

Singaporean Companies in Sub-Saharan Africa

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Synopsis

Over the past few years, business leaders and investors have become increasingly aware of the economic potential of Sub-Saharan Africa's burgeoning consumer market. Currently the region is home to 1 billion people, or 13.9% of the total world population. However, the region concentrates a meagre 2.2% of the global GDP. With an enormous amount of natural resources and a young population willing to learn and to work, Sub-Saharan Africa holds an immense potential for entrepreneurship and a vast but dormant untapped market.

In its first part, this report will present a forecast of socio-economic indices, showing how Sub-Saharan Africa is expected to develop over the next decade. The analysis will outline population size, GDP, urbanisation, access to electricity, to clean cooking fuel, to the internet and to telecommunications, comparing the current situation to a forecast for 2030.

The second part of the report contains a series of interviews with business executives from Singaporean companies, or from Singaporean nationality, who see Sub-Saharan Africa as an underexplored market with opportunities for their businesses.

The interviewees describe their experience from the initial stage of assessing the market to setting up shop in Africa. They share their views on various steps of the process, talking about how to find a local partner and why it is important to have one; their experience navigating through the bureaucratic maze found in many Sub-Saharan Africa countries while trying to start a business; how they deal with obstacles such as red tape and lack of infrastructure; and they comment on the importance of involving small communities and the government in different steps of the process.

They also share their views on what local governments could do to attract foreign investors and how to tailor policies in a way that makes the region more business friendly. Finally, they explore on what to expect of the next 5 years in Sub-Saharan Africa from a market perspective.

Table of Contents

Synopsis	1
Sub-Saharan Africa 2030: Factors driving growth	4
<i>Population Size</i>	4
<i>Gross Domestic Product</i>	6
<i>Urbanisation</i>	9
<i>Access to Electricity</i>	11
<i>Access to Clean Cooking Fuel</i>	12
<i>Access to Internet</i>	13
<i>Mobile Phone Subscriptions</i>	14
Singapore Investment in Sub-Saharan Africa	17
Singaporean Companies in Sub-Saharan Africa.....	19
<i>Olam International Limited</i>	19
Olam’s successful experience in Gabon	19
Developing Agriculture as a way to foster socio-economic growth.....	20
Working with Local Partners.....	20
What are the factors that make a country more business friendly?	21
What is missing? Infrastructure and Integration.....	21
The next 5 years.....	21
<i>Asiatic Agricultural Industries Pte Ltd</i>	23
On having local business partners	23
What are still the main barriers for a business to thrive in Sub-Saharan Africa?	24
<i>IntraAsia Capital Pte Ltd</i>	25
Welcoming Mauritius	25
Kenya, high spot in East Africa.....	25
Tanzanian Complications	25
The Impact of the Coup in Madagascar	26
Mozambique Natural Gas Boom	27
Local Partners	27
Manufacturing, Logistics and Electricity: What’s missing in Africa	28
The Banking System in Africa.....	29
<i>NEST and MEST</i>	31

Nairobi – NEST	31
Accra – MEST	33
What’s the Next Big Thing in Africa?	34
<i>Alteco Chemical Pte Ltd</i>	35
On Local Partners.....	35
Perspectives on Sub-Saharan Africa	35
<i>MG Logistics</i>	36
Kenya	36
<i>Build Africa Industry</i>	38
<i>Pacific International Lines Pte Ltd</i>	39
<i>MOI International and Mewah Group</i>	41
<i>Wilmar International Ltd</i>	42
<i>Educare International Consultancy</i>	44
What are the Obstacles to Success?.....	45
How can Singapore help?	48
Acknowledgements	50

Sub-Saharan Africa 2030: Factors driving growth

Population Size

Sub-Saharan Africa’s population will grow from a current 1 billion people to over 1.5 billion people by 2030 (Figure 1). Today, 13.9% of the world’s population live in Sub-Saharan Africa. By 2030, the region will be home to 17.2% of the global population.

Currently, 78% of the population of Sub-Saharan Africa is concentrated in East and West Africa. By 2030, this number will barely change: 79% of Sub-Saharan Africa’s population will then be living in East and West Africa. In absolute numbers, the summed population of the two regions will increase from 810 million people in 2016, to 1.2 billion people in 2030 (Figure 2).

