential for the promotion of tourism is high given its diverse attractions, ranging from safaris and cultural tourism, to leisure and beach holidays. Despite its advantages, many countries in the region have barely developed their tourism potential, and while some have vigorous, well developed industries established (as in Kenya, South Africa, Egypt, and the Seychelles), in others the sector is weak and underdeveloped.

International attention to tourism development in Africa is lagging, even it possesses strong economic potential. Africa faces challenges in marketing its environment for tourism, particularly when in competition with regions such as Europe, where infrastructure is substantially stronger. Nevertheless, Africa has huge potential for growth as a destination, with tremendous diversity in culture, wildlife, and environments.

Tourism's role in development is different from other sectors of the economy. Tourism does not produce goods, and its contribution to development is largely indirect, through small scale businesses and generating employment in service industries. The framework of the industry traditionally requires significant infrastructure to support attractions, primarily facilities, transport, and communications which ease access to tourist areas for visitors.

Tourism infrastructure across most of sub-Saharan Africa is weak, organisation is poor, and revenue is relatively meagre. The majority of tourist arrivals are African nationals returning to visit friends and relatives, business visitors, and those visiting expatriate residents. The vacation or 'leisure tourism' sector remains under-developed, and holds significant potential for growth.

Its role is relatively small in the overall economy, as it is an unstable luxury industry, dependent on external demand which can rapidly and dramatically change due to any number of forces which cannot be controlled. This instability has seen tourism 'hot spots' become ghost towns, leaving behind empty restaurants and hotels, and economically shattered communities.

Issues for Development

Inadequate Industry Infrastructure

The right institutional and structural framework is crucial to tourism's successful development, and particularly at the national level it is important to have a strong plan for overall sector development. The responsibility to formulate, implement, and monitor tourism policy on a co-ordinated national scale rests with the Ministry of Tourism. However, these functions are often hampered by inadequate human and financial resources, which are even more evident at the sub-regional level.

Infrastructure for tourism is critically important given the industry's reliance on it, and the absence of just one infrastructure service can seriously harm the marketability of the tourism product. Transport and information access are as important to potential clients as the availability of water and power. Telecommunications are also vital to market and promote accommodation, entertainment, or business services.

Reliable and affordable transport, particularly by air, is important to the development of any tourist destination, however transport networks that deliver tourists to and from the region are limited, competition is low, and costs are prohibitive. The issue restricts the flow of visitors, particularly middle to lower-income tourists, who while they do not spend as much as high-end visitors, they are more likely to engage in the broader economy and so spread income benefits among a wider business community than they would in a foreign-owned, high end tourist enclave.

There is generally a lack of infrastructure in rural areas, where transport, accommodation, and services restrictions severely limit their ability to participate in the tourism industry, as suppliers of products and services or as tourists themselves.

Inadequate Funding for Tourism Promotion and Development

Access to finance is critical to developing and promoting the tourism industry, furthering its growth and development. Governments have not always had a broad view of the industry's potential, and as a result minimal resources have been devoted to the sector in comparison to other more prevalent market areas.

The true wealth-creating potential of the sector has largely gone unnoticed, by businesses and governments alike, primarily due to the overwhelming presence of foreign-owned models operating on the continent.

To increase revenue and promotion, public-private partnerships and collaboration between governments, the private sector, and local communities are fundamental, though currently lacking. Unless tourism is seen as strategically important to the economy, and the necessary plans, policies, actions and resources are seriously implemented, tourism will continue to be a missed opportunity.

Failure to Establish Cohesive National and Regional Integration

Regional integration of image, products, and services is a 'rising tide that lifts all boats'. Generating inter-country and inter-regional cooperation improves the chances of successfully marketing a 'one-stop destination', where each part contributes to the whole. It also provides opportunities for cross-border development, joint promotion and marketing of shared assets, and an increased flow of investment, skills, and innovation. Standards can also be upgraded by such exchanges, making regions and businesses within them more competitive in the global market.

Government Revenue

Tourism injects foreign exchange into the economy. More importantly, it generates government revenue through taxation, including: customs and excise duties for imports; sales tax and value added tax for goods bought in the local market; accommodation taxes and training levies on hotel guests; concession or rental fees paid by game lodges and camp sites; and trade licenses and company taxes paid by enterprises. The government also charges income tax on the personal earnings of the employees in the tourism sector. However, government tourism revenue is much smaller than accruing to the private sector which controls the industry.

Focus on Enclave Industries and Foreign-based Tourism

The large-scale hotel industry is predominantly foreign-owned in Africa, constituting an enclave with few links to the local economy for the procurement of goods and services. High-end managerial positions are often occupied by expatriates, and full-board tourism packages are entirely sourced from abroad, with minimal revenue streams generated or retained locally. This is compounded by tourism investors benefiting from generous tax incentives, which significantly reduce the taxable income governments can funnel back into improving the system and services.

In addition, the tourism industry is geared towards foreign tourism, with the potential for local tourists largely unexplored due to impediments including price structure, advertising strategies, and the stigma that regional tourists would be unprofitable when compared to foreign consumers.

The magnitude of foreign ownership varies from country to country, diminishing local profitability particularly in smaller, less diversified economies little understood by the outside world. Foreign multinationals have the advantage in coming from the same foreign market as tourism consumers, enabling them to gain a broader customer base through better opportunities for spreading information. The overseas tour operators are in a stronger position in bargaining for a bigger share because they determine the demand for tourism in their countries. These firms arrange all inclusive tours which tend to be cheap, and as such foreign exchange is never really remitted to Kenya.

Weak Local Private Sectors and ICT Penetration

The nature of tourism demand renders local SME's uncompetitive compared to foreign-owned franchises, which are able to capitalize on economies of scale. The real challenge for SME's is to develop marketing strategies that would enable them to link more effectively to overseas consumer markets to sell their products, although their limited resource base makes this hard to achieve. Perceived low rates of return also deter investment, compounded by a lack of information for potential investors.

Over recent years, information and communication technologies (ICTs) and e-business have helped tourism suppliers promote, market, and sell their products and services in the global marketplace. The majority of tourism providers use the internet for e-mail, information searches, and image, product, and service promotion. For example, with e-tourism (Kenya, Madagascar, Rwanda, and Tanzania), tourists are able to make online reservations, bookings, and confirmations. Tourism e-websites also provide information for visitors to aid in trip planning, and to advertise and sell tourism products to visitors once they are already at the destination.

Narrow Choice of Tourism Products

The choice of tourism products in Africa is very limited, yet the natural and cultural endowments both at national and regional levels are huge. In many places, only the beach tourism is developed whilst mountain tourism as well as ecotourism is underdeveloped. Cultural heritage, local gastronomy, and the art and culture scenes are in rudimentary stages of development or are not properly marketed, while infrastructure constraints limit the integration of rural areas into tourist routes.

An important success factor in the development of tourism is effective and creative marketing and promotion of a country. Countries and businesses have an unprecedented opportunity to reach new operators and tourists through the internet, which can reach markets traditional techniques cannot. It is the domain of governments to promote the country and its main attractions, creating an overall image of its assets. Private sector agents may then promote specific tourist attractions, services, and accommodation within the country framework.

Disenfranchised Local Communities

Poor involvement of local communities in the industry diminishes the economic benefits of tourism and its community linkages, as well as limiting the tourist experience itself. The tourism industry can provide unique opportunities for involving local communities in its operations, and in parallel development projects and economic diversification, by empowering and enabling local communities to:

- Participate in decision making
- Benefit from employment opportunities in the industry
- Harness the potential of local procurement of goods and services
- Acquire skills for sustainable development of industries beyond tourism

Employment Opportunities and Linkages

Tourism is a labour-intensive service industry, with sub-sectors employing cultural and tour guides, travel and transport services, activity providers, promotion and marketing, food catering and hospitality. Other tourism-related employment is in entertainment as well as arts, hand-crafts, and retail industries. Tourism has significant linkages to other industries, and indirectly creates additional employment and demand in agriculture (food requirements for visitors), infrastructure (road and hotel construction), finance and banking, and the informal sector (gambling and prostitution, hawkers and street vendors, begging and busking).

These linkages spread the benefits of tourism in a local area, although direct employment in tourism has been criticised for being primarily seasonal and unskilled. Some reports estimate 75% of tourism workers have no formal skills or training for the jobs that they do, a factor which adversely affects their wage levels, job security, and ability to bargain for better working conditions, not to mention their quality of service and productivity.

International tourism in Africa is also highly seasonal, with most European and American tourists visiting during their winter season. Tourist numbers begin to decline in April, and the cycle starts again in August, September and October. Seasonality affects all tourism destinations, particularly beach areas, where during the low season many employees lose their jobs.

Tourism employment is still a relatively new opportunity in Africa, with many people, particularly in remote areas and villages, holding misconceptions about tourism as an industry, and the employment opportunities it can generate. Education is a crucial component in combating these issues, providing better skills and qualifications for those in the industry, and increasing understanding within the community.

Skills Shortages

While the tourism industry has tremendous potential as a job-creator, businesses must retain employees with appropriate skills and experience, to maintain international competitiveness. The quality of service in the tourism industry and related sectors is generally poor, with most staff demonstrating little excitement in delivering service, and businesses unwilling to exert themselves to satisfy the customer.

One of the greatest deficiencies in the tourism industry is the absence of adequate education, training and awareness opportunities. Local entrepreneurs and selected staff require specialised training, while managers must remain aware of industry standards, and the activities of their competitors, foreign and domestic.

There is an urgent need for skills development among customer service representatives, to deliver quality services for tourists, while enhancing the general skills of the local workforce. Strengthening employee skills integrated with industry-wide development will enhance not only the tourism industry's productivity and profitability, but also contribute to growing linkages between industry sectors.

The Way Forward: A Framework for Success

A framework for African tourism development should include:

- Realistic, well defined and articulated tourism policy objectives
- Local involvement and control in tourism development
- Strengthening private-public partnerships for tourism development
- Developing equity in tourism benefits-sharing
- Promoting community tourism awareness campaign
- Building a destination image through marketing and promotional campaigns
- Promoting regional tourism cooperation and integration
- Expanding entrepreneurial initiatives
- Providing adequate financial support and systems for investment opportunities
- Making information on the tourism industry and locales readily available to potential consumers on the Internet
- Developing e-tourism

For the tourism sector in Africa to respond to changing realities in the international tourism market scene, the strategic development of the industry is paramount. This requires cooperation from all concerned – the tourism industry, national governments, the private sector, and above all local communities.

If African nations are to be successful competitors in the international market, standards of excellence must be introduced for their products, particularly for accommodation and services, while regional branding, national niches, and local identities should also be developed and actively promoted.

Management and administration of the sector must improve, with the primary focus for governments on policies that will encourage tourism development. Yet the sector cannot develop without improvements in reducing the costs of travelling, expanding choice, increasing competition, and ensuring personal safety in tourist areas. Governments also need to address human resource development and capacity building, with strong partnerships between the government, the private sector, and local communities that are specifically impacted by tourism.

Pro-poor Tourism Development

Apart from the socio-economic benefits that tourism can generate, it can also be used as a potential tool in fighting against poverty. Poverty wastes people power – human resources and their potential. The poor can help themselves, through income earning opportunities, ready access to means of production, the provision of affordable, basic services and the protection of the law.

This will be achieved, not through temporary relief programmes, but through a deliberate and long-term policy to increase equity of opportunity, ensuring all members of society can participate in the socio-economic development of Africa.

Many poor and remote communities are rich in intangible cultural resources, and are often located near famous landmarks or pristine wilderness. If well combined and integrated into tourism products, these resources can become a powerful tool for reducing poverty levels in poor communities.

Through tourism it is hoped that the remarkable growth rate projected and the higher expenditure profile of tourists will help to generate economic growth, investment and employment and consequently, make an important contribution to poverty reduction.

Pro-poor tourism strategies present an opportunity to place emphasis in tourism development on benefiting the poor and marginalized, as well as to focus on local economic development in ways that benefit the poor.

PPT is not a panacea, but while the strategy is pursued by government, the private sector and local communities, it can provide a way of benefiting the poor by improving their livelihoods and also contribute to national revenues. Effort is required but it is a win-win scenario in which there is much to be gained. Key issues include:

Enabling the Poor Access to the Market

- Physical Location: how to get the poor to tourists, or vice versa
- Economic Elites: how to create links with well established operators
- Social Constraints on Poor Producers: overcoming gender or caste barriers

Enhancing Commercial Viability

- Product Quality And Price: making pro poor products competitive
- Marketing: determining which market to target, with the right approach
- Broader Destination: developing pro-poor tourism in a thriving location

Improving Africa's Image

By Iana Roginska

From the perspective of the tourism industry, Africa can be divided into two groups: the countries of North Africa, and Sub-Saharan Africa. The North African group of countries (comprising of Egypt, Morocco, Tunisia and Canary Islands) are generally inexpensive and are of the mass tourism kind. They are widely known to Russian and Ukrainian tourists. On the other hand, virtually nothing is known about the Sub-Saharan Africa group of countries to the tourists from the former CIS countries.

The tourism industry of Sub-Saharan Africa is the most intensely growing sector of the global economy. While the volume of international tourism in the world grew by only 5.5% in 2010, in the case of Africa, this figure exceeded 10%. More specifically, the growth rate for Mozambique was 37%, for Kenya it was more than 26%, for South Africa 11% and for Seychelles it was 7%.

The main obstacle for tourism in Africa is that the continent is not widely known to tourists as well as travel companies. There is a widely held stereotype that Africa is something negative in terms of health and infrastructure. This is not entirely true. There are many first-class hotels in Africa, including the category of VIP hotels; and many opportunities are available for active and extreme forms of recreation.

African-tourism is developing rapidly, with a rapidly growing demand for beach holidays in Kenya and Tanzania (After the animated film "Madagascar", there is a growing demand on this island as well). The enormous flow of tourism in recent times has been caused by a revolution in Arab North Africa. This may even affect the influx of tourists in Central and Southern Africa, taking into account their vast natural resources, and opportunities for business development in coastal areas.

Some countries, such as Congo, Kenya, and Cote d'Ivoire, haven't been mentioned once in Ukrainian and Russian media coverage of the last two years (not taking into consideration the latest events in Cote d'Ivoire). The media is very interest based, and North Africa is more of an interest to Ukraine and Russia than other parts of the continent. The explanation is simple – historical ties left from the Soviet Union past.

So how do we improve the image of Sub-Saharan countries? The answer lies in changing the international perception of Africa, and in creating the legal infrastructure to attract tourists, while promoting and simplifying the growth and development of SMEs. Small and medium enterprises are the main drivers of change in the economy, and the cornerstone of any development strategy.

There is huge potential for developing tourism infrastructure in Central and Southern African countries, which will lead to creation of new jobs, and ensure tourists that their money is going directly into the pockets of local people and businesses. For example, small family-run hostels and B&B's providing accommodation for foreign tourists. It doesn't matter whether the place is a desert or a beach – there are always ways of attracting tourists. The reasons to come may be different: green tourism, safari, clean beaches, untouched nature, romantic desert, human heritage, and above all cultural experience.

Blogging and social networks have recently become a very popular and cheap way of advertising a country among a select group of people (such as scholars, policy makers, officials, and potential consumers), which can be called “creating a positive image” blogging. The policy can also be used in worldwide media sources – but, very importantly, without using such cliché words or concepts as ‘Darkness’, ‘Safari’, ‘Zanzibar’, ‘Masai’, ‘Zulu’, ‘Zambezi’, ‘Congo’, ‘Nile’, ‘Big’, ‘Sky’, ‘Shadow’, ‘Drum’, ‘Sun’, ‘Bygone’, ‘Timeless’, and especially ‘Primordial’, or ‘Tribal’ (quoting famous article of GRANTA magazine “How to Write About Africa”).

Another way to create positive images is through filmmaking. To make a short-film does not cost much but can bring good results (I’m not talking here about millions of dollars in expenditure on film production). There are few films in Europe about Africa, which have been made by locals expressing their own stories and perceptions.

The media only covers what is unusual and abnormal, rather than aspects of everyday life. There is a huge need, particularly in Africa, for quality journalism, writing not only about what is ‘attractive’ or what is ‘tragic’, but the real, nuanced, detailed, every-day lives of cultures a world away from our own. African countries have a wealth of experiences to give to the international tourist market – they just have to show it.

The Role of Governments and Donors

Land tenure, the regulatory context, planning process, government attitude, and capacity all play an important role in determining if pro-poor tourism strategies can prosper. If governments do not commit to pro-poor tourism development strategies, they will not move beyond the experimental and into the mainstream.

Government can assist pro-poor tourism by:

- Consulting with poor residents when making decisions about tourism
- Providing secure tenure for the poor over tourism land or assets
- Using investment incentives to encourage businesses in pro-poor initiatives
- Encouraging the dispersion of tourism to poor areas, where commercial viability can be demonstrated, through infrastructural investment and marketing
- Revising regulations that impede the poor in employment or small business
- Incorporating pro-poor tourism, rural development and growth strategies
- Catalysing pro-poor tourism, facilitating efforts, and removing obstructions

Individuals and Organisations can encourage development in pro-poor tourism by:

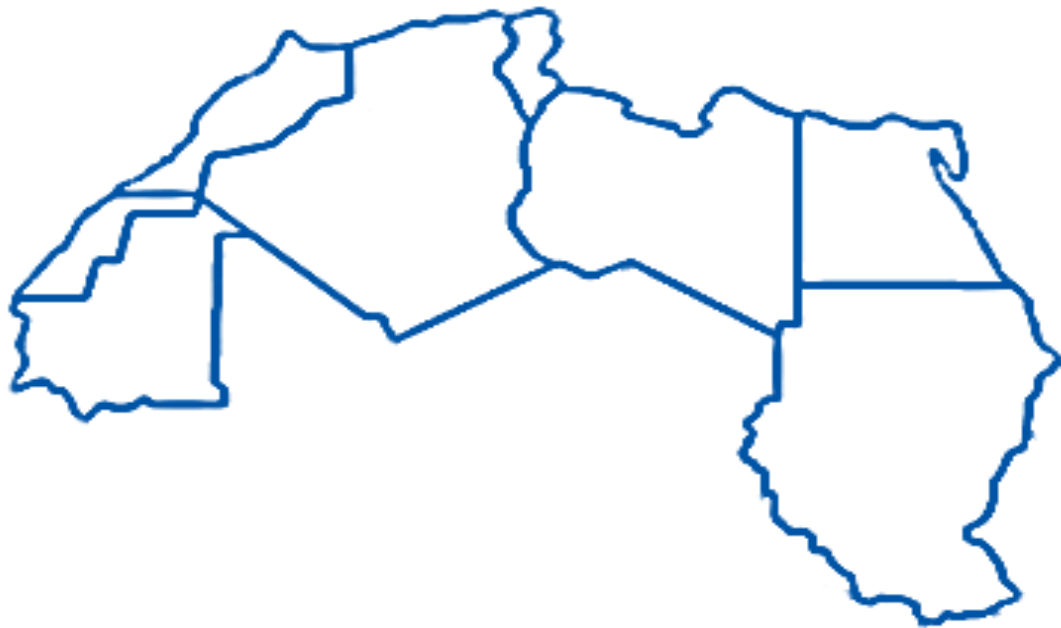
- Supporting tourism development and influencing national tourism plans
- Ensuring tourism consultants are aware of pro-poor tourism issues
- Using pro-poor tourism’s potential to support growth and anti-poverty strategies
- Promoting sustainable pro-poor tourism at the international level
- Funding the implementation and spread of pro-poor tourism strategies

Section IV: Regional Analysis



Northern Africa

Regional Economic Analysis





Snapshot

Population

35 million

Urban **66%**

Youth **13%**

Growth **1.17%**

Capital

Algiers

2.74 million

Growth **2.3%**

GDP

GDP (PPP)

Total **\$263b**

Capita **\$7,179**

GDP (Nominal)

Total **\$192b**

Capita **\$5,245**

Growth **2.7%**

Currency

Algerian Dinar

1US\$ = **72.45**

1Euro = **102.5**

Inflation **4%**

Algeria

Infrastructure

Algerian construction in 2012 remains positive but low-key, as unrest in the region dampens enthusiasm. Rising oil prices are maintaining government funding for infrastructure, while private investor contribution could see 5% growth in 2012, averaging out to 4% annual growth through to 2015. The value of the industry currently stands at \$22 billion, and will expand to 28 billion by 2015.

Key Transport Projects

Algeria's first modern tram network started commercial service in Algiers in 2011. Operating a 7km line and covering 13 stations, it is scheduled to extend to 23km and 38 stations upon completion of two sections which are currently under-construction.

Also completed was the government's Hassi R'mel gas-solar hybrid power plant, the first of its kind on the continent delivering high volumes of power through solar energy. The venture cost over US\$500 million, and was constructed by a joint venture between New Energy Algeria (NEAL) and Spanish company Abener, with Algerian national banks funding 80% of the project.

The Algerian Transport Ministry has announced plans for a new commercial port, to be located between Algiers and Tenes. Part of Algeria's preparations for growth in foreign trade, the new port aims to relieve congestion at existing ports in Tenes, Bejaia, and Oran, while promoting the country as a key international trading hub.

Education and Skills Development

ICT has been integrated into national education programs and strategies for increased literacy. In primary schools, ICT remains limited to administrative and teacher training applications, although universities have been making significant advances in distance and open learning.

E-Learning strategies have been developed to promote public-private partnerships in developing affordable

Taxation

Individual

0-40%

Corporate **25%**

VAT/GST **17%**

infrastructure to facilitate dissemination of knowledge and skill through e-learning platforms. Vast areas of Algeria are still lagging behind, suffering from poor infrastructure and connectivity issues, as well as shortages of learning materials. Rural areas in particular are struggling, as multilingual communities pose a major hurdle to implementing unified large-scale programs.

Industry

Employment

Govt **32%**

Primary **18%**

Secondary **23%**

Tertiary **16%**

Unemployed

9.7%

Communications and Information Systems

Algeria is the largest ICT market in the Euro-Mediterranean, with the sector's recent rapid development supported by a Plan for Growth Support during 2005-2009. The opening of ICT techno parks and training academies have been under development in recent years. There are market opportunities for the construction and operation of communications networks, mobile services, Internet, and parallel development of ICT accessory industries.

GDP Earners

1 Industry

2 Services

3 Agriculture

The Algerian government has established a committee to define a national Information Society Strategy, with aim of encouraging increased use of ICT in business and development processes. The committee's focus is on co-ordinating infrastructure, training, research, and information sectors to develop and implement short, medium, and long-term action plans for ICT growth in the economy.

Indexing

HDI **0.698 (M)**

GINI **38.9%**

EODB **148th**

The level of ICT integration is still ongoing, although radio and television have achieved high penetration, mobile phones are common, and Internet access is rapidly increasing, particularly in urban areas.

Logistics

GLP **2.36**

Economic and Business Analysis

Enabling Trade

GET **3.14**

Algeria is Africa's 2nd largest country (landmass), with the 8th largest natural gas reserve in the world. It is a closed economy with controls on foreign and private investments, and over 30% employed in government. Unemployment was 10% in 2010 (21.5% among young people).

Competitive

GCI **3.96**

In 2010 agricultural production grew by almost 11% compared to 9.2% in 2009. Investment programmes ongoing since 2004 continue to energise the construction sector, posting annual growth rates of 9% to 10%. Production levels in manufacturing industries were lower than expected.

Governance

Indicator

(Avg) **22%**

By contrast the services sector had 26% total added value in 2009, and the market services sector is the second biggest in terms of production and contributor to the creation of national wealth outside the oil and gas sector.

The Algerian economy is forecast to grow by just 2.9% year-on-year (y-o-y) in 2011 and 2012 respectively. While we foresee elevated growth rates in fixed investment and government spending, we expect the country's imports to rise much faster. We maintain our view that the Algerian economy will experience marginal rates of growth over the medium term.

The growth in natural gas revenues has more than made up for the stagnation in oil revenues, helping to support the government's expansionary policy. With hydrocarbon revenues accounting for approximately two-thirds of fiscal revenues, the government's ability to reap increasing returns will be critical both to supporting infrastructure development as well as to responding to signs of public unrest. Fiscal expenditures will most likely be elevated during 2011 and 2012, as the government continues to mollify the public through spending measures, and we project government spending to rise by 6.0% per year in 2011 and 2012 respectively.

The government has launched major reform programs in four key economic areas:

Infrastructure

Infrastructure has been a focus, with major investments in housing and public facilities. Out of \$280 billion spent in 2005-9, over 70% was spent on essential infrastructure, with an additional \$180 billion allocated in 2010.

Industry

The industry strategy is aimed at sectors with high growth potential:

- Primary Resource Processing, such as petrochemicals and other petroleum products, fertilisers, metals, and construction materials
- Upstream Industries, such as agri-business, pharmaceuticals, and electronics
- Underdeveloped Industries, such as renewable energies, automotive, and ICT

Agriculture

By promoting the use of fertilisers, streamlining industry linkages and connecting agri-businesses to viable internal and external market options, the government hopes to boost the productivity of the sector.

Tourism

Algeria's tourism market has significant untapped potential. To maximise growth opportunities, a master plan has been developed, adopting short, medium, and long-term goals for development as part of a grand vision stretching to 2025.

Imports

Major imports are consumer goods and food materials. Import partners are France (22%), Italy (8.6%), China (8.5%), Germany (5.9%), Spain (5.9%), the United States (4.8%), and Turkey (4.5%).

Exports

Petroleum and natural gas, as well as animal products. Top export partners are the U.S (27%), Italy (17%), Spain (10%), France (9%), Canada (8%), and Belgium (4%). Algeria supplies 25% of the E.U's natural gas imports. Government depends on tax revenue from the oil sector, which accounts for over 70% of total budget revenue.

Ease of Doing Business

Algeria's business climate remains constrained by administrative delays, bureaucratic formalities, and a large informal sector. Algeria is modernising its infrastructure and seeking to diversify in an effort to boost economic growth. The economy is heavily reliant on hydrocarbons, although there are increasing efforts to develop agriculture, and service sectors such as tourism and ICT.

Foreign Direct Investment represents a small share of total investment, although one of increasing importance due to its significant impact on the transferring technology and improving innovation. Another key economic objective is to strengthen domestic consumption, moving away from a reliance on imports while increasing export earnings and industries.

Given that technology dissemination requires the anchoring of FDI into the national fabric, Algeria has opted to focus its intervention on the development of partnerships between subsidiaries of transnational organisations operating in the country and locals SMEs; along with downstream connections mainly in highly energy intensive industries and finally training programmes in new techniques or new businesses by foreign companies.

Algeria's new plan of action strengthened this policy, obliging foreign companies to sell to local partners 51% of their participation in investment in the country and 30% of the capital in their import companies. Measures protecting local production and preventing excessive growth, particularly in the pharmaceuticals bill, restrict the import of nearly 400 drugs that can be locally produced.

In order to attract regional investment, Algeria has undertaken a major modernisation program of its industrial zones. From 1999 to 2009, 25 billion Algerian dinars were spent rehabilitating industrial infrastructure, with extra investments in the southern and central highlands. Algeria has sought to establish 14 integrated industrial zones to cluster business growth and remain internationally competitive: 7 multipurpose activity zones; 3 techno parks for ICT, agri-business and electronics; and 4 specialised zones. These new zones will offer international companies all the necessary services including one-stop shop business centre.

Market Opportunities

Petrochemicals, Fertilisers, and Plastics

Algeria's considerable gas resources enable the potential development of downstream value chains, including plastics, rubbers, and fibres valuable to reviving the textile industry. There is also strong demand for petrochemicals, which is a strategic industry catering to external demand as well as internal linkages to plastics, construction materials, and textiles.

Metal, Steel and Building Materials

Major state-funded construction projects have exponentially increased demand for skilled labourers and services, as well as vast sums of materials and equipment. A rapid growth in steel, metals, and myriad other construction materials producers and suppliers has aided market diversity while alleviating unemployment.

Agri-business and Fishing

A National Plan for Agriculture and Rural Development, aimed at reducing dependence on imports and in recognition of the sector's need for investment, has been funded to help grow the sector. A budget of 5 billion dinars was adopted under a similar plan for fishing and aquaculture, while an additional 10 billion Euro of aid for agriculture for the period 2010-2014 has been added. Development projects include:

- establishing integrated agricultural centres
- developing competitiveness poles around agriculture and food
- fostering and embracing food biotechnology
- providing tax benefits, and enabling easier access to credit

Opportunities for investors exist in cereals, milk, potatoes, white and ovine meat for the domestic market, olive oil for export, processing and packaging, the acquisition and repair of fishing equipment, and aquaculture.

Electrical and Electronic Industries

Algeria's electronics industries are primed for innovation, product diversification, and value chains cross-development, acting in response to rising domestic demand. The government aims to reposition Algeria in a more central role in relation to European companies. Traditionally the electrical industry has been limited to assembling imported products, although opportunities are increasing for export.

Electric cables, electronic components, appliances; specialist electronics, and new power technologies (particularly the development of solar panels and portable power stations) are growing market presence.



Snapshot

Population

82 million

Urban **43%**

Youth **15%**

Growth **1.96%**

Capital

Cairo

11.2 million

Growth **2.1%**

GDP

GDP (PPP)

Total **\$508b**

Capita **\$8,361**

GDP (Nominal)

Total **\$231b**

Capita **\$2,892**

Growth **1.2%**

Currency

Pound

1US\$ = **5.97**

1Euro = **8.23**

Inflation **13.3%**

Egypt

Infrastructure

Egypt's transport sector is essential to the country's international trade, and overall economic growth. Over 90% of goods to and from Egypt pass through its ports, while the country is strategically located in the heart of world trade routes, making it a hub for international sea traffic. and astride the Suez Canal, which sees around 15% of global trade traffic.

River transport continues grow and possesses significant untapped potential, and despite development it contributes less than 1% of total internal goods transported. A growing fleet of 330 barges serves only 9 of 50 operating ports within the country, and while the industry is growing it does not compare to the international barge transit rise of over 10%.

Education and Skills Development

Reform is a central agenda for education, with the introduction of the 'Project-Zero' program, aiming to develop educational quality. The program focuses on increasing a student's ability to understand and interact with content, rather than the current system of memorising without absorbing.

The program began in December 2011, and is operational in Al-Azhar schools and universities from Cairo to Alexandria, trialling 10,000 students and 4,000 instructors working at Al-Azhar institute, as well as managers, psychologists, and specialists.

By addressing the biggest challenge to Egypt's education system – the quality of educational instruction – the program has alleviated some of the strain on Egypt's underqualified workforce. However, other issues remain prominent, including overcrowded classrooms, poor attendance, lack of resources and library materials, and underequipped computer and science labs.

Communications and Information Systems

Egypt's Communications Ministry is leading a strategy to lure more global investments to the Egyptian information market. It is hoped that the boom in information and communications outsourcing positions will provide a boost to employment numbers, particularly among young educated professionals.

Taxation

Individual

0-20%

Corporate **20%**

VAT/GST **10%**

Industry

Employment

Govt % **N/A**

Primary **32%**

Secondary **17%**

Tertiary **51%**

Unemployed

12.2%

GDP Earners

1 Services

2 Industry

3 Agriculture

Indexing

HDI **0.644 (M)**

GINI **39.4%**

EODB **110th**

Logistics

GLP **2.61**

Enabling Trade

GET **3.88**

Competitive

GCI **3.85**

Governance

Indicator

(Avg) **42%**

The minister estimates that as a result of initial investments, over LE 150 million, over 25,000 jobs will be created in the next three years. The projects are also expected to bring in almost \$3 billion in revenue within five years, increasing economic growth, government income, and the range of outsourced customer services that Egyptian firms currently provide.

Banking and Financial Services

The Banking industry in Egypt is amongst the oldest and largest in the region. In addition to traditional banking services, Egypt has a thriving specialized market of institutions catering agriculture and rural development.

The Government has been undertaking comprehensive reform strategies over decades, starting in the 1970's when the sector was opened to foreign investment, and in the 1990's when liberalisation was increased. Recent reforms, based on promoting transparency and increasing privatisation, have seen Egypt moving steadily towards becoming the biggest financial centre in the region.

Islamic financial institutions and services are seen as the next big thing, with Egypt's significant and strategic presence connected to Muslim markets in Africa and the Middle East.

Economic and Business Analysis

Egypt has a population of over 80 million, with nearly 25% centred in the capital, Cairo. Egypt's economy opened considerably from 2004 to 2008, when the government pursued economic reforms in an effort to attract foreign investment and facilitate GDP growth. The global financial crisis slowed the reform efforts, while civil unrest dampened the business environment even further.

The budget deficit climbed to over 8% of GDP, while overall GDP growth slowed to 4.5% in 2009, predominately in response to reduced growth in manufacturing, tourism, and other export sectors, as well as temporarily declining Suez Canal revenues.

The government boosted spending on infrastructure and public projects in 2010, and met with some success when exports drove GDP growth to more than 5%. However, it will remain some time before GDP growth returns to pre-global financial crisis levels, when it stood at 7%.

Egypt's economic growth is slowed by significant social issues, particularly in lagging rural services, rising unemployment, and lack of youth opportunities. Despite the relatively high levels of economic growth over the past few years, living conditions for the average Egyptian remain poor.

Egypt's economy is heavily dependent on international trade, and the waterways on which goods are ferried. Geographically and economically bisected by the highly fertile Nile valley, Egypt's wealth is driven by its efficient use of river to bolster trade. There has been consistent, moderate growth in international trade of Egyptian goods, and initiatives to increase internal trade along the river Nile are helping to boost the interior and build on manufacturing industries.

Growing international trade with China, the U.S, and Europe, has expanded Egypt's export markets, in terms of opening its industry to new customer and product opportunities. The increase in the service sector of the economy has been driven by outsourced firms from the U.S and European partners.

Imports

Egypt imports a range of goods – food, wood, fuels, chemicals, machinery, and equipment – from trading partners the U.S 11.8%, China 10.4%, Germany 6.5%, Italy 6.4%, and Saudi Arabia 4.1%.

Exports

Oil and petroleum, cotton and textiles, are the main exports, to the U.S 7.6%, Italy 7.3%, India 6.1%, Spain 5.4%, Saudi Arabia 5.4%, France 4.7%, and Libya 4%.

Ease of Doing Business

Egypt is an entrepreneurs dream, with minimal start-up costs and delays, easy cross border trade, investor protection, and credit systems. Bloated bureaucracy makes filing taxes and property management frustrating, while the recent civil unrest has dampened economic growth and foreign investments, as businesses wait for the political environment to settle.

There remain significant risks for foreign businesses and investors seeking to expand into Egypt. A multiplicity of regulations and regulatory agencies, delays in clearing goods through customs, arbitrary decision-making, high market entry transaction costs, and a commercial court system generally unresponsive to foreign influence can cause troubles. Corruption and fraud can be of serious concern, adding significant inefficiencies to commercial trade.

Market Opportunities

Small Business Services

Egypt's private sector is dominated by small businesses: 93% of the non-agricultural private sector employs one to four people. Many of these businesses lack the skills, knowledge, and resources to implement new approaches or technologies. There are significant opportunities in providing goods or services tailored towards meeting small business needs, and providing expertise in administration, finance, regulatory frameworks, training services, or introducing new technologies to ease processes.

Tourism

As the largest earner of foreign exchange, and employer of more than 10% of Egyptian workers, tourism offers strong expansion possibilities. The Red Sea continues to draw large visitor numbers, along with the Mediterranean coast. There are relatively untapped opportunities in the country's interior, while access to traditional sites, particularly within Egypt, are open to innovative new styles of services and niche markets.

Education & Skills

The government's robust expansion of schools at every level, not only in facilities and infrastructure but in private investment and curriculum development, is a shaping trend through to 2015. Ensuring adequate training and skills for the nation's significant youth population is vital to overall economic growth.

High demand for international accredited tertiary and technical schools, as well as localization and foreign-language development, are increasing trends towards developing Egypt's professional workforce. Postgraduate and corporate training are driving industry growth, ensuring that sectors remain competitive in the global marketplace.



Snapshot

Population

6.59 million

Urban **76%**

Youth **17%**

Growth **2%**

Capital

Tripoli

1.5 million

Growth **2.1%**

GDP

GDP (PPP)

Total **\$90.841b**

Capita **\$13,846**

GDP (Nominal)

Total **\$71.336b**

Capita **\$10,873**

Growth **3.6%**

Currency

Libyan Dinar

1US\$ = **1.22**

1Euro = **1.68**

Inflation **6.1%**

Libya

Infrastructure

Legal structure in Libya is multi-layered, and its banking infrastructure is primitive. Country's physical infrastructure requires upgrading.

Libya is currently embarking on a development program to expand, upgrade and modernize its vital infrastructure and education which are leading to the forefront.

Education and Skills Development

Basic education in Libya is free and compulsory until secondary level. The literacy rate is the highest in North Africa: over 82% of the total population can read and write. However, there is gender disparity, with male literacy at 92% and female literacy at 72%.

The numbers of students enrolled in university, technical, and vocational institutions are rapidly increasing, reflecting a growth in students as well as the total number of institutions of higher education.

Libya's higher education is primarily public financed, with only a small number of private institutions given accreditations. There are some issues regarding skilled manpower, and industries report difficulties in getting skilled labourers. High rates of literacy are simply not enough. There is a great need for more advanced technical training and problem solving in particular sectoral niches.

Communications and Information Systems

The telecommunications sector has grown dramatically, yet available services remain inadequate to meet the country's requirements. Considerable expansion plans aim to increase coverage density from 12% to 37% by 2020, at an estimated cost of \$10 billion.

Privatization of the state monopoly is not intended, although an increased role for foreign investors is expected. France's Alcatel and Finland's Nokia won the contract to develop and construct the Libyan mobile network.

Taxation

Individual

8-15%

Corporate **40%**

VAT/GST **0%**

Industry

Employment

Govt % **N/A**

Primary **15%**

Secondary **24%**

Tertiary **56%**

Unemployed

26%

GDP Earners

1 Industry

2 Services

3 Agriculture

Indexing

HDI **0.760 (H)**

GINI % **N/A**

EODB **N/A**

Logistics

GLP **2.33**

Enabling Trade

GET **N/A**

Competitive

GCI **N/A**

Governance

Indicator

(Avg) **13%**

Banking and Financial Services

Public banks still lack management structures supported by skills in critical areas like credit, investment, risk management, and information and control systems. The country has begun some crucial reforms to attract foreign investments. The opening up of Libya's stock exchange (LSE) to foreign investors marks the beginning of an era which will bring rapid developments in the country's capital markets.

Foreign investors are an important element for the future of the capital markets in Libya. Their input will boost the number of transactions and volumes within the LSE and it is through their activity that the stock market will attract interest from institutional investors. Private equity, venture capital and development funds should be increased and adopted since they act as incentives and provide private listed companies with the best opportunities to benefit from the Libyan economy.

Libya's stock market will earn a higher profile among institutional investors. This development will lead towards better transparency procedures and governance practices that will elevate to international standards.

Economic and Business Analysis

Libya is a country with an 'Upper-Middle Income Economy', depending primarily upon revenues from the petroleum sector, which contributes the majority of export earnings and over half of GDP. High oil revenues and a small population give Libya one of the highest per capita GDPs in Africa, allowing the state to provide an extensive level of social security, particularly in housing and education.

Libya is currently the second-largest crude oil producer in Africa. The country is trying to raise its oil production by nearly three million barrels per day and to raise its gas production by seven billion cubic feet. Foreign direct investments into the oil sector are likely, which is attractive due to its low cost of oil recovery, high oil quality, and proximity to European markets.

Many international oil companies have returned to the country, including oil giants such as Shell and ExxonMobil. Libyan Oil Corporation earns proceeds by awarding licenses to dozens of international oil companies for research and exploration for oil in its territory.

Even though Libya is earning high oil export revenues, gasoline import costs are rising rapidly due to the country's outdated refining sector, and it requires substantial upgrading.

Compared to its neighbours, Libya enjoys a low level of both absolute and relative poverty. The government has carried out economic reforms as part of a broader campaign to reintegrate the country into the global capitalist economy. The country has also begun some market-oriented reforms. Initial steps have included reducing subsidies and announcing plans for privatization.

Authorities have privatized government owned companies in oil refining, tourism and real estate, many of which are now 100% foreign owned. The non-oil manufacturing and construction sectors, accounting for roughly 20% of GDP, have expanded from processing mostly agricultural products to produce petrochemicals, iron, steel and aluminium.

Diversification is an important issue because at current rates of production, Libyan oil reserves are not expected to last beyond the second decade of the next century. Thus, the long-term health of the Libyan economy hinges on developing a self-sustaining nonpetroleum sector. Otherwise, once oil reserves are depleted, the country will become as poor as it was before its current oil boom.

Despite the country's recent economic growth, unemployment remains high. The mismatch of the educational system with market demand has produced a large pool of expatriate workers, with typically better-suited education and higher productivity. However, because of shortages for manual labour, Libya has also attracted important numbers of less skilled immigrants. In addition, Libya's ambiguous legal structure, often-arbitrary decision-making process, large public sector and various structural rigidities have posed impediments to foreign investment and economic growth.

Sustainable growth in Libya should be driven by a number of industrial sectors that tend to radiate skills and capital to the rest of the economy. This process of development will be at its helm strong leadership that ensures that the limited selection of priority sectors receives priority. That means priority in attracting investors, priority in getting access to training, and priority in terms of preferential trading arrangements with other countries – all of this demands assertive government leadership. Leadership that encourages and rewards integrity, transparency, and strong business ethics will be proven particularly successful at catering the sustainable growth.

Imports and Exports

Although agriculture is the second-largest sector in the economy, Libya depends on imports in most foods. Climatic conditions and poor soils severely limit farm output, and domestic food production meets only about 25% of demand. Domestic conditions limit output, while higher incomes and a growing population have caused food consumption to rise. Because of low rainfall levels in Libya, agricultural projects rely on underground water sources. Libya's agricultural sector is a top governmental priority. Projects to build great reservoirs will reduce the country's water shortage

and its dependence on food imports. The Libyan economy depends primarily upon revenues from the oil sector, which contributes about 95% of export earnings, 25% of GDP, and 80% of government revenue.

Ease of Doing Business

Libya's GDP grew due to high oil prices, and increased foreign direct investments. Despite efforts to diversify the economy and encourage private sector participation, extensive controls of prices, credit, trade, and foreign exchange constrain growth. Much of the country's income has been lost to waste, corruption, conventional armaments purchases, and attempts to develop, as well as large donations to developing countries in attempts to increase Libya's influence.

Despite the country's relatively high per capita GDP, mismanagements have led to high inflation and increased import prices, resulting in declining living standards. Reflecting the heritage of the command economy, three quarters of employment is in the public sector, and private investment remains small at for GDP.

Market Opportunities

Libya is a diverse and challenging market, requiring adaptability and persistence. While there are a number of opportunities in this market, there are also major challenges to be managed. Careful planning and patience are the prerequisites for success in this emerging market.

The country's national development plan encourages the establishment of investment projects. As a result, lots of investment opportunities will be available in the country. Libyan reserves in foreign currency are a major factor of attraction for investment companies, which contribute to ensuring long periods of sustainability. The exchange rate is stabilising, and procedures of financial transfers are reforming.

Tourism is on the rise, bringing increased demand for hotel accommodation and for capacity at airports such as Tripoli International. Multi-million dollar renovations of Libyan airports were approved by the government to help meet such demands. Lots of development activities are currently underway through the supervision of Libyan government to increase the figure of tourist arrivals to the country. As a preferred sector for foreign investments, the tourism sector has attracted major investments from companies in the UK, Italy and other countries.

Libya should continue with its efforts to diversify the economy and encourage more private-sector participation in areas like manufacturing and services. The opportunities must be increased for investors to invest in country's increasingly open market. As the country moves forward with its modernization and integration within the global economic system, Libya should offer potentially rich trade opportunities in nearly every sector, including oil and gas, agriculture, telecommunications, education, medical equipment and services and tourism.



Snapshot

Population

3.28 million

Urban **41%**

Youth **23%**

Growth **2.35%**

Capital

Nouakchott

760,000

Growth **2.9%**

GDP

GDP (PPP)

Total **\$7.075b**

Capita **\$2,173**

GDP (Nominal)

Total **\$4.402b**

Capita **\$1,352**

Growth **5.1%**

Currency

Ouguiya

1US\$ = **283.0**

1Euro = **379.0**

Inflation **6.5%**

Mauritania

Infrastructure

Mauritania's infrastructure is lagging behind its neighbours, with regional transport routes dilapidated, an issue exacerbated by the long distances and difficult desert terrain that makes maintenance logistically and financially difficult. Of the nation's roadways, barely 10% are paved, while rail lines service iron ore shipments more than passenger services.

Major power projects are under construction to improve access to energy, including an extension of the Nouakchott electricity grid. Over 50% of household fuel demand is met by firewood, but gas bottles and burners are being distributed to encourage conversion to gas.

The government also plans renovations to the sanitation network, including new rural wells and increasing urban reservoirs. The process is developing alongside improved management procedures in the state-run electricity and water monopoly, in which the government is planning to privatize in order to be more competitive.

Nouakchott Ports and Trade

The primary seaport in Nouakchott receives 85% of the country's imported goods, while the secondary seaport exports fish and iron. The Senegal River caters to three other ports, as well as ferry traffic, and is an essential artery for internal and external trade linkages. The river is also home to the Manantali Dam, which provides 15% of the nation's energy needs.

Education and Skills Development

Before reforms in 1999, two separate systems of education existed in Mauritania –one Arabic, and one French – with little overlap between them. As a result, for the period the system operated, education took up an increasing part of the budget, whilst results continued to decline.

The reformed, streamlined system introduces French at the second year of primary and English at the first year of high school. In addition, almost all Mauritians attend Koranic school between the ages of 4 and 6, to gain rudimentary skills in reading and writing Arabic, in addition to memorizing Koranic verses.

Taxation

Individual

15%

Corporate **25%**

VAT/GST **14%**

Industry

Employment

Govt **2%**

Primary **48%**

Secondary **12%**

Tertiary **27%**

Unemployed

28%

GDP Earners

1 Services

2 Industry

3 Agriculture

Indexing

HDI **0.453 (L)**

GINI **42%**

EODB **159th**

Logistics

GLP **N/A**

Enabling Trade

GET **N/A**

Competitive

GCI **3.20**

Governance

Indicator

(Avg) **23%**

Secondary and technical schools were also reformed, and from the secondary level students can concentrate their studies in specialisations of Islamic Studies, Sciences, or Humanities, tailoring their education to better develop an appropriate skill-set for employment.

Communications and Information Systems

Mauritania has a relatively poor telecommunications system, yet it has undergone considerable expansion since the late 1990s. The first GSM wireless telephone system with 50,000 lines covering the capital was launched in 2000.

Privatization of the former state monopoly OPT (postal and telecommunications company) was launched in 1999 with the intention to create 3 separate units run by private operators.

These have been taken up by primarily foreign-owned enterprises, including Canadian, French, and Tunisian providers. The World Bank has provided additional funding and planning assistance to expand privatisation and increase service access.

Banking and Financial Services

The Mauritanian banking sector shows solid macroeconomic fundamentals, an emerging consumer market, and a growing corporate sector with burgeoning opportunities for growth.

The sector has a reputation for developing innovative Islamic products, such as 'Mourabaha' or housing savings products, and at present demand exceeds supply in the financial services industry.

The financial system includes eleven retail and commercial banks, most of which began as state-investor joint ventures which were progressively privatised.

Mauritania's banking penetration rate is a mere 4.2%, one of the lowest in Africa, and distantly behind its surrounding Maghreb countries, where penetration rates exceed 50%. However, annual growth rates are climbing above 10%, as new international competitors engage in revitalizing the sector.

Economic and Business Analysis

Mauritania forms a geographic and cultural bridge between North and West Africa. Much of the country lies in the Sahara desert, and though half the population still depends on agriculture and livestock for a livelihood, many nomads and subsistence farmers were forced into the cities by recurrent droughts in the 1970s and 1980s.

Population movements during the last quarter of the 20th century increased the size of towns across the country, but mainly at points along the paved transportation arteries that fan east, north, and south from Nouakchott and along the Senegal River. Of the total population, roughly two-thirds live in and around urban centres, while more than two-fifths of Mauritaniens are under age 15, and 75% of the population are under 30.

Fdérík (formerly Fort-Gouraud), situated about 15 miles (25 km) from the mining town of Zouérate, and Nouâdhibou, now the centre of the country's fishing industry and a site for iron-ore exports, act as administrative and economic centres in the north. Most of the towns along the Senegal River, including Kaédi, Bogué, and Rosso, have become thriving urban centres.

The nation's coastal waters are among the richest fishing areas in the world but overexploitation by foreigners threatens this key source of revenue. The country's first deepwater port was constructed by a Chinese firm with China's assistance, and opened near Nouakchott in 1986. The country's mineral wealth includes large reserves of iron ore, copper, and gypsum, all of which are now being exploited, as well as some oil resources.

The Mauritanian economy receives much needed capital investment and technical assistance from abroad, and, in turn, it is sensitive to the vacillations in the world markets. More than three-fourths of the Mauritanian population engages in traditional activities, among which livestock raising is the most important, with goats, sheep, cattle, and camels bred in volume.

Imports and Exports

The relative significance of foreign trade is difficult to estimate because, while imports and exports of the modern sector are well known, there are no statistics for the traditional sector.

Mauritania is known to import from or by way of Senegal quantities of millet, tea, rice, sugar, cotton goods, and hardware, while it exports to Mali and to Senegal cattle, sheep, and goats.

As Mauritania is not self-sufficient in food production, foodstuffs are among the country's most significant imports; machinery and petroleum products are also imported. China, France, Belgium, and Spain are among Mauritania's most important trading partners.

Mauritania has extensive deposits of iron ore, which account for nearly 40% of total exports. The remainder are fish products, mineral resources (gold and copper), and some petroleum. China is a key export partner, accounting for over 40% of Mauritania's total.

Immediately following the start of production in 2006, petroleum was the most important export product, although since then, iron ore and fish and fish products have reasserted their former dominance among export products.

Ease of Doing Business

Almost half of labourers work in agriculture, animal husbandry, or fishing. Only 25% of labourers are employed in regular salaried positions, most of those by the government, while the majority support themselves on a subsistence basis.

The state imposes indirect taxes on imports, a turnover tax, a service tax, and taxes on cattle, vehicles, wages, and profits from industrial and commercial concerns. Tax exemptions are used by the government to encourage investment in target areas. Tax laws are not universally respected, however, and the failure by employees in many positions to pay taxes deprives the government of sizable revenue.

The largest challenges to business in Mauritania are the level and quality of physical infrastructure, which must be improved dramatically. Lack of public service efficiencies, underequipped financial support, and diminished access to essentials, are core issues but also opportunities for private investment.

Recent reforms have significantly eased construction restraints, will minor amendments to trade and property processes. It still remains a challenging environment for business start-ups and credit access, although FDI opportunities are slowly improving. A new investment code in 2001 improved the opportunities for direct foreign investment. Oil prospects, while initially promising, have largely failed to materialize, and the government has placed a priority on attracting private investment to spur economic growth.

Market Opportunities

Many sectors hold strong and competitive growth prospects, from large-scale sectors such as banking, oil, gas, and mining, to SME opportunities in agriculture, cattle breeding, and tourism.

Services

Almost 40% of the current labour force are employed in the services sector, while the country has excellent potential to expand its tourism base. In 2002 it announced a 10-year plan to promote tourism, and has since expanded until 2015 a range of initiatives to make service industries more appealing to foreign investors.

Agriculture

The aim of successive governments has been to increase the amount of irrigated land and the production of rice, which Mauritania imports in large quantities. This coincides with more recent initiatives to expand the production of vegetables and grains, diversifying the nation's agricultural base, while increasing the quality of agricultural specialties such as dates.

Fishing

Mauritania's Lévrier Bay is among the world's richest fishing reserves, however ongoing heavy fishing has raised concerns about depletion. Mauritania has reformed fishing policies internally and with the international community, to limit overfishing and protect the industry for future development. Fish farming is on the increase.

Manufacturing

Manufacturing is focused on mining and fishing industries and associated products, with small food-processing and construction manufactures providing minimal diversity. Although the sector is ripe for expansion with the country's strategic location and youthful workforce, infrastructure issues continue to impede the development of all but the most innovative ventures.

Resources

Decades of oil prospecting, at on- and offshore sites, continues despite minimal profitable enterprise opportunities. Iron exploitation has fared better, and whilst it peaked in the 1970's and 80's, it has remained a significant export product, with a strong impact on the nation's economy. Copper deposits are extensive, while developments have also been made in extracting gold, gypsum, phosphates, and salt.



Snapshot

Population

31.9 million

Urban **58%**

Youth **14%**

Growth **1%**

Capital

Rabat

1.89 million

Growth **2.1%**

GDP

GDP (PPP)

Total **\$159b**

Capita **\$4,940**

GDP (Nominal)

Total **\$100b**

Capita **\$3,117**

Growth **4.6%**

Currency

Dirham

1US\$ = **8.16**

1Euro = **11.22**

Inflation **1.9%**

Morocco

Infrastructure

Morocco is one of the most highly developed nations in Africa. It has a road network almost 10 times larger than many of its neighbours, with over 30,000 kilometres of paved primary and secondary roads. Despite its advanced infrastructure, the nation still suffers from congestions, especially in urban areas, due to the growing number of traffic.

Railways play an important role in transporting natural resources, such as phosphates and their derivatives, and there are plans currently underway to modernize the system. Rabat's 24 ports handle almost all of the Morocco's foreign trade, while the Port of Casablanca is world-class and the second largest in Africa.

Education and Skills Development

Education in Morocco is the strongest in the region, with established urban institutions running successful programs for decades, and significant improvements being made in providing access and quality to rural services.

Lycée Lyautey: Training the Leaders of Tomorrow

Lycée Lyautey in Casablanca is one of the most multicultural, and competitive, schools in Morocco and the Maghreb. The Lycée has a very strong reputation: 96.51% of the class of 2008 passed the baccalaureate general, with 13% of the students passing with the highest honours. The school offers standard secondary studies in Mathematics, Sciences, and Humanities, as well as 6 Language options, and additional advanced courses in Literature, Philosophy, Economics, Sociology, and Management.

Ain Leuh: A Mountain Boarding School for Rural Girls

In the Atlas mountains in central Morocco, a boarding school takes in young girls from isolated villages in a bid to fight poverty and illiteracy. There are more than 300 such schools in Morocco, with another 30 planned for construction next year. They are now both home and class to almost 16,700 girls, over 70% of who come from rural families and are living far from home. The criteria for admission to the dormitory are simple and clear: poverty and remoteness.

Taxation

Individual

10-38%

Corporate **30%**

VAT/GST **20%**

Industry

Employment

Govt % **N/A**

Primary **42%**

Secondary **19%**

Tertiary **36%**

Unemployed

9.2%

GDP Earners

1 Services

2 Industry

3 Agriculture

Indexing

HDI **0.582 (M)**

GINI **40.9%**

EODB **94th**

Logistics

GLP **N/A**

Enabling Trade

GET **3.90**

Competitive

GCI **4.16**

Governance

Indicator

(Avg) **47%**

A committee studies requests and the girls are swiftly selected on the basis of these two criteria. The dormitory has taken in 35 young women, just a little way from the school they attend each day.

In conservative rural zones, only one out of every two girls finishes middle school and only two out of every 10 goes to high school. The king promoted the boarding schools soon after he took power, though it is financed jointly by the ministry of social development and a local NGO, the Islamic Association of Charity (AIB).

In spite of difficulties, the results are promising, with the success rate in graduating girls running between 80-100%, and over 50% of boarders continue to university studies. Overall, the rate of illiteracy among rural women has dropped from 64% in 2006 to 40% in 2011, and the rate at which girls drop out of school in rural areas has fallen from 14% to 10%. Apart from the studies, Ain Leuh offers isolated girls a new social network, to exchange views and open their minds.

"The home has broadened my horizons and I can be autonomous and independent," said Souad, one of the students. "I have ambitions and I see my future differently," she added proudly. "I want to be a mathematics teacher."

Communications and Information Systems

Roughly 80% of Morocco's rural areas remain unconnected to the electrical grid, leaving almost 12 million inhabitants without access to electricity. This has caused delays to the distribution of ICT services to outlying areas, yet as a whole telecom services in the country are generally well developed.

Most services are provided by the two largest telecoms, the state-owned Maroc Telecom and Meditel. Maroc historically dominated broadband service, at one time holding over 90% market share. Despite its virtual monopoly, competition has grown and Morocco today has some of the lowest broadband prices and highest penetration rates in Africa. 3G mobile services, only recently introduced, have taken over 75% of the market.

The dominance of mobiles will continue, since their reach extends to a far greater percentage of the population than fixed-line networks. Internet traffic is also set to rise exponentially, opening the country to a wide range of services and opportunities in trade and the growth of business competitiveness.

Banking and Financial Services

Morocco has made substantial progress in its financial sector, as a result of solid macroeconomic policies and sectoral reforms which positioned the economy well during the global crisis. The Government has launched a new reform program, addressing access and stability.

It includes four pillars to build on risk management:

1. Promote access to households through the launch of a credit bureau
2. Enhance access to SMEs through revised partial credit guarantee mechanisms
3. Strengthen the systems through improvements in regulation and supervision, recognizing risks earlier and avoiding difficulties experienced by micro-credits
4. Capital market developments, promoting competition to banks which will encourage down market moves, making long term financing options available

Economic and Business Analysis

Morocco's market economy benefits from its low labour costs and close proximity to Europe, which aid key economic sectors including agriculture, light manufacturing, and tourism. Family members migrating to Europe, for seasonal or long-term work opportunities, also boost GDP through remittances.

Strong economic policies have stabilised low inflation, improved financial systems, and steadily developed the service and industrial sectors. Trade and budget deficits widened in 2010, and reduced government spending combined with sluggish economic growth in Europe weakened performance in 2011. To challenge the over reliance on limited markets, the government is redirecting legislation to attract, expand, and diversify exports to increase value-added products.

Despite progress, poverty, illiteracy, and unemployment rates remain high. The 2005 'National Initiative for Human Development' aimed at alleviating the causes for poverty and underdevelopment by, expanding rural electrification and urban housing. Other long-term challenges include education and employment, both issues important to young Moroccans. Closing disparities in wealth and services, between rich and poor, urban and rural, are also high on the agenda.

Imports

Petroleum, gas and electricity; plastics and textile fabrics; telecommunications and transistor equipment. Over 40% of imports are from Europe, with China, the U.S, and Saudi Arabia supplementing supply.

Exports

Morocco is the world's largest exporter of phosphate, which has long provided economic stability. Morocco also exports textiles, foodstuffs, electronics and chemical products.

Ease of Doing Business

According to the latest Enterprise Surveys, Tax Rates and Access to Finance represent the top constraints to investment in Morocco.

While Morocco has opened most of its economy to privatisation and foreign investment, restrictions still exist, predominantly in services, while vital trade industries including airports and ports are banned from foreign capital investment.

Improvements in trade, investment, and labour liberalisation, as part of the government's gradual trend towards economic liberalization and reform, have improved the rate of investment in the private sector. However, the labour market remains inflexible and stagnant, with a large segment of the labour force marginalized. The limits in employment opportunities for some reflect the limits of employers, in struggling to find appropriately skilled workers in growing high-tech industries.

Market Opportunities

Mega Mall, Casablanca: Africa's Largest Shopping Complex

The Moroccan city of Casablanca is the country's largest, and it is now home to the country's, and the continent's, largest mall. The project, a joint venture between Moroccan Aksal and Saudi Al Jedaie, is worth \$242 million and spans 10 hectares in the main port city overlooking the Atlantic Ocean. Its goal is to draw in 14 million visitors a year, creating 5,000 direct jobs and 21,000 indirect ones.

The architects concept idea was a mall functional for Moroccans (as an extension of their living room), and for tourists (as part of their authentic Moroccan experience). It comprises the old traditions of the Medina, the souks, and the markets – with the smell of spices and vivid colours – with the cutting edge of modernity, including 600 international brands, high-end fashion shops, boutique restaurants, an aquarium, an ice rink, and the continent's first IMAX cinema.

Mega Mall Rabat

Rabat Shopping Mall launched in 2005, and at the time was the largest of its kind in Morocco. It took an investment of 2 years and more than 220 million dirham to make the Mega Mall functional, creating 1,200 jobs. A Moroccan architect won the design, constructing the centre on 3 different levels. The mall is dedicated to entertainment and recreation, and shares design and functional similarities to European Malls.

It contains a bowling alley, dedicated children's area, and a skating rink – the first arena space of its kind for skating in Morocco. It was implemented by a French company who specialized in designing, manufacturing and management of arenas, emphasizing the Moroccan retail markets commitment to target up-market consumers, both domestic and international.

Entrepreneurs and Innovation

The government has launched three new projects to boost research and innovation, by encouraging partnerships between businesses and inventors. As part of the strategy, it will build four 'Innovation Cities' (in Fez, Marrakech, Rabat, and Casablanca), and set up the Moroccan Centre for Innovation.

Acting as science and technology hubs, the research centres will draw together specialised companies and business incubators to develop new enterprises and business models. Funds will support grants for young researchers, and research and development program of companies.

The drive has come on the back of skyrocketing growth in patents, with 40 patents being produced in Moroccan universities in 2011, compared with less than 10 patents in 2010. The Moroccan Inventors and Innovators Union are strong supporters of the project as advancing their cause and Morocco's position as a continental leader in innovation.

Although high fees paid by inventors on new patents may still hamper innovations, the new projects may help in removing other financial barriers which have been a block to the development of new inventions. A key issue remains inadequate access to loans, with the field regarded by many in the financial industry as too high risk to engage in without high premium loans that make borrowing unaffordable.

There is a parallel concern that the government's reforms may be unsustainable without the establishment of a National Ministry for Scientific Research, which could co-ordinate and direct research projects and resource sharing within the scientific community.

The CMI (Centre for Moroccan Innovation) and SMEs

The CMI is designed to support businesses in critical sectors to implement new projects. Founded by the National Agency for the Promotion of SMEs (ANPME), a key part of its mandate is to stimulate job creation and foster entrepreneurship within the business community, primarily through local SME enterprises which are the most adaptable and flexible forms of business in the face of change.

The centre provides funding to young SMEs so that they can invest in high-priority sectors, namely off-shoring, communications, electronics, textiles and the agro-food industry. Information technologies are a cornerstone of the centre's work, involving technologies including mobile phones, video games, e-government, electronic payment systems, and even cutting-edge nano- and bio-technology.

The centre's two programs, Intilak ("launch"), and Tatwir ("development") support development of innovative start-ups through interest-free loans and funding for research and development (R&D) projects.

The R&D sector in Morocco is growing steadily, with the level of investment in this area now equivalent to nearly 1% of GDP.



Snapshot

Population

512,000

Urban **81%**

Youth **21%**

Growth **3.1%**

Capital

L'ayoune

216,000

Growth **3.5%**

GDP

GDP (PPP)

Total **N/A**

Capita **N/A**

GDP (Nominal)

Total **N/A**

Capita **N/A**

Growth % **N/A**

Currency

Dirham

1US\$ = **8.16**

1Euro = **11.22**

Inflation % **N/A**

Western Sahara

Western Sahara is a disputed territory, with rival claims of ownership by Morocco, and the Polisario Front, which is, and has been, strongly supported by Algeria since its inception in 1975. A United Nations Mission, MINURSO, has attempted to mediate the dispute since then, with little effect.

In April 2007, Morocco presented an 'Autonomy Plan' to the Security Council that was described a credible solution. The plan proposed significant autonomy for the Sahara, with a local government and parliament, within the Moroccan sovereignty. No progress has developed since, and peace talks seem in a stalemate.

BOX TEXT:

Polisario is a Sahrawi rebel liberation movement, working for Western Sahara's independence from Morocco.

A number of accusations have been levelled at the Polisario:

Involvement in terrorism, kidnapping, arms and drug trafficking; Political and economic ineptitude in the regions of the country they control; Fringe policies and false leadership that does not represent the Saharawi; Financial mismanagement, corruption, bribery, and extortion.

Some claims have been supported by other Sahawari groups, who see the Polisario Front as "incapable of satisfying the expectations of the Saharawi's, and of finding a solution."

Infrastructure

Politics has left Western Sahara's infrastructure years behind the rest of Africa. Morocco currently oversees major infrastructure developments in the disputed territories, and in recent years has seen progress.

In 2009, the Moroccan ICT provider Maroc Telecom secured over \$1 billion to implement a massive program running a fibre-optic lines to connect an additional 7,300 rural communities.

Systems that are in place are generally run through Moroccan providers, partly as a strategy by the government to increase ties and strengthen Morocco's claims of ownership.

Taxation

Individual

10-38%

Corporate **30%**

VAT/GST **20%**

Industry

Employment

Govt % **N/A**

Primary **52%**

Secondary **12%**

Tertiary **11%**

Unemployed

17%

GDP Earners

1 Agriculture

2 Fishing

3 Mining

Indexing

HDI **N/A**

GINI % **N/A**

EODB **N/A**

Logistics

GLP **N/A**

Enabling Trade

GET **N/A**

Competitive

GCI **N/A**

Governance

Indicator

(Avg) % **N/A**

Education and Skills Development

The depth of education is relatively low amongst nomads, average for the region in populous areas, and surprisingly high in the Tindouf refugee camps.

It stems in part from the generosity of international donors and aid organisations, and partly from the lack of anything else to do in an environment where economic opportunities are sparse.

Communications and Information Systems

Communications in Western Sahara are limited more by politics than technological access. UN soldiers from the MINURSO mission have been denied permission to “transport telecommunication material and cameras, for an unspecified period”.

The restriction, issued by Polisario authorities with Algerian backing, flies in the face of the UN mission’s rights and mandate, and is widely believed to be an attempt by the Polisario to hide drugs and arms trafficking.

Economic and Business Analysis

Morocco holds control of the bulk of the nation’s territory, including its coastlines and population centres. It administers Western Sahara's economy, providing for infrastructure development, social spending, as well as employment in the territory.

Morocco gains little financially by administering half-a-million people across a sparsely populated, mostly barren land. Natural resources are not especially lucrative, and it would take billions of dollars to strengthen the non-existent infrastructure and industry.

From a business standpoint, Morocco would be wise to let go of Western Sahara and become a partner for development instead, however, geopolitical manoeuvring has and its strategic potential have placed Western Sahara squarely between Moroccan and Algerian interests.

Imports and Exports

Western Sahara's unresolved legal status makes the exploitation of its natural resources a contentious issue between Morocco and the Polisario.

While commercially significant quantities of oil have not yet been found, Morocco and the Polisario have quarrelled over who has the right to authorize and benefit from exploration.

Morocco has signed deals with the EU, permitting European vessels to fish off Morocco's coast, as well as in the disputed waters off the coast of Western Sahara.

Ease of Doing Business

Western Sahara has a small market-based economy, whose main industries are fishing, phosphate mining, and pastoralism. The territory's arid desert climate makes sedentary agriculture difficult, and Western Sahara imports much of its food.

The country's continued tenuous political environment has made business and industry development difficult, with local firms suffering from inadequate, unclear, or burdensome legislation, coupled with poor credit and financial access systems.

Market Opportunities

Western Sahara's main long-term economic challenge is the development of a more diverse set of industries capable of providing greater employment and income to the territory.

Educated expats periodically return home, with some having lived overseas for as long as 20 years, finding little has changed in the political and economic landscape. With a depth of experience in foreign economic markets, they may provide the skill sets required to transform and develop the economic climate.

The renewal of fisheries agreements between Morocco and the EU which include Western Sahara waters have been disputed as illegal, because of Morocco's uncertain claim and lack of sovereign rights.

European fishing in the area is highly lucrative and a rich source of funding for Morocco, however the Polisario and some international observers have argued it is contrary to the peace process, and UN efforts to solve the ownership dispute.

There is also speculation of rich off-shore oil and natural gas fields, but the debate persists as to whether these resources can be profitably or politically exploited.



Snapshot

Population

40 million

Urban **45%**

Youth **23.6%**

Growth **2.4%**

Capital

Khartoum

5.3 million

Growth **3.7%**

GDP

GDP (PPP)

Total **\$123.7b**

Capita **\$2,852**

GDP (Nominal)

Total **\$94b**

Capita **\$2,170**

Growth **-0.2%**

Currency

Sudan Pound

1US\$ = **2.67**

1Euro = **3.51**

Inflation **15.8%**

Sudan

Infrastructure

The Sudan Accelerated Infrastructure Program has driven the economy's development, stimulating local business and generating employment through the strategic implementation of essential service projects.

The program comes at a critical time for Sudan, as the split with the south has limited its revenue, and road and transport infrastructure is in dire need of reform and restructuring to establish new and stronger trade routes.

Education and Skills Development

Education in Sudan is free and compulsory at the primary level. Despite this, primary enrolment is only 49% at the primary level, and 22% at secondary level. In some provinces, the numbers are even lower, due to the absence of school facilities, and the concentration of education services in urban areas.

Girls' education has traditionally been hampered by financial and social constraints, limiting their access to employment prospects; however the situation is slowly improving. The literacy rate among adults is at 62%, and has not increased over the past decade.

Sudan has 19 universities, however enrolment is seriously hampered due to the lack of students completing secondary education levels, and by the requirement that males perform military service before completing their education (membership in the PDF is a requirement for university admission).

Banking and Financial Services

The strong Islamic influence upon society helped to develop some of Africa's earliest and most successful Islamic banks in Sudan. The majority are centred around Khartoum and other populated areas, although there is increasing penetration in rural areas.

A major conference held at the end of 2011 focused on promoting the use of Islamic financial services for micro enterprises, building upon ongoing discussions.

Taxation

Individual

17%

Corporate **15%**

VAT/GST **15%**

Industry

Employment

Govt % **N/A**

Primary **73%**

Secondary **8%**

Tertiary **15%**

Unemployed

21%

GDP Earners

1 Industry

2 Agriculture

3 Services

Indexing

HDI **0.408 (L)**

GINI % **N/A**

EODB **135th**

Logistics

GLP **2.21**

Enabling Trade

GET **N/A**

Competitive

GCI **N/A**

Governance

Indicator

(Avg) **9%**

The issue has gained increasing traction in the social and political sphere since the country split. A key aim of the conference was to establish a microfinance forum, to be used by decision-makers across the country to discuss topics such as Islamic policies towards microfinance, the work of microfinance bodies on a local and international scale, and the mechanisms and benefits of this form of funding.

Economic and Business Analysis

Sudan is one of the largest and most diverse countries in Africa. Plagued by almost continuous civil war between the predominantly Muslim north, and the Animist/ Christian south since independence in 1956, the country's recent split has so far failed to bring a lasting peace.

The security situation remains volatile, while the country also suffers from poor basic infrastructure, heavy landmine contamination, regular flooding, and the industry underdevelopment they cause.

The strained internal economic circumstances have been exacerbated by the international crisis, and the loss of oil revenues caused by South Sudan's secession. Sudan lost three-quarters of its oil reserves to South Sudan, denying Khartoum billions of dollars in revenues which the government relied on to fund discretionary spending.

The government is caught between acknowledging the damage done by the South's secession, and reaffirming its intention to implement policies to mitigate the economic hardships experienced by citizens. Specific policies directed at tightening control of the markets have worked at cross-purposes with others combating monopoly in an attempt to curb price increases.

The Strategic Economic Plan, outlined through to 2105, is geared towards maintaining economic stability, and compensating lost oil revenues through the development of other industries, particularly agriculture, minerals, and energy. Austerity packages, partially removing subsidies on sugar and petroleum products, are now in place, with further cuts expected to follow.

In addition to internal measure, the government is urgently seeking international donor support, arguing that the country's economy faces collapse unless the international community provides assistance, through debt relief and financial support.

Sudan's debt servicing incurs more than \$1 billion annually, with total external debt at \$37 billion. The country's GDP growth is now in the negative, going from 0.2% in 2011 to -0.4% in 2012. Without swift and decisive action, the trend is likely to continue, and projects estimate GDP growth will be at -1.7 by 2015.

The challenge ahead for the authorities is to ensure macroeconomic stability and sustainability of internal and external balances by controlling the fiscal deficit, rebuilding foreign reserves, and maintaining low inflation (which is currently on the rise, at 13.6% and heading toward 15% by 2013).

It remains among the heavily indebted least developed countries, with no signs of qualifying for debt relief on the horizon. Sudan has increased its ties with emerging country partners and this offers the possibility of resource-backed loans for infrastructure and public services projects as well as private sector development. The division of the country poses unprecedented challenges, with renewed conflict threatening to rise over strategic oil reserves, infrastructure, and access. Despite progress in some areas of social development, the challenge of reducing poverty remains formidable, with skewed income distribution across regions and social groups.

Imports and Exports

Although most of Sudan's oil is produced in the south, it can only be exported via the north, locking the two countries into fierce dispute over pipeline and export infrastructure. So far the two countries are far from reaching an agreement. Oil had previously provided 90% of Sudan's export earnings, and the government is desperately seeking ways to bolster its ailing finances.

Sudan's current oil output serves only domestic consumption, and it is looking to increase other exports, in gold (worth \$2.5 billion) and agricultural goods. Experts have expressed doubts that raising gold exports, and other plans to diversify the economy, will offset the loss of oil revenues of \$5 billion.

Ease of Doing Business

Public discontent over worsening economic conditions was recently manifested in small protests, which have so far been contained.

The government has stressed the importance of fighting corruption, and is urging the adopting of transparency and accountability measures as means to reform, and reduction of government costs. Despite its strong stance, Sudan remains without an anti-corruption authority, instead relying on 'religious piety' of state officials in fighting corruption.

In addition to corruption, lack of essential infrastructure, and inefficient regulatory frameworks, there is also the real possibility of a return to war, driven by the battle for control of oil resources.

These factors have combined to make Sudan's economic state virtually toxic to foreign investment, despite repeated urgings of the government, and the relatively lax level of private competition.

Until a reduction in the level of hostility between North and South, it is unlikely that either nation will experience the growth of private industry needed to sustain and stabilise the economy, much less reduce the levels of poverty crippling rural areas.

Market Opportunities

The non-oil sector remains buoyant, and should underpin economic growth in the medium term through the continued revival of agriculture and manufacturing, with increased investment in infrastructure, especially roads and electricity.

As a result of increased the public investment in infrastructure, the national road network and electricity generation have improved, but many parts of the country, particularly conflict areas in the South and Darfur, suffer from a severe infrastructure deficit – even by national standards.

Poor infrastructure means higher production costs, and constrains opportunities for broad-based non-oil growth. At the same time, the authorities face tremendous challenges in providing public services, particularly education and clean water, to these areas, due to financial constraints and insecurity in some cases. Sudan has had limited access to external financing from donors and multilateral financial institutions.