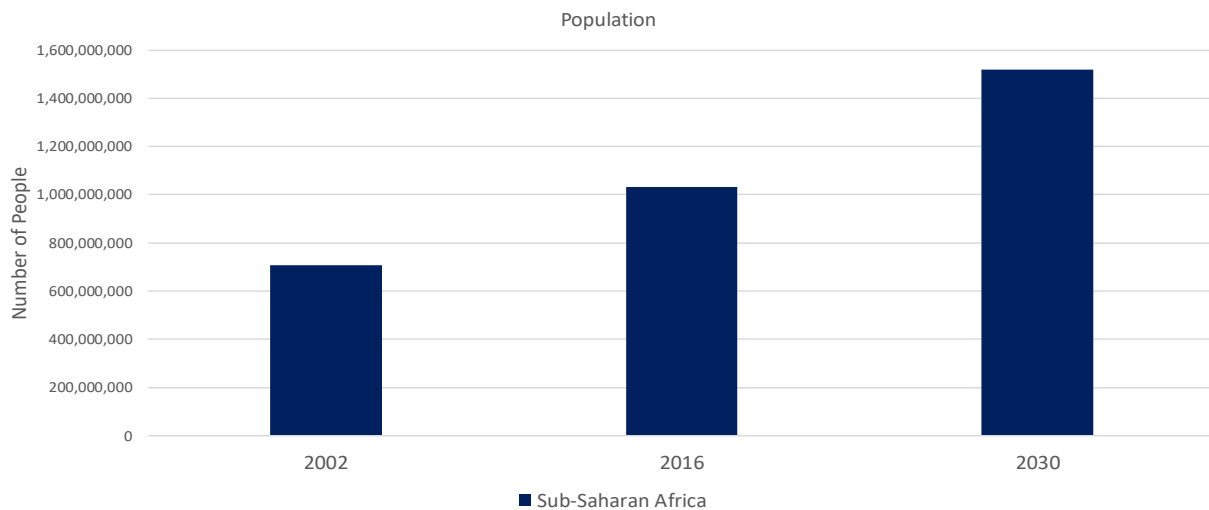


Figure 1 – Population Size in Sub-Saharan Africa – Total¹

¹ 2017 World Bank data and 2030 forecast by NTU-SBF Centre for African Studies

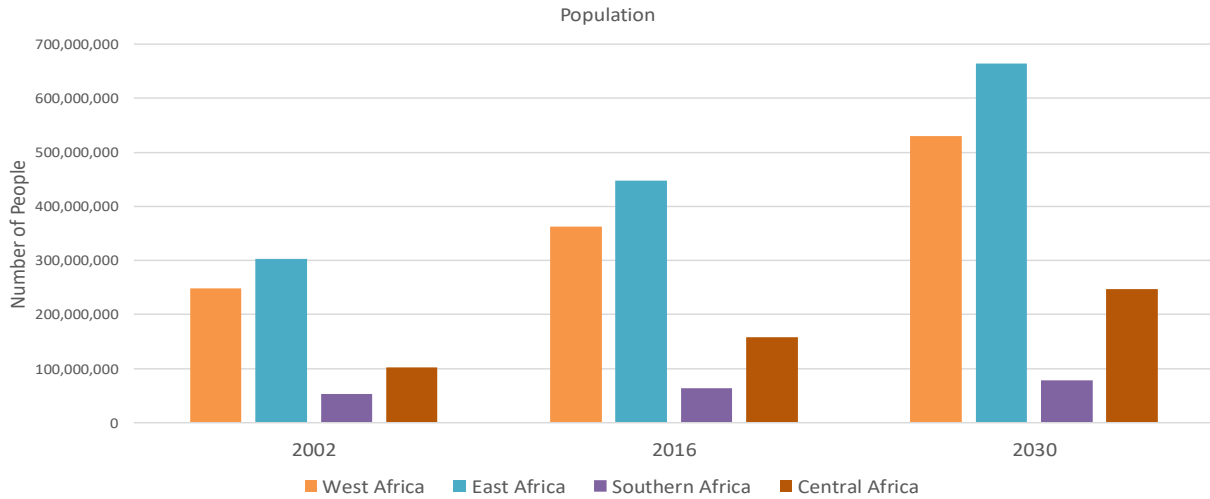


Figure 2 – Population Size in Sub-Saharan Africa²

The size of the young population, i.e. people between 15 and 34 years old, will increase from 690 million in 2016, to 1.0 billion by 2030. This means that by 2030, 67.2% of the population in the region will be young adults, at their peak age for employment. Over 20 million people will reach this age range every year, in the next decade. This generation will contribute to more than US\$ 400 billion in total consumption growth.³ Better and widespread basic education will be needed to prepare them for employment.

In terms of total working age population, Sub-Saharan Africa is experiencing the strongest growth among other regions in the globe. With an annual 2.9% growth in the time span between 2016 and 2030, this segment of the population will increase from 560 million to 840 million people. Most of the people between 15 and 64 years of age will again be concentrated in East and West Africa (Figure 3).

While the Latin America-Caribbean region and the East Asia-Pacific region will see a growth of 110 million and 210 million people in the working age population segment, respectively, in Sub-Saharan Africa, this segment of the population will increase by 280 million people (Figure 4).

² 2017 World Bank data and 2030 forecast by NTU-SBF Centre for African Studies

³ [Winning in Africa’s consumer market \(McKinsey & Company, Jul 2015\)](#)