The government is continuing to strengthen links with key emerging country partners, particularly Asian giants, in a bid to raise the volume of FDI inflows. Should this be successful, then the increased flows of income would provide enough of a growth spurt in construction as to lower unemployment and raise industry profiles.

A peaceful conclusion to the North-South separation process is critical for sustaining oil production and for protecting the stock of committed oil-related FDI. This is also an important catalyst for attracting further resource- and market-seeking FDI, particularly from U.S and EU nations which are reluctant to invest until the atmosphere changes.

South Sudan

Infrastructure

Snapshot

Since the end of the civil war in 2005 and the signing of the peace agreement 2.5 million people have returned to Southern Sudan without being fully integrated, putting enormous strain on an already fragile infrastructure.

Population

9.1 million

Urban **24%**

Youth **23%**

Growth **1.6%**

Since the referendum the number of returnees is increasing and there are fears of humanitarian crisis as resources are simply too scarce to meet demand. Should there be a resumption of hostilities, this disaster will be compounded as populations move en masse across the country and the basic infrastructure crumbles.

The Bandami Bridge

Capital

Juba

286,000

Growth **1.9%**

A key link connecting Southern Sudan, Uganda and the DRC, the Bandami Bridge collapsed regularly during the rainy season. In 2009, the bridge was rebuilt, replacing the previous stone structure with a new 31 metre-long steel bridge, to ensure increased resistance to flood damage and improved road safety. The new bridge gives people in the region year round access to vital goods, services and humanitarian aid.

GDP

GDP (PPP)

Total **N/A**

Capita **N/A**

Economic and Business Analysis

GDP (Nominal)

Total **\$13.227b**

Capita **\$1,546**

South Sudan has been struggling to tackle an economic crisis and contain tribal and rebel violence which killed thousands last year.

Growth **-0.2%**

South Sudan's annual inflation rate eased to 47.8%, from more than 65% at the end of 2011, and 78% in November. Costs for some food items fell, although analysts expect prices to rise again due to ongoing oil production issues.

Currency

Sudan Pound

1US\$ = **2.67**

1Euro = **3.51**

Even now, the costs for many goods are rising – food and non-alcoholic beverages rose by 40%, compared to 57% in 2011, and overall household goods rose by 111%, compared to 99.9% at the end of 2011.

Inflation **47.8%**

The UN has warned the underdeveloped new nation faces severe food shortages this year because it will produce less than half what is needed in 2011 due to heavy rain and widespread violence.

Taxation

Individual

15%

Corporate **15%**

VAT/GST **15%**

Industry

Employment

Govt % **N/A**

Primary % **N/A**

Secondary **N/A**

Tertiary % **N/A**

Unemployed

% **N/A**

GDP Earners

1 Oil Exports

2 Agriculture

3 Services

Indexing

HDI **N/A**

GINI **53%**

EODB **N/A**

Logistics

GLP **N/A**

Enabling Trade

GET **N/A**

Competitive

GCI **N/A**

Governance

Indicator

(Avg) % **N/A**

Imports and Exports

Oil makes up 98% of state revenues, in one of the world's least developed countries. It is exported primarily through Sudan, which is an ongoing source of conflict between the two.

Violence on both sides of the joint border has hampered trade with Sudan, from where much of the South's needs come, especially food supplies to northern regions.

The South imports more than six million tons of items through the port of Mombasa in Kenya. South Sudan is the third largest user of the port, with overall shipments amounting to 19 million tons per annum.

Kenya is also building the new Lamu Port, as part of a plan to construct an oil pipeline to avoid South Sudan's need for exportation of its oil through Sudan.

Ease of Doing Business

Political uncertainty and insecurity are key issues restricting business development, as many investors nervously wait out the peace process until trade is normalised. Governance problem and weak institutions have restricted new start-ups even further, with South Sudan rated as one of Africa's most corrupt countries.

Other issues include:

- Poor physical infrastructure
- Lack of developed financial institutions
- Underdevelopment of education institutions
- Low-skill base in the nation's workforce
- Lack of international, regional, or local industry linkages

Market Opportunities

An influx of adventurous entrepreneurs has helped fuel SME growth in South Sudan, which is otherwise struggling for investment. Many have been drawn to South Sudan for its status as the world's youngest country, and the ultimate 'frontier market'.

They are catering to demand for practically everything - from roads and banks to office furniture and private security - despite the snags posed by a dearth of infrastructure and clear regulations.



Snapshot

Population

10.7 million

Urban **67%**

Youth **14%**

Growth **1%**

Capital

Tunis

768,000

Growth **1.5%**

GDP

GDP (PPP)

Total **\$101.9b**

Capita **\$9,557**

GDP (Nominal)

Total **\$48.9b**

Capita **\$4,593**

Growth **0.1%**

Currency

Tunisian Dinar

1US\$ = **1.50**

1Euro = **1.97**

Inflation **3.7%**

Tunisia

Infrastructure

Tunisia has strong infrastructure services, particularly along the coast, serviced by paved roads and freeway networks. The country possesses more than 2,000 km of railways, carrying 2.1 billion tons of merchandise and almost 40 million passengers per annum.

Tunis is well connected with sea trade via its 7 commercial ports (in Bizerte, Rades, Sousse, Sfax, Gabes, and Zarzis) as well as an oil terminal in Skhira. An additional deep water port is under construction at Enfidha, while the nation's newest FTZs are increasing the volume and value of its exports.

Education and Skills Development

The Tunisian State guarantees education to all school-aged children, and with a budget in 2010 that exceeded 6% of GDP, and 20% of the state budget, it is one of the highest investors in education across the continent (and in the world).

Education is compulsory, and free up to 16 years of age. Tunisia has achieved an enrolment rate of almost 100%, and huge investments have gone into educational infrastructure to provide for the ever growing number of students. There are:

Tunisia has 193 higher education institutions, including a virtual university, and is the first country on the southern shore of the Mediterranean whose annual graduate engineers and technicians exceed per capita standards.

In the last 20 years, reform measures have seen the number of students multiplied by ten, and as a result of social change and the redressed gender imbalance, 60% of students are girls.

The university is also engaging in reform, with students and courses reflecting the country's move towards high-end service industries – the two highest volume graduate courses are ICT (15.5% of total graduates) and science and engineering degrees (accounting for 40.7% of graduates). Women are well-represented at university as well, where 62.5% of graduates are female.

Taxation

Individual

0-35%

Corporate **30%**

VAT/GST **18%**

Industry

Employment

Govt % **N/A**

Primary **18%**

Secondary **30%**

Tertiary **49%**

Unemployed

16%

GDP Earners

1 Services

2 Industry

3 Agriculture

Indexing

HDI **0.698 (H)**

GINI **43%**

EODB **46th**

Logistics

GLP **2.84**

Enabling Trade

GET **4.57**

Competitive

GCI **4.46**

Governance

Indicator

(Avg) **52%**

Communications and Information Systems

Telecommunications is one of Tunisia's most dynamic sectors, with growth rates exceeding 15% per annum. Investments in the sector over the past four years have skyrocketed, and sustained growth rates have seen ICT reach 10 % of the nations GDP, a colossal leap compared to the 2.5% it held in 2002.

It boasts one of the most modern telecommunications networks in Africa and the Mediterranean Basin, with growing access to high-speed internet and multimedia.

Services are provided by two international gateways, underground cable links, and digital links to Arab countries. Its digitalized network provides 100% coverage throughout the country, and mobile penetration is at 117% climbing.

Internet bandwidths, service providers, and access plans have also been increasing rapidly, and have doubled over the past five years, as Tunisia seeks to reinvent itself as an ICT hub specialising in off-shore communications.

Banking and Financial Services

Foreign investors are able to hold up to 100 % of capital of a company or project in most sectors, however the agricultural sector holds restrictions:

- foreign investors are only able to hold up to 66% of company capital
- working of agricultural land is subject to long term concessions (40 years for public land, free for negotiation between the relevant parties for private land)

Foreign Direct Investment remains strong, however the 2011 investment levels dropped 30% from 2010, despite the introduction of 121 new foreign companies and the employment and industry growth they generated.

Economic and Business Analysis

A year after they ousted a dictator and gave birth to the Arab Spring, Tunisians are still battling pressing social and economic problems, including growing unemployment and continued widespread social discontent.

Unemployment is 19% nationally, and up to 50% in underinvested inland areas overlooked in the past. Its contribution to civil unrest cannot be underestimated, and the new government is struggling to contain the numbers, much less reverse the trend. Tunisia's lack of democratic experience is showing, and thirteen months after the revolution, the economy continues to slump. Investment has slowed, tourism - a mainstay of the economy - is down due to the country's current social volatility, and the targeted 4.5% GDP growth rate looks overly optimistic.

The government is dedicating significant efforts to attracting FDI, in the hopes that it will inject a jump into the GDP, and went so far as to hire a public relations agency to advertise in leading global newspapers and business magazines, "Invest in Democracy".

Tunisia's economy seems stuck in a feedback loop: people protest over poverty and unemployment, yet by slowing the economy, they are entrenching the problems that inspired the protests in the first place. As an example, Phosphate exports, an important national earner, lost \$1.2 billion dinars in 2011, despite world prices and demand for phosphates increasing over the same period. The principal reason behind the loss was protests in phosphate mining areas, which are regularly closing down mines and blocking the roads.

The structure of the economy is struggling in all sectors, while the government is unable to cope with high prices driving up cost of living, and boosting unemployment. Across the country, ongoing protests and increased citizen demands have been caused by, and causing, business decline and in some instances the loss of the FDI the country so desperately needs to pull it through crisis.

The government has unveiled a program of public investment targeting the poorest and most volatile parts of the country, particularly areas of the interior, but including populated cities as well as the capital itself. It remains to be seen if the government will be able to unveil and implement its projects before its citizens once again take to the streets, urgently demanding the right to work.

Imports

Tunisia's primary import commodities include textiles, machinery and equipment, hydrocarbons, chemicals and food.

Import partners include France (21.5%), Italy (19.3%), Germany (9%), Libya (4.6)% and Spain (4.5%).

Exports

Tunisia's primary export commodities include clothing, semi-finished goods and textiles, agricultural products, mechanical goods, phosphates and chemicals, hydrocarbons, and electrical equipment.

Key export partners are France (28.3%), Italy (17.9%), Germany (9.6%), Libya (5.8%) and Spain (5%).

Ease of Doing Business

FDI is focused on the energy and manufacturing industries, and analysis has demonstrated the recent decline in FDI was mainly brought on by losses in tourism, which were brought on by civil unrest.

The service sector has performed well, with an increase of 20% of investments in 2011. The manufacturing sector shows a strong focus on mechanical electrical and electronic engineering, where growth is slowing and the industry is struggling to gain traction and entice increased FDI inflows to sustain its competitiveness. The textile and apparel sector is faring better, with strong employment creation and export opportunities.

The overall growth in FDI is largely thanks to a trend in government regulation and legislative agendas, driven by increasing the nation's capital and economic base. Specialised trading zones, tax breaks, streamlined operating systems, and infrastructure projects connecting to export ports, have all been designed in a bid to help grow the economy from without, by the influx of fresh funds and ideas.

Market Opportunities

ICT

Tunisia has strong potential in outsourcing European ICT needs, particularly in call centres, data processing, technical support, sales, and other distanced based consumer connection services.

Textiles

While African textiles have taken a hit due to the increased market access of Asian firms, Tunisia has retained advantages in the field thanks to its FTZs and ports located on key shipping channels, and at Europe's doorstep.

Integrating Vertical Linkages

Particularly advantageous in the textiles sector, Tunisia has the capacity to produce, refine, and develop its own textiles through every stage in the production process. The next step forward, refining linkages, and expanding vertical growth to establish brand and market identity, would cement its position in the market and insulate the sector from baseline competition threats.

Education Tied to Industry

The increase of high level graduates, with competitive business and technical skills, has integrated with industry to drive Tunisia's boost. While growth has been strong, there are industry urgings to increase the pool of technically skilled workers for businesses to draw from to make that growth sustainable.

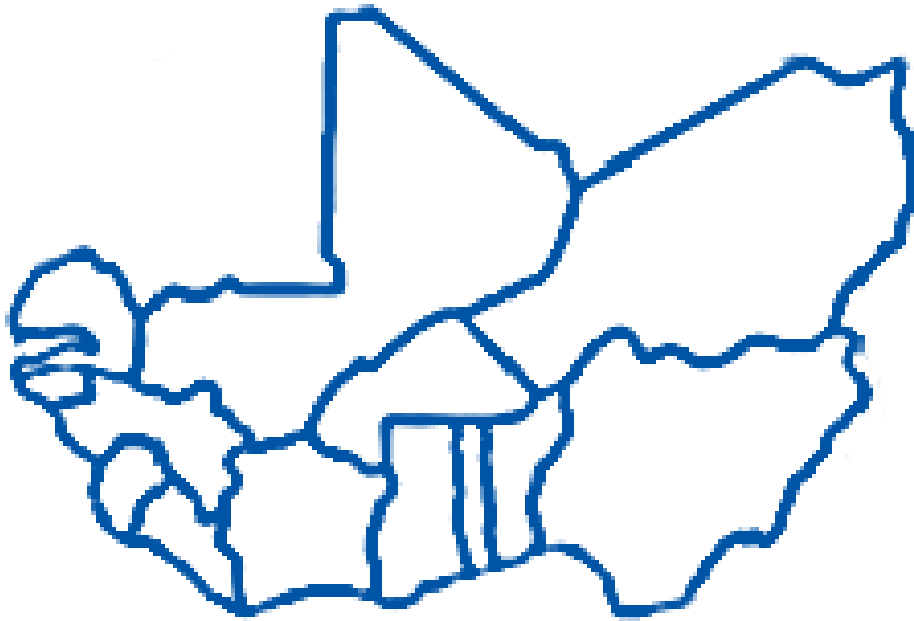
The increasing orientation of higher education towards ICT, engineering, and science qualifications, has increasingly been integrated with the business sector, which is now showing stronger engagement in the development of skill-sets for young graduates – helping to link education to jobs, and skilled workers to the continuation of economic development.

Entrepreneurs and Innovation

Considering that controlling knowledge and technology in Tunisia is an essential economic and social development factor, the country did not stop from strengthening knowledge investment and from adapting the education and training system so as to form the skills required by the labour market and to consolidate the spirit of initiative, creativity and innovation.

Western Africa

Regional Economic Analysis





Snapshot

Population

9.4 million

Urban **42%**

Youth **22%**

Growth **2.9%**

Capital

Porto Novo

285,000

Growth **4%**

GDP

GDP (PPP)

Total **\$14.6b**

Capita **\$1,475**

GDP (Nominal)

Total **\$6.650b**

Capita **\$689**

Growth **3.8%**

Currency

CFA Franc

1US\$ = **475.7**

1Euro = **655.9**

Inflation **3.3%**

Benin

Economic and Business Analysis

Even if Africa remains the least developed continent of the world, a substantial economic change has operated over the 2001-2009 period with a global 5.3% GDP growth, which places the continent among the most developing regions in the world. In the long term, Africa will integrate the globalized economy and reduce the gap existing between rich countries and Least Developed countries (LDC's).

Obviously, emerging countries are opening the path to a rapid economic development and Africa, one of the geologically richest areas of the world, will have to face the challenge of follow them on the way of development.

This development will have to use these assets to manage a sustainable development based on the increase and the diversification of its production, the development of its inner markets, the secure of its political context and the distribution of the wealth created.

In the medium term, Africa will have the financial means to take an active part to the globalized economy, notably considering the increase of raw materials prices. This year, for the first time in the world's history, developing and emerging economies will contribute to 50% to the world's GDP. In 2030, developing countries will represent 60% of the world's GDP.

Obviously, Africa will appear in this new repartition as a major actor considering that countries like China, India and Brazil have acknowledged the importance of developing African markets in a strategy of developing their own market outlets.

Within this global framework, West Africa constitutes a specific economic and geopolitical area. Indeed, it is largely dominated by the Nigerian economy which has a huge population (158 million) and a high GDP (\$206-370 billion PPP), compared to other African countries.

Nonetheless, Nigerian per capita income remains low and oil revenues, which only benefit to 25% of the population, dominate the economy. In this sense, GDP growth in oil-rich countries does not constitute a real indicator of development and this indicator has to be used with caution.

Taxation

Individual

10-35%

Corporate **30%**

VAT/GST **18%**

Benin recorded a 4.1% growth rate over the 2001-2009 period, slowed down by the world economic crisis of 2009 making the GDP fall to an average of 2.5-3% until today. Compared to its powerful neighbour, Nigeria, Benin is a small economy dominated by agriculture and trade. Except from offshore oil prospecting and some mineral deposit, the country is almost natural resources free.

Industry

Employment

Govt % **N/A**

Primary % **N/A**

Secondary **N/A**

Tertiary % **N/A**

Unemployed

% **N/A**

However, the country still appears as a major actor in the region's development considering its development strategy based on agriculture development, industrialization and services sector development, which will contribute to foster regional trade. Indeed, the country bets on the regional development, pulled by the Nigerian demographic and economic growth, to develop its economic potential.

Social, Political, and Economic Context

The Republic of Benin is located in West Africa along the Gulf of Guinea. Its administrative capital city is Porto Novo and the economic heart of the country is Cotonou.

GDP Earners

1 Services

2 Agriculture

3 Industry

Politically, Benin is renowned to be one of the African most effective democracies. After the independence to France in 1960, the country had a short period of political instability until Mathieu Kerekou's putsch in 1972. Hence, the country adopted a Marxist Leninist system under Kerekou's governance until 1990. Since then, Beninese democracy constitutes an example in Africa and elections occur every 5 year without major incidents.

Indexing

HDI **0.427 (L)**

GINI **33.7%**

EODB **175th**

Benin has a relatively constant GDP growth rate of +4-5% since the 90's. Inflation is under control and remains under the good governance of the BCEAO ("Banque Centrale des Etats d'Afrique de l'Ouest"). Primary sector represents 33% of GDP, secondary sector 13% of GDP and tertiary sector 52%.

Logistics

GLP **2.79**

Enabling Trade

GET **3.49**

Benin is a Least Developed Country (LDC's). Its HDI (Human Development Index) is low (0.434) and correspond to the 134th country in the world. However, it is just over the global Sub-Saharan African average. This relative high score is due to a relative good health score. Indeed, even if the healthcare remains uncertain in Benin, the HIV prevalence rate is quite low in comparison with some other African countries plagued by this disease.

Competitive

GCI **3.78**

Governance

Indicator

(Avg) **41%**

Poverty is endemic in Benin, especially in rural areas with a poverty rate of 37.4% and 75.3% of the population living under 2 dollars/day. However, Benin is globally a quite egalitarian

country with a Gini coefficient of 38.6%, which places it in the 2nd position in Africa, just after Rwanda. In Africa, only Rwanda has a better score and is more egalitarian. In fact, the differences between rich and poor are inferior to USA or Portugal.

Benin's economy is dominated by agriculture. Agriculture employs 55% of the population that is rural and poor. When the season is good, the country is self-sufficient in food even if food still constitutes 35% of importations in 2009. Approximately a quarter of Benin's territory is dedicated to agriculture but the lack of equipment and material (seeds, fertilizers, etc.) impedes an effective development of the sector. In fact, according to the FAO, the systematic use of animal working could double the effectiveness of agriculture. Most of the production is consumed locally and is dedicated to the inner market. Benin used to commercialize and export palm oil until the 80's. Since then, cotton took the lead even if an important fall in cotton production has been recorded since 2000 due to the world market price decrease. As a result, exportations of cotton switched to pineapple and cashew nuts.

Industry is marginal in Benin's economy and mostly concerns agriculture products transformation, construction sector and public works. Except from industry related to cotton transformation and flour milling industry, only small production units exist. Benin has still not achieved its industrialization phase and the lack of infrastructure prevents a substantial development of the sector.

Tertiary sector include trade, tourism, telecommunications, transports and financial services. Trade is dominated by re-exportation of goods to Nigeria. This sector constitutes a major component in Benin's economy, as the majority of goods are imported. Tourism is still underdeveloped in Benin with 188.000 tourist arrivals by year despite the very high potential of the country in this sector. Telecommunications represents a fast growing sector as more than the half of the population has access to mobile telephone. Transport is also a very important sector in Benin. The Port in Cotonou is ideally located to serve as a regional platform for import/export. Recently, the port concession has been attributed to the French group Bolloré who promised to improve its capacity and to modernize its equipments. This strategic place should be predominant in the future and offers trade opportunities for goods exportation to Nigeria, Niger and Burkina Faso.

Benin is a poor country that suffered from the crisis with a GDP growth rate declining from 5% to 2.5-3%. The country needs investment to be able to develop its economic potential. Nonetheless, it has also great assets: Value of the real estate, low wage, educated workers and low level of concurrence. It is ideally located to target Nigeria and Niger markets and benefits from a stable politic and economic climate.

The relative low level of natural resource in the country is in the meanwhile a drawback and a blessing for this country considering the major political troubles that often affect natural resources rich African countries. In this sense, Benin must serve as a secure platform for international investment to dispatch imported to Nigeria and landlocked countries, to offer services related to Nigerian economic development and to export agriculture products.

Benin's economy depends on subsistence agriculture, cotton production, and regional trade, and is largely undeveloped. Growth averaged 4% before the global recession, but fell to 3% in 2010, with Inflation also subsiding. Government reforms, including agriculture, the commercial justice system, and the financial sector, have increased Benin's competitiveness in the global economy.

Strengths and Weaknesses of Benin's Climate of Investment

Benin is a relatively poor country with 9 million people living with a per capita of 745\$/ year. However, Benin borders two landlocked countries (Burkina Faso and Niger) and borders Nigeria. Hence, setup a business in Benin open the path to a potential market of 158 Million customers.

Furthermore, Benin offers additional assets and investments opportunities: Financial services are developing in Benin even if credit is hardly accessible for the majority of the population. Seven on the 12 Banks are in conformity with solvability norms. Microcredit and "tontine" ensure access to capital for a large part of the population.

Benin is one of the most stable countries in the region that benefits from relative good governance. In comparison, Nigeria suffers from religious and ethnic violence as well as rebellions acts and lootings in the Niger Delta. Togo remains economically and politically blocked by the military regime of Gnassingbé Faure. Burkina Faso is a landlocked inland country held under the strict regime of Blaise Compaoré and Niger, despite the successful democratic transition, is threatened by military coup d'état and armed group targeting foreign workers and assets ("AQMI: Al Qaeda Organization in the Islamic Maghreb").

In this sense, the situation and location of Benin is ideal to serve as a stable base to establish a regional commercial development strategy. Indeed, Nigeria and Niger are natural resources rich countries that generate foreign change and allow inter-regional trade with Benin under ECOWAS and UEMOA trade preferential treatment. Therefore, this stability offers the advantage to secure investment and enjoy the investment possibilities offered by the growing Nigerian market.

The location of Benin in the Gulf of Guinea is strategic, as the port of Cotonou constitutes an ideal platform to dispatch imported goods. Niger is also a raw material rich country and the stabilization of the situation by the democratic election held in March 2011 will encourage trade with Benin and economic development. Multinational firms involved in the extraction of oil and uranium in Niger will have to develop transport infrastructure to Benin. Therefore, transport sector will be developing at a high rate in the next few years and real opportunities of investment exist in this sector.

Manufacturing activities are very limited in Benin and infrastructure problems prevent their development. Nonetheless, wages in Benin are very low (25.000 CFA in average i.e. 50\$/month) and the personnel is well educated (approximately the same level of education as China and India, which is globally higher than African Countries rates). It also open the possibility of establishing international offshore companies (call-back, secretarial and accounting services, etc.). Opportunities exist concerning the textile industry as good quality cotton is produced in Benin. Considering that the

cotton price increased of 90% last year, there is a need of increasing cotton gin and textile factories capacities. Massive investment opportunities exist in Benin in agriculture and agro-transformation sector. According to an expert analysis, the “green revolution” in Benin could be realized for a \$2 billion cost.

Imports

Primarily petroleum and foodstuff. Partners are China (35.2%), France (8%), US (7.2%), Malaysia (5.9%), UK (4.8%), Netherlands (4.3%), India (4.1%), (Thailand 4%).

Exports

Cotton accounts for 80% of official exports, and 40% of GDP. Other exports include textiles, palm products, and food items. Partners are India (26.4%), China (21.4%), Niger (6.5%), Nigeria (5.6%), and Indonesia (4.4%).

Ease of Doing Business

Benin ranks 175th in the world, with significant costs in start up and running a business. Taxation is heavy and frequent, with the total of various taxes adding to over 65% of total business profits.

Efforts led by the government and the multilateral and bilateral donors will help improving the business climate situation, especially concerning the problems of corruption, access to tribunals, transparency in import/export trade and infrastructure financing. Investment opportunities are characterized in Benin by their low cost and the non-competitive market existing in many sectors.

The Beninese business environment presents the same major characteristics as other African LDC's that offers advantages and drawbacks at the same time. The main constraints are the following:

- Corruption: Transparency International classified Benin 110th over 178 countries in 2010
- Administrative procedures: Rules and regulations remain a matter of concern for entrepreneurs in Benin. A study realized in 2005 over 320 formal firms stated that 8% to 15% of firm managers time is spent on administrative procedures
- Infrastructure: Despite a real effort made on infrastructure development, transport, electricity connection to the grid and communications remain insufficient. Waste management is also a problem, especially for the tourism sector.
- Financial market: Despite improvements made over the past few years on microcredit possibilities, access to finance remain out of access to small and medium firms.
- Working market: Education level of Beninese workers is satisfactory compared to other African countries but remains unequal following the region (rural or urban) and the gender.

- Access to property: According to a 2005 study, 35% of manufacturers considered the acquisition of industrial area as a problem in Benin.

Despite these issues, which are common to many LDC's, recent reports assessed a competitiveness development of Benin at a regional level:

- According to the 2010-2011 Global competitiveness report of the World economic forum, Benin occupies the 103th place over 139 studied countries. This result is encouraging as it constitutes the best score in West Africa and comes to the 5th place among African countries behind South Africa, Botswana, Rwanda and Gambia.
- Benin is also a politically stable country, as shown by the presidential election held in March 2011 that, despite some technical flows, processed without violence and under the control of ECOWAS and EU observers. Yayi Boni the re-elected president will certainly continue to focus government effort toward more efficiency and good macroeconomic results. Within this framework, Benin will continue to increase its attractiveness to investments in the next years.
- Benin is also an economic stable country. The good macroeconomic results obtained by a strict control of inflation and public expenditures allowed multilateral and bilateral donors to trust the country. Therefore, Benin is financially assisted by several institutions such as World Bank, IMF, national development funds, etc. to promote its development.

Market Opportunities

To raise growth, Benin plans to attract foreign investment, placing emphasis on tourism and embracing information and communication technologies. Developing food processing and production systems and agricultural products is also a focus, and the government is addressing the challenge of insufficient electricity supplies which are hampering economic growth. Privatization policies have opened the nation's markets in telecommunications, water, electricity, and agriculture.

Several sectors offer great investment opportunities in Benin, and no sector is overcrowded. The question is to assess the sectors with solvable outlets. Among the different sectors, which all present investment opportunities, some constitute strategic opportunities. Given the context, many opportunities exist in the construction sector. Hence, the rental of construction equipments such as dumpsters, trucks or diverse construction equipments and supply would give access to a growing market and would allow a quick return on investment.

This is also the case for port equipment as the port of Cotonou is becoming more and more central within the regional context. The transport sector, which is one of the best opportunities for investment in Benin, is also strategic in the re-exportation sector. It is nonetheless important to be very cautious concerning the vehicle purchase strategy to adopt. Indeed, some mechanic pieces are difficult to find in Benin and the technology chosen must take into account the level of mechanic expertise in the country. Considering the mechanic, pieces available and the type of fuel sold it can be more interesting to buy fuel than gasoil motorization, despite the consumption gap between these technologies.

The agriculture sector is also a sector demanding massive investment. The country benefits from a positive climate to many sorts of agriculture and the agriculture diversification policy is at the centre of government concerns. Food producing would find outlets in the inner market, as the country is a net food importer suffering from a local food production deficit. This lack of productivity is due to the lack of modern equipment. Import of small agriculture equipment, which is almost custom tax free, is a real market to develop. In the first time, second-hand material could be sold with scheduled payment terms.

The increase of productivity would then ensure the solvability of customers. Furthermore, livestock farming has also interesting outlets and the sector constitute another opportunity for investment. It is important to note that agriculture exploitation supported by investors would have a major competitive asset and will therefore make high profit.

Energy sector is a key sector in Benin. Power blackouts prevent the development of a productive industrial sector and gen-sets often take over when it happens. In the rural sector, the electrification rate hardly reaches 4%. Therefore, there are commercial possibilities to develop the market in this sector. Outlets already exist concerning Gen-sets and solar kits in rural areas to replace oil lamps and allow the development of small-scale industries. Furthermore, modern windmills (wind-motorized) would allow the transformation of cereals to flour which allow productivity and conservation gain as well as transport savings.

Financial and communication certainly constitute one of the most promising sectors in Benin. The development of the mobile phone market and the weak bank access to the population will promote the development of dematerialized financial services. MTN and ECOBANK already launched in Benin "Mobile Money" which allows money transfer through mobile phone interface. This will certainly be the future African bank as this system already proved being very adapted to African realities. This will also catalyse trade and promote formal sector.

Finally, tourism constitutes perhaps the most interesting sector to invest in. Benin is blessed with a very rich history and its friendly population is welcoming. Many places, which are tourists free, are real goldmines to exploit. As the whole country is still natural, green tourism, which could include a tour from the south (cultural) to the north (safari), can be developed. Furthermore, interregional and inner tourism can be promoted with touristic complex targeting the growing West African middle-class. Such relaxing complex, like the famous "Casa del papa" near Ouidah, already exists showing the opportunities existing in the sector.



Snapshot

Population

16.7 million

Urban **26%**

Youth **22.7%**

Growth **3%**

Capital

Ouagadougou

1.79 million

Growth **6.2%**

GDP

GDP (PPP)

Total **\$20b**

Capita **\$1,360**

GDP (Nominal)

Total **\$8.8b**

Capita **\$597**

Growth **4.9%**

Currency

CFA Franc

1US\$ = **475.7**

1Euro = **655.9**

Inflation **3.6%**

Burkina Faso

Infrastructure

Burkina Faso has made significant progress developing its infrastructure in recent years, making major developments in ICT, as well as road construction and maintenance, and water and sanitation. Challenges remain in the electricity sector, with funding shortfalls leaving many infrastructure projects prone to delays in start-up and completion timeframes.

Transport and water infrastructure, two of the most technology and labour intensive sectors, could be improved significantly with the use of appropriate technologies, that rely more on manpower (of which the country has an abundant and relatively low-cost supply), and less on costly imported machinery that requires highly skilled technicians to operate and maintain.

Ouagadougou: Shifting Urban Transport

The World Bank, working in accordance with the government, has begun developing alternative proposals and policies governing urban transport systems, in a bid to ease congestion. The projects are focused primarily on access options for workers, as well as goods and services, which enter, exit, and transit within the capital.

Education and Skills Development

The national literacy rate is extremely low, at just 30% for boys, and 15% for girls. Only 40% of children go to primary school, with just 9% continuing to finish secondary school. While most schools are in reasonable structural condition, with basic equipment and resources, there are not enough to cater to the country's growing population, while many families don't have enough money to enrol their children.

The legal size limit is 65 children per class, yet many are much bigger, particularly in rural areas, where if a school is full children must stay at home and try again next year. The curriculum is taught in the official language, French, which is the second or third language of children in rural areas, and so the education they do receive is less efficient.

Taxation

Individual

2-30%

Corporate **30%**

VAT/GST **18%**

Industry

Employment

Govt % **N/A**

Primary **81%**

Secondary **6%**

Tertiary **13%**

Unemployed

26%

GDP Earners

1 Services

2 Agriculture

3 Industry

Indexing

HDI **0.389 (H)**

GINI **37%**

EODB **150th**

Logistics

GLP **2.23**

Enabling Trade

GET **N/A**

Competitive

GCI **3.25**

Governance

Indicator

(Avg) **48%**

Communications and Information Systems

Burkina Faso has made investments over the past decade to improve ICT infrastructure and consumer access. Despite this, penetration remains low, with only 1% having access to fixed line communications, 2% to the internet, and 47% to mobiles.

Fresh investment and new technologies have accelerated the development of the national network infrastructure since the national Telco, Onatel, opened to partnership in 2006.

Mobiles have experienced strong growth since competition began in 2000, however, market penetration is still well below the African average. Penetration in the internet sector remains extremely low, primarily due to the prohibitive expense of services, despite some price cuts in 2011. Mobile operators have entered the underdeveloped Internet sector by offering mobile data services; however 3G mobile broadband technologies have not yet been introduced.

Being landlocked, Burkina Faso is largely depended on expensive satellite links for international bandwidth, although recent transit fibre links through neighbouring countries has increased regional access options.

Banking and Financial Services

The banking sector's growth has suffered from severe government interference, weak risk management capabilities, and difficult loan recovery. Reforms are underway, aimed at tightening supervision, improving credit access, increasing privatisation, and limiting government involvement.

Despite significant progress, underdevelopment remains an issue, with SMEs in particular hampered in accessing increased loans, credit, and funding options.

A national strategy for microfinance, adopted in 2005, pushed aggressively for the expansion of microfinance, a sector deemed crucial in the fight against poverty.

There are currently eight microfinance networks with a host of smaller organisations, catering to over a million of the most disadvantaged consumers. The sector is an increasingly important part of the economy, generating credit to the economy in excess of XOF 30 billion.

Economic and Business Analysis

Burkina Faso is a landlocked, primarily rural country. Almost 90% of the population is engaged in subsistence agriculture, which provides roughly 30% of GDP. Cotton is the primary cash crop, which is vulnerable to drought. The country has a weak industrial base, and few natural resources. Education is among the lowest in the world.

Burkina Faso began privatization of state-owned enterprises at the turn of the century, and in 2004 revised legislation to attract foreign investment. Expansion and increased productivity in manufacturing, services, and farming, are aimed at broadening the economic base and diversifying industry. Education also holds the potential to unlock tremendous innovation and reduce staggering unemployment.

The global economic crisis has led to only a moderate slowdown of Burkina Faso's GDP growth to 3.2% in 2009, from where it quickly rebounded to almost 6% in 2010. It has achieved real GDP growth rates averaging 5% per annum since 1994.

Major contributors to GDP are agriculture (29.1%), industry (19.9%), and services (51%). Agriculture consisting mostly of livestock, but includes sorghum, pearl millet, maize (corn), peanuts, rice, and most importantly cotton.

Possessing limited natural resources, its economy is strongly dependent on cotton exports, and vulnerable to natural disasters and regional instability. Burkina Faso's finite natural resources include Manganese, gold, limestone, marble, phosphate. Industry mainly consists of mining, processing of agricultural produce, brewing and bottling of beverages, and other light industries.

Unemployment, estimated as high as 75%, causes a high rate of national emigration, and is a source of valuable remittances. Migrants send substantial amounts of money back to Burkina Faso every year, mainly from Cote d'Ivoire and Ghana. Periodic unrest in these countries has hindered the ability of hundreds of thousands of these seasonal workers, mostly farm labourers, from finding work.

Since the early 90's, the country has implemented substantial economic and social reforms, supported by the World Bank, the IMF, and other aid donors. Progress in liberalizing the economy and developing the private sector has been positive; however, deeper structural and institutional reforms remain unaddressed. There is a growing need to increase economic diversification, with much of the nation's wealth still based on low productivity agriculture, with a single major agricultural export (cotton).

Imports

Foodstuff, petroleum, and capital goods. Key trading partners are Cote d'Ivoire (26.1%), France (16%), Togo (5.3%), and Ghana (4.7%).

Exports

Gold has become a major export alongside cotton, which delivers 70% of export earnings and most of the government's revenue. Only 13% of land is cultivated, with the rest given to livestock for export to neighbouring countries.

Ease of Doing Business

150th in the world, Burkina Faso suffers from high import/export costs, and an expensive and complicated tax system. It is competitive in property issues and construction, as well as start-up costs and procedures.

The 'World Bank's 2009 Doing Business' rankings listed Burkina Faso as one of the top ten reformers of 2009. Core reforms recognised included: adopting a labour code, improving the property transfer processes, easing the establishment of communes, the creation of a single department to facilitate construction permits, decreasing corporate tax by 5% (from 35% to 30%), and decreasing dividend taxes by 3% (from 15% to 12%).

Foreign investors have taken advantage of the developments, with three new commercial gold mines and a manganese mine opened since the policy's inception. Landmark achievements have been made in privatization and government devolution in the cotton sector as well, with 47 public enterprises, representing 80% of the government's portfolio, liquidated or sold.

Overall economic reforms continue, including: privatization, breaking government monopolies, liberalizing prices, and reducing external trade restrictions. Price controls and profit margin regulations have been eliminated on most locally produced and imported goods, while most export and import monopolies have been replaced by competition.

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Market Opportunities

Light Small-Scale Manufacturing

While the economy is not yet ready for large-scale or high-volume manufacturing industry, recent reforms in corporate taxation rates and labour laws have made manufacturing a more attractive venture opportunity. The country's exports are also in need of diversification, and the increase in boutique, value-added exports could contribute to employment, GDP, export diversity, and overall economic growth.

Education

Rural education, education for the disabled, and adult education are all underserved opportunities for growth in the economy. Adult literacy in particular is essential for skills development in the workforce, because so many people have and continue to miss education opportunities. Women are particularly disadvantaged, and find themselves obliged to work in the informal sector.

Finally, the disabled are routinely discriminated against and largely left out of the education system, with their only option being a burden on their families and society; instead of productive, independent, and valuable contributors to economic growth.

Entrepreneurs and Innovation

The Disabled Women's Association

Many disabled children across Burkina Faso are denied the chance to go to school, because their parents cannot afford to send them or do not think it is worthwhile. "Disabled people are among the most disadvantaged in Burkina Faso," she explains, "with almost 100 per cent illiteracy".

Yet even with an education, it is still difficult to find work, as a teacher or a civil servant. Even in the law, there is discrimination, with employers looking at the disability, instead of the person and their skills.

The organisation seeks to change that by educating disabled children, their parents, and the community. In Burkina Faso children with mobility problems can go to mainstream schools, but deaf, blind, and severely disabled children need special schools that provide specialist facilities. Such schools are thus far absent from the system, although the organisation is leading efforts to establish them, with a mix of government funding for start-up assistance and private investment to sustain them as profitable, socially conscious ventures.



Snapshot

Population

21.5 million

Urban **51%**

Youth **17%**

Growth **2%**

Capital

Yamoussoukro

812,000

Growth **3.7%**

GDP

GDP (PPP)

Total **\$37b**

Capita **\$1,680**

GDP (Nominal)

Total **\$22.8b**

Capita **\$1,036**

Growth **-5.8%**

Currency

CFA Franc

1US\$ = **475.7**

1Euro = **655.9**

Inflation **5.2%**

Côte d'Ivoire

Infrastructure

In the wake of the nation's post-electoral crisis, the transport sector (roads, railroads, maritime transport, and airways) have been shattered. The government's strategy is to reform the system by eradicating unions, creating professional industry federations, professionalize employee skill sets, and drastically increase the scale of financing for construction initiatives.

Roads and Highways

The road network is currently suffering from a lack of development, combined with poor planning, low funds, and corruption. The country has not built a single new road in the past 10 to 15 years, with the budgets allocated being insufficient to maintain its existing network.

As a result, the country faces the daunting task of virtually rebuilding the entire network. In positive news, the completion of a few major projects has provided much needed support to trade transport. The Grand-Bassam Highway, located near the Ghana border, is almost complete, and when finished will unite Côte d'Ivoire with Nigeria, while passing in close proximity to Ghana trade routes as well.

Rail Transport Services

Railways are in place connecting Abidjan to Burkina Faso and Kaya. A new line is currently being discussed that would connect Abidjan to Niamey, as well as a line that would start at San Pédro and end at the Malian border.

By interconnecting Abidjan, Nigeria, and Mali it is hoped the network will drive up passenger and cargo transport. A challenge to the development is the advanced age of the current system, and its incompatibility with international standards.

Education and Skills Development

Within 20 years of independence, Cote d'Ivoire's school enrolment increased ten times, and as a result its adult literacy rate soared. Little has changed since then, and while the education system has maintained moderate standards, there is considerable room for improvement.

Taxation

Individual

2-36%

Corporate **25%**

VAT/GST **18%**

Industry

Employment

Govt % **N/A**

Primary **66%**

Secondary **8%**

Tertiary **15%**

Unemployed

% **N/A**

GDP Earners

1 Services

2 Agriculture

3 Industry

Indexing

HDI **0.484 (L)**

GINI **47%**

EODB **167th**

Logistics

GLP **2.53**

Enabling Trade

GET **2.90**

Competitive

GCI **3.37**

Governance

Indicator

(Avg) **12%**

While strategies to grow primary education levels have increased, and are in line with MDGs, secondary education levels have been lagging, and the country suffers from a shortage of university options and placements for potential students who cannot attend, through physical or financial distance.

Communications and Information Systems

The telecommunications sector is dominated by mobiles, with South Africa's MTN and France Telecom-owned Orange leading the market. The aggressive launch of additional foreign enterprises into the market has accelerated the already rapid growth, pushing mobile penetration well above the continental average.

The Internet and broadband market has remained underdeveloped, largely due to the high cost of international bandwidth, and the monopolisation of access service options.

Despite these obstacles, Cote d'Ivoire has become West Africa's third largest Internet market, after Nigeria and Ghana, with superior service options and lower pricing plans available for consumers as a result of the competitive market.

3G mobile services have not yet been introduced, but are expected to be integrated soon by mobile operators struggling to break ahead of the competition and increase their share in a market which is rapidly becoming saturated. At present, mobile penetration is at 72%, internet at 8%, and fixed line services remaining stagnant at 1%.

Banking and Financial Services

The banking sector has opened to markets and reformed over the past few decades, with growing competition and credit access serving to revitalise the industry and various sectors of Cote d'Ivoire's economy.

While major businesses have easy access to a range of services, SMEs, regional, and agricultural businesses are struggling to gain adequate access to financial services and systems to sustain as well as grow.

Economic and Business Analysis

Cote d'Ivoire is heavily dependent on agriculture and its related industries, which employ roughly 72% of the population. Cote d'Ivoire is the world's largest producer and exporter of cocoa beans, and a significant producer and exporter of coffee and palm oil. Consequently, the economy is highly sensitive to fluctuations in international prices for these products, and, to a lesser extent, in climatic conditions.

GDP grew by more than 2% in 2008 and around 4% per year in 2009-10. Per capita income has declined by 15% since 1999, but registered a slight improvement in 2009-10. Since the civil war ended in 2003, political turmoil has continued to damage the economy, resulting in the loss of foreign investment and slow economic growth.

Cote d'Ivoire's long term challenges include political instability and degrading infrastructure. The civil unrest in early 2011 following disputed presidential elections has led to a contraction of the economy, but from 2012 onwards GDP growth is expected to return to around 6% per annum.

Imports

Fuel, food, and capital equipment, from Nigeria (22.4%), France (12.6%), China (7.1%), and Thailand (4.8%).

Exports

Cocoa, oil, and coffee are the country's top export revenue earners; timber, cotton, fruit, fish, and palm oil contribute. To US 10.2%, Netherlands 10%, Nigeria 7.7%, Ghana 6.7%, Germany 6.2%, France 6.2%, Burkina Faso 4.5%.

Ease of Doing Business

Political instability and tangled bureaucracy in taxation, trade, investor protection, and property issues, not to mention excessive start-up costs, have stifled economic growth. Improved credit systems bring some relief. The country's investment situation has calmed since the end of the global crisis, while legal systems have increased their support for business protection, with increased legislative influence.

In Abidjan, the economy is moving ahead rapidly, however regional areas have been slower to recover and re-build without access to sufficient financial inflows to regrow damaged infrastructure and industries which have been crippled by the crisis.

Market Opportunities

As Côte d'Ivoire has not yet reached agricultural self-sufficiency, the inhabitants mainly consume imported foodstuffs. This is also the case for industrial goods, particularly western products, which consumers largely consider to be of better quality than local options. While this view is changing slowly, there remain profitable

enterprises catering to increased demands for imported consumables, particularly in high-end luxury consumables.

Supermarkets and the Informal Sector

Supermarkets remain reserved for the highest bracket of the population, and for foreigners. Major international supermarket chains, including Cash, Hayat and Leader Price, occupy a niche position catering to the upper class, and to the burgeoning middle class, with 'aspirational brands'.

The informal sector dominates large-scale distribution, as well as SME enterprises catering to low-income households by offering low-cost goods. The sector traditionally operates outside of government guidelines, regulations, and taxations, however it also suffers from a lack of protection, and in the face of growing numbers of multinationals, operators are being forced to be innovative or risk closure.

Transport and Public Works

With government plans to rapidly increase the pace of infrastructure development, there is set to be a temporary boom in construction, followed by steady increases in employment volumes on public works projects.

Many of these projects will be put out to tender, and with strong local and international firms competing, the government is expecting to save on costs by playing on industry demand, whilst companies are eagerly jostling for fat government contracts to guarantee their income over the next few years.

Industry

The industrial sector represents 21% of GDP, and is increasing. Primarily made up of cocoa, coffee, and shea processing, there are options for diversifying into other light manufacturing, or increasing efficiency and linkages within current product lines.

Entrepreneurs and Innovation

The Centre for Rural Innovation

The Centre for Rural Innovation aims to plant the first seed for the emerging potential of eco-technologies in rural conditions, by:

- Enhancing innovative activities that will support rural populations
- Ensuring knowledge, equipment, and materials are provided to them
- Improving their day to day lives and generating new incomes
- Answering to climate change, food and energy scarcity
- Contributing to the development of operational mechanisms in West Africa
- Developing economic opportunities in food production and sustainable energy
- Respecting rural communities, food resources, and environmental factors



Snapshot

Population

1.8 million

Urban **58%**

Youth **19.3%**

Growth **2.4%**

Capital

Banjul

439,000

Growth **3.7%**

GDP

GDP (PPP)

Total **\$3.494b**

Capita **\$2,018**

GDP (Nominal)

Total **\$1.067b**

Capita **\$616**

Growth **5.5%**

Currency

Dalasi

1US\$ = **29.32**

1Euro = **40.43**

Inflation **6%**

The Gambia

Infrastructure

The Gambia river runs the entire length of the country east to west, providing a vital communications link for cargo and passengers. It is navigable by ocean-going vessels up to Kuntaar (240 kilometers—149 miles—upstream) and by shallow draught vessels up to Basse Santa Su (418 kilometres or 260 miles). The principal sea port is Banjul, serving the international and river trade, and Gambia's exports, mainly groundnuts, are shipped from there.

Gambia has over 2,700 km of roadways, 35% of which are paved, and all of which are sealed in and around Banjul. The network is being improved and expanded, with a view to linking routes with Senegal. Roads and bridges across the river are also being developed, replacing the ferry crossings for freight at Banjul and Fawafeni.

Education and Skills Development

Primary education is free and compulsory, but a lack of resources and infrastructure has made implementation difficult. Girls comprise 40% of primary students, though the figure is much lower in secondary, and particularly in rural areas, where costs and cultural factors hinder their access to education.

Koranic schools are popular – attended by 20% of school-age children, they have a restricted curriculum devoted primarily to religious studies. The growth is expected to continue, expanding from primary to secondary, with potential for tertiary institutions to be developed.

The education system has come under scrutiny for shortages of trained teachers, and the lack of sufficient depth in the syllabus. The entry age for primary school was reduced to 7 years old, still above global averages where students enrol at 5 or 6, and critics argue it has put students perpetually behind in competitiveness.

Spending on education has increased to 20% of budgetary spending, at roughly 4.2% of GNP. While primary enrolment is up to 79%, secondary is only 34%, and the country has an overall literacy rate of 46%.

Taxation

Individual

10-35%

Corporate **35%**

VAT/GST **18%**

Industry

Employment

Govt % **N/A**

Primary **63%**

Secondary **14%**

Tertiary **21%**

Unemployed

% N/A

GDP Earners

1 Services

2 Agriculture

3 Industry

Indexing

HDI **0.456 (L)**

GINI **49%**

EODB **149th**

Logistics

GLP **2.49**

Enabling Trade

GET **3.83**

Competitive

GCI **3.84**

Governance

Indicator

(Avg) **35%**

Communications and Information Systems

Five major mobile networks, and three Internet service providers control Gambia's telecoms sector. Mobile market penetration is well above Africa's average, and continues to climb above 93%. Despite the widespread mobile coverage, internet remains low at 12%, while fixed line penetrations are at 3% and unlikely to increase.

Competitiveness in the market is limited by the small number of providers, with already established customer bases, although a new government ICT Bill aimed at increasing competition has yet to take effect.

Banking and Financial Services

The financial system in Gambia has evolved rapidly in recent years, working towards liberalisation and the reduction of direct government controls. The sector has been growing in the number and volume of banking institutions, and has a healthy mix of commercial banks, foreign exchange bureaus, microfinance institutions, insurance companies, and others.

Despite the diversity, commercial banks continue to dominate, controlling over 90% of industry trade. The majority of banking operations are conducted in the Greater Banjul area, with branches and agencies servicing outer regions.

Economic and Business Analysis

The Gambia's economy is comprised of a small agricultural base, sparse natural resource revenues, and a partial reliance on remittances and tourism revenue. Almost 75% of the population depend on agricultural sector for their livelihood, although this figure has begun to decline.

Small-scale manufacturing consists of processing peanuts, fish, and animal hides. The Gambia's proximity to Europe, peacefulness, and natural beauty have made it one of the larger markets for tourism in West Africa, boosted by government and private sector investments in eco-tourism and upscale facilities.

Despite its potential, unemployment and underemployment rates remain high, and developments are dependent on sustained foreign aid and assistance. The nation's deficit is projected to worsen, and the quality of fiscal management has declined.

On the positive side, Gambia's political and financial stability have helped maintain consistent GDP growth, and minimise the effects of the global economic crisis.

Imports

Fuel, food, manufactured goods, machinery and equipment, from China 22.3%, Senegal 10.7%, Brazil 9.7%, Cote d'Ivoire 5.4%, and India 5.2%.

Exports

In the past few years, The Gambia's re-export trade - traditionally a major segment of economic activity - has declined. Fish and peanut products ship to India 40.8%, China 15.6%, France 11.9%, the UK 6.6%, and U.S 4.5%.

Ease of Doing Business

Incredibly high tax rates and little investor protection hinder Gambia's domestic expansion, though international trade is considerably more cost effective for business. The development of the nation's trade base is a focal strategy of the government and international donors, hence the regulatory environment governing foreign capital has loosened in recent years, in a bid to increase investment.

Market Opportunities

The government has set priorities for increasing value-added contribution, foreign exchange earnings, business innovation, and employment creation.

Horticulture

This sub-sector is becoming a major economic activity in the Gambia due to its vast export market opportunities, and favourable production conditions. The expansion in cold storage and dry cargo facilities in-country, combined with rising demand in the export market, gives an added advantage to new start-ups.

There are considerable investment opportunities in the sub-sector, particularly in maximizing the earning capacities of women and other small-scale rural growers.

Agro Processing Industries

The Gambia imports considerable sums of commodities such as fruit juice, sauces, roasted confectionery nuts, chicken feed, and dairy products, making this sector ripe for domestic development investment opportunities. For example, a localised fruit juice processing plant would cater for the surplus of fresh fruit exports (including mango, oranges, and tomatoes), while a feed mill would complement investments in the livestock sector.

Fisheries

There are only three companies with fish processing facilities, only two of which are operational. The sector is ripe for expansion and modernization, to meet rapid increases in demand for Gambian fish products in the export markets.

Manufacturing

Manufacturing is limited to SMEs producing for the domestic market, though there is potential in expanding light manufactures of electrical, technical, and consumer goods. The Gambia's wide yet shallow base of domestic production is perhaps most suited to vertical integration, where rather than striving for depth in one particular sector it could increase width until sectors are ready for more substantial growth.

Due to its strategic location and competitive prices, manufacturing in the Gambia enjoys export opportunities to sub-regional markets. Already, plans are under-way for the establishment of an industrial estate with factory cells, and the Islamic Development Bank has been approached for financing.

Tourism

Tourism plays a dominant role in the Gambia's economy, providing employment opportunities as well as enhanced foreign exchange earnings. The government is committed to expansion of the sector to include cultural and eco-tourism, in order to maximize the income benefits from tourism whilst minimising the sector's footprint.

In this regard, the expansion of infrastructures to designated tourism development areas including natural forest parks, land marks and monuments of cultural significance, are considered under the sector's development strategy.

There are number of hotel development projects seeking joint venture financing, including constructing 5 Star hotels, bars, restaurants, and recreation facilities catering to up-market European consumers.



Ghana

Infrastructure

Kejetia Market, Kumasi

Snapshot

Population

24.8 million

Urban **52%**

Youth **15.5%**

Growth **1.8%**

Capital

Accra

2.3 million

Growth **3.4%**

GDP

GDP (PPP)

Total **\$81b**

Capita **\$3,256**

GDP (Nominal)

Total **\$45b**

Capita **\$1,810**

Growth **13.5%**

Currency

Ghanaian Cedi

1US\$ = **1.60**

1Euro = **2.20**

Inflation **8.8%**

Kejetia market is the largest single market in West Africa with over 10,000 stores and stalls. The rusting tin roofs of this huge market, often cited as the largest in West Africa, look like a circular shantytown. Its interior is disorienting but throbbing with commerce.

Over unused railroad tracks, and in narrow alleyways traders sell everything from foodstuffs, second-hand shoes, clothes and plastic knick-knacks to kente cloth, glass beads, Ashanti sandals, batik and bracelets, as well as the truly exotic, including fetish items, such as vulture heads, parrot wings and dried chameleons.

Dangers of Unregulated Open Markets

A blazing fire twice gutted over 150 stores at Kejetia, the hub of commercial activity in the Kumasi Metropolis. In both fire outbreaks, it took the intervention of the Kumasi City Fire Service to fight the fire, and prevent it from spreading and engulfing other stores. The Kejetia Store Owners Association, a collection of market traders, attributed the cause of the fire to illegal electrical connections, which are an ongoing safety problem in a largely unregulated marketplace.

In another incident, a two-storey building collapsed in 2008, at the Kejetia Transit Terminal. The incident fortunately happened in the afternoon when damage was minimal, there were no casualties, and only 40 stalls and shops were affected, with all merchandise and stock destroyed. Cracks on the walls and floors of the building, coupled with the impact of a heavy metal billboard on the roof of the building, were contributing causes.

The terminal, which is the hub of business and commercial activities in the metropolis, has around it many similar buildings housing shops and stalls. Managers of the terminal installed Close Circuit Television (CCTV) cameras in early 2011, in line with its efforts aimed at strengthening security at the station.

The move is expected to clamp down on hoodlums, who ply their trade in the Kumasi Central market, as well as vandals who cause damage to property and potentially scare away consumers who might otherwise frequent the market.

Taxation

Individual

0-25%

Corporate **25%**

VAT **12.5%**

Industry

Employment

Govt % **N/A**

Primary **55%**

Secondary **16%**

Tertiary **30%**

Unemployed

8.9%

GDP Earners

1 Services

2 Agriculture

3 Industry

Indexing

HDI **0.541 (M)**

GINI % **N/A**

EODB **63rd**

Logistics

GLP **2.47**

Enabling Trade

GET **3.63**

Competitive

GCI **3.65**

Governance

Indicator

(Avg) **54%**

Education and Skills Development

Tertiary Technology Qualifications

There are so many broke, frustrated but smart, talented young people looking for jobs while there's a vast opportunity in the I.T field. This training program came out of a realization that I.C.T was one of the few areas one could obtain specialized knowledge and start a business with very little cost.

The information age is young in Ghana, and has vast potential to replicate products and services in the mobile, and web space, tailored to compensate for poor infrastructure.

Web development was the primary focus because of the booming market need and relatively easy to help people set up their own companies as web developers. Drupal CMS was chosen as the delivery system because it provides a framework to create professional, database websites within a short time, and has a relatively gentle learning curve since it doesn't require computer programming skills.

Focus is currently expanding to mobile applications (SMS, voice, and web) for platforms such as Nokia, Android, and iPhone. With these skills, people can create innovative applications from their bedrooms and sell them for millions of dollars on app stores online (Android market place, Nokia Ovi Store, iPhone App Store). Such creative applications will create wealth, and improve the economy.

Initially, trainees pay a token of 90 cedis for 1 month of training, which changed to 150 cedis for 2 months of training as more areas were added. Now, a new scheme that enables trainees to pay only 3 cedis each day, since most targets are financially constrained unemployed recent High School, Tertiary graduates.

This avoids dependence on external funding, while meeting the needs of the consumer. Training programs are delivered in web development, mobile development, graphic design, project management and Business Skills.

Costs are also kept low by advertising, primarily through Facebook (<http://www.facebook.com/inspireworld>) and using a residential facility for training. Another cost saver was initially requiring participants bring their own laptops, however with continued growth stock of p4's have been kept to make provision for those without.

Communications and Information Systems

Over the past two years, major industry players in the telecommunications sector have invested enormously into submarine fibre optic cables to increase the bandwidth capacity in the country. The country is well positioned as the potential ICT-Enabled Services Hub in the region, with the government's key objective to increase the overall capacity for transmission of telecommunications data to provide high-speed voice, video, and internet services across the nation.

Various studies indicated that for every 10% increase in broadband penetration, GDP increases by 1%, and that if the digital switch-over is fully completed, more broadband spectrum will be created, thereby significantly contributing to the nation's economic growth and business infrastructure.

ICT4AD: Vision for the Future

"The Government of Ghana is committed to pursuing an ICT for Accelerated Development (ICT4AD) Vision, aimed at improving the quality of life of the people of Ghana by significantly enriching their social, economic, and cultural well-being through the rapid development and modernization of the economy and society, using information and communication technologies as the main engine for accelerated and sustainable economic and social development."

Banking and Financial Services

SMEs Listed on the Stock Exchange

The Ghana Stock Exchange(GSE) and Fidelity Capital Partners Limited (FCPL), have signed a Memorandum of Understanding (MOU) to promote the growth and future listing of companies, especially Small and Medium-sized Enterprises (SMEs) on the Exchange. Under the MOU, the Exchange would be promoted to SMEs as a source of long-term capital and, for qualified SMEs seeking a listing on the Exchange, as an underwriting partner, thus enhancing the success of SME listing on the GSE. The scope of the promotion shall cover all companies including listed, unlisted, SMEs and large seeking long-term capital to boost their growth.

Established 20 years ago, the GSE has played a significant role in the country's capital market development. Just as other markets in Africa, the stock market has emerged as a major provider of investment capital inflow to companies in Ghana. Fidelity Capital Partners Limited is a leading SME private equity fund management company in West Africa. Established in 1997 and based in Accra, FCPL has \$32million under management and an SME portfolio comprising 13 companies operating in a number of sectors of the economy.

It is hoped that the change will contribute to a reversal of fortunes for the exchange, which was the worst performing in the world during the 2009 global financial crisis.

The World's Worst Performing Stock Exchange

In the report 'Financing Africa through the Crisis and Beyond', prepared by the African Development Bank (AfDB), noted that Ghana experienced an impressive 64% increase between January and October 2008, while stock markets around the world were collapsing, but lost almost 46.6% during 2009, making it the world's most poorly performing stock market over this period.

The effect of the financial crisis was worsened by a new automated trading system which investors needed time to adjust to, and the rise in domestic interest rates, which made money market instruments more attractive.

Economic and Business Analysis

Ghana is endowed with abundant natural resources, and agriculture accounts for over 40% of GDP, and employs over 50% of the workforce, mainly small landholders. The services sector accounts for 40% of GDP. Gold, cocoa production, and individual remittances are major sources of foreign exchange. Oil production at Ghana's offshore Jubilee field began in mid-December, 2010, and is expected to boost economic growth.

In 2009 Ghana signed a three-year Poverty Reduction and Growth Facility with the IMF to improve macroeconomic stability, private sector competitiveness, human resource development, good governance and civic responsibility. Sound macro-economic management along with high prices for gold and cocoa helped sustain GDP growth in 2008-10. Ghana has a diverse collection of manufacturing industries, and strengths in tourism, financial services, and trade, fostered by earlier attempts at self-sufficiency.

Imports

Food, petroleum, and capital goods, from China 16.6%, Nigeria 12.7%, the U.S 8.4%, Cote d'Ivoire 6.2%, UK 4.5%, and France 4.2%.

Exports

Cocoa is a leading export earner, produced by over 1.6 million farmers, mostly on plots under 3 hectares. Other goods are tuna, timber, and mineral resources – gold (the leading export), diamonds, aluminium, manganese ore, and bauxite. Partners are European nations and the U.S.

Ease of Doing Business

One of Africa's best countries to do business in, Ghana's strengths in property, credit, and investment protection keep the economy moving. Easing start-up costs will help grow new businesses, making markets more competitive.

Makola Market, Central Accra

Accra's markets are the centre of the city's economic activity, where most people buy their basic goods. The majority of traders are women who source and carry their own goods to the market, at great expense and effort. The existing transport service fails to meet trader's needs, increases their costs, and forces many women into a punishing daily routine that makes business operations unnecessarily hard.

Bus drivers frequently refuse to allow women to board if they are carrying goods, and taxi drivers often demand women take the whole taxi rather than share. Transport costs can represent up to 40% of turnover for traders, and these costs are passed on to the consumer. In addition to the high costs of transport, traders waste significant time walking and waiting for transport, in many cases making a working day stretch from 4am to 11pm.

As transport is so costly and time-consuming, and the risk of theft is high, some women choose to stay with their products at the market site until their stock is sold. This means frequent overnight stays at the market, often while keeping younger children with them.

The market traders function in highly organised co-operatives and commodity guilds, in a committee structure that brings together representatives to discuss problems and concerns. Following discussion of the issue, the cooperative leaders set up a transport co-operative, and designed a business plan to manage a small donated fleet of vehicles, to be built into a self-financing and sustainable transport service for co-operative members.

Integrated Services: Transport and Trade for Market Women

The women's transport co-operative began with a small fleet of light goods vehicles, and training and support in the necessary transport management and business skills to ensure they operate a sustainable profit. The profits made will be used for vehicle replacement, and expansion of the fleet and services.

The Transport Co-operative will enter the market with every chance of success, as the business is based around serving its parent organisation (The Market Traders Co-operative Union), which will serve as a staunchly loyal customer base they are already intimately familiar with. The traders themselves will benefit from reduced costs, easier transport access, increased efficiency, and most importantly decreased prices which will increase market competitiveness.

Market Opportunities

The Ghana Investment Promotion Centre (GIPC) has urged Ghana to be ready for huge Foreign Direct Investment (FDI) inflows that can help to further transform the economy while ensuring maximum returns for investors. The nation is in a strong position to receive greater foreign investment, with the economy stabilised enough to withstand external shocks, while the political and regulatory frameworks provide a safety net for foreign investors.

The GIPC has conducted special business forums in Washington D.C, put shortly after the success of the US-Africa Summit, also held in the U.S capital. Scores of potential American investors gathered to hear speeches on why Ghana is set to be one of the fastest growing economies in the world.

Representatives of GIPC preached the nation's prudent economic management policies, financial security, and maximised returns as key drawcards making it an attractive investment destination. American companies already in the country and heavily invested in oil and gas sectors were held up as example opportunities to emulate. Presently, U.S investments in Ghana stand at US\$3 billion in extractive industries, although SME investments are gradually increasing from US\$7 million in 2009 to US\$18 million in 2010 and US\$20 million by the end of 2011.

While challenges remain within the economy, particularly road, rail, infrastructure, and energy, increased FDI could help to increase government income and feed into further accelerating economic growth.



Snapshot

Population

10.6 million

Urban **35%**

Youth **22%**

Growth **2.6%**

Capital

Conakry

2.1 million

Growth **4.3%**

GDP

GDP (PPP)

Total **\$10.8b**

Capita **\$1,046**

GDP (Nominal)

Total **\$4.633b**

Capita **\$448**

Growth **4%**

Currency

Guinean Franc

1US\$ = **6,987**

1Euro = **9,635**

Inflation **16%**

Guinea

Infrastructure

Guinea's road network has quadrupled over the past few decades, with more projects underway to further the expansion. Most routes link urban and mining areas, while access to the remainder of Guinea remains difficult.

The country's only railway links the mines and ports, serving only to transport resources for export. Conakry port is operating at its peak, handling 94% of the nation's imports. Proposals are underway to build an inland container terminal, and reactivate Benty Port.

Education and Skills Development

In some regions, schools are so scarce that there are up to 85 children in a classroom, with children walking 15 miles a day each way just to attend. Though tuition is free, parents still pay for books and uniforms, and as a result few kids actually complete schooling, while many in rural areas don't even start.

While primary education is technically compulsory, the gross primary enrolment rate at 45.4%, and the figure is even lower among girls. Government resources for education are limited, with an inadequate supply of facilities, teachers, equipment, and an underwhelming curriculum which fails to address key the sciences which are crucial to generating skilled and employable future members of the workforce.

Reform programs are underway, supplemented by funds from international donors and UN agency support, which is guiding planning and implementation of the measures to maximise their efficiency and effectiveness.

Communications and Information Systems

With five globally established, competitive mobile networks driving growth, Guinea's telecommunications sector has shown triple-digit penetration growth for three years straight. Despite the rapid increase, overall mobile penetration (at 49%) is still well below the continental average, and the country's fixed-line and Internet markets are virtually untapped, at 0.2% and 1% respectively.

Taxation

Individual

3-35%

Corporate **35%**

VAT/GST **18%**

Industry

Employment

Govt % **N/A**

Primary **74%**

Secondary **11%**

Tertiary **15%**

Unemployed

% N/A

GDP Earners

1 Industry

2 Services

3 Agriculture

Indexing

HDI **0.340 (L)**

GINI **32%**

EODB **179th**

Logistics

GLP **2.60**

Enabling Trade

GET **N/A**

Competitive

GCI **N/A**

Governance

Indicator

(Avg) **8%**

The slow growth of internet is unusual among the region, and is largely a result of the limited and highly costly Broadband services currently available. The planned arrival of international fibre optic cables is set to bring abundant and competitive bandwidth, and the industry is sure to explode in response.

Economic and Business Analysis

Guinea remains one of Africa's poorest and most economically fragile countries, despite its abundance of major mineral, hydropower, and agricultural resources. The country boasts fully half of the world's bauxite reserves, as well as significant volumes of iron ore, gold, and diamonds. Throughout 2009, policies of the ruling military junta severely weakened the economy, by printing and spending money at an accelerated rate, which drove inflation and debt to perilously high levels.

International investments are expected to return to growth since the democratic elections, although their presence remains dependent upon the new government's ability to combat corruption and reform the banking system.

A coinciding effect of the 2009 downturn was a slide in the country's overall economic situation, where the combination of the international crisis and localised socio-political issues created a 0.3% fall in GDP. The country slipped into a mild recession, but stable GDP growth of between 4% and 5% since has helped the bounce back, and the growth rate is predicted to be sustained through to 2016, largely on the back of the nation's mineral wealth.

Since the 2009 global downturn, the value of bauxite and alumina exports has steadily risen, and export levels are tipped to continue to grow as investor confidence returns. International investors have expressed keen interest in Guinea's vast iron ore reserves, which could further the industry's growth, and provide much needed funding increases to the government.

Even with the sustained resources boom, economic growth remains too low to reduce poverty. The high rate of inflation (at 15.8%) continues to undermine the population's purchasing power, and the increasing poverty rate (at 55%) is an indicator that the economy is going backwards.

Added to all this is a substantial reduction in international assistance, and increased prices in essential imports, as European and other developed regions tighten their belts in response to their own economic struggles.

The combined challenges Guinea is currently facing have made reducing poverty and unemployment very difficult to achieve, and the country is facing the very real prospect of recurring socio-political instability, which would drive away the FDI that the country desperately needs.

Imports

Food, grains, and textiles; petroleum, metal, machinery, and equipment. Major importers are China 11.5%, Netherlands 6.3%, and France 4.2%.

Exports

Fish, coffee, and agricultural goods; minerals including gold, diamonds, bauxite, and alumina; exported to India 15.5%, Spain 8%, Chile 7.7%, Russia 6.8%, Ireland 6.1%, Ukraine 5.7%, the U.S 5.2%, and Germany 4.1%.

Ease of Doing Business

Rampant corruption, dilapidated electricity, degraded infrastructure, high operational costs, and political uncertainty have drained investor confidence, which though improving, will take some time to rebuild. The economic situation is regarded as extremely fragile, and particularly vulnerable to external factors. It has a narrow investment and production base, dominated by the mining sector and a relatively large informal sector.

While the government is currently proposing bold proposals for reforming the structure of government institutions, and is strongly considering increasing financial incentives to entice foreign enterprises to invest, its track record in policy implementation is short and none too impressive.

A key proposal is the creation of a 'one-stop shop' government institution, to facilitate and improve the formalities for starting, modifying and closing businesses. Measures are also being considered to make SME regulations more consistent with regional standards. Despite strong measures taken to reduce corruption, the results in terms of reducing corruption have been poor, primarily because of institutional instability and poor macroeconomic management.

Investment prospects in 2012 are much improved from previous years, thanks largely to a return to stability in the country and within the region. These developments will help to improve the business climate, and Guinea's attractiveness to foreign investors.

Market Opportunities

The gloomy outlook in 2010 detracted from the dynamism of economic activity. On the supply side, the weak growth rate was due largely to the low value added in the secondary (32.6% of GDP) and tertiary (37.8% of GDP) sectors, which recorded growth rates of 2.1% and 2.4% respectively. The primary sector (21.8% of GDP) grew by 3.2% thanks to the agriculture sector.

Agriculture and livestock have benefited from government emphasis and international development support partners, who have aided in reforming agricultural techniques and inputs. The sector is tipped to continue its growth, as the sector has at last begun to grow more productive and efficient production systems.

Manufacturing has performed below expectations (a growth rate of 1.1%), largely owing to a major drop of 36% in flour production. While the sector is capable of significant development and increased links to regional partners, investment is lagging and the industry's prospects are unlikely to turn until financing increases.

The tertiary sector expanded by 2.4%, on the back of expanding government services, transport, and trade sub-sectors. With continued government investment in core construction projects, the industry is expected to show strong employment growths over the next few years, which will likely taper off when the projects are completed, unless private firms are able to capitalise on their gain and carry the growth into projects for private FDI firms.

Entrepreneurs and Innovation

Farm Lands of Guinea

Following some initial success, Farm Lands of Guinea intend to restore a quarter of a million acres of underutilized agricultural land, and has been invited by neighbouring governments to investigate the possibilities of replicating its business model there as well. The application of capital and modern methods is expected to have a significant impact on the productivity of the sector, and the region as a whole.

Opportunities exist for a good return on investment, but more importantly, these endeavours will lift large numbers of people out of poverty, and provide increased food security among society's most vulnerable.

Kalabante School: Bringing the Circus to School

A small school in Guinea is seeking to increase the engagement of young student's with education, by integrating school lessons with circus lessons. The school, started by a circus couple, motivates the students to complete their academic studies, and then provides engaging 'circus training', exercising both mind and body.

Catering to orphans and society's most vulnerable, the core mission of the school is to provide children with the opportunity to increase their skill-sets, in and out of the classroom, and to engage in real-life learning and development.



Snapshot

Population

1.60 million

Urban **30%**

Youth **19%**

Growth **2%**

Capital

Bissau

397,000

Growth **3%**

GDP

GDP (PPP)

Total **\$1.784b**

Capita **\$1,084**

GDP (Nominal)

Total **\$837b**

Capita **\$508**

Growth **4.8%**

Currency

CFA Franc

1US\$ = **475.7**

1Euro = **655.9**

Inflation **5.2%**

Guinea-Bissau

Infrastructure

The government has implemented a program of rehabilitation in the infrastructural sector. In addition, to deepening structural and regulatory reform, the government is opening construction to bids from private firms, utilising financial and logistical support from international organisations, including the World Bank.

The current transport infrastructure covers 2,770 km, of which only 770 km is paved. Almost 50% of the national and international grid is asphalted, while less than 30% of the regional and 10% of local grids are asphalted.

This causes serious transport and logistical delays during the rainy season, when most of the Quinara and Tombali Regions are rendered almost inaccessible due to the deluge. Furthermore, the country's lack of bridges augments the difficulties, affecting rural producers and urban consumers.

Education and Skills Development

According to a UN review, Guinea-Bissau has one of the worst school systems in the world. Basic education services face enormous constraints, mainly related to teacher's salaries, lack of adequate infrastructure, school over-population, and lack of teaching materials. Teachers occasionally go for months without getting paid, and often go on strike.

In addition to the systems constraints, rural families struggling to survive pull their students from school to help work in the fields. Some development analysts say Guinea-Bissau's government budget is misguided, and that more should be spent on education and less on the military. Education spending increased in the 2008 budget and onwards, in efforts to increase education spending.

School enrolment rates have risen dramatically since the elimination of school fees, and rose from 45% in 2006 to 65% in 2010. Educational outcome indicators, such as literacy rates, also show strong gains.

Taxation

Individual

14%

Corporate **25%**

VAT/GST **15%**

Industry

Employment

Govt % **N/A**

Primary **81%**

Secondary **6%**

Tertiary **12%**

Unemployed

% **N/A**

GDP Earners

1 Agriculture

2 Services

3 Industry

Indexing

HDI **0.289 (L)**

GINI **43%**

EODB **176th**

Logistics

GLP **N/A**

Enabling Trade

GET **N/A**

Competitive

GCI **N/A**

Governance

Indicator

(Avg) **14%**

Banking and Financial Services

Guinea-Bissau's small and underdeveloped financial sector is comprised of 4 commercial banks, 15 agencies, and more than 100 microfinance institutions. High credit costs and scarce access to financing plague the sector, impeding dynamic entrepreneurial activity. Lending interest rates are the highest in the region, hovering between 10-15%, while only 3% of the population have access to banking services.

Guinea-Bissau has a sizable informal sector, with 75% of money in circulation moving through informal institutions. Poor infrastructure, lack of government regulations, insufficient collateral, and poor financial accounting practices pose significant obstacles to developing formal financial system.

Increased competition has pushed banks to engage more effectively with consumers, offering improved financing options and expanding their branch network. The first formal banking branch outside of the capital opened in 2009.

Economic and Business Analysis

Guinea-Bissau is classified by the UN as one of the poorest countries in the world. In 2003 the World Bank, IMF, and UNDP were forced to provide emergency budgetary support, which represented over 80% of the total national budget. The country has poor infrastructure and weak social indicators, and more than two-thirds of the population live under the poverty line.