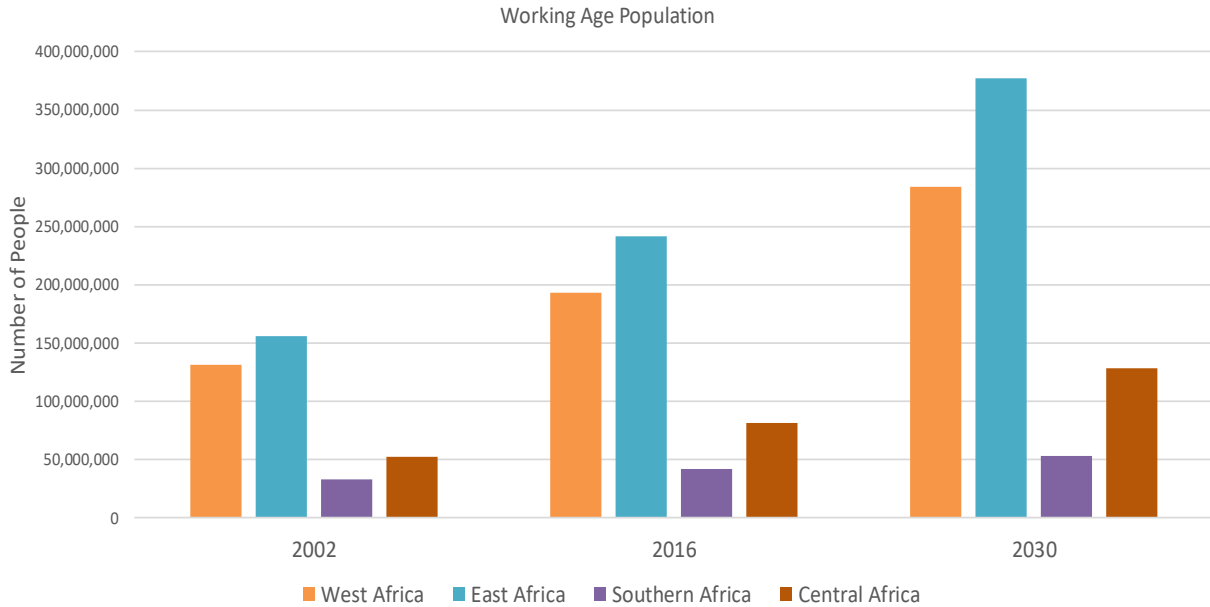


Figure 3 – Working Age Population Size in Sub-Saharan Africa⁴

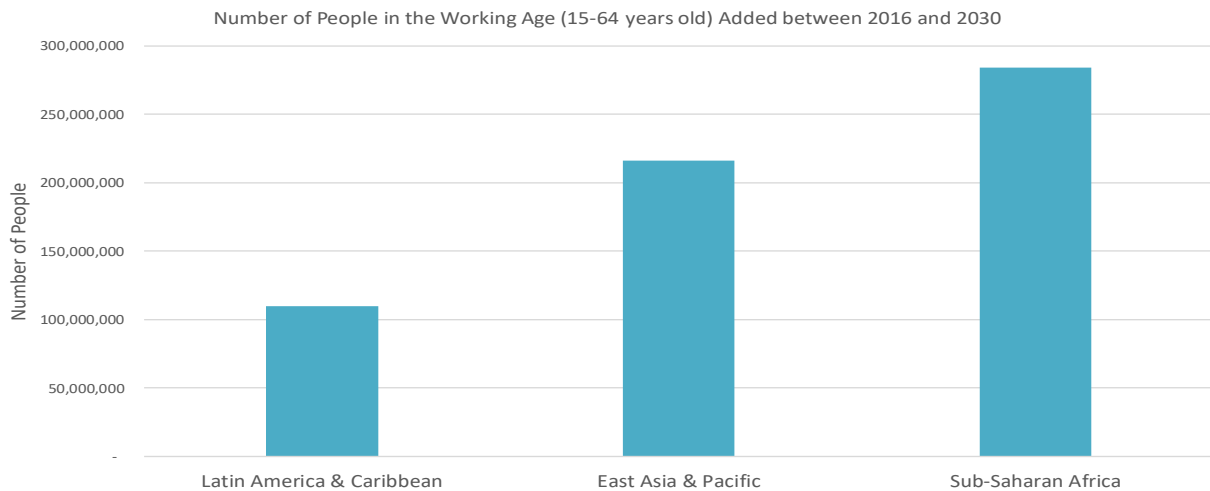


Figure 4 – Growth of the Working Age Population in Different Regions⁵

Gross Domestic Product

This strong population growth will be followed by an increase in the gross domestic product (GDP) across the whole Sub-Saharan Africa. The region’s GDP will grow at an average 3.9% per year between 2016 and 2030. West and Central Africa will experience the most robust growth at 4.4% per year in both regions.

⁴ 2017 World Bank data and 2030 forecast by NTU-SBF Centre for African Studies

⁵ 2017 World Bank data and 2030 forecast by NTU-SBF Centre for African Studies

East Africa will grow at 4.3% per year, while Southern Africa will have a modest but still significant 2.6% GDP growth per year (Figure 5).

West Africa, which currently concentrates 37% of Sub-Saharan Africa’s GDP, will contribute 40% of the total. East Africa will also experience a more prominent role in driving up Sub-Saharan Africa’s GDP by 2030, contributing 23% of the aggregate GDP, from 22% in 2016. Southern Africa, with its smaller population growth, will have its share of Sub-Saharan Africa’s GDP shrink from the current 27% to 23% by 2030 (Figure 6 and Figure 7).

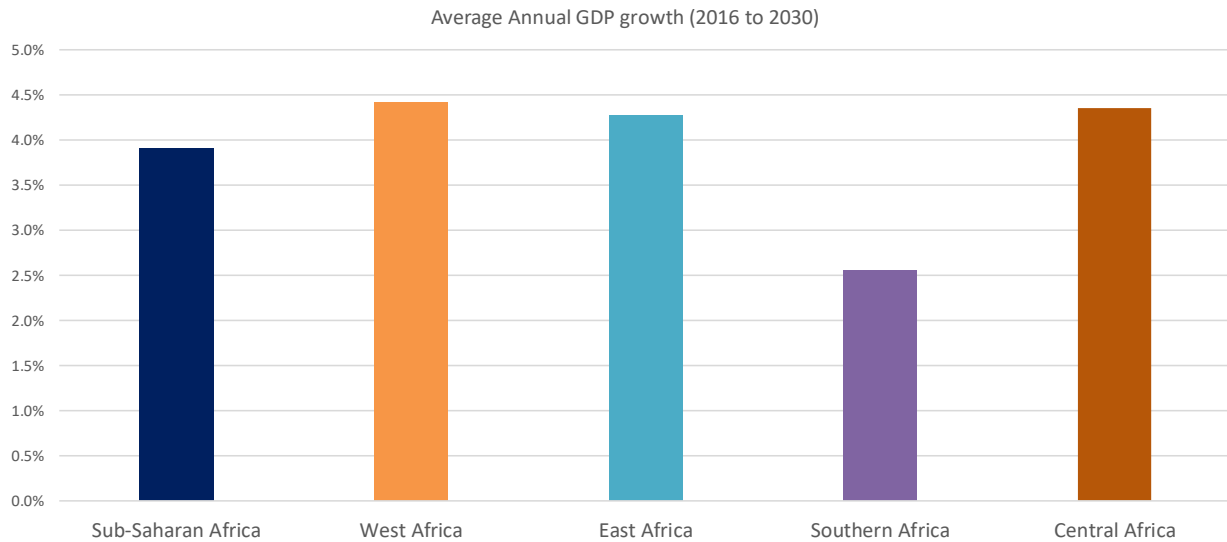


Figure 5 – Average Annual Gross Domestic Product Growth in Sub-Saharan Africa between 2016 and 2030⁶

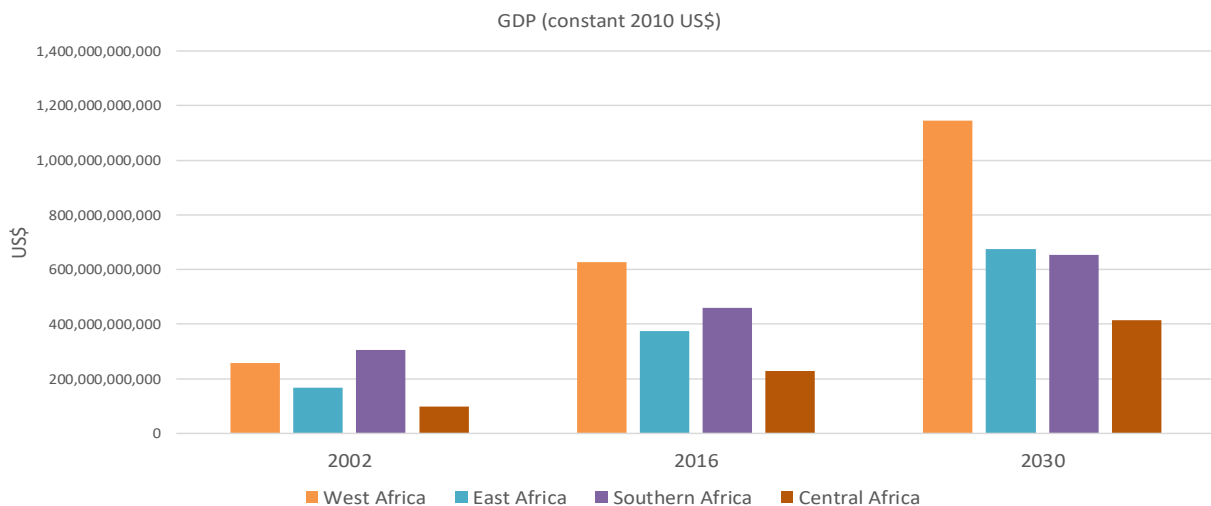


Figure 6 – Gross Domestic Product in Sub-Saharan Africa⁷

⁶ 2017 World Bank data and 2030 forecast by NTU-SBF Centre for African Studies

⁷ 2017 World Bank data and 2030 forecast by NTU-SBF Centre for African Studies

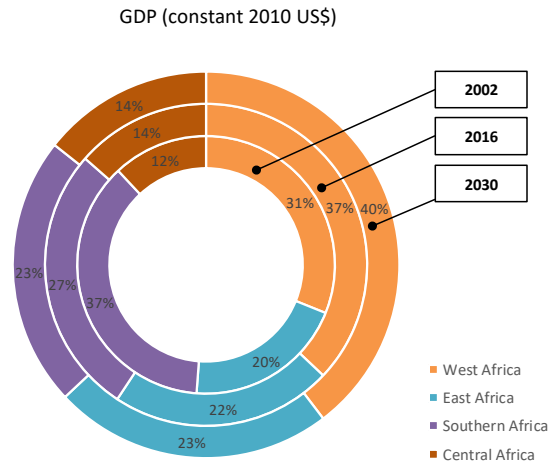


Figure 7 – Gross Domestic Product in Sub-Saharan Africa as a Percentage of Total⁸

The GDP per capita will also grow across the Sub-Saharan countries. In 2016, the regional GDP per capita, which is the sum of the total GDP of the sub-continent divided by its population, was US\$1,635. This figure will grow at 1.1% per year, reaching US\$1,900 by 2030 (Figure 8).

In 2016, Southern Africa concentrated the highest GDP per capita among the regions, at US\$7,160, and US\$8,350 in 2030, while the GDP per capita of the remaining Sub-Saharan Africa region stays below US\$2,200 (Figure 9).

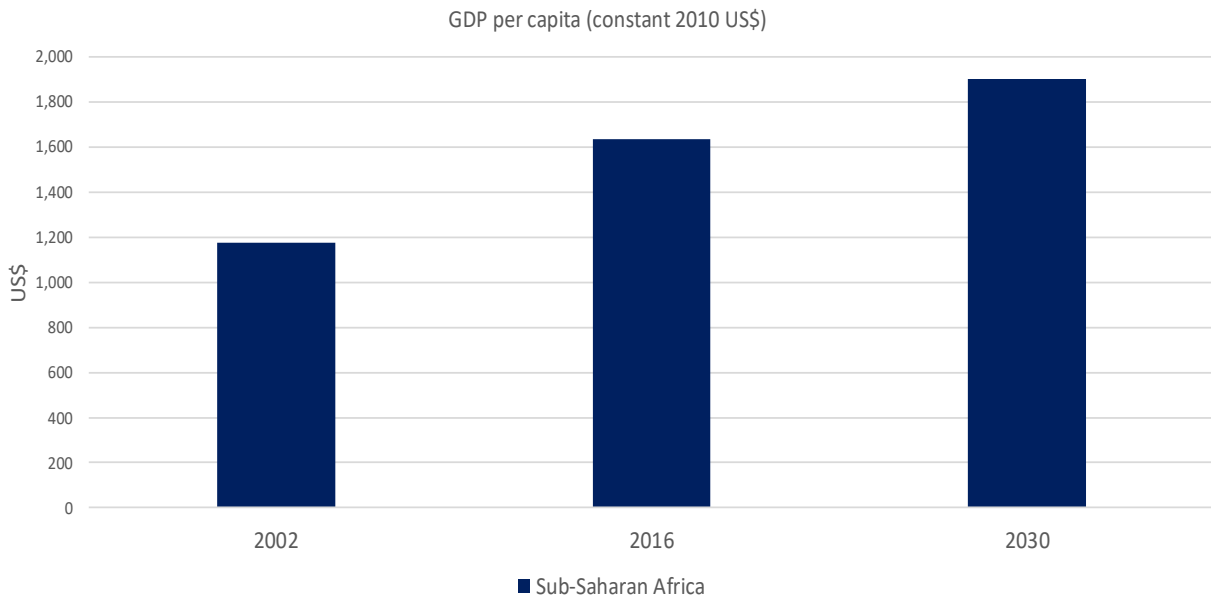


Figure 8 – Gross Domestic Product per Capita in Sub-Saharan Africa⁹

⁸ 2017 World Bank data and 2030 forecast by NTU-SBF Centre for African Studies

⁹ 2017 World Bank data and 2030 forecast by NTU-SBF Centre for African Studies

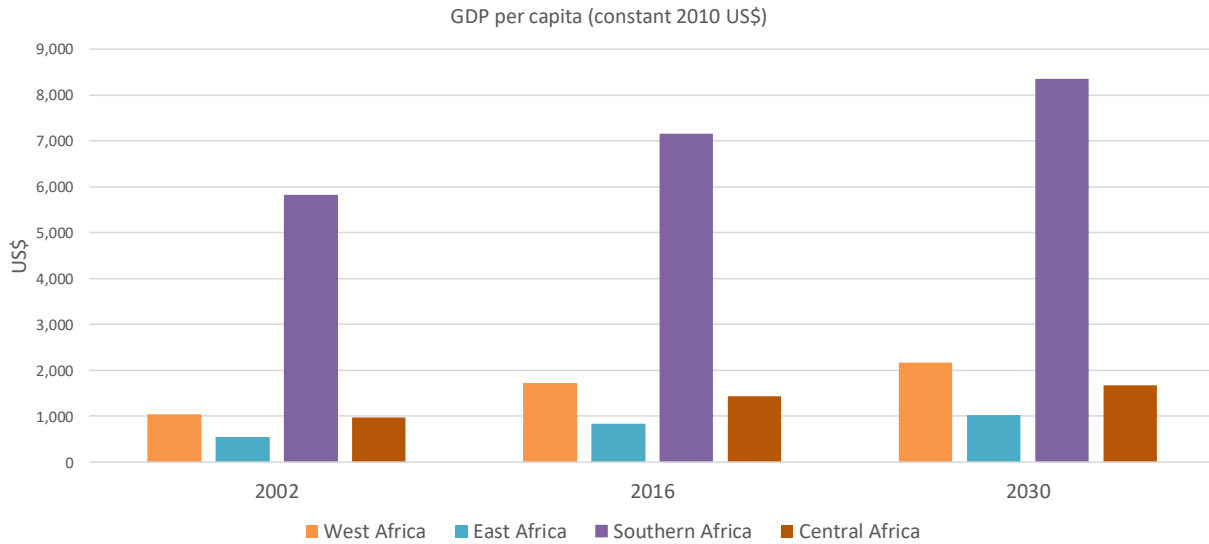


Figure 9 – Gross Domestic Product per Capita in Sub-Saharan Africa¹⁰

Urbanisation

In the wake of this population and GDP growth, there are two trends that will continue to have a significant impact on Africa’s consumer market: urbanization and the rise of mobile communications. By 2030, 47.1% of Sub-Saharan Africans will be living in cities (Figure 10). Southern Africa will have the largest concentration of people in urban centres (70.6%), while Eastern Africa will lag behind, with 33.2% of its population living in cities.