The combination of limited economic prospects, a weak and faction-ridden government, and favourable geography have made this West African country a way station for trafficking narcotics, which is probably the country's most lucrative trade.

The legal economy depends mainly on farming and fishing (which represent about 46 percent of GDP), and while cashew crops have increased remarkably over recent years, rice is the major crop and staple food. Overall, agriculture generates 80% of the nation's employment, and 90% of exports. Rich mineral deposits and tourism potential could diversify income sources.

Economic Context

Following a decade of uneven progress in establishing macroeconomic stability, Guinea-Bissau has managed to achieve some progress in basic reform programs. Although it

remains vulnerable to external shocks, GDP growth has been resilient to the effects of the global financial crisis.

In 2009, growth dropped slightly following a strong decline in exports. However, world market prices for cashew quickly rebounded, and overall growth, export earnings, and domestic revenue recovered in 2010. Good cashew harvests and high prices have led to significant boost in exports, and the Government is preparing to negotiate an increase in fishing license revenues with the EU.

The consistent growth in export volumes, improved terms of trade, and increasing construction activity, have contributed to a projected rise in GDP, which is expected to remain at or above 4.5% through to 2015. However, high food and fuel prices have also pushed up inflation, which is projected to exceed 5%.

Poverty Reduction Strategies

Despite enormous economic and political challenges, the government has initiated a far-reaching structural reform agenda under its 'National Poverty Reduction Strategy'. The strategy tackles a wide range of social issues, but its particular focus is on SME support and industry growth, geared to increase employment prospects and financial opportunity for the most disadvantaged communities.

Imports

Food, petroleum, machinery, and equipment, imported from Senegal 21.8%, Portugal 20.5%, Brazil 5.6%, and Cuba 4.1%.

Exports

Guinea-Bissau exports fish and seafood along with small amounts of peanuts, palm kernels, and timber. India accounts for 76.9% of exports, and Nigeria 16.6%.

Ease of Doing Business

Guinea-Bissau, like many African countries, is a difficult place to do business. Some of the obstacles include unclear regulations, pervasive corruption, political instability and the lack of infrastructure. Recent improvements in credit access and start-up costs have eased pressures on business, but costs and time delays for electricity access remain roughly 4 times the continent's average.

The Government has made progress in public financial management and reform, as well as in the ongoing effort to bring the wage bill under control. Capacity-building measures, to increase efficiency in public administration, have met with success.

Creating the conditions for more robust private-sector growth is being driven by policies directed towards easing the regulatory environment for businesses. A one-stop shop for business registration, combined with a first wave of simplification reforms in licensing requirements, has eased the procedural process.

In terms of public infrastructure, considerable efforts are needed to restore electricity, at least in the capital city Bissau, after the collapse of the power system in 2007; and the Port of Bissau will require major rehabilitation and capacity expansion in order to meet the demands of a growing private sector.

Market Opportunities

Manufacturing activities are limited to production of consumable goods and processing of raw materials.

Tourism

Until recently, Guinea-Bissau was well off the tourist route, but efforts to encourage visitors to the country's largely unspoiled interior have taken increasing government focus. There are few hotels and resorts in Guinea-Bissau, where even the capital offers relatively basic accommodation and service options.

The government is hoping that promotion plans will encourage FDI to grow the sector, which in conjunction with localised SMEs will be able to develop infrastructure and services to continue to grow industry competitiveness.

The Manufacturing Sector

The main industries in the country are agricultural: Rice milling, producing cooking oil, and processing cashew nuts.

Other smaller manufacture's are in beverages: Beer and soft drinks, spirits, and fruit juices, some of which are refined from domestically produced ingredients

Finally, there are diverse light manufacture material industries, focused on metal-related mechanical products, ceramics, wood industries, energy production, and electrical equipment.

Energy Sector

Electricity production is very poor and low in Guinea-Bissau. Many areas in the capital have no electricity, while rural villages are almost entirely deprived of electricity. Only the biggest cities in the interior of the country have electricity access which is temporarily available for a few hours a day.

The government is drawing up a master plan to expand rural and urban supply coverage, providing an opportunity for private enterprises to bid for a range of project implementation contracts.



Snapshot

Population

4 million

Urban **48%**

Youth **21.4%**

Growth **2.6%**

Capital

Conakry

1.1 million

Growth **3.4%**

GDP

GDP (PPP)

Total **\$1.810b**

Capita **\$405**

GDP (Nominal)

Total **\$974b**

Capita **\$226**

Growth **6.9%**

Currency

Liberian Dollar

1US\$ = **72.02**

1Euro = **99.31**

Inflation **10%**

Liberia

Infrastructure

Liberia's limited transport infrastructure was severely damaged by the country's long civil war. Roads are in poor condition due to poor maintenance and heavy seasonal rains. Only 6% of the nation's 10,000 km network is paved. Bridges on the dirt roads, made of logs and planks, are particularly hazardous.

Ports in the south-east of the country handle timber exports, while the 5 ports of Monrovia, Buchanan, Greenville, Harper, and Robertsport handle a quarter-million tons per year in general cargo (80% percent of which is iron-ore) and 400,000 tons a year of petroleum products. The rail network used to transport iron ore is in serious need of repair, as large sections were dismantled and sold for scrap during the war.

Education and Skills Development

Liberia's education system retains some of the lawlessness that reigned during the conflict, with allegations surfacing of teachers who accept bribes of money or sex in exchange for higher grades.

Many of the educational systems physical facilities were destroyed during war, while the government is struggling to balance budgetary needs in a range of essential service sectors needing urgent attention, of which education is only one.

The country continues to suffer from a shortage of equipment, teachers, and the wages to pay them. While this situation continues, the opportunities for the nation's future social and economic advancement are diminished.

Communications and Information Systems

Liberia has become a prime example of a telecoms market that is almost entirely wireless. Four international GSM mobile operators are competing for customers, however the high cost and limited bandwidth of satellite connections means most services offered are both expensive and below broadband speed. Nonetheless, internet penetration is at 8% and rising steadily.

Taxation

Individual

2-35%

Corporate **35%**

VAT/GST **7%**

Industry

Employment

Govt % **N/A**

Primary **66%**

Secondary **9%**

Tertiary **24%**

Unemployed

58%

GDP Earners

1 Agriculture

2 Services

3 Industry

Indexing

HDI **0.300 (L)**

GINI **38.2%**

EODB **151st**

Logistics

GLP **2.38**

Enabling Trade

GET **N/A**

Competitive

GCI **N/A**

Governance

Indicator

(Avg) **17%**

In the mobile sector, competition has led to some of the lowest call prices in Africa, despite the expensive operating environment caused by shortages of basic infrastructure. Market penetration is at 45%, still below the African average, but growing faster than other countries in the region.

Banking and Financial Services

Liberia's financial system is shallow, and vulnerable to political and economic instability. The high cost of credit and scarce access to financing, particularly for SMEs, impede entrepreneurial activity and private sector innovation.

Sector access has gradually increased, supported by improved regulatory frameworks, and the banking system has expanded access to SME lending, microfinance, and mobile banking. Increased competition in the sector is pushing banks to expand their networks, creating new branches, products, and services to increase their customer base.

Mobile banking capacities are expanding, although the system remains dominated by big banks. Eight commercial banks, seven foreign owned and one government, conduct the majority of industry activity in savings, loans, and credit, a situation unlikely to change in the near future.

Economic and Business Analysis

Richly endowed with natural resources and a favourable agricultural climate, Liberia's economy is nonetheless struggling. Civil war and government mismanagement destroyed many of the economy's growth prospects, especially in the capital, Monrovia, where physical infrastructure suffers from damages and neglect. Rebuilding infrastructure and raising incomes will depend on foreign investment in key sectors, such as infrastructure and power generation.

Liberia's economy is swiftly recovering from the global economic downturn. Growth has grown above 5% (currently at 6.4%), driven by an increase in exports and FDI. It is expected the pattern will continue to rise, with projections indicating growth will peak close to 10% in 2013.

The rise in exports was largely thanks to the boom in commodity prices, particularly rubber, palm oil, and minerals. The rise has led to the resumption of investments in the Bong Yekepa extraction operations, which were stunted by the crisis.

Regional instability caused by neighbouring nations has made Liberia's situation increasingly precarious, and the UN has reported former fighters from Liberia are being recruited in Côte d'Ivoire. The country's security situation is currently stable, though fragile, and a sizeable UN Mission (UNMIL) peacekeeping force remains in Liberia to ensure it remains on course.

Liberia's economic challenges revolve around the difficult transition from post-conflict reconstruction, to long-term sustainable development. The 'Liberia Rising 2030' Development Plan is a strong guide to the government's strategic direction, however it has also placed strong emphasis on regional integration.

As Liberia is small and limited in purchasing power, shared regional infrastructure projects would help boost development at the macro-level, enabling businesses to increase trade opportunities on the micro scale.

Imports

Almost 4 times exports, ranging from food, fuel, chemicals, machinery, and manufactured goods, from South Korea 37.2%, China 26.3%, Singapore 17.3%, Japan 11.5%.

Exports

Liberia produces and exports basic products, primarily raw timber and rubber, and is reviving these sectors to increase trade. Embargos on timber and diamond exports have lifted, opening new sources of revenue for the government and Liberia shipped its first major timber exports to Europe in 2010. Coffee, cocoa, iron, and diamonds are also exported, primarily to South Africa 26.9%, US 18.1%

Ease of Doing Business

Liberia is a remarkably easy place to start a business (ranked 35th in the world), and it has the highest ratio of direct foreign investment to GDP in the world.

Many businesses fled the country during the war, taking capital and expertise with them, but returned when the fighting ended and business returned to normal. The government has taken steps to reduce corruption, build support from international donors, and encourage private investment.

The Government of Liberia has pledged top priority to improving road accessibility as part of its reconstruction effort, and in a bid to increase logistical integration of regional markets while revitalising weakened sectors.

Market Opportunities

The global financial crisis led to a significant drop in remittances, lower export earnings, salary cuts, layoffs, and reduced or delayed investments in key sectors such as mining, forestry, rubber plantations, and infrastructure. With the crisis over

and the nation rebuilding, these sectors are looking to gain ground and return to competitiveness. Local manufacturing, mainly foreign owned, is small in scope, but this too is rising thanks to the increase in FDI volumes over the past few years.

The economy is dominated by agricultural activities, which as a share of GDP account for 63% of the economy – more a reflection of the weakness of other sectors, than on agriculture's strength.

Agricultural production is mainly subsistence, as the country suffers from low yields and the main staple produced is rice. Rubber is the nation's biggest cash crop, although there has recently been heavy investment growth in palm oil.

The palm oil production industry is expected to increase, with major multinational firms from Asia and Europe courting the market and buying vast tracts of land. Developments are anticipated to include value-adding processes, transforming palm oil into biodiesel and other fuels.

Manufacturing is centred on small-scale activities such as cement, bricks, tiles, wooden, and metal furniture production. It accounted for little over 5% of the economy, and at present provides relatively few opportunities for expansion.

Structural growth is restricted due to the small domestic market, driven by a lack of purchasing power and limited public consumption volume. Long-term growth is dependent on regional integration and external trade, particularly cross border trade with immediate neighbours.

The service sector contributed 25.9% to GDP in 2010 and includes wholesale and retail trade, hotels and restaurants (6%), transport, storage and communication (4.2%), finance and real estate and business services (2.8%), general government services (9.5%) and other services (3.4%). These services mainly cater to the international community as well as UNMIL and are often supplied by Lebanese-owned and -operated companies. As such, profits and employment tend not to trickle down to the wider Liberian population.



Snapshot

Population

14.1 million

Urban **36%**

Youth **24%**

Growth **2.6%**

Capital

Bamako

1.7 million

Growth **4.4%**

GDP

GDP (PPP)

Total **\$16.8b**

Capita **\$1,251**

GDP (Nominal)

Total **\$9.268b**

Capita **\$691**

Growth **5.3%**

Currency

CFA Franc

1US\$ = **475.7**

1Euro = **655.9**

Inflation **3.6%**

Mali

Infrastructure

Road Networks

Mali's large geographical area makes infrastructure development and maintenance a major challenge. The country's road system is poor, even in relatively populated areas, and of the roads constructed the majority are gravel or improved earth.

Major works are underway to improve all-weather road connections, regionally and internally, with a focus on network expansion north, towards Niger and Algeria.

Railways

Mali's rail network consists of the eastern portion of the Niger-to-Dakar Railway, which is the country's only reliable freight link to the Atlantic. A new dry port facility, opened in Bamako in 2006, aiming to improve storage and handling of freight between Dakar and Mali, as well as to and from Niger and Burkina Faso.

Education and Skills Development

Mali is in needs of reform measures and increased investment, to make drastic improvements to the education system and the overall development of the country.

At present, 57% of the adult population are illiterate. Adult education services are belatedly being developed to tackle the issue, however they continue to suffer from a lack of resources and co-ordination necessary to achieve the required scale.

In primary education, enrolment ratios are just as dismal, at 70% for boys and just 56% for girls. At the secondary level, the numbers drop to 28% for boys and 17% for girls, leaving industry drastically short of the levels of graduates required to fulfil high-skill positions, condemning the economy to limited options for expansion.

Communications and Information Systems

The telecoms sector was until recently a government monopoly, with fixed line, analogue cellular, and Internet access all provided by state provider Sotelma.

Taxation

Individual

12-25%

Corporate **35%**

VAT/GST **18%**

Industry

Employment

Govt % **N/A**

Primary **77%**

Secondary **9%**

Tertiary **13%**

Unemployed

26%

GDP Earners

1 Services

2 Agriculture

3 Industry

Indexing

HDI **0.371 (L)**

GINI **52%**

EODB **146th**

Logistics

GLP **2.27**

Enabling Trade

GET **3.39**

Competitive

GCI **3.39**

Governance

Indicator

(Avg) **44%**

The lack of competition and government funding caused the network to remain small, with one of the lowest penetration rates in the world (0.25% in the capital, and 0.08% in rural areas). The sector was finally opened to competition in 1999, and while penetration rates have dramatically increased in over the past decade, they remain well below the regional average.

Banking and Financial Services

In 2009, less than 10% of Malian adults had a bank account, an indicator of the markets low level of service access. Banking dominates the system, while the government dominates the banks - only 3 are privately owned. Institutions are excessively liquid, insufficiently capitalized, and vulnerability to external shocks.

Authorities have, in the past few years, engaged in a series of banking sector reforms in the hopes of enhancing the efficiency of the financial sector. By engaging in bank restructuring and privatization processes, the government has driven increasing private ownership, and expanded access to bank credit.

Economic and Business Analysis

Landlocked and highly dependent on mining and agricultural exports, Mali is among the 25 poorest countries in the world. Economic activity is largely confined to the Niger River area, where 80% of the labour force is engaged in farming and fishing. The nation remains dependent on agriculture, which employs 70% of the workforce nationwide, and accounts for 35% of GDP.

Industrial activity is concentrated on processing farm commodities, while cotton and iron extraction industries are beginning to diversify into production measures to grow revenue sources. Mali has invested in tourism, which has performed well in the past, but security issues are hurting the industry. Continued unrest in neighbouring countries has also lowered worker remittances and external trade routes, which are key areas bringing in foreign capital.

Sound macroeconomic management has led to average growth rates of 5% since 1994, while increasing tax revenues have substantially bolstered government revenue inflows. Despite this positive economic performance, progress relating to social development indicators has been slow.

Growth has been driven by subsistence farming, transport, and telecommunications, which together contributed a third of real GDP growth. Export crops, including cotton, expanded strongly (up 11.4%) but still made only a marginal contribution to overall growth because of their small share of GDP (2.6%). Mining, and gold extraction in particular, is a growing industry, but mineral resources remain generally underexploited and infrastructure inadequate.

Imports

Food, textiles, petroleum, machinery, equipment, and construction materials, from Senegal 13.6%, France 11%, Cote d'Ivoire 10%, China 6.8%, South Korea 5.2%.

Exports

Gold, cotton, and livestock, to China 27.2%, Indonesia 8.2%, Thailand 5.3%, Burkina Faso 5.2%, Morocco 5%, South Korea 4.9%.

Export crops, including cotton, expanded strongly (11.4%) but were still only marginal to growth because of their small share of GDP (2.6%). Cotton did well, increasing both output and export volumes and benefiting from higher world prices. This continued in 2011, with good international prospects and government incentives to revive production and speed up privatisation of the state cotton firm Compagnie malienne de développement textile (CMDT).

Ease of Doing Business

The government has continued an IMF-recommended structural adjustment program that has helped the economy grow, diversify, and attract foreign investment. Additional efforts are required in essential service areas, particularly in transport which has hindered logistics, and in education which has limited the skill base of the workforce.

Market Opportunities

The economy is dominated by the primary and tertiary sectors, which account for a third of GDP each. The primary sector consists mainly of subsistence farming (20.6% of GDP) and livestock (8.1%). Commerce (14.4% of GDP), non-traded services (8.7%) and transports and telecommunications (5.4%) were the main tertiary (service) sector activities, while mining (5.6% of GDP) and construction (5.2%) accounted for most of the secondary sector.

The secondary sector shrank 2.1% in 2010, after growing 3.5% in 2009, and subtracted 0.4 of a percentage point from real GDP growth. It began to recover in 2009 from the 2008 world financial crisis but was hit by a 16.2% drop in gold production in 2010 because of delays in opening a new mine. Construction expanded 7%, however, thanks to rural electrification investment, the continuing

affordable housing programme and work on a third bridge in Bamako and a multiple highway interchange in the government's administrative quarter.

The tertiary sector advanced 4.5% and contributed 1.7 percentage points to GDP growth due to growth of transport and telecommunications (+5.5%), commerce (5%) and non-traded services (3%). These sub-sectors were all helped by firm domestic demand, especially private consumption (68.4% of GDP).

On the demand side, final consumption, mostly private, amounted to 85.1% of real GDP in 2010, and its 3.8% growth contributed 3.5 percentage points of GDP growth. Gross investment contributed 22% of GDP, while net external demand is estimated at -7.1% of GDP.

Gross investment rose 6.4% in 2010 and gross capital formation increased to 22% of GDP (from 20% in 2009), due to higher public investment, including modernisation of Bamako's airport, building a third bridge in Bamako, university and vocational training infrastructure, community clinics, the Mali Hospital in Bamako and a regional hospital in Sikasso. Private investment was also boosted by improved infrastructure and a better business climate. The contraction in net external demand subtracted 0.3 percentage points from GDP growth.

Rail Developments

A new 800 km line linking Bamako with Conakry is under review, but is currently not considered viable given the state of existing infrastructure within Guinea. Alternate options include connecting Bamako southwards to the existing railway, between Ouagadougou (Burkina Faso) and Abidjan (Côte d'Ivoire).

Entrepreneurs and Innovation

Tonka's Reforms Reap Rewards

The rural locality of Tonka, in northern Mali, is an example of the endeavours that villagers in Africa are already making, despite extremely adverse conditions. By digging simple irrigation canals from a local river and lake, Tonka's 4,500 producers, organized in village cooperatives, have been able to increase their output of rice, millet, sorghum, potatoes, cassava, beans and other foods.

Tonka's marketplaces now attract buyers from other regions in Mali, and even from across the border in neighbouring Mauritania. Thanks to the additional incomes they have earned, Tonka's residents have been able, during the past four years, to help finance the construction of nine primary schools, four health clinics, several wells, two livestock markets, a warehouse and several sanitation facilities.



Snapshot

Population

16.5 million

Urban **17%**

Youth **25.1%**

Growth **3.6%**

Capital

Niamey

1.07 million

Growth **4.7%**

GDP

GDP (PPP)

Total **\$11.8b**

Capita **\$781**

GDP (Nominal)

Total **\$6.3b**

Capita **\$417**

Growth **5.5%**

Currency

CFA Franc

1US\$ = **475.7**

1Euro = **655.9**

Inflation **4%**

Niger

Infrastructure

Niger's lack of infrastructure severely limits overall growth potential, and locks the country in a poverty trap. The low level of capital infrastructure in Niger is reflected in its lower growth rates and real GDP per capita, compared to the average for sub-Saharan Africa. Niger's infrastructure gaps also translate into higher business costs, and limit its capacity to compete in regional and international markets. For example, comparison of domestic costs of truck transport within the West African Economic and Monetary Union (WAEMU) region shows that costs per ton per kilometre are about a third higher in Niger than other WAEMU countries, with the exception of Burkina Faso.

Education and Skills Development

The Nomad Foundation: Technology Training Supporting Nomads

The Nomad Foundation was established to assist nomadic Tuareg and Wodaabe in Niger. The aim was to provide additional resources to help sustain their way of life, and it soon became apparent that the need for access to clean water was paramount. Digging open, cemented wells helped water herds, but required hours of labour each day to access the water, and were prone to contamination.

Drilling wells and pumping water was a necessity, but to drill without a power source required solar power. In partnership with Dr. Richard Komp, an expert in solar energy, the nomads were educated in solar panel fabrication and simplified installation. The ability to make a reliable, low maintenance energy source could have many other applications than just powering water pumps, and the idea to form Nomad Energy emerged. By continuing the education of the nomads in business operation and management, the hope is to turn over operation to them in 5 years. An idea that emerged from a need for clean water evolved into a means of economic development, achieved through the use of an innovative educational program.

Given the extreme poverty and very limited access to education in Niger, any type of educationally-based program requires educational entrepreneurship.

Taxation

Individual

15-30%

Corporate **30%**

VAT/GST **19%**

Industry

Employment

Govt % **N/A**

Primary **82%**

Secondary **6%**

Tertiary **9%**

Unemployed

% N/A

GDP Earners

1 Services

2 Agriculture

3 Industry

Indexing

HDI **0.295 (L)**

GINI **47%**

EODB **63rd**

Logistics

GLP **2.54**

Enabling Trade

GET **N/A**

Competitive

GCI **N/A**

Governance

Indicator

(Avg) **30%**

The program diverges from traditional education in several ways: it attempts to impart relevant knowledge that is complementary with the life of its students; it is a needs-based, hands-on program, targeting the lack of supplemental income and access to clean water; the benefit is immediate in the income-producing skill of solar panel fabrication and installation.

The goal of the training is the establishment of a profitable solar panel manufacturing and retail business, which will serve as a platform for continued education in business operations. Those that have been the students will develop the skills to become teachers.

Existing solar installers in Niger attest that the demand for solar panels far exceeds the supply, even more so for cell phone chargers. Herders needing water pumping capabilities will be able to manufacture their own solar panels, reducing their costs.

The solar fabrication utilizes locally available resources, such as aluminium and silicone. These manufacturing inputs are purchased and not taken from the direct environment, increasing community linkages. Ultimately, a 65 watt panel can be made for CFA \$55,000 in materials. The same size panel sells for CFA \$150,000.

Nomads trained in solar panel fabrication will be paid per unit, those trained in sales will be paid on commission, and those trained as managers will earn a salary of \$200 per month. Some trainees have taken their manufactured solar chargers into the bush, and created small businesses where for a small fee they charge the cell phones or other electronics of their fellow nomads.

Banking and Financial Services

Microfinance

The Niger State government has spent over N \$1.5 billion to establish Microfinance banks in all 25 local government areas, as part of the administration's strategy to fast-track development, and reduce poverty in rural areas. It is hoped that the venture will encourage the growth of small and medium-scale industries, reducing the rate of unemployment and re-vitalising rural economies.

Cereal Banks

One of the poorest and most drought-prone nation's in Africa, Niger is a risk heavy environment for farmers dependent on rainfall for their livelihoods. Cereal banks reduce the risk of disaster when drought reduces crop yields, by loaning out grain when times are tough and enabling farmers to survive until the rains return.

Between harvests, during what is known as the 'lean season,' farmers used to travel for miles in blazing heat along poor roads, to pay exorbitant and uncontrolled prices at food markets. Now, rural farmers, particularly women and widows, are able to shield themselves from hunger with the help of a cereal bank where they can borrow grain at low interest rates when food supplies run low.

Droughts, floods, and crop failures can all play havoc with commodity markets, but the stakes for small farmers are considerably higher. In a time of high food prices, bad harvests can drag families into burdensome debts with interest too heavy to repay, and from there into poverty, hunger, and deprivation.

Cereal Bank staff are mostly illiterate women, with rudimentary trading in the practices of hedging risks and betting on futures, offering a badly needed safety net to struggling farmers. Set up by WFP and Care, the bank puts women in charge of monitoring stock and overseeing the loans for local families who need them. Lessons in reading, writing, and arithmetic as well as health, nutrition, and child care are provided to staff, so they may learn the skills they need to make the food bank work effectively.

Economic and Business Analysis

Niger's economy is based largely on subsistence crops, livestock, and some of the world's largest uranium deposits. Drought cycles, desertification, a 3.4% population growth rate and the drop in world demand for uranium have undercut an already marginal economy. Traditional subsistence farming, herding, small trading, and informal markets dominate an economy that generates few formal sector jobs. Between 1988 and 1995, 28% to 30% of the total economy of Niger was in the unregulated Informal sector, including small and even large scale rural and urban production, transport and services. Oil and gas have now become a major revenue earner, as well as employment generator, due to increased investment from other countries, particularly China.

Inability to sustain high economic growth

The uranium boom that occurred during the 1970s was the last big boom to date, and the in early 2000s the oil and gas sector opened up in a big way. The growth decade of 1970-1980 was not leveraged to its full potential, as occurred in other countries such as India and Indonesia. During that decade, real GDP grew at an annual average of 1.6% and income per capita based on PPP stood at US\$533, equivalent to that of India and Indonesia over the period 1975-80. The savings rate averaged 7.9% of GDP during 1971-80. Niger attracted huge flows of foreign direct investments, mainly directed to the uranium sector, and investment averaged 17.4%

of GDP (higher than that of Mauritius). Exports averaged 19.1% of GDP, comparable to the levels of Philippines and Thailand, and far higher than those observed in many Sub-Saharan African countries with a similar level of development.

Despite the renewed policy goal of economic diversification, Niger's economy remains largely dominated by agriculture. This makes it extremely vulnerable to risks, with weak resilience to climatic fluctuations and changes in the terms of trade. The 2004 drought and locust attacks underscore the fragility of its agriculture-led-growth strategy. As agricultural growth collapsed by more than 13%, it led to an overall fall in economic growth. According to a recent World Bank report, poverty stands at 62-65% of the total population.

High exposure to external shocks and consequences

Due to the over-reliance of Niger's economy to international aid, especially from World Bank and IMF, global downturns affect Niger's monetary sources and in turn affect the capacity of Niger to fund its critical necessities. Past experience shows that Niger's economy is highly vulnerable to, and hit by, exogenous factors, including sharp variability of rainfall, terms of trade shocks, and volatility of aid flows.

Evidence shows that these shocks result in lower growth performance and severely affect human development. For example in 2004, drought and locust attacks led to a 1% drop in real GDP growth and a 4% decline in per capita GDP, reflecting a decline of more than 13% in agricultural production. Prospects of growth may also have been hampered by the occurrence of droughts and delays in mobilizing foreign aid to finance the externally funded expenditures and investment programs needed to boost growth and achieve the MDGs. Whilst these points are only some of the myriad of problems that Niger faces, there are still plenty of unexplored opportunities for the country as a whole.

Imports

Foodstuffs, machinery, vehicles and parts, petroleum and cereals are the major items imported by Niger. France is the biggest import partner of Niger and accounted for nearly 17% of the African nation's 2008 exports. China, Algeria, Nigeria, French Polynesia and Belgium were the other main import partners of Niger in 2008 and accounted for 11%, 9.7%, 7.5%, 6.6% and 4.3%, respectively.

Exports

Exports of agro based and other products play a significant role in Niger's economy. While uranium is the biggest contributor to Niger's export revenues, foreign exchange earnings from livestock are also quite significant. Although the actual export of livestock is far higher than the official statistics, a large amount of it is unaccounted with large herds of animals informally crossing into Nigeria. Cowpeas, onions, hides and skins are the other items of exports from Niger. Japan has emerged as one of the biggest export destinations for Niger products and accounted for over 80% of the African nation's exports. Nigeria and France are the two other major export destinations for Niger's products and accounted for 8.5% and 2.9% of the nation's 2008 exports.

Ease of Doing Business

The *Doing Business* 2011 report of the World Bank states that over the past 6 years Niger has come a long way reducing the number of days required to start a business. However, the number of procedures post incorporation is also very high: high minimum capital is required to start a company in Niger according to Legal Form: Sociétés à Responsabilité Limitée (Limited liability company) (Doing Business 2011 Report – Making a Difference for Entrepreneurs).

Moreover, it requires 17 procedures, takes 265 days, and costs 2,352 percent GNI per capita to build a warehouse in Niger. The major component of the 265 days is the obtaining of permits from the municipality, which takes around 180 days. This shows a huge delay and lethargy within government departments. There should be proper systems, mandated by the Government, aiming to attract more investors. The laws of mergers and/or acquisitions should be specifically set so that there are no inter-company conflicts arising from the practices followed. When trading across borders, the government should reduce some of the double taxation norms, which would give a further boost to the economy.

Market Opportunities

Plugging Infrastructure Gaps

Niger has to look at plugging those critical parts of its infrastructure which represent immediate barriers to growth. A recent World Bank report states that Niger is increasingly going to invest in rural areas to raise farmers' income, agriculture productivity, and improve service delivery. This is a good opportunity for a new generation of entrepreneurs to look at the infrastructure sector, as there will be increased funding from the United Nations Development Program. The current military junta will also be looking at this as a first phase of development to attract foreign investments. Storage facilities and cold chains would help Niger leverage its competitive position in onions, and also transportation equipments with refrigeration to expand the supply to the meat sub-sector.

Tapping the potential of the tourism industry

Niger has considerable natural resource assets that could help launch it as an international destination based on niche markets such as adventure holidays. These assets include Agadez, already a favourite destination for tourists, the River Niger, also a magnet for tourism, and Air Tenere. Niger also has an outstanding cultural and historical background – both ancient and modern – which lends itself to tourism. The tourism sector could provide linkages with other sectors, including handicrafts and agriculture, which could be enhanced to increase tourism expenditure in Niger. Currently, while demand for tourism does exist, supply is constrained by weaknesses in infrastructure and low product quality, as well as issues of knowledge management, taxation, and financial infrastructure.



Snapshot

Population

155 million

Urban **50%**

Youth **18%**

Growth **1.9%**

Capital

Abuja

2 million

Growth **3.5%**

GDP

GDP (PPP)

Total **\$415b**

Capita **\$2,589**

GDP (Nominal)

Total **\$247b**

Capita **\$1,541**

Growth **6.9%**

Currency

Naira

1US\$ = **160.15**

1Euro = **212.28**

Inflation **10.8%**

Nigeria

Infrastructure

Education and Skills Development

Young Entrepreneurs Evolution Platform (YEEP)

YEEP teaches students aged between 9 and 20 vocational, business, savings, and community service skills. The project's aim is to ensure that before they graduate from secondary school, young people will form positive entrepreneurial habits that they can use to positively affect Nigeria's socio-economic climate.

The project challenges students to solve a problem in their locality in a profitable way, with the promise of doubling the profit of the highest earner at the end of each term. The organization handles the problems students encounter in the course of their business as lesson topics in class.

In the last three years the organisation has also organised holiday workshops, entrepreneurship essay competitions, and school enlightenment workshops, as well as publishing a newsletter that will be formed into a 'Young Entrepreneurs Magazine'. It is hoped the newsletter will receive a wide coverage, encouraging companies with products and services targeted at students to advertise in the publication.

Training the Next Generation of Smallholder Farmers

Almost 20% of Nigerian youths are unemployed, while agriculture provides an enormous opportunity for young people to become self-employed and make a contribution to the nation's food security.

Nigerian youths lack an interest in agriculture, driven by an inability to see agriculture as a profitable venture for income generation and employment.

The problem is exacerbated by inadequate education in schools, and the absence of practical agricultural techniques and knowledge to successfully create modern, small-scale, commercially viable agricultural enterprises.

In secondary schools across Nigeria, agricultural teaching is entirely theoretical and students do not have the opportunity to acquire practical agricultural or business skills.

Taxation

Individual

5-25%

Corporate **30%**

VAT/GST **5%**

Industry

Employment

Govt % **N/A**

Primary **68%**

Secondary **9%**

Tertiary **21%**

Unemployed

21%

GDP Earners

1 Agriculture

2 Industry

3 Services

Indexing

HDI **0.423 (L)**

GINI **42%**

EODB **179th**

Logistics

GLP **2.59**

Enabling Trade

GET **3.05**

Competitive

GCI **3.45**

Governance

Indicator

(Avg) **18%**

In 2008, The Smallholders Foundation established its Future Farmers Program to tackle youth unemployment by empowering young Nigerians, especially girls, with practical and valuable agricultural skills through the establishment of modern school crops, fruit trees, and livestock gardens on 1 acre plots donated by school authorities.

Students aged 12 -25 years learn lifetime skills through practical training: in marking and laying out gardens; soil preparation and management; selecting appropriate seeds; planting crops; applying fertilizers; animal husbandry; weeding and making insect traps and making and maintaining low cost drip and treadle irrigation kits. Other skills are on selecting farming tools and equipment; storage, selecting harvesting tools; seeds processing and banking; packaging crops; fencing the garden, conducting preliminary market research, business plan design, budgets design and monitoring and the marketing and replication in their homes.

To demonstrate entrepreneurship, students entirely manages the gardens; they harvest the crops, the fruits and livestock raised; they package these products, and sell them; place the income in a Savings Bank Account; and uses the profit to grant themselves microloans to establish similar gardens at home, as such becoming self-employed.

Communications and Information Systems

Youth and Entrepreneurs Tap into Online Markets

Nigeria has one of the highest percentages of internet users in Africa. A new crop of entrepreneurs are keen to tap the potential of Africa's online market, with logistics, high internet costs, and consumer fears over scams just a few of the challenges.

There is a growing generation of young, internet-savvy Africans embracing new technology, and driving efforts in the continent to bridge the gap between the virtual world, and the real world. According to the International Telecommunication Union (ITU), internet-user penetration in sub-Saharan Africa has grown from 0.5% in 2000 to 10.6% in 2010, a figure still far behind the world average of 30%. An increasing number of Africans are also becoming more familiar with online shopping.

Internet penetration in Nigeria is at 28%, boosted by the rapid growth in the country's telecoms sector. In recent years, the number of mobile cellular subscriptions has skyrocketed from 30,000 in the year 2000, to over 87 million in 2010.

Both mobiles and internet have helped expand e-commerce activities.

Yet, the country's online buying culture is still in its infancy, with the online shopping market still small by global standards. It is this potential that has prompted the emergence of a new crop of internet developers in the country, eager to tap the money-making opportunities available online.

DealDey

DealDey is a 'Groupon' style group-buying site that offers its members in Lagos discounted deals on a range of products and services. The model has struck a chord with customers looking to make the most out of the benefits of online shopping, and DealDey plans to expand, claiming to have added over 1,000 people every day.

Yet, promoting e-commerce in a country with high internet costs, slow connectivity and a bad reputation for online scams does not come without its challenges. Building a strong logistics infrastructure is necessary for the growth of e-commerce in developing countries, and for that reason DealDey has invested in in-house systems as well as pick-up points where customers can collect their items.

Analysts say that a major problem confronting users in the country is the lack of a convenient and reliable electronic payment service that enables consumers to make payment for goods bought online -- the penetration of debit and credit cards is still low and in many cases online shoppers are still required to physically go to the bank and make a deposit to confirm their purchase. Nigerian consumers with reliable internet access are sceptical about shopping online, with the widespread perception that such transactions are risky and prone to fraud. Most people still prefer to visit their favourite retail shops and make their purchases, where payments are usually made with cash.

Shifting consumer behaviour toward e-commerce and building trust is a gradual process. Despite all the challenges, analysts believe Nigeria's e-commerce sector has the potential to take off within the next few years, as the market continues to develop at a fast pace.

Banking and Financial Services

Examining Alternative Sources of Funding for SMEs

Even though Small and Medium Enterprises are supposed to contribute to the Gross Domestic Product of any thriving economy, the problem of funding, especially securing bank loans, has over time hindered them from doing this in Nigeria.

In Nigeria, the government has come to understand that this sector is vital, and has come up with various initiatives aimed at ensuring their sustainability. This is largely because SMEs represent almost 90% of firms in Nigeria.

Of course, the global economic meltdown, as well as the internal crises in the Nigerian financial institutions, has made it difficult for these small businesses to access funds to boost their operations.

Banks Ranking Well

Eleven Nigeria banks are ranked among the top 50 banks in the continent, the largest tally for any one country (it is closely followed by Egypt, with 10 banks in the top 50). African banks have grown rapidly in the past few years, increasing their capital and gaining in market share compared to global firms, which once dominated.

Analysts expect at least 10 more Nigerian banks to rise to the top, now that they have finally shaken off the 2009 crisis and standard trade is resuming.

Consumers Struggling to Access Financial Systems

Despite the good news for banks, the Nigerian financial system is relatively shallow, with a majority of Nigerians lacking access to formal financial services. An Enhancing Financial Innovation and Access (EFInA) survey concluded that 74% of adults in Nigeria (64 million) have never banked, while only 15% of women have bank accounts.

The Nigerian government has developed a long-term strategy called Financial System Strategy, aiming to promote greater stability, depth, and diversity across the system. Issues to be dealt with include:

- Lack of transparency of financial performance and market performance
- Minimal data on demand for services, financial performance, or outreach
- Demand for capacity building to manage current levels of rapid growth, develop new products, expand in new geographic areas, and address other challenges
- Growing need for consumer protection in competitive unregulated urban areas

Economic and Business Analysis

Nigeria is a federation of thirty-six (36) states and a federal capital territory in the heart of Abuja; a nation blessed with oil resources, flora and fauna. For over fifty years of independence, the country has had its share of prosperity and adversity. Nigeria according to popular rating is the most populous country in Africa, accounting for about 47% of West Africa's population, with a growth rate of 2.4% per annum.

It is referred to as the giant of West Africa, in that one in every two West Africans is a Nigerian. The country's GDP is larger than that of all the other countries in West Africa combined. Its GDP is actually larger Federal Republic of Nigeria, as it is officially called, is located in western Africa on the Gulf of Guinea with a total area of 923,768 km², thus making it the world's 32nd largest country after Tanzania.

It shares a 4,047 kilometres border with Benin (773 km to the West), Niger (1497 km to the North), Chad (87 km to the East), Cameroon (1690 km to the East), and has a coastline of at least 853 km on the Gulf of Guinea on the Atlantic Ocean. Nigeria is the most populous nation in Sub-Sahara Africa with a population of 149,229,090 million people and more than 250 ethnic groups.

Interestingly, one out of every four black persons is a Nigerian. However, the composition of the population is in the main youthful, with over 58% as young people below 18 years, and an increasing dependency ratio estimated at 87.7%. A large proportion of this population is living in the rapidly expanding urban area, presently estimated at over 42.2% and will likely hit 55.4% mark by the year 2015.

Macro-Economic Data on Nigeria's Business Environment

Nigeria exhibits the traits of a dual economy: a modern sector heavily dependent on oil earnings side-by-side a traditional agricultural and trading economy. During the colonial era, cash crops were introduced, harbours, railways and roads were developed, and a market for consumer goods began to emerge. At independence in 1960 agriculture accounted for well over half of GDP, and was the main source of export earnings and public revenue, with the agricultural marketing boards playing a leading role. This leading role in the economy has been taken over by crude oil.

Real GDP in 2000, 2001, 2004, 2007 and 2009 were 3.8, 3.5, 7.1 and 5.3 respectively. This indicates a sustainable economic growth in Nigeria. The dividend of real GDP growth has however not been judiciously used for economic development of the country. The capacity utilisation of the economy from 2000 to 2009 fluctuated between 36% and 50%. This has been blamed on frequent power outages, lack of funds to procure inputs, fallen demand for manufactures and frequent strikes and lockouts by workers and employers. From 2001 the, there were notable improvement occasioned by favourable government policies on manufacturing geared towards self-sufficiency, employment generation and export promotion.

Nigeria maintains a good profile among the community of nations. It currently listed among the "Next Eleven" emerging economies, and is a member of the Commonwealth of Nations. The Nigerian is one of the growing economies in the world, with a growth of 9% in 2008 and 8.3% in 2009. In the same token, the IMF remarked that Nigeria is the third fastest emerging economy in the world, after China and India, as a result of its growth rates rising from 6.9% in 2009 to 7.4% in 2010. It is also believed to be the prominent exporter of oil in Africa, and a formidable regional power in West Africa.

Ease of Doing Business

All business enterprises (small, moderate or large) must statutorily be registered with the Registrar-General of the Corporate Affairs Commission (Registrar of Companies in Nigeria). Therefore, any investor, be it local or foreigner, planning to set up any type of business (be it service-oriented or product-oriented) in Nigeria should take all

steps necessary to obtain local incorporation of their companies, as this process would afford the investors many opportunities and incentives apart from the benefit of legality that incorporation confer.

To formally register any business enterprise, the promoters must meet the provisions of Companies and Allied Matters Act (CAMA), 1990. The Companies and Allied Matters Act, 1990 is the principal law regulating the incorporation of businesses. The administration of the Companies Act is under-taken by the Corporate Affairs Commission (CAC) and its functions include:

- i. the regulation and supervision of the formation, incorporation, registration, management and winding up of companies.
- ii. the maintenance of Companies Registry;
- iii. the conduct of investigation into the affairs of any company in the interest of share-holders and the public.

Challenges of Nigeria's Business Environment

Despite its abundant natural and human resources, local and foreign businesses are faced with challenges which in the recent years have surged appreciably cause serious set-backs to existing and newly established businesses (large and small).

With specific reference to SMEs, they are faced frequently harassment from government officials who extort money from their businesses. In addition, there is paucity of infrastructure including bad roads, water shortage, erratic supply of electricity, and poor telecommunication system. Added to the above discouraging challenge is difficulty accessing bank credits, but the most serious and damaging problem threatening the state of entrepreneurship in Nigeria is a lack of government interest and support for micro, small enterprises.

Furthermore, the Business Environment and Enterprise Performance Surveys (2007) identified fifteen (15) critical challenges facing businesses in Nigeria. These include: access to finance, access to licenses/permit, corruption, courts, crime/theft/disorder, customs & trade registration, electricity, inadequately educated workforce, labour regulations, political stability, practices informal sector, tax administration, tax rates and transportation.

Market Opportunities

With over 150 million people, Nigeria is Africa's most populous country, largest oil exporter and owner of the biggest natural gas reserves of the continent. Former food exporter turned into a food importer, its 2010 economic growth was estimated at around 7.8 percent, up from seven percent the previous year, fuelled by non-oil industries, according to Central Bank of Nigeria (CBN). The non-oil economy grew by nine percent per year from 2003 to 2009, driven by strong performance in agriculture, manufacturing, solid minerals and telecommunications. Economic growth, however, was not accompanied by higher employment rates, and unemployment remains a major issue for Nigeria, with about 50 million underemployed youth, according to World Bank (WB) data.

Recent official statements and measures indicate that small business and entrepreneurship are gaining momentum, and their role in creating wealth and helping to solve Nigeria's problems is acknowledged. Connected to this, and strongly supported by international financial organizations, there is also an administrative interest to reduce Nigeria's dependency on oil. Thus, in August 2010 the Minister of Finance expressed his determination to mainstream job creation in the government's strategy and signed a pact with stakeholders from ICT, entertainment, meat, leather, construction and tourism, sectors supported by WB's proposed Growth and Employment Project, a \$400m initiative co-financed with DFID (\$120m) and AFD (\$100m).

However, there is plenty of room for improvement. Thus, it takes about one month to fulfil the administrative procedures required to start a business in Nigeria, according to 2010 WB data. Although since 2005 this interval decreased by about two weeks, at the level of 2009 Nigeria lagged beyond other African countries, such as Rwanda, where a business could be opened in three days, Mauritius (six days) and Senegal (eight days). However, with 31 days, Nigeria fared better than Guinea-Bissau where 216 days were needed before a business could start operating, or Congo, with about half a year. Overall, at the 2009 level, the Easiness of doing business index, computed by the World Bank, ranked Nigeria 134 out of 183 countries, position that indicates that the regulatory environment is less conducive to business operation.

Entrepreneurs and Innovation

An immense human resource reservoir, Nigeria is struggling to address cumbersome poverty issues; according to recent official estimates the poverty rate increased to 70 percent. Despite the economic crisis, the country enjoys economic growth, while moving away from the oil industry led economy. The volume of public and private initiatives focusing on fostering entrepreneurship and small business is sizeable, but coherence and communication among diverse measures and programs, that would enhance the outcome, is yet to be achieved.

Incentives for Entrepreneurs

Nigeria has a governmental body, the Small and Medium Enterprises Development Agency of Nigeria – SMEDAN, in charge of small entrepreneurs. Established in 2005, SMEDAN has ambitious goals: source, process and disseminate business information; policy development; establish Business Support Centres; capacity building and promotional services; establishment of industrial parks; and enhance micro, small and medium entrepreneurs/investors' access to finance. However, it's unclear how strong the mandate of the agency is, and how sound the support it receives, given that SMEDAN's name is not even mentioned on Government's website.

Other official initiatives targeting small and medium enterprises come from diverse sources, such as Central Bank of Nigeria, Finance Minister and National Economic Council. At state level, initiatives are launched also by local structures, like the Youth Affairs and Strategy Ministry in Niger State. Supported programmes aim to educate entrepreneurs and/or give them access to founding.

Thus, the Central Bank of Nigeria has planned Entrepreneurship Development Centres (EDCs) in six geo-political zones of the country. The entrepreneurship training programme targets students, graduates, non-graduates, would be retirees, and even employed persons, and is run, so far, in three centres (Kano, Onitsha and Lagos). CBN also promised a N200 billion credit guarantee fund to assist the centres' products. After the training, trainees are monitored and mentored by EDCs for 18 months; some 10,000 persons have benefited from EDC's services since the programme started in 2008.

Access to funding is also key to small economic agents. Data released by World Bank show that the proportion of domestic credit to private sector in GDP progressed steadily from 13.2% in 2005 to 34% in 2008. Nonetheless, this value is almost four times smaller than at the world level. One of the most recent measures was the creation of a \$500 million lending fund to small businesses, announced in September 2010 by the Finance Ministry. The funds are managed by the state-owned Bank of Industries.

In August 2010, Nigeria's National Economic Council (NEC) has approved the release of N70billion directed to small and medium farmers. The initial fund, totaling N200billion, was approved in 2009 to help agriculture agents to improve productions and guarantee food security in the country.

Microfinance is another funding source available, although in countries with significant experience the system faces significant challenges. LIVE Above Poverty Organisation - LAPO, a local microfinance organisation based in Edo and Delta states claims to have disbursed over N4 billion since mid 2010 to more than 11 million clients, an increase higher than 40 percent on a year-to-year basis. LAPO is present in 23 states and offers microloans in agriculture and urban informal sector. At state level, in May 2010, Niger State SME's and Microfinance Agency announced that Niger State will facilitate the establishment of 18 microfinance banks (MFB) across local government areas of the state. Thus, the number of microfinance banks located in this state will go up to 31.

On the other hand, even when funding is available, businesses have problems accessing it, claim officials. Moreover, the spread of MFBs is not a guarantee that funds are available, as many of these organizations do not function properly and are sanctioned by the regulatory bodies. Thus, the Central Bank of Nigeria revoked in 2010 the licences of more than 220 MFB and granted provisional approval for new licences only to 121 of them that were able to meet specific requirements within three months.

Beside microfinance, on the private side, organizations like Lateral-Links Limited, a business consulting/advisory service firm came up with a SME toolkit Entrepreneur's Handbook, sold over the internet. Nigeria Leadership Initiative organizes a Business Plan competition for entrepreneurs, and runs seminars, leadership projects, and essay competitions.

Private-public partnerships are also present and aim to create jobs, wealth and stimulate entrepreneurship, one of the major levers in the reductions of unemployment. Thus, a project supported by the Federal Government and the World

Bank tries to boost investment in agriculture. Furthermore, a collaboration between SMEDAN, the United States Department, and Barry University brought 16 Nigerians to the US for entrepreneurship and business development training through a four-week entrepreneurship programme.

Possible Drawbacks

Official and private interest to support the small and medium enterprise sector exists and is palpable, and diverse structures are put in place, like Business Support Centres and Entrepreneurship Development Centres. However, it would definitely be useful to ensure their complementary. Initiatives are launched from various sources and at diverse levels (local, state, and federal), but how do target beneficiaries' access and use them? How is their coherence and convergence assured? Communication and transparency have a long road ahead. The Federal Government's website is basic, not very helpful, while some of the federal ministries websites, like the Industry and Commerce Ministry, do not work, so having access to pertinent information could be challenging.

Problems faced by the microfinance sector will most likely impact the development of entrepreneurship, as having access to funds is vital to small and medium investors. Education, a capital requirement for entrepreneurship, is also at stake. While about 55% of Nigeria's population (over 80 million people) is in the bracket 15-64 years, only 68% of these are able to read and write, according to CIA World Factbook. Last, but not least, the majority of initiatives is geared toward graduates and young people, leaving behind less educated and older ages.



Snapshot

Population

12.7 million

Urban **43%**

Youth **17%**

Growth **2.5%**

Capital

Dakar

2.9 million

Growth **3.3%**

GDP

GDP (PPP)

Total **\$23.3b**

Capita **\$1,772**

GDP (Nominal)

Total **\$13.5b**

Capita **\$1,026**

Growth **4%**

Currency

CFA Franc

1US\$ = **475.7**

1Euro = **655.9**

Inflation **3.4%**

Senegal

Infrastructure

Senegal has a well organized infrastructure compared to other developing nations, and is well ahead of many of its neighbours. Although its railway system is somewhat antiquated, it transports in excess of 3 million tons of cargo per annum, in a network linking the major cities to Dakar, and transits between Senegal and Mali.

The port in Dakar has one of the few floating dry docks in Africa, supplemented by container terminals. Despite the wide range of services, trade is limited due to high port charges and administrative inefficiencies.

The National Rural Infrastructure Project, designed as the preliminary phase of a decade-long program, is engaged in road construction to help strengthen rural governments and their ability to operate and maintain infrastructure investments.

Education and Skills Development

Less than 50% of Senegal's citizens are literate, and significant challenges remain in the education system to address rising future demand for highly qualified professionals. Approximately 2.7 million children remain out of school, predominantly girls, and primarily in impoverished rural areas.

Despite government efforts to build new schools to service them, infrastructure remains inadequate, and classrooms are often overcrowded. Private schools are increasingly popular in the face of inefficiencies in the public system.

Kishore Singh, the UN Education Special Rapporteur, noted the challenges of enhancing education delivery to increase its social impact:

"As children finally arrive to the class room, quality of education must be ensured. Without well trained and motivated teachers, without access to adequate materials, and without any capacity to develop skills beyond primary levels, the impact of education on society will be limited."

Taxation

Individual

0-50%

Corporate **25%**

VAT/GST **18%**

Industry

Employment

Govt % **N/A**

Primary **76%**

Secondary **8%**

Tertiary **14%**

Unemployed

32%

GDP Earners

1 Services

2 Industry

3 Agriculture

Indexing

HDI **0.411 (L)**

GINI **40%**

EODB **143rd**

Logistics

GLP **2.86**

Enabling Trade

GET **3.74**

Competitive

GCI **3.70**

Governance

Indicator

(Avg) **40%**

Banking and Financial Services

Senegal's financial sector highly segmented and splintered into a diverse range of institutions that are not fully integrated. The microfinance sector is one of the most dynamic on the continent, and while large MFIs are highly profitable, smaller institutions are fragile and struggling to gain strengthening without supervision.

The country's banking sector has emerged as a major player in the West African Economic and Monetary Union (WAEMU), with 25 % of the region's banking assets located in the country, accounting for about third of total profits.

Although relatively few Senegalese use banking services, the country has emerged as a large player in the region, in no small part because of its participation in a regional body that banks from across Europe and Africa are looking to enter.

The penetration rate for banking products is just 6%, but the UEMOA has ambitious plans to raise the penetration rate regionally to 20% by 2014. Some businesses struggle to gain access, with an estimated 80% of bank credit applications denied, mainly to SMEs, and primarily because of insufficient collateral.

Economic and Business Analysis

After two years of dealing with the effects of the global financial crisis, the Senegalese economy began to recover, thanks largely to the global economic recovery, and the measures taken by the government to boost national economic activity. GDP almost doubled between 2009 and 2010, as it regained ground lost, and it is projected to pass 5% by the end of 2012.

Senegal is working toward greater regional integration with a unified external tariff and a more stable monetary policy. High unemployment, however, continues to prompt illegal migrants to flee Senegal in search of better job opportunities in Europe.

In 2010, the Senegalese people protested against frequent power cuts. The government pledged to expand power capacity by 2012 and to promote renewable energy, but until Senegal has more capacity, more protests are likely. Foreign investment in Senegal is retarded by Senegal's unfriendly business environment, and it relies heavily on donor assistance.

Government price controls and subsidies have been steadily dismantled. Annual inflation had been pushed down to the single digits. The country was adversely affected by the global economic downturn in 2009 and GDP growth fell to 2%.

In Senegal, poverty is essentially a rural phenomenon. Agriculture as an industry has stagnated, in part due to limited infrastructure, as well as low-quality farm support services, and a lack of rural empowerment in planning, financing, and managing local development.

In its strategy for development and poverty reduction, the government identified decentralization as critical to improving the living conditions of rural populations.

Imports

Foodstuffs and capital goods, as well as fuels and electronics equipment
France (15.9%), UK (13.6%), China (8.6%), Nigeria (8.6%), Netherlands (5.2%)

Exports

Agricultural products (fish, peanuts, and cotton) as well as petroleum products and phosphates. Key trading partners are Mali (21.6%), India (9.6%), France (4.5%), and the Gambia, (4.2%).

Senegal's key export industries are phosphate mining, fertilizer production, and commercial fishing, while it is also working on iron ore and oil exploration projects.

Market Opportunities and the Ease of Doing Business

Situated on the western-most point of Africa, Senegal lies within easy reach of U.S and European markets from the natural port of Dakar.

Senegal's highly informal economy is driven by migration from the countryside to cities, where in search of higher income many enter the informal sector, selling cheap consumer imports from Asia on the street. This growing trend has caused licensed shops to close, and is preventing new investment in a wide range of sectors.

Access to capital

Even when an entrepreneur has identified a solid enterprise or investment opportunity, they may suffer from inadequate access to capital through the formal financial system.

Financial services are widely available for large enterprises and projects (over \$1 million), as well as for very small ones (at a maximum of \$20,000), but many SME firms are missing out on growth opportunities because of an inability to find capital to service their needs.

For small domestic or foreign businesses, particularly start-ups, it can be an even more difficult process, with many banks hesitant to lend to a company without an exhaustive pre-established credit record. Banks are especially conservative in lending to new sectors, such as ICT, where bubbles balloon and then burst, leaving creditors defaulting on their loans.

Solar Senegal

Energy access enables and sustains a variety of technologies, communications most of all. Barely one in three of Senegal's 10 million people have access to electricity, and in rural areas the figure drops to one in ten. Alternative energy sources are a necessity, to overcome the deficit and enable social development.

Tax reductions for solar or other renewable energy systems now make distribution and energy access easier. Africa enjoys a particular favourable insolation rate (an average of 3,000 hours per year), meaning a return on investment in less than 2 years for solar hot water systems, and less than 7 years for solar photovoltaic systems.

Demoralized by electricity fall-outs for hours every day, and desiring to increase the percent of households with electricity, and thereby stimulate economic growth, Mamour Dioum, Baidy Thiongane, and Seydina Ndiaye founded the private enterprise SolarSenegal in 2008.

The sparse settlement of rural areas called for decentralized, mini electricity production facilities; and the sun as a readily available renewable resource convinced their international partners (among them the Indian group Tata) that the proposal had commercial merit.

In the next two years the company aims to expand within Senegal, and approach supra-regional markets. Simultaneously on the agenda are the development and implementation of solar water heaters, solar batteries, solar chargers, and converters, as well as a micro-financing system, specifically for rural farmers.

Entrepreneurs and Innovation

Solar Innovators: Solar Cookers

Abdoulaye Touré is the director of Project Cuisinières Solaires d'Afrique in Senegal. Touré, a former teacher and now government official in the renewable energy field, serves as the executive of a national commission, and was seconded to the Ministry of Education by the nation's President to explore the potential of solar cooking.

Touré has worked on solar cooking in the construction and promotion of solar ovens, and is actively involved in promoting solar cooking, through television appearances, inter-state visits, demonstrations, and training courses across the country.



Snapshot

Population

5.4 million

Urban **38%**

Youth **20%**

Growth **2.3%**

Capital

Freetown

910,000

Growth **3.3%**

GDP

GDP (PPP)

Total **\$4.837b**

Capita **\$780**

GDP (Nominal)

Total **\$1.877b**

Capita **\$311**

Growth **5.1%**

Currency

Leone

1US\$ = **4,350**

1Euro = **5,766**

Inflation **18%**

Sierra Leone

Infrastructure

In addition to collaboration with a host of international agencies, Sierra Leone is committed to developing its mining infrastructure. African Minerals has undertaken the biggest investment in the mining sector and has embarked on massive mining projects that would provide employment to thousands of people in addition to carrying out corporate social responsibility projects like building schools and funding scholarship programs.

Sierra Rutile Limited, a mining company owned by a consortium of U.S. and European investors and the largest nonpetroleum U.S. investment began commercial mining operations near Bonthe in 1979. Being one of the country's largest private sector employers it produces rutile, zircon and ilmenite and is all set to increase production and expand both reserve and resource bases.

Education and Skills Development

Education in rural Sierra Leone faces a number of challenges, particularly the thousands of schools which were destroyed during the civil war, and the shortage of teachers, many of whom fled to the capital or left the country. The biggest challenge to universal primary education is a severe shortage of trained teachers, most prevalent in rural areas, where in some instances one teacher is forced to teach four different classes.

The country's 2004 Education Act made primary education free in Sierra Leone, with primary education increasing dramatically since the end of the civil war, doubling between 2000 and 2005. But for rural community schools, there is little government support, with parents relying on peanut and rice farming to survive, and having little cash to pay for indirect costs of education like school uniforms, transport, lunch money, tutoring fees and books.

In 2009, the government launched a review of the education system following abysmal exam results at both the primary and secondary level, discovering that less than half of the population had adequate literary skills. Even more alarming, in a teaching force of 35,000, 40% were untrained or unqualified. Resources are limited to tackle these added issues, where the education sector says it needs almost \$250 million to meet the goal of free basic education for all children.

Taxation

Individual

0-30%

Corporate **30%**

VAT/GST **15%**

Industry

Employment

Govt % **N/A**

Primary % **N/A**

Secondary **N/A**

Tertiary % **N/A**

Unemployed

% **N/A**

GDP Earners

1 Agriculture

2 Services

3 Industry

Indexing

HDI **0.336 (L)**

GINI **59%**

EODB **151st**

Logistics

GLP **1.97**

Enabling Trade

GET **N/A**

Competitive

GCI **N/A**

Governance

Indicator

(Avg) **24%**

A workshop strategy has been developed on formulating a new remote area policy, dealing with the antiquated allowances given to rural teachers that have failed to keep up with inflation and economic growth. Some rural teachers are even forced to work without a salary, accepting instead offers of rice and farm-labour as payment, as the government lacks sufficient funds to support community schools, or train community teachers.

The news comes at the same time Sierra Leonean teachers struggle financially. In early 2011 Le \$100,000 was added to teacher salaries as an auxiliary increment, with the additional hope that a better package would be delivered at the start of the new academic year. The Minister of Education went so far as to assure teachers pay rates would rise to LE \$1,000,000 and Le 1, 200, 000 respectively for primary and secondary. Unfortunately, the deal did not apply to persons working for NGOs, who had no option but to give up their jobs to join the teaching field.

Hopes diminished after it became apparent that the officially announced teachers pay package is LE \$140, 000, minus LE \$40,000 in tax. The news came as a blow to teachers, adding to their financial plight, and revealing previous promises as a remedial measure, while the actual package remained in the pipe line awaiting approval. The dilemma drove teachers to take action, declaring 'No Pay Package, No School', in a stand-off over the future viability of education in the country.

Banking and Financial Services

Economic development will not and cannot flourish with interest rates at roughly 25%. That type of environment will only create an economy based on cash and trade. No Leone will have the basic capital to start any sort of business, therefore they have a strong demand for lower interest rates to allow some sort of economic growth.

Economic and Business Analysis

Sierra Leone is located in western Africa bordering the North Atlantic Ocean between Guinea and Liberia. It has an area of 71,740 sq km, which is roughly the size of South Carolina. The population of Sierra Leone has over 50% of the people at or around working age, while infectious disease risk is incredibly high and ranks 37th among nations worldwide.

Natural resources within the country include, but are not limited to Diamonds, Titanium Ore, Bauxite, Iron Ore, Gold, and Chromium. Industries within Sierra Leone are fishing, tourism, farming, artisanal mining, and handicrafts.

Sierra Leone has an overabundance of untapped natural resources that due to the poor socio-economic environment left behind by the civil war prevents outside investors from being able to take advantage of the resources. Diamonds are the nation's most valuable resource and are in apparent abundance which helps to create or add to such an unstable environment. The United Nations Security Council passed a resolution in July 2000 that banned the import of uncertified rough diamonds from Sierra Leone; the embargo was lifted in June 2003. Mineral exports are Sierra Leone's major source of trade, as are gem-quality diamonds.

Ever since the civil war ended in 2002, Sierra Leone's economy has seen gradual recovery with a GDP growth rate between 4% and 7%. The government's economic reform program received a kick start with the IMF's approval of a 169 million dollar, three-year Poverty Reduction and Growth Facility (PRGF) Arrangement program in 2001, and also with its eligibility for a 950 million dollar, IMF/World Bank Heavily Indebted Poor Countries (HIPC) debt service relief initiative in 2002.

In 2005 Sierra Leone entered into economic cooperation agreements with Iran in which Iran donated 1.5 million US dollars to Sierra Leone as development aid package encouraging it to engage in business involving technology transfer and trading in Iranian gas. President Koroma's government had declared its commitment to building long-term economic growth with the major overseas based companies. The Africa Growth and Opportunity Act (AGOA) trade agreement was signed with the United States in which duty-free quota-free (DFQF) market access for approximately 7000 product tariff lines to the United States was offered.

"Agenda for Change", the government's new strategic development plan launched in November 2009 unveiled the future efforts to be pursued by the government in improving agriculture, providing employment and addressing corruption. The European Commission under its Annual Action Plan 2010 (AAP) has approved a grant of \$56 million to Sierra Leone to aid her in recovery efforts and democratic governance. This would be utilized for infrastructure improvements and agricultural development. In June 2010, the International Monetary Fund (IMF) completed the sixth review and approved a new 3-year successor arrangement under the Extended Credit Facility (ECF) for Sierra Leone.

The discovery of an estimated 2 billion barrels of oil off the coast of Sierra Leone in September 2009 by Anadarko, a U.S. oil company, and its partners Woodside of Australia, Repsol of Spain, and Tullow Oil of the U.K., has led to new hopes of commercial oil exploitation. President Koroma has also emphasized on the commercialization of farming in order to enable the country to earn revenues by exporting agricultural products and goods to other countries.

Imports

Imports are primarily in refined goods, including foodstuffs, machinery, equipment, manufactured consumables, and petroleum products. Products are imported from a range of global and regional partners, in particular China, the United States, the U.K, South Africa, Malaysia, India, and neighbour Cote d'Ivoire.

Exports

Today the minerals sector contributes to a full 90% of total export revenue and is almost the only source of foreign exchange. Of this the annual production estimates of gem-quality diamonds range from 250-300 million dollars. The mineral export value potential has been estimated to rise from 142 million dollars in 2007 to 1.2 billion dollars by 2020 providing the much-needed boost to the GDP per capita.

Ease of Doing Business

President Ernest Bai Koroma has promised to open the doors of Sierra Leone to foreign business and cut down on the barriers to business. Sierra Leone is a member state of the WTO and starting or operating a business in Sierra Leone has increasingly become less cumbersome nowadays. The investors are protected by an agreement allowing for arbitration under the 1965 World Bank Convention.

Safeguards against nationalization are in place and repatriation of capital, profits and interest is allowed. The investment of foreign private capital in agriculture, for the development of plantations and other worthwhile enterprises is being highly encouraged. On September 1 2008 the revised version of the Anti-Corruption Act was passed which called for indictments, stiffer penalties and gave the Anti-Corruption Commission (ACC) greater independence to investigate graft cases at every level.

With the signing of The Extractive Industries Transparency Initiative (EITI) in February 2008, Sierra Leone entered into an agreement with a coalition of governments, companies and civil society, aiming to increase transparency of company payments and government revenues from the mining, gas and oil sectors. The other development partners engaged in policy dialogue with the Government of Sierra Leone include the World Bank, Department for International Development of the United Kingdom (DFID) and United States Agency for International Development (USAID).

Their efforts are mainly directed towards establishing efficient governance of mining sector, restructuring of the Ministry of Mineral Resources (MMR), and reviewing the environmental and social impact of mining. The Ministry of Finance and Economic Development (MoFED) has assumed the responsibility of monitoring the development projects in Sierra Leone. The non-for-profit and non-governmental organization Supporting Entrepreneurship and Economic Development Sierra Leone (SEED-SL) was formed in 2009 with the objective to create economic partnerships with the poor, by encouraging entrepreneurship, providing direct micro-credit loans in form of equipments, materials and business training to Sierra Leonean war affected victims.

BOX TEXT: Sharing the Natural Wealth

In 2001, the Government created a mining community development fund, which returns a portion of diamond export taxes to diamond mining communities. The fund was created to raise local communities' stake in the legal diamond trade.

Businesses Blame Hardship On High Taxes

The business community in Sierra Leone has blamed excruciatingly high tax rates and a horde of conditional ties for discouraging business prospects in the country, which resulted in skyrocketing prices of basic commodities. The cost of living in Sierra Leone is by no means high for the region, but the situation has business people at a loss to explain the thorny state of affairs.

At a meeting aimed to map the future of business and consumer affairs in Sierra Leone, business leaders came up with a ten point recommendation geared towards instituting price controls on the market. Officially, the country has no price control system. And the government says this is so because it is practicing a liberalised economy, a policy primarily aimed at promising maximised profit for businesses, thus encouraging more foreign investment.

Yet according to business leaders, import tax in the country is the highest in the sub region, and they urged authorities to consider harmonizing the tax system to that of the rest of the ECOWAS countries, along the lines of the bloc's Common External Tariff agreement. The government was also blamed for inefficient implementation of legislations, which, along with deliberate business malpractices by unscrupulous businessmen, is blamed for causing the economic hardship.

Market Opportunities

Various development programs undertaken by the United Nations (UN) focus on growth and poverty reduction via private sector development, microfinance, agri-business stimulus and aid coordination. The Economic Development Unit (EDU) functioning under the aegis of United Nations Development Programme (UNDP) has the objective of assisting Sierra Leone with policy support, capacity development and technical assistance aimed at attaining the Millennium Development Goals (MDG). Sierra Leone is also a member of the Economic Community of West African States (ECOWAS) whose mission is to promote economic integration in all fields of economic activity, such as industry, transport, telecommunications, energy, agriculture, natural resources and commerce.

Fishing Support Industries

Without support business to the fishing industry it will not grow past local, small scale fishing operations. Providing ice, mechanics, welders, equipment, and even processing plants will help this industry to grow. There is global demand for fish and if the Leones can learn to manage their fish and shrimp stocks then this industry moves from a hope to a viable and attainable way of life for many within Sierra Leone.

Agriculture

Sierra Leone's agriculture ministry has renewed its emphasis on agricultural productivity, agricultural research, improved market access and providing better land management and reliable water distribution systems. Even though two-thirds of the population is engaged in subsistence agriculture, agriculture accounts for only 42% of national income. The signing of CAADP has been a positive step for agricultural development, acting as a catalyst for socioeconomic growth.

Under this program 195 farmer-based organizations (FBOs) were identified and were supplied them with tractors, power tillers, transplanters, fertilizers, insecticides, food crops like rice, maize and cassava; export crops like cashew nuts, coffee and cocoa. In addition, the introduction of National Sustainable Agriculture Development Plan (NSADP) will strengthen the agricultural productivity of SME farmers, promote large-scale farming and the development of agri-business as a whole.

Under this initiative women farmer groups are encouraged to be the backbone of the private sector by operating as limited companies as for example in the case of Monty Jones a Sierra Leonean researcher who introduced a new strain of rice whose results have been encouraging and can help boost agricultural production.

Construction

With all the economic aid pouring in to Sierra Leone a true hope for small and medium sized business is the construction industry. Large growth in the diamond industry will inevitably create a demand for better roads, water lines, housing, and small supply shops.

SEZ's and Manufacturing

The establishment of an SEZ in Freetown in October 2010, operated by U.S Company 'First Step' has led to the completion of a fruit processing plant. The areas in and around Freetown have factories which produce cement, nails, shoes, oxygen, cigarettes, beverages, paint, knitted goods, process tuna and palm oil. Oyster farming and shrimp production are important areas of the fishing industry. A number of products such as cloth, rope, sail canvas, boats, wood carvings, baskets, and leather goods are also manufactured by the village craft industry.

Tourism

Tourism is another area that is set to benefit as a result of the present government's economic policies. Tourism in Sierra Leone is highly beach oriented, the prominent ones being Sulima, Turner's Peninsular, Sherbro Peninsular, Shenge, Freetown Peninsular, Lungi Beaches and Scarcies Estuary. Other places of interest are Tacugama Chimpanzee Sanctuary and its beautiful Eco-Lodges, Tiwai Island Wildlife Sanctuary and the Banana Islands. More than 5,000 tourists set afoot to Sierra Leone last year, mostly via packaged tours deal and this number is expected to see a rise in the coming years.



Snapshot

Population

6.8 million

Urban **43%**

Youth **18.3%**

Growth **2.8%**

Capital

Lomé

1.61 million

Growth **3.9%**

GDP

GDP (PPP)

Total **\$5.612b**

Capita **\$826**

GDP (Nominal)

Total **\$2.865b**

Capita **\$422**

Growth **3.8%**

Currency

CFA Franc

1US\$ = **475.7**

1Euro = **655.9**

Inflation **4.5%**

Togo

Infrastructure

Togo's ports and growing transport sectors earn 35% of GDP, and play a crucial role in regional linkages. The main east-west road is a strong link between Togo, Benin, and Ghana, while the rail network is relatively antiquated and in some places in need of urgent maintenance.

Lomé's deep-water port has benefitted from the under-capacity in other countries, placing it in a position of strength and competitive dominance. Under a government privatization program, new installations are planned, including the expansion of facilities and services offered, to maintain the ports competitive edge.

Education and Skills Development

Primary education is free and compulsory, yet 10% of children are still deprived of a basic education. Schools are predominantly state-owned, Islamic, or Christian, and attendance rates are at 90%.

Secondary school attendance levels drop significantly from primary (below 50%), and is driven by socio-economic circumstance. A shortage of facilities in remote regional areas contrasts with the wealth of institutions in the capital, where the best private schools in the country are concentrated.

Tertiary institutions, as well as vocational institutions, are open only to the rich, while their benefit out of reach to the urban and rural lower class areas, where progress stands still.

Economic and Business Analysis

Despite a difficult international environment, Togo has maintained a strong enough level of growth to achieve the HIPC Initiative completion. The economy is heavily reliant on the primary sector, with agriculture and mining accounting for significant amounts of GDP.

The key sectors driving economic growth in Togo are still phosphates, cotton, food crops, cement, and transit and free zone trade. To derive the greatest benefit from these different sectors and quickly revitalize the Togolese economy, a number

Taxation

Individual

10-25%

Corporate **27%**

VAT/GST **18%**

Industry

Employment

Govt % **N/A**

Primary **62%**

Secondary **6%**

Tertiary **29%**

Unemployed

% N/A

GDP Earners

1 Agriculture

2 Services

3 Industry

Indexing

HDI **0.428 (L)**

GINI % **N/A**

EODB **156th**

Logistics

GLP **2.60**

Enabling Trade

GET **N/A**

Competitive

GCI **N/A**

Governance

Indicator

(Avg) **25%**

of strategies are being implemented, in line with recommendations:

Revive the phosphate sector; Renew confidence in the future of the cotton sector by improving governance, facilitating the entry of a strategic private investor in both sectors, and building the capacities of cotton producers' organizations; Promote the production of food crops for export to the subregion and effective alternatives for imports; Expand the Togolese free zone and redirect its activities toward highly labour-intensive sectors and access to markets beyond the subregion, based on a cost/benefit analysis of the zone and a target study; Develop a stable and transparent regulatory framework in order to attract solid private investors who are prepared to make a long-term commitment, while ensuring that the State possesses the necessary resources for development; Invest in infrastructure and services at the Port Autonome de Lomé in order to maintain and consolidate its role as a regional "hub" ; and Promote lawful transit and re-export trade by rehabilitating roads, developing regulations, and enhancing competition in road transport.

The Government has already undertaken efforts in this regard, particularly in the cotton, food crop, business environment, infrastructure, and electricity sectors, among others.

Imports and Exports

Owing to its geographic position and deep-water port, Togo provides storage services to neighbouring countries. Import/export traffic destined for other countries (transit and re-export) provides value added estimated at 10% of GDP, with the greatest portion coming from the re-exportation of used vehicles.

Togo is the world's fourth-largest producer of phosphate. Cocoa, coffee, and cotton generate 40% of export earnings, and cotton is the most important cash crop. Services, especially re-exports from the Lomé port facility, are also important.

Driven by the Port of Lomé, the tertiary sector reinforced its position as second most important contributor to growth. The authorities decided in 2010 to institute a one-stop window at the port in order to promote its competitiveness. The country's absorption capacity improved, as well as the rate of budget execution for public investments, which rose to 6.7% in 2010 versus 5.6% in 2009.

Ease of Doing Business

Togo's economic progress is undermined by weak regulatory foundations. Property rights are difficult to secure and enforce, and high levels of corruption have driven many people into the informal sector. The weak judiciary is vulnerable to political interference, increasing investment risk and slowing economic growth.

Togo's overall competitiveness has been held back by an inefficient business environment and weak public administration. State-controlled enterprises dominate key sectors, perpetuating poor productivity throughout the economy. An opaque regulatory environment, coupled with a lack of policies designed to facilitate flows of trade and investment, hinders the emergence of a vibrant private sector.

Measures to improve the entrepreneurial environment have not been implemented effectively. The overall business environment remains quite burdensome. The labour market is underdeveloped, and informal labour activity remains substantial.

Market Opportunities

Agriculture remains the sector that directly increases the income of the poor, and efforts are slowly being made to improve the competitiveness of cotton, coffee, and cocoa exports. The cotton industry deserves priority attention, given the large number of people it employs, while the coffee and cocoa industries could be significantly enhanced by improving yields.

The Impact of Tourism

By Ngo Thuy Linh

There is very little information on the internet about Togo or its economy, and what there is pertains mainly to its poverty and history of political unrest. But that very lack of information suggests one possible way to improve Togo's economy: revitalizing the country's tourist industry, in particular its presence online.

In considering the current state of Togo's economy, I was reminded of a conversation with two French tourists whom I met on a business trip last year. Those tourists, who had travelled around the world, were interested in sharing their travelling experiences. In their stories, they mentioned villages which were very poor when they first visited, which then developed over time. Moreover, they surprised me with small business plans they intended to develop in those villages. I was impressed that they had come to those villages to spend money, and had decided to invest in helping those communities. But they insisted that they were not that impressive, they were just tourists and investors who had spotted an opportunity.

What if those villages had been in Togo? In theory, the 'vicious cycle of poverty' describes the link between lack of capital, and underdevelopment. One way to break the cycle is to bring in outside capital. Tourism presents a solution which could not only help Togo to bring in a substantial amount of foreign currency, but also provide investors with the chance to learn about business opportunities in the country.

Tourism could pave the way for foreign capital to flow into the country, in turn facilitating economic development. There are a number of initiatives that could help foster the growth of tourism in Togo. Firstly, steps could be taken to address the current paucity of readily available information on Togo or images of the country. Togo's attractive features should be highlighted in eye-catching format on magazines and the internet. For example, more images and information about the country's cultural diversity and wildlife could play a key role in attracting tourists.

Secondly, political calm would create a feeling of safety and security – very important for attracting visitors and encouraging them to make repeat visits. Finally, an element of education is important to instil the knowledge that tourism must be accompanied by preservation, so that sustainability of development can be achieved. While these measures would neither be easy nor a comprehensive 'fix' for the economy of Togo, they would certainly merit consideration within the country's development strategy.

Central Africa

Regional Economic Analysis





Angola

Infrastructure

Education and Skills Development

Snapshot

Population

19 million

Urban **59%**

Youth **36%**

Growth **2%**

Capital

Luanda

6 million

Growth **4%**

GDP

GDP (PPP)

Total **\$116b**

Capita **\$5,900**

GDP (Nominal)

Total **\$99.325b**

Capita **\$5,060**

Growth **1.6%**

Currency

Kwanza

1US\$ = **94.93**

1Euro = **130.9**

Inflation **14%**

Over 80 % of students in Angola integrated into education reforms begun in 2004, with the goal of increasing efficiency and achieving development aspirations. The reforms are part of a move away from antiquated systems, and towards a new model where the Education Ministry will have wider coverage and control, making significant investment in infrastructure for secondary schools. Already the Education Ministry has built 53 schools in cooperation with China, 35 of which are technical ones for professional development.

Landmines have been an ongoing issue and impediment to education in contaminated communities. As well as threatening death or injury, the presence of unexploded ordnance prohibits land from use for housing or farming, producing honey, and collecting firewood and charcoal. For example, a school has been closed in Luzi since early 2010 when a mine exploded nearby. A teacher has been giving classes outside his home in the meantime, but attendance has dropped by almost 70%. The school is being built in a relocated position whilst the area is cleared, causing disruption to students, families, the local community and economy.

Communications and Information Systems

Technological developments within the mobile communication market in Angola have seen the industry surpass low fixed-line communication access, caused by poor fixed-line infrastructure. The mobile penetration rate of 57% indicates growth opportunities within the mobile communication sector, where GSM technology is rapidly increasing the number of subscribers and their ability to connect with one another. Mobile giants Unitel and Movitel continue to dominate, differentiating only in service delivery, quality, and pricing strategies.

Mobile capital expenditure is slowly decreasing as investment in infrastructure development reaches its final stages. Operational expenditures are rising in contrast to the decrease, as more consumers and service providers are brought into the market. Subscriber growth is predicted to continue increasing, although competition and difficulty accessing subscribers is keeping revenues low.

Taxation

Individual

17%

Corporate **35%**

VAT/GST **10%**

Industry

Employment

Govt % **N/A**

Primary **85%**

Secondary **6%**

Tertiary **9%**

Unemployed

N/A

GDP Earners

1 Industry

2 Services

3 Agriculture

Indexing

HDI **0.486 (L)**

GINI **53%**

EODB **172nd**

Logistics

GLP **2.25**

Enabling Trade

GET **N/A**

Competitive

GCI **2.96**

Governance

Indicator

(Avg) **18%**

This is in part due to societal factors affecting the mobile market, including high levels of poverty and political influence, as well as an unstable global economy with fluctuating oil prices.

Banking and Financial Services

Angola lags behind its African peers in the number of bank accounts per capita, with the banking sector largely concentrated inside the capital. The sector jumped 21% in total assets, and 24% in net profits last year, riding the economic tide of growth born from rising oil prices since 2002. Angolan banks have increased investment in their networks, with branches numbers rising 22% in 2010, and ATMs increasing by 25%. Despite this growth, only 11% of the country's 18 million people have a bank account, compared to the 20% average of other African nations.

While the lag indicates the difficulties the market faces, it also indicates Angola's potential for drastic and rapid growth. Just 13% of Angolans have bank accounts, compared to 9% in 2009, and while the number is rising steadily, there is significant room remaining for growth. Over half of Angola's bank branches are in Luanda, with opportunities for growth in other provinces, both on the coast and in the interior.

The country's five largest banks control almost 80% of the market, with 17 smaller rivals gaining market share, and more foreign providers poised to enter. Consolidation moves among the giants loom as possibilities, although with so much room for organic growth the market remains wide open to investment.

Economic and Business Analysis

The nation's health and education systems have been damaged by decades of civil war, which are only now being rebuilt. Subsistence agriculture is the primary income for 85% of the population, while half of the country's food is still imported. Angola is the 5th largest diamond producer in the world, and relies heavily on foreign trade in primary industry, particularly oil.

Increased oil production supported growth averaging more than 15% per year from 2004 to 2008. A post-war boom has led to high rates of growth in construction and agriculture, as much of

the country's infrastructure is still damaged or undeveloped. The global recession stalled economic growth, dropping prices for oil and diamonds, and stalling construction projects. Consumer inflation went from 325% in 2000, to 14% in 2010, but remains above 10%. The currency depreciation in 2010, with higher oil prices, should help boost economic growth.

In the fourth quarter of 2008 and the first two quarters of 2009, Angola came realize its vulnerability to oil price shocks. As oil revenues declined from 80% to 72.6% of total revenues, the country was brought to a frightening stage of uncertainty. Faced with a 0.6% decline of real GDP, plummeting revenues, and an imbalance in foreign accounts, the government was forced to tighten its fiscal and monetary policies. Because of these anti-cyclical policies, which go hand in hand with Angola's insistence in using foreign reserves to stabilize its national currency, the country was left with a severe lack of liquidity.

In mid-2009, as oil prices began to increase, the country began to stabilize along with its revenue stream. However, after the recession, Angola was left with a serious unfavourable imbalance of foreign and domestic payments. As a result, the government sought the intervention of the IMF, which provided a stand-by arrangement of USD 2.4 billion. However helpful this arrangement has proven to be for Angola, the true remedy lies in making much needed structural changes. These structural changes involve reducing the economy's dependency on oil and diamond revenues, improving infrastructure, as well as creating an overall attractive business environment. Presently, it would be unfair to say that the government has not been making serious efforts in steering the country in this direction.

Imports and Exports

Angolan imports focus on refined or technical goods: machinery and electrical equipment; medicines and food; vehicles and spare parts. Partners are Portugal (17.4%), China (14%), USA (9%), Brazil (6.6%), South Africa (6%), France (5.8%), and India (5.3%).

Oil accounts for over 90% of exports, and contributes up to 80% of GDP (including oil related products), making Angola sub-Saharan Africa's 2nd largest exporter after Nigeria. Diamonds account for a further 5% of GDP.

The government's boldest and most prominent investment to date is the ongoing construction of the Angola Liquid Natural Gas Plant (Angola LNG). The project is a consortium between Chevron (36.4%), Sonangol (22%), and BP/Total/Eni (each holding 13.6%). This USD 8 billion investment is expected to be completed in 2012, with shipments scheduled for 2013. The country's natural gas production rose by 14.2% between 2008 and 2009, and is expected to grow by approximately 40% until

2013 with the introduction of this plant. The plant, which is located in Soyo, is to capitalize on the massive 270 million cubic metres of natural gas reserves. This plant, as well as a planned second one, is expected to make a major contribution to Angola's natural gas exports, mainly destined towards the U.S market.

Ease of Doing Business

As the government proceeded to continue with its tight policies, new legislations that aimed to offset the tendency to overstress the country's liquidity were introduced in April of 2009. Amongst these was a significant restriction in the maximum amount Angolan residents may pay non-residents without a formal authorization from the National Bank of Angola (BNA). While prior to April 17th that maximum amount was USD 500,000, the new provision states that any payment greater than USD 100,000 must be authorized by the BNA (Miranda Correia Amendoeira & Associados e Fátima Freitas Advogados, 2009) . The government also reformed the legislation in the domain of contracts the private sector holds with the state.

Amongst other provisions, the new legislation limits the maximum amount of down payments entities can request from the state, prohibits increases of contracted values that exceed 15% of the value in the initial contract, and mandates that all payments be perfected in Kwanzas (Angola's National currency), with some exceptions (Miranda Correia Amendoeira & Associados e Fátima Freitas Advogados, 2010) .

As one might imagine, this creates some level of drag in the country's private sector. It is also worth mentioning that the country passed a law that increased the level of bank reserves from 20% to 30% (Miranda Correia Amendoeira & Associados e Fátima Freitas Advogados, 2009). However, in fear of shocking the markets with the vast reduction of loan funds, this law was revoked just over one month after it was introduced.

One of Angola's most time sensitive reforms was that of the taxation system. Prior to May 2010, Angola had its tax system divided into three categories: oil, diamond, and non-oil (including customs and tariff revenues). Although the oil sector continues to be the backbone of the economy, non-oil activity has been growing at fast rates over the past years.

As the country's tax system had been in place for 30 years, it did a poor job in accounting for the changes in Angola's economic composition. For that reason, a tax reform committee was established in 2007 to develop a tax reform proposal. The proposal came to be approved in May of 2010. The reform aims to broaden the country's tax base, reduce the bureaucracy of the system, and enable a reduction in tax rates over the long run.

Market Opportunities

According to official estimates, the non-oil sector of the economy is predicted to have grown approximately 8.8% in 2010, and is expected to grow at twice the pace of the oil sector during 2011. At the end of 2009, the government announced an ambitious USD 1 billion plan to resuscitate the country's iron mining industry, which the country holds great reserves. In previous years, the government has continuously demonstrated its strong will to invest in the nation's vastly underexplored agricultural sector.

In an effort to concretize the sector's development, the government has successfully attracted numerous sources of funding for its private and public agricultural projects. Among these funds are USD 50 million from the International Fund for Agricultural Development (IFAD), a USD 30 million from the World Bank, as well as several special lines of credit from Angola's National Development Bank (BDA). Furthermore, Odebrecht, a Brazilian construction firm, has invested in a USD 220 million sugar and ethanol production facility in the Malanje province. The facility which has the capacity to produce 260 000 tons of sugar and 30 million litres of ethanol per year, will eventually make a great contribution in boosting the country's exports. However, one issue that has held back agricultural development is the country's shortage of qualified human resources within this particular sector.

Manufacturing grew by 9% in 2009, and a further 20% during 2010. In order to further diversify the economy and promote industrial output, Angola has seen the implementation of several special economic zones (SEZ) such as the ones in Viana, Futila, Catumbela, Caála, and Matala.

Although Angola was reminded yet again of its oil dependency in 2009, the country truly has been placing an effort to modernize its infrastructure and legislative system and to diversify its economy. With private investment estimated to have grown 17% in 2010 and forecasted to grow by 20% in 2011, and public investment estimated to grow at a modest 3% in 2011, Angola will continue to expand and solidify its economy. Angola remains a challenging market to do business in, however if the government continues in its efforts over the past years, the country may have a bright future ahead of it.



Snapshot

Population

19.7 million

Urban **58%**

Youth **26%**

Growth **2.12%**

Capital

Yaoundé

1.7 million

Growth **3.3%**

GDP

GDP (PPP)

Total **\$46.419b**

Capita **\$2,219**

GDP (Nominal)

Total **\$25.042b**

Capita **\$1,196**

Growth **4.9%**

Currency

CFA Franc

1US\$ = **475.7**

1Euro = **655.9**

Inflation **0.6%**

Cameroon

Infrastructure

Cameroon's government has pushed for the development of significant infrastructure projects centred on trade and market connectivity. The focus is on the Port of Douala, as well as mining and extractive industry areas and ways to increase access and extraction of resources. Privatization of the state electric, water, and phone companies expect to stimulate further investment in infrastructure.

Cameroon's road system is partially developed, but many rural roads are heavily eroded and poorly maintained. Difficulties include mountainous terrain, annual torrential rains, and lack of public funds to finance the ventures. In the long term, the government has prepared a 15-year investment plan on roads, primarily aimed at improving transportation links with Chad and the C.A.R.

The Port of Douala is one of Africa's largest ports, with annual traffic exceeding 5 million metric tons. In addition to serving Cameroon's interior, it is a vital regional hub and principal port for Chad, Congo, and the C.A.R. Douala is beset with problems including slow processing, costly services, and widespread corruption, issues which the government has begun drafting plans to reform. Management of certain port services will be privatized, while in the longer term, Cameroon is planning to develop other port facilities in Limbe, Kribi, and Garoua. Kribi in particular is deemed the most suitable site for larger ships that carry significant amounts of cargo and require deep water, which the port in Douala cannot provide.

A railroad links the Douala Port to the capital Yaoundé, and more importantly transports goods through to Chad and the C.A.R. Under public management, investments were limited and the railroad experienced frequent breakdowns until 1999, when the government railroad, Fercam, was renamed Camrail and sold to 2 foreign companies, Groupe Bolloré of France and Comazar of South Africa.

Education and Skills Development

Cameroon historically followed two different educational systems: the French model in the country's east, and the British model in the country's west. In 1976, the two systems merged to combine the two methods.

Taxation

Individual

38.5%

Corporate **38%**

VAT/GST **19%**

Industry

Employment

Govt % **N/A**

Primary **66%**

Secondary **13%**

Tertiary **18%**

Unemployed

30% (2001)

GDP Earners

1 Agriculture

2 Industry

3 Services

Indexing

HDI **0.482 (L)**

GINI **41%**

EODB **161st**

Logistics

GLP **2.55**

Enabling Trade

GET **3.00**

Competitive

GCI **3.61**

Governance

Indicator

(Avg) **23%**

Primary education in Cameroon is universally free and mandatory in state schools, while government funding support is available to independent and religious schools.

Most secondary and tertiary institutions are bilingual, with instruction in French and English. Higher learning institutions are more established than in neighbouring countries, and cater to higher volumes of students, in the capital as well as regional centres.

Education issues include illiteracy among adults, which is over 15% among men and 25% among women; high teacher to student ratio's, which are in some cases 70 to 1; insufficient funding for information technology resources, particularly in tertiary studies; and lower quality education options in rural areas, which lack significant distance options to cater for advanced learning.

Communications and Information Systems

Communications Technology for University Students

The Cameroon university system relies on inefficient methods to communicate, with university students, professors and administrator dependent on brick and mortar campus resources to conduct research. Reading notice boards and university announcement by lecturers and administrators remain the two primary methods to stay informed on university news and developments, including class assignments. The Pulse project was established to build an online student services platform from the ground up. usePulse is a SAAS that was designed as an answer to those inefficient and costly communication channels, eliminating communication problems and creating a sustainable communication ecosystem that is affordable, efficient and convenient for students, professors and administrators.

The goal of usePulse is to provide a proficient communication channel by way of modern technology that will allow Cameroon universities to stay connected with the student community and communicate in real time delivering information updates and alerts. usePulse is designed to have a profound social impact, exceptional reliability and extreme cost efficient. usePulse ultimately enhances the university student educational experience by putting exceptional research tools, affordable Information technology and state of the art communication and software at the fingertips of young ambitious scholars.

The usePulse platform consists of 4 revenue channels: institutional licensing (yearly), marketplace (e-commerce app store), integrated hardware (Android powered tablet), and advertising. The four revenue channels produce a sustainable integrated model that provides an ecosystem that functions as Pulse core economic model.

Licences are priced at \$1200, and it is expected to surpass 20,000 users within the first year of operation, while providing a free SMS platform. Costs will be covered by attaching intelligent ads, with revenue projected to reach \$300,000 by the end of 2012, while the entry android tablets devices will be priced at \$150. The revenue generated is projected to break even within one year.

As an educational start-up, we enhance the student educational experience, by providing simple tools like SMS notifications and real time web communication through a custom designed web platform; this will encourage students to learn and feel motivated to study in the local universities. usePulse is a tool that provides a solution for brain drainage. The online platform will solve local problems with local solutions, bringing value to the scholarly community.

Banking and Financial Services

Cameroon's banking sector has been fraught with inefficiencies and regulatory readjustments in the wake of the global financial crisis. Many of the nation's lending institutions were short on capital and liquidity, which recent legislative measures have sought to address.

The use of microfinance institutions is becoming more prolific, as providers become more formalised and diverse in the types of loans offered. Informal finance and lending systems still dominate the SME sector, although it is hoped developments in the country's banking framework, and the increase in foreign and domestic market competition, will increase formalised lending and generate significant sector growth.

Economic and Business Analysis

Cameroon has favourable agricultural conditions, oil reserves, and a primary commodity economy, but faces serious problems: stagnant and inequitable income, a top-heavy civil service, systemic corruption, and a challenging climate for business enterprise. Weak prices for oil led to the significant slowdown in 2010, and pressure is on the government to reduce its budget deficit.

Over the past few decades, the IMF and World Bank have initiated programs designed to spur business investment, increase efficiency in agriculture, improve trade, and recapitalize the nation's banks. The IMF is pressing for more reforms, including increased budget transparency, privatization, and poverty reduction programs.

Imports

Food and fuel; machinery, electrical, and transport equipment; from France (19.1%), China (13.3%), Nigeria (12.4%), Belgium (5.5%), and Germany (4%).

Cameroon's imports focus on refined and technical goods, as the nation's manufacturing base remains insufficiently developed to be globally, or even locally, competitive.

Exports

Cameroon primarily exports crude natural resources (Oil, petroleum, and lumber) and agricultural goods (cocoa, coffee, and cotton), with little refinement or development of products prior to shipment. Key partners are developed nations, including Spain (15%), Netherlands (12.8%), China (9.4%), Italy (9.3%), France (6.5%), and the U.S (6.4%). The lack of refined trade systems, expensive shipments, burdensome regulations and minimal infrastructure, has restricted the growth of trade to regional neighbours.

With developments at the Port of Douala and enhanced road linkages to its neighbours, it is hoped that Cameroon will increase the refinement and production of its goods prior to export, thereby increasing industry linkages, employment, and economic growth.

Ease of Doing Business

161st in the world, Cameroon recently made significant improvements to ease acquiring credit. Businesses are still hamstrung in cross-border trade, contract, and taxation issues. Taxation is particularly burdensome, with regulatory systems and legislation requiring almost 700 hours to complete each year, at significant cost to businesses.

Market Opportunities

Agriculture

Developing improved agriculture products, systems, and distribution will not only increase economic output from the nation's bread basket, but also increase the share of rural wealth and development. Agriculture systems across much of the country remain antiquated, and present open opportunities to businesses keen to market fertilisers, irrigation systems, and equipment

Fishing

One of Cameroon's smaller but nevertheless vital industries, fishing accounts for less than 10% of GDP. Millions of tonnes of fish stocks are harvested yearly off the coast, while sustainable fisheries farming methods are becoming more prevalent.

The returns for large scale fishing are significant yet risky, while SMEs have the capacity to capture local market share, particularly in niche areas.

Microfinance

Given the volume of informal finance and the current regulatory difficulties in Cameroon's banking sector, particularly for small earners, the growing microfinance industry presents opportunities for businesses to grow on the back of relatively small, low interest loans. Closely tied to this is mobile banking, which carries the potential to increase efficiencies to financial management, and rapid response to market developments.

Entrepreneurs and Innovation

Students finding Solutions – The Next Generation of Innovators

There are a large number of skilled, creative and innovative minds in the country - a talent pool of young adults, studying in colleges and universities and making their first steps in the formal and informal sectors of Cameroon's economy. Unfortunately, as evinced by the staggering number of unemployed young graduates across the nation, the vast majority of these university students, who are potential entrepreneurs, are unable to translate their skills and assets into commercial ventures for the benefit of their communities.

It is critical to establish effective systems that support the development of entrepreneurial skills among this demographic. Understanding that Cameroon's greatest resource is its people, and that 70% of its population is under 30 years of age, will go a long way toward establishing the economic security of the country. Through its annual Business-Plan Competition, Harambe-Cameroon proposes an innovative approach to solving the problem of Cameroon's unemployment amongst university students and recent graduates. In teams of five, students between the ages of 17 and 30, propose business solutions that would 1) solve a local problem, 2) create jobs, and 3) develop their community.

Since March 2010, Harambe Cameroon has organized 3 social entrepreneurship idea competitions. Prior to each competition, Harambe-Cameroon organizes Orientation Sessions to train students on transforming their ideas into viable business projects. It has also implemented 24-hour Business Camps, where experts in marketing, financing, fundraising, government officials, bankers, and other youth success stories, offer workshop advice to enhance business development skills.

As part of an alliance of 7 business incubators recognized and recommended by the Cameroonian government, Harambe-Cameroon benefits of a network of business development experts. Instead of following an altruistic approach towards development, they seek to initiate mutually beneficial partnerships in which each actor in the economy and the society has a stake in each other's success.



Snapshot

Population

4.95 million

Urban **39%**

Youth **28%**

Growth **2.14%**

Capital

Bangui

738,000

Growth **2.5%**

GDP

GDP (PPP)

Total **\$3.446b**

Capita **\$744**

GDP (Nominal)

Total **\$2.018b**

Capita **\$436**

Growth **2.4%**

Currency

CFA Franc

1US\$ = **475.7**

1Euro = **655.9**

Inflation **1.8%**

Central African Republic

Infrastructure

The country's electrical supply is limited and sporadic, yet largely internally provided by hydroelectric plants. The C.A.R.'s transportation and communication network is limited, as are its transport infrastructure and services via road, rail, and air. River traffic is impossible in some areas from April to July, and armed conflict has sometimes prevented shipments moving between Kinshasa and Bangui. While the two are relatively close neighbours, the tariffs on trade and the poor transport facilities available have limited the growth prospects of mutual exchange.

Education and Skills Development

Decades of political violence and threats by the LRA have caused destruction and displacement of services, with the education sector

The 2010 UNDP Human affected by a shortage of teachers and physical infrastructure. In many rural areas, classes take place in rudimentary 'bush schools' and temporary settings until formalised infrastructure is developed.

Classes conducted under the open sky are prone to repeated disruptions, particularly during the rainy season. Due to a lack of space, children often alternate between morning and afternoon sessions, or classes are combined, limiting learning opportunities and educational progress compared to global and regional standards. Lack of food access and toilet facilities are major issues.

Funding is consistently being sought through aid agencies and local government, while parents struggle to construct new facilities with minimal resources and time, as the temporary measures become more long-term. The situation is made worse by ongoing conflict in the area between the government and rebel forces, with students and their families living in informal settlements in and around villages. Teachers appointed by the government are afraid to move to rural areas under threat, limiting the numbers of professional educators the schools can employ.

Country statistics show an average of one teacher for every 94 students, with trainees or parents making up the difference.

Taxation

Individual

10-50%

Corporate **30%**

VAT/GST **19%**

Industry

Employment

Govt % **N/A**

Primary **68%**

Secondary **10%**

Tertiary **15%**

Unemployed

16%

GDP Earners

1 Agriculture

2 Industry

3 Services

Indexing

HDI **0.369 (L)**

GINI **56%**

EODB **182nd**

Logistics

GLP **N/A**

Enabling Trade

GET **N/A**

Competitive

GCI **N/A**

Governance

Indicator

(Avg) **11%**

Unlike teachers, who earn a government wage of 60,000 CFA (US\$120), trainees work for free in difficult environments, often with little education and no experience to prepare them. Parents support trainees who assist, voluntarily contributing 100 CFA each (50 cents) to support them temporarily until government or aid support is increased. Aid agencies have helped build 800 schools in the north-west (although two-thirds of them are 'bush schools'), and have given basic teacher training to 2,000 parents in areas with chronic teacher shortages.

Communications and Information Systems

Communications industries are critically underdeveloped and yet vital to the potential growth of the C.A.R. Fixed line telephone systems are present but minimal, and largely restricted to developed urban areas. Internet and mobile communications services are growing but remain limited and focused in the cities, with services in some rural areas virtually non-existent. Mobile penetration is at 30%, significantly lower than the rest of the continent, and the lowest in the region.

Banking and Financial Services

The financial sector of the CAR is the smallest in the CEMAC, playing a limited role in supporting the country's economic growth. Weak infrastructure and regulatory frameworks have restricted market growth, leaving the small sector undeveloped, and dominated by commercial banks. Economic and security concerns have forced financial institutions to consolidate in the capital, Bangui, with limited services available in rural areas. Less than 1% of the nation's population hold a bank account, while Microfinance serves 0.5% of the population and accounts for just over 1% of total credit facilities. Mobile technology and services shortages have diminished the potential expansion of access to financial services through mobile banking.

Economic and Business Analysis

The Central African Republic is geographically landlocked, yet endowed with rich forest and mineral resources at the confluence of the sub-Saharan region. Almost 20% of the population lives in Bangui, the capital city. The country is at the cross-roads, transitioning from extended instability to a new phase of peace, nation-building, and economic recovery, for which sustained international support is required.

Subsistence agriculture, together with forestry, remains the backbone of the economy of the C.A.R, with about 60% of the population living in outlying areas. The agricultural sector generates more than half of GDP. Factional fighting between the government and its opponents remains a drag on economic revitalization. Distribution of income is extraordinarily unequal. Grants from France and the international community can only partially meet humanitarian needs.

Development Report ranks C.A.R near the bottom of its Human Development Index (159th out of 162 countries) and unlikely to meet its MDG goals. The proportion of Central Africans living on \$1 a day has decreased slightly to 62% but it needs to be half of that in order to reach the 2015 goal, and the prevalence of underweight children under-five has increased since 2003 to nearly 30 percent, a rate nearly three times the MDG target. Notable increases in service delivery include an increase in primary enrolment (58% in 1990 to 91% in 2009); literacy rates from 34% in 1990 to 55% in 2009; and improved sanitation facilities and improved water sources from 11% and 58% in 1990 to 34% and 67% in 2009 respectively.

CAR has made progress towards consolidating macroeconomic stability but remains vulnerable to increases in the world prices of fuel and food. In 2008, CAR was hit by a series of shocks, including the breakdown of the major hydro-power plant, followed by the worldwide price hike for food and fuel, and the global financial crisis. These events led to an overall reduction of real GDP of 1.5% compared to 2006-2008. Nevertheless, preliminary estimates predict a recovery in 2010 with real GDP growth of 3.3% and an inflation rate at 1.8% (down from the 9.3% observed in 2008).

Imports

Food, textiles, and medicines; petroleum, machinery, and electrical equipment. Partners are Netherlands (27.8%), France (11.9%), Cameroon (8.3%), and China (5.1%). Fuel supplies must be barged in via the Oubangui River or trucked overland through Cameroon, resulting in frequent shortages of gasoline, diesel, and jet fuel.

Exports

Timber has accounted for about 16% of export earnings and the diamond industry, for 40%. Cotton, coffee, and tobacco make up the rest, shipped to Belgium (25.6%), China (17.5%), Morocco (12.1%), and D.R.C (8.1%). The C.A.R will face a difficult, decades-long struggle before it is in a position to export value-added goods, with the strongest potential evident in coffee and tobacco crops.

Ease of Doing Business

No longer in last place, C.A.R has begun reforming its business environment by easing property registration, improving access to electricity, and freeing access to credit. It still has considerable way to go, particularly in tax reform and import/export regulations and tariffs. Important constraints to economic development include the

CAR's landlocked position, a poor transportation system, a largely unskilled work force, and a legacy of misdirected macroeconomic policies.

The security situation remains tenuous. The signing of a ceasefire with the Convention of Patriots for Justice and Peace (CPJP) on 12 June 2011 has brought stability to the north east. However, concerns remain regarding the presence of the Lord's Resistance Army in the south east and the fact that the main rebel groups in the north have not been disarmed. Continuing progress on security sector reform (SSR), including restructuring of the defence as well as modernization and support to the police and judiciary, are critical elements of the transition for the Government.

Market Opportunities

Agriculture

Perhaps the most obvious market for growth is in agriculture, where the majority of the population eke out a living as subsistence farmers. Embracing developments in innovative crop production and diversification, inclusion of high yield varieties and efficient water management systems, and re-developing market and community linkages are just some of the ways the agricultural system could be developed.

Given the state of the C.A.R's current system, the propensity of small acreage farming could be a potential boon if managed and integrated correctly, whereby farmers who cultivate higher yield crops and increased varieties could pool together to ship their produce to farmers markets to be sold at the best possible market rates. An increased use in mobile technology and internet connectivity would enable farmers to access the market on an equal footing, as well as providing them with the latest advances in industry practice.

Microfinance

Accounting for a tiny slice of a very small financial market, the microfinance industry is set to soar and ultimately become a dominant form of finance access for rural as well as urban consumers. The process could ultimately take decades, however with ingenuity, government support, and trade opportunities, the sector could be reinvigorated and boom as quickly as in Bangladesh.

Its capacity to provide small loans for small-scale businesses would also help grow the wider economy and reduce poverty, while increasing goods and services for poorer consumers. Over time, the presence of microfinance could be the difference between economic stagnation, a two-tiered economy, and a vibrant industrious marketplace ideal for SME growth and development.

Mobile Communications

Together with microfinance, mobile communications represents an opportunity to change the face of social and economic exchange in C.A.R's economy. Providers will have the opportunity to learn from mistakes made in neighbouring markets, while

embracing technological and service-style developments which took decades to design. C.A.R may be a late arrival to mobile consumption, conspicuously lagging behind African competitors, however as one of the last relatively untouched mobile markets, it represents virgin opportunities for providers who are willing and able to set up service and supply bases ahead of competition.

The Services Sector

Retail and consumables a staple sector of the economy, although in the C.A.R they do not account for significant volume in GDP. The importance of retail centres on keeping the economy moving, society functional, and essential disposables in circulation. Developments in regulations and increased access to microfinance would assist formal growth in the industry, especially in heavily populated urban areas, where demand is high enough for businesses to expand. There is a relatively small market for high-end goods, which could also increase parallel to the middle class, while catering to foreign visitors.

Tourism in C.A.R is also underdeveloped, compared to neighbours who offer greater security and stability financially, economically, and physically. The country has an abundance of attractions to offer to prospective guests, however ongoing conflict concerns has and will continue to keep numbers low. The potential for adventure tourism is great, with a range of outdoor activities available as options in the future. Kayaking, trekking, and cultural tourism are strong rural options, particularly if given an eco-sustainable edge.

In urban environments, cultural tourism is still a possibility, and guided tours would offer a sense of security as well as 'insider information' for visitors to come to grips with the real Central African Republic. The nation offers an exotic and unique tourism drawcard, as it is far from the well travelled tourist path, and so if marketed accordingly could well be the 'next big thing' in years to come.

Transport

The impediment to growth of a number of other industries is transport. C.A.R lacks developed road, rail, and air linkages, which put it at significant disadvantage to competitors in the region, continent, and across the globe. Government mismanagement and a shortage of funds for investment means it will take some time for formalised sustainable systems to be developed, and for large-scale projects to be planned, much less completed. Opportunities exist in the interim for transit businesses specialising in moving goods and services, although even these options are limited, particularly in rural areas.

Manufacturing

Manufacturing faces far too many challenges in the current economic climate to be viable. However, in years to come the economy will need to expand from raw materials and agricultural products to developing diversified industry growth. When that happens, manufacturing could be set to increase rapidly due to C.A.R's low wage rates and strategic location linking it to regional centres.



Snapshot

Population

11 million

Urban **28%**

Youth **31%**

Growth **2%**

Capital

Ndjamena

808,000

Growth **4.6%**

GDP

GDP (PPP)

Total **\$18.261b**

Capita **\$1,743**

GDP (Nominal)

Total **\$9.535b**

Capita **\$910**

Growth **-1%**

Currency

CFA Franc

1US\$ = **475.7**

1Euro = **655.9**

Inflation **6.5%**

Chad

Infrastructure

Until recently Chad had only a few hundred kilometres of paved road, concentrated in N'Djaména and linked with Cameroon's road system to the coast. In 2008-2009, a program of road building began in the capital, and the route east to Abéché was improved. The government now says there are around 2,000 km of paved roads, with a further 35,000 km suitable for motorised transport during the dry season (October to May). Flooding during the wet season makes many roads impassable, hindering transport of trade goods.

There are plans to develop regional networks, with the World Bank approving in 2007 US\$201 million to finance transport and trade improvements in Chad, Cameroon and the Central African Republic. The planned construction and rehabilitation aims to increase regional trade links and ease transport constraints.

Education and Skills Development

Education in Chad is challenging due to the nation's dispersed population and lack of wealth. Many parents are reluctant to send their children to school, due to the sometimes prohibitive expense. By keeping children home, parents are also able to teach them the family business and save money from both sending them to school, and hiring a worker to replace them.

Although attendance is compulsory, only 68% of boys continue past primary school for these reasons, resulting in more than half of the population being illiterate. Higher education is provided at one institution, the University of N'Djamena, although there are online and distance education courses available to those who can access reliable internet and computer services (which in itself is prohibitive for many).

Communications and Information Systems

Despite being one of the most recent exporters of oil on the continent, Chad has one of the least developed telecommunications markets in the world. Fixed line penetration is low, as in much of the continent, however internet and mobile services are also well below African averages. There are, however, positive moves towards growth.

Taxation

Individual

20-60%

Corporate **40%**

VAT/GST **18%**

Industry

Employment

Govt % **N/A**

Primary **80%**

Secondary **8%**

Tertiary **12%**

Unemployed

N/A

GDP Earners

1 Agriculture

2 Services

3 Industry

Indexing

HDI **0.328 (L)**

GINI %

EODB **183rd**

Logistics

GLP **2.49**

Enabling Trade

GET **2.13**

Competitive

GCI **2.87**

Governance

Indicator

(Avg) **8%**

The national telecommunications and fixed-line operator, Sotel Tchad (ST) was participating in a mobile network partnership with Orascom Telecom, a project which saw positive results until it ceased operations in 2004 over legal disputes.

The mobile sector today is growing fast under increasing competition, particularly between foreign-owned networks Bharti Airtel (formerly Zain), and Millicom (Tigo). Sotel Tchad is developing a fixed-wireless system, enabling it to re-enter the sector and regain a share of its former market leadership. The technology also holds the potential to provide broadband services, which may become available to competitors and be a standardised feature for consumers. Merger and privatisation rumours abound for Sotel, although no confirmation of rumours has been reported.

Mobile networks are essential for internet access, as they are currently providing the only broadband-like services apart from access to direct satellite. This could change when infrastructure is developed, however this could be some way off. Chad still lacks a national backbone infrastructure, or international fibre access to support more efficient broadband services or access alternatives. As a result, all long-distance, national, and international connections, are currently made via satellite.

Banking and Financial Services

Chad's financial system is among the least developed in the CEMAC region. It has little depth, is largely segmented, and is exposed to significant risks from externalities due to the economy's high dependence on oil revenue.

Four of its eight banks have significant public ownership and suffer major weaknesses as a result, largely involving interference by the state in management and staffing decisions. Increased stability and growth will require a willingness by the public sector to withdraw from bank ownership and control. The weak legal and judicial environment also weighs heavily on the financial system, and does little to stem corruption.

Structural weaknesses are also prevalent, with the insurance sector small compared with peer countries, and poorly managed. Access to finance is limited, and lending by the banking system is concentrated on a few large enterprises and SMEs linked with them. Financial products and services are limited and not adapted to the needs of SMEs, with the absence of long-term resources limiting their ability to finance investment needs.

Savings-and-loan networks constitute the most widespread microfinance institutional structures in Chad. Agricultural farmers are their main target market and represent close to 60% of the customer base, followed by livestock farmers and fishermen in a distant second. The financial viability of microfinance in Chad is mixed, with only 1 in 6 viable without external assistance. The issue is largely a result of weak supervision, as there are not enough resources to effectively manage and police loan programs with due diligence. In part, this stems from an inability to access reliable financial details of applicants, resulting in late and no-payment customers.

Economic and Business Analysis

Chad's primarily agricultural economy will continue to be boosted by major foreign direct investment projects in the oil sector that began in 2000. At least 80% of Chad's population relies on subsistence farming and livestock for its livelihood. Chad's economy has long been handicapped by its landlocked position, high energy costs, and a history of instability. Chad relies on foreign assistance and foreign capital for most public and private sector investment projects.

A consortium led by two US companies has been investing \$3.7 billion to develop oil reserves - estimated at 1 billion barrels - in southern Chad. Chinese companies are also expanding exploration efforts and are currently building a 300-km pipeline and the country's first refinery. The nation's total oil reserves are estimated at 1.5 billion barrels. Oil production came on stream in late 2003.

Imports

Strong project-related imports kept the current account deficit high, in part financed by continued foreign direct investment in the oil sector. Core exports and trading partners include:

Food and textiles; machinery, industrial, and transport equipment; imported from China (29.4%), France (14.3%), Cameroon (12.2%), and the U.S (8.1%).

Exports

Chad's low-income is highly dependent on oil and agriculture. Oil exports began in 2003 but only totalled about 45 million barrels in 2010, about 1% of total Sub-Saharan African production. It represents 62% of Chad's nominal GDP and 90% of its exports. Reserves are modest and expected to deplete over the next 20 years. Recent high oil prices have resulted in a windfall of export and government revenue.

After oil, agriculture (cotton, grains, and cattle) is the most important source of Chad's export earnings, and provides subsistence employment for the bulk of the country's predominantly rural population.

Primary trading partners are the global powerhouses the United States (71.9%), and China (16.9%).

Ease of Doing Business

Chad slipped to last place in world rankings, with exorbitant costs for business start-up as well as running costs, particularly in taxation and foreign trade. Major reforms are needed for any hope of market growth, particularly as these are the categories most important to economic growth, development, and sustainable industry.

The figures reveal just how bad the situation is:

- Start-up costs are over 40 times the OECD average
- Taxes are, on average, double the African standard
- Cross-border trade is up to 5 times more expensive than the African average
- There are 0% recoveries on insolvencies

Market Opportunities

External Impacts on Food Security in 2011

The increase in rainfall activity in late in the season made up for the rainfall deficit, and allowed for the late planting of crops. The resulting tight crop calendar concentrated needs for farm labourers from poor households into a short space of time, driving up wage rates and boosting household purchasing power. With water stress affecting crops during their growth cycle, recent rainfall will not suffice to improve the yields of crops impacted by previous drought conditions.

The slow progress of return migration due to poor pastoral conditions has kept animals south of their usual locations, creating overgrazing problems on already extremely sparse pastures in southern Chad. The lag in crop growth and development due to the rainy season's late start has prolonged the lean season for households in the south, and delayed harvests of early crops, which normally affect prices.

According to OCHA-Chad, 80,000 Chadian migrants from Libya repatriated before the battle of Tripoli received assistance in transportation, food, water, and health care. Efforts to mainstream the returnees and maintain a smooth flow of trade between the BET region of Chad and Libya have been hampered by waves of new refugees as tensions escalate within Libya. Government-subsidized grain sales in the Tibesti region and imports from Libya have strengthened food security for poor households.

Food prices are only slightly above the five-year average and prices on most area markets are stable. The combined effects of free food aid, government-subsidized food sales, grain banks, and gift-giving connected with Ramadan helped ease food access.

More flexible arrangements for buying grain on credit has helped Guera ensure grain availability, and is giving poor households more time to devote to their crops. This in

turn created a shortage of labour, driving up the daily wage for farm workers from 625 CFA francs last year (a crisis year marked by a labour surplus) to 1,125F CFA francs this year (in a labour shortfall).

The combined effects of these external factors are enabling poor households to build up food reserves, and increase food and financial wealth (albeit temporarily).

N'Djamena: Capital of Trade

N'Djamena is the nation's capital, and the centre of cotton-growing, cattle-raising, and fishing areas. It is the nation's beating heart, housing the headquarters of financial and industrial firms, as well as educational institutions, the University of Chad, and the National Institute of Human Sciences. N'Djamena is connected by road with neighbouring powerhouse Nigeria, as well as the Sudan, and the Central African Republic.

The opportunities in the capital's urban landscape are diverse, as it here that the focus of industry and government intersect, where regional trade is bypassed, and where market innovations and government policies are developed. For street vendors and industrial giants, N'Djamena is the city of opportunity

Entrepreneurs and Innovation

As in many other developing countries, Chad's economy includes a thriving informal sector. Informal commerce ranges from individual vendors peddling their wares on the streets of N'Djamena, to major business entrepreneurs transporting thousands of tons of gum arabic.

While it is hard to measure, the informal sector accounts for significant volumes of trade and employment, providing necessity consumable products as well as luxury items and illegal black market goods.

Such commercial activity is conducted under the radar of official systems, without reference to regulations, permits, or legislation governing workplace practices. Businesses that are unregistered bear some advantages, including avoiding high taxes, accounting fees, stringent government controls, and other costly delays imposed on formal businesses. As a trade-off, the market is incredibly fragile, and businesses must do without the protections offered by government safety nets and legislative support.



Democratic Republic of the Congo

Infrastructure

D.R.C has struggled to develop infrastructure, particularly in the face of war and corruption, and the Port of Banana remains underdeveloped, despite its significant potential given its proximity to the capital, and DRC's reliance on waterways transport, due to the climatic difficulties faced by road and rail infrastructure.

Snapshot

Population

71.7 million

Urban **35%**

Youth **23%**

Growth **2.61%**

Capital

Kinshasa

8.9 million

Growth **4.5%**

GDP

GDP (PPP)

Total **\$23.117b**

Capita **\$328**

GDP (Nominal)

Total **\$13.125b**

Capita **\$186**

Growth **3%**

Currency

Congo Franc

1US\$ = **910.0**

1Euro = **1,255**

Inflation **14%**

Education and Skills Development

The country's education system has suffered because of ongoing conflict and resource shortages. Only 27% of youth's are enrolled in school, and those who do often drop out early, failing to leave with sufficient skills. In addition, students struggle to get access to necessities on a daily basis, while simultaneously dealing with volatile social upheaval.

The situation is better in the capital and urban environs, compared to rural areas where services are in some cases non-existent. Foreign NGO's, community groups, and parents have taken up the slack in some instances, although these endeavours, noble as they are, fail to deliver services that will provide students with employment opportunities or advanced skill-sets.

The calming security situation and slow boost to funds in public coffers may trickle down to ailing services, although it will take years for the government to develop sufficient infrastructure and support for the system to gain any ground.

Communications and Information Systems

The national telecom system is one of Africa's least developed. Almost 70% of the population reside in rural areas, where telephone and Internet services are virtually non-existent. The national operator, OCPT, holds a monopoly on the sector, though it has been unsuccessful in developing services, growing the market, or even finding investors for privatisation. Government legislation of the sector is loose to encourage competitive growth and development.

Taxation

Individual

3-50%

Corporate **40%**

VAT/GST **13%**

Industry

Employment

Govt **N/A**

Primary **N/A**

Secondary **N/A**

Tertiary **N/A**

Unemployed

N/A

GDP Earners

1 Agriculture

2 Services

3 Industry

Indexing

HDI **0.286 (L)**

GINI **62%**

EODB **178th**

Logistics

GLP **2.68**

Enabling Trade

GET **N/A**

Competitive

GCI **N/A**

Governance

Indicator

(Avg) **6%**

Mobile networks have taken over, with the subscriber base growing rapidly every year. However, increased network proliferation has had side-effects, namely compatibility problems, and competitor interference over the country's limited spectrum range.

The sector has largely consolidated to four major players: Vodacom Congo, Bharti Airtel (formerly Zain), Millicom (Tigo) and Congo Chine Telecom (CCT) in which the national operator OCPT holds 49%.

The vast majority of subscribers are on prepaid plans, with mobile operators beginning to play a significant role in internet services, following the launch of mobile data. The Internet market is uncompetitive and barely registering, due to poorly developed infrastructure, in the country and across the region.

Penetration for fixed line services by the state owned provider are barely existent, at 0.1%, while infant internet services are at 0.6% and slowly climbing. Mobile access is the only communications sector with steady and significant growth, at 17% and rising to reach at least 25% by 2015.

Banking and Financial Services

Mobile banking presents valuable opportunities to the financial sector, which could revolutionise the way consumers' bank and do business. In a population of 60 million, there are only 1 in 100 (600,000) bank accounts.

However, 1 in 10 (6 million) Congolese own a mobile phone, presenting a significant opportunity to increase consumer banking access and services.

However, issues are still in flux: the status of the issuer and distributor, management rules, internal and external control, the fight against money laundering, and the financing of terrorism.

The Central Bank of Congo has introduced a legal framework before the introduction of mobile banking services in 2011 that will allow Congolese people to receive money, make purchases, and pay for utility bills and tax via mobile phone.

The drafting of this legal framework has been entrusted to a working group - the mobile banking task force - which includes government bodies, credit institutions and the regulatory body for postal services and communications.

Economic and Business Analysis

Democratic Republic of Congo has a total population of over 70 million people, and the capital Kinshasa is approaching 10 million – making it one of the largest cities of the world. The country has extensive mineral wealth, borders 8 nations (it is separated from Tanzania by Lake Tanganyika), is connected to the Atlantic Ocean (40 kilometres of coastline), and the Congo River runs into the Gulf of Guinea.

D.R.C is a nation endowed with vast potential wealth slowly recovering from decades of decline. Systemic corruption since independence conflict May 1997 has dramatically reduced national output and government revenue, increased external debt, and resulted in the deaths of more than 5 million people from violence, famine, and disease. Foreign businesses curtailed operations due to uncertainty about the outcome of the conflict, lack of infrastructure, and the difficult operating environment.

Significant economic activity still occurs in the informal sector, and is not reflected in GDP data. Renewed activity in the mining sector, the source of most export income, boosted GDP growth from 2006-2008, however, the government's review of mining contracts, combined with a fall in world market prices for the DRC's key mineral exports weakened output in 2009. The recovery in mineral prices beginning in mid 2009 boosted mineral exports, and emergency funds from the IMF boosted foreign reserves. The global recession cut economic growth in 2009 to less than half its 2008 level, but growth returned to 6% in 2010.

Imports

D.R.C is reliant on imported food, fuel, mining and transport machinery and equipment, from South Africa (19.2%), China (12.5%), Belgium (9.2%), Zambia (8.8%), Zimbabwe (6.9%), France (5.8%), and Kenya (5.8%).

Exports

Abundant in natural resources including diamonds, gold, copper, cobalt, and timber, D.R.C's main partners are China (46.9%), Zambia (23.3%), and the U.S (10.4%).

Ease of Doing Business

An uncertain legal framework, corruption, and lack of transparency in government policy, combined with start-up costs 7 times the continents average, make it a challenging environment for entrepreneurs.

Although D.R.C holds vast natural resources (the country has one-third of the world's supplies of cobalt, Africa's largest supply of industrial diamonds and tin, as well as coltan, gold, iron ore and uranium in abundance). Mining projects are frequently stalled by bureaucracy and corruption, or rendered less profitable by prohibitive costs of doing business in a country with little infrastructure and high fees.

Kinshasa-Brazzaville is an ideal focal point for cross-border trade between the two Congo's (D.R.C and Republic of Congo), yet formal trade and passenger traffic

between the two cities is pitifully small: just over 1% of all imports into Republic of Congo come from the D.R.C, and passenger traffic is dismal comparative to other cities, even those of significantly smaller size.

The bottleneck between the two countries is primarily caused by the cost of crossing the river, particularly at Malebo Pool, where a return trip is equivalent to 40-80% of the average monthly income earned by Kinshasa residents. The cost of shipping goods is even more exorbitant, largely because of uncompetitive national operators (on both sides) and their lack of investment limiting transport capacity. Cumbersome customs procedures also contribute costs and long delays, with up to 17 agencies raising fees from traders and travellers without offering any services.

Political and economic reform could go a long way toward revitalising the city, providing a wealth of opportunities to its citizens and transforming what was once a localised bottleneck into an international hub of trade.

Market Opportunities

Waterways

The nation's infrastructure issues are not easily resolved and will take the government considerable time to develop. Roads in the interior are at the mercy of climactic conditions, as are the waterways, although these present greater opportunities to private investors.

Waterway transport of goods could become the foundation of a new growth in D.R.C's economy, if legislative and regulative restrictions are eased and market competition is permitted. The benefit would stretch to reinvigorating communities along the rivers lifeline, and mimic some of the success of Asian waterways such as the Irrawaddy, which ferry significant volumes of people as well as materials.

Services for the Working Class

With 70% of its 70 million-plus population living in poverty, and a GDP per capita of a meagre \$160, the Democratic Republic of Congo is not an obvious place for a company to be looking to do business in. Recovering from conflict, essential services in tatters, and consumers lacking volumes of 'consumable wages', there is no doubt D.R.C is a challenging marketplace.

Yet there are opportunities here, particularly in addressing the needs of the vast majority of the population who are struggling to make ends meet. Catering goods and services for rural, low-income users, with limited access to electricity and banking systems, would open up a vast market of consumers that are currently underdeveloped. Chinese businesses located in Africa have taken this exact approach, with the effect of Chinese SMEs multiplying in African market centres and driving new economic growth, while providing valuable essential consumables to customers.

Education

The country's education system will take considerable time to be reformed by the government, and in the interim is currently buoyed up by ad-hoc service providers, including NGO's, community groups, and some private firms.

There is an opportunity for expansion of private firms operating education institutions, particularly in heavily populated and relatively well-resourced urban areas. Small scale yet viable, efficient, and effective providers in such settings would be able to compliment the over-stretched systems in place, providing employment prospects for teachers, and enhanced education for struggling students.

Mobile Services and Accessories

With a penetration rate of just 17%, there is huge potential for growth, not just in mobile phones but also in providing mobile internet services, and a range of add-on accessories. Other emerging markets, already saturated with competition, are unable to provide the opportunities available in D.R.C to lead the market from the ground up, establishing a customer base and driving consumption.

For example, France Telecom's E-Recharge service allows pay-as-you-go mobile users to top up their credit by sending a text, removing the need to go to a shop, and cementing the revenue for the company. It accounts for 80% of France Telecom's sales in the Ivory Coast, and as the company looks to develop its holdings in D.R.C it will no doubt look to drive consumption trends here as well.

Entrepreneurs and Innovation

YES/DRC: Growing Youth Entrepreneurs

YES D.R.C Network is a leading social youth enterprise, created on the 16th of November 2007. The Network is also the official host organization of the Global Entrepreneurship Week (GEW) in the Democratic Republic of Congo since 2008.

Its primary purpose is collaborating with action partners to become more empowered to serve young people aged between 5 and 30, including both urban and rural street children, child soldiers, refugee children, and other vulnerable young adults from poor and homeless families. These children are particularly high-risk, and in critical need of interventions that assist them in recovery and filling social, behavioural, educational, and other developmental gaps resulting from extended periods of civil unrest in their respective communities.

Developing a variety of action partnerships with families, youth-led organizations, specialized government agencies, training institutions, UN agencies, Donors, International NGOs, and Civil Society NGOs, the organisation pushes to create an enabling environment. Ultimately, the organisations goal is to prepare youths for future life as productive, contributing citizens, well-equipped to create a job or to take a job and become agents for social change.

The YES DRC network supports youths in development sectors, including Renewable Energies, Information and Communication Technologies, Rural Development (Agriculture and Forestry businesses), Water and Sanitation, HIV/AIDS and other diseases, Conflict Transformation and Peace Consolidation, Arts and Crafts, Cultural Diversity, Literacy, and Vocational Programmes.

Since its inception, the YES DRC Network has led community development and youth livelihood programs including the provision of business skills to help youth within the inner community create income generating activities. YES DRC network entered into partnership with the University of CEPROMEC, to launch short and long term educative and supportive programmes to provide leadership and entrepreneur skills, small micro credits and loans as start up capital, mentoring and tutoring services to empower them to create small, scalable, replicable and sustainable green ventures to live on. Implementation of a breeding project of livestock and celebration of Global Entrepreneurship Weeks are other principal activities the organisation engages in.



Equatorial Guinea

Infrastructure

Education and Skills Development

Snapshot

Population

668,000

Urban **40%**

Youth **17%**

Growth **2.64%**

Capital

Malabo

166,000

Growth **3.1%**

GDP

GDP (PPP)

Total **\$24.146b**

Capita **\$34,824**

GDP (Nominal)

Total **\$14.006b**

Capita **\$20,200**

Growth **12.2%**

Currency

CFA Franc

1US\$ = **475.7**

1Euro = **655.9**

Inflation **7%**

Education is one of the priorities outlined in Equatorial Guinea's Horizon 2020 development plan, to move the country toward a sustainable and emergent economy. The plan includes developing of new schools, teacher training, and enhanced policies of implementation. The 'Education for All' initiative includes widespread efforts to increase enrolment, construction and remodelling of primary and secondary schools, and the construction of centres for professional formation and universities.

The Republic of Equatorial Guinea launched its first workshop in 2011 aimed at reforming its education system. It analysed teaching strategies and assessed children's progress at the elementary-school level, as part of the 'Equatorial Guinea, My Country' project, the broader aim of which is to evaluate the current system and institute policies for improvement.

The project will evaluate general elementary-school strategies and will develop training to enable teachers to assess children's progress. The new programs will be implemented by the Educational Development Program of Equatorial Guinea (PRODEGE), which is supported by the Ministry of Education.

UNESCO recognised the country's progress, with recent data that ranked Equatorial Guinea as the highest adult literacy country in Sub-Saharan Africa, reaching 93% of the population. While significant issues remain, the country is on track toward achieving both the UN Millennium Goals for 2015 and those of Horizon 2020.

Communications and Information Systems

Telecommunication services in oil-rich Equatorial Guinea have recently been a source of conflict between the government, and the country's monopoly telecom provider, Getesa. The government has alleged poor quality of Getesa products, including lack of coverage, the interruption of phone calls, and other abnormalities in its services.

Taxation

Individual

35%

Corporate **35%**

VAT/GST **15%**

Industry

Employment

Govt **9%**

Primary **56%**

Secondary **21%**

Tertiary **14%**

Unemployed

22.3%

GDP Earners

1 Oil

2 Mining

3 Services

Indexing

HDI **0.538 (M)**

GINI **46%**

EODB **155th**

Logistics

GLP **N/A**

Enabling Trade

GET **N/A**

Competitive

GCI **N/A**

Governance

Indicator

(Avg) **7%**

The telecom provider claims the situation is temporary, and that recent issues have been caused by works on improving the quality of its network and services.

Getesa has held a monopoly on services, being the only telecom operator in the country since 1987. The government holds 60% of the company's shares, while France Télécom controls the remaining 40%. The increasing frequency of complaints has been cause for government officials to take increasingly strong stances against the company in a bid to increase service quality and reliability.

Economic and Business Analysis

The discovery and exploitation of large oil and gas reserves have contributed to dramatic economic growth but fluctuating oil prices have produced huge swings in GDP growth in recent years.

Forestry and farming are also minor components of GDP. Subsistence farming is the dominate form of livelihood. Growth remained strong in 2008, when oil production peaked, but slowed in 2009-10, as the price of oil and the production level fell.

Imports

Machinery and equipment for vehicles, construction, and petroleum production, sourced from China 21.4%, Spain 13.8%, the U.S 12.7%, France 10.9%, Cote d'Ivoire 6.7%, the UK 6.3%, and Italy 5.2%.

Exports

Oil and petroleum products are the nation's chief exports, as well as timber, shipped to the U.S 24.3%, Italy 10.3%, Spain 10.1%, South Korea 8.3%, Canada 7.6%, and China 6.3%.

Exported goods play a major role in the country's economy. In particular, the growth of merchandise exports has been profound during the last 3 decades. In 1980, total merchandise exports for the country were around 14 million US dollars.

According to World Bank statistics, this figure has grown by 649% to 9.1 billion US dollars in 2009. The majority of these exports go to high-income economies, with over 80% of merchandise exports being attributed to such countries.

Ease of Doing Business

After significant improvements in credit access, major issues remain over start-up costs, taxation levels, and government lack of transparency and policy continuity.

While Equatorial Guinea has improved in many ways as a host for businesses, there is certainly still work to be done. In a study done by the International Finance Corporation, Equatorial Guinea was ranked 42nd out of 46 African countries in terms of starting a new business. In the same study, the country was ranked 32nd in ease of doing business. If the local governments hope to continue their economic growth trend, they must find ways to entice corporations to set up shop in Equatorial Guinea rather than in neighbouring countries.

If the local governments choose to streamline the process of starting a business in the country, along with promoting the use of local resources, the country will see strong growth in the future. Protecting investors is another crucial element to increasing foreign and domestic investment, and Equatorial Guinea was ranked 12th in terms of contract enforcement, yet only 27th in the protection of investors.

Market Opportunities

Ever since the financial crisis struck in the fall of 2008, investors and businesses alike have been searching for new opportunities to achieve positive returns. While many of the world's economic powers struggled with periods of negative growth, the region of Sub-Saharan Africa has managed to achieve GDP growth upwards of 2.8%, according to the International Monetary Foundation. According to World Bank figures, Equatorial Guinea managed real GDP growth of 10.67%, and an average real GDP growth rate of 5.65% between 2008 and 2010.

The country represents an untapped supply of resources waiting to be put to use. Based on figures provided by the World Bank, the labour participation rate among those 15 years and older was at 65.5%. This represents over 175,000 people who are not currently taking part in the workforce. With a total population of only 700,000, this represents a significant labour surplus and an excellent opportunity for businesses looking to start up operations in the area.

Sub-Saharan countries are often pigeonholed as producers of cheap goods and agricultural products. While this may have been true in the past, it is certainly no longer the case. Services are quickly becoming an important part of the economy in Equatorial Guinea, as evidenced by the 19.8% growth in the services sector realized in 2009. The country has clearly adapted itself well to meet the changing demands of more developed countries.

Although pre-independence Equatorial Guinea counted on cocoa production for hard currency earnings, the neglect of the rural economy under successive regimes has diminished potential for agriculture-led growth. The government has stated its intention to reinvest some oil revenue into agriculture, which remains a primary employer and key stabiliser of the economy. Embracing advanced irrigation and

farming methods, which require minimal machinery investment and maximise Equatorial Guinea's labour strengths, would add value to this otherwise stagnant industry.

Undeveloped natural resources also present opportunities, including gold, zinc, diamonds, columbite-tantalite, and other base metals. Extraction will be limited to major international firms, however value-adding and processing of the extracted metals in manufactured products would provide the economy with much needed diversity. For those willing to do their due diligence, economic opportunities abound appear ripe for the picking in Equatorial Guinea.

Entrepreneurs and Innovation

Equatorial Guinea is a country with considerable untapped potential for entrepreneurial activities. However, significant policy changes will be required in the short term to foster a culture of entrepreneurship and fully capitalize on the country's natural advantages.

The language is an asset that can be exploited. In this global and intercommunicated world, every country has to strengthen their relationships with other nations; not only in the diplomatic or political sense, but in trade and business as well. Equatorial Guinea has a huge advantage by having Spanish as their official language, with many of the population also speaking French. Spain or France themselves, with their high income levels, present plenty of opportunities for entrepreneurs, without forgetting about all the other regions where Spanish and French are spoken like South America and some other countries in Africa. Therefore, while local language can be a huge barrier to international trade in some countries, in Equatorial Guinea's case it is an advantage.

In addition, the near future will bring Equatorial Guinea a unique opportunity to change its image as perceived by the rest of the world. The African Nations Cup in 2012 will be held there, presenting an excellent chance to improve the country's image, which has been affected by the dictatorial regime. This change to the national image, as well as the investment in infrastructure likely to flow through from hosting the Cup, will be vital for the future of the country.

Finally, the advance of the internet and communications technology has helped to decrease the investment required to find local partners in Equatorial Guinea as it has in other parts of the world.

In order to determine the steps that must be taken to capitalize on these advantages, however, it is necessary to analyse the basic conditions required for entrepreneurship to flourish. An entrepreneur doesn't need help, doesn't need gifts; the entrepreneurial spirit is wild, is strong, it's almost unstoppable. What's the only thing entrepreneurs need? A framework that makes their dreams possible. Because entrepreneurs are dreamers but also realistic, they cannot begin a project or make investments without some certainty about the future. They cannot begin something without an underlying stability which enables them to take on credit or draw up financial budget.

Stability, then, is a basic prerequisite for entrepreneurs to invest in a country. With a stable legal and economic framework in place, individuals are more inclined to take commercial risks in order to pursue their dreams and initiate new projects. However, in an unstable environment, serious uncertainty will discourage investment in new ideas and stifle economic growth. For example, a legal system that encourages new business is essential for promoting entrepreneurship; if investors wanting to start a business are faced with nothing but obstacles and expenses, their enthusiasm will wane sharply.

Elements like private capital protection, on the other hand, will encourage investment.

Encouraging international investment, meanwhile, is essential to improving economic stability – another critical part of the framework for entrepreneurship. In poor or emerging economies, foreign investment is frequently a key aspect in economic growth. In Equatorial Guinea itself, the start of local operations by the multinational Mobil was a highlight of local economic history. The challenge for the future is to bring more international capital to Equatorial Guinea's economy, but there are extensive changes that must be made to facilitate foreign investment; changes to the legal system, to the image of the country, to security, to the political system and to infrastructure. That additional capital will create a dynamic and prosperous business environment for entrepreneurship.

To strengthen the country's economy more generally, the government will need to reinforce the institutions and effect some changes to wealth distribution across society. The current social structure is unsustainable; much of the country's wealth is presently concentrated in a very small percentage of the total population, causing a huge disparity between rich and poor which could lead to civil conflict. The correct path has to be a concrete plan for distribution of income. Creating a middle class would boost consumption, production, access to the financial system and ultimately would make the economy more prosperous. The middle class is the biggest source of entrepreneurs in developed economies; this section of society must grow larger in Equatorial Guinea in the years to come.

By way of example, Kuwait could be used as a benchmark or best practice indicator for Equatorial Guinea in terms of income distribution. While oil production is at comparable levels in Kuwait and Equatorial Guinea, the income distribution and quality of life are completely different. In Kuwait, the people receive a number of benefits from the government, and the country's healthy economy is a reflection of that.

Beyond wealth redistribution, Equatorial Guinea faces other challenges in long-term policymaking if it is to push through sustainable economic change. For example, an aggressive educational plan has to be launched as soon as possible. A good place to start would be a ten-year plan to improve literacy. Why ten years? Because 45% of the population is currently aged 15 or younger, a concerted effort through the educational system now could yield a substantially more literate generation moving into the workforce in ten years' time. If this were combined with long-term policymaking to improve the conditions for entrepreneurship, it would provide this new workforce with a business environment offering them opportunities and growth.

paths. Together, two projects of this nature could dramatically change the state of the country in a relatively short time.

While these are the most important actions to be taken, other changes could also be made to help encourage entrepreneurship. Individuals need the initiative to look for options like importing and distributing or exporting; to help promote this, Equatorial Guinea could for example focus on certain agricultural products to gain a competitive advantage in specific goods.

There is a lot of work ahead, but if correct decisions are taken to effect long-term policy shift, Equatorial Guinea could build a friendly framework for entrepreneurship to flourish and develop.



Gabon

Infrastructure

Education and Skills Development

Snapshot

Population

1.57 million

Urban **86%**

Youth **21%**

Growth **2%**

Capital

Libreville

619,000

Growth **2.1%**

GDP

GDP (PPP)

Total **\$22.478b**

Capita **\$15,020**

GDP (Nominal)

Total **\$13.056b**

Capita **\$8,724**

Growth **5.4%**

Currency

CFA Franc

1US\$ = **475.7**

1Euro = **655.9**

Inflation **-1.3%**

Gabon's government has engaged in significant efforts to enhance technical skills in growth sectors, receiving the support of the African Development Bank Group for a loan of CFAF \$71.5 billion, to finance a Public Services Higher Education and Vocational Training Support Project.

The project, to be implemented over five years, has a variety of education goals:

- Training middle and senior-level personnel through reformed training systems
- Increasing school enrolments and admission capacity countrywide
- Improve the quality and relevance of public resource programs allocated to the education sector
- Gradually reduce expenditure on scholarships for studies abroad

The institutional reform and development action involves 3 universities, 5 higher professional schools, 3 research institutes, and 21 technical or vocational institutes.

The onus will be on the government to ensure that reforms implemented are according to established timelines and standards.

The project targets Gabon's education system from three different perspectives.

- **Streamlining Government Engagement**
By addressing reform of regulations, legislation, and financial management, the project aims to enhance the efficiency of the government's service provision, reducing waste and eliminating mismanagement
- **Developing Workforce Skill-sets**
Improving the quality of education provided, by structuring studies to enhance capabilities, and provide students with practical skills and learning experience

Taxation

Individual

20%

Corporate **35%**

VAT/GST **18%**

Industry

Employment

Govt % **N/A**

Primary **60%**

Secondary **15%**

Tertiary **25%**

Unemployed

21% (2006)

GDP Earners

1 Industry

2 Services

3 Agriculture

Indexing

HDI **0.648 (M)**

GINI % **N/A**

EODB **156th**

Logistics

GLP **2.41**

Enabling Trade

GET **N/A**

Competitive

GCI **N/A**

Governance

Indicator

(Avg) **26%**

- **Linking Education to Industry**

Developing ties between the education system, tertiary institutions, and industry, particularly services, manufacturing, and construction

Communications and Information Systems

Gabon's telecom market was liberalised in 1999, when the government awarded three mobile licences and two Internet (ISP) licences to private enterprises. Gabon Telecom, the national service provider, was itself privatised in 2007 (following two unsuccessful attempts) to Vivendi-controlled Maroc Telecom, which bought a majority.

The market now accounts for approximately 7% of GDP, and has enjoyed rapid growth, especially in its mobile segment. Gabon became one of the first countries in Africa to exceed 100% mobile penetration (in 2008), largely due to energetic competition between the three service providers:

- Zain (formerly Celtel, now Bharti Airtel)
- Gabon Telecom's Libertis
- Etisalat's Moov

A fourth operator, USAN (operated by Bintel) entered the saturated market in 2009, accelerating the downward trend in average revenue per user.

Tariffs for making calls between networks are among the highest in the sub-Saharan, restricting linkages between service provisions. While the mobile market is soaring above 130% penetration, fixed line services remain paltry at just 2% (where they are likely to remain for some time), while internet penetration is slowly increasing and is now up to 8%.

The underdeveloped is mainly due to a lack of competition and the resulting high prices, as state provider Gabon Telecom has maintained its monopoly on the fixed-line market, which is actually beginning to decline in subscribers due to the rampant success of the mobile sector.

Although internet penetration rates remain low, demand for internet services is growing, and the government hopes that it will replicate the saturation mobile penetration and position Gabon as a regional IT centre. The government has focused on developing IT infrastructure to support this vision, with the National Agency of Digital Infrastructure and Frequencies overseeing the installation and development.

Banking and Financial Services

Gabon's oil wealth and its political and economic stability have made it an attractive and low-risk banking market for foreign companies. There are ten major banks in Gabon, with a host of smaller informal lenders catering to small businesses, primarily family-owned. Gabon has the highest rate of bank accounts per citizen in the region, with almost 15% of the population using banking services, a figure which is slowly on the increase. There is wide room for the expansion of services, competition, and the customer base, with growing numbers of regional and rural consumers gaining access.

To keep up with the changing environment and the arrival of new competitors, existing industry leaders have made ambitious plans to raise their market share. Although at present bank branches are mostly confined to the coast and major urban centres, increased competition is set to improve the availability of services in the interior. Overall, lending levels remain low, particularly to the private sector and small and medium-sized enterprises. Long-term financing is a particularly challenging prospect for the sector.

Economic and Business Analysis

Gabon enjoys a per capita income four times that of most sub-Saharan African nations, largely thanks to its wealth in oil reserves. Because of high income inequality, a large proportion of the population remains poor. Gabon depended on timber and manganese until oil was discovered. The oil sector now accounts for more than 50% of GDP, although the industry is in decline as fields' pass their peak production.

The rebound of oil prices from 1999 to 2008 helped growth, but drops in production have hampered Gabon from fully realizing potential gains. Despite the abundance of natural wealth, poor fiscal management hobbles the economy.

In 2010, Gabon attracted over 4 billion USD in FDI in the wood, agriculture and infrastructure sectors. Gabon's economy grew 6% in 2010, a significant reversal following a 1.4% contraction in 2009.

Imports

Food, chemicals, machinery, equipment, and construction materials – imported from France 29.4%, the U.S 9.9%, China 9.2%, Belgium 5.2%, Cameroon 5.1%, and the Netherlands 4.2%.

Exports

Gabon continues to face fluctuating prices for its oil, timber, uranium, and manganese exports and the global recession led to a GDP contraction of 1.4% in 2009. Oil accounts for 70% of exports, shipped to US 30.4%, China 12.7%, Australia 5.5%, and Malaysia 5.3%.

Ease of Doing Business

High start-up and operational costs, mixed with low investor protection, make Gabon a challenging environment to do business. There are renewed plans and policies aimed at privatisation and administrative reform. Infrastructure and resources are lacking outside the capital, Libreville, where the majority of the country's financial wealth is centred. Business development in the interior is struggling because of poor transport systems, which slowly being developed outside of extractive industry areas.

Market Opportunities

Since taking office in October 2009, Gabon's President Ali Bongo Ondimba has been promoting economic reforms to transform Gabon into a newly developed country by 2025, strengthening and diversifying the economy around three pillars:

- Gabon Vert (Green Gabon) to sustainably develop natural resources:

22 million hectares of forest, 1 million hectares of arable land, 13 national parks, and 800 km of coastline

- Gabon Industriel (Industry Gabon) to develop local processing:

Primary materials refinement, export of high value-added products

- Gabon des Services (Services Gabon) to develop the workforce:

Market Gabon as a regional leader in financial services, ICT, green growth, tertiary education, and health

Manufacturing

A ban on unprocessed timber exports has heralded the government's aim of expanding and developing manufacturing industries. In a bid to value-add all natural resources produced and exported, the government is hoping the ban will increase refinement of resources, thereby growing employment, industry, and economic linkages that will strengthen the economy by diversifying its foundations.

Given Gabon's existing over-reliance on oil revenues, and lack of significant alternate foreign exchange to back it up, the industry is opening to large, and SME businesses to develop wood products, primarily furnishings or building materials.

Entrepreneurs and Innovation

Engaged in the promotion of learning based on New Technologies of Information and Communication (NTIC), the NGO Consolidation of Education Technology Agency organized in December 2011 a day of information and awareness of the opportunities offered by ICTs in the education sector.

During the event, four booths were erected on themes including information, history, vision, and strategies of the NGO. The NGO's actions are based on developing ICT in education, based on four fundamental pillars: physical structures and spaces, digital content, applications, and community support of activities.

Presented in the booths were a large variety of machines, including scanners, printers, photocopiers, and other office equipment, as well as 30 computers set up for training purposes. The workspace was set up for a range of users, including students, teachers, and the public, to have the opportunity to experience research on ICT formats. The workspace centre was based around examples used in the NGO's activities and projects.

The third booth, on infrastructure, demonstrated to visitors the wider context that the NGO works in, engaging in real world marketplace events in Gabon. The space was devoted to other actors engaged in the promotion and integration of ICT, including the National Agency for the digital infrastructure and frequencies (ANINF) which is an important partner sponsor.

Applications and proposed content were on display, including nkoma.com, educational resources, interactive exercises, quizzes, discussion forums, and a free download portal for online content.

Central to the organisations message was the integration of ICT in education as a complex process, going beyond the equipment or facilities, treating ICT as a tool and not a solution. The limits of ICT engagement in education, as well as its pitfalls, were discussed, as they are central tenets of the organisation cautioning against too much in the way of digitised learning, as opposed to digitised content.



Republic of the Congo

Infrastructure

Education and Skills Development

Snapshot

Population

4 million

Urban **62%**

Youth **24.5%**

Growth **2.84%**

Capital

Brazzaville

1.1 million

Growth **3%**

GDP

GDP (PPP)

Total **\$17.108b**

Capita **\$4,426**

GDP (Nominal)

Total **\$11.530b**

Capita **\$2,983**

Growth **5%**

Currency

CFA Franc

1US\$ = **475.7**

1Euro = **655.9**

Inflation **6%**

The Congolese government is increasing support for vulnerable children, with financial assistance from UNICEF totalling over \$6 million. Part of an overall reform in primary and secondary education, it includes improving the status and working conditions of teachers, with over 3,000 teachers recruited in 2011.

Much of this recruitment was given to teachers who were already employed, making little headway on the continent's deficit of almost 4 million teachers. Mobility solutions have been contemplated to fill the lack, with teachers educated in a training program of one country being able to transfer to another, as well as targeting strategies to increase enrolment.

The Congolese Ministry of Education has set up a funding proposal to enable over 8,000 children who are out of school, to receive adapted basic education. Over a period of three years (2011-2013), the project will include constructing 36 community centres and rehabilitate 18 enrolment centres. The program is based in part on the success of a program running from 2008 to 2010, in partnership with Japan, that engaged in the construction, rehabilitation and equipping of 27 schools and catered to over 30 000 children to have access to quality basic education.

Communications and Information Systems

The Congolese government, as part of its 'Improving Life in our Towns' program, has invited decision makers including regulators, operators, and businessmen to engage in activities to improve access to new information and communication technologies.

During the World Telecommunication and Information Society Day (WTISD), themed 'ICT Driving Better Living Standards in Urban Communities', the International Telecommunication Union (ITU) reiterated the importance of ICT's in improving urban conditions, by making them more sustainable and connected with consumers needs.