Sub-Saharan Africa currently has two “megacities”: Kinshasa (D.R. Congo) and Lagos (Nigeria). Megacities are urban centres concentrating more than 10 million residents. By 2030, the region will house at least 5 megacities, adding Johannesburg (South Africa), Dar es Salaam (Tanzania) and Luanda (Angola) to the group.

¹⁰ 2017 World Bank data and 2030 forecast by NTU-SBF Centre for African Studies

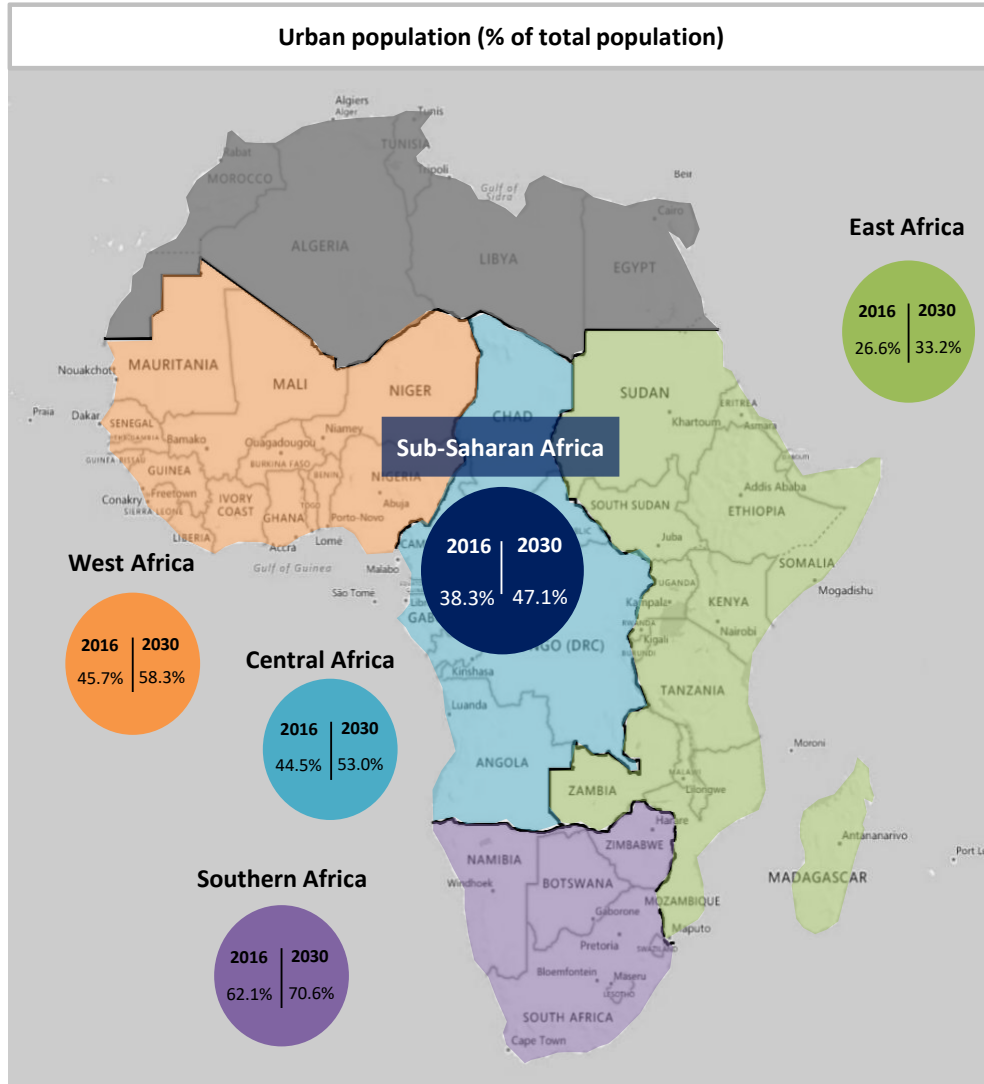


Figure 10 – Urban Population as a Percentage of Total Population¹¹

The largest city of each Sub-Saharan African country will be home to a total of 190 million people in 2030, up from 110 million people in 2016 (Figure 11). These cities converge consumers and their spending and create new markets for goods and services. The African Development Bank estimates that, by the end of the next decade, consumer spending in African cities is projected to reach US\$2.2 trillion, up from US\$680 billion in 2008.

This concentration of population in a small number of urban centres creates a new strategy for new entrants to the African market. Instead of seeking to build a presence across entire countries, companies should target the fastest-growing cities or city clusters — urban centres where per capita income and consumption spending far exceed the national average. Per capita income in Nairobi, for instance, is three times that of Kenya; Lagos residents on average earn twice as much as Nigerians overall. The capital city of Luanda accounts for 45% of total consumption in Angola. In 2025, almost 60% of consumption spending

¹¹ 2017 World Bank data and 2030 forecast by NTU-SBF Centre for African Studies

in Africa will come from the 20 largest cities.¹² A city-based strategy is essential in Africa, given the rapid pace of urbanization and the differences in growth rates even among cities within the same country.

In principle, cities offer a more favourable setting for the resolution of social and environmental problems than rural areas. Cities generate jobs and income, and deliver education, health care and other services. Cities also present opportunities for social mobilization and women's empowerment. However, unfortunately we also find poverty is growing faster in urban than in rural areas.

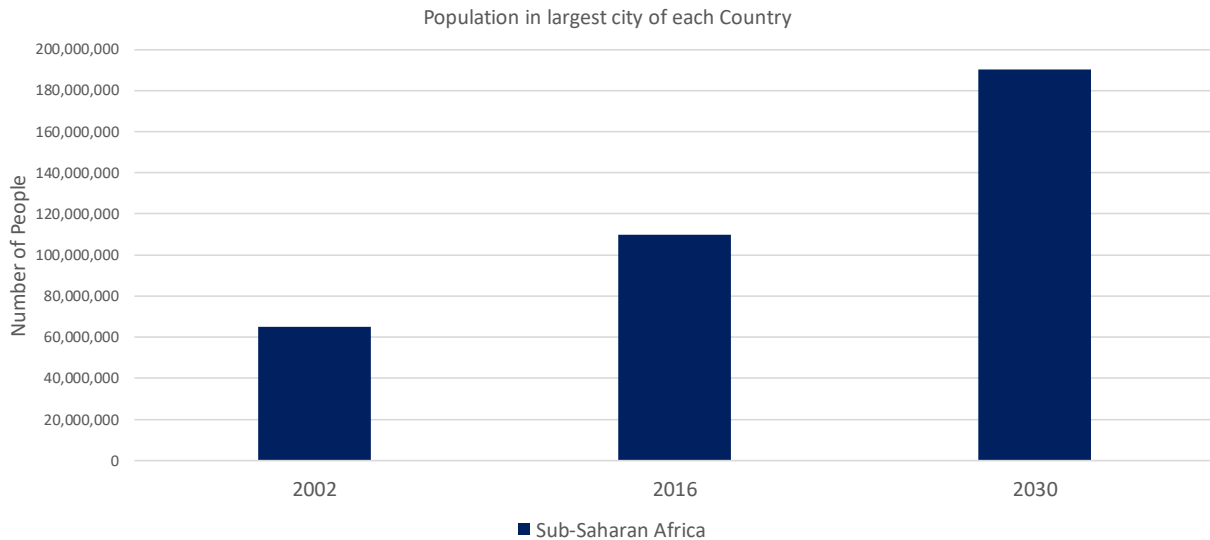


Figure 11 – Population in the Largest City of each Country in Sub-Saharan Africa¹³

Access to Electricity

Africa has an immense electricity generation potential, from traditional coal to renewable sources. This potential is far from being explored to the level required by the continent's population. The poorest segments of the society either have partial access to electricity or do not have access at all. The growth and reach of electricity access is not keeping up with the population growth.

Between 2016 and 2030, the number of people with access to electricity will grow, respectively, from 37.7% to 48.5%, still far from the ideal. This growth corresponds to an additional 350 million people finally being able to turn the lights on at home. Southern Africa remains the region with the most widespread access to the electricity grid, followed by West Africa (Figure 12).

¹² [Winning in Africa's consumer market \(McKinsey & Company, Jul 2015\)](#)

¹³ 2017 World Bank data and 2030 forecast by NTU-SBF Centre for African Studies

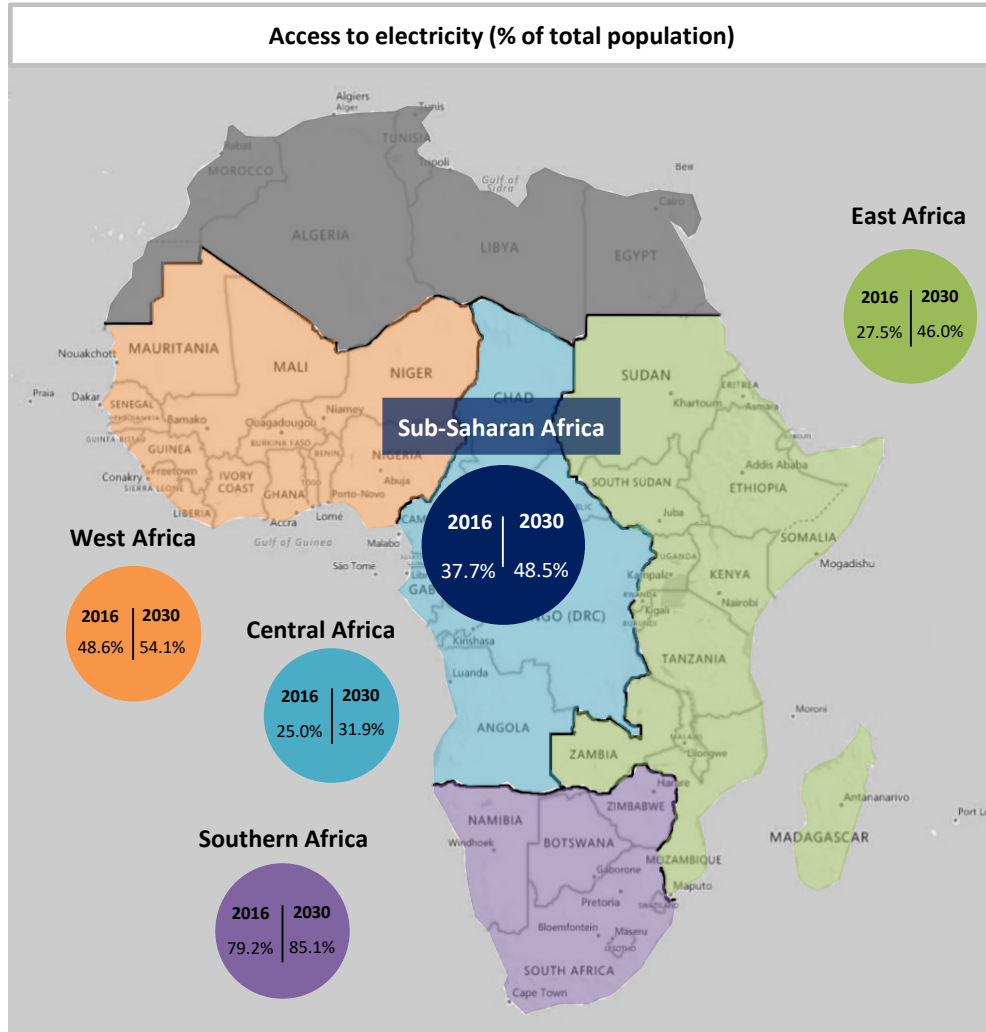


Figure 12 – Percentage of Population with Access to Electricity¹⁴

Access to Clean Cooking Fuel

Although the urbanisation process will bring a growing number of people from the country-side to the cities, access to clean fuels for cooking will still be limited. Currently, 13.4% of the Sub-Saharan African population use clean fuels for cooking, such as gas and electricity. This figure will increase to 14.7% by 2030, indicating that most of the population will still be making use of coal, wood or kerosene for cooking. Southern Africa will still hold the highest rate of access to clean fuel (91.8%) among the regions (Figure 13). This opens the opportunity for businesses focusing on trading cheap and environmentally friendly alternatives for cooking fuel.