Taxation

Individual

1-50%

Corporate **38%**

VAT/GST **18%**

Industry

Employment

Govt % **N/A**

Primary **58%**

Secondary **15%**

Tertiary **21%**

Unemployed

N/A

GDP Earners

1 Industry

2 Services

3 Agriculture

Indexing

HDI **0.489 (M)**

GINI % **N/A**

EODB **181st**

Logistics

GLP **2.48**

Enabling Trade

GET **N/A**

Competitive

GCI **N/A**

Governance

Indicator

(Avg) **14%**

ICT's play a vital role in Congo's urban and rural sectors, with the government engaged in developing a 'Cyber Strategy' focused on two pillars: e-Governance and e-Business. Aiming to improve communication networks, the strategy is engaged in developing and promoting optic fibre along the Pointe-Noire – Ouessou backbone. The infrastructure would allow the Congo an equal and financially affordable access to information and knowledge compared to regional rivals, with the opportunity to grow strong enough to achieve market advantage and generate significant FDI income.

However, the renewal of the communications networks will require significant investment and reform in parallel electrical networks. Six companies have responded to a call for tenders to improve electrical networks in Brazzaville in 2011, with the focus spreading to outlying population centres once work in the capital is complete.

Connections with submarine fibre optic cable is also a priority, aimed at enabling the country to access broadband Internet and quality telephone services, particularly in rural areas. Significant investments and government focus have been given to developing phone networks, although mobile technologies and infrastructure has outstripped fixed line services as the trend for mobile growth continues.

In addition to practical project initiatives, government policies have also been addressed, with the Minister of Posts and Telecommunications developing the country's first master plan for ICT, as well as adopting a legal and institutional framework for the development of e-Government and e-Business pillars, according to priorities. The launch of programs to build human capacity in education and health were landmarks in 2011, and areas the government is looking to build on to bring the two vital sectors into positions of competitiveness in the global information economy.

Banking and Financial Services

With a growth rate of 10.5% in 2011, the highest in Central Africa, the Congolese economy is booming, coming off the back of rigorous management of public expenditure which characterised 2010. The accelerated control of operations and fiscal consolidation allowed the state to eliminate its debt held by foreign creditors, including primary creditor, France (\$424 billion), as well as Italy (\$75 billion), Germany (\$46 billion), the United States (\$17 billion), Switzerland (\$5 billion), and Belgium (\$2 billion).

The adaptation to new reforms regarding financial management and monitoring bodies has slowed entrepreneurship, although businesses have readily adapted to new procedures of good governance and transparency. The High Council of Employers of Congo (SCCP) requested government investment in banks to support appropriate rates for small and medium enterprises.

The solicitation aims promote the informal sector and micro-enterprises in the market economy, and to grow entrepreneurial enterprises. To promote local SMEs, the SCCP suggested reviving subcontracting policies in major works by the local SMEs.

Microfinance Initiatives for Growth

A large number of microfinance establishments, mainly based in Brazzaville and Pointe Noire, have reached an operating volume of over \$30 billion CFA Francs, with loans amounting to almost \$7 billion. The government has collaborated with the organisations since 2006, obtaining a donation by the African Bank for Development (ABD) to fund over five years (2006-2011) supporting projects to reinsert into the economy disadvantaged groups.

As part of the project, an anonymous finance company was created for loan guarantees, and re-financing of microfinance establishments. The Funds were designed to help youth and the unemployed to create their own company, with the government investing \$380 million CFA Francs in capital, as well as providing eligible microfinance organisations with computing material, management software, and training programs to make the sector more professional.

Micro-finance establishments in Brazzaville have noted significant progress and encouraging results, particularly in assisting and supervising retailers and farmers with different styles of loan.

Economic and Business Analysis

The Republic of Congo, also referred as Congo – Brazzaville, is bordered by Angola, Cameroon, Central African Republic, Democratic Republic of the Congo, Gabon and the Gulf of Guinea. After independence in 1960 there was Marxist rule for nearly four decades, before the first democratically elected government came into power in 1990.

The country's population is mainly concentrated in the south-west, with the northern regions mainly tropical forest. The capital, Brazzaville, lies next to the Congo River and in close proximity to neighbour D.R.C's capital, Kinshasa. Nearly 85% of the population lives in urban areas, mostly concentrated in Brazzaville, but also prominent in Pointe-Noire, or the smaller townships lining the 330 mile railway that connects the two cities. Presently only few hundred foreigners of non-African nations reside in the capital, largely because of the civil war, although foreign businesses and investors are slowly returning.

The economy of the Congo depends primarily on agriculture and petroleum production, with Petroleum Oil supplanting forestry as the economic mainstay, providing a majority share of national revenues and exports. Fluctuating petroleum prices have dictated government policy and spending, and in 1980 enabled the finance of large-scale developmental projects. Periodical falls in prices have resulted in slowdown of infrastructure projects and periods of economic decline and contraction, until the market normalises. GDP growth has averaged 5% annually, one of the highest rates in Africa.

The economy's diversity in employment revolves around a mixture of subsistence agriculture, an industrial sector based largely on oil and support services, and government staffing and spending. Subsistence agriculture remains the majority employer, particularly in rural areas, while oil related products and services dominate urban environs.

Debt represented only 20% of the GDP in 2010, against approximately 130% in the past. The economy has showed healthy growth across sectors in 2010-11, with the primary sector marked by a slight upturn due to active forestry and oil production. The service sector recorded a resurgence of rail and port traffic, as well as continued increase in telecommunications, with the industry's prospects trending to rise. Inflationary pressures continued to decline, at roughly 4% compared to 4.7% a year earlier.

With the highest public budget in its history, aimed at improving basic infrastructure and fighting poverty, the government aspires to enter the era of industrialization and improve general living conditions. The country's focus has been on credit more than investment expenditure, supporting programmes to promote economic growth and social development. The drive toward strengthening non-oil revenue while compressing current spending has provided much needed budgetary leeway to finance critical infrastructure development, and strengthen growth potential.

Imports

capital equipment, construction materials, foodstuffs

France 19.6%, China 11.7%, US 8.5%, Italy 8%, India 7.9% (2010)

Exports

petroleum, lumber, plywood, sugar, cocoa, coffee, diamonds

US 31.1%, China 29%, France 6.8%, India 6.1%, Spain 4.4% (2010)

Ease of Doing Business

Characterized by budget problems and overstaffing, the government has mortgaged a substantial portion of its oil earnings through loans that have contributed to a growing debt burden and chronic revenue shortfalls. Economic reform efforts directed by international organizations, notably the World Bank and the IMF, came to a halt in 1997 when civil war erupted, and shortly after resumed with a renewed

focus on privatization and increasing cooperation with international financial institutions on which the nation's financial solvency was reliant.

Budget deficits have remained hard hit, particularly in the wake of fluctuating oil prices and damages and uncertainties left over from the war. The country is currently in a state of uneasy internal peace, facing difficult economic and social challenges of stimulating recovery while reducing poverty.

The global financial crisis caused a drop in oil prices which reduced oil revenue by 30%, but the subsequent recovery has boosted the economy's GDP and near-term prospects. In 2010, Congo receiving nearly \$2 billion in debt relief under the Heavily Indebted Poor Countries (HIPC) program of the World Bank and the International Monetary Fund.

Market Opportunities

The governments 'Path to the Future' program of policies aim at transforming a range of sectors which present opportunities to businesses and investors:

- Restructuring of the labour market
- Population growth driven by skilled migration
- Development of information and communication technologies
- Increase of international trade
- Promotion of economic diversity and a knowledge society

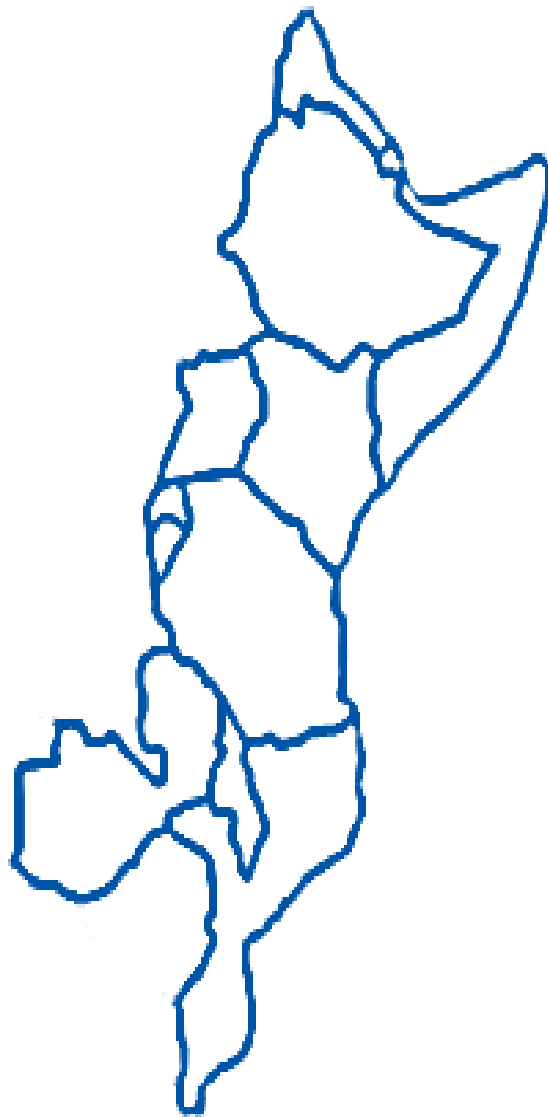
The government signed a financing agreement worth US \$10 million with the World Bank, to encourage economic diversity by creating special economic zones. The intention is to create four SEZs: in Pointe-Noire, 45 km north of Brazzaville; in Oyo, 400 km north of Brazzaville; and in Ouessou in the nation's north-west.

SEZ's are a valuable tool in attracting Foreign Direct Investment (FDI), as well as growing other industries by creating a favourable regulatory space. Brazilian investors visiting Brazzaville have expressed interest in the construction industry, in particular the future Pointe Noire SEZ near the Congolese capital.

In addition to the SEZ developments, the government has signed with the World Bank and African Development Bank funds worth \$13 billion FCFA, to support two further economic development projects in the Congo. The first agreement, of \$11 billion FCFA, was for institutional support projects to improve the business climate and diversify the economy (PACADEC). The second, amounting to 2 billion FCFA, focuses purely on supporting economic diversification (PADE). Both financial institutions have stressed that the agreements are focused on improving the country's business climate for the emerging private sector.

Eastern Africa

Regional Economic Analysis





Burundi

Infrastructure

Roads

Burundi's road network has deteriorated from years of conflict and instability. A new plan for re-development, sponsored by the African Development Bank, envisaged rehabilitating and paving the network, as well as adding 1,000 km of new roads in major towns. In 2010, the African Development Fund (ADF) approved a grant worth around USD \$36 million for improvements to the Ngozi-Nyangungu road, while the African Development Bank Group approved funding for a second phase covering Gitega-Nyangungu-Ngozi in 2011. The works are to be completed by 2015, contributing to increased efficiency in market access and linkages between major centres, as well as side projects enabling rural areas to gain more direct access to urban markets.

Railways

Burundi has no railways, although there have been frequent plans since the 1980's to create a system linking regional partners Uganda, Rwanda, and Burundi, to connect with the Dar es Salaam line in Tanzania. The project has huge potential to enhance regional trade, although cost divisions, access proposals, and structural priorities between the countries have been cause for repeated delays and shelving of the idea. In 2007, Tanzania outlined its own plans to extend a rail link into the Democratic Republic of Congo, while in 2009 Burundi partnered with Tanzania and Rwanda to pave the way for a joint rail project. A donor roundtable was held on the project, with the African Development Fund approving funding for a feasibility study, although in the years since no progress has been made.

Education and Skills Development

Burundi's civil conflicts have had a devastating effect on the education system, which was already struggling under pre-existing problems. Over recent years, new reforms were proposed to put Burundi in recovery, including a long-term strategic plan on educational development plan that will guide government policy and budgetary spending. At present, Burundi's education system consists of formal education, and informal teaching focused on skills development, mentorship, and community development programs.

Snapshot

Population

10.2 million

Urban **11%**

Youth **27%**

Growth **3.46%**

Capital

Bujumbura

465,000

Growth **4.9%**

GDP

GDP (PPP)

Total **\$3.397b**

Capita **\$410**

GDP (Nominal)

Total **\$1.489b**

Capita **\$180**

Growth **4.5%**

Currency

Burundi Franc

1US\$ = **1,222**

1Euro = **1,685**

Inflation **10%**

Taxation

Individual

0.5-35%

Corporate **35%**

VAT/GST **18%**

In the absence of a guiding strategy, the education policy is directed by the country's Poverty Reduction Strategy (PSRP), which aims to improve education quality and access. The strategy's focus is on rehabilitating damaged or outdated facilities, building new schools in undeveloped or under-served areas, redeploying teachers to shortage areas (largely rural), ensuring teaching materials and resources are evenly supplied, organising teacher-training courses, and guiding systemic reforms.

Industry

Employment

Govt % **N/A**

Primary **89%**

Secondary **5%**

Tertiary **4%**

Unemployed

N/A

A core goal is universal primary enrolment, with primary schooling compulsory and free, although the government is facing significant financial difficulties in maintaining funds to make the policy sustainable.

Private and community-run secondary schools and colleges have fared better, although government and donor support is needed to maintain supplies of teaching materials, qualified staff, and maintenance of facilities to ensure quality standards.

In higher education, approaches have been developed to integrate curriculum and class work with industry and market needs, as well as cross-linking learning institutions to allow a greater exchange of ideas and innovations.

GDP Earners

1 Services

2 Agriculture

3 Industry

Indexing

HDI **0.282 (L)**

GINI **42%**

EODB **169th**

Communications and Information Systems

Burundi adopted a national ICT development policy in 2004, which was updated in 2007 but has to be fully implemented due to budget constraints and alternative government focus points. The policy has six strategic objectives:

- Capacity-building
- Enhancement of a legal and regulatory environment
- Promotion of a base infrastructure
- Promotion of good governance
- Promotion and encouragement of private investment
- Promotion of the development of content and applications

Logistics

GLP **N/A**

Enabling Trade

GET **2.33**

There is substantial work to be done, as the country is lagging considerably behind competitors in ICT technologies and market applications.

Competitive

GCI **2.95**

Fixed line and internet penetration percentages remain in low single digits (1% and 2% respectively), while mobile penetration is slowly gaining ground (at 3.9% and rising). ICT infrastructure is centred on the capital, Bujumbura, with little penetration in regional and rural areas.

Governance

Indicator

(Avg) **14%**

ICT in Education

ICT is a proven enabler in increasing access and quality of education, although its use is currently restricted to privately owned secondary schools teaching basic computer lessons for applications such as word processing and spreadsheets.

At the university level, ICT is more prevalent, although facilities are still insufficient for volume and frequently outdated. The University of Burundi has a network for 500 users, funded by the UNDP), as well as 120 computers used by lecturers and other university employees in lesson applications. The university's library is in the process of developing an e-Library to share resources and publications with international partner universities (including the National University of Rwanda, University of Bukavu, and University of Goma in the east of the Democratic Republic of the Congo). Other universities have minimal ICT infrastructure, primarily used for administrative purposes.

The Burundi Youth Training Centre

The Burundi Youth Training Centre was established to prepare youths for the job market by providing them with practical training. At the forefront of ICT training, it educates youths in productivity software applications and operating systems, particularly in common applications such as Windows and Linux.

Banking and Financial Services

Burundi's financial sector is small and relatively undeveloped, consisting of eight commercial banks, including four with access to private capital, and several partly government owned. Although the market is stable, lending rates are high at up to 20% per annum, with transaction costs also high. The formal sector serves Burundi's small elite of wealthy business people, government officials, and its slowly growing middle class.

The Central Bank has taken action to consolidate and strengthening the financial sector, taking measures aimed at increasing bank capital, and recovering banks in difficulty. It is also reviewing banking laws, licensing procedures, and the overall framework of the financial sector.

Microfinance

The majority of ordinary Burundians have no access to formal credit, and so rely on informal lending and micro-finance institutions for commercially negligible amounts. It is difficult for small enterprises to gain access to credit under strict regulatory controls, and the lack of domestic investment opportunities has hindered market growth.

Microfinance institutions have grown more prolific in recent years, although the vast majority have proven unsustainable and gone bankrupt due to management omissions, lack of understanding of the market, and low repayments of customers, in some instances due to high interest rates.

The Central Bank of Burundi (BRB) is now closely supervising the microfinance sector, encouraging the creation of a Network of Microfinance Institutions (RIM) to help regulate and restore credibility to the industry so crucial to rural finance.

Economic and Business Analysis

Burundi is landlocked, resource-poor, and under-developed. The economy is predominantly agricultural which accounts for just over 30% of GDP and employs more than 90% of the population. Education is poor, with only 50% of children attending school. Food, electricity, and medicine suffer from supply shortages, while less than 2% of the population have access to electricity.

Burundi's GDP grew 4% annually from 2006-10. Political and security stability improved economic activity, but underlying weaknesses risk economic growth. High poverty, poor education, weak legal systems, inadequate transportation, overburdened utilities, and low administrative capacity undermine planned economic reforms. In addition, wage increases have not kept up with inflation.

The economy largely depends on agriculture, with the largest share of revenue coming from coffee production, while other products include cotton, tea, maize, sorghum, sweet potatoes, bananas, and manioc. The manufacturing sector is dominated by light industries such as textile, leather goods and food processing.

According to the IMF data, agriculture accounts for 27.1% of GDP, followed by public services at 25.6%, manufacturing at 12.2%, and transport and communication at 5.4%. The agricultural sector is also the dominant employer, accounting for over 90% of the workforce.

Burundi is ranked as one of the ten poorest countries in the world, with a low GDP caused by ongoing internal conflicts, corruption, poor access to education, and the escalating effects of HIV/AIDS. The economy expanded at an estimated rate of 2.5% annual between 1998 and 2007, a rate significantly lower than neighbouring countries due to high population growth and sluggish economic conditions.

Imports

Petroleum products, food, and capital goods, from Saudi Arabia (15.8%), Uganda (7.8%), Belgium (7.6%), China (7.5%), Kenya (6.9%), Zambia (6.4%), and France (4.2%).

Exports

Coffee and tea account for 90% of exports, but are only a fraction of GDP. Weather conditions and fluctuating international coffee and tea prices make exports an unstable force on the economy.

Ease of Doing Business

169th in world rankings, Burundi has dramatically increased process and disclosure to protect investors (and now ranks 46th in investor protection). However, massive import/export costs still hinder trade, in addition to government corruption is also hindering the development of a healthy private sector as companies seek to navigate an environment with ever-changing rules.

Burundi faces significant economic challenges as a developing economy recovering from years of civil strife. Enforcement of the rule of law is highly politicized, inefficient, and arbitrary across much of the country. Virtually all aspects of business, from obtaining licenses to firing inefficient workers, are subject to intrusive regulations that inhibit business formation or survival. Investment regulations are burdensome and discourage private foreign investment.

Private property is subject to government expropriation and armed banditry, and while the constitution theoretically guarantees an independent judiciary, judges are appointed, and strongly influenced by, political pressure. Large numbers of refugees and internally displaced persons are blocked from resettlement following conflict, because of weak land tenure and lack of ownership records.

Market Opportunities

Burundi's underdeveloped market has an incredibly diverse range of investment options. Retail and tourism industries have significant scope for growth, while the nation's manufacturing sector remains in its infancy. Agricultural innovation, particularly in small scale, cost efficient goods and services are hugely commercially viable in a nation where over 90% of the population depend on subsistence farming for their survival.

The economic transition from subsistence agriculture towards manufacturing and service sector development will also provide a wealth of opportunities for businesses ranging from local SMEs to major multinationals. The development of industry linkages, particularly value additions to goods and services already produced, are also guaranteed to rise.



Snapshot

Population

797,000

Urban **79%**

Youth **16%**

Growth **2.24%**

Capital

Djibouti

596,000

Growth **1.8%**

GDP

GDP (PPP)

Total **\$2.105b**

Capita **\$2,554**

GDP (Nominal)

Total **\$1.140b**

Capita **\$1,383**

Growth **4.8%**

Currency

Djibouti Franc

1US\$ = **174.7**

1Euro = **241**

Inflation **7%**

Djibouti

Infrastructure

It is linked to Addis Ababa by railway, and the Port of Djibouti serves international trade as a storage depot and refuelling and supply station for ocean-going vessels travelling the Red Sea, a role which is vitally important to the country's economy. In 2007, the Port of Djibouti handled 7.5 million tons of cargo. It also handled 130 thousand TEUs in containerized imports and 119 thousand TEUs in containerized exports.

The Port contains 18 berths as well as cargo storage facilities, with major projects underway that will add greater cargo-handling capacity. Included in these are a new container terminal, an oil terminal and refinery, and new industrial and commercial free zone. A new bulk terminal will handle ships over 80 thousand gross registered tons, and 1.2 million tons of cargo per year.

Djibouti's Free Trade Zone is home to the Djibouti Oil Terminal and the Dorale Container Terminal. At present, imports and exports from landlocked neighbour Ethiopia represent 70% of port activity at Djibouti's container terminal; however, with the development and expansion of infrastructure this percentage is likely to decrease as volumes from other regions rise.

Education and Skills Development

The system of education in Djibouti is heavily influenced by the French system, due to France being the former colonial power in the region. Close ties remain, with students frequently taught by French faculty. A few of the teachers are based in Djibouti, although most are visiting professors from French universities. Djibouti students studying in foreign universities under state scholarship schemes generally study in France, where the language and education system is familiar.

Student enrolment has increased in the country every year since independence, although the country still suffers from a distinct lack of intellectual capital. This is primarily due to the dismal state of education, hampered by external factors. Prominent among them is the absence of any formal university, with the highest technical qualifications at the diploma level imparted by the state. Such Diplomas are in computer science, economics and management studies.

Taxation

Individual

2-30%

Corporate **25%**

VAT/GST **7%**

Industry

Employment

Govt % **N/A**

Primary **N/A**

Secondary **N/A**

Tertiary **N/A**

Unemployed

52%

GDP Earners

1 Services

2 Industry

3 Agriculture

Indexing

HDI **0.402 (L)**

GINI **40%**

EODB **170th**

Logistics

GLP **2.39**

Enabling Trade

GET **N/A**

Competitive

GCI **N/A**

Governance

Indicator

(Avg) **32%**

The Advanced Institute for Scientific and Technical Study and Research (ISERST) is Djibouti's only research institute, engaging in practical scientific research areas like ecophysiology, renewable energies, agronomy, and soil sciences among others. In September 2011, a total of USD \$4 million in education assistance and USD \$645,000 towards improving democracy and governance was contributed by the United States towards developing Djibouti's ailing education institutions.

Banking and Financial Services

There are some major challenges in the financial system such as high interest rates, high security or collateral requirements for borrowers, low maturity periods and often a degree of unreliability in the financial statements of companies applying for debt.

To combat these challenges, Djibouti authorities have set up a guarantee fund to provide comfort to banks and enable them to extend credit without asking for any collateral to SMEs with a feasible economic plan. Commercial bank prime lending rate is around 11.5%

There are 10 credit and deposit institutions in the country along with Central Bank of Djibouti; steps have been taken to ensure robustness in the banking system. The minimum capital that a commercial bank needs to keep is 30% of shares in the credit institution, and branches of international financial institutions need to have a minimum paid up capital of 300 million francs.

Investment as a percentage of GDP has also significantly shot up to 41% in 2009 from just 8% in 2001 due to FDIs in several sectors, especially port development.

The Djiboutian Franc is a stable currency. The exchange rate policy in the country is designed around maintaining a fixed parity with the dollar. This supports regional investors and assures them some financial security.

Presently, over 70% of revenues in Djibouti are generated from port activities. However, there is a steady flow of much-needed investment in projects in other sectors, such as constructing telecommunication infrastructure and building domestic enterprises to drive higher domestic incomes. This is important from the point of view of addressing high unemployment rates, which remain at around 60% of the urban population, and the percentage of the population below the poverty line - currently 42%.

Economic and Business Analysis

With a total population of less than a million, Djibouti is one of Africa's smallest and most urbanised nations. The population is heavily concentrated in the capital, Djibouti, which is the political and economic centre of the country.

The economy is based on service activities connected with the country's strategic location and status as a free trade zone in the Horn of Africa. Two-thirds of Djibouti's inhabitants live in the capital city; the remainder are mostly nomadic herders. Djibouti provides services as a transit port for the region and an international transshipment and refuelling centre. Djibouti has few natural resources and little industry. An unemployment rate of nearly 60% in urban areas continues to be a major problem.

Inflation is not a concern, due to the fixed tie of the Djiboutian franc to the US dollar. Per capita consumption dropped an estimated 35% between 1999 and 2006 because of recession, civil war, and a high population growth rate (including immigrants and refugees). Djibouti has experienced relatively minimal impact from the global economic downturn, but its reliance on diesel-generated electricity and imported food leave consumers vulnerable to global price shocks.

Djibouti's biggest business and economic strength comes from its strategic geographical location as it boasts 314 km of Red Sea coastline. The major portion of the country's revenues (almost 75%) is generated from international and transit port activities through various transit and harbor taxes. Djibouti also supports various landlocked African countries, such as Ethiopia, by providing a route for exporting and trading goods and supplies.

Further, its close strategic ties with France and the United States and its status as a free trade zone in North East Africa have seen Djibouti emerge as a strategically important economy in the African region. Djibouti serves as a single military base in Africa for France and the United States. This contributes to Djibouti's national revenues, as well as strengthening its relations with its strategic partners.

In common with other poor African countries, Djibouti faces issues such as high unemployment rates (about 60%), a scarcity of natural resources, and reliance on oil imports for electricity generation. These factors, coupled with a civil war which only ended in 2006, have weakened key pillars of the nation's economy and made it highly reliant on foreign assistance to fund its high external debt and support development projects.

The country has a significant balance of payment deficit which can be bridged through concessional foreign direct investment. However, the current global recession fears looming over developed nations could affect the flow of such funds into Djibouti. Therefore, it is of utmost importance that constant and regular steps are taken to bring internal stability in the economy through development in various sectors in order to generate employment opportunities, encourage business development and alleviate poverty in the country.

Imports

Most food is imported due to scant rainfall and limited crop production; chemicals and petroleum are other major imports, from China 18%, Saudi Arabia 17.7%, India 12.9%, Malaysia 7.5%, Pakistan, and the U.S.

Exports

Imports and exports from landlocked neighbour Ethiopia represent 70% of port activity at Djibouti's container terminal, transferring primarily to Somalia 80.4%, Yemen 4.1%, Egypt 4.1%, and UAE 4%.

Ease of Doing Business

Djibouti has few natural resources, little industry, and major unemployment in the capital. Underdeveloped infrastructure (particularly education), government bureaucracy, and lack of safeguards have seen the country repeatedly listed as one of Africa's most hazardous places to invest, despite the opportunities. Djibouti remains underdeveloped despite significant potential for growth, with the possibility of becoming the Hong Kong or Dubai of East Africa.

Electricity shortages, high interest rates and high inflation booming at around 4%, have formed significant barriers to investment. Local authorities have taken steps in order to ease processes and encourage investment in the private sector. They have brought in policies to ease tax implications for businesses, and are beginning to grant exemptions on consumption tax.

Djibouti lacks food security and is a completely dependent on imports for food, because of a dearth of energy and recurring droughts in the region. To address the problem of electricity shortages, the Global Environmental Facility, World Bank and Organization of Petroleum Exporting Countries have collaborated to set up a 56 megawatt geothermal power plant to be completed by 2018. This will reduce the country's dependence on Ethiopia for power. Oil imports currently account for 20% of Djibouti's total imports; in this context, the construction of the new power plant is expected to reduce debt and support GDP.

Market Opportunities

Optimization of Mineral Resources

Salt Investment (SIS) has taken advantage of the country's natural salt resources and low freight costs. It has started salt mining from Lake Assal, and is operating at a capacity of 4 million tonne per annum. This has generated employment opportunities and increased export revenues for the country.

Doraleh Container Terminal

This large greenfield project for Djibouti will broaden the scale of port operations. A \$396 million project financed through the first PPP between Djibouti government and DP World, the terminal has a capacity of 1.5 million twenty foot equivalent container units per year.

Agriculture and Fishing

Primary sector agriculture is highly underdeveloped with little investment and the high dependence of the country on imports for its food requirements. Agriculture contributes around 7% of total GDP. Investment is required to educate people about modern agricultural techniques for irrigation, storage etc. More investment in this sector will not only bring the bills of the country down but also increase food security, which remains a social challenge in the economy.

Further, fishing and agro-processing, which contributes about 15% of GDP, has been identified as a sector with considerable potential – and investment in this area has started to flow through, especially in the last five years. If the development of the sector continues, it could see a new agro-processing industry being developed in Djibouti. This sector has tremendous potential for generating high employment and helping to create a self sustaining economy.

Entrepreneurs and Innovation

Pioneering Solar Powered Community Stations

DP World's programme to develop health and educational capacity along transport corridors in Africa has taken a major step forward, with the opening of an internet-connected, solar-powered community station in Djibouti.

The upgraded SafeTStop facility is located at PK 12, a community of 25,000 people close to DP World's container terminal in Doraleh, Djibouti, strategically located along the busy corridor through which more than 800 trucks transit every day. It is one of 23 operated by DP World's project partners, Family Health International (FHI), and the US Agency for International Development (USAID).

With the installation of solar panels and VSAT (Very Small Aperture Terminal) Internet, the community station now runs three computers, a refrigerator, lights, fans, and several charge points, allowing truckers and local residents to access health-related software and information on road conditions, charge cell phones and make short VoIP calls to relatives elsewhere along the Djibouti-Ethiopia transport corridor.

The station will also support the establishment of community micro-businesses, such as the sale of cold beverages and evening entertainment, with movies and sports events projected on outside walls. The upgrade was jointly funded by grants from DP World, its supplier South Africa-based IT provider Dimension Data, and sister company Economic Zones World (EZW), while Dubai-based company Intersat,

which manufactures the solar-powered connectivity hardware, contributed with labour and reduced the cost of the hardware.

The facility is the first-of-its-kind in the Horn of Africa, although it will not be the last. DP World is set to open a much larger, primary-care clinic close to the facility; two internet connected solar-powered clinics in Mozambique and Senegal, and a series of health posts in Puntland, Somalia by the end of 2012.

Djibouti is a country with high potential. If further steps towards the development of the nation can be taken through investment and carefully planned initiatives, it will be a win-win situation for investors as well as Djibouti itself.



Eritrea

Infrastructure

Roads

Almost 75% of Eritrea's 3,800 km road network is unpaved, with virtually all of the nation's roads sustaining damage during the war with Ethiopia. Road repair is a government priority, although progress has been slow. Major roads link Asmara to Sudan, Ethiopia, and Djibouti via trading hubs and large regional townships. Routes along the coast are poor, but are gradually being repaved, while most connections to Ethiopia have been closed since the late 90's and the border with Sudan is prone to frequent closures as well.

Railways

The government moved to revive parts of the Northern Ethiopia Railway after independence. The 300 km line, linking Asmara and the Red Sea port of Massawa, was almost completely dismantled during the 30-year war, leaving no operational railway in Eritrea since 1978. By the end of 2000, sections had been re-opened leading to Asmara and by 2003 118 km were laid stretching from Massawa. The eventual aim is to complete the original construct, as well as a new international line connecting into the Sudan, in the hopes of growing regional trade links.

Education and Skills Development

Eritrea's Literacy Rate has doubled in just 20 years, from 33% in 1991, to 67% in 2011, although education development is still struggling, particularly in rural areas. School participation is still low, even though the enrolment rate has been rising continuously since independence. Enrolment at the primary level is only 66%, significantly lower than comparative low-income nations at 100%.

The total cost of education in Eritrea is relatively low per-child, however the average number of children per household (5.1) and the percentage of the population below the poverty line (50%) mean that many children are missing out. Up to 40% of girls and 20% of boys from the poorest urban households in Eritrea do not go to secondary school, and of those who do the majority dropped out without completing.

Snapshot

Population

5.94 million

Urban **22%**

Youth **17%**

Growth **2.47%**

Capital

Asmara

649,000

Growth **5.2%**

GDP

GDP (PPP)

Total **\$3.625b**

Capita **\$720**

GDP (Nominal)

Total **\$2.590b**

Capita **\$472**

Growth **8.2%**

Currency

Eritrean Nafka

1US\$ = **15.00**

1Euro = **20.68**

Inflation **20%**

Taxation

Individual

20-40%

Corporate **30%**

VAT/GST **5%**

Industry

Employment

Govt % **N/A**

Primary **79%**

Secondary **3%**

Tertiary **18%**

Unemployed

N/A

GDP Earners

1 Services

2 Industry

3 Agriculture

Indexing

HDI **0.472 (L)**

GINI % **N/A**

EODB **180th**

Logistics

GLP **1.70**

Enabling Trade

GET **N/A**

Competitive

GCI **N/A**

Governance

Indicator

(Avg) **9%**

The situation in rural communities is even worse, as unlike urban environments they suffer from the additional lack of transport and communication services. More importantly, they are removed from the political process and centres of power, making it that much harder for their voices to be heard and for progress to be made.

Banking and Financial Services

Remittances play a strong role in Eritrea's development and economic composition, counting for up to 50% of GDP. It is estimated up to 25% of the nation's population live outside of the country, for a period of at least one year, seeking highly paid work and sending significant sums of their earnings home to support their families.

While the majority of remittances are spent on consumption items, and seemingly not used for productive investment that would have an impact on long-term development, this ignores the benefits inherent in increased trade.

The increased influx of foreign capital into Eritrea's economy has helped, in part, to sustain and in some instances significantly boost domestic industry. It is also spent on human capital, particularly education for future generations, as well as new technology items which grow the nation's ICT demands and increase the competitiveness of its markets by making them more appealing to international investment.

The officially recorded remittances represent only the tip of the iceberg, with up to 65% of unrecorded remittances transferred informally. This has contributed in no small way to the delays in Eritrea's banking reform, and redevelopment of its financial institutions, as large volumes of finance moves outside of market monitoring and government regulation.

The banking sector as a whole is struggling under government controls, although small progressive movements have been made towards easing government restraints and promoting private competition.

FDI to Eritrea is relatively low given the opportunities the country has for growth across a range of industries, not least of which is international trade. The governments perceived close proximity to domestic business interests, and the repeated allegations of bias, favour, and outright corruption, have limited the number of investors willing to risk entering the country's uncertain political and economic framework.

Economic and Business Analysis

Eritrea has economic problems of a small, desperately poor country, accentuated by the recent implementation of restrictive economic policies. Eritrea has a command economy under the control of the sole political party. Of the total population, nearly 80% is engaged in subsistence agriculture, producing only a small share of total output. Erratic rainfall and delayed demobilization from the military continue to interfere with agricultural production, and recent harvests have been unable to meet food needs.

Few private enterprises remain in Eritrea, due to government controls and strict regulations that hinder business development and growth. Eritrea's economy depends heavily on taxes paid by members of the diaspora. Despite difficulties for international companies in working with the Government, a Canadian mining company signed a contract in 2007 and began extraction in 2010. Eritrea's economic future depends upon its ability to deal with diverse social issues, including illiteracy, unemployment, and low skills, and the government's willingness to support a true market economy.

Imports

Outnumbering exports nearly 10 to 1, Eritrea relies on food, manufactured goods, machinery, and petroleum from Saudi Arabia 15.7%, Egypt 11.9%, China 11.1%, India 8.9%, Germany 7.2%, Italy 7.2%, South Africa 6.5%, Brazil 5.9%, and South Korea 4.3%.

Exports

Primarily livestock, textiles, and sorghum, exported to Italy 30.5%, Sudan 24%, Saudi Arabia 8.8%, China 8.5%, UK 5.7%, and Egypt 4.8%.

Ease of Doing Business

The government holds significant control over the economy, using military and politically connected businesses for infrastructure and development projects. This pushes independent entrepreneurs to the fringe, limiting their opportunities and options for foreign owned businesses to invest.

The absence of strong infrastructure systems, particularly the government's laxity in taking on high-cost priority works, has cost businesses opportunities while limiting financial flows. The primary concern is on supposed government 'beauty projects', which are of little value in inherent economic worth, but of greater political value for government departments to appear to be doing something.

While Eritrea has access to ports and close market proximity to Europe, the Middle East, as well as Asia, the port facilities remain underdeveloped, far from their full potential, while policies and procedures for conducting international trade are often draconian in detail, with rumours of bribes and kickbacks to speed the process.

Market Opportunities

Eritrea's economic growth for 2011 is predicted to be among the fastest of the world, with some sources putting the growth rate for 2011 as high as 17%. However, there is considerable dispute about the accuracy of these figures, and the supposition that it is merely government propaganda. Eritrea is ranked as one of the poorest countries in the world, with UN and World Bank figures painting a picture in stark contrast to that which is being represented by Eritrean authorities.

Regardless of the predicted rate of growth, there remain opportunities in Eritrea's business environment, particularly for small businesses. Restaurants, bars, stores, auto repair, and crafts continue to thrive across the country, while the capital Asmara remains a central hub of industry.

In manufacturing, the country is currently home to breweries, cigarette factories, small glass and plastics factories, several companies involved in making leather goods, and textile factories as well. The majority of these industries centre in and around Asmara, making the capital the primary entry point not just to the country, but its market opportunities.

Since independence, the leather and textile industries have made a vigorous recovery. While this has been challenged by the growth of strong Asian competitors, Eritrea still benefits from its coastline, ports, and proximity to the wealth and abundance of European markets.



Ethiopia

Infrastructure

Education and Skills Development

Snapshot

Population

90 million

Urban **18%**

Youth **20.8%**

Growth **3.19%**

Capital

Addis Ababa

2.8 million

Growth **3.8%**

GDP

GDP (PPP)

Total **\$94.598b**

Capita **\$1,089**

GDP (Nominal)

Total **\$29.717b**

Capita **\$350**

Growth **7.5%**

Currency

Ethiopian Birr

1US\$ = **17.13**

1Euro = **23.62**

Inflation **31.5%**

Ethiopian schools are struggling to cope with a 500% increase in enrolment in the past 20 years. The government's determined focus on universal primary education has increased demand until it stretched the system beyond capacity, but with infrastructure, material, and personnel resources unable to keep up. Fifteen years ago, only 25% of Ethiopian boys and 20% of girls enrolled in school, while the figure today is close to 90% and is gender equal. In physical numbers, children in schools have gone from 3.5 million in 1990 to almost 16 million.

The country has seen considerable success in creating more schools to service rural areas, training more teachers, and involving parents and communities in the education process and school support. However, while strong gains have been made in attendance, achievement and quality of education has suffered. The issue is in part due to the rapid rise of new students, schools, systems, and teachers, with the 'adjustment' process set to last several years before gains in achievements and test scores.

The process is even more complicated in a society which remains relatively information impoverished, with few books and educational resources outside of the class room. Exacerbating the situation even further is the large number of languages spoken across Ethiopia, and the special situation of nomads, pastoralists, and remote farmers struggling to receive equality of access to services and resources.

Another issue is continuing study. While enrolment in primary is at 90%, it quickly drops to 25% in secondary schooling, meaning many children are leaving school before receiving advanced education and specific skill-sets.

Communications and Information Systems

The Ethiopian government has taken the unusual step of turning back information system advances, banning off-campus education, and ordering private universities to close degrees in law and education. The action is particularly unusual given the governments stringent push towards growing primary education, and the growing strength of its tertiary institutions.

Taxation

Individual

10-40%

Corporate **30%**

VAT/GST **15%**

Industry

Employment

Govt % **N/A**

Primary **85%**

Secondary **5%**

Tertiary **10%**

Unemployed

49%

GDP Earners

1 Agriculture

2 Services

3 Industry

Indexing

HDI **0.328 (L)**

GINI **38%**

EODB **111th**

Logistics

GLP **2.41**

Enabling Trade

GET **3.20**

Competitive

GCI **3.76**

Governance

Indicator

(Avg) **24%**

The ruling will affect 64 private institutions, founded since the government opened higher education to the private sector, however it will also affect 23 public universities, and roughly 75,000 students. One-third of students enrolled in undergraduate programs, with the remainder in technical and vocational training.

While the ban allows them to complete their courses, it prohibits new students and effectively delivers a crushing blow to distance education providers, who stand to lose significant volumes of income, students, staff, and resources.

The Education Ministry has stated the directive was in the interest of maintaining education standards, a pronouncement delivered at the same time ballooning state primary schools are groaning under excess students and poor achievement results.

With significant backlash against the proposal, the Education Ministry has backtracked enough to decree the ban may only be a temporary measure, to force poorly performing, revenue-focused distance providers to close.

The growth of distance education in Ethiopia has made significant contributions to the country's gross higher education. A decade ago, 1% of Ethiopians went to college, compared to a continental average of 6%, while today it has risen to over 5%.

Economic and Business Analysis

Ethiopia's poverty-stricken economy is based on agriculture, accounting for almost 45% of GDP, and 85% of total employment. The agricultural sector suffers from frequent drought and poor cultivation practices.

Coffee is critical to the Ethiopian economy with exports of some \$350 million in 2006, but historically low prices have seen many farmers switching to qat to supplement income.

Under Ethiopia's constitution, the state owns all land and provides long-term leases to the tenants; the system continues to hamper growth in the industrial sector as entrepreneurs are unable to use land as collateral for loans. While GDP growth has remained high, per capita income is among the lowest in the world.

Imports

Food, cereals, and live animals; textiles, chemicals, and machinery; petroleum and products. Main partners are China 15.1%, US 9.5%, and Saudi Arabia 8.8%.

Exports

Coffee and qat; gold and leather; primarily shipped via Djibouti's ports to China 13.9%, Germany 10.5%, Belgium 7.5%, Saudi Arabia 7.1%, and the U.S 6.8%, or overland to neighbours like Sudan 4.6%.

Ease of Doing Business

Ethiopia is becoming a harder country to do business in, as government interference puts constraints on international trade, property ownership, and access to credit. A low and simple tax rate eases some pressure, however private industry is struggling under excessive bureaucracy and prohibitive regulations.

Addis Merkato (New Market), Addis Ababa

The Addis Merkato (New Market), is the largest market centre of Ethiopia, and emblematic of the changing face of modern markets in Africa. The Merkato is the commercial core of the city, and covers an area of several square miles as a trade and retail centre of incomparable dimension, in the city and in the region. Over 13,000 employees, working for 7,100 business entities, including some 2,500 retail shops, most in open stalls, operate the Merkato each day. The Merkato is also home to 1,500 service businesses and 80 wholesale operations in a dense sector of narrow streets and alleyways.

Today the Merkato serves as a kind of inland port for central Ethiopia. It is a key exchange point for grains, pulse, oilseeds, vegetables and animals and an assembly and distribution centre for imports. Much of the agricultural product of southern Ethiopia is shipped through the Merkato, before it is exported via the Addis Ababa-Djibouti Railway. The primary export of Ethiopia and Addis Ababa is coffee, a product which has its own market within the Addis Merkato.

Market Opportunities

Wild Coffee – Harvesting the Perks of an Indigenous Crop

Worldwide coffee is a \$90 billion a year industry, there are 125 million people whose livelihoods depend on it, and 25 million of those are small-scale farmers in developing countries whose sole source of income is coffee production. Of the two globally cultivated coffee species (Coffee Arabica and Coffee Canephora), Arabica dominates with 70% of all coffee production. The species naturally occurs in the isolated highland forests of Southern Ethiopia.

In the past 30 years, the forests have been shrinking from deforestation for farmland, timber extraction, and the growing human settlements. Despite this, the natural diversity among the wild coffee cultivars in Ethiopia is high. Some have shown resistance to drought conditions, a trait that could become increasingly valuable as many coffee growing regions across the continent are becoming drier, and the livelihoods of millions of coffee growers are at stake. However, as Ethiopia's forests degrade, wild coffee – and a valuable genetic resource – is becoming endangered.

Slow Food International is working with Ethiopian coffee growers, with a goal to help locals produce a consistent quality, specialty product. Slow Food believes that wild coffee can sell for premium prices by emphasizing its natural and eco-friendly qualities. A certification process would authenticate the product's origins and sustainable harvesting, allowing farmers to access the premium eco market.

The prices of coffee exported from Africa have steadily declined over the years, in part due to lack of competitiveness in the global market and limited access to premium sellers. Further development of a wild coffee industry—as well as research into the development of cultivars that are better suited to various coffee growing regions on the continent—could enhance the quality of African coffee and contribute to poverty alleviation.

Hareenna Forest Wild Coffee

The Hareenna forest, one of the largest in Ethiopia, is situated in the mountains of the magnificent Bale National Park, 350 km south of the capital Addis Abeba. Here, at an altitude of around 1800 meters, an arabica coffee grows spontaneously in the shade of tall trees. The gatherers harvest the ripe fruit by hand, before drying them in the sun on suspended nets and selling them in local markets for low prices. The berries do not require stripping or washing, which are crucial stages for coffee from Latin American Presidia. It is a real “natural” coffee.

Entrepreneurs and Innovation

Minallesh Terra, Addis Ababa

Minallesh ('What do you have?') Terra is a traditional open market, which maintains small entrepreneurs and family businesses. This large terra is divided into smaller terras including Bunna (Coffee) Terra, Berett (Metal) Terra, Baltena (Kitchen) Terra, the real Minallesh Terra, and others. Baltena Terra has volumes of diverse foodstuffs, spices, and kitchenware in an outdoor booth.

In the metal section, metalworkers make auto parts from old pipes, charcoal stoves from scraps of sheet metal, with many of the creations stronger than their new Chinese counterparts. In the main section of Minallesh Terra is where many of the city's plastic water bottles and recyclables wind up, sold in bags for a few hundred Birr depending on their contents and weight.

Almost nothing that is taken to Minallesh Terra is wasted. Everything is either repaired or recycled into something else. There are people repairing simple electronics, and there are blacksmiths working with food cans creating teapots and oil lamps. There are men with hundreds of keys on one ring, who will try to match it with a customer's lock or offer to buy the lock in hopes of eventually finding a key that matches and selling it for even more profit. These shops feature everything from single socks to lamps made out of old cans as well as piles of old shoe soles.

Solar-Powered: The Future of Rural Communications

In Ethiopia's growing market, telecommunications networks are expanding into rural areas off the power grid, where equipment sites need to run autonomously. A sustainable alternative to diesel generators, using renewable energy sources such as solar-powered autonomous sites, has been developed to combat the shortage. The GSM and GPRS mobile networks with fibre optic backbone supplied by Nokia Siemens Networks required approximately 300 such sites, in hard-to-access rural areas which have no electrical supply.

Autonomous site solutions combine highly-efficient base-station technology with the best in renewable energy sources. Their benefits include relatively easy and inexpensive to install mature technology; a long lifetime and low total cost of ownership; minimal maintenance costs, and investment payback in 2-4 years.

Because of Ethiopia's close proximity to the equator, in one of the sunniest parts of the world, solar power solutions were chosen to power the base station sites as well as the transmission node sites for the fibre optic backbone network. Nokia Siemens Networks planned and built more than 50 solar-powered autonomous sites, which include battery banks that assure power for at least three days in case of cloudy or rainy weather.

The solar powered systems are economical and environmental. Although the initial cost of solar panels is higher than the cost of a diesel generator, this is offset by the low operational expenses. While the operating expenses of a diesel generator are driven by the fuel price as well as the many site visits required for refuelling and repair, solar panels require nothing but occasional cleaning to operate for many years without a single failure.



Kenya

Infrastructure

Mt. Kenya Yoghurt: Getting Produce to Market

Kenya faces the same infrastructure issues as many of its neighbours, particularly in transport of market goods. Mt. Kenya Yoghurt has garnered several awards, including being voted “Best Yoghurt” at the East and Central Africa Cheese Festival in 2007 and 2009. Their products are sold to local and regional shops and supermarkets in the Mt. Kenya and Nairobi areas of Kenya, with a combined population of approximately 8.5 million people.

Yet the company faces limitations in expanding distribution to reach distant markets in Kenya and neighbouring countries in East Africa (Uganda, Tanzania, Rwanda, and South Sudan), including the costs and logistics associated with shipping. The added costs of transport and refrigeration result in retail prices that cannot compete with locally-produced yoghurt products.

The Meru Central Dairy Cooperative Union was formed in the 1990’s and consists of approximately 4,000 member households residing in eastern Mt. Kenya who practice dairy farming, which is recognized as one of the principal livelihood activities in the region. Many of these member households also practice small-scale agriculture to cater for household needs, with the excess sold as an additional source of income. Some family members within member households near semi-urban areas such as Meru, Chuka and Chogoria towns also work in small service-oriented businesses or government offices. Household income levels are generally low to moderate, and many residents in the rural areas have not completed secondary school education.

Snapshot

Population

41 million

Urban **22%**

Youth **18%**

Growth **2.46%**

Capital

Nairobi

3.3 million

Growth **4.2%**

GDP

GDP (PPP)

Total **\$70.573b**

Capita **\$1,725**

GDP (Nominal)

Total **\$35.787b**

Capita **\$875**

Growth **5.3%**

Currency

Shilling

1US\$ = **97.30**

1Euro = **134.16**

Inflation **11%**

Education and Skills Development

Financial and Business Training for Entrepreneurs: Finstat(k) Ltd

Established by young accounting professionals in the North Rift region of Kenya, the program is designed to assist small and micro entrepreneurs face challenges in managing and expanding their businesses. The program offers opportunities in training the SMES on basic book keeping, business plan writing, and essential business and entrepreneurial skills.

Taxation

Individual

10-30%

Corporate **30%**

VAT/GST **16%**

It imparts skills which are life-long and applicable in everyday life. From the small investment entrepreneurs pay, they receive training, follow up visits to check on their progress, courtesy calls at their business premises in addition to allowing them access to offices for any queries whenever necessary, even long after training. Despite limited resources, the program has so far trained two hundred and eleven entrepreneurs, witnessing steady growth in their businesses.

Industry

Employment

Govt % **N/A**

Primary **74%**

Secondary **11%**

Tertiary **14%**

Unemployed

% **N/A**

Communications and Information Systems

The M-Kilimo Helpline

In Kenya, 70% of the population is employed in agriculture, and to assist these farmers the GSMA Development Fund established M-Kilimo, a dedicated helpline providing information and advice to small-hold farmers.

Typically, the helpline experts dealt with four main topics of enquiry:

- Agricultural tips and efficient farming practices
- Questions on plant and animal diseases and treatment
- Agriculture-specific weather forecasts
- Market price information

GDP Earners

1 Services

2 Agriculture

3 Industry

Since the dialogue between the farmer and the helpline expert occurs in real time, most problems can be resolved during the call. However, complex queries sometimes need more time and M-Kilimo undertakes to try to resolve these more complicated issues within a 24hr period.

Indexing

HDI **0.509 (L)**

GINI **43%**

EODB **109th**

Banking and Financial Services

Logistics

GLP **2.59**

M-Pesa Pioneers m-Banking

Safaricom's M-Pesa money transfer service launched in Kenya, 2007, as the first mobile banking initiative on the continent. In its first 30 months of operating, over 8 million Kenyans registered as users, and almost \$4 billion worth of transfers were made (accounting for almost 10% of Kenya's GDP).

Enabling Trade

GET **2.78**

Competitive

GCI **3.82**

M-Pesa allows users to deposit, transfer, and withdraw cash via M-Pesa agents, of which there were 18,000 in April 2010, compared to 491 bank branches. Their operating approach enables subscribers to transfer money to family members, make payments for goods or services, or save money in a more secure form than cash.

Governance

Indicator

(Avg) **25%**

The introduction of M-Pesa and other m-Banking initiatives has led to a 58% increase in Kenyans who have bank accounts, and expanded the growth in banking across the region. Money transfer services have since been launched by mobile operators in Ghana, Nigeria, South Africa, Tanzania, and Uganda.

Economic and Business Analysis

Kenya is lauded as the regional hub for trade and finance in East Africa, although its economy has been hampered by corruption and a continued reliance upon primary goods, which continue to fetch low prices in the marketplace. Post-election violence in early 2008, combined with the effects of the global financial crisis on remittance and exports, reduced GDP growth to 1.7% in 2008, but the economy rebounded in 2009-10 and has continued to maintain course.

Persistent drought is threatening food security for some 31.5 million people, and more than one million face imminent starvation.

Kenya's government, looking for about \$525 million in supplemental food funds from an already inflation-impacted budget, faces the prospect of feeding its people at the expense of a number of other projects that could improve food security for the future.

It's a perilous trade-off — survival now at the expense of future survival.

At the same time, the Kenya Food Security Steering Group (KFSSG) reports that the 2009 maize crop will be 28 percent below normal. This is extraordinarily bad news because maize is the staple food crop for 96 percent of Kenya's people.

The average yearly income in Kenya is less than US\$1,000, 60 percent of the population is below poverty level, and one-fifth of children under the age of five are malnourished. Already, the nation has experienced at least 28 cycles of drought in the last century, as well as 15 floods of epidemic proportions, according to Mahboub Maalim, Executive Secretary of the Inter Governmental Authority on Development. Finance Minister Uhuru Kenyatta is attempting to address the disparity between an expanding population and the nation's reduced ability to produce food by providing 32 billion Kenyan shillings (\$40 million) for agricultural and rural development projects and 51 billion shillings (\$63 million) for environmental programs, including water and sanitation infrastructure upgrades.

Imports

Primarily technical and industrial goods - machinery and equipment; iron and steel; resins, plastics, and petroleum products; from China 13.6%, India 13.4%, UAE 9.7%, South Africa 8.4%, Saudi Arabia 6.8%, Japan 4.7%

Exports

Tea and coffee; fish and agricultural products; cement and petroleum; exported to Uganda 10.1%, Tanzania 9.8%, UK 8.8%, Netherlands 8.2%, US 5.8%, Egypt 4.7%, and Democratic Republic of the Congo 4.3%.

Ease of Doing Business

Issues of corruption and costly procedures in trade and taxation remain, although otherwise the country ranks well. Removing obstacles to growth and development of new business will ease constraints on the economy. It takes only 25 days to invest in Kenya, as regulated under the Promotion of Investment Act.

The Promotion of Investment Act

The Investment Promotion Act (2004) is the main Government of Kenya legislation with a purpose of promoting and facilitating both local and foreign investments. The Act particularly states the licenses and other related requirements that a local or a foreign investor in Kenya should have.

Kenya Investment Authority is the body established under the Investment Promotion Act, to help investors who wish to invest in Kenya. It helps the investors, among other things to get certificates of investment which is a compulsory first step for a foreigner to invest in the country.

Foreign Investor

Contrary to the local investors who can invest in Kenya without certificate of investment, a foreign investor must seek for the investment certificate before he proceeds to invest in Kenya. However, the procedures to get the certificate are almost the same to that of the local investors. The relevant law is the Investment Promotion Act.

The Entitlement to Certificate

An applicant shall be entitled to an investment certificate if:

- a) The application is complete and satisfies the requirements under this Act
- b) The amount to be invested by a foreign investor is at least five hundred thousand United States of America dollars or the equivalent in any currency
- c) The amount to be invested by a local investor is at least five million shillings or the equivalent in another currency
- d) The investment and related activities are lawful and beneficial to Kenya

Investment Beneficial to Kenya

The issue of criteria for issuance of the certificate of investment, leads to the question of which investment are 'beneficial to Kenya'. For the investment to be beneficial to Kenya, it must meet the following:

- a) creation of employment for Kenyans;
- b) acquisition of new skills or technology for Kenyans;
- c) contribution to tax revenues or other Government revenues;

In addition to these conditions, it should fulfill any or all of the following conditions

- a) a transfer of technology to Kenya;
- b) An increase in foreign exchange, either through exports or through import substitution;

- c) utilization of domestic raw materials, supplies and services;
- d) adoption of value addition in the processing of local resources;
- e) utilization, promotion, development and implementation of information and communication technology;

Procedures for Consideration of the Application

Procedures for consideration of the application are transparent and straightforward. They are provided for under the first schedule to the Investment Promotion Act. According to the schedule the whole process from filing of the application to the notice to the decision, take no more than twenty five working days.

If the decision is to refuse, the Kenya Investment Authority is denied the opportunity to abuse its powers when refusing the certificate. It must include with the notice to the applicant a copy of the reasons and a copy of the report prepared. The authority must also give the Minister, within five working days after the decision of the Authority is made, a copy of the application, a copy of the reasons and a copy of the report. (s.5(1) of the 1st schedule to the Act) in this regard the minister means the minister responsible for matters relating to investment.

How Devolved Structures Positively Impact the Business Environment

The constitution of Kenya, promulgated on 27th August 2010, provides a devolved system of government. The government has set up a taskforce to advise it on how best to prepare for the new structure, as the transfer of resources to the local level is expected to have tremendous impact on the business environment. Kenya has already implemented the Constituency Development Fund successfully, albeit with challenges. Using the fund's success as a benchmark, transfer of governance structures coupled with more resources is likely to accelerate development.

In the new structure under chapter 11 of the Constitution, forty seven (47) counties are established. A county will be headed by a governor and an executive committee. The law making body will be the County Assembly. On resources, at least fifteen (15) percent of the revenue collected by the national government must be allocated to the county governments as provided by Article 203(2). An equalization fund under Article 204 is established to maintain equity in allocation of resources. All monies raised on behalf of the county government shall be paid into a revenue fund.

The functions of the county government are also worth considering. Entrepreneurs have for long decried the bureaucratic government procedures that make it difficult to do business. Although this has improved over time, county governments have been allocated functions that will curtail this barrier. The forth schedule stipulates the functions of the national and county governments. Among them, county governments will be responsible for trade, development and regulation. This includes issues relating to markets, trade licensing, fair trade practices, local tourism and cooperative societies (clause 7).

The constitution also protects fundamental rights that help to promote confidence in the business environment. The protection of the right to property, labour relations rights and consumer rights (Article 40, 41 and 46) will improve confidence in the

Kenyan market. This applies to both entrepreneurs and consumers. The protection of all forms of national and cultural expressions under Article 11 will allow entrepreneurs to venture into this unexploited field.

The governance structures, functions and fundamental rights highlighted above will help create the necessary conditions to do business. Entrepreneurs in Kenya and abroad have a real opportunity to invest at the national and county level. Development at the county level is likely to improve the infrastructure diverting attention from cities and major towns.

The Constitution is by far the most comprehensive law that the people of Kenya, with the assistance of their government have enacted. However, the implementation process will gauge real government commitment. Citizens should actively defend and enforce the constitution. In so doing the country will become a leading business hub in Africa.

Market Opportunities

Retail Chains Expand in East Africa

Kenyan retail chains have increasingly looked to their East African neighbours for growth opportunities, with Nakumatt Holdings opening its outlet in Tanzania to increase its regional holdings. The retail store opened its first outlet in Moshi town, and is targeting major urban centres such as Dar es Salaam, while engaging in a battle for market dominance with rivals Uchumi and Tuskys.

The fight for the control of the region's retail market is set to continue with Tuskys planning to set up its second branch in Ugandan early next year while focused on Tanzania and Rwanda. The \$ 1.3 million (Sh117 million) investment in Moshi is set to ignite a war in a market now dominated multinational retail chains Shoprite Holdings and Game Stores both from South Africa.

Nakumatt has outlets across Tanzania, Rwanda, Kenya and Uganda, and is eying Burundi as well as in-country expansions to consolidate its position. The company's consolidating East African coverage comes before establishing a pan-African presence, as it is conducting feasibility studies for Burundi, Zambia, South Sudan, DRC, Nigeria, Botswana and Malawi.

Black Tea: Value-adding the Manufacturing Process

Along with tourism and production of fresh vegetables and cut flowers, tea production is one of the pillars of the modern Kenyan economy. Kenya is currently the third largest producer of tea in the world and the largest exporter of tea worldwide. Tens of thousands of Kenyan households engage in tea farming as their primary source of livelihood, with employment created for thousands more through the supply chain.

Tea leaves are picked by hand from tea plantations on Mt. Kenya and the Aberdares mountain range in the central highlands of Kenya. The tea leaves are processed and packaged at the Gitugi Tea Factory in Nyeri County, and marketed by Kenya Tea Development Agency (KTDA) Limited. The factory is supplied by approximately 5,500 individual small scale farmers, whose combined tea plantations total over 1000ha in the surrounding rural areas.

Different grades of tea are packaged at the factory and sold at the Mombasa Auction by KTDA, which represents small-scale tea producers throughout Kenya. The Mombasa Auction is held weekly in the port city of Mombasa, a vital hub for Kenya and primary point of sale for products from East and Central Africa. Domestic and international buyers bid on the different grades of tea available, which are sold by the lot, then shipped to bidders for value-adding.

Saving Native Crops for the Food Harvest

Western mono-cropping and non-native foods (pineapple, cabbage, spinach, carrots, etc.) require extensive irrigation, pesticides, and chemical fertilizers. This non-sustainable form of agriculture produces minimal revenues in the form exports, but is ultimately unsustainable to Kenyan food security. Roughly 80% of Kenya's crops are grown in lowlands, in arid conditions and with increasingly unreliable rainfall. As a result of westernized farming, at least 200 indigenous crops, which were once heavily cultivated and ideal for the climate, are now lost, while others are under threat.

A Kenyan horticultural scientist, Mary Abukutsa-Onyango, has identified six indigenous vegetables that are very high in nutrients and easy to grow in local conditions. It is hoped the leafy green plants, previously dismissed as weeds, may have a significant impact on reducing malnutrition and poverty levels in Kenya. Her current research programme at Jomo Kenyatta University of Agriculture and Technology, outside Nairobi, focuses on promoting the production and marketing of African indigenous vegetables, particularly by rural women farmers.

The research is supported by AWARD (African Women in Agricultural Research and Development), a programme aimed at boosting the female talent pool supporting Africa's women farmers. It has resulted in Spiderplant, African Nightshade and Vegetable Amaranth selling in Nairobi supermarkets and restaurants, after years of neglect by the well-fed as food for the poor, and by the poor as alternatives in times of extreme hunger. The Health Ministry has also advised hospitals to include indigenous vegetables in the diet of HIV patients.

Behind this drive promoting indigenous crops is a strategy to foster a food landscape of diversity and efficiency. Westernised crops can be produced in the highlands where conditions are ripe, and the resultant yields can cater to both local and export markets. Lowland areas lacking fertile soils and developed irrigation systems can focus on indigenous varieties which can thrive where western crops would suffer, maximising yields, preserving indigenous variety, and bringing diversity to the marketplace.

It would benefit both the Kenyan economy and the health of Kenya's inhabitants, since the indigenous crops contain more than the recommended daily requirement of vitamins and micro-nutrients. As an added benefit, there is the potential to rediscover medicinal benefits inherent in some traditional indigenous crops.

Entrepreneurs and Innovation

Kenya: African Pro-poor Tourism Development Centre

The organization seeks to promote the utilization of tourism as a strategic tool to alleviate poverty. The centre was the first of its kind in the East African Travel & Tourism Industry, pioneering strategic tools towards addressing social problems such as unemployment, poverty and gender inequality. Job creation in the tourism sector is growing faster than any other sector, it is labour intensive, and in Kenya it employs about 500,000 people both directly and indirectly.

Tourism is particularly potent in economic terms in respect of: job creation, investment attraction, foreign exchange earnings, poverty alleviation and in social terms in respect of: youth employment, community enrichment, gender equality and cultural preservation.

African Pro-poor Tourism Development Centre (APTDC) offers management and development support to the pro-poor tourism sector. The centre offers pro-poor tourism services to local businesses and communities, and is involved in:

- **Project Feasibility Studies**
Providing assistance to people in a vast array of locations to identify and realise the tourism potential of their areas.
- **Pro-poor tourism Development**
Establishing a sustainable productive base, allowing local inhabitants and providers to enjoy rising standards of living.
- **Supporting and Enabling Decision-Makers**
Helping local communities make informed decisions, ensuring that they are implemented throughout the stages of development
- **Pro-poor tourism Marketing**
Assisting pro-poor tourism ventures in developing, promoting, and implementing marketing plans to increase arrivals, sales, and profits

Mulberry and Silk: Integrated Linkages

Kimahuri Youth United Self Help Group formed in 2005 and currently comprises 35 members, engaged in two enterprises: sericulture and trout aquaculture. Primary activities including mulberry tree planting, silkworm rearing, silk harvesting, silk spinning, weaving of consumer products, and marketing and sale of the products.

KYU's aquaculture and sericulture enterprises employs 35 group members, working at enterprises including a trout hatchery, trout rearing ponds, mulberry tree plantations, silkworm rearing sheds, and a silk weaving workshop. The enterprises generate indirect employment for an additional 200 community members through the supply chain of fish and silk products. Increasing sales doubled KYU's income from 2009 to 2010, reaching US \$20,000 in 2010.

The Gacera Nyanjara Self Help Group was formed in 2004 and consists of approximately 30 members. The sale of silk yarn and finished products has yielded an income of over US \$3,000 from 2006 to 2010, of which US \$2,500 has directly benefited group members. Similar to KYU, the remaining income is reinvested to maintain and expand operations.

The two projects currently produce approximately 20 tons per year of mulberry leaves, and 60kg per year of silk fibre. Due to the temperate climate, the mulberry trees do not shed their leaves during any particular period, ensuring both mulberry leaves and silk fibres are available throughout the year.

The enterprises have received training on planting and care of mulberry trees, silkworm rearing, and harvesting and spinning of silk. As described above, the two community enterprises would like to build their expand capacity to manufacture and market consumer products from the raw mulberry leaves and silk to add linkage value to their existing enterprises, while maximizing and diversifying profits.

The raw products (mulberry leaves and silk yarn) and consumer products (silk scarfs and rugs) are sold to local and regional consumers, however due to high demand the two enterprises will expand to produce high-quality silk clothing, bedding, upholstery, and mulberry-based nutritional supplements.



Snapshot

Population

15.8 million

Urban **20%**

Youth **21.5%**

Growth **2.76%**

Capital

Lilongwe

890,000

Growth **5.3%**

GDP

GDP (PPP)

Total **\$12.980b**

Capita **\$827**

GDP (Nominal)

Total **\$5.053b**

Capita **\$322**

Growth **4.6%**

Currency

Kwacha

1US\$ = **163.65**

1Euro = **225.78**

Inflation **7.5%**

Malawi

Infrastructure

Infrastructure has accounted for just over 1% of Malawi's GDP growth over the past decade, still below regional levels. To match the region's middle-income countries would require raising the country's infrastructure endowment, increasing it to 3.5% of GDP. The most urgent challenges include:

- Improving the power sector to enhance reliability and sustainability of delivery
- Increasing funds allocated for road maintenance
- Preventing over-engineering of roads, resulting in exaggerated costs
- Enhancing market access in rural and agricultural areas
- Lowering the cost of ICT services

Addressing the country's infrastructure deficit requires sustaining expenditures of almost \$600 million per year until 2015, a target which the government is currently lagging behind.

During the mid-2000s, the country spent \$200 million per year, half of which went to transport. However, some reports indicate that widespread inefficiencies, including underpricing power and improperly maintained roads, cost the economy at least \$200 million each year in waste.

Even if the inefficiencies are eliminated, Malawi faces an annual funding gap of almost \$300 million, and deteriorating market opportunities comparative to its neighbours.

The gap could be cut to less than \$100 million by eliminating inefficiencies, by engaging in regional electricity trade, using low-cost technologies in water, sanitation, and road building, while embracing private market enterprise in implementing infrastructure projects.

Education and Skills Development

The Malawi government has maintained a policy of open access but non-compulsory primary. Secondary education is offered conventional secondary schools, as well as private and Community Day Secondary Schools (CDSS), which cater for primary school leavers who are not selected into the formal secondary schools by the government.

Taxation

Individual

15-30%

Corporate **30%**

VAT/GST **16%**

Industry

Employment

Govt % **N/A**

Primary **86%**

Secondary **4%**

Tertiary **7%**

Unemployed

% **N/A**

GDP Earners

1 Services

2 Agriculture

3 Industry

Indexing

HDI **0.493 (L)**

GINI **38%**

EODB **145th**

Logistics

GLP **N/A**

Enabling Trade

GET **3.20**

Competitive

GCI **3.58**

Governance

Indicator

(Avg) **43%**

Enrolment rates are high for primary school, at 85-90%, however this drops off sharply at secondary school, where enrolment rates average between 20-30%. This has had a damaging effect on the development of industries requiring advanced education, which the majority of the population is unable to access.

The drop off in enrolment rates is reflected in education infrastructure: there are over 5,000 primary schools, 120 conventional secondary schools, 650 community day secondary schools, 280 private secondary schools, 6 TTCs, 4 technical colleges and just two universities.

In order to increase the economies versatility and industry base, particularly by expanding the manufacturing and services sectors, education will need to be reformed and expanded considerably to reach disadvantaged communities and individuals who are currently excluded.

Communications and Information Systems

Malawi Communications Regulatory Authority (Macra) has made amendments of licences awarded to ACL Limited, Airtel Limited, Malawi Telecommunications Limited (MTL) and TNM Limited. The nation's four largest telecoms operators are now licensed to provide both fixed and mobile services, in a bid to increase competition and community access.

The change in policy is part of a regulatory change in the authority to ensure a technology neutral network licensing framework, enabling current telecommunication operators to provide broader public telecommunication services.

The move is hoped to generate increases in network distribution, access, service quality, pricing structures, and operation contracts for consumers. Communications markets have been lagging in Malawi while regional competitors ascend with rapid expansive markets open to international competitors. Malawi has seen weak growth not only in services but innovations.

Banking and Financial Services

The Reserve Bank of Malawi (RBM) has recently opposed the opening of an Islamic Bank in Malawi. Islamic finance, which caters for customers who want to avoid earning interest, which

is viewed as usury under Islamic Sharia law, also prohibits speculation and investment in non Sharia-compliant industries.

The reserve bank has argued that this is unconstitutional and against the country's banking act, as it involves the introduction and adherence to Sharia law. There are also more radical concerns that the banks could be used to launder money by international criminal enterprises, caused by misunderstandings as to how independently the bank would operate from regulations that govern the sector.

Malawi has a sizeable Muslim population, 2 million out of a total population of 12 million, and the issue is viewed as an increasingly hot-button social and political issue, which could also dramatically affect the way the nation does business. Addressing arguments against, supporters claim the introduction of Islamic banking will work alongside the countries traditionally westernised financial systems, providing additional niche services to a growing global and domestic market. Islamic banking carries the potential to encourage Muslim businessmen from at home and overseas to invest and grow the financial industry as well as local business at a much faster rate.

Economic and Business Analysis

Landlocked Malawi ranks among the world's most densely populated and least developed countries. The economy is predominately agricultural with about 80% of the population living in rural areas. Agriculture, which has benefited from fertilizer subsidies since 2006, accounts for more than one-third of GDP and 90% of export revenues. The government faces challenges including developing a market economy, improving educational facilities, facing up to environmental problems, and fiscal discipline a three year Poverty Reduction and Growth Facility.

The government has announced infrastructure projects that could yield improvements, such as a new oil pipeline, for better fuel access, and the potential for a waterway link through Mozambican rivers to the ocean, for better transportation options. Since 2009, however, Malawi has experienced some setbacks, including a general shortage of foreign exchange, which has damaged its ability to pay for imports, and fuel shortages that hinder transportation and productivity. Investment fell 23% in 2009, and continued to decline in 2010.

Imports

Food, petroleum, and manufactured consumer goods, largely from South Africa 41.4%, Zambia 7.8%, India 7.5%, China 6.1%, and Tanzania 5%.

Exports

The tobacco sector is vital to short-term growth, as tobacco accounts for over 50% of exports. Others include sugar, tea, coffee, cotton, and wood products, to India 10.4%, Germany 9.7%, South Africa 7.5%, Russia 7.4%, Zimbabwe 7.4%, Canada 6.4%, US 6.3%

Ease of Doing Business

Malawi has unreliable power, water shortages, poor telecommunications infrastructure, and overall high services costs. Together, these present a formidable barrier to business growth and investment, which if the economy is to diversify and grow must be addressed by government, or market forces.

Market Opportunities

Tobacco

Tobacco is essential to sustaining Malawi's export volumes, although it is struggling against decreasing global markets and increasing competition. The sector is a major agricultural employer, and while there are few ways to innovate production of the crop, there are abundant opportunities for innovation in manufacturing, distribution, and marketing if unique product attributes are developed and promoted properly.

Innovating Export Linkages

Sugar, tea, coffee, and cotton are all competitive international commodities in high demand, yet with dropping market prices for the raw product. Developing internal market linkages, by connecting farmers to manufacturers, distributors, and wholesalers, would provide a dramatic boost to value-adding the economic worth of exports, whilst generating local employment and stabilising agricultural production.

Such internal linkages provide benefits to all partners of familiar and guaranteed supplies and demand, however there remains significant challenges in working with personnel to generate interest in foreign markets, and designing product formats to appeal to international consumers.

Malawi Education Project (MEP): Innovations in Education

Malawi Education Project (MEP) engages in community-led learning initiatives, from vocational training to formal education, particularly for marginalised groups. Working in partnership with community members, international NGOs, and the government, MEP identifies barriers to education that community members are facing, and then works with the community to uncover their priority needs for access to learning opportunities.

The community takes the initiative and chooses the form and nature of MEP's work, expanding its focus to include vocational training, health awareness, advanced skill courses, and books in schools. The Methodologies of MEP are:

- Making education and skills training accessible to all
- Developing sustainable community-led learning programmes
- Making education programs responsive to community needs
- Engaging with communities, NGOs, and government departments to deliver better systems and analyse results



Snapshot

Population

22.9 million

Urban **38%**

Youth **16%**

Growth **2.45%**

Capital

Maputo

1.8 million

Growth **4%**

GDP

GDP (PPP)

Total **\$23.728b**

Capita **\$1,078**

GDP (Nominal)

Total **\$9.893b**

Capita **\$458**

Growth **7.2%**

Currency

Metical

1US\$ = **26.95**

1Euro = **34.85**

Inflation **11.7%**

Mozambique

Infrastructure

Infrastructure in Mozambique is generally poor, particularly in areas heavily affected by the war, which are still recovering. The country has just over 30,000 km of roads, and while 5,500 km are paved, large sections of the remaining 25,000 km are virtually impassable during the rainy season.

The World Bank is implementing an \$850 million program to rebuild the road network, along with the coastal port system.

The country has 3,000 km of rail lines which connect it to South Africa, Malawi, and Zimbabwe. The railway links are particularly important to Malawi and Zimbabwe, which are landlocked and reliant on Mozambican ports to engage in foreign trade.

There are 6 ports and harbours in Mozambique, with the Port of Beira the largest. The port came under the control of Dutch company Cornelder in 1999 following a joint venture with the CFM, and has undergone considerable renewal.

Ports have none-the-less declined in activity due to Zimbabwe's flailing economy, while their sale to foreign companies has transferred what profit there is out of the country. The Caminhos de Ferro de Mocambique (CFM), a government parastatal that formerly held a monopoly over ports and railway, recently provided a private management concession for the central railroad system. The situation was unavoidable as the government and local organisations lack the funds to develop.

Education and Skills Development

Mozambique's official language, and language of educational instruction, is Portuguese, however only 30% of the population speak it, with the majority of those residing in urban areas. The Ministry of Education (MINED) has implemented plans to spread the understanding of Portuguese in an effort to homogenise educational standards.

The Ministry of Education initiated a process in 2000 of decentralising curriculum development and monitoring, allowing 20% of the national curriculum to be developed locally. The policy is designed to provide for specific learning needs of local learners, as part of the Ministry's attempt to innovate the education system.

Taxation

Individual

25-32%

Corporate **32%**

VAT/GST **17%**

Industry

Employment

Govt % **N/A**

Primary **78%**

Secondary **8%**

Tertiary **14%**

Unemployed

16.3%

GDP Earners

1 Services

2 Agriculture

3 Industry

Indexing

HDI **0.280 (L)**

GINI **42%**

EODB **139th**

Logistics

GLP **2.29**

Enabling Trade

GET **3.31**

Competitive

GCI **3.31**

Governance

Indicator

(Avg) **39%**

The system at present is struggling with too many students, and not enough funding or resources. Pre-school education is provided, however it is not compulsory and remains beyond the means of the majority of Mozambicans, with only a small percentage achieving the advantage.

Primary education, while free and compulsory, suffers from a shortage of schools and teachers, many of which operate in two shifts, while some operate three. The ratio of students to teachers is 68-1, challenging the prospects of productive learning. Nevertheless, enrolment rates remain relatively high at 70-75%.

Following primary are secondary, vocational, community, or private education institutions, although the enrolment rate for these drops significantly from primary, meaning the majority of youths only receive a rudimentary education. Secondary enrolment is generally 10-15%, although in many more remote areas it drops to below 5%, as families are unable to afford schooling and children are needed to help work in the family business.

Communications and Information Systems

Privatization has characterized recent developments in telecommunications, which has traditionally been a monopoly controlled by the state-owned national telephone company (TDM). Legislation legalizing privatization in 1999 led to the transformation of the TDM into a public enterprise, with 100% of the shares owned by government.

The government has sought a private investor to secure a 30% share, with Portuguese firm Telecom in negotiations. The sector is in dire need of foreign capital and private innovation or market development, as products, services, and especially systems remain antiquated and uncompetitive.

Banking and Financial Services

Mozambique's growth has been primarily driven by political stability, foreign direct investment, and aid inflows. In order to make a domestic growth base for businesses it needs to develop a sound and active financial industry, however the industry at present remains relatively small and dominated by foreign banks.

Business access to capital is relatively direct, as what banking institutions exist are well developed, however their presence is centralised in the capital and major urban areas. Services to rural areas are limited due to prohibitive costs, which would make regional branches unprofitable and, due to the lack of high loan volumes or rural wealth, largely unproductive.

Economic and Business Analysis

Mozambique has faced several challenges to its growth in the past three decades. As the country has shifted from communism to structuralism with a civil conflict in between, different institutions have left their mark on the country which was ranked in a 1993 World Bank report as the poorest in the world.

However, economic reforms, a privileged geographic position (an extensive coastline and borders with landlocked countries) and the expansion of Chinese investment in Africa (as a part of a foreign policy aiming to secure the supply of natural resources) have supplied Mozambique with the necessary ingredients to build a history of success and recovery after its civil war.

Combined with the advantages of cheap electricity (due to the presence in its territory of the most powerful hydroelectric facility in Africa), abundant cheap labour, democratic political stability, and key natural resources (including water and one of the largest unexploited coal reserves in the world), Mozambique has the potential to significantly boost its trade, the basis of economic development in a globalised society.

The 21st century arrived with new development perspectives: macroeconomic stability through orthodox consistent policies, primary through the control of inflation. Today, Mozambique is a leading example of growth in the world, with aggregate economic performance improving by an average of 7% per year (World Bank Report, 2011), stimulated by massive foreign investment in coal (The Economist, 8th July 2010) – a highly valued commodity due to the demands of emerging countries as China and India.

In this economic context, the Mozambican government has opened the country to infrastructure investments, mainly in roads and energy, and implemented a privatisation program to increase public reserves and boost competitiveness. This formed the basis for new institutions in the country, allowing it to sustain economic growth in the long run.

Imports

Mozambique's chief imports include food, clothing, farm and transport equipment, and petroleum. The value of imports from OECD countries has decreased considerably, while imports from South Africa have risen to account for over 50% of total imports, as the region develops stronger internal ties.

Exports

Mozambique's principal exports include prawns, cashews, cotton, sugar, citrus, coconuts, and timber. The value of exports to OECD nations, including Japan, the Netherlands, Portugal, Spain, the United Kingdom, and the United States, decreased considerably throughout the 1990s, dropping from \$60.7 million to \$37.3 million, largely because of declining terms of trade and the loss of peasant producers.

Exports to African countries, particularly South Africa and to a lesser extent Zimbabwe, have increased as Mozambique's transportation infrastructure has become more developed and integrated with its regional partners. Over 15% of exports now go to South Africa, which is now Mozambique's second largest export partner, behind Spain at just under 20%.

Ease of Doing Business

Mozambique still must overcome further challenges to sustain its growth. According to the 2012 Doing Business World Bank Report, Mozambique is ranked 126th out of 183 economies in dealing with construction permits, 172th in getting electricity, 136th in trading across borders and 156th in registering properties – highlighting high transactional costs that can be a barrier to investments and entrepreneurship in the country.

Only a deep institutional reform to reinforce the country's institutions, even in the face of significant opposition from entrenched power groups, can further boost economic performance and turn the country into a real example to poor nations that sustainable growth is possible.

Market Opportunities

The Government of Mozambique is working toward developing its Mozambique eGovernment and Communications Infrastructure Project (MEGCIP), and intends to apply part of the proceeds for contracting of services and infrastructure to establish the "Maputo ICT Incubation Program".

To develop the project, the government is seeking ICT-enabled businesses and incubating them towards growth and success. The vision for the pilot incubator is that it will eventually become a national ICT small business support centre, including additional physical and virtual facilities, contributing strategically to the sector's growth.

The Incubators scope will be broad, with a range of goals to:

- Create affordable office space and facilities for small and medium-sized ICT
- Provide Human Resources to manage facilities and services
- Grow the ICT industry by facilitating the development and growth of early stage SMEs

- Attract investment into local ICT companies and services providers
- Build understanding among the broader business community of the relevance and importance of small, innovative ICT companies in their value chains
- Position Mozambique as an ICT innovator on the African continent
- Develop sustainable revenue streams and business models
- Generate funds to support ongoing expansion of the project
- Create linkages with strategic partners in building a sustainable ecosystem

Entrepreneurs and Innovation

Island Tourism Development

High end island lodges are being developed on Mozambique's remote coastal islands, to cater for tourists in search of idealised island stays. Nejovo and Caldeira, two reclusive coral islands of the coast near Moma, have been developed as the pioneering projects to determine if the venture is successful before its expected expansion. The islands house a lodge and private villas, with its own infrastructure fully contained.

A combined project between companies Fresh and Limitada, the developers established their own carpentry workshops, training large numbers of local artisans and construction workers to support the development.

Apart from its current properties, the investment group has won the rights to develop another two islands of the coast of Zambezi province, while it is also looking at inland projects to diversify into as well.



Rwanda

Infrastructure

Education and Skills Development

Snapshot

Population

11.3 million

Urban **19%**

Youth **27%**

Growth **2.79%**

Capital

Kigali

956,000

Growth **4.4%**

GDP

GDP (PPP)

Total **\$13.109b**

Capita **\$1,284**

GDP (Nominal)

Total **\$6.055b**

Capita **\$593**

Growth **7%**

Currency

Franc

1US\$ = **596.00**

1Euro = **770.75**

Inflation **5.5%**

Training and Mentoring – Finding Students Careers

AERG's Education into Employment (EiE) programme addresses the needs of its members in overcoming the challenging transition from education to employment in Rwanda, where on average young graduates wait up to two years before they can find paid work. This is particularly severe for survivors who often lack the family networks and support that might help them to gain employment and seek guidance when choosing careers.

Rwanda's focus on information technology in its Vision 2020 plan calls for a 'knowledge economy', emphasising the need for computer and English skills to compete in the job market. However, many survivors lack these skills and cannot pay to improve them as they are low income orphan or widow headed households.

The EiE programme provides soft skills through the nationwide distribution of a student newsletter, 'Green Light' offering careers advice for the Rwandan context and a mentoring scheme that links Rwandan and expatriate professionals with student survivors to provide career guidance. To tackle the lack of hard skills, the EiE programme has provided subsidised English language classes and English 'clubs' to improve English and established computer centres

In year one, the EiE program paired over 100 mentors and mentees through the career mentoring service, the first of its kind in Rwanda. This innovative programme has empowered young survivors with the skills, guidance and support that has enabled 75% of mentees graduates to obtain jobs post-university. Further, many graduated mentees have set up groups to transfer the knowledge and support they acquired during their mentorship to other students.

The careers advice Magazine has published 7 issues in the last year, addressing the current gap of effective career services delivery in higher institutions of learning in Rwanda. The Magazine is distributed free, ensuring a wide readership, and with the introduction of adverts is now self-sustainable financially.

Taxation

Individual

10-30%

Corporate **30%**

VAT/GST **18%**

Industry

Employment

Govt % **N/A**

Primary **89%**

Secondary **4%**

Tertiary **6%**

Unemployed

% N/A

GDP Earners

1 Services

2 Agriculture

3 Industry

Indexing

HDI **0.385 (L)**

GINI **43.6%**

EODB **45th**

Logistics

GLP **2.04**

Enabling Trade

GET **N/A**

Competitive

GCI **4.19**

Governance

Indicator

(Avg) **38%**

The program has run English classes in 3 universities as well established English clubs in 5 campuses. As these clubs are extremely low cost there are plans to establish groups at every campus and secondary school through AERG's support network.

The only restricting factor to growth is the number of mentors, who are volunteers that give their time to participate free of charge. The mentors are professionals who adapt the mentoring curriculum to focus on either career development or entrepreneurship, according to the interests of the mentee. Many of the mentors have volunteered to take on new mentees after the completion of the 13 week program, which has reduced costs of advertising for the posts.

The program has also provided computers, IT support, and has developed an Entrepreneurship Program, encouraging youth to develop an entrepreneurial spirit, and training them in marketing, customer service skills, and practical 'on the job' training and experience. The process helps young entrepreneurs gain contacts, experience, and ideas that might help them to set up their own businesses. Each year about 2400 students benefit from this program.

Banking and Financial Services

Rwanda would benefit from local and foreign entrepreneurial investment and the arrival of large-scale private companies, and the government should take steps to encourage this. Through RIEPA, feasible projects are being communicated to potential investors or cooperatives.

Glass manufacturing projects, ceramic industry projects, artisanal mining projects, peat mining and distribution projects, precious, semi-precious and dimensional stones are amongst the ideas taking shape. Regarding tourism, Rwanda not only boasts breathtaking nature but is also the unique home of wild mountain gorillas, giving it a natural advantage over other wildlife tourism in Africa. However, Rwanda currently lacks the infrastructure and communication to take full advantage of this potential.

The government, through the Rwanda Investment Promotion Agency (RIPA) is ready to work hand-in-hand with investors to realize their goals and drive the economy forward to a better future. Opportunities abound for long-term, well-capitalized investors with ideas, imagination and business skills for an emerging economy.

Investment insurance also is available through the Africa Trade Insurance Agency, the Overseas Private Investment Corporation, and the World Bank's Multilateral Investment Guarantee Agency (MIGA). The weakness of exports and low domestic savings rates are threats to future growth. However, while there was a decline in overall exports (28% between 2008 and 2009), remittances, and nongovernmental organization (NGO) transfers in 2009, the agricultural sector performed strongly, propelling Rwanda to a 4% growth in GDP.

There is no adequate social safety against the most prevalent risks for the large majority of the population. However, the introduction of minimal health insurance (mutuelles de santé) was a step forward, although funding is inadequate. Private insurance companies are inaccessible to ordinary people due to the costs. The national pension system is weak and only serves former employees of the small formal sector.

Economic and Business Analysis

Rwanda is a land of great diversity and beauty, popularly known as 'the land of a thousand hills'. More than 50 percent of farm holdings have experienced severe forms of soil and fluvial erosion. Because of land scarcity there is over cultivation of agricultural fields. Land productivity for major crops has been declining since the 1990s, due to demographic pressure, environmental degradation, and lack of use of modern agricultural methods.

Through inheritance, land fragmentation has been so extensive that it is often referred as "miniaturization." Land has been linked to conflict for four decades after Rwanda's independence. In fact, some experts note that land has been a factor behind mounting social tensions before every major conflict in Rwanda. Even today more than 80% of all disputes in Rwanda are related to land. Conflicts arising from land relations have been fuelled by the land scarcity, growing unequal distribution of landholdings, insecure land tenure, and a growing population of landless people.

Aside from tea and coffee, Rwanda's humid climate, high average precipitation, soil characteristic and high altitude are favourable to agricultural activities, and horticulture is a forefront initiative. There has been successful cultivation of several species of flowers, alongside traditional crops of rice, sugar, sunflower, soya, groundnuts and castor-oil, and tomatoes are another potential high-volume crop. Rwanda has other natural advantages; there are large resources of both minerals and methane gas reserves, and many are still untapped. Two plentiful river flows have the potential for hydro electric energy development, and Rwanda's flora and fauna, national parks and lakes suggest a potential to expand tourism.

The Government of Rwanda remains committed to a strong and enduring economic climate for the country. To this end the government focuses on poverty reduction, infrastructure development, privatization of government-owned assets, expansion of the export base, and liberalization of trade. Rwanda has put in place the Economic Development and Poverty Reduction Strategy (EDPRS 2008-2012) which provides a medium term framework for achieving the country's long term development

aspirations as embodied in Rwanda Vision 2020, the seven year Government of Rwanda (GoR) program, and the Millennium Development Goals.

It should be a mission for Rwanda's government to ease access to micro-credits, the availability of training, and the systematic delivery of order procedures manuals. For example, Rwanda boasts of its soil, and the quality of its sands is perfect for ceramics products. Gathering together simple tools, know how, partnerships, cooperatives and joint ventures, it would be possible to deliver to markets goods such as clay-based dishes, sanitary ware, tiles, bricks, floor and ceilings, facing materials, potteries, decoration elements and drainage pipes. However, there are not enough stoves to achieve extensive production. Likewise, investment is required in coffee processing systems and the quality of washing stations, and even more desirable would be the opportunity to add value, by means of roasting facilities and instant coffee production facilities.

Rwanda's geographic context is a positive one. Kenya, Tanzania and Uganda are relatively open economies and present a stable political atmosphere. Kenya and Tanzania are building significant improvement in their seaport infrastructure. Neighbouring Serengeti National Park in Tanzania and Masai Mara National Park in Kenya are top tourist attractions, and are located close to Rwanda's border. Congo and Burundi are currently importing a great amount of tomato sauce from Italy to satisfy their demand, a product which could be sourced from Rwanda.

Every year Rwanda's Private Sector Federation, in partnership with the Ministry of Trade and Industry, organizes the Expo Rwanda International Trade Fair, which exhibits industry, manufacturing, handcraft, agribusiness, financial services, ICT, education, tailoring, tapestry and retail sectors. The last fair hosted 500 exhibitors, of which 180 were foreign exhibitors, including those from Pakistan, Syria, India, Turkey, Ghana, Burkina Faso, Senegal, Congo, Egypt, Iran, Kenya, Uganda, Tanzania, Burundi and the USA. These clearly provide potential for investment.

Already the most densely-populated country in Africa, Rwanda's population is growing at a rate of 3 percent annually, despite the fact that huge numbers of Rwandans are dying from AIDS-related illnesses.

Rwanda today is a nation renascent, a country in an advanced stage of rehabilitation, and one looking to a brighter future. The high level of political stability and peace since 1995 has encouraged the repatriation of millions of refugees, while the main instigators of the genocide are being tried at the Arusha Tribunal in Tanzania and in the Gacaca courts in Rwanda. The victims of the genocide are laid to rest in mass graves whose frank austerity affirms the government's ability to confront the recent past openly, without extracting undue political mileage from its role in ending the genocide.

The stability of President Paul Kagame's government depends upon the return of order and security after the 1994 genocide, increasing economic success and repression. The population may not fully perceive the price it pays for this stability due to a lack of democratic experience. Rwanda is not and has never been a democracy. Poverty, unresolved ethno-social conflicts and ill-conditioned reconciliation are still the main ills that plague Rwandan society.

In terms of political stability, civil liberties and political rights, Rwanda has come a long way since the mid 1990s, and is now comparable to the average for sub-Saharan Africa. Political tensions and conflicts within the Great lakes region have receded in recent years. A peace process is under implementation but the disarmament and integration of rebel forces continue to be challenges in the region. The government is aware that its way of doing business is an important determinant of the business environment. The country's ranking on the ease of doing business index has been included in the monitoring and performance criteria for the EDPRS. The government has more than halved the number of procedures, now eight on average required to process land acquisition, export and import.

Rwanda still is a very poor country with a low level of human development. Massive population density and continued growth have led to serious scarcity of arable land for the vast majority of subsistence farmers. Structural factors – such as Rwanda's landlocked geographic position, infrastructure conditions and lack of considerable natural resources – also constrain economic development. However, the upper and urban echelons of the population welcomed the considerable international efforts mainly from Western states and international organizations that prevented the country from total state failure after the genocide and set it on a respectable economic pathway. Privatization of key economic sectors advanced further, however government supervision is strict on behalf of ambiguous interests.

The involvement of investment companies of Kagame's political party provokes doubts about a sufficient separation of the state and the private economy. The economic life of most of the population is informally structured and dominated by subsistence cultivation. The majority of the rural population has not benefited from economic progress.

Imports and Exports

As Rwanda is a developing economy, what it does "for a living" in broad terms is essentially agricultural-based production of two or three high-volume commodities. According to demand, most of its production is exported, and only a small amount is reserved for internal consumption. Rwanda is a land-locked nation, reliant on Tanzania's and Kenya's ports to export to those countries that are inaccessible by land. Tea and coffee are Rwanda's world-famous primary crops. Most of Rwanda's first-class tea goes to Pakistan, whilst Rwandan coffee has won the international "Best of the Best" competition, and supplies the global coffee company Starbucks.

American business interest in Rwanda, other than in tea and telecommunications, is weak, and the African Growth and Opportunity Act (AGOA) has yet to make a significant impact in Rwanda.

In 2010, Exports growth exceeded the increase in imports, narrowing the trade deficit marginally. The trade deficit is expected to narrow to around 16.0 percent from 17.1 percent of GDP in 2009. Export values reported a 33.2 percent increase benefiting from high prices at international market for key export crops, namely coffee and tea. Import volumes increased by 17.7 percent while the value rose by 8.8 percent. This

trend was mainly due to the increase in volume recorded by consumer and intermediary goods. The current account deficit is expected to deteriorate to around 8.3% of GDP in 2010. Going forward, the high trade deficit and low exports are challenges that Rwanda needs to overcome in order to achieve its objectives of becoming a lower middle-income economy by 2020.

The logical next step for Rwanda would appear to be acquiring manufacture exporter status and to give benefit to its production. Currently, there are three sizeable industries: Sorwaton, a tomato sauce factory, Cimerwa, a cement company, and Bralirwa, a beer and beverages producer belonging to the Heineken group. However, this is not enough for Rwanda's economy, and its balance of payments is lower in exports than in imports. One of the major factors creating this imbalance is the need for electricity importation along with fuels. There is an energy shortage, and over-consumption of Rwanda's wood fuel supply is a threat.

Ease of Doing Business

The 1994 Genocide devastated the Rwandan economy as well as its population. GDP was halved in a single year, 80% of the population was plunged into poverty and vast tracts of land and livestock were destroyed. The Genocide also exacerbated a number of development constraints which existed before 1994. Infrastructure was destroyed and the nation was robbed of a generation of trained professionals.

Since 1996, Rwanda has experienced steady economic recovery, thanks to government reforms and foreign aid (now over \$500 million per year). Since 2002, the GDP growth rate ranged from 3%-11% per annum, and inflation ranged between 2%-9%. Rwanda depends on significant foreign imports (over \$900 million per year). Exports have increased, up to \$193 million in 2009. Private investment remains below expectations despite an open trade policy, a favourable investment climate, cheap and abundant labour, tax incentives to businesses, stable internal security, and crime rates that are comparatively low.

Economic reform in Rwanda is actively underway. The government has resettled and reintegrated returning refugees, restored peace and security, and revived economic activity. It has set up institutions for national reconciliation with the aim of creating a sound and thriving business environment. Rwanda has undertaken impressive reforms to create a business-friendly environment for the private sector. It has the status of best reformer in the world and is one of the freer countries in economic terms. The hope is that these achievements will translate into increased economic activity in the private sector and attract investment from around the world.

According to the World Bank's reports and to the Rwanda Investment and Export Promotion Agency (RIEPA), there are several positive aspects to be highlighted regarding Rwanda's business environment and entrepreneurial possibilities. Rwanda is ranked 11th as the "fastest place to start a business", and it is 67th in the list of "top reforming countries in the world". Rwanda is a free market economy which encourages and facilitates international investment at all levels. For example, property registration is a guaranteed and simple task. There is now a single

combined application form for services, electricity and construction permissions; trade customs have extended their opening hours; and the time export loads took to reach the ports has been reduced to only five days.

Rwanda has four institutional frameworks that aim to safeguard external reliability in operations and to support local small and medium enterprises. The first is the Common Market for Eastern and South Africa (COMESA), an African economy community formed by 19 countries from Libya to Zimbabwe providing trade liberation, customs co-operation, monetary affairs solutions and elimination of tariff on imports and exports, and represents a much-appreciated asset to Rwanda's production.

The second framework is the Cross Border Initiative (CBI) a programme granted by the International Monetary Fund (IMF), with the support of other co-sponsors including the World Bank, the European Union and the African Development Bank. The initiative's agreement, signed by 14 countries, facilitates a "cross-border economic activity by eliminating barriers to the flow of goods, services, labour and capital, to help integrate markets". One of its most important points is to "establish a one-stop investment centre to process investment applications within 45-60 days, with automatic approval in the absence of valid objections". It is worth noting here that Rwanda has been through a transition from being an IMF borrower, to financial independence free of financial support from the IMF.

The third framework is the African Growth and Opportunity Act (AGOA), a United States Trade Act that opens US market entrance up to 41 sub-Saharan countries. Duty free access to US markets currently stands at 7000 product tariff lines, and the Act provides substantial information about Rwanda's trade profile, with information on all current imports and exports from and to the US. Finally, Rwanda has the Agribusiness Development Assistance to Rwanda (ADAR), a United States Agency for International Development (USAID)-funded project to expand economic opportunities in rural areas, improve agricultural goods and food security, provide access to financing, assist Rwandan entrepreneurs and develop marketing strategies.

Market Opportunities

The government of Rwanda will need to transform its economy by developing the secondary and tertiary sectors, as outlined in the vision 2020 development strategy. The transformation towards an industry and service based economy is the only way for Rwanda to create the vast number of jobs required by a very young population.

While national investment (private and public) will undoubtedly have to lead the process of transformation, Foreign Direct Investment (FDI) would contribute significant benefits. Foremost among those are the contribution and transfer of skills, expertise, entrepreneurship and capital. Therefore, the government should put in place a somewhat unconventional FDI strategy, geared towards the attraction of individual entrepreneurs and small-and medium scale companies across a wide range of sectors.

Recently, substantial private investments have been made in tourism and developing new industries such as cut flowers for export and fish farming. The full range of Rwanda's resources has yet to be realized. Commercial fishing in Lake Kivu is in its infancy, and there are vast opportunities in the emerging tourism industry.

The Government of Rwanda remains committed to a strong and enduring economic climate for the country. To this end the government focuses on poverty reduction, infrastructure development, privatization of government-owned assets, expansion of the export base, and liberalization of trade. The implementation of a value added tax of 18% and improved tax collections are having a positive impact on government revenues and thereby services rendered. Banking reform and low corruption also are favourable current trends. Agricultural reforms, improved farming methods, and increased use of fertilizers are improving crop yields and national food supply. Moreover, the government is pursuing educational and healthcare programs that bode well for the long-term quality of Rwanda's human resource skills base.

Many challenges remain for Rwanda. Rwanda is dependent on significant foreign aid. Exports continue to lag far behind imports and will continue to affect the current account. Inflation may become a problem should the government resort to over-printing currency for short-term gains. The persistent lack of economic diversification beyond the production of tea, coffee, and coltan keeps the country vulnerable to market fluctuations.

Rwanda's landlocked situation necessitates strong highway infrastructure maintenance, and good transport linkages to neighbouring countries, especially Uganda and Tanzania, are critical. Transportation costs remain high and, therefore, burden import and export costs. Rwanda has no railway system for port access in Tanzania, although the nearest railhead from Kigali is 380 kilometres away at Isaka, Tanzania.

The development of small manufacturing and service industries is needed, and the tourism industry has far greater potential given the current stability, travel infrastructure, and available animal parks as well as other potential tourist sites. In 2006, Rwanda completed the Multilateral Debt Relief Initiative and the Heavily Indebted Poor Country (HIPC) debt initiative, significantly lowering its foreign debt load.

Energy needs will stress natural resources in wood and gas, but hydroelectric power development is underway, albeit primarily in the planning stages. Rwanda does not have nuclear power or coal resources. Finally, Rwanda's fertility rate--averaging 5.43 births (2006 est.) per woman--will continue to stress services, and diseases such as AIDS/HIV transmission, malaria, and tuberculosis will have a major impact on human resources.

Rwanda's economy remained resilient over the five years to 2010, sustaining macroeconomic stability. It experienced a slightly delayed impact of the global economic crisis but is already showing signs of recovery. According to the IMF, real GDP ;Types--cement, agricultural products, beer production, soft drinks, soap, furniture, shoes, plastic goods, textiles, cigarettes, pharmaceuticals.

Services (2009): 43.7% growth fell to 4.1 percent in 2009 from 11.2 percent in 2008, but is expected to rebound to 6.5 percent in 2010. Growth in 2009 was mainly driven by agriculture, with a rate of 7.7 percent. The expected recovery in 2010 will be driven by a rebound in growth in services and construction in addition to continued growth in agriculture. The average growth rate of 2006-10 is estimated at 7.3 percent annually.

Macroeconomic Indicators

	2009	2010	2011	2012
Real GDP growth	4.1	7.4	6.5	7
CPI inflation	10.3	2.3	5.2	5.5
Budget balance % GDP	-2.2	-0.5	-3.5	-1.4
Current account % GDP	-8.4	-6.7	-9.1	-6.5

Source: National authorities' data; projections based on authors' calculations. Figures for 2010 are estimates; for 2011 and later are projections.

The country's Human Development Index improved, although half of the population is under the age of 15. More than 80% of the population lives on a subsistence economy, with a similar share of the population living in rural areas with a daily income below \$2. The disparity of incomes is already high, and is increasing and deepening the social gap between urban and rural citizens. Formal employment is growing, but still rare. Despite, and in some instances because of these issues, the Rwandan market holds considerable potential for business growth.

Entrepreneurs and Innovation

Akilah Institute for Women: Growing Female Entrepreneurs

The Akilah Institute was founded to train the next generation of female leaders and entrepreneurs in Rwanda. It currently offers two academic programs: the 1 year Foundation, and the 2 year Diploma in Hospitality Management.

The first Diploma in Hospitality Management provides students with the skills and experience to become leaders and entrepreneurs in the hospitality industry, the fastest growing sector of the Rwandan economy. In 2012, Akilah will launch a new Degree in Business Management & Entrepreneurship (BME). All students are required to take a Leadership and Ethics course every semester, as well as complete community service hours. They are paired with a Rwandan mentor who supports them throughout their education.

Akilah aims to graduate 1,780 young women by 2020, and some current students have already launched their own ventures. One student has used her income from her part-time job as an assistant chef to buy 2 motorcycles and start a small transportation company. Entrepreneurship is woven into every aspect of the

curriculum, and Akilah students are taught to identify the gaps in the Rwandan hospitality industry. All Diploma students will take a 3 month Entrepreneurship Capstone Course before they graduate. There is currently a Student Business Plan Competition and Student Loan Fund being developed, so that students in the first graduating class (August 2012) are supported to launch their own enterprises.

The Rwandan government has donated a 90 acre campus with an existing school facility on it, which is being renovated and will eventually cater to 1,000 students. Working with Architecture for Humanity, Akilah has designed an eco-friendly campus that uses solar energy, composting toilets, and rainwater harvesting. The Institute has received support from the Rwandan government and the private sector, acknowledging the curriculum's responsiveness to the needs of the private sector.

Extensive collaboration with local business leaders ensures graduates obtain meaningful employment. Currently, every Akilah Diploma student has a internship or part-time job in the hospitality industry, working in hotels, restaurants, and tourism companies. In August 2011, the President and Vice-President of Marriott Hotels visited the Akilah campus and expressed their commitment to hiring graduates when their Kigali property opens in 2013. Three students have campaigned for and been elected to local government office.

The organisation currently relies on student tuition, and donations from individuals and family foundations for the majority of the operating budget. Within the past 6 months, Akilah Tours and English to Go were launched, with anticipations that the two businesses will earn up to \$100,000 by September 2012. Other campus businesses, launching in 2012, aim to increase operational income.



Snapshot

Population

9.9 million

Urban **37%**

Youth **23%**

Growth **1.6%**

Capital

Mogadishu

1.6 million

Growth **4.1%**

GDP

GDP (PPP)

Total **\$5.896b**

Capita **\$600**

GDP (Nominal)

Total **\$ N/A**

Capita **\$ N/A**

Growth **2.6%**

Currency

Shilling

1US\$ = **1,629**

1Euro = **2,106**

Inflation % **N/A**

Somalia

Infrastructure

With the absence of an effective centralised government, private businesses have taken over much of the marketplace, including infrastructure, although there are limits to how much they can accomplish.

Private suppliers cannot build roads and collect fees to cover the costs, because transaction costs would be prohibitive, and fee-paying users are not the only ones who benefit from roads. Where municipal governments along the Berbera–Hargeisa road have the power to collect tolls, they do not spend them on maintenance.

Education and Skills Development

Over 70% of primary schools are privately owned (by parents or communities), but enrolment is just 17%. By contrast, enrolment rates are 82% in West Africa, where countries are richer, more stable, and the government is more involved in the economy.

The failings of the education system are partly because half of Somalis are nomads. Rather than try to create a government system from scratch, a better policy would be to improve the network of higher-quality private schools.

Communications and Information Systems

Many local companies have teamed up with international giants to provide mobile phones, and new landlines, to the point where Somalia now has 112,000 fixed lines and 50,000 mobile subscribers (up from 17,000 lines pre-1991).

Vigorous competition has pushed prices down, and interconnection standards are being agreed to that would ease service access between different providers. With price and access roadblocks removed, and the sector currently seriously underdeveloped, market opportunities could explode in a country with over 9 million people.

Taxation

Individual

0-19%

Corporate **35%**

VAT/GST **10%**

Industry

Employment

Govt **N/A**

Primary **76%**

Secondary **3%**

Tertiary **18%**

Unemployed

% N/A

GDP Earners

1 Agriculture

2 Services

3 Industry

Indexing

HDI **N/A**

GINI % **N/A**

EODB **N/A**

Logistics

GLP **1.34**

Enabling Trade

GET **N/A**

Competitive

GCI **N/A**

Governance

Indicator

(Avg) **1%**

Banking and Financial Services

Currency: Perfect Competition for Dollars

Sharp inflation in 1994–96 and 2000–01 destroyed confidence in three local currencies. U.S. dollars are harder to forge, do not need to be carried around in large fragile bundles, and, most important, retain their value. The feeble capabilities of the central bank have allowed free entry into the currency exchange business, which is as close to perfectly competitive as is ever likely to be possible.

International Fund Transfers: Hawala System

The Hawala system is a trust-based money transfer system, used in many Muslim countries, which moves up to US\$1 billion into Somalia every year. A person in New York wishing to send money to his family in Somalia gives the Hawala agent in New York the sum in cash, paying a 5% commission. The agent deposits the cash in a local bank account, to be transferred to the company bank account in Djibouti or Dubai, then alerts the clearinghouse in Hargeisa, which passes details on to the family. When the recipient shows up, the local agent quizzes him about his clan lineage, using questions provided by the relative overseas as security against fraud. The transaction is usually completed within 24 hours. Hawala networks are unregulated and do not always keep records of transactions, but they are coming under pressure from efforts to combat money laundering.

Savings Accounts and Traveller's Checks

Somalia has adopted rotating credit associations, which rely on clan links for enforcement and provide a safe haven for savings. More innovative is the system of traveller's checks for the pilgrimage to Mecca, or hajj. Nobody would accept Somali checks, so Somali firms set up accounts in Saudi banks, and write checks to pilgrims that can be cashed in any branch.

Economic and Business Analysis

Somalia is the quintessential failed state, having been without an effective central government since President Siad Barre was overthrown in 1991. Years of fighting between rival warlords, as well as contributing factors such as famine and disease, have lead to the deaths of over one million of its citizens.

A transitional government was set up in 2000 with the aim of reconciling warring militias, but it made little progress in uniting the country. In 2004 the main warlords and politicians signed a deal to set up a new parliament, which later appointed a president. The fledgling administration, the 14th attempt to establish a government in as many years, faced a formidable task in reconciling a country divided into fiefdoms.

Challenges to Overcome

- Peace has been established in some regions, but Somalia has only a limited government in the Northwest and no recognized government in the South.
- The government's military position has steadily weakened: in May 2009 Islamist insurgents attacked Mogadishu, prompting an appeal for help from abroad.
- Al-Shabab has consolidated its position as the most powerful insurgent group, openly declared its alliance with al-Qaeda, and steadily approached Mogadishu.
- Piracy has spread due to the long-standing absence of authority in the country. They are now a major threat to international shipping in the area.
- In 2011, the plight of the Somali people was exacerbated by the worst drought in six decades, which left millions of people on the verge of starvation and caused tens of thousands to flee to Kenya and Ethiopia in search of food.

Imports and Exports

It is difficult to gauge the precise nature and volume of goods, services, and currencies which cross the borders of a state with no centralised enforcement agency to monitor. The country produces little in the way of transparent, legitimate, legal exports, although there are no doubt high volume transactions occurring with alarming frequency across Somalia's porous borders.

What is known is that imports outnumber exports by at least two to three times, while the number would be even higher taking into account black market goods and illicit trade. Somalia's principal export is livestock, shipped to major partners in the Middle East, particularly UAE, Yemen, and Oman. The exchange is a significant contributor to the nation's GDP.

Ease of Doing Business

The achievements of the Somali private sector form a surprisingly long list. Where the private sector has failed – the list is long here too – there is a clear role for government intervention. Yet a more productive role for government would be to build on the strengths of the private sector. Given Somali reliance on clan and reputation, any measures allowing these mechanisms to function more broadly would be welcome – particularly in credit and land registries.

As Somali businesses rely heavily on institutions outside the economy, international and domestic policies supporting business connections would help to grow industry and resources. The capability of business sectors to cope under the most difficult conditions should give hope to the reconstruction effort, and guidance to the future of Somalia.

Market Opportunities

In extremely difficult conditions the private sector has demonstrated its much-vaunted capability to make do. To cope with the absence of the rule of law, private enterprises have been using foreign jurisdictions or institutions to help with some tasks, operating within networks of trust to strengthen property rights, and simplifying transactions until they require neither.

In these circumstances the private sector has been surprisingly innovative. Competition thrives in markets where transactions are simple, such as retail and construction. In more complex sectors, such as telecommunications and electricity supply, the private solutions are flawed but impressive: coverage has expanded since the 1980s, and prices are attractive compared with those in other African countries. Only when it comes to public goods or to private goods with strong spill over effects—roads, monetary stability, a legal system, primary education, a cross-border financial system—does the state seem to be sorely missed. But even here the private sector has developed creative approaches that partially substitute for effective government. As a result, Somalia boasts lower rates of extreme poverty and, in some cases, better infrastructure than richer countries in Africa.

Somalia's private sector experience suggests that it may be easier than is commonly thought for basic systems of finance, and some infrastructure services, to function where government is weak or absent.

Somali entrepreneurs have 3 methods to compensate for the lack of government:

1. 'Importing governance' by relying on foreign institutions – for airline safety, currency stability, and company law.
2. Using clans and other local networks to help with contract enforcement, payment, and transmission of funds.
3. Simplifying transactions until they can be processed without help from clan leaders or the international economy.

Electricity: Simple Solutions Yield Results

Entrepreneurs have found an ingenious way around Somalia's lack of electricity (with no functioning grid, payment systems, or metering). The cities have been divided into manageable sectors, and electricity is provided locally by using second-hand imported generators. Customers can choose from a range of choices, including day, night, or 24-hour premium service, and are charged per light bulb.

Water Access: Neither Cheap nor Safe

Public water is limited to urban areas, but an ad-hoc private system operates across the country, as entrepreneurs build cement catchments, drill private boreholes, or ship water from public systems in the cities. While destitute families have not had to pay for water, the slightly better-off borrow funds from relatives, as prices rise during drought. After several years of drought, the U.N estimates that many families have debts of US\$50–100 for water. In addition, the water quality accessed is lower than African standards, as neither regulators nor the markets have been able to persuade merchants to purify their water.

Private Courts: Quick But Limited

Somalia lacks contract law, company law, the concept of limited liability, and other key pillars of commercial law. A recent effort to create a functioning court collapsed when it tried to levy taxes, and take over the privately run port of El Ma'an. Some Somalis have used offshore registration of businesses to import legal concepts and services. More commonly, disputes settle at clan level, by traditional systems run by elders, which are free and fast by international standards. However, clan-based systems deal poorly with disputes outside the clan.

Entrepreneurs and Innovation

Entrepreneurs are thriving during Somalia's conflict and uncertainty. Many originally thought to fill the gap of missing services in the absence of a proper government, but things changed with the dynamics of the conflict, and the biggest customers today are the warring groups sustained by outside funds. One could ask what the situation might have been like should such services be unavailable to the conflicting groups, who might otherwise have difficulties in sustaining themselves.

- Telecommunication companies provide critical communication networks
- Remittance services channel funds to groups involved in the conflict
- food importers sell their commodities to all warring sides
- partners of foreign companies in off shore fishing groups
- NGO entrepreneurs, including contractors of WFP and UNDP, provide food aid which is co-opted by networks linked to warring groups
- the ubiquitous FM radios that indirectly promote the agendas of the warring groups by giving constant coverage

Such entrepreneurs are faced with the irony of being genuine businesses that benefit the population by providing goods and services that are essential to every individual, while at the same time giving major facilitation to warring groups that perpetuate the conflict. In the absence of regulatory authority which determines the terms and the conditions for the users of every service, unscrupulous entrepreneurs can take advantage of the situation for the sake of profits, while others strive to help the country and the economy in its critical time of need. In such circumstances responsibility lies with the individual.

The perceptions in peace time are not necessarily useful in the anarchic situations seen in Mogadishu, where changing the situation from escalation to mitigation requires a deep analysis and identification of obstacles or blockages to possible change of the conflict, that needs the removal of such blockages before a change is possible. In such circumstances such businesses might be the only option to sustain services to an already struggling community.

The business practices of entrepreneurs should be scrutinized to shed light on their motivations – nowhere more so than a conflict zone, but that is precisely the place where monitoring is virtually impossible. Criticizing conflict entrepreneurs is neither easy nor safe because of the difficult situation they are placed in, and for some the power and influence they possess.

To claim of neutrality in the conflict while serving the conflicting groups would be a mockery, irresponsible and morally compromising, and is tantamount to economic warlordism. Yet most businesses are successful examples of Somali entrepreneurship, which in some instances excel over their counterparts in the region and beyond. The focus now should be on providing essential services through grass-roots, informal, and often highly innovative businesses, that spring up out of necessity and ensure the greater population is sustained until the collapsed political and security systems are reinstated.



Snapshot

Population

42.75 million

Urban **26%**

Youth **19.5%**

Growth **2%**

Capital

Dar Es Salaam

3.36 million

Growth **4.7%**

GDP

GDP (PPP)

Total **\$57.400b**

Capita **\$1,416**

GDP (Nominal)

Total **\$22.318b**

Capita **\$550**

Growth **6.1%**

Currency

Shilling

1US\$ = **1,585**

1Euro = **2,050**

Inflation **11.1%**

Tanzania

Infrastructure

One of the main objectives of Tanzania's Development Vision 2025 is to attain faster economic growth in order to reduce and ultimately eradicate poverty. In order to achieve faster growth partner States must improve infrastructure and its services, hence increase trade volume especially external trade.

However, increase in external trade demands that exports must be competitive in the world market and their inputs from the productive sectors be obtained at lowest possible prices. Among the major contribution of the cost of inputs and consumer goods as well as the price of traded goods, is the cost of transport. The cost of transport in the region is high. The cost of Transport is four to five times as compared to the cost in developed countries.

For landlocked countries, the cost accounts for 30 - 40 per cent of the price of goods. Low levels of the intra-regional trade in the region are a result, of among other things poor transport and communications infrastructure. It is the desire of Tanzania to reduce transportation costs with the objective of achieving competitiveness, poverty alleviation, and development.

Development Corridors

Tanzania has four major development corridors to be developed for transit trade:

The Central Corridor, comprises the Dar es Salaam-Kigoma railway network (1,250 km), connecting to Rwanda and Burundi by road.

Dar es Salaam/TAZARA Corridor, incorporating the TAZARA railway line (1850 km) connecting to Zambia railways, while the corridor also links Tanzania with Malawi and Mozambique.

Mtwara Corridor, extending from Southern Tanzania to join the Dar es Salaam Corridor, while linking with numerous ports and trading centres.

Tanga Corridor, connecting ports in Northern Tanzania to Uganda through Lake Victoria, as well as Kenya by roads and rail.

Taxation

Individual

14-30%

Corporate **30%**

VAT/GST **18%**

Industry

Employment

Govt % **N/A**

Primary **74%**

Secondary **11%**

Tertiary **14%**

Unemployed

% **N/A**

GDP Earners

1 Services

2 Agriculture

3 Industry

Indexing

HDI **0.466 (H)**

GINI **38%**

EODB **127th**

Logistics

GLP **2.60**

Enabling Trade

GET **3.25**

Competitive

GCI **3.56**

Governance

Indicator

(Avg) **40%**

Banking and Financial Services

The Tanzanian shilling is the national currency, issued in 5,10,20,50,100 and 200 shillings coins. Other denominations in notes are 500, 1000, 5000 and 10000 shillings. The US Dollars, Euro, Pounds and Kenyan Shillings can be used in some parts of Tanzania.

The shilling exchange rate is freely determined in the inter-Bank foreign exchange market (IFEM). In Tanzania there are more than 23 licensed banks. There are also a number of licensed non-bank financial institutions offering banking related services. Banking and non-bank financial Institutions are free to set their own interest rate policy.

The main financial implements are treasury bills and bonds, and corporate bonds traded on the Dar es Salaam Stock Exchange. Tanzania is largely a cash economy. Direct cash settlement is the most popular way for individuals to conduct business.

For business-to-business transactions, most companies (both local and foreign) choose to make payments via check.

Companies prefer to make payment by check for the internal and external management and control of funds. Companies tend to prefer direct payment in cash for petty transactions.

For parties in different cities or regions, direct payments through commercial bank accounts in form of wire transfers and SWIFT are very common. Payments above Tsh 10 million (about USD \$6,700) cannot be made by check but should be made through electronic transfer.

For international trade transactions, documentary credits such as letters of credit (LOCs), documentary collections and drafts are widely used. Prepayment, cash with order and cash-in - advance advance, are the most desirable terms by the local sellers.

Economic and Business Analysis

Geographically Tanzania is located on the Eastern part of Africa, bordering the Indian Ocean between Kenya and Mozambique. The country also shares borders with and acts as the gateway to Uganda, Rwanda, Burundi, Democratic Republic of Congo (DRC), Zambia and Malawi. Tanzania occupies a total area of 945090 sq. km. 886040 sq. km makes up the land area with the remaining covered by water.

Imports

Tanzania imports a range of technical equipments, fuels, and electrical goods:

Machinery, electrical infrastructure and supplies, and electronic equipment combined account for over 20%; fuels, oils, and distillation products (12%); Iron and steel materials (4.2%); and vehicles (9.4%).

Major import partners are China (16%), India (9.6%), and South Africa (8.9%)

Exports

Pearls, precious stones, metals, coins, etc. (12.4%)
Fish, crustaceans, molluscs, and aquatic invertebrates (10.2%)
Coffee, tea, mate, and spices (8.4%)
Tobacco and manufactured tobacco substitutes (7.3%)
Ores, slag, and ash (7%)

Major exporters who also import significant quantities are India (8.3%), and China (6.8%). Japan accounts for 6.5% of exports, focused on consumable goods.

Ease of Doing Business

According to the doing business report for 2007 and 2008, Tanzania ranked 142 out of 175 countries on ease of doing business and rated among ten (10) best reformers and there is no African Countries ranking the top 25. South African stands at the 29th position. In December 2003, Business Environment Strengthening Tanzania (BEST) launched to improve the business environment for the private sector by improving administrative, legal and regulatory policies. The program seeks to achieve its objectives through five interlinked components namely; achieving better regulation, improving commercial dispute resolution, strengthening the Tanzania Investment centre, changing the culture government and empowering private sector advocacy.

The Government is seeking to make significantly reforms to private sector development for local and foreign direct investment through reforms on: Central and local taxation; Labour laws; Land planning allocation and development; Good governance issues; Regional relations with EAC, SADC and other economic groups, by removing physical and non-physical barriers to trade.

Business Legal Environment

Registering a company in the United Republic of Tanzania is the right of those who wish to associate and organise themselves into a company pursuant to the existing company laws (company's act 2002). The forms of business organization are Private companies, Non private Companies (Public Company), Foreign Company and Parastatal or state owned companies. All these companies should be registered by

Business Registration and Licensing Agency (BRELA) under the Ministry of Industries, Trade and Marketing. Any company incorporated in Tanzania is treated as a resident and any foreign Company incorporated in Tanzania is treated as resident if the management and control of the affairs of the entity is exercised in Tanzania.

Other forms of Businesses are Sole proprietor, partnership and joint venture which should be licensed by the Tanzania Revenue Authority. In Tanzania only the Finance Ministry and its agencies such as Tanzania Revenue Authority (TRA), has the authority to the issue tax and other exemptions. Ministry proposing contracts with such exemption do not have such authority unless the agreement is endorsed formally by the TRA. Income tax is levied on the profit of Tanzania resident companies and foreign companies trading through branch or agency. Any business with annual taxable turnover of more than Tsh 40 million must register for VAT. For imported goods, VAT is payable at the time of importation together with any customs and excise duties. However, under the fair competition Act 2003, a Fair Competition Commission was established to promote and protect consumers from unfair and misleading market conduct.

Labour Regulations in Tanzania

The Employment and Labour Relation Act of 2004 sets certain minimum employment standards and grants certain fundamental rights and protection from child labour (below the age of 14), forced labour; discrimination (on the basis of race, sex, colour, disability, age, pregnancy etc), freedom of association (including the right to form and join trade unions). Maximum working period is 6 days in a week, working hours (45 in a week, 12 in a day) Overtime hours (50 in a 4 week cycle) continuous working hours without a break 15 hours). Leave entitlement consists of 28 consecutive days including weekends and public holiday for every 12 months of consecutive.

Market Opportunities

Tanzania offers a wealth of market opportunities for both domestic and foreign markets; with her population of over 41.8 million consumers and growth rate of 2.04%. Her rapidly growing economy, and high levels of domestic investment spending with 20% urban offers a sizeable market that will remain an important target destination for local and foreign product and services. On top of that Tanzania is part of the two distinct market areas: East African Community (EAC) that comprises of five countries and Southern Africa Development Community (SADC) amounting to the sum of over 527 million consumers. Tanzania is a trading partner with some European Union (EU) countries, China, India, United Arab Emirates (UAE) and United States.

In Tanzania indigents make up the largest (99%) ethnic group on mainland. There are over 120 tribes each with its own idiolect but Kiswahili remains the national language and both English and Kiswahili being the official languages. For foreigners entering Tanzanian market local contracts, cultural appreciation and relationship building are important. Joint ventures and shared ownership are preferred by the

Tanzanian government, especially in acquiring land. Marketing can be done by the local agents or distributors or sometimes can easily be done by establishing joint ventures.

Advertisement and promotions can be done in various national and international media such as Media Advertising Company Limited, (The Express): <http://www.theexpress.com>, Daily and Sunday News: <http://www.dailynews.co.tz>, Business Times: <http://www.bcstimes.com/btimes/index.shtml>, The Guardian: <http://www.ippmedia.com>, The Citizen: <http://www.thecitizen.co.tz>, The East African: <http://ea.nationmedia.com>, Coastal Television Network (CTN), e-mail: ctn@cats-net.com, Dar es Salaam Television Network, e-mail: dtv@raha.com, Independent Television (ITV), e-mail: itv@ipp.co.tz web: www.itv.com, Tanzania Broadcasting Corporation (TBC) . Pervasive corruption and bureaucratic obstacle can be reduced by working with local lawyers and by insisting that contracts and offers be made in writings.

Entrepreneurs and Innovation

Tanzanian Pharmaceuticals

The Tanzania Pharmaceutical Industry (TPI), was formerly a state-owned enterprise that was privatised in 1997. At the time, it was running at a loss of \$1 million, due to government waste and mismanagement, but under private control quickly rebounded and last financial year declared \$250,000 in profit.

TPI produces and sells generic medicines for anti-malaria and AIDS-related diseases, benefiting from flexibilities in WTO property rights TRIPS agreements that permit at-risk countries to use unpatented medicines.

Malaria and HIV/AIDS make up over 75% of medical needs in Tanzania, with over 1 million people currently living with HIV, and 350,000 who are in urgent need of AIDS treatment. Anti-malarial drugs represent 30-40% of national pharmaceutical needs.

The government supports local pharmaceutical industries by giving exclusive tenders for all locally made items, while abolishing import duties on essential inputs. Heavy investments have been made, with over \$10 million invested already and more required if it is to meet the country's total demand of \$165. There is a huge potential market for expansion of pharmaceutical products across Africa, with many regional partners and neighbours heavily affected by AIDS and malaria crises.

The company's CEO is positive about the future for pharmaceuticals in Tanzania:

"The local production of pharmaceuticals, especially in least developed countries (LDCs), is viable and feasible. It depends on a workable public private partnership, technical expertise, market size and cost structure. But there are technical and human resources gaps in poor resource-based settings like Tanzania, which need to be filled by technology transfers."



Uganda

Infrastructure

Education and Skills Development

Snapshot

Project DISC (Developing Innovations in School Cultivation)

Population

34.6 million

Urban **13%**

Youth **23%**

Growth **3.6%**

In Mukono District, just outside Kampala, Edward Mukiibi and Roger Sserunjogi developed the DISC Project – Developing Innovations in School Cultivation. Edward and Roger, both in their early 20's, started the project in 2006 as a way to improve nutrition, environmental awareness, and food traditions and culture in Mukono by establishing school gardens at 15 preschool, day care, and boarding schools.

Capital

Kampala

1.2 million

Growth **4.8%**

The project began at Sunrise School, a preschool for 3 to 6 year-olds, where Roger is a teacher and administrator. They taught the children about food issues including growing, preparing, and nutrition, in an effort to cultivate the next generation of farmers and consumers who can preserve Uganda's traditions. In addition to teaching children about growing indigenous vegetables and fruit trees, DISC put a big emphasis on food preparation and processing.

GDP

GDP (PPP)

Total **\$42.194b**

Capita **\$1,226**

Cultivating a Passion for Agriculture

By focusing on school gardens, the project aims to feed the children's minds and bodies, by revitalizing an interest in – and increased cultivation of – indigenous African vegetables. The schools rely on what is naturally locally available, without using hybrid seeds. Students and teachers are taught how to save seeds from varieties of amaranth, sumiwiki, maize, African eggplant, and other local crops to grow in school gardens. They are taught how to dry and store seeds for the next season, and are even participating in developing a seed bank.

GDP (Nominal)

Total **\$17.703b**

Capita **\$514**

Growth **6.4%**

Currency

Shilling

1US\$ = **2,390**

1Euro = **3,090**

Improving nutrition is especially important for boarding school students, who eat all of their meals at school. At day and boarding schools, students work with school chefs, giving them the opportunity to understand food production – from farm to table. DISC project schools get local fruits with their breakfast, and can harvest their own desert at lunchtime. DISC planned the "Year of Fruits" for the 2012 school year, where each school will plant its own fruit trees on campus.

Inflation **13.7%**

Taxation

Individual

10-30%

Corporate **30%**

VAT/GST **18%**

Industry

Employment

Govt % **N/A**

Primary **79%**

Secondary **6%**

Tertiary **14%**

Unemployed

14.6%

GDP Earners

1 Services

2 Industry

3 Agriculture

Indexing

HDI **0.422 (L)**

GINI **41%**

EODB **123rd**

Logistics

GLP **2.82**

Enabling Trade

GET **3.19**

Competitive

GCI **3.56**

Governance

Indicator

(Avg) **33%**

Banking and Financial Services

Tensions have risen between commercial banks and traders, with traders under their umbrella organisation KACITA closing their shops in demonstrations against high interest rates on old loans. Most shops on most streets in the capital city, Kampala, took part, complaining that high interest rates are making it hard for them to service their loan(s) and are pushing them out of business.

Commercial banks have dismissed the allegations as untrue, denying that traders are withdrawing their savings after the banks failed to reduce interest rates on old loans. A number of banks, including Standard Chartered Bank, Crane Bank and Stanbic Bank, have stated it is impossible to reduce interest rates without a reduction in the central bank rate.

There has been more positive news for MSMEs, particularly in Uganda's credit bureau, founded in 2009. The bureau covers more than 200,000 people countrywide, and along with the increasing distribution of ATMs, has been a factor in improving access to finance for MSMEs.

Economic and Business Analysis

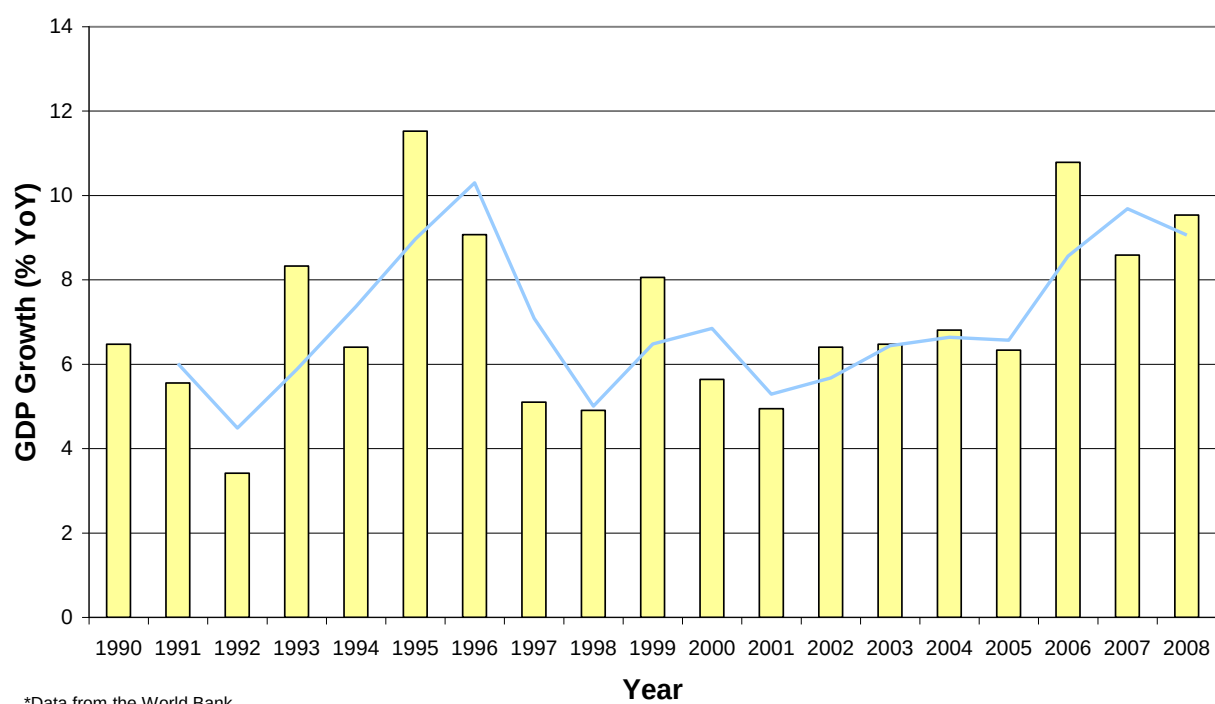
On the back of Museveni's fourth term win in February 2011, economic continuity is being extended to MSMEs in Uganda. Access to credit and international trade show signs of improving; however there are still problems in infrastructure and prohibitive business registration costs. Despite the areas where improvement is slow, diversification of the economy and structural changes are giving signs of hope for many small businesses.

In February, longstanding Ugandan president Yoweri Museveni secured his fourth term in office, even as the small business sector is sending mixed signals of growth. The elections were marred by allegations of fraudulent behaviour such as the intimidating deployment of troops to polling booths and vote-rigging.

Kizza Besigye from Forum for Democratic Change (FDC), who received 28% of the vote to Museveni's 68%, citing reports of ballot stuffing and pre-ticked ballot papers. These claims of anti-democratic behaviour were supported by the government's heavy handed threats against protests emulating those of North Africa, or Tunisia's so called 'Jasmine revolution'.

Despite the contention, the result grants continuity to investors in Uganda, and to economic policy, which has shown recent progress under the leadership of Museveni's National Resistance Movement (NRM) party.

This economic optimism is shown by private investment in Uganda, which increased from 12.2% of GDP to 20.6% in the six years to 2007. This will certainly be a boon for the mostly unregistered Micro, Small and Medium Enterprise (MSME) sector, which some estimate as contributing up to 20% of GDP and providing employment for 2.5 million Ugandans. The sector was also helped in 2010 when, in a move emulating China, the Ugandan government released the first in a thirty year series of National Development Plans (NDPs). The NDP outlines medium term strategic direction, development priorities and the policies that are to be implemented to achieve them, including many targeting the MSME sector.

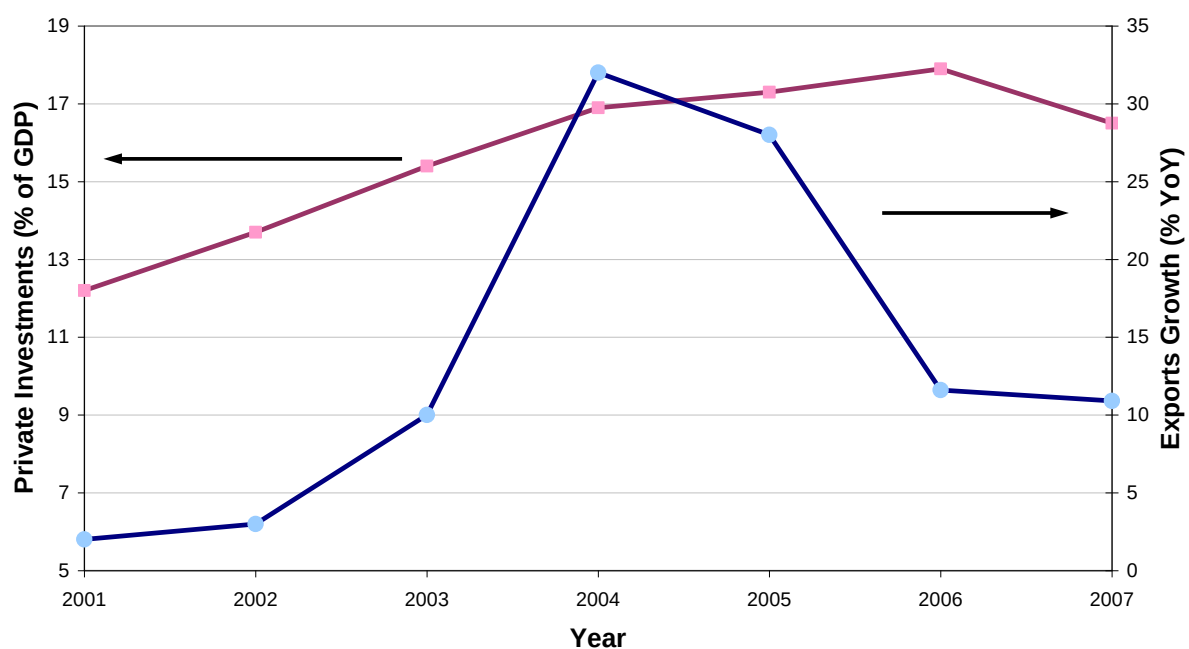


Gender equality has been addressed in a targeted national export strategy for enhancing competitiveness after it was recognised by the government and the World Bank that female owned businesses in Uganda pay higher bribes and were harassed more than their male counterparts were. Another improvement has been access to grid electricity, which is rising past 9% of the population due to several projects. The now-defunct Ugandan Electricity Board, after being privatised in 2001, spawned separate generation, transmission and distribution companies under the auspices of a central regulatory body, which is helping to smooth the transition to a modern business environment. Recently, the utility began subcontracting construction work to qualified firms, reducing connection times to businesses and homes. Other improvements to energy infrastructure like hydroelectric projects are also in the midst of planning, with the aim being to tap the 2000 MW of generation available along the Nile River alone.

All these measures have lent hope to the economic climate in Uganda. However, structural changes are likely to undermine some of this growth within the next decade. This is illustrated by Uganda's industry sector, which has been growing at the expense of agriculture since 2004. Additionally, the services sector's fractional contribution to GDP has largely lain dormant, indicating that manufacturing and construction are experiencing historically high growth rates. Despite this, there are signs that agricultural productivity is slipping, raising concerns about food security, especially considering that world food prices have recently hit an all time high.

Imports and Exports

Another structural factor weighing on MSMEs is the widening of Uganda's trade deficit due to increased imports from neighbouring African countries such as Kenya, along with Asian and Middle East economies. This may be countered however by a refocusing of exports away from the traditional markets of Africa and the European Union and towards the Middle East. Recently the share of Middle East exports has drastically increased, with the region accounting for 14% of all exports in 2007.



*Data from the Ministry of Finance, Planning and Economic Development

Ease of Doing Business

The main prohibitive constraints to economic development in Uganda are weak public sector management and administration, inadequate financing, lack of human resources and innovation, and finally, a lack of physical infrastructure in the country. This view was backed by the Ministry of Finance, Planning and Economic Development (MOFPED), which cited poor credit, lack of basic infrastructure such as electricity, telecommunications and transport, and expensive registration and administrative costs as the most serious problems facing Uganda MSMEs.

The World Economic Forum agreed, adding corruption to the mix. However, the facts are that despite these claims, the World Bank, in its annual 'Doing Business' report for 2011, ranks Uganda 12th overall in the group of 46 Sub-Saharan nations. This included rankings for ease of access to credit of 6th in the Sub-Saharan group, and 46th in the world, and high ratings for closing businesses and taxation. There is also evidence that international business will become easier, with increases in border crossing and trade facilitation at Rwandan borders and the ongoing development of an East African interface for trade data systems with Kenya and Tanzania.

Electricity costs are still exorbitant for MSMEs, with access to electricity costing up to 5000% of 'per capita' GDP. These excessive charges are reflected in business registration costs, which cause approximately 60% of Ugandan MSMEs to remain unregistered. It currently costs up to USD\$280 to register a company for business and obtain a trading license in Uganda, with the trade license fee being increased further in 2010. Additionally, 18 separate processes are necessary for a business to register, with the entire process taking around a month. This has led the MOFPED to campaign for the creation of a MSME authority to better facilitate organisation and growth of this important Ugandan business sector, as well as institutionalising public-private partnerships to foster professional business practices. The body would be responsible for streamlining the registry process and removing cumbersome procedures like assessing taxation requirements; currently a necessity for small businesses. Streamlining the process also reduces the likelihood of corruption by removing unofficial interference in the registry process.

Market Opportunities

Uganda possesses an educated workforce, and carries significant potential to go into value-addition, particularly in manufacturing, services, and information and communication technologies. Tourism opportunities are also prevalent, with a growing need for hotels and lodges catering to upmarket consumers.

Mineral resources are still underdeveloped, while there are bids for an oil refinery in the country. Uganda has high deposits of gold, and a gold refinery for local processing from Russian investment. The government is looking to replicate this model of foreign investment and value addition to all key exports.

Along with a switch in export direction, the government is also appealing for a diversification in export goods. Products sent abroad are still mainly primary commodities, however Ugandan farmers are increasingly failing to meet agricultural quality requirements and produce marketing is poor. In this vein, the National Planning Authority, the body responsible for the NDP, concedes that improvements in agricultural productivity are necessary to release labour from agriculture into the wider economy and the innovative MSME sector. Unfortunately, this problem could be solved within the next decade by population growth, with an overcrowded labour market getting worse due to high population growth and the low median age of Ugandans. This is presenting unique difficulties in skills growth and education for the government.

Diversification of the economy is also likely to become significant over the short term, owing to mining and manufacturing expansion. Mining projects are exemplified by the imminent production of oil, the development of a vermiculite industry and growth of the Tororo phosphate industry. To date these plans have been held up by a lack of infrastructure, taxation disputes and the peculiar waxy nature of Ugandan crude. However, the future is bright with Uganda predicted to join the top 50 oil producers worldwide, and the top 10 in Africa, by 2015, providing a windfall to Uganda's growing service sector.

Likewise, there has been recent development of the manufacturing sector, with the construction of four Jua Kali initiative manufacturing centres and the establishment of a Uganda-China regional trade development centre in partnership with the Chinese Embassy. Support has been garnered by the Uganda Export Promotion Board for these schemes, which has been tasked with growing a market-led export economy in the country. The board is aiming to encourage manufacturing exports through a wide range of incentives such as foreign exchange liberalisation and tax exemptions for exporters. This is certain to be a bonus to the emerging MSME quarter, although benefits are likely to be in the longer term.

On this note, it should be mentioned that Uganda still has a long way to go in emulating China's National Development Plans. The first five year plan was released in 1953, with it having gone through 11 iterations since, and it is likely that for Uganda to experience similar economic success it may take a comparable period. This is sure to make 2011 a demanding year for the Ugandan MSME sector, though with reform and a concerted effort by government, much progress can be and is expected to be made.

Entrepreneurs and Innovation

New Farming Techniques Help Struggling Rural Growers

Katine is one of the poorest villages in the district of Soroti, in north eastern Uganda. For the 25,000 people living in Katine, their livelihood depends on cultivating cassava, ground nuts, millet, and sweet potatoes. Many farmers are not growing enough crops to sell and can't afford to spend money on education or medication.

In 2007, The African Medical and Research Foundation (AMREF) collaborated with the Guardian newspaper and Barclays Bank to establish a four year project to improve the livelihood of Katine villagers. At the project's outset, malaria was responsible for almost 25% of village deaths, with over 50% of children under five contracting the disease. Most villagers lacked enough money for health services or malaria medication, malnutrition and stunted growth were common, and many villagers ate just one meal a day in a diet lacking protein. Food insecurity had an impact on education, as many students left school to work on their family farm or care for siblings, and the dropout rate hovered around 20%.

AMREF worked with farmers to increase their incomes, and deal with the root causes of their economic and health insecurities: sporadic rainfall, poor soil fertility, lack of crop diversity, and restricted access to markets.

To increase farm productivity, farming schools were set up to train villagers to improve soil fertility, conserve water, and control pests. Techniques that farmers learned included integrated pest management and digging water channels to capture water for agricultural use. Farmers also learned how to grow diverse crops together to increase crop yield, in a technique known as intercropping. Farmers planted legumes with rice, helping increase soil fertility by enriching it with nitrogen.

Farmers also established a co-operative combining 66 rural innovation groups into the Katine Joint Farmers Association (KAJOFA). The cooperation worked with government agencies, including the National Agriculture Advisory Service, to help grow new crops varieties, including drought resistant cassava, which helped the village survive when famine hit the region in 2009.

KAJOFA established a produce store that connects Uganda to Sudan, increasing market opportunity. Farmers also gained support from village saving and loans groups that help villagers save their money. Through these groups, farmers were able to purchase agricultural inputs including machines and fertilizers, while a drug store was set up to supply cattle herders with medication for their cattle. Agriculture has been integrated into the school curriculum – 6,000 trees and citrus seedlings were provided to schools for them to teach students about growing fruit. The fruit from the trees also provides students with nutrition during the school day.



Snapshot

Population

13.9 million

Urban **36%**

Youth **22%**

Growth **3%**

Capital

Lusaka

1.4 million

Growth **3.2%**

GDP

GDP (PPP)

Total **\$18.454b**

Capita **\$1,541**

GDP (Nominal)

Total **\$13.000b**

Capita **\$1,086**

Growth **6.7%**

Currency

Kwacha

1US\$ = **5,125**

1Euro = **6,628**

Inflation **8.4%**

Zambia

Infrastructure

Infrastructure improvements account for barely half a percent of Zambia's annual growth over the past decade. The power sector, in particular, is in a state of negative growth, with the need for major investments to reverse the trend.

The country's high generation capacity and consumption are centred on the mining industry, while household utilities lagging behind comparative resource-rich countries. Zambia's power tariffs are among the lowest in Africa, yet they are at 40% of the level needed to sustain or accelerate provisions to keep pace with mining demands.

Other sectors of infrastructure perform just as poorly, with rural Zambians particularly at risk, despite the fact that 70% of the country's population depends on agriculture for its livelihood, while the shortage of services represents a huge drag on the economy.

It is estimated that Zambia would need to spend an average of \$1.5 billion every year, until 2015 or beyond, to develop infrastructure competitive with the rest of the developing world. Unfortunately, this would be equivalent to 20% of national GDP, more than double the country's current investment rate, and a unsustainable proposition.

To close the country's funding gap will therefore require alternate solutions, focusing on more cost-effective ways to meet targets, and eliminating systemic inefficiencies that drain over \$300 million annually.

Education and Skills Development

Zambia's education enrolment rates are strong for the region, yet still need improvement. Primary education is at 95% and approaching 100%, while secondary is close to 50% and climbing steadily.

The structure of the system is stronger than regional competitors, with tertiary education rates at least 10% higher by comparison. Rural shortages in teachers, equipment, and resources remain however, leading to knowledge gaps and disadvantages between rural and urban students.

Taxation

Individual

25-35%

Corporate **35%**

VAT/GST **16%**

Industry

Employment

Govt % **N/A**

Primary **81%**

Secondary **6%**

Tertiary **13%**

Unemployed

14%

GDP Earners

1 Services

2 Industry

3 Agriculture

Indexing

HDI **0.430 (L)**

GINI **43%**

EODB **84th**

Logistics

GLP **2.28**

Enabling Trade

GET **3.14**

Competitive

GCI **3.67**

Governance

Indicator

(Avg) **41%**

In some urban areas, government schools are absent and private institutions remain out of reach for lower-income families, leading to a range of innovative community-run schools taking to filling in as best they can, in stop-gap measures designed to provide at least rudimentary educations to youths who would otherwise receive none.

Communications and Information Systems

Zambia has experienced significant growth in information and communication services over recent years, with markets, products, and services developing in conjunction with increasingly competitive private enterprises.

AIRTEL Zambia has commissioned 130 sites under the 'Universal Access Network Rollout Project', a program supported by the government aimed at expanding communication across the country, especially in rural areas.

The expansions rural focus is geared towards developing ICT use and linkages in rural communities, who may then gain access to tools for market engagement. The information factor is the key, according to government sources, who see the program as an opportunity to link rural areas to the wider national and global community, enhancing their knowledge and resource options in a range of areas, including health, education, technology, and agricultural methodologies.

Banking and Financial Services

The Zambian financial sector was not as adversely affected by the global financial crisis as other nations, mainly due to its limited integration into international markets.

The stability is also attributable to strong Central Bank interaction with domestic financial service providers, ensuring that there is strict adherence to its supervisory guidelines and regulations governing conduct and activities.

The bank is engaging in a range of market reforms:

The Financial Sector Development Program (FSDP), to improve access to credit and reduce the high cost of borrowing; while monitoring conditions of credit access and loan policies as well as financial inclusion.

The Rural Finance Program, to promote and integrate expansion of access to financial services in rural areas.

The introduction of a treasury single account, to improve budget execution and management of public finances.

Inflation has fallen in recent years, although it remains vulnerable to external shocks it is expected to continue its decline. Key risks to these projections would include a poor agricultural season, and/or rising fuel prices because of higher international oil prices.

Economic and Business Analysis

Zambia's economy is growing strongly, with real GDP growth averaging 6% per year over the last decade. Privatization of government-owned copper mines in the 1990s opened the market to competition, while relieving the government from covering mammoth losses generated by the industry.

Under private ownership, outputs have greatly increased, along with profitability, spurring economic growth and boosting export totals. Rising international copper prices coupled with additional foreign investment have given the industry a second honeymoon period, which private firms are capitalising on before the bubble bursts.

Poverty remains a significant problem across the country, despite its strong economy, as growth is spread unevenly and is largely driven by primary commodity exports which add little value to the local economy and community productivity or employment.

Zambia's dependency on export goods, principally copper, makes it vulnerable to downward fluctuations in commodity prices, although current record high copper prices have given the industry some buffer room.

Agriculture is improving in strengths after the droughts and flooding of the last decade, with a bumper maize crop in 2010 helping to speed up Zambia's rebound from the global financial crisis.

In order for the government to address its significant social issues, primarily poverty, it will need to focus on dealing with the core issues sustaining poverty growth: A high birth rate, relatively high HIV/AIDS burden, and market distorting agricultural policies.

The government most easily rectifies this last as it is government created, and by dealing with it effectively the nation may at last rise to compete on equal terms agriculturally with neighbours, forcing innovation and change in procedures for farmers now the situation is no longer buffered and blurred by policy distortions.

Imports

Machinery and technical equipment, including nuclear resources, account for just over 15% of total imports, as do fuels, oils, and other distillation products. Vehicles are also prominent at 10%, equal with electronics and electrical equipment.

The overwhelming majority of imports come from Zambia's southern neighbour, South Africa, which has grown to encompass more than 50% of import totals. Key international partners are United Arab Emirates at 8%, and China at 6.8% and climbing steadily.