¹⁴ 2017 World Bank data and 2030 forecast by NTU-SBF Centre for African Studies

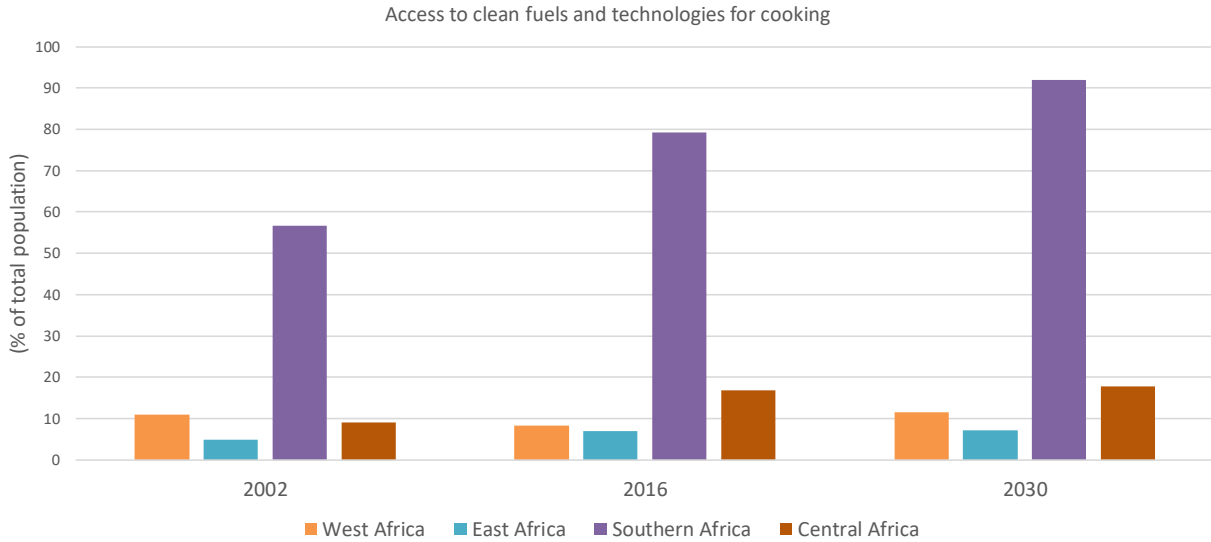


Figure 13 – Percentage of Population with Access to Clean Cooking Fuels¹⁵

Access to Internet

The most disruptive change, however, will come from the technology arena. Between 2016 and 2030, close to 1 billion people in Sub-Saharan Africa will be added to the hall of internet users, reaching a total number of 1.27 billion people by 2030. The East African region will see the steepest growth, with an additional 450 million users in the period, followed by West Africa with an additional 300 million users (Figure 14).

In 2016, only 28.8% of Sub-Saharan Africa’s population had access to the internet. By 2030, this proportion will jump to 83.7%, opening invaluable opportunities for on-line businesses (Figure 15).

¹⁵ 2017 World Bank data and 2030 forecast by NTU-SBF Centre for African Studies

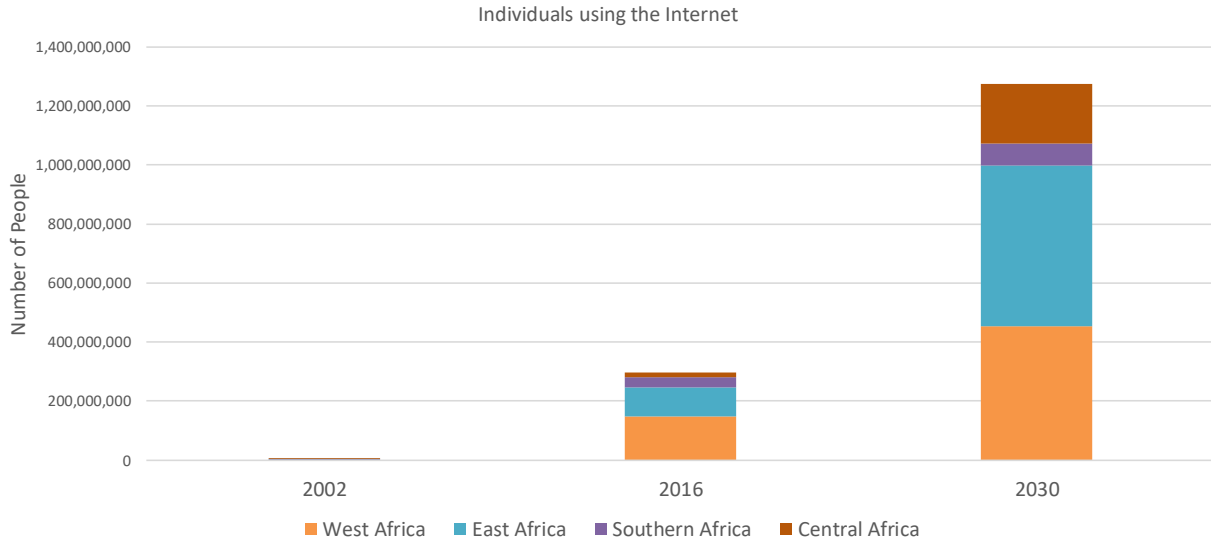


Figure 14 – Number of People using the Internet¹⁶

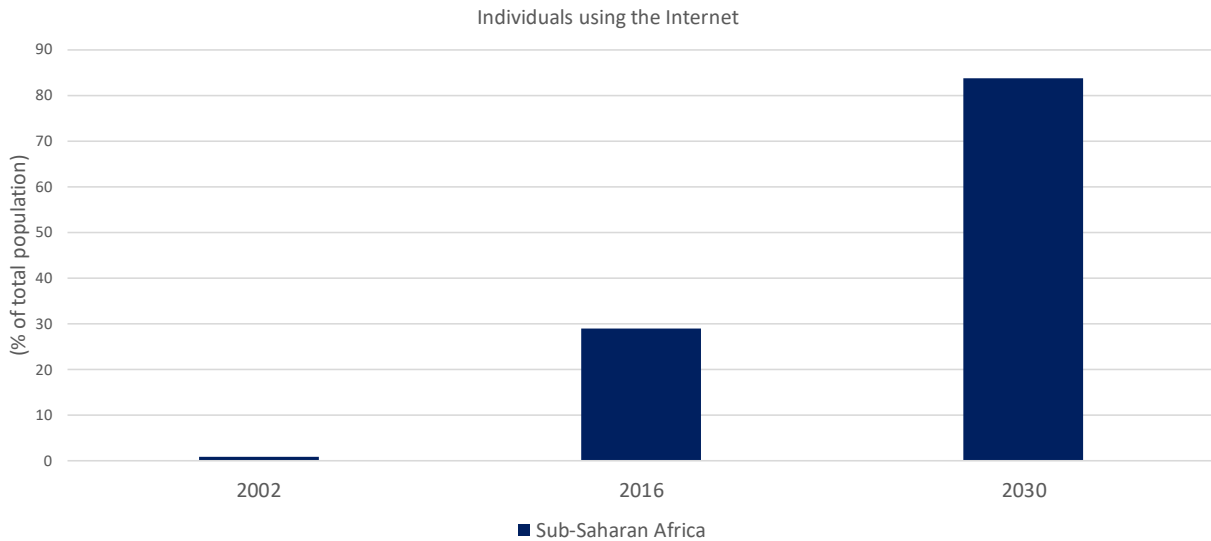


Figure 15 – Percentage of Population with Access to the Internet¹⁷

Mobile Phone Subscriptions

The number of mobile phone subscriptions will also surge: from 820 million subscriptions in 2016 to 1.62 billion in 2030. The largest increments will come from West and East Africa, which will add 340 million and 270 million subscriptions to their poll, respectively (Figure 16). Southern Africa will still be ahead in