Exports

Copper and associated copper products are an export mainstay, with a clear majority of foreign earnings coming from them (almost 65%). Industrial products such as ores, slag, and ash account for 15%, with smaller incomes coming from exports in other base metals, tobacco and manufactured linkages, sugars and sugar-based confectionery, and small volumes of other agricultural goods.

South Africa, the leader by a wide margin for imports into Zambia, demonstrates an uneven street, and accounts for less than 10% of Zambia's total. Remarkably, China imports more from Zambia than it exports back (almost double at 15%), a trend primarily driven by strong demands for copper. Democratic Republic of Congo is another major partner, drawing equal to South Africa in export demand.

Ease of Doing Business

The World Bank has named Zambia as being among the 10 most improved economies in the world ranking of ease of doing business. Every year the Bank recognizes 10 economies that improved the most in the ease of doing business, by introducing policy reforms in at least 3 regulatory areas. Zambia shared space on the list with two other Sub-Saharan nations, Cape Verde and Rwanda, while it was also ranked among the best 5 performers in Southern Africa.

The Zambian government is hoping to continue this trend, by aggressively addressing the issue of reducing the cost of doing business in-country by improving infrastructure such as roads, telecommunications, energy and water.

Operating through the central bank, the government has created a favourable macroeconomic environment leading to a downward trend in the cost of borrowing, improved access to long term finance, and lower interest rates. Licensing procedures are also being streamlined, by ensuring only necessary licenses are issued at a reasonable cost and with minimum bureaucracy. Time-wasting procedures and policies are being eliminated, and legal requirements have been reduced to an absolute minimum, in order to make Zambia's business environment more competitive and appealing to international investors.

Entrepreneurs and Innovation

Destiny Community School: Socially Sustainable Education

Destiny was established with the objective of providing basic education to the most disadvantaged children in the community. The school started with 30 vulnerable children (many orphans), and two untrained volunteer teachers in an old abandoned city council beer tavern.

A board of trustees was formed together with the community and teachers committee, and Destiny was registered with the Ministry of Education. It now has over 600 children with a new classroom block, and grades running from infants to Grade 9, with the infants and seniors (Grade's 8/9) paying to make the school sustainable.

Another school has since been opened with over 300 children, and the total workforce has grown from 2 volunteers to 30 full time paid staff. 300 vulnerable children are provided with school uniforms and other school requisites, as they cannot enter the public education system due to an inability to afford the most basic resource requirements. Destiny school has removed this barrier, and is currently working to continue classes to Grade 12.

Destiny has, under difficult circumstances, produced high passing marks, and in the last national examination, students performed better than many public and private schools. The school has also developed business ventures to assist in fund raising, producing clothes, uniforms, jerseys, and more, while training community women (many widows) in basic tailoring and design skills.

The course is for six months, upon which they graduate and run small tailoring businesses. Over 30 women have been trained, and are now economically independent. Some graduates work in the garment industry, including students at the school, who are in addition to studies given tailoring skills. Computer skills are also being developed, although the school faces challenges sourcing computers.

Operational and administrative costs are kept low, with the community supporting the school by participation in management and community meetings, as well as special gatherings where the school conducts public health talks.

Southern Africa

Regional Economic Analysis





Botswana

Infrastructure

Education and Skills Development

Snapshot

Population

2 million

Urban **61%**

Youth **34%**

Growth **1.65%**

Capital

Gaborone

225,000

Growth **2.3%**

GDP

GDP (PPP)

Total **\$28.491b**

Capita **\$16,279**

GDP (Nominal)

Total **\$14.030b**

Capita **\$8,844**

Growth **8.6%**

Currency

Pula

1US\$ = **7.29**

1Euro = **10.05**

Inflation **9.2%**

The country has achieved its 10-year goal of ensuring child access to the first ten years of basic education, and is now focused on universal access through to tertiary by 2016. Educating disadvantaged communities is a priority, such as Remote Area Dwellers (RADS) like the Kalahari Bushmen, rural destitute, and pregnant girls who drop out of school. Education for these special groups was historically the domain of NGOs.

In 1995, the country adopted a curriculum for schools that is skill-based and non-prescriptive, meaning that teachers receive standard materials, which they can then adapt to local contexts to incorporate the knowledge and experiences of their students.

The new emphasis on functional literacy and numeracy skills assists learners to apply them in profitable ventures. Botswana created the National Literacy Programme, with initiatives including the Literacy at the Workplace Project, Income Generating Projects, the Village Reading Rooms, and English as a Second Language, as well as radio broadcasts of programmes to publicise and support literacy activities, offer agricultural education, and support agricultural events.

Major challenges remain, particularly the need for improved access to secondary school (currently at only 52%), and financing the expansion of existing education facilities, and the construction new institutions, to cater for the ever-rising number of students, with special emphasis on reaching the most vulnerable children and adults a priority.

Tirelo Sechaba

Tirelo Sechaba is a scheme by which graduates of senior secondary schools learn about national problems and life in rural areas, exposing students to challenging situations requiring self-reliance, and encouraging initiative development while generating a greater understanding of the development needs of the country. In particular, it provides links to regional communities, while developing practical skills and experiences. A certificate of completion is required before students can enter tertiary institutions.

Taxation

Individual

25%

Corporate **25%**

VAT/GST **10%**

Industry

Employment

Govt **8%**

Primary **29.9%**

Secondary **15%**

Tertiary **28%**

Unemployed

17.6%

GDP Earners

1 Diamonds

2 Services

3 Construction

Indexing

HDI **0.633 (M)**

GINI **58%**

EODB **54th**

Logistics

GLP **2.32**

Enabling Trade

GET **4.21**

Competitive

GCI **4.05**

Governance

Indicator

(Avg) **73%**

Communications and Information Systems

Regulatory reform has turned the country into one of the most liberalised telecommunications markets in the region, with over 140% mobile market penetration, and among the highest user average revenue's on the continent.

Fixed line penetration is high for the continent, but relatively low internationally at 7%, and is being outstripped by rapid internet growth which is currently over 10%. The country's access to international bandwidth is improving because of national and regional fibre backbone networks, as well as new submarine fibre optic cables off the coast.

Three core mobile operators – Mascom Wireless, Orange Botswana, and BeMobile – are developing the infant broadband sector, with different strategies including 3G mobile, WiMAX, and bundled ADSL services. In a bid to generate new revenue streams and secure market share.

Banking and Financial Services

Botswana has a small but lively financial sector, which has experienced significant growth as a result of its wealth of national resources and high liquidity. Commercial Banks are the country's key financial institutions, and the backbone of the financial sector, which remains sound post-financial crisis.

The Botswana Stock Exchange (BSE) has been growing in recent years, and the insurance sector is well developed, with 14 insurance companies operating with total assets equivalent to 16% of GDP, and premiums amounting to 3.4% of GDP. The assets of pension and insurance companies combined account for almost 50% of GDP. The pension fund system is relatively large: 115 pensions funds operate in Botswana, with total assets amounting to 60 percent of GDP.

The Mobile Banking Boom

Botswana is second only to South Africa in mobile banking growth, recording the highest number of Cellphone Banking users, with 65% of FNB customers in the country using the service, and a year on year growth of 277%. eWallet launched in 2010 and to date has recorded over 89,000 transactions amounting to \$4.6 million within the country's borders.

The success of eWallet in Botswana has resulted in plans to roll out the solution in other African subsidiaries in the near future.

Economic and Business Analysis

Botswana, being a landlocked country, is central to both Southern Africa and Africa as a whole, playing an important role as a corridor in linking up north and south of the region/continent by roads and rail. Botswana has been amongst the world's fastest growing economies for the last forty years, maintaining a high economic growth rate since independence in 1966, and going from a GDP of just \$70 to a GDP per capita of \$14,800 in 2010. Real GDP growth averaged over 5% between 2002 and 2008. However, Botswana experienced its worst recession in over 40 years in 2009, as real GDP contracted by 3.7% in the wake of the global financial crisis. Growth fell below 5% in 2008, and dived into the negative in 2009, with industry dropping 30%, in a fall driven primarily by the collapse of world demand for diamonds, and Botswana's heavy reliance on diamond mining.

Several years of prudent fiscal and monetary economic policies helped cushion the impacts of the crisis, with the non-mining sector actually experiencing growth in 2009 of 6.2%. The economy rebounded in 2010 with real GDP growth at 8.4% in 2010, and projected to remain above 6% over coming years.

Diamond-led growth and good governance have moved Botswana from one of the poorest countries in the world, to the upper-middle-income range, with one of the highest sovereign debt ratings in Africa. Although non-mineral growth has picked up in recent years, income from diamonds is still the largest contributor to government revenue – providing 40% of gross domestic product, followed by services (48.8%), construction (7%), manufacturing (3.4%) and agriculture (1.8%) – and the sector continues to account for a significant share of total exports.

The economy is likely to experience some realignment in the next few years, with reduced government spending likely to lead to slower growth in the non-mining sector as recovery of the diamond sector accelerates. While authorities have actively pursued reforms to facilitate private sector growth and investment, many domestic micro, small and medium enterprises still face difficulties accessing working capital.

Imports

Machinery and electrical equipment topped the list of imports, reaching a record \$1.2 billion, and 25% of the country's total imports, a total significantly higher than previous years. The surging demand was a result of major government infrastructure projects in mining, energy, and water across the country. Projects include the Morupule B power station, construction of four dams, bitumen and trunk roads projects, and airport infrastructure at Maun, Sir Seretse Khama, and Francistown. The private sector has also contributed to strong equipment imports, particularly for the Cut 8 project at Jwaneng Mine, where a 'SuperPit' is being created to access 102 million more carats and extending the mine's lifespan to 2025.

Other major imports are food beverages, fuel, tobacco, chemical and rubber products, and vehicles. Southern neighbour South Africa is Botswana's major import partner, accounting for 75% of all imports, with other neighbours Namibia and Zimbabwe, and international partners China and Israel, constituting the rest.

Exports

Botswana possesses the world's largest and richest diamond mine, and mining currently accounts for over 30% of GDP, 70% of export earnings, and 50% of government revenue. The European Free Trade Association accounts for 87% of exports.

Botswana's exports mostly diamonds (more than 60% of total exports), copper and nickel, beef and textiles. Botswana's main exports partners are United Kingdom (56% of total exports), South Africa, Israel and Belgium.

Ease of Doing Business

Botswana is 22nd in global rankings on taxation, and 54th overall. It has no labour taxes, few added taxes, and less than 20% of total profit spent on tax. Its shortcomings are excessive bureaucracy and costs in cross-border trade, with construction permits undergoing a similar excessive process.

Market Opportunities

Subsistence agriculture provides 80% of employment, 50% of national food needs, and just 3% of GDP. Other key sectors include a growing financial services sector, and tourism (which accounts for over 12% of GDP). Official reports placed unemployment at 7.5% in 2007, while unofficial estimates went much higher (up to 40%). A decline in diamond mining production is expected over coming decades, and growth in other sectors will be needed to sustain economic gains.

There are enormous opportunities in regional and international connections and trade, if government legislative and financial barriers can be overcome. The sector is underdeveloped, and the growing diversity of local markets and industries is priming it for growth should the opportunity arise.

Within local industries, tourism is strong and carries a considerable volume of GDP. Though the market may seem overflowing, there are niches yet to explore. Cultural and rural tourism is in its infancy, in Botswana and across the continent, and it represents a highly profitable and diverse opportunity that, if developed properly, could see a boost to the overall economy through the linkages and development initiatives it creates.

The retail services sector is also lacking key players, or a unifying national brand to set trends and generate foreign capital interest. Improving transport and logistical systems, or developing farmers markets to increase agricultural yields being delivered to market hotspots, are alternatives to increase profits without increasing costs. Maximising efficiency of growing systems is a market yet to be unleashed, and advisory or consulting agencies providing strategic market advice are necessary in the greater economic framework, and an essential for SME survival.

Entrepreneurs and Innovation

LEA – The Local Enterprise Authority

The Local Enterprise Authority (LEA) provides development and support services to the local industry needs of SMMEs, encompassing training, mentoring, business planning, market access, market linkages, finance access, and technology adaptation. It operates within trade agreements with partners such as the SADC Trade Protocol, WTO, Cotonou Agreement, Southern African Customs Union Agreement (SACUA), and the Africa Growth and Opportunity Act (AGOA).

The Authority's key sectors are manufacturing, tourism, and agriculture, with particular focus on women, youth, and the unemployed. Strategically focused on linkages, LEA encourages businesses to use locally available natural resources and raw materials, while developing import substitution, export oriented products and services, and building competencies in quality and efficiency. The Authority has country-wide offices, an online presence, and a free Call Centre for SME support.

LEA encourages investment in the local eco-tourism sub-sector, which shows great potential for new businesses and products in culture heritage, historical sites, folklore products, and arts and crafts. As a popular destination and transit point for international tourists, Botswana's SMMEs can reap significant benefits, while developing a sector that is niche foreign dominated.

Botswana consumes over 80 % of finished products imported from neighbouring countries, a situation which presents the country's underdeveloped manufacturing industry with significant local and regional opportunities. LEA is already assisting SMMEs develop opportunities with its Business Linkages Programme.

Educational Strategies in Combating HIV/AIDS

Young people in Botswana are the hardest hit population by the AIDS virus, with the population aged 15-49 years experiencing an infection rate of one-in-three. Botswana has declared an HIV/AIDS national disaster, and charged the education sector with a more prominent role in fighting the pandemic. A Life Skills education program, with a peer-education mode of delivery, has been developed and introduced at all levels of schooling. In addition, all sub-sectors of education have an HIV/AIDS focal point, and adapt the Life Skills programs in their teaching.

In a strategy adopted from Brazil, teachers attend workshops to receive training in interactive teaching skills. The programme provides mentoring and encourages participants to share practical lessons on teaching methods. The methods are then employed in the classroom to help students confront the realities of HIV/AIDS in their daily lives. The programme, now two years old, aims to promote cultural and behavioural changes in order to prevent the spread of HIV and achieve the vision of an AIDS-free generation by 2016.



Lesotho

Snapshot

Population

2 million

Urban **27%**

Youth %

Growth %

Capital

Maseru

250,000

Growth %

GDP

GDP (PPP)

Total **\$3.303b**

Capita **\$1,425**

GDP (Nominal)

Total **\$2.127b**

Capita **\$1,040**

Growth **2.4%**

Currency

Basotho Loti

1US\$ = **7.89**

1Euro = **10.88**

Inflation **6.8%**

Infrastructure

Small, landlocked, and mountainous, Lesotho relies on remittances, customs duties, and export revenue for the majority of government revenue. The government recently strengthened its tax system. Completion of a major hydropower facility in January 1998 permitted the sale of water to South Africa and generated royalties for Lesotho. Lesotho produces about 90% of its own electrical power needs.

Lesotho has nearly 6,000 kilometres of unpaved and modern all-weather roads. There is a short rail line (freight) linking the capital city of Maseru with Bloemfontein, South Africa that is owned and operated by South Africa (the half-mile trunk inside Lesotho is operated by Lesotho Flour Mills, Ltd.).

Education and Skills Development

The School Curriculum

Not until recently, the school curriculum did not incorporate business studies meant to nurture the entrepreneurial talent at an early age. Luckily, the Ministry of Education has seen the importance of introducing business subjects, and is hoping to give young people business management skills early in their life. This would not only help those who can make it to institutions of higher learning probably to pursue a degree in business administration and management, but also those who might not make it to tertiary level will gain some knowledge and cognitive abilities necessary to wake the entrepreneurs in them.

The National Manpower Development Policy

The government of Lesotho through its National Manpower Development initiative is doing a great job sponsoring qualifying Basotho students to pursue their higher education. Students are given full coverage for their tuition, food, residence and book allowances. This is because the government realises that “the most important resource for any country, especially for small countries such as Lesotho, is its educated, trained and skilled people. It is the skilled people who create, manufacture and service products that are traded worldwide and who, in so doing, generate jobs and improve the quality of life”.

Taxation

Individual

22-35%

Corporate **10%**

VAT/GST **14%**

Industry

Employment

Govt **3%**

Primary **78%**

Secondary **7%**

Tertiary **11%**

Unemployed

23%

GDP Earners

1 Services

2 Industry

3 Agriculture

Indexing

HDI **0.450 (L)**

GINI **63%**

EODB **143rd**

Logistics

GLP **N/A**

Enabling Trade

GET **3.57**

Competitive

GCI **3.26**

Governance
Indicator

(Avg) **48%**

It creates a mentality that we have to work hard to pass our high school and qualify for government sponsorship. There is a problem because some students go to university not knowing exactly what they want to do. "The government can afford whichever course I want to do". Nevertheless, the question is; how economically sound are the programs funded by the government? Are the courses we pursue in multitudes meaningful to the development of entrepreneurship which the country needs so bad? Shouldn't the government be strict on the courses it sponsors? Oh, not only that, perhaps shouldn't the education system in the country be enriched with entrepreneurial oriented and technical skills which do not mandate that upon graduation we go and join the civil service which is already saturated? Well, it seems the government has come to realise the need to rethink its manpower development approach and maybe in the near future something good will come out of the thought.

The Impact of HIV/AIDS

According to recent estimates, the HIV/AIDS prevalence rate in Lesotho is about 23.2%, the third-highest rate in the world. The United Nations estimates that this rate will rise to 36% within the next 15 years, resulting in a further drop in life expectancy. According to the Lesotho Bureau of Statistics, in 2001 life expectancy was estimated at 48 for men and 56 for women. Recent statistics estimate that life expectancy has fallen to an average of 40.38 years.

In 1999, the government finalised its National Strategic Plan on HIV/AIDS, a diagram for addressing the education, prevention, counselling, and treatment needs of the population. In 2000, Lesotho declared a national emergency as a result of the HIV/AIDS crisis. In 2003 the Government of Lesotho hosted a SADC Extraordinary Summit on HIV/AIDS. In 2005 legislation was passed to create the National AIDS Commission to coordinate society-wide anti-AIDS activities, which was following by the launching of a national "Know Your Status" campaign aimed at achieving 100% testing and counselling of all Basotho. The National Strategic Plan was being reviewed and updated in 2009, with the new partnership framework of the U.S. President's Emergency Plan for AIDS Relief (PEPFAR) to be aligned with the revised national priorities.

Communications and Information Systems

Currently consumers in Lesotho have a shortage of communications technologies to access, despite being literate. The ratio of people to computer-based internet connections is almost 1,000-1, with only 3.4% of the population able to access connections. Shortages are also present in smart-phones, laptops, and fixed line services.

Econet Telecom Lesotho (ETL) is a major service provider, created in 2008 from a merger between the government's Telecom Lesotho and Econet Wireless Global with a 30% - 70% split. The merger enabled the company to widen its range of services to both fixed and mobile, as well as internet and data services. Being partly state-owned, the company is involved in social responsibility programs including education, sports, and culture sponsorships, in particular the annual Morija Arts and Cultural Festival, and the Royal Education Fund. The company has launched ForgetMeNot, designed to expand access to mobile email services in urban and rural areas across the country. The service allows users to send and receive email without application upgrades, downloads, or even Internet access.

Economic and Business Analysis

Most of the labour force is engaged in subsistence agriculture, especially livestock herding, although drought has decreased agricultural activity. The extreme inequality in the distribution of income remains a major drawback. Economic growth dropped in 2009, due to the global economic crisis as demand for the country's exports declined and SACU revenue fell precipitously, but growth returned to 3.5% in 2010.

Lesotho's economy is based on water and electricity sold to South Africa, manufacturing, earnings from the Southern African Customs Union (SACU), agriculture, livestock, and to some extent earnings of labourers employed in South Africa. Lesotho also exports diamonds, wool, and mohair. The country is geographically surrounded by South Africa and economically integrated with it as well. The western lowlands form the main agricultural zone. The majority of households subsist on farming or migrant labour, and almost 50% of the population earns some income through crop cultivation or animal husbandry. In 2008, agriculture accounted for an estimated 4.7% of GDP.

Water is Lesotho's only significant natural resource. It is being exploited through the 30-year, multi-billion-dollar Lesotho Highlands Water Project (LHWP), which was initiated in 1986. The LHWP is designed to capture, store, and transfer water from the Orange River system and send it to South Africa's Free State and greater Johannesburg area, which features a large concentration of South African industry, population, and agriculture. Completion of the first phase of the project has made Lesotho almost completely self-sufficient in the production of electricity and generated approximately \$24 million annually from the sale of electricity and water to South Africa. The World Bank, African Development Bank, European Investment Bank, and many other bilateral donors financed the project.

Imports

Food, medicines, machinery, petroleum, and building materials, from South Korea 26.9%, China 23.1%, Taiwan 22.1%, Hong Kong 6.6%, US 4.4%. Lesotho is embedded in the regional gateway, South Africa. Paradoxically, the majority of its imports are sourced from South African ports, and not from its industries. Asian giants South Korea, China, and Taiwan have strong import ties to Lesotho based on cheap production values, cost and time efficiency of deliveries, and linkages based on Lesotho's growing garments industry, which requires influxes of machinery and building products.

Exports

Exports have grown significantly due to trade benefits from the Africa Growth and Opportunity Act. The U.S accounts for 58.4% of exports, Belgium 34%, with the sector heavily dependent on apparel exports (75%). Lesotho has taken advantage of the African Growth and Opportunity Act (AGOA) to become the largest exporter of garments to the U.S. from sub-Saharan Africa. Exports totalled \$437 million in 2007. Employment reached 40,000. Asian investors own most factories.

Ease of Doing Business

Taxation is one of the few aspects of business relations the government has improved upon, with energy, logistics, property, and administration costs still significant detriments to business development. Energy and logistical issues stretch to infrastructure problems, which will take decades to reverse barring the establishment of innovative solutions. Administrative costs and delays, a continuing frustration for businesses, is another story. Government legislation, easing of regulations, and lowering of taxes and tariffs, could significantly increase the profitability of business ventures and ease the flow of capital, virtually overnight.

Market Opportunities

As the number of mineworkers has declined steadily, a small manufacturing base has developed based on farm products that support the milling, canning, leather, and jute industries, as well as an apparel-assembly sector.

Improving linkages in these can help increase economic diversity, market versatility, and ensure cheaper, more efficient supply lines. This has been most evident in the apparel sector, which is under heavy competition from established Asian industries which have well developed supply lines. Given the opening of apparel markets and the exposure of African industries to Chinese, Bangladeshi, and Indian challengers in particular, it is vital that the fledgling industry shores up its base before risking unstable expansion.

In addition, financial growth and contributions from diverse owners is vital. Most factories are Asian-owned, lead many Lesotho to believe the competition is beating them in their own backyards. Small to medium finance schemes could assist in developing African SMEs to challenge foreign owned enterprises, increasing mutual competitiveness in the global marketplace.

Self Employment

The civil service in Lesotho remains the main employer especially for those who graduate from local institutions. Self employment is not embedded in the minds of young people due to a “feeling of economic powerlessness and alienation on self-employment intentions”. Self employment intentions of Basotho youth, especially men, are hindered by the long standing tradition of the Basotho men migrating to the South Africa to work in the mines. However, this trend has drastically slowed as a result of massive retrenchments by the South African mines. Subsistence agriculture is another option, but it is mostly women who engage in agriculture, and of course it is for subsistence only. Besides the arable land diminishes greatly each year due to soil erosion, thanks to the Ministry of Forestry and Land Reclamation’s efforts to implement land reclamation programmes and educate the population of the importance to preserve soil.

Entrepreneurs and Innovation

Young Entrepreneurs – Challenges and Future Prospects

Lesotho faces many microeconomic challenges which may be part of the reason for low entrepreneurial activities in the country. Among these were singled out:

The particular challenges facing the youth is that they make up a high proportion of the economically active population; unemployment within the 15 years to 29 years was 7% higher than the national average and with young females making up the bulk of the unemployed in 2009.

Low levels of employable skills amongst the youth, despite relatively high literacy rates, compounded by an insufficiency of skills development institutions in the country. This leaves the youth with fewer options such as engaging in informal economic activities such as street vending. Some engage in small scale dressmaking market of which is saturated.

Differences between urban and rural youth, with the latter more likely to be engaged in informal economic and subsistence activities, to have less formal education and to be increasingly migrating to urban areas, particularly females on the back of employment opportunities in the sizeable, but insecure textile manufacturing and exporting sector.

Youth Employment Program

On the issue of self/ youth employment the government, its development partners and the civil society organisations have come up with the Youth Employment Programme. The objectives of the programme were to:

Formulate a National Action Plan on Youth Employment

Facilitate the formulation of a policy framework for the National Youth Council

Implement an entrepreneurship development programme through training and mentoring for the youth

Establish strategic partnerships and mobilise resources for youth employment

The evaluation results (2010) of this programme indicate that in the short term the programme seems to be doing well as it achieved the following:

- The capacity building of participating youth with evident changes in their enterprise and pre-enterprise level behaviour.
- Enterprise development with evidently increased sales and incomes for existing entrepreneurs.



Namibia

Infrastructure

Structural support for SMEs

Snapshot

Population

2 million

Urban **38%**

Youth %

Growth %

Capital

Windhoek

234,000

Growth %

GDP

GDP (PPP)

Total **\$14.596b**

Capita **\$7,276**

GDP (Nominal)

Total **\$11.865b**

Capita **\$6,087**

Growth **4.4%**

Currency

Namibia Dollar

1US\$ = **8.10**

1Euro = **10.29**

Inflation **6.0%**

The support structure of SMEs in Namibia is comprised of the central government, the government's partnership with non-government organizations (NGOs) including both local and international groups, and the private sector. As of 2002, Bank of Namibia established that there were 125 of these institutions supporting small and medium enterprises.

The primary goal of the government is "to create an enabling environment in which entrepreneurs can explore opportunities and thus increase productivity, contribute to economic growth and create jobs" (Dr. Christoph Stork, 12th Annual Symposium 2010 BON). It further sees its role as a catalyst articulated in the SME policy framework of 1997 (Aune Ipinge, March 2010). Following the framework, Namibia aims to have a booming SME sector in 2030. It recognizes the sector as a key factor in solving the country's extreme unemployment rate, which stands at 51.2% as of 2008.

The government views its involvement in the sector in 6 priority areas: regulation and policy framework, trade facilitation and information, networking and broad participation in planning and development, facilitating local access to foreign resources, marketing and promotion (limited) and business registration (Aune Ipinge, March 2010). Previous studies have discovered that SMEs do not completely understand the government's role in supporting the sector. SMEs expect the government to be directly involved in the development of their businesses.

Education and Skills Development

Aside from obstacles arising from access to financing, other key issues faced are lack of or late payments affecting cash flow, low demand for their products and lack of cheaper sources of raw materials. The MTI study further established that a vast majority of SME entrepreneurs within the Khomas region have not received management or technical training to run their businesses. Lacking the management skills themselves, these entrepreneurs also face a shortage of skilled workers, an ironic finding given that most training centres are in the region. Furthermore, many SMEs are familiar with commercial banking institutions for loans but not aware of establishments set up to support the SME sector.

Banking and Financial Services

Taxation

Individual

37%

Corporate **35%**

VAT/GST **15%**

Industry

Employment

Govt **3%**

Primary **38%**

Secondary **20%**

Tertiary **33%**

Unemployed

42%

GDP Earners

1 Services

2 Mining

3 Manufactures

Indexing

HDI **0.625 (M)**

GINI **71%**

EODB **78th**

Logistics

GLP **2.02**

Enabling Trade

GET **3.96**

Competitive

GCI **4.00**

Governance

Indicator

(Avg) **62%**

Since the main obstacle to the sector's growth is access to financing, the central government established Development Financial Institutions (DFIs) to extend financial support to the sector. Initially set up in June 1999, the Small Business Credit Guarantee Trust (SBCGT) provided guarantees in support of SMEs. Perceived to have achieved below expectations, this institution was phased out, leaving a big gap in the market. In the interim, the Development Bank of Namibia (DBN) was established as the DFI serving the financing needs of SMEs. Although DBN caters to medium and long-term projects, the organization has set up a Special Development Fund (SDF) to support sustainable projects of significant importance. SBCGT provides the security SMEs need to access commercial loans. As a guarantor, SBCGT has minimum requirements from SMEs who wish to use this service. Since its inception, SBCGT has affected 4,360 jobs; however, it faces problems related to poor credit appraisals of borrowers and the monitoring of the loans it has supported.

Other DFIs active in SME support are the Agricultural Bank of Namibia, focused on helping subsistence farmers, and the National Housing Enterprise. SMEs in Namibia generally ignore legally binding minimum conditions of employment as set by the Labour Act, resulting in a "working poor" class of employees who struggle to make ends meet despite being employed full-time. Although most SMEs have used individuals' own savings to start their business, they need external sources of funding to grow, and provide jobs to support growth. The primary constraint these SMEs face is access to financing. Small business owners are reluctant to borrow due to complicated loan application procedures, absence of collateral and high cost of borrowing (2000 MTI business survey).

There are four banking institutions currently operating in Namibia: First National Bank of Namibia (FNB), Standard Bank of Namibia, Nedbank and Bank Windhoek. Only FNB and Bank Windhoek have set up a separate entity dedicated to supporting SMEs. Based on previous studies, SMEs are more familiar with commercial banks when in need of capital. Although funds are available, these banks view SMEs as high-risk borrowers with poor credit standing. They generally require sound business plans and/or some collateral to extend loans. SMEs often find borrowing from commercial banks challenging, as they face high interest rates and service fees.

After commercial banks, private equity firms and venture capitalists are notable institutions for SME borrowing. Namdeb Foundation, through its Oshipe Development Fund, focuses on

SMEs operating in manufacturing, services and mining. The foundation has affected growth in turnover and market coverage, as well as penetration for SMEs under its portfolio. It also currently provides entrepreneurial development as part of its services.

Business Financial Solutions (BFS), a home-grown financial advisory and asset management firm, is one of the few venture capital firms in the country. The company recognizes the need for financially challenged SMEs to access funds for working capital. BFS provides three levels of services: venture capital finance, corporate advisory services, and investment facilitation and accounting support services. Through its key venture capital finance product, the NamPro Fund, it aims to support young local enterprises with bridge finance to meet procurement contracts. BFS's commitment to support potential SMEs is evident in its aggressive plans to grow its fund. Currently at N\$160 million, the company intends to increase the size of the fund to N\$250 million in the near future.

Micro lending is perhaps the fastest growing sector in Namibia. Providing mainly consumer credit, micro lenders have grown from 34 operators in 2002 to 180 in 2006. These establishments are most often used by SMEs because they are easily accessible and generally do not require collateral. In July 2009 FIDES Bank Namibia Ltd secured a provisional banking license from BoN, receiving its full license to operate in February 2010. As the first microfinance bank in the country, it has expanded its portfolio to 545 ELOs (savings account), 5,177 micro borrowers and 186 SME borrowers (as of January 2011).

With the exception of micro lenders, most private establishments provide technical assistance, training and mentorship. It has yet to be established whether these services are optimized by the SME sector.

Financial Literacy Workshops

The National Financial Literacy Working Group hosts workshops to improve financial literacy across the country. Representatives from the nation's banks, insurance firms, ministries, and civil society organisations gather to:

- find ways to help people make more informed decisions about their money
- encourage consumers to manage, save, invest, and spend their finances better
- create and improve the state of financial stability.

According to the organisations reports, 37% of adults in Namibia say they do not know much about 'money and finance', while 68% of unbanked individuals 'do not trust such institutions', while 51% percent of the adult population in Namibia is 'financially excluded', with low incomes, information asymmetry, and the cost of providing banking products seen as reasons for this.

Economic and Business Analysis

Namibia is home to 2.117 million people (April 2011, IMF World Economic Database), with slightly above 10% living in its capital and primary business centre, Windhoek. After Mongolia, Namibia is the second least densely populated country in the world. The economy is dominated by the primary industry - mining, agriculture, forestry and fishing - and is the largest employer in Namibia. However, the tertiary industry, which includes wholesale and retail, hotels and restaurants, transport and communications, public administration and defence, supersedes the primary sector as the largest contributor to the country's GDP. According to the UNDP Namibia Economic Review for 2007, the tertiary industry contributes 59% to GDP, followed by the primary and the secondary industry (manufacturing) at 22% and 19% respectively.

Namibia's economy is closely linked to South Africa, its main trading partner. 85% of Namibia's imports are from South Africa and its currency, the Namibian dollar (N\$), is pegged to the South African Rand at one-to-one. Other trading partners include the UK, US, Spain, Japan and Germany. Namibia is also a member of the Southern African Customs Union (SACU). Through its revenue sharing arrangement, SACU provides significant contributions to the country's annual revenues.

Due to a recovery in the mining sector, particularly in the diamond and uranium activities, Namibia's economy grew by 4.2% in 2010, following a contraction in 2009. It implemented strict fiscal management from 2005 to 2008, which helped the country shield itself from the global economic crisis (African Economic Outlook 2010). Despite prudent structural changes, the country continues to face numerous socio-economic challenges that may hinder progress. Unemployment is at its highest, with slightly more than half of the population jobless. The country also faces excess mortality because of HIV/AIDS, widespread poverty and a high shortage of skilled labour.

Ease of Doing Business

In 1997, the government of Namibia institutionalized its support to SMEs through a policy document entitled *Namibia: Policy and Programme on Small Business Development*. The government further recognized the sector's contribution to the country's socio-economic growth and development by emphasizing it in its Second National Development Plan (NDP2) and Vision 2030. However, despite well-articulated and well-documented plans of support, the sector continues to face challenges inhibiting its growth.

In 2009, the government initiated the Equipment Aid Scheme to assist SMEs in acquiring production equipment and technologies to boost production capacity. Since its launch, the program has assisted 165 emerging entrepreneurs nationwide. Local authorities also play a role in supporting SMEs. In the case of the City of Windhoek, the municipality provides stalls and spaces from which SMEs can sell their products. They also provide training and promotional services, although these are rarely used. The City of Windhoek has an equally impressive road sector program that has

empowered a number of small and medium size contractors in road construction and maintenance.

Another state-owned enterprise, better known as para-statal, that has made significant investment in the development of small contractors is the Roads Authority (RA). Through its targeted programs in road maintenance and construction, and the promotion of bailout based works, the RA has established a sizable supplier base of small contractors. RA, with support from InWent, its German development partner, initiated training and qualifications for SMEs involved in the road building sector in 2007. During the same period, RA awarded contracts to the value of N\$150 million to SMEs (Erastus Ikela, Chief Executive Officer, RA, New Era July 2010)

Most successful programs executed by the national government are usually in partnership with NGOs or country representatives (embassies, consulates, etc.). The Joint Consultative Council (JCC), a network of service providers to SMEs and the Namibia Chamber of Commerce and Industry (NCCI) are the more active local NGOs. International organizations include SME Compete, which was formerly a USAID-funded program. Due to its success in creating 564 new jobs, providing technical assistance to 2,368 SMEs and training 10,764 employees, the program ended in 2006 and became a fully-fledged NGO. The organization continues to provide consulting support to SMEs. Most NGOs, local and international, primarily provide non-financial support. These services include but are not limited to, research, technical assistance, training, marketing and networking.

According to Aune Ipinge's March 2010 research report, the majority of the SMEs in her study were not familiar with the policy framework supporting their sector. They were further dissatisfied with the services provided by the central government, claiming they received no assistance. It was also established that most local authorities require annual membership or registration fees to access the services provided for SMEs. This is one factor why many small business owners remain unregistered, since they see no benefit to paying fees and spending more whilst in their cash-strapped situation.

Market Opportunities

Small and Medium Enterprises in Namibia

The small and medium enterprises (SME) sector in Namibia is a force to be reckoned with. According to studies made in 2004 and 2005 (Stork et al and Arnold et al), SMEs in Namibia contributed approximately 12% to GDP and employed about 20% of the workforce in 2004. To further emphasize the significance of this sector, a study, conducted by Namibia's Labour Resource and Research Institute (LaRRI) for the Joint Consultative Council (JCC) in 2002, concludes that SMEs were expected to provide 60,000 jobs and forecasted to add 16,500 more annually, as opposed to 3,000 to 4,000 additional job contributions by large corporations.

Defining the SME sector in Namibia is a difficult task, especially classifying it into the sub-categories of the small business sector, the formal and the informal sectors. As experienced by the research group, LaRRi in 2002, the main problem was setting the criteria to define and measure the sector particularly in areas of sales turnover, use of capital and business registration. Dr. Christoph Stork, Senior Researcher at ICT Africa, views the Namibian SME sector as “having two faces”, formal or informal, where in the latter, laws and regulations are partially or not followed, employees are generally not provided statutory benefits and possibly do not pay taxes (Annual symposium 2010 Bank of Namibia). To date, in absence of a more accurate definition, the most widely used definition of Small and Medium Enterprises in Namibia is provided by the Ministry of Trade and Industry (MTI):

SECTOR	EMPLOYMENT	TURNOVER (N\$)	CAPITAL EMPLOYED (N\$)
Manufacturing	Fewer than 10 persons	1,000,000	500,000
All other businesses	Fewer than 5 persons	250,000	100,000

(Source: 2000 MTI Small Business Survey)

The above definition poses many limitations. MTI’s survey shows that the average employee size of a small business is 2.2 employees. Given a small market and while competing with large corporations, SMEs may find it difficult to achieve a significant turnover with this kind of employee size. MTI concludes that, in order for a firm to qualify as an SME, it needs only to meet the employment criteria and either turnover or capital employed guideline. Previous studies have found that SMEs are engaged in various activities such as subsistence farming, handcrafts, small-scale manufacturing, small-scale mining, construction, informal services (e.g. domestic work) and informal trade (e.g. cuca shops). As of 2000 and using the above-mentioned definition, the Ministry of Trade and Industry has established that there are 5,359 SMEs within the Khomas region (the region surrounding Windhoek, the capital). Most of these SMEs belong to the informal sector, primarily in the trade business and are generally run by women. 75% of SMEs in the study had monthly turnovers of N\$5,000 and below.

Entrepreneurs and Innovation

The Namibian government’s efforts to support SMEs since the 1997 policy framework should be recognized. It continues to acknowledge the sector’s importance to the economy through aggressive plans expressed in Vision 2030, the Second National Development Plan (NDP2) and, most recently documented, the Third National Development Plan (NDP3). Aside from the many DFIs that have been established, joint programs with local and international organizations have also had a significant impact on the sector. Private institutions continue to provide funding, coaching and training for promising entrepreneurs.

Despite these developments, progress has been relatively minimal. Namibia's SME sector remains predominantly small and informal, as most do not see a benefit registering with local or central authorities. In fact, some agencies require a fee to represent or to provide services to SMEs. Challenges facing SMEs have remained the same over the years. As established by namBic's 2011 report, access to and cost of finance continue to be the main hurdle for micro, small and medium enterprises in Namibia, followed by lack of skills from both business owners and their employees, as well as low demand for their products.

A further contributor to these obstacles may be a communication gap between the central government, its constituents and the SME sector. SMEs are still not familiar with the services available to them, or the benefits of these services. They continue to view commercial banks as the primary method of addressing financing needs. To minimize risk of default associated to lending to SMEs, some banks do provide mentorship programs as prequalification for granting loans, but the effectiveness of these programs has yet to be determined.

In order to resolve these issues, government initiation and intervention remain crucial. An initial step is to review existing official definitions of the sector. A clear distinction amongst formal, informal, micro, small and medium enterprise is needed. Breaking down the sector will enable the government to evaluate and monitor each level. It will ease creation of programs specifically designed for each type of SME. For example, communication methods would be different for informal micro enterprises than medium-sized firms. For medium-sized firms, the public-private dialogue explored in the namBic 2011 report may be effective. However, it was also reported by namBic that women business owners tend to be absent during these dialogues, hence a need for a different communication program. Customized communications methods are essential in bridging the gap between the government and SMEs.

Another potential solution is to consider incentives for private companies who help SMEs. In the case of commercial banks, providing capital relief may ease their concerns in extending loans to high-risk SME clients. Tax breaks for services provided to SMEs may encourage many companies to participate in alleviating their plight. Industries that provide secondary support to SMEs (e.g. transportation) should also be considered.

In the 2011 namBic report, it was established that there is little interest from SMEs in investing in research and development (R&D). This finding is supported by the outcome of the 2010 – 2011 Global Competitiveness Report, where Namibia is considered low on innovation, ranking 92nd out of 133 countries. By investing in R&D and creating innovative products, SMEs can address issues related to low demand. New and innovative products can increase not only local demand but enable them to compete both within the region and globally. Government intervention is still necessary at this point, since SMEs cannot afford to invest in R&D.

The debate on skills shortages continues. Potentially, the best approach is to review current programs to address the lack of skills facing the country. Government bodies should evaluate curriculums in educational and vocational institutions to determine

their relevance to today's business environment, particularly in the areas of business management. Extending public-private partnerships to include on-the job training or apprenticeships in transnational organizations for soon-to-be graduates might also be a solution, and these programs could provide much-needed practical experience for younger people .

Studying SME best practices and testing their approach in Namibia may significantly improve the SME environment. Namibia should consider benchmarking with member countries in APEC (Asia Pacific Economic Cooperation), as they too have faced similar challenges and slowly addressed them with specific SME programs. Their SME programs are designed around six policy areas: marketing, human resources and development (HRD), technology, financing, management innovation and clustering and networking.

Finally, Namibia should leverage its strengths to address its socio-economic issues. The country has one of the most stable investment environments in sub-Saharan Africa, and serves as a gateway to the rest of the region, though its advantages remain largely untapped.



Snapshot

Population

49million

Urban **62%**

Youth %

Growth %

Capital

Pretoria

1.9 million

Growth %

GDP

GDP (PPP)

Total **\$523.594**

Capita **\$10,977**

GDP (Nominal)

Total **\$357.25b**

Capita **\$8,342**

Growth **2.8%**

Currency

Rand

1US\$ = **8.10**

1Euro = **10.29**

Inflation **6.1%**

South Africa

Infrastructure

Today, South Africa's economy is a two-tiered economy with two distinctive segments: (i) a developed world infrastructure; and (ii) a developing world infrastructure.

In fact, the disparity between these two regions is vast as one region is a recipient of development aid while the other is filled with skilled professionals. Within the developed region, South Africa has a reasonably modern and well developed transport infrastructure which has declined somewhat over the last 10 years mainly due to a lack of investment and a skills shortage in the country.

The road system is, however, extensive and in relatively good condition. The air and rail networks are the largest on the continent and the country's ports provide a natural stopover for shipping to and from Europe, the Americas, Asia, Australasia, and both coasts of Africa.

More specifically, approximately 95% of all trade to the region passes through the ports of South Africa and those of East Africa, providing a vital link in the logistic chain of southern Africa.

Transport

South Africa has a modern and well developed transport infrastructure, with excellent roads, the largest air and rail networks on the continent, and ports providing a natural stopover for shipping to and from major markets around the world.

Ports and Shipping

96% of exports are conveyed by sea ports, the conduits for trade between South Africa and key markets across the globe. State-owned Transnet National Ports Authority manages the country's 8 commercial ports:

- Richards Bay and Durban in KwaZulu-Natal
- East London, Port Elizabeth, and Ngqura in the Cape
- Mossel Bay, Cape Town, and Saldanha in the Cape

Taxation

Individual

40%

Corporate **28%**

VAT/GST **14%**

Industry

Employment

Govt **5%**

Primary **8%**

Secondary **25%**

Tertiary **66%**

Unemployed

22%

GDP Earners

1 Retail

2 Services

3 Mining

Indexing

HDI **0.619 (M)**

GINI **65%**

EODB **35th**

Logistics

GLP **3.46**

Enabling Trade

GET **3.95**

Competitive

GCI **4.34**

Governance

Indicator

(Avg) **59%**

Roads

The Port of Ngqura is set to be the deepest container terminal in Africa, and is a key part of Coega, one of the country's strategic industrial development zones (IDZs). Durban is Africa's busiest port and the largest container facility in southern Africa, while Richard's Bay is the world's largest bulk coal terminal.

South Africa's total road network is about 754,000 kilometres, with over 70,000km paved or surfaced. 3,000km of the national roads are toll roads, 1,200km of which were concessional to private companies to develop, operate and maintain.

Railways

South Africa has the 14th longest rail network in the world, connecting with the sub-Saharan region, and ports with the rest of South Africa, representing 80% of the continent's total rail. It has permitted private rail operators to operate branch railway lines, or feeder lines, which comprise 35% of the country's national rail network.

The Gautrain, an 80km rapid rail network, connects Johannesburg, Pretoria and OR Tambo International Airport, easing congestion on the Joburg-Pretoria highway. Gautrain's travel at 160km/h, making 135,000 passenger trips over an 18 hour day.

Airports and Airlines

Sixty-two airlines make 274,000 landings, carrying over 16 million passengers through South Africa's 10 principal airports, which handle over 98% of the country's commercial air traffic.

Major international airports in Johannesburg, Cape Town, and Durban are well regarded, with the Airports Council International naming Cape Town Intl. the best airport in Africa in 2011, OR Tambo Intl. (Africa's busiest airport) third best, and King Shaka Intl. the fourth best airport on the continent. South African Airways (SAA) is the largest carrier in Africa, connecting to more than 20 cities across the continent.

Education and Skills Development

Case Study: Practical Entrepreneurs – Three Disadvantaged Schools

Three schools in Evaton and Sebokeng provide an example of entrepreneurs finding innovative education solutions to common social problems. They are located in areas with high levels of poverty and unemployment, orphaned children and child-headed households, low literacy levels and poor parental involvement, combined with the struggle for adequate funding and resources. Despite these challenges, they have combination courts for tennis, netball and basketball; productive vegetable gardens maintained by unemployed parents; solar energy panels used for hot water; boreholes used for watering the gardens and lawns; a toilet-paper production “business” operated by a general worker at one school; and at another the school grounds were landscaped as a park, with remodelled train benches. Their strength is rooted in parental support, a committed teaching staff, and the unified community willing to share challenges. Once a venture is initiated, everyone participates.

Unemployed parents are particularly involved in school ventures, doing gardening, repairs, maintenance, painting, and plumbing work. This carries multiple advantages: saving money from out-sourcing and redirecting funds to curriculum; helping parents contribute to the school when they cannot contribute financially; building a strong parent forum of ‘Friends of the School’; and creating a spirit of community ownership and involvement with the school.

Educators experiment with innovative and creative teaching and learning methods. By developing active learning models focused on real-life issues, integrated into established coursework, and linked to critical outcomes involving working effectively with others as a team, they are able to organise and manage activities responsibly and effectively, developing entrepreneurial opportunities.

Banking and Financial Services

South Africa has a well developed financial system that the government is continually improving through reforms governing transparency as well as regulation. For instance, in October 2010, the National Treasury proposed numerous measures stemming from recommendations from the International Monetary Fund (“IMF”) to improve credit controls, with a particular emphasis on the retail banking and insurance sectors. In addition, the Treasury intends to introduce new laws and expand its regulatory scope for over-the-counter trading, hedge funds, and credit rating agencies.

South Africa has a stock exchange that ranks among the top twenty in the world. According to the International Monetary Fund (“IMF”), the World Bank, and the CIA World Factbook, South Africa is ranked 25th, 24th, and 24th in the world in terms of GDP derived from purchasing power parity (“PPP”) as of 2009.

Economic and Business Analysis

South Africa is a dynamic emerging economy that presents a lot of opportunities for Small and Medium Enterprise (“SME”) entrepreneurs to create new companies. On the positive side, the country has a segment of the economy that offers a highly developed first world economic infrastructure, a transparent regulatory system, access to raw materials, and political stability, which all make the country a vibrant emerging market economy. In addition, South Africa is also one of the most advanced and productive economies in Africa. However, the country still has some key underlying issues and challenges that a SME entrepreneur needs to be aware of before they decide to start a company in that region.

The FIFA 2010 World Cup provided an incentive for the government to invest billions into improving infrastructure in the nine host cities in order to cope with the expected massive influx of visitors. This meant major upgrades to the country’s airports and improvements to the general transport system, including the taxi recapitalisation program, consolidation of passenger rail, and a transformation of the bus industry. Some examples of South Africa’s improvements in its infrastructure system are highlighted here:

In Durban, South Africa’s third largest city and Africa’s busiest port, a new airport that cost R6.8bn called the King Shaka International Airport was built to replace the old Durban International Airport. The country also spent more than R33bn on roads, public transport, five new stadiums and upgrades to four existing stadiums. An additional R25bn was spent to build Gautrain, a commuter railway that links the commercial hub of Johannesburg, with Pretoria, South Africa’s political capital.

The massive stimulus that came in the form of construction spending has provided the South African economy a significant boost and has largely prevented the country from experiencing a significant downturn following the global economic fallout that occurred in September 2008 in the U.S.’s financial sector. The following graph illustrates South Africa’s real GDP during the global recession as well as the Organisation for Economic Development’s (“OECD”) projections until 2012.

Table : South Africa’s Economic Outlook

South Africa: Macroeconomic indicators					
	2008	2009	2010	2011	2012
Real GDP growth	3.7	-1.8	3.0	4.2	4.5
Inflation	11.0	7.1	4.2	4.5	4.8
Fiscal balance (per cent of GDP)	-1.1	-7.6	-5.0	-3.9	-2.0
Current account balance (\$ billion)	-20.1	-11.2	-12.4	-20.3	-26.0
Current account balance (per cent of GDP)	-7.1	-4.0	-3.4	-4.9	-5.8

Source: OECD Economic Outlook 88 database.

As shown above, South Africa’s real GDP has recovered from the drop-off in 2009 because of the global economic recession. Further, although the World Cup was initially thought to be a short-term stimulus in infrastructure spending, several state-

companies such as Transnet Corp. ("Transnet") and Eskom Holdings Ltd. ("Eskom") are continuing investments in infrastructure. Specifically, Transnet, which operates railways and ports, is investing capital into rail on the expectation that international demand for raw materials such as coal and iron ore are increasing. The company has pledged to invest R93.4bn over the next five years in the Richards Bay coal terminal. Furthermore, Eskom, the state electricity company, is spending a budgeted \$400bn over five years to construct two 4,000 megawatts coal fired power stations as well as significant wind and solar plants.

For business owners, another element to consider is that South Africa not only offers an extensive, expanding, and widely available infrastructure system, but South Africa's energy costs are still among the lowest in the world. The country compares favourably for petroleum prices, with private sector and multinational oil companies refining and marketing nearly all imported petroleum products in southern Africa. Further, telecommunications costs are coming down as the government is taking steps to ensure cheaper and more widely available bandwidth capacity. Further, major projects are under way to lay submarine fibre-optic cables along both the east and west coasts of Africa to boost the continent's connection with the rest of the world.

In terms of labour cost, South Africa's costs are lower than other key emerging markets, including Mexico, Hungary, Malaysia and Singapore, and the country's labour productivity has improved markedly in recent years. Comprehensive labour legislation has contributed to a marked decline in the number of man-days lost due to industrial action since 1994.

In general, critics and proponents agree that the World Cup has had a net positive effect, allowing for infrastructure development and spending that otherwise would not have occurred. Despite the consensus, there have also been critics of the particular investment choices, as well as the sustainability of South Africa's spending projects. Going forward, South Africa hopes that the improved infrastructure will attract private investment that will allow the area to have long-term growth. In particular, while South Africa's transportation and energy infrastructure is relatively robust, a critical element that South Africa needs to improve is the quality of its human capital through better healthcare and education. South Africa is still in the transitional phase of reforming its educational system to create a single, non-discriminatory, non-racial system that offers the same standards of education to all people.

Economic Policies

The shift to end apartheid and the introduction of a democratic regime in South Africa in 1994 has led to a complete transformation for the country. Through this fundamental change, South Africa's has achieved greater political stability and greater economic freedom. The country has committed itself to the democratic model and adopted a capitalistic approach by implementing macroeconomic policies aimed at promoting domestic competitiveness, growth and employment, and increasing the economy's outward orientation. These reforms have included reduced taxes, lowered traffics, reduced budget deficits and a floating exchange rate. As a result, the government has created a more investor friendly environment for foreign businesses

to invest in the country. Even with the change in political landscape caused by the inception of new President Jacob Zuma in 2009, the new office has thus far shown no signs of making major changes to economic policy. Therefore, South Africa's democratic and capitalistic mandate looks to remain intact for some time.

In the last few years, the South African government has responded with fiscal and monetary measures in response to the global recession. Specifically, the South African government expanded its fiscal spending for infrastructure and social expenditure. Furthermore, in the 2010/11 budget, the South African government presented its plan to sustain fiscal stimulus with a focus on job creation. On the monetary policy side, the South African Reserve Bank is intent on keeping interest rates at a moderate level of around 6 percent in the coming years.

Nonetheless, even with the positive economic environment, the country still has some underlying issues to address such as the large inequality and unemployment rate. In particular, while the South African government was less affected by the global financial crisis, the country was not very effective at using this opportunity to address the various structural issues evident in the economy. However, the South African government is aware of these issues and mistakes of the past, and has taken some positive steps to deal with these problems. For instance, in October 2010 Collins Chabane, the Minister in the Presidency for Performance Monitoring and Evaluation, announced South Africa's new economic growth initiative whereby the country intends to create five million jobs and reduce unemployment from 25 percent to 15 percent over the next 10 years. The goal of this initiative is to integrate South Africa with the rest of the African continent by focusing on several key sectors such as infrastructure development, agriculture, mining, the green economy, manufacturing, and tourism.

The government has also provided incentives for value-added manufacturing projects, support for industrial innovation, improved access to finance, and an enabling environment for small business development. Specifically, industrial development zones have been established in close proximity to major ports and airports including customs support and reduced taxation.

Another element firms need to consider is the international trading environment. Specifically, in 1994, South Africa became a global trading partner by signing the Global Agreement on Trade and Trade as well as a series of trade reforms which opens the country to more foreign direct investment. This increased market access has been enhanced through free trade agreements with the European Union and the Southern African Development Community and the implementation of the Africa Growth and Opportunity Act by the United States.

Recently, South Africa has also developed strong relations with markets in the rest of Africa, Asia and Latin America. The India-Brazil-South Africa ("IBSA") alliance, formed in 2003, aims to increase trade between the three countries from the current level of around US\$6-billion to \$10-billion within the next few years. In addition, the country has become a key trade and investment partner to China, which over the past decade has become a major player on the African continent.

Going forward however, an emerging issue that SME entrepreneurs need to keep in mind is discussion within the South African government regarding the idea of raising

import traffics on certain products. Further, the South African government has not provided guidance regarding its foreign exchange policy and whether the government will deliberately undervalue its currency to promote exports. If these policies do pass, SME entrepreneurs would have a competitive advantage in the world marketplace since their products would be more attractive for foreign consumers. However, the downside is that foreign direct investment into South Africa would likely decrease as a result. Ultimately, the economic environment provides some strong opportunities for SME to start-up.

Regulatory System

The South African regulatory system is largely transparent with legislation pertaining to commerce, labour and maritime issues well developed. Furthermore, laws relating to competition policy, copyright, patents, trademarks, and disputes conform to international norms and conventions. For instance, in January 2009, the South Africa's Department of Science and Technology officially signed the Intellectual Property Rights Bill into law. The law set out clear obligations regarding the ownership of intellectual property rights in South Africa. The law provides for an enabling environment for intellectual property creation, protection, management, and commercialisation. South Africa's legislative government is continually looking to strengthen and improve its regulatory structure that will allow businesses to operate and thrive in the country through measures such as price fixing, predatory pricing and collusive tendering.

South Africa also has a well-developed and regulated competition regime supported by the Competition Act of 1998, which fundamentally reformed the country's competition legislation, strengthening the powers of the competition authorities along the lines of the European Union, U.S. and Canadian models. Specifically, the law places various prohibitions on anti-competitive conduct, restrictive practices and abuses by dominant firms, with a market share of 35% or more. Further, the competition authorities monitor implementation and adherence to the law, while state regulators oversee natural monopolies and promote universal access to state utilities.

According to the World Bank and International Finance Corporation's Doing Business report, an annual survey that measures the time, cost, and hassle for businesses to comply with legal and administrative requirements, as of June 2010, South Africa ranked 34th out of 183 countries in terms of ease of doing business. This placed South Africa above developed countries such as Slovak Republic (41), Slovenia (42), Luxembourg (45), and Spain (38), as well as major developing economies such as China (79), Russia (123), Brazil (127), and India (134). However, South Africa was ranked only 75th in terms of starting a business. The report also placed South Africa tenth for its protection of investors and 2nd for getting credit. Another element to consider is that South Africa has a standard corporate tax rate of 28 percent which compares favourably against a number of developing companies. Ultimately, all this information indicates that the primary hurdle for SME entrepreneurs is to get a business started.

Once that hurdle is cleared, the regulatory environment appears to offer a favourable regulatory environment that will allow companies to flourish. Furthermore, successful

business owners also have the opportunity to become public and have an initial public offering through the local stock exchange, the Johannesburg Stock Exchange Limited ("JSE"). The JSE is the largest stock exchange in Africa and ranks among the top 20 stock exchanges in the world by market capitalisation. The JSE's rules and their enforcement are based on global best practice, while the JSE's automated trading, settlement, transfer and registration systems are on par with those of the large industrial nations.

Challenges: Unemployment

Unemployment is one of the biggest challenges to economic growth in the country, along with poverty, large wealth disparities, and a high incidence of HIV/AIDS. There are a number of approaches being taken to address these problems:

- raising economic growth in a stable economic environment and initiatives to reduce unemployment and improve social conditions
- labour market reforms, and further trade liberalization
- economic integration of South Africa's previously disadvantaged majority

These strategies primarily aim at merging the nation's dual economies (the sophisticated financial and industrial economy, growing alongside an under-developed informal economy). While the financial and industrial 'first economy' has an established infrastructure and economic base with great potential for further growth and development, its informal 'second economy' presents both untapped potential and a developmental challenge for the country.

Ease of Doing Business

South Africa is an important emerging economy, and a gateway to other African markets, playing a significant role in supplying energy, relief aid, transport, communications and investment on the continent.

South Africa leads the continent in industrial output and mineral production, generating a large proportion of Africa's electricity. The country has abundant natural resources, well-developed financial, legal, communications, energy, and transport sectors, a stock exchange ranked among the top 20 in the world, and a modern infrastructure supporting efficient distribution of goods throughout the region.

Macroeconomic reforms boosted competitiveness: growing the economy, creating jobs, and opening South Africa to world markets. Taxes have been cut, tariffs dropped, the fiscal deficit reined in, inflation curbed and exchange controls relaxed.

Government Engagement

At the formal level, business in post-apartheid South Africa appears well-organized, and there exist formal institutions for both bilateral discussions between business and government. In practice, however, all of these formal institutions operate unevenly and tend to represent big business (now, black as well as white) rather than small business. Established business has had good informal relationships with some parts of the state (such as the National Treasury), but relations with other parts of the state (including, for a long period, the presidency) were strained. Although the post-apartheid South African state is committed to a mixed economy and has pursued a range of business-friendly policies, neither formal nor informal relations between state and established business have been strong. Business organization in South Africa has long been divided, especially by relationship with the state, with separate organizations for pro-National Party, mostly Afrikaans business, more critical 'English' business, and black business.

In 1994, Business South Africa ("BSA") formed to represent South African business internationally and subsequently in National Economic, Development, and Labour Council ("Nedlac"). Within a year, a major black business organization, the National African Federated Chamber of Commerce and Industry ("Nafcoc") had split from BSA. Not until 2003 was a new umbrella body, the Business Unity South Africa ("BUSA") formed. BUSA has 45 member organizations ranging from regional and national chambers of commerce, to specific economic sectors (e.g. minerals, agriculture, finance, tourism, building, etc.) and professional interest groups (e.g., women, black professionals) and employers associations (such as the Chamber of Mines). The structure of BUSA means that the interests of big business continue to predominate.

Nedlac was the principal formal mechanism for cooperation between state, business, and labour. Nedlac's first major concern was the rewriting of labour legislation, which reflected the strength of organized labour, backed by the government Department of Labour, and the weakness at the time of white business. Faced with the strength of labour in Nedlac, the government increasingly ignored Nedlac, most infamously in introducing in 1996 its Growth, Employment and Redistribution ("GEAR") macro-economic strategy. GEAR entailed a program of structural adjustment including increased labour-market flexibility, in contradiction to the new labour legislation. The tensions in government economic strategy and policy were not discussed, primarily because of the strong opposition to any deregulation from organized labour. Informal relationships are of crucial importance in state-business relations ("SBRs"). Nelson Mandela, both before and after his election as president in 1994, cultivated close relationships with top local businessmen, and met regularly with leading businessmen in the 'Brenthurst Group'.

Thabo Mbeki had very different relations with established (white) business. He appears to have been suspicious of what he suspected to be continued racist attitudes to black leadership and believed that business was not responding to the government's business friendly policies. The white corporate elite only succeeded in partially restoring communications when it contributed over R1 billion to a new Business Trust, headed by a (black) African National Congress ("ANC") leader and businessman. Mbeki established bilateral 'working groups' with favoured local and international businessmen. On key policy issues, deliberation appears more cosmetic than substantial, and has occurred outside of Nedlac. The government

convened a Jobs Summit in 1998, and a Growth and Development Summit in 2003. In neither case was there any significant discussion of how to transform the growth path in a pro-poor direction, and neither summit led to significant policy reforms.

Further, business and government relations during the Thabo Mbeki era were strained as evidenced by the decision of some half-dozen of South Africa's leading companies to move their head offices abroad. In addition, businesses were unable to engage in free and open discourse with the South African government regarding policy issues. By contrast, organized labour continued forcefully to put its views on policy into the public arena without restriction. More recently, with the inception of the Jacob Zuma era, the business-government relationship has not improved. This has stemmed from the apparent close relationship that the current South African president has with the left and his opposition to big businesses.

For SME entrepreneurs, a critical element that they need to keep up to date on is the state of the political and economic environment, particularly with respect to current incumbent party. Currently, discourse between the business community and government remains strained and it appears that it will persist for some time. However, regardless of this difficulty, South Africa remains as an attractive investment opportunity given the overall big picture.

Market Opportunities

Geographic Location

Located at the southernmost tip of the African continent, South Africa is ideally positioned for access to the 14 countries comprising the Southern African Development Community ("SADC") as well as the islands off Africa's east coast, and even the Gulf States and India. This market is comprised of over 250-million people. South Africa also borders with Namibia, Botswana, Zimbabwe, Mozambique, Swaziland as well as Lesotho and connects to these countries through road and rail links.

South Africa also serves as a trans-shipment point between the emerging markets of Central and South America and the newly industrialised nations of South and Far East Asia. Major shipping lanes pass along the South African coastline in the South Atlantic and Indian oceans, and its seven commercial ports form the largest and most efficient network on the continent. These ports are the conduits for trade between South Africa and her partners in the SADC and the South African Customs Union, as well as hubs for traffic to and from Europe, Asia, the Americas and the east and west coasts of Africa.

Energy Supply

The biggest immediate threat to South Africa's continued economic growth has arisen because of the country's strong economic performance in recent years. This growth, coupled with rapid industrialisation and mass electrification programme, led in 2008 to demand for electricity outstripping supply. The resulting power cuts generated a response plan, which included spending R343 billion over five years to fund a new generation of power stations, as well as a range of measures to reduce residential and industrial demand.

Retail Growing Strong

The South African retail industry is one of the largest in the region, catering to a surging middle class in a rising economy. The majority of retailers are food retailers including supermarkets, hypermarkets, discount and convenience stores, independent grocers, and food specialists.

The food and beverage industries are interlinked with the agriculture sector, as one of the fastest growing segments of the retail market. Online retail in particular has grown significantly, offering convenience, lower prices, and wider selection to South Africa's younger, tech generation.

Case Study: Canal Walk, Cape Town

Century: City of the Future

Century City is a 250ha city in the making, midway between the Cape Town and Bellville CBD's. Total development at Century City since 1995 has topped R3 billion. More than 156 000m² office space have been sold to a growing list of blue-chip companies such as Discovery, Vodacom, Pricewaterhouse Coopers, and Unisys. More than 3,000 homes have been completed, and there are now 60,000 people living and working in Century City, as part of its people-centred new urbanism.

The Jewel in Century City

Canal Walk Shopping Centre is Africa's leading super-regional retail mall. Its dominant presence attracts diverse shoppers from across the Western Cape and further, with its comprehensive retail and leisure focus. Canal Walk aims to merge the most desirable global brands with convenience, entertainment, leisure, and a picturesque setting.

Canal Walk has over 400 shops, including the widest selection of speciality shops in the Southern Hemisphere. The Food Court and Skywalk also provide a variety of specialist stores, as well as restaurants, cafés and coffee shops. La Piazza provides destination dining with views of Table Mountain and Robben Island. Located at the epicentre of Canal Walk, well-placed to attract large crowds, Central Promotions Court features full stage facilities and state-of-the-art sound and lighting infrastructure. The centre even has its own in-centre television station, CWTv, shown throughout the centre on two mega screens, and 32 plasma screens.

Canal Walk has also evolved into a tourist destination, attracting thousands of international visitors with its architecture, array of local and international retail brands, and Afri-Bizarre – which showcases local retailers and craftsmen.

Blue chip companies have office space in the two eight-storey office towers situated directly above the mall, with the East and West Towers offering a combined 16 stories of office space.

Entrepreneurs and Innovation

Case Study: Marula Beer and Liquor– Local and International Markets

Marula beer is a traditional product made from the Amarula Fruit, a protected tree species in South Africa which has multiple uses for its fruit, nuts, leaves and bark. Marula products include jelly, jam, lotions and other beauty products, most predominately the alcohols Marula Beer and Amarula Cream Liquor.

Marula was historically a dietary mainstay in South Africa, Botswana and Namibia, found in many of South Africa's Game Parks and rural communities, including Limpopo Province, KwaZulu Natal, Eastern Cape, and Mpumalanga. Marula is a vital food to the Tembe, an indigenous Zulu community of the Northern Kwazulu Natal province (near the borders of Mozambique and Swaziland). At an annual event, the Tembe chief gathers the traditional leaders, government representatives, and community members to celebrate and express thanks for the first marula fruit of the season. This cultural celebration, called Umthayi, kicks off the marula harvest.

Marula beer is most prevalent in South Africa's summer months, when demand is highest during the first harvest celebrations. Amarula Cream Liquor is exported to international markets, and is sold in 46 countries in Africa, and 68 overseas.



Snapshot

Population

1.2million

Urban **26%**

Youth %

Growth %

Capital

Mbabane

61,000

Growth %

GDP

GDP (PPP)

Total **\$6.067**

Capita **\$5,179**

GDP (Nominal)

Total **\$3.553b**

Capita **\$3,332**

Growth **2%**

Currency

Lilangeni

1US\$ = **8.10**

1Euro = **10.29**

Inflation **6.7%**

Swaziland

Infrastructure

Education and Skills Development

Swaziland's transition to a knowledge-based economy has been delayed by the limitations of its education system. The key underlying issue is a lack of standards, particularly in quality and access assurance, as rural students struggle compared to city centres. Even within urban spaces, there are varying standards of schools and teaching methods, and underfunded infrastructure is contributing to the growing gap.

Perhaps the biggest fundamental issue is linkages – between primary, secondary, and tertiary – and most importantly the link between formalised education and employment prospects. Many areas of study are being overlooked, with students struggling to gain qualifications, even at the tertiary level, which would improve their career opportunities.

Education is the cornerstone of developing such opportunities, for the individual and the economy, by producing diverse and highly skilled workers to grow local SMEs, and attract foreign investments. Swaziland's lack of strong natural resources or agricultural revenue makes education critical to its sustained economic growth, where its foundation resources are its people, their skill sets, education, and training.

Government supplements to school fees for the poorest students, and the nation's growing population of AIDS orphans, has been declining despite its 2009 policy advancing towards universally free primary access. In some schools, disadvantaged students number over a third of the student population, with many missing out on educational support and having to drop-out due to government cutbacks and limits on access. In recent cost-cutting developments, students with unemployed parents are no longer sponsored, as their parents may be able to find other means to support their development.

However, a shortage of underpaid teachers and an abundance of impoverished students make a problematic combination that is proving challenging to address. It is estimated over half of the nation's students are poor, or orphans of AIDS and so do not pay fees, instead relying on government support. Such support has been lacking due to budgetary constraints, leaving some schools without electricity, water, texts or materials.

Taxation

Individual

33%

Corporate **30%**

VAT/GST **14%**

Industry

Employment

Govt **6%**

Primary **70%**

Secondary **5%**

Tertiary **16%**

Unemployed

40%

GDP Earners

1 Agriculture

2 Manufactures

3 Services

Indexing

HDI **0.522 (M)**

GINI **52%**

EODB **124th**

Logistics

GLP **N/A**

Enabling Trade

GET **N/A**

Competitive

GCI **3.30**

Governance

Indicator

(Avg) **32%**

Communications and Information Systems

Swaziland was one of the world's last telecommunications monopolies, where the government held control in all sectors of its telecommunications market. Until 2011, SPTC (the state-owned posts and telecommunications operator) also acted as the industry regulator, and was a partner in the country's only mobile network, with South Africa's MTN. The regulatory role has since transferred to the ICT ministry, while MTN has since been permitted to build its own network under reformed licensing and policy initiatives.

Despite its lack of competition, the country's mobile market penetration is well above the continent's average, sitting at 65%, while the user's average revenue is also high. In light of its potential for further growth and diversified development, the government is considering opening the market to international operators to increase revenues and competitiveness.

Internet has been open to competition for longer, with four licensed providers established but high prices and low penetration remaining under 10%. ADSL was introduced in 2008, and 3G mobile broadband services in 2011, but development has been hampered by limited infrastructure, particularly for fixed lines which are accessible to less than 5% of the population, and a lack of competition in network access.

The country's landlocked position makes it dependent on neighbours for international bandwidth, causing higher prices which in turn limit growth prospects, although the increasing use of submarine cables in the region could turn this around.

Banking and Financial Services

The nation's core financial institutions are struggling under adverse operating conditions, with constricting economic growth and the government's budgetary black hole affecting industry sustainability. The government has engaged in numerous deals with international agencies over recent years to shore-up the economy and its vital sectors, while it struggles to keep the lights on and pay public-sector workers.

Major banking institutions govern the financial landscape, with African Alliance a key player, although there are strong informal systems contributing to business growth, most notably remittances, various informal loans, and small-scale microfinance ventures.

Countering Forgery with Advanced Training Systems

The Central Bank of Swaziland offers training courses, primarily for the Swaziland Revenue Authority (SRA) and authorised banking personnel, on the improved security features adopted in banknotes. The training is being developed in conjunction with ongoing public education programs aimed at increasing consumer knowledge of banknote security, as well as to curb counterfeiting incidents.

Participants are trained in the three principle methods of detecting if a banknote is genuine or forged, through 'feel', 'look', and 'tilt'. Designed to ensure personnel take full advantage of the improved security features incorporated into new notes, it engages with sensory perceptions to detect faults in poor-quality forged notes that might otherwise go unnoticed.

The training is particularly critical during festive and high-trade seasons, when fake notes are circulated throughout the markets from entry points at border posts and busy trading centres.

Economic and Business Analysis

Swaziland's economy is based on subsistence agriculture, which occupies approximately 70% of the population. Unlike regional neighbours Botswana and South Africa, Swaziland has no major mineral reserves or extractive endowments. The economy experienced economic growth of 8.5% annually in the 1980's due to its booming manufacturing industry, primarily in textiles before diversifying into sugar and wood pulp, which remain important foreign exchange earners. Mining has declined, with small coal and quarry stone mines remaining active.

The country's economic growth has since dissipated to 3.5%, caused in part by a sharp decline in income from the Southern African Customs Union (SACU), following a new tariff deal and diminishing government finances. Customs duties from the SACU account for over 50% of government revenues, a figure which plummeted during the global economic crisis and is struggling to regain.

With its currency pegged to South Africa's rand, the government is strongly reliant on its southern neighbour for financial support and fiscal policies. South Africa has used conditional bailouts to pressure for reforms, particularly in fiscal discipline. Worker remittances from South Africa substantially supplement domestic income, and it is an increasing source of support for struggling poorer families.

The government is working to reduce income disparities in its dual economy, with the richest 20% of the population consuming 56%, while the poorest 20% consume only 4%. Up to 70% of the population lives below the poverty line of less than two dollars

a day, an issue which the government is trying to address by increasing poverty reduction strategies and education support, which has been lagging.

The unemployment rate is estimated at 40%, with the number and size of SMEs and foreign direct investment significantly below what is required to sustain economic growth. Overgrazing, soil depletion, drought, and floods are persistent problems for farmers, with 25% of the population requiring emergency food aid in 2006-07. The impact of HIV/AIDS is increasingly effecting the nation's population and economy.

The Impact of HIV/AIDS

Swaziland has one of the highest HIV rates in the world at over 30%, with the highest death rate and one of the lowest average life expectancies. Of the more than 200,000 people who are HIV-positive, 65,000 depend on state hospitals to give them free anti-retroviral drugs. Hospitals are in danger of running out of the drugs because of the financial crisis, and the steady increase in cases.

In addition to its tremendous human toll, the HIV/AIDS crisis has eroded the work force and further stymied economic growth that was already struggling due to the country's constrained resource base. The disease is threatening the country's economic future, with the education system buckling under the weight of a growing number of AIDS orphans, with 25% of 15-49 year olds infected, and over 25% of children orphaned by the disease.

Imports and Exports

Swaziland is heavily dependent on South Africa for trade, receiving more than 90% of its imports from, and sending 60% of its exports to South African markets.

Imports are primarily in manufactured goods, machinery, equipment, chemicals, processed foods, and petroleum, areas in which Swaziland has minimal to no industry of its own.

It exports are centred on agricultural produce, which are the mainstay of the economy. Agricultural products including cotton, corn, tobacco, rice, fruits, and livestock are exported, though in relatively small volumes. Refined natural exports include coal, wood pulp, sugar refined from sugarcane, soft drink concentrates and canned fruits (utilising domestically produced sugar ingredients), and textiles.

Textile and agricultural exports in particular are subject to strong market fluctuations, with prices in the EU and African markets periodically declining due to surging supplies amid heavy competition. The opening of textile markets to Asian firms has increased competition considerably for the textile industry, which is struggling to challenge developed Asian firms for contracts.

Ease of Doing Business

Intensive government regulation, fees, and growing bureaucratic procedures are costing businesses time and money. International trade is hampered, while business start-ups struggle with delays in administrative procedures.

There is considerable concern over access to information from government departments, over industry, economic and financial issues, and precise policy directions, all of which contribute to market uncertainty thereby stymieing growth.

Public Information Access

The 'Right to Know, Right to Education' project focuses on government budgets, child rights, and education systems. Its goal is to explore the concept that access to information, education, and a strong civil society are interlinked.

The project examines the difficulties experienced by citizens in accessing information, by engaging citizens to try obtaining information from public officials, approaching various government institutions to assess the response of public officials. Only a quarter of officials were willing to provide information access, a number which dropped with the age of the enquirer and their professional accreditations.

Excuses ranged from issues of national security, privacy, commercial secrets, and public safety, with no external body or constitutional guarantee to support access. The Education Sector Policy of 2011 is attempting to address the issue, compelling schools to compile information and data for public access on education issues and policy, however no policies have been put into effect thus far governing access to financial or legislative information of interest to businesses.

Market Opportunities

Significant opportunities exist in a range of industries that remain underdeveloped. Agriculture is an employment mainstay, although many of the processes and produce could be refined and developed. In response to heavy declines in EU sugar prices, the sugar industry increased efforts towards growing linkages and crop diversification.

Internal and external markets require high volumes of sugar and sugar ingredients, and while concentrates and canned fruits are already being manufactured, there is an enormous range of manufacturing opportunities yet to be developed. Similarly, with wood resources or textiles, refining products to appeal to high-end markets can substantially improve profit yields, industry growth, and employment prospects.



Zimbabwe

Snapshot

Population

12 million

Urban **38%**

Youth %

Growth %

Capital

Harare

1.4 million

Growth %

GDP

GDP (PPP)

Total **\$5.457**

Capita **\$471**

GDP (Nominal)

Total **\$7.474b**

Capita **\$735**

Growth **9%**

Currency

Zimbabwean \$

1US\$ = **361.90**

1Euro = **459.91**

Inflation **4.1%**

Infrastructure

Education and Skills Development

Zimbabwe is struggling to meet the millennium development goals, particularly in education where its progression is going backwards. Government funded schools have been consistently underdeveloped and under-resourced with insufficient funds for infrastructure development, resources, or even wages.

The Zimbabwe Teachers' Association (ZIMTA) has previously warned that that entire education system is collapsing due to critical shortages of teachers, learning materials, infrastructure, and low wages, which bore the added burden of being printed in the country's increasingly worthless local currency. The situation is in danger of exacerbating an existing brain-drain, at a time when authorities are struggling to reverse the trend and teachers are looking elsewhere within the region and around the world. There is a growing demand to increase teacher pay, in foreign currency, as is done for other core critically skilled government employees.

The problem is exacerbated by what is perceived as government contempt for educators who are the intellectual backbone of a knowledge economy, and vital to the nation's economic growth. While government has been reluctant to raise teacher salaries to be on par with the minimum level of poverty, they have met the issue with roadblocks and empty reassurances. Teacher strikes are becoming increasingly common, particularly in the wake of a report by Ernst and Young which revealed over 75,000 'ghost workers' were still on government payroll. The audit was disregarded following ministerial protests, which called upon a new audit by an inter-ministerial committee.

The situation is at its worst in rural areas, with UNICEF data indicating that over 90% of rural schools remain closed, amid renewed calls for mass privatisation of education services. In those few schools that remain open, attendance has dropped from 80% to 20%, while teachers themselves have also been absent due to economic difficulties, forcing the postponement of national exams. As prospective student rates rise, the number of teachers is falling, and many of those who fill the gaps are dangerously unqualified.

Taxation

Individual

35%

Corporate **25%**

VAT/GST **15%**

Industry

Employment

Govt **6%**

Primary **63%**

Secondary **5%**

Tertiary **15%**

Unemployed

83%

GDP Earners

1 Agriculture

2 Industry

3 Services

Indexing

HDI **0.376 (L)**

GINI **50%**

EODB **171st**

Logistics

GLP **N/A**

Enabling Trade

GET **2.98**

Competitive

GCI **3.33**

Governance
Indicator

(Avg) **4%**

In urban areas, temporary solutions have been found for those who can afford to subsidise salaries, provide materials, or pay exorbitant fees in foreign currency for premium services. The situation is untenable at best, with wealthy parents forced to spend considerable sums of money for rudimentary studies, while impoverished families are left with no recourse. Temporary teachers are also filling the gap, although the sector is becoming increasingly reliant on such stop-gap measures, delaying concerted efforts to resolve the complexities of the underlying issues.

Solar-powered Ipads: Leap to the Future

In development is a 'School box' concept, aiming to reduce the digital divide between rural and urban areas, Zimbabwe and global competitors. Solar-powered iPads, using micro projectors and loaded with the latest educational applications, would be provided to the poorest, most remote rural schools, in pilot programs due to start mid 2012. As most schools lack even basic IT infrastructure, and electricity is also in short supply, the Ipads could offer an alternative development that, if successful, could be implemented across the continent.

Banking and Financial Services

The financial system, which has suffered from repeated crises, is failing. The lingering impacts of years of hyperinflation have crippled entrepreneurial activity, severely undermining the country's economic potential. The government has used the Reserve Bank of Zimbabwe to finance deficit spending and provide direct loans to state-owned enterprises. A corrupt and inefficient judicial system and general lack of transparency severely exacerbate business costs and entrepreneurial risk.

Another example of the government's apparent disregard of the effects of its policies on economic growth is the high reserve requirements for financial institutions, ranging between 40-60% of deposits since 2004 (in most African countries the figure is below ten percent.) This means that rather than use their deposits to invest and provide loans, the banks turn over most of their capital to the regime for it to be used and taxed (via inflation). Zimbabwe found itself unable to satisfy its financial obligations. It could not raise enough revenue because the agricultural mainstay of the economy was not operating effectively and access to foreign markets had been denied.

Further, the government could not borrow from the World Bank or IMF due to its poor political record.



The national debt hit 100% of Gross Domestic Product and in September 2001, the IMF declared Zimbabwe ineligible to use IMF resources. The national bank of Zimbabwe continues to print money to fund the deficit. In 1998, the inflation rate was 32%, high for any country. Official figures for February 2008 calculate the annual inflation rate at 100,580%, up from 7,600% in July 2007. In 1980, US\$1 bought 80 Zimbabwean cents, in early March that figure is about Z\$50m. A loaf of bread cost Z\$7m.

Economic and Business Analysis

Zimbabwe's economic situation is quite critical, the country has been downgraded in four global rankings and performed worse than the regional and income group averages. If we consider the macroeconomic situation we can see that country's indebtedness has continued to spiral due to re-capitalization of interest. The debt figure could shoot to well over U.S\$ 7 Billion by 2011 if it is not systematically reduced, according to independent forecasts. This creates a lot of problems to country public finances. Minister Biti revealed, on 30 June 2009 that external debt stands at U.S\$ 4.6 Billion. Per Capita GDP remains one of the lowest, at U.S. \$200, and an unemployment rate of 80 percent. All of these factors make Zimbabwe one of the most impoverished countries in the world. There is no room to invest in infrastructure or financial institutions. Zimbabwe imports over 2 billion dollars of commodities, while only having a little over 6 million dollars in actual revenue.

Soaring inflation and currency depreciation have been the most visible manifestations of Zimbabwe's economic woes during the first half of 2008. By mid-July, estimates of annual price increases exceeded an overwhelming 2 million percent, while the domestic currency lost practically all its value every time it changed hands. According to some estimates, the Zimbabwean dollar (ZIM\$) depreciated three-fold in June 2008. Three main factors have accounted for this precipitous decline in the country's economic fortunes. The first is bad economic governance perpetrated by President Mugabe and his team. Excessive government spending and a series of wrong policy choices, such as price controls and fixed exchange rates, have crippled the productive sectors. Chronic fiscal indiscipline is the second. Rather than take steps to correct policy failures and institutional weaknesses, the Mugabe regime ran substantial ongoing budget deficits. They deficits were primarily financed by Zimbabwe's central bank, which injected money at extraordinary rates. Third, the failure to uphold the rule of law created chaos and uncertainty, which eroded business confidence, led to the misallocation of resources and depressed economic output. This has been particularly worrisome in relation to corruption and land ownership.

Imports

South Africa accounts for almost 60% of Zimbabwe's imports, with China the next major supplier accounting for less than 10%. Goods are predominately refined and manufactured, namely machinery and equipment, chemicals and fuels, and processed foodstuffs.

There have been periodic increases in undeclared imports, which generally pour into the country during times of food or political crises.

Exports

Zimbabwe exports precious minerals, particularly platinum and gold, as well as core agricultural commodities cotton and tobacco. Textiles are also exported, though not in high volumes. Export partners are neighbours Democratic Republic of Congo, South Africa, and Botswana, with its key international partner China.

Consistent instability has destabilised Zimbabwe's opportunity for growth in international, and even regional trade, as political and economic constraints take their toll on the marketplace.

Ease of Doing Business

One of the main problems of Zimbabwe economic sector is the lack of economic freedom (the score is 22.1, making its economy the 178th freest in the 2011 Index of Economic Freedom). Its score has increased by 0.7 point from last year but there is a need of a more consistent increase because Zimbabwe is still ranked last out of 46 countries in the Sub-Saharan Africa region.

The Zimbabwean economy is characterized by instability and volatility, caused also by excessive government interference and mismanagement of the economy. The country's fragile economic infrastructure has further crumbled under a tyrannical and oppressive regime. Today, in Zimbabwe, a highly controversial new law requiring businesses to be majority-owned by indigenous Zimbabwean citizens comes into effect.

Every company with an asset value over \$500,000 needs to submit paperwork detailing the racial background of its shareholders. If the company has a majority of white or foreign shareholders, the Indigenization and Economic Empowerment Act -- brainchild of President Robert Mugabe, whose catastrophic land reform act caused hyperinflation and famine -- requires it to transfer shares to indigenous Zimbabweans. The goal of the law -- "a deliberate involvement of indigenous Zimbabweans in the economic activities of the country, to which hitherto they had no access, so as to ensure the equitable ownership of the nation's resources" -- is a noble one. However, the law is a calamity that promises to drive away foreign dollars and further the impoverishment of average Zimbabweans.

Facing the law, which Prime Minister Morgan Tsvangirai lobbied against and which many believed would never actually be enacted, uncounted companies are simply pulling out. 51 percent is a controlling stake. That means that if you're the head of, say, a South African soda company's Zimbabwean unit, in 45 days, you have a new boss -- shareholders appointed by a branch of Mugabe's government. Foreign direct investment, so vital to the economic growth of low-income countries, has already fallen off and will continue to crater.

Market Opportunities

The informal economy

Jobs in Zimbabwe's formal economy (including civil service jobs, agriculture, manufacturing, and export operations) are showing negative growth, while some jobs in the informal economy (including small businesses, vendors, and illegal trade operations) are showing growth. Jobs in the informal economy are difficult for the government to regulate and monitor and, hence, may be more difficult for the government to encourage. Furthermore, these businesses generally do not pay taxes, giving the government more reason to discourage growth in the informal sector.

Agriculture

Agriculture, which in 1997 contributed 28 percent of gross domestic product (GDP), is the mainstay of the economy and a major determining factor in its growth. It is diversified and well-developed in terms of food production, cash crops, and livestock. Its growth, however, has been erratic since independence in 1980. Periods of rapid economic growth have been interrupted by agricultural slumps caused largely by drought in 1992, when about 80 percent of the maize crop and an estimated 1.7 million cattle were lost, and another drought in 1995.

Mining

Zimbabwe's mining sector is diversified, currently producing over 40 different minerals. These include gold, platinum, nickel, coal, copper, silver, emeralds, graphite, granite, cobalt, quartz, kaolin, and mica. Gold is the primary source of revenue in the mining sector. Zimbabwe produces a wide variety of manufactured goods for both local and export markets.

Manufacturing

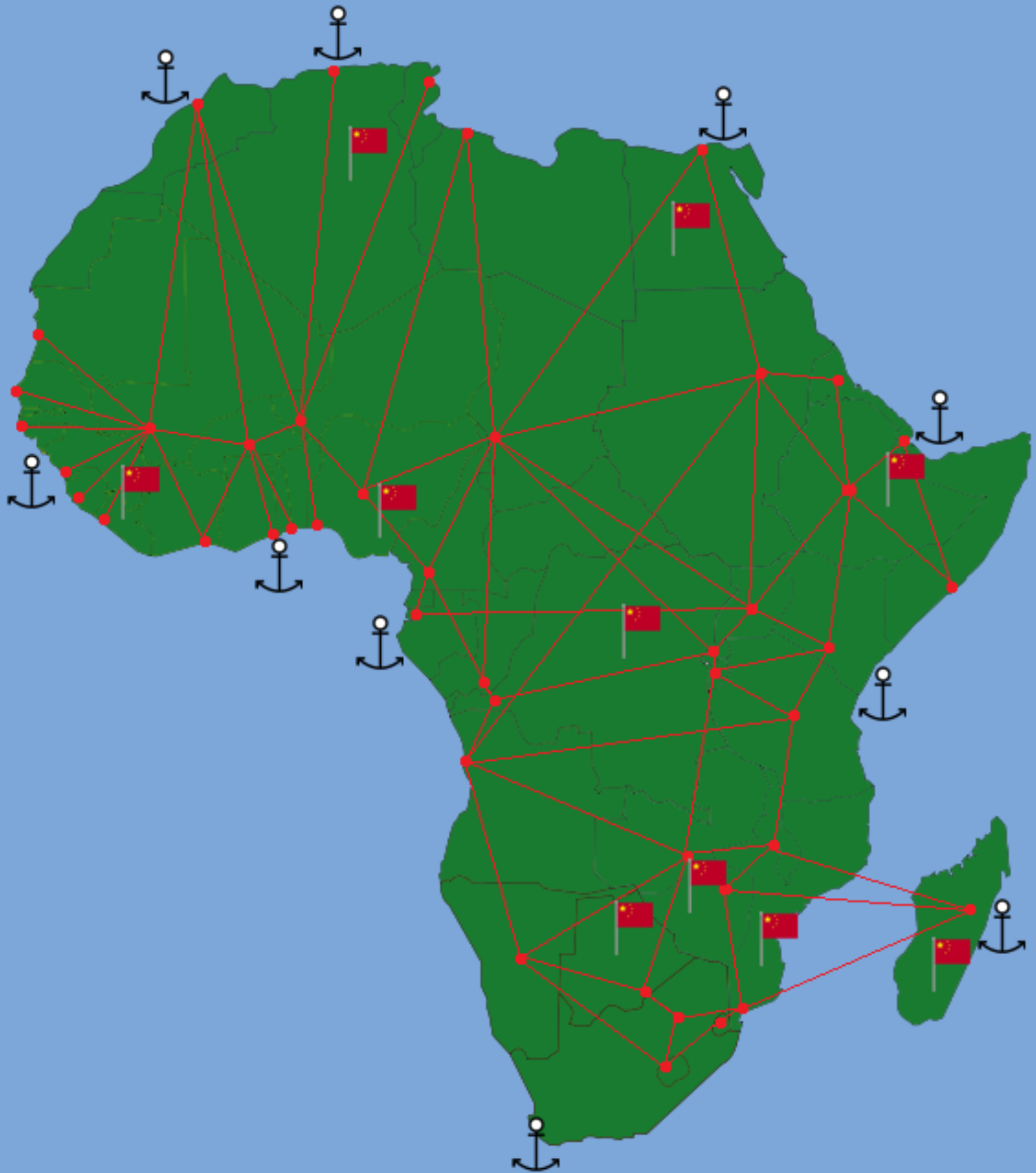
Manufacturing is centred in the 2 major urban centres, Harare and Bulawayo. Developed within a protectionist policy, the sector enjoyed certain tariff barriers in the period from 1965 to 1979. It faced stiff competition, mostly from South Africa, after 1990 when the barriers were progressively removed.

Entrepreneurs and Innovation

Entrepreneurship and Innovation are essential for business to succeed – in Zimbabwe they are essential just to survive. Small-scale SMEs specialising in niche services or trades have done well in an environment otherwise difficult to do business in. The majority of restrictions revolve around government controls, which are much less effective against SMEs that can 'fly under the radar'. As a result, Zimbabwe is one of the few countries where the odds are tilted in favour of small business, and against large multinationals.

Political support, or lack thereof, can have significant effect on business operations of scale, however purveyors of goods and services avoid such calamities. Zimbabwe is a country occasionally in peril, and as capitalism has shown repeatedly, necessity is the mother of invention. Zimbabwe's opportunities abound.

Section V: International Trade



African Nations in the International Context

There is a growing trend across the continent for increasing international trade. Though the relationship with China (covered later in this section) receives a great deal of attention, African nations engage in significant trade across the global community, and while their linkages with South and Central American countries are limited, there are strong import and export relationships with Europe, Asia, North America, and the Middle East.

The nature of trade is changing, with advances including diversification of production, enhanced international competitiveness, promotion of exports, and improvements in market access across the continent driving efforts to reach competitive levels. Africa remains the region of the world where it costs the most (and takes the longest) to produce goods and services, an issue which severely limits the competitiveness of exports.

African Exports

African exports grew slowly in the 1990's, while Africa's share of world trade fell from 2.9% to 2%. Between 2000 and 2006 they almost doubled, increasing Africa's world trade share to 2.3%, still significantly lower than pre-1990 levels. The drop in comparative trade has largely been a result of Asia's boom in exports, driven by Chinese manufactures and South-East Asian textiles.

There have been significant shifts in trade patterns, and although European nations remain principle trading partners, Asia – and China in particular – have grown rapidly, surging on the back of resource demands for their hungry developing industries which return via imported consumer goods.

Africa's Intra-regional Trade is lower than in other regions, accounting for less than 10% of the continent's total external trade figure (compared to nearly 20% for the Western Hemisphere, and over 40% for Asia). The challenge for African countries is to develop strong regional trade relationships where they are underdeveloped, to allow industries to become established in the small-scale and grow competitive before producing for targeted export markets.

Composition of Exports

Whilst African nations have seen some progress on non-traditional exports, much of their export volumes remain tied to raw resources, while growth is largely due to the oil and commodity prices boom. To illustrate, 4 of the top 5 African exporters in recent years were oil exporters.

Only a handful of African countries have been able to increase export diversification, with many either stagnant or receding, and less than 30% of the continents total exports come from manufactured products, compared to the developing country average of 70%.

Subsidised Foreign Competition

The level of agricultural subsidies in OECD countries remains very high, and in the recent past many African countries have experienced sharp rises in imports as a result. Subsidised agricultural products act as a dual detriment to domestic output, diminishing competitiveness at home and abroad.

The case of cotton illustrates how subsidies can distort international prices, and affect African farmers' livelihoods. U.S cotton producers are subsidised heavily, rendering African cotton uncompetitive – without these subsidies, the situation would be reversed, and the sector could provide growth levels akin to the resource boom.

Preferential Trade Agreements

The trade preferences that are periodically granted to developing countries by the US and EU provide some benefit, though little is focused on diversification of industries. The majority of benefits apply to a few established industries, such as bananas, as well as fledgling low-value manufactures such as textiles.

Reforming International Trade

There is no doubt that Africa as a whole lags behind the benchmarks necessary to achieve accelerated economic growth, and sustainable poverty reduction. Reforms are needed for markets and economies to survive, and increase employment and growth rather than see it return to decline.

There are four key areas where external trade issues are being reformed:

1. Deepening of African regional integration
2. Enhancing trade facilitation efforts
3. Increasing private sector participation in building trade-enabling infrastructure
4. Mainstreaming trade and national development strategies

Supply-side and competitive problems remain, with investment, integration, and infrastructure issues delaying slowing growth prospects.

Further Need for Reformation

Co-ordinating trade and infrastructure at the sub-regional level, and between rural areas and urban centres, is vital to accelerating internal linkages and external trade capacity. Major hindrances remain to the development of markets:

- cumbersome customs procedures, export clearances and formalities
- time and cost of export/import, which far exceeds the rest of the world
- languishing export diversification caused by a multitude of factors
- diminished financial, ICT, education, and logistical infrastructure
- strong international competition, stifling local entrepreneurial growth
- lack of political will and co-ordination to develop effective policies

Cocoa for Chocolate: West Africa's Struggle to Diversify

Over 70% of the world's cocoa comes from West Africa. Cote D'Ivoire is the world's largest cocoa producer, at 40% of world production, with Ghana the world's second largest. From these small nations spreads a wealth of decadence, primarily to European and North American markets.

Approximately 90-95% of the world's cocoa is produced by smallholder farms, on plantations averaging 3 hectares. Production is low per hectare, with some farms experiencing up to 80% of their crop being unproductive. Such farmers live in a hand-to-mouth existence, with little surplus cash flow to expand land, hire more labourers, or invest in new systems, skills, technologies, fertilisers, or higher yielding seeds.

The majority of wealth from cocoa production goes to major multinational corporations, which dominate the industry and largely control the processes of production. The three biggest manufacturing processors in the world now have factories in Ghana refining cocoa: Barry Callebaut, ADM, and Cargill.

These multinationals provide little in the way of value addition, linkages, employment, or opportunities for mimicry or market growth from the establishment of their largely automated, mass production factories. As an indication, Barry Callebaut employs just 100 people to process 60,000 tonnes annually.

Difficulties in Growing Internal Linkages

- Minimal local demand
- Strong multinational competition in the global market
- Lack of developed infrastructure to support manufacture costs
- Difficulty acquiring ingredients needed
- Expense of shipping exports, which increase the more a product is refined
- Difficulty entering foreign markets and establishing a beach head
- Finding distributors, retailers, shelf space, and sales, particularly when competing with well established name-brand multinationals.

Flirtations Between Buyers and Producers

There is a huge gap in the knowledge base of farmers, not just in terms of financing, business management, and the intricacies of market forces, but also in the production and development of cocoa. There is huge potential to grow the industry and individual farm stocks, by refining processes, increasing yields, enhancing farm management, and above all diversifying crops – ensuring farmers have greater financial and food stability.

Organic Opportunities

This may lead some to believe that the future is organic, fair trade markets, which though growing at an exponential rate, are struggling to gain a significant foothold in African markets. Fair trade is flawed in that cyclical market prices make its premium price less attractive by comparison. Most small farmers prefer to sell to buyers who have cash on hand, rather than risk waiting out for a better deal that may or may not come. In a volatile market, the only sure thing is uncertainty, and farmers will take the deal they can make today to keep the farm running and their families fed.

Difficulties in Growing External Linkages

Alternate options are to develop small scale business models and market linkages to manufacturing and distribution industries in developed nations. Such proposals carry the capacity to shift the way the industry works, in the way Fair-trade hoped to, by providing fairer prices for farmers as well as consumers. Projects of this kind have been tried in the past, with some notable failures demonstrating the potential pitfalls and dangers such linkages bring.

Fulton Chocolate Blues: A Lost Opportunity for Market Links

In 2004, New York Chocolate purchased the assets of The Fulton Chocolate Company to become the sole owner and operator of what was once a productive Nestle plant. The plant was 80% owned by Fonds de Régulation et de Contrôle Café Cacao – a cocoa and coffee marketing cooperative created by the government of the Ivory Coast and comprised of growers, banks, insurance companies, investors, and the government. The group sought to establish manufacturing and distribution links in the U.S, hoping that the partnership would be mutually beneficial for West African growers and U.S manufacturing.

Officials from Cote D'Ivoire's government visited Fulton's plant to reassure locals of their intentions, buying equipment to replace what Nestle sold at auction when it left. They hired former Nestle employees to get the new company up and running, and even showed off initial runs of chocolate made in the plant at a press event with an American Senator, Chuck Schumer, who had aided in the project's development.

Despite high hopes, the Fulton factory soon became submerged in debt, owing substantial sums to power companies, the Oswego County Industrial Development Agency, and the City of Fulton itself, among others. The problems stemmed from inexperience of the new owners, tensions between investors, turmoil in the Ivory Coast cocoa market, and concerns about internal business practices.

Ultimately, the plant filed for bankruptcy amidst allegations and later charges of corruption and money laundering, without ever having begun production. Whilst Fulton's plant appeared doomed from the outset, the plant and others like it hold potential for Ghana and the Ivory Coast to establish credible, solid links to developed economy manufacturers,, making their economies less vulnerable to the fluctuations of the commodities market.

Business Hubs

Roads, telecommunications, and electricity supply are key aspects contributing to Business Hubs, and they remain major problems in much of Africa. “Energy, transport, and security make up 13% of the bottom line for textiles in China, but 33% in Kenya.” Truckers are paid \$3,937 a month in Germany, and only \$160 in Zambia, yet it still costs far more to transport a container from Lusaka to Lesotho, than from Berlin to Barcelona.

Successful Business Hubs are defined by their strong infrastructure and overall ease of doing business. Here we consider a few examples, as well as potential hubs of tomorrow. Though strong infrastructure and enticements lay the foundation, ingenuity and entrepreneurship make the difference, and there are countless examples of smaller hubs across the continent, where entrepreneurs and innovators collectively gather to build and promote new industries.

Ethiopia and Djibouti

Ethiopia relies on Djibouti to export its goods through the Djibouti Port and Free Zone, while Djibouti's economy benefits from the through-trade of its much larger neighbour.

While the two countries have benefited from long-term trade relationships, the war and ultimate independence of Eritrea cut Ethiopia off from the sea, forcing it to use the port access of its neighbours.

Despite the increase in trade volumes, Djibouti's infrastructure remains underdeveloped, and its international trade regulations act as more of a disincentive. The country owes much of its economic base to the continued flow of high volumes of Ethiopian exports through Djibouti Port.

Egypt

Covering over one million square kilometres (four times the UK) and with a population of 78 million, Egypt is in a critical strategic position, acting as a bridge between Africa and the Middle East.

At the centre of Egypt's sphere of influence is the Suez Canal, a 120mile long water channel which hosts 7.5% of all global sea trade. Over two-thirds of Europe's oil passes through the canal, a pipeline that is a major source of revenue for Egypt and its Arab neighbours, as well as a vital energy corridor for the global community.

Egypt is in ongoing development of its economy, shifting gear towards more service-oriented businesses, and opening itself to foreign investment. Public free zones are operating in Alexandria, Damietta, East Port Said, Ismalia, Koft, Media Production City, Nasr City, Port Said, Shebin el Kom, and Suez.

Egypt's infrastructure and development are major drawcards to industry:

- Egypt's GDP is among the highest in Africa
- Cairo is one of the continent's most populous and well developed cities
- Port Said is in the continent's top 5 most frequently used ports
- Three of the nation's airports are in the top 10 for passenger volumes: Cairo Intl, Sharm El Sheik Intl, and Hurghada Intl

Kenya

Kenya has surpassed its neighbour and rival Tanzania, to achieve powerhouse status in East Africa. The strength of its financial systems has seen Kenya become the focal point for financial trade in the region, and its stock market is one of the best performers on the continent.

Kenyan retail chains and superstores have begun to spread throughout the region, increasing competition and expanding their influence. Known globally for its well established tourism industry, Kenya's economy is shifting towards outsourcing of ICT and other service sectors, to broaden its economic base and enhance its exposure to foreign capital and multinationals.

Nigeria

The behemoth of West Africa, Nigeria is Africa's most populous nation, and one of the largest in the world. Development is sporadic throughout the country, and while in the capital Lagos there is a renewed spring of advanced industry and innovation, there exists alongside it poverty and temporary slum settlements.

Harnessing its size and location is crucial to the nation's further growth, and Nigeria has begun to expand across wider industry spheres in efforts to generate sufficient momentum to sustain its population growth and tackle social issues.

The Nollywood film industry has become professionalised, with communications and energy firms following suit. Exciting developments have been made in intermediate technologies, with Nigerian companies developing and producing small-scale power generators, and SMEs expanding internet service provision.

SMEs are the key to Nigeria's sustainability, and the rapidity with which the industry embraced mobile technologies – in particular online retail – will ensure Nigeria's growth remains on the rise.

Easing Cross-Border Trade

New initiatives to reduce multiple border controls, by using one-stop border posts, are operating at the crossings for Kenya/Uganda, Burkina Faso/Ghana, Mali/Burkina Faso, and Senegal/Mali. By reducing border inefficiencies, time and cost delays of shipments are avoided, and regional trade increases.

Morocco

Its close physical proximity to European markets, particularly in France and Spain, have connected Morocco's industries to the latest technological developments and innovative practices. While high volumes of European tourists visit Morocco seasonally, the country engages in year-round business opportunities with EU firms eager to invest in Africa's gateway.

While Morocco's physical infrastructure and regulatory systems cannot compare to EU standards, it remains a relatively new market, with areas of growth untapped, and rich opportunities to entice foreign investment.

Recent developments in high-end retail projects were complimented by the growth in essential services, particularly for regional communities, where economic growth is limited. In the fields of education and communications, Morocco is actively closing the gap and levelling the playing field, paving the way for regional advancement.

South Africa

Possibly Africa's most developed nation, South Africa is a vital entry point to the Southern Region, and the continent as a whole. Its industries and infrastructure are further developed than most African countries, offering an exciting view to the shape of African developments to come.

High-tech community and industry developments, such as Century City, highlight its competitiveness with European and North American premium projects, whilst social strategies are slowly gaining ground in the political and economic space.

As in Nigeria, South Africa is a country of contrasts, struggling with merging its dual-economy into a seamlessly productive whole. Nowhere is this more apparent than Johannesburg, where in the city's interior towering skyscrapers dominate, whilst workers struggle in the daily migration to work from the outer suburbs.

While the market for South Africa's upper class is well developed, the growing middle class and urban poor are under-served in almost every sector, and a multitude of opportunities remain for businesses to take advantage of profitable innovations that are also socially conscious.

Developing Integrated Transport Linkages

A transport infrastructure project is in development, connecting Botswana to the Indian Ocean through Mozambique, and via Zimbabwe.

The jointly invested initiative aims to build an 1,100 kilometre railway, connecting Mozambique's Maputo province with Botswana, and enabling Botswana to improve its trade links and import over 5 million cubic metres of fuel every year.

FTZ's and EPZ's

(Free Trade Zones and Export Processing Zones)

FTZ and EPZ hubs are playing an increasing role in the strategic growth of developing economies. Working in tandem with SEZs (discussed further in the China section of this book), they represent the new model for business growth, and are particularly beneficial to developing countries.

The strength of such zones lies in concentrating businesses for international trade. They benefit the businesses themselves, through the attractive and profitable terms of operation, developed infrastructure tailored for business needs, quick and easy export/import access to international corridors, and strong government support.

The government benefits from the draw of strong sustainable businesses, which are more easily supplied by transport and communications developments due to their presence in one focal location, and lastly the boom in alternate businesses and growth drawn from the initial influx of entrepreneurs.

In looking at several case studies, we can note key themes and similarities, as well as differences unique to the business environment which are tailor made to attract particular types of enterprises, to make up for domestic industry shortfalls.

Tunisia

The Port of Bizerte

The Port of Bizerte is a modern seaport, free-trade zone, and regional trade centre. Its exports include fish, iron ore, phosphates, and cereals, while its main industry is oil refining. The Port, and its FTZ in particular, benefit from its strategic location, lying just 66 km from Tunis, 125 nautical miles from Sicily, and 110 nautical miles off Sardinia.

Most importantly, Bizerte lies in the Gibraltar-Suez trade route, in close proximity to major international shipping channels and European ports. In 2008, the Port handled 5.3 million tons of cargo and 558 vessels. Connected to the nation's rail and road networks, it is also next to a major industrial business park.

Zarzis 'Park of Economic Activities'

Zarzis offers much the same as the Port of Bizerte, however its focus on business development is more diverse, whereas Bizerte's principle role is as a transit port. Loose and in some cases free tax, employment, and trade policies draw European and developed African firms.

Africa's Busiest Ports

Nigeria:

Lagos Port
Apapa Port
Tin Can Port

South Africa:

Durban
Richard's Bay
Saldanha Bay

Djibouti: Free Zone

Egypt: Port Said

Kenya: Mombasa

Mozambique: Beira

Namibia: Walvis Bay

Tanzania: Dar Es Salaam

Mauritius: The Island of Free Trade

Established in 1992, the Mauritius Freeport is a duty-free logistics, distribution and marketing hub for the Eastern and Southern African region.

Logistics and warehousing facilities have been created for storage, trans-shipment, and minor processing functions.

The Freeport consists of two locations – one in close proximity to Port Louis, and the other at the international airport – ensuring that businesses are connected to the pulse of sea and air corridors.

It has thus far attracted over 1,000 companies from 25 different countries since 1993, including major multi-nationals:

Nestlé, Decathlon, Hewlett Packard, Boxmore, Expeditors, Paxar, Li & Fung, Cottage Industries, Maersk Logistics, Bourbon Group, Starkist, Tri Marine, and Longueville Ltd.

It offers a range of incentives to entice businesses:

- Strong Corporate tax incentives
- Free repatriation of profits
- Reduction of 50% on income tax for expatriates
- exemptions from duties and value-added tax for goods and materials
- Reduced port handling charges for goods imported and then re-exported
- Company ownership can be 100% foreign
- Sales on the domestic market allowed up to 50% of turnover
- Preferential rates on capital financing from the Development Bank of Mauritius

Top 5 Cities (population 2010)

Lagos, Nigeria	9.9m
Kinshasa, DRC	8.9m
Cairo, Egypt	8.1m
Ibadan, Nigeria	5.1m
Alexandria, Egypt	4.4m

Top 5 GDP (per capita 2010)

Eq. Guinea	\$19,998
Seychelles	\$10,825
Libya	\$10,327
Gabon	\$8,643
Mauritius	\$7,593

Nigeria

Nigeria is home to the most diverse range of FTZs and EPZs on the continent. While most other zones are focused solely on manufacturing exports around Ports and international sea-trade settings, Nigeria has 5 Trade Zones:

- Calabar and Kano Free Trade Zones
- Onne Oil and Gas Free Trade Zone
- Maigatari and Banki Border Free Trade Zones

Nigeria has also developed zone specialisations:

Export Processing Factory

EPFs are a variant of the FTZ model, allowing foreign owned large, medium and small-scale export-oriented manufacturing concerns to benefit from the incentives of FTZs. A precondition for investing is that a prospective beneficiary must prove that 75% or more of its products will be exported.

The scheme is designed to reduce the cost of production, making local manufacture products competitive in the international market. There are 7 operational factories in Ondo, Akwa Ibom and Kano States, while 12 more are under construction in Lagos, Bauchi and Yobe States.

Export Farms Development

The scheme seeks to circumvent tough regulations, eliminate administrative delays, and provide easy access to export channels for farmers, intending to minimise losses that farmers incur when exporting perishable farm products. Already, a number of farms with high export potentials have been selected:

- Sebore Farms in Adamawa State
- Heelena Farms in Jos, capital city of Plateau State
- Savannah Integrated Farms in Gombe
- Niyya Farms in Kaduna, capital city of Kaduna State
- Pineapple farms in Edo and Cross River States

Private Free Zones

Private Free Zone developers are being encouraged to invest in the country as well. In February 2002, Government approved the Lekki Free Zone, which is the private initiative of a Singaporean holding company. The developers have already invested about \$169million in FTZ facilities

Top 5 GDP (nominal 2010)

South Africa	357b
Egypt	218b
Nigeria	216b
Algeria	160b
Morocco	103b

Namibia

Walvis Bay Export Processing Zone

With the customary tax-free incentives, developed infrastructure (particularly transport and telecommunications), stable political environment, cheap yet flexible workforce, Walvis Bay is positioning itself to lead Namibian business growth in challenging South Africa's dominance in the region.

Since its establishment, the zone has catered to companies involved in:

- automotive parts for motor vehicles
- assembly of vehicles
- manufacturing of fish-nets and ropes
- granite processing

However, it is looking to expand its base into production in priority industries:

- Textile and garment industries
- Manufacturing & assembling of electronic equipment
- Processing industrial products, food stuff and beverages
- Assembling or producing electrical household products

Egypt: The Suez Co-operation Zone

Egypt has been an enthusiastic proponent of economic zones as a strategy to attract foreign investment, promote exports, and expand employment. The country has developed 47 Industrial Zones and 9 Free Zones, which have helped boost Egypt's manufactured exports from \$5.3 billion in 2000 to \$25.5 billion in 2008.

Top 5 Busiest Airports

Tambo Intl, Jo'burg, SA
Cairo Intl, Egypt
Sharm El Sheik Intl, Egypt
Cape Town Intl, SA
Hurghada Intl, Egypt

Yet there have been frustrations in joint ventures between Egypt and China over developments, with one organisation (TEDA) deciding to experiment with a new and more successful zone focused on Chinese SMEs, operating without Egyptian partners. In 2000, TEDA set up a new corporation, Suez International Cooperation Company, to develop its SME industrial park into the Egypt Suez Cooperation Zone (ESCZ).

The ESCZ planned to foster four clusters: textiles and garments; petroleum equipment; automobile assembly; and electrical equipment; with heavy industries to be added later. Sections of the zone are developed for worker and staff residential use, a standard feature of Chinese SEZs, and particularly important in this case as the zone is some way from any urban area, making transport problematic.

International Organisations of Influence

AU (African Union)

On 9.9.1999, the Heads of the Organisation of African Unity issued the Sirte Declaration, calling for the establishment of an African Union. The union was formed to accelerate the process of integration in the continent, while addressing multi-faceted social, economic, and political problems which are compounded by the negative aspects of globalisation.

The vision of the African Union is:

“An integrated, prosperous and peaceful Africa, driven by its own citizens and representing a dynamic force in the global arena.”

Core Objectives of the AU

- To achieve greater unity and solidarity between African countries
- To accelerate the political and socio-economic integration of the continent
- To promote and defend common positions on issues of interest
- To establish the necessary conditions which enable the continent to play its rightful role in the global economy and in international negotiations
- To promote sustainable development at the economic, social and cultural levels as well as the integration of African economies
- To advance the development of the continent by promoting research in all fields, in particular in science and technology

The African Development Bank

The AfDB Group's mission is to help reduce poverty, improve living conditions for Africans, and mobilize resources for the continent's economic and social development. It aims to assist African countries – individually and collectively - in their efforts to stimulate and mobilize internal and external resources, to promote investments as well as provide its regional member countries with technical and financial assistance.

In accordance with its policy of decentralization aimed at taking its operations closer to its beneficiaries, the Bank has, over the past few years, established 23 field and country offices across the continent.

SADC (Southern African Development Co-ordination)

On August 17, 1992, at their Summit held in Windhoek, Namibia, the Heads of State and Government signed the SADC Treaty and Declaration that effectively transformed the Southern African Development Coordination Conference (SADCC) into the Southern African Development Community (SADC). The objective also shifted to include economic integration following the independence of the rest of the Southern African countries.

Currently SADC has a membership of 15 Member States, namely; Angola, Botswana, Democratic Republic of Congo (DRC), Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, United Republic of Tanzania, Zambia and Zimbabwe.

The SADC Mission is to promote sustainable and equitable economic growth and socio-economic development through efficient productive systems, deeper co-operation and integration, good governance, and durable peace and security, so that the region emerges as a competitive and effective player in international relations and the world economy.

SACU (Southern African Consumers Union)

The Southern African Customs Union (SACU) consists of Botswana, Lesotho, Namibia, South Africa, and Swaziland. SACU was established in 1910, making it the world's oldest Customs Union. Historically, it was administered by South Africa, through the 1910 and 1969 Agreements.

The customs union collected duties on local production and customs duties on members' imports from outside SACU, and the resulting revenue was allocated to member countries in quarterly instalments utilizing a revenue-sharing formula. Negotiations to reform the 1969 Agreement started in 1994, and a new agreement was signed in 2002.

The Economic structure of the Union links the Member states by a single tariff and no customs duties between them. The Member States form a single customs territory in which tariffs and other barriers are eliminated on substantially all the trade between the Member States for products originating in these countries; and there is a common external tariff applicable to non-members of SACU.

EAC (East African Community)

The East African Community (EAC) is the regional intergovernmental organisation of the Republics of Kenya, Uganda, the United Republic of Tanzania, Republic of Rwanda and Republic of Burundi with its headquarters in Arusha, Tanzania.

The Vision of EAC is a prosperous, competitive, secure, stable and politically united East Africa; and the Mission is to widen and deepen Economic, Political, Social and Culture integration in order to improve the quality of life of the people of East Africa through increased competitiveness, value added production, trade and investments.

The EAC aims at widening and deepening co-operation among the Partner States in, among others, political, economic and social fields for their mutual benefit. To this extent the EAC countries established a Customs Union in 2005 and a Common Market in 2010. The next phase of the integration will see the bloc enter into a Monetary Union and ultimately become a Political Federation of the East African States.

The realisation of a large regional economic bloc encompassing Burundi, Kenya, Rwanda, Tanzania and Uganda with a combined population of more than 130 million people (2010*), land area of 1.82 million sq kilometres and a combined Gross Domestic Product of \$74.5 billion (2009*), bears great strategic and geopolitical significance and prospects of a renewed and reinvigorated East African Community.

The negotiations for the East African Monetary Union, which commenced in 2011, and fast tracking the process towards East African Federation all underscore the serious determination of the East African leadership and citizens to construct a powerful and sustainable East African economic and political bloc.

CFA (Communate Financiere D'Afrique)

CEMAC (Economic and Monetary Community of Central African States)

The Economic and Monetary Community of Central African States (CEMAC) includes six countries: Cameroon, Congo, Gabon, Equatorial Guinea, the Central African Republic and Chad. Its mission is to:

Promote harmonious development of member states through the establishment of a true common market.

CEMAC activities revolve around today's Regional Economic Programme which aims to "make CEMAC an integrated economic space emerge, place of shared security, solidarity and good governance, human development".

The PER presents an agenda for the emergence (2010 - 2025) in three five-year phases for the realization of vision 2025 of the CEMAC: Phase 1 (2010-2015), which consists of building the institutional foundations of the emergence, Phase 2 (2016-2020) is "the anchor of the pillars of economic diversification of the Community. Phase 3 (2021-2025) aims to consolidate the previous phases.

After its completion, it will lead to the creation of an emerging economic area in the CEMAC in 2025. The financing scheme of the implementation of the PER based on the principle of creating a "Fund CEMAC Emergence." Reason, the Conference of Heads of State held in Bangui, 16 and 17 January 2010, asked the realization of the feasibility study of such a fund.

ECOWAS (Economic Community of West African States)

ECOWAS is a regional group of fifteen countries, founded in 1975. Its mission is to:

Promote economic integration in all economic activities, particularly industry, transport, telecommunications, energy, agriculture, natural resources, commerce, monetary and financial questions, and social or cultural issues.

UEMOA (West African Economic and Monetary Union)

UEMOA is a customs and currency union between the members of ECOWAS.

Its objectives include:

- Greater economic competitiveness through open markets
- the rationalization and harmonization of the legal environment
- The convergence of macro-economic policies and indicators
- The creation of a common market
- The coordination of sectoral and fiscal policies

The UEMOA has successfully implemented macro-economic convergence criteria and an effective surveillance mechanism. It has adopted a customs union and common external tariff and has combined indirect taxation regulations, in addition to initiating regional structural and sectoral policies.

International Programs and Policies

COMESA Free Trade Area

COMESA began in 1994, when it was established 'as an organisation of free independent sovereign states, which have agreed to co-operate in developing their natural and human resources for the good of all their people'. As such, it has a wide-range of objectives focusing on the formation of a large economic and trading unit, which is capable of overcoming the barriers faced by individual states.

COMESA's current strategy can be summed up in the phrase 'economic prosperity through regional integration'. With its 21 member states, population of over 385 million and annual import bill of around US\$32 billion, COMESA forms a major market place for both internal and external trading.

The EU 'Everything But Arms' (EBA) Scheme

The EBA Regulation ("Everything But Arms") was established in 2001, granting duty-free access to imports of all products from LDCs, except arms and ammunitions, without any quantitative restrictions (with the exception of bananas, sugar, and rice). EBA provides the most favourable trade regime available, giving LDCs duty free access to the EU for all products, except arms and ammunition.

EITI (Extractive Industries Transparency Initiative)

The EITI sets a global standard for transparency in oil, gas, and mining, in an effort to make natural resources beneficial to all.

Over 3.5 billion people live in countries rich in oil, gas and minerals. With good governance, the exploitation of these resources can generate large revenues to foster growth and reduce poverty. However, when governance is weak, it may result in poverty, corruption, and conflict. The Extractive Industries Transparency Initiative (EITI) aims to strengthen governance by improving transparency and accountability in the extractives sector.

The EITI is a coalition of governments, companies, civil society groups, investors and international organisations, which support improved governance in resource-rich countries through the verification and full publication of company payments and government revenues from oil, gas and mining.

AGOA (Africa Growth and Opportunity Act)

AGOA was signed into U.S law in 2000. It offers tangible incentives for African countries to continue efforts to open their economies and build free markets. AGOA II was signed into law in 2002, substantially expanding preferential access for imports from beneficiary Sub-Saharan African countries.

By modifying certain provisions, AGOA III (signed in 2004) extends preferential access for imports from beneficiary Sub Saharan African countries until 2015, and extended third country fabric provision until 2007.

The Africa Investment Incentive Act of 2006 (referred to as AGOA IV), extended the third country fabric provision until September 2012; added an abundant supply provision; designated certain denim articles as being in abundant supply; and allowed lesser developed beneficiary sub-Saharan African countries export certain textile articles under AGOA.

AGOA provides reforming African countries with the most liberal access to the U.S. market available to any country or region with which the United States does not have a Free Trade Agreement. It supports U.S. business by encouraging reform of Africa's economic and commercial regimes, which will build stronger markets and more effective partners for U.S. firms.

Since its implementation, AGOA has encouraged substantial new investments, trade, and job creation in Africa. It has helped to promote Sub-Saharan Africa's integration into the multilateral trading system and a more active role in global trade negotiations. It has also contributed to economic and commercial reforms which make African countries more attractive commercial partners for U.S. companies.

CAADP (Comprehensive Africa Agri-Development Program)

Extensive details on CAADP are in the Agriculture chapter of this book.

OHADA Treaty

THE OHADA TREATY

OHADA is the French acronym for "Organisation pour l'Harmonisation en Afrique du Droit des Affaires" literally translated in English as the "Organization for the Harmonisation of Business Law in Africa" (OHBLA). OHADA is an international organization created by a treaty signed in Port Louis (Mauritius) on 17th October

1993 by fourteen African States.

Unlike other regional integration arrangements in Africa, OHADA objectives in its member's states are simple: to harmonize their business laws such that they have a single, modern legal framework for their economic activities and to promote arbitration as a means of settling contractual disputes. The rationale for this is to improve legal security, which in turn would help to promote trade and investment.

In pursuance of its aims, OHADA issues unified legislations in the form of Uniform Acts on particular areas of law. These Uniform Acts resolve the problem of uncertainty and outdated national legislations, which made investment in these countries complicated at best and at worst, almost impossible.

NEPAD (New Partnership for Africa's Development)

NEPAD is the New Partnership for Africa's Development, a programme of the African Union, among whose objectives are to place African countries, both individually and collectively, on a path of sustainable growth and development and to halt the marginalization of Africa in the globalization process and enhance its full and beneficial integration into the global economy.

It is both a vision and a strategic policy framework for Africa in the twenty-first century. NEPAD is a radically new intervention, spearheaded by African leaders, to address critical challenges facing the continent: poverty, development and Africa's marginalisation internationally.

NEPAD provides unique opportunities for African countries to take full control of their development agenda, to work more closely together, and to cooperate more effectively with international partners. NEPAD manages a range of programs and projects in six theme areas:

- Agriculture and Food Security
- Climate Change and National Resource Management
- Regional Integration and Infrastructure
- Human Development
- Economic and Corporate Governance
- Cross-cutting Issues, including Gender, Capacity Development and ICT

Relations with China: 21ST Century Powerhouse

China is no longer a 'champion of African liberation', if it ever was one. China's relationship with Africa is purely in its own self-interest – business, strictly business – but a business opportunity that serves to benefit both parties.

China as a whole offers a markedly different style of relationship to what Africa experiences with the West. Chinese diplomacy is soft, its strategies diverse: it does not target African leaders for regime change, preach human rights or democracy, interfere in politics, or even advocate aid to ease poverty. China engages with Africa primarily in an economic context, and the nature of its relationship is more business-focused than any capitalist country thus far.

As China sees a wealth of opportunities in Africa, so too do African countries see opportunities in engaging with China. It is not a relationship without risks, for African nations and African entrepreneurs in particular. This chapter deals with the present state of relations and trade between African nations and China, as a whole, and the threats and opportunities nations and individual entrepreneurs face. Relationships vary between individual African nations, and some (such as South Africa) are quite large, while others are almost non-existent. Within these relationships, there are a range of threats and opportunities for both parties, varying from nation to nation, and even in specific projects:

Opportunities for Africans

- Trade finance and soft loans
- Industrial products at low prices
- Contribution of infrastructure, through cheap, efficient bids on projects
- Purchase of large amounts of natural resources, stabilizing economic income
- An in country/continent example of skills and processes to learn from

Threats to Africans

- Chinese immigration, labour, and businesses challenging local growth
- Chinese imports threatening local production and stifling industry growth
- China's political support and occasional legitimizing of corruption or regimes
- Unequal trade – African markets open to Chinese companies, but not vice versa

Trade with China

Trade between China and Africa reached \$106 billion in 2008, ten times the 2000 figure. Chinese foreign direct investment (FDI) statistics are notoriously unreliable, but suggest that actual increases in FDI are likely to be far higher than the official annual figures, which record a rise from \$74.8 million in 2003 to \$5.49 billion in 2008 (MOFCOM 2009). In 2007, at the annual meeting of the African Development Bank, held for the first time in Shanghai, the president of China's Export-Import Bank announced plans to commit at least \$20 billion in export-related finance across Africa over the following three years.

China's trade relationship within Africa is, overall, imbalanced. African nations export to China huge sums of raw materials, while return imports are smaller sums of refined manufactured goods.

Certainly China benefits a great deal from the tremendous influx of natural resources swamping the country, which are enabling its manufacturing industry to develop so swiftly. It can also be argued that China's manufacturing industry needs the raw materials developing nations have in abundance, and that in their transitional period of industry development Chinese demand for resources funds growth, while Chinese manufacturers in turn provide cheaper products to consumers.

China's Global Relationship Strategy

The Chinese government has a number of goals in Africa that use the Chinese Diaspora and other resources to accomplish their aims:

- Assuring the supply of raw materials for China
% of China raw materials Africa provide
- Creating and growing a market for Chinese products and services
- Obtaining land use for agriculture, as a fall-back should China's own domestic supply run short, as its own domestic developments in manufacturing expand
- Promote Chinese migration and business investments in Africa
- Gain diplomatic support from African countries, particularly over Taiwan
- Strengthen its global presence, economic and diplomatic ties

It is important to note that these goals are not specific to Africa, but reflect China's relationship strategy and growing needs across global markets. There have been significant increases in China's foreign engagements throughout the global economy. For example, Australia's relationship with China is in a very similar state to that of many African nations:

Australia has extensive reserves of natural resources, including coal, iron ore, copper, gold, and uranium. Over 25% of Australia's total exports go to China. Australia also has a high demand for commodities, and almost 20% of all imports come from China. There is a symbiotic, sometimes tense, economic relationship with China, where it can be argued over who has the greater advantage.

Exports – Natural Resources

Africa-wide exports to China focus on natural resources and crude materials, primarily crude oil, as well as timber and minerals. There is generally little to no value-added, refining, or manufacturing processes in Africa that contribute to growing increased income from these vital, non-renewable resources. There exists a huge potential for increased income and market diversity from expanded linkages (vertical and horizontal market development and integration), however this would require enhanced infrastructure and significant intervention and support of government and major corporate entities.

On the global, macro-economic level, China's resources grab has implications for commodity consumption, pricing, exchange rates, and the national growth of African countries that are 'resource rich'. It is important for governments to manage carefully the revenue increase from non-renewable mineral wealth, using it to contribute to the growth and development of other more sustainable sectors of the economy.

How China's Export Demand Grows African Economies

The number of deals that China is initiating has grown exponentially on every continent, but especially Africa. China is adding infrastructure capacity to link resources in Mauritania, Sudan, Nigeria, DRC, Gabon, Angola and Zambia. This type of investment is key to China's strategy on the continent, by making the investment viable and leaving an economic legacy for the host country.

Resource demand has spurred growing infrastructure investment, which will be followed by the development of a growing industrial and services sector. Spearheading Africa's growth performance are the relatively low-cost providers of natural resources that have benefited from the surge in Asian demand. Along with this demand has come the reciprocal development of infrastructure by Chinese firms.

Physical infrastructure is essential to propel agriculture, manufacturing, services, trade and even human capital enhancements, while rising incomes and rapid industrialisation drive demand for electricity, transport, telecoms and housing. Resource and infrastructure investment will leave a legacy that will continue to build and enhance the economic status of the continent, drive economic growth, and ultimately benefit the continent's people.

Business is Business

China has proven remarkably adept at embracing capitalism, and growing not only its own economy but those of other developing nations. While some in the west condemn violations of human rights conditions, China's deputy foreign minister, Zhou Wenzhong, has distilled the essence of China's philosophy of engagement:

“Business is business. The west has tried to impose a market economy and multiparty democracy on countries which are not ready for it.”

China's Export Relations: Country Case Studies

Last Man Standing in Sudan

Sudan represents the clearest example of how China comes to Africa with the complete package of money, expertise, and geopolitical influence. Chinese firms are replacing western companies across the continent, nowhere is this more evident than in the Sudan.

China is both Sudan's biggest customer and supporter, enabling Sudan to become a net exporter of crude oil despite the withdrawal of western companies, and the minimisation of western trade due to the ongoing conflict.

China-Botswana Trade: The Potential Boom for Diamonds

Bilateral trade surged from nearly zero 30 years ago, to \$52.4 million in 2004, \$69 million in 2006, and \$149 million in 2007. China has become the second largest luxury diamond consumer in the world, importing \$1.6 billion worth of diamonds in 2004. China's total imports from Botswana surged from \$8.1 million in 2006, to \$26 million in 2007, while China's exports to Botswana increased from \$61 million in 2006, to \$118 million in 2007.

China in West Africa

China has more recently become a player in the energy field on the west coast of Africa, which is the largest producer of oil on the continent. West Africa provides the United States with 15 per cent of oil imports and this is projected to grow to as much as 20-25% over the coming decade. Nigeria and Angola are the main producers and China has become active in both countries.

China has entered the Nigeria market as well. In July, China and Nigeria signed an \$800 million crude oil sale agreement setting in motion an annual purchase by China of 30,000 barrels a day for five years. Much more significant is that China has won a license to operate four of Nigeria's oil blocs, "as part of an incentive to build a hydro power station." Beyond this is China's willingness to take over a privatized oil refinery in Nigeria, a money losing proposition that no western company would likely have touched. All in all China is reported to be considering \$7 billion in investments in Nigeria, covering a wide variety of sectors.

The pattern is the same elsewhere. In Zambia, China has invested nearly \$170 million in the mining sector, primarily but not only copper. China is now the world's largest user of copper, with the US second. China has been active in the Democratic Republic of the Congo, a country gripped by civil war and instability. Despite these conditions, China has begun investment in cobalt and copper mines, begun work on roads to facilitate mineral exports, and examined power projects as well. In another unstable country, coming out from a devastating civil war, Sierra Leone, China is developing a luxury hotel and making other investments – going in where others would fear to tread. In Uganda, a Chinese pharmaceutical firm is introducing a new anti-malaria drug and bidding on a contract to supply treated bed nets.

Imports – Manufactured Goods

China has a competitive impact on growing sectors of African nations, which are under significant threat from more competitive industries established in China and other Asian tigers. Manufacturing industries are among the hardest hit, although despite the threatening influx of Chinese products, they also carry some benefits.

Textiles and the Manufacturing Shift

The growth of Chinese textile exports constitutes a double whammy for Africa. They are simultaneously undermining the fledgling African industry at home and abroad, by out-pricing African firms on their own soil and eliminating local trade, and swamping wealthy markets like the United States, thereby shutting down the promising growth of Africa's exports.

The impact largely stems from the end of the MFA (Multi-fibre Agreement), which previously limited textile imports via quotas, ensuring that no one nation dominated. Combined with the strict quotas on China was the positive effect of the AGOA (Africa Growth and Opportunity Act), which gave African countries almost unlimited access to the U.S through highly favourable trade arrangements.

Textiles were one of the fastest growing exports under AGOA, with rapidly growing industries in Lesotho, Swaziland, Ghana, Uganda, Kenya and elsewhere on the continent. Once it expired in 2005, Chinese exports soared and African industries, unable to compete, were shattered, with horrendous job losses across the continent.

Will Manufacturing Shift from China to Africa?

In the year 2000, it was predicted that by 2050 Africa would replace China as the world's manufacturing hub. So far, there has been little to indicate the impending trend. Africa's manufacturing sector faces challenges from skills shortages, labour laws, and electricity supply, to transport, productivity, and legislative instabilities.

While the situation seems hopeless, South-East Asia was in little better shape a few short decades ago. The decisions made by governments, businesses, and individuals, hold the power to make or break the industry.

Cheap Consumer Goods Alleviate Poverty

Cheap Chinese imports have substantially increased access to goods by driving down prices. Struggling communities, once barred from access due to financial constraints, can now obtain more for less under the rise of low-cost consumables.

The difference is notable, not just in entertainment goods, but essentials such as clothing, electrical goods, stationery supplies, and equipment for school students. Whilst Chinese manufactures have limited African industry growth, they have provided other, just as significant opportunities, in distributing and selling imports.

China in Africa

Building Infrastructure

China has also contributed to the growth and development of Africa's trade and transport infrastructure. Chinese firms routinely outbid competitors, and by the end of 2007, Chinese firms had won contracts in Africa worth a combined total of over \$30 billion. China Road and Bridge Corp have been involved in over 500 construction projects, and in 2005 they merged with China Harbour Engineering.

High profile examples of Chinese companies financing and developing infrastructure and construction projects include:

Roads

Networks and individual major projects have been developed across the continent, particularly in Nigeria, Rwanda, Angola, and Ethiopia.

Rail

Some of the first Chinese projects in Africa were tied to aid and development initiatives. The major transit and materials rail lines, the Tanzam Line and the Benguela Line, connect nations on the East Coast, providing valuable transit corridors for men and materials.

Nigeria's Railway Systems were produced by Chinese SOEs, with extensions and additional projects at infrequent stages of development since.

Large Infrastructure

In the beginning, Chinese infrastructure projects were largely showpiece items tied to aid and aimed at garnering political and strategic influence, more than actually contributing to economic and industry development. As China's role in Africa increased, and independent profit-making firms became more prevalent, the landscape changed, and major projects became less about prestige, and more concerned with contributing to essential systems and government strategies. A cross-section of examples include:

- Sudan: An Oil Pipeline Network, to ease flow to export markets (including China)
- Ethiopia: The Tekeze Dam, an key component of the national water strategy
- Sierra Leone: The Youyi Building, home to nine government ministries
- Mozambique: The Mphana Nkuwa Hydroelectric Dam (financed by China Exim)
- Mauritania: The primary seaport in the capital Nouakchott, which receives 85% of the country's imported goods.

Positive Impacts

Chinese engagement in infrastructure has had a range of positive effects:

- substantially lowering the costs of projects by up to 25-35%
- creating new employment opportunities for local people
- developing essential infrastructure vital to growing trade

CSR in Botswana: Socially Responsible Business

Chinese firms have also endeavoured to be good corporate citizens:

- CSCEC provided Chinese agricultural specialists to teach locals about recycled waste water irrigation methods
- China Jiangsu donated computers to the office of the Ministry of Foreign Affairs, and built houses for the most disadvantaged local residents
- Sinohydro donated electricity generators to the school it helped to build

Negative Effects

However, it has also caused complaints over common issues:

- using lower quality or non-standard materials to reduce construction costs
- high ratio of Chinese workers compared to locals (varying from 1:5 - 1:10)
- lower safety standards and worker protections, with long hours and low wages

Zambia's Chambishi Dynamite Disaster

Zambia Chambishi Zone houses businesses related directly to mining, or to the processing of the minerals that are the focus of the mine. During construction projects, the ratio of Chinese to local employees varies, but is predominantly African based. At the Chambishi dynamite factory, all workers were Zambian.

The zone developer, CNMC, was criticized by the Zambians for worker conditions, including low wages, labour standards, and its resistance to organised labour groups in the mines and factories. In 2005, poor safety procedures precipitated an explosion in the dynamite factory, partly owned by CNMC, which led to the deaths of more than fifty Zambian factory workers.

By 2010, Zambian workers in the CNMC mines had managed to increase their salaries on average by 12–15%, and had won other benefits through their unions.

Chinese Enterprises in African Markets

Because of the 'Going Global' policies, increased local competition, higher costs, and efforts to promote domestic restructuring in China, a large number of Chinese enterprises, especially small and medium enterprises, are expected to continue expanding their business offshore. There are now over 800 state-owned Chinese enterprises across the African continent, and considerably more private firms.

Small-scale Chinese entrepreneurs have adopted a unique strategy for success and growth across Africa:

BOX TEXT THIS:

Concentrate on consumers with low incomes, supplying necessities and 'luxury consumables' – including toys, make-up, fashion, electronics, and jewellery – at cheap prices and with reasonable quality.

It is an approach which is markedly different to the relationship of Western organisations, which focus on aid projects, and it is far more sustainable for Chinese firms, as well as African economies and individual consumers.

Booming in Botswana

Chinese firms have been active in Botswana's construction industry, textiles, wholesale and retail sectors. Although many Chinese companies show strong interest there is no Chinese investment in the mining sector. The Botswana government is reluctant to encourage Chinese growth in retail and manufacturing for fears it will damage domestic businesses.

Following China's Forum on China–Africa Co-operation in 2006, the Chinese government has donated funds to support two rural schools, and has contributed food, agricultural machinery and office equipment and sent medical equipment and a medical team to Botswana to support development.

DISCLAIMER:

Most Chinese businesses are not government agencies, and do not work in any way for the government, although much like companies from other nations they do take advantage of any government support they are able to get.

China's increasing expansionist and international viewpoint has seen the central government support and encourage Chinese companies in their foreign ventures. However, it would be misleading to imply that these companies are working towards fulfilling the role of the government, or acting in partnership with it. Chinese firms, like companies the world over, exist for one core goal – to do business.

Reasons for Chinese Success

Chinese firms have met with considerable success in penetrating African resource, infrastructure, and manufacturing sectors. The reasons for their growing market penetration are based on three critical factors:

- Their unique Mode of Entry
- The role of Chinese government support
- The low-cost bidding strategy used by the SOEs and private firms

Mode of Entry

There are three modes of entry for Chinese construction firms:

1. Working with Chinese government aid projects
2. Subcontracting smaller firms part of major SOE projects
3. Employees of SOEs starting up their own businesses based on their experience

‘Going Global’: The Push for Expansion

Under the Chinese strategy of ‘Going Global’, strong financial and political support has been provided to firms which invest and operate overseas. Chinese firms are especially active in Africa, as it is underdeveloped yet offers enormous potential. Chinese companies are obviously eager to develop new markets to expand their business and, at the same time, internationalise their own brands.

The Low-Cost Structure and Low-Profit Strategy

One of the key success factors of the Chinese firms is their low bidding price. It stems from a popular Chinese business principle that smaller profits attract bigger turnover, which eventually increases the sum of the total profit. While European or South African competitors add a 30–50% profit margin, Chinese companies are willing to work on 10–15%, in order to capture a greater market share.

Chinese firms also benefit from hands-on management styles, enhanced productivity and cost saving measures, and cheaper labour costs compared to their rivals. Chinese companies can take advantage of linkages with other home-state industries, importing materials and machinery that Chinese firms can supply cheaper. However, the majority of materials are procured locally, to save on time constraints, transport costs, and custom duties.

Experience and Expertise

Given the demand for infrastructure in a booming economy in the last 30 years in China, Chinese firms are no strangers to operating in developing economies where time, budget, infrastructure, and resources are constrained.

Quality

Chinese products are often associated with mass production and poor quality labour and materials. While there are indeed genuine complaints regarding the quality standards of Chinese products and services, a major contributing issue in each of these cases has been the overwhelming demand of clients to complete premium projects 'on the cheap' and in record time.

Corporate Social Responsibility

Chinese companies have previously been criticised for their lack of social Responsibility, although their efforts on this front are increasing ahead of western counterparts. Many firms have realised the inherent value of community assistance and increased interaction within the social context, recognising them as key ways

A New Model to Follow?

Chinese firms have rapidly evolved, carving out a major market share in sectors once dominated by South African and European firms. Their methods have contributed to the longstanding development aims of local governments, while the experience they have gained has enabled them to establish strong footholds.

The model that they have developed, in Africa and elsewhere, is an indication of the enormous potential developing firms have once they are given government support, legislative leeway, and the opportunity to grow. Industries which just a few decades ago were in their infancy at best, are now world market leaders. Whilst this presents a challenge to African firms, it also provides a potential pathway to follow – not necessarily a blueprint, but a host of valuable examples on the challenges, pitfalls, profits, and potentials that African industries face on the world stage.

Chinese Agribusiness in Africa

China feeds 20% of the world's population on just 8% of the world's arable land. More than 95% of grains consumed in China are grown domestically, while statistics from the Ministry of Agriculture show that total grain production in 2010 reached 546 billion kilograms, representing a yearly increase of 3%.

Yet China faces a challenge with its manufacturing boom, which is taking up increasing amounts of land previously reserved for agriculture. In parallel with the country's rising population, it has seen China search further afield for food security, and an increase in Chinese agribusinesses in Africa.

West Africa in particular has been a focal point, with large farm holdings in Liberia, Sierra Leone, and Guinea now owned and run by Chinese expats. Although the food resources are so far not produced for export, which is likely to change with China's growing industrialisation, and could potentially provide gains for African export volumes, whilst reducing the number of local SME farm holdings.

China's Special Economic Zones in Africa

China's Ministry of Commerce (MOFCOM) is supporting the development of economic and trade cooperation zones in African countries. Chinese enterprises have also set up a handful of industrial zones outside the MOFCOM program. Some worry that the zones might be primarily political investments, linked to Beijing's long-term geo-strategic ambitions, or used primarily for transshipment of Chinese products, for re-labelling and re-export to protected markets as 'African' products.

In 1979 in China, four zones were set up as experiments in market liberalisation, and as magnets for foreign investment. Shenzhen in particular grew from a fishing village to an industrial metropolis within a generation. Today China hosts over 100 zones in a growing variety: free trade economic, technological development, and high-tech zones.

In 2006, the Chinese government planned to establish up to fifty overseas economic and trade cooperation zones worldwide. These zones were in part intended to help China's own restructuring, allowing the labour intensive, less competitive, 'mature' industries, such as textiles, leather goods and building materials to move offshore.

The Beijing summit of the Forum on China–Africa Cooperation (FOCAC) in 2006 pledged that three to five of these would be in Africa. By mid 2010, six zones were under construction in Africa, while individual Chinese enterprises have continued to establish, expand, or propose new industrial parks or free trade zones in Africa on their own, including in Nigeria, Sierra Leone, Uganda, Botswana and South Africa.

There is no single 'Chinese model' of overseas cooperation zone, with focus varying from mineral processing to manufacturing. Ownership varies also:

- Zones in Ethiopia and Mauritius are 100% Chinese-owned, while others are joint ventures, usually with African national or state governments as minority partners

Some zone projects were the idea of African governments:

- In Sierra Leone, the Henan provincial firm Henan Guoji originally intended to develop villas and hotels, but Sierra Leone's government persuaded them to invest in an industrial park near the port, as a beachhead to enter new markets
- Jiangling Automobile Group, China's fourth largest, planned to build an automobile assembly industrial park in Algeria
- Qiyuan Group, a private steel manufacturer, proposed the Oriental zone in Ethiopia as a site for factories producing steel and other construction materials for Ethiopia's booming construction industry
- Developers of the zones in Nigeria and Egypt planned to attract a variety of industries, eyeing domestic markets and their preferential access to Europe

Roles and Responsibilities – Unequal Partners?

The pilot zones involve three parties: Chinese developers, African governments and the Chinese government. Chinese enterprises were the primary actors in the development stage, with African governments as partners, as noted below in Nigeria. Although it does not take a direct role, the Chinese government has assisted Chinese companies who initiated projects and won tenders.

All subsidies were performance-based, i.e. the company had to pay costs upfront, only later being reimbursed. In addition, the China Africa Development Fund (CADF), an equity capital instrument set up by one of Beijing's official policy banks, China Development Bank (CDB), decided to invest in at least three of the seven pilot zones (Nigeria Lekki, Mauritius and Egypt) for a total of \$100 million.

Furthermore, in November 2009, the Chinese government announced a \$1 billion fund for African small and medium enterprises (SMEs), which could be used to help them invest in the new zones.

Chinese embassies in Africa recommend the zones to companies planning to invest in Africa, although the company is the main actor. The Chinese government occasionally assists in resolving issues, for example in Nigeria, when the Lagos government expressed concerns about project delays, the Chinese government worked with the enterprises to find a solution.

African Governments

Most of the pilot zones offer tax holidays, and waivers on import tariffs for raw materials and inputs. Host governments are expected to provide infrastructure outside the zones (guaranteed supplies of electricity, water and gas, as well as roads leading up to the zones, and, often, an expanded port). The Chinese developers or the joint venture companies construct the infrastructure inside.

Some host governments, like Egypt and Zambia, consider the Chinese SEZs as an essential part of their countries' new economic strategies. Others, like Nigeria and Mauritius, have zone regimes of longer standing, and the Chinese zones are among many other parallel initiatives, even if the scale of the Mauritius zone is so far considerably larger.

By contrast, Ethiopia appears to be treating its Chinese zone as an ordinary industrial estate, and has no national strategy to replicate some of the Chinese special zone dynamism.

Major Reasons for Poor Outcomes in Early African SEZ's

- Negative Impact on Local Communities
- Poor Infrastructure, Design and Location
- Absence of Knowledge and Technology Transference

There are arguments over the nature of SEZ's relationships to the greater economy:

- Unless SEZs are integrated into an overall trade and economic reform agenda, they will have a limited impact or chance to succeed as transformative catalysts.
- If well-designed and well-located (near universities, technology centres and ports), SEZ's can create dynamic clusters, even in very poor countries where the broader economic situation and policies may not be optimum.

To be successful, zones need to bring in foreign investment, for the capital, new ideas, and technologies it can bring. At the same time, local investors need access to zones, so that new ideas and technologies can diffuse through local economies.

It is well understood that enterprises within a value chain enhance each other's competitiveness by grouping. Most zones planned to foster clusters, usually textiles, home appliances, and other light industries. Chinese companies, especially those new to Africa, appreciate developers offering convenient services, a well-established information network, and ease of communication through the Chinese language.

The FOCAC action plan, released in 2009, included a reference to African investment in the zones and efforts to 'provide facilitation to African small and medium-sized enterprises (SMEs) to develop their business in the zones'.

Infrastructure, Design and Location

Location, design and appropriate infrastructure are all critical for the success of special zones. The zones in Egypt, Mauritius and Nigeria will all be located close to major ports, rather than trying to channel investment to a neglected hinterland. The Zambian zone is located close to the raw materials it will process. The Ethiopian zone is more problematic, located far from a major port, as Ethiopia is land-locked. It may require re-routing through Djibouti Port to reach greater foreign markets.

Impact on Local Communities

Zones have affected local communities, with many uninformed of the benefits for them, or inadequately compensated for the loss of their land if resettled. The Egyptian zones were built in vacant desert land, and in Zambia the Chambishi zone is on land that has long been part of the mining concession, now held by CNMC.

However, in Nigeria's Lekki zone there were protests from villagers who were reluctant to agree to the project. Developers hired local residents as security guards, while local communities were given a share (5%) of the equity on the Nigerian side. In Mauritius, where 250 farming families lost their leases on the government-owned land, resentments continued to simmer for years after the initial resettlement negotiations and compensation, and these were periodically picked up and promoted by opposition parties, particularly around election time.

Knowledge and Technology Transference

At first, simply attracting foreign investment must be the overriding goal. Over time, upgrading technology and enhancing its transfer to domestic firms becomes more important. Constant evolution and strategic thinking will be needed for African zones to succeed. For example, host governments must make efforts to develop supplier programs and close links between the zones, and the domestic private sector.

Without this, the zones are likely to remain enclaves and the opportunities for technology and skills transfers will be lost. At a minimum, having local investors in the zones is critical in order for them to take advantage of learning opportunities. Building linkages to African research and development institutes is critical for the same reasons. In the end, if the zones in Africa are to be sustainable showcases of economic progress, the role of African partners has to be enhanced.

The East Asian Developmental Model in Africa

China's economy is transitioning, with entire industrial sectors poised to move. Some will come to Africa, many to the zones being established. They offer promise for China's mature industries to be closer to sources of raw materials, and to an important \$50 billion market for Chinese products. They may also serve to transfer technology and generate local employment.

In some parts of Africa, clusters of dynamic industrial development have arisen spontaneously, as private initiatives. If the expectations for the Chinese-run zones are realized, these cooperation zones could form a synergistic third model, combining the market forces of existing clusters with the systematic organisation of the top-down model. If even some of these experiments lead to a genuine transfer of knowledge and opportunity from China to Africa, as happened with Hong Kong and Mauritius in the 1980's, employment could see significant gains, and long-delayed industrial transitions may yet be realised.

Conclusions

SEZ's in Action

Chinese zones will be successful if they attract significant local and foreign investment, create African employment, promote exports and elevate industrial competitiveness in African countries that is sustainable.

Conversely, if these zones end up as isolated Chinese enclaves; do not employ Africans or employ them only at the lowest levels; fail to transfer or diffuse technology and 'know-how' (including the knowledge of how to effectively market the zones) to local people; attract industries that are simply more polluting or adopt worker safety standards that are lower than those outside the zones; or serve as uneconomic 'prestige projects' offered merely in exchange for other benefits such as access to resources, fears about Chinese exploitation would be confirmed.

Africa-China: Potential Mutual Benefits

African economic sectors can be challenging to China, if given the opportunity to improve through infrastructure development, legislation reform, and entrepreneurial drive. China's presence and expansion in Africa carries the potential to damage these fledgling industries, or act as a catalyst for domestic African development – depending on how the situation is managed.

China can offer a wealth of opportunities to African entrepreneurs, and African nations, however there must be the right mix – of open economic trade, not just in EPZ's and SEZ's, but an overall increase in the ease of doing business.

If governments can address regulations that hinder economic trade and domestic business, utilise primary resources revenue to revitalise and diversify local industry, and move away from foreign-government to foreign-private investment partnerships, then African nations have every chance of replicating the impressive growth of the 'Asian tigers'.

Though African nations face significant potential threats in engaging with China, the opportunities are too great to ignore. In essence, they are two sides of the same coin, and though governments have a large role to play in laying the foundations and frameworks for success, it is ultimately up to African entrepreneurs to take advantage of the opportunities, while avoiding the pitfalls.