¹⁶ 2017 World Bank data and 2030 forecast by NTU-SBF Centre for African Studies

¹⁷ 2017 World Bank data and 2030 forecast by NTU-SBF Centre for African Studies

terms of number of mobile subscriptions per 100 people, surging from 166 subscriptions per 100 people, in 2016, to 253 subscriptions per 100 people by 2030.

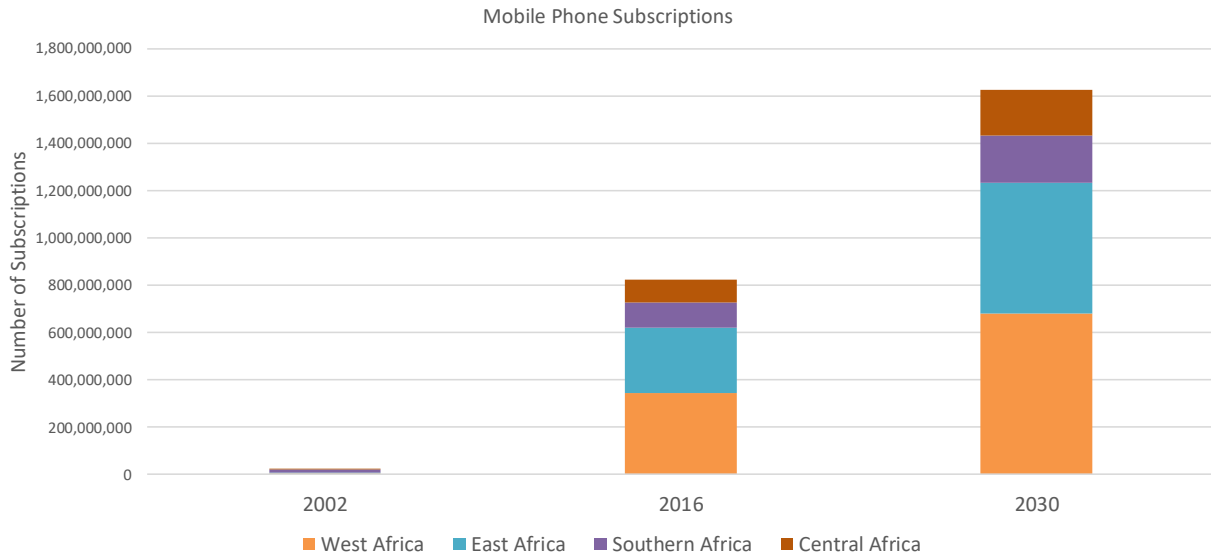


Figure 16 – Number of Mobile Phone Subscriptions¹⁸

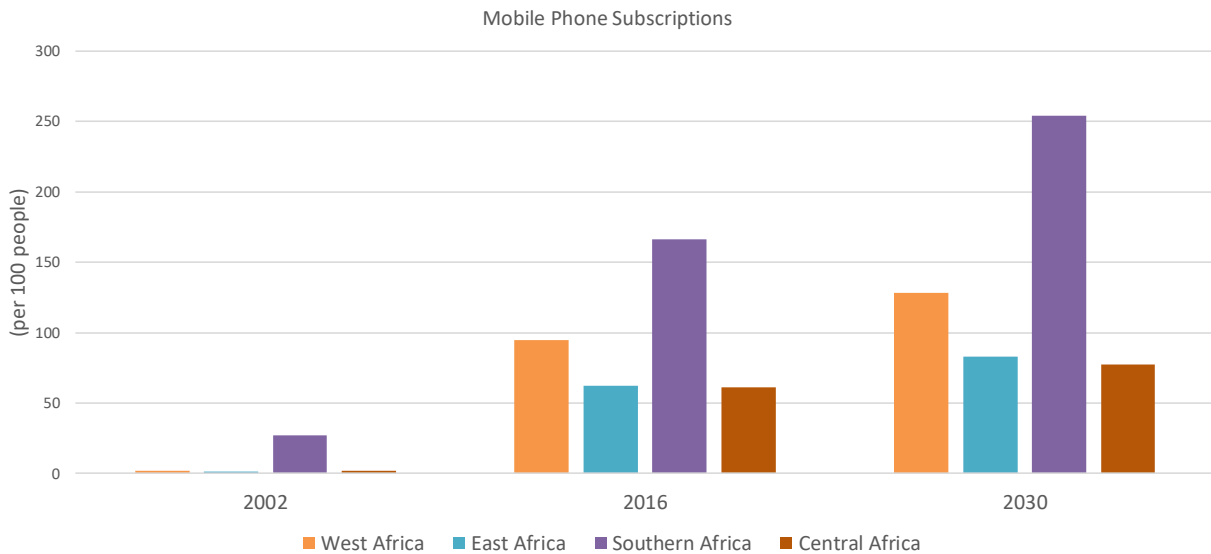


Figure 17 – Number of Mobile Phone Subscriptions per 100 people¹⁹

¹⁸ 2017 World Bank data and 2030 forecast by NTU-SBF Centre for African Studies

¹⁹ 2017 World Bank data and 2030 forecast by NTU-SBF Centre for African Studies

While many emerging economies show a tamed growth, Sub-Saharan Africa remains as an underexplored oasis for foreign investors. The risks are still there: fragile political stability, overdependence on natural resource exports, dragging bureaucracy and red tape, prevalent corruption, and poor infrastructure, amongst others. However, the opportunities of this vast consumer market have been attracting foreign investors with a long-term view to what is expected to become the last engine for growth, after China and India.

Singapore is an increasingly interested player in the Sub-Saharan African arena. There is a growing number of Singaporean companies, from small to large, drawn to the region, venturing not only to familiar South Africa, but also attracted by the blossoming tech industry in East Africa and by the booming population in West Africa, which brings the promise of a huge untapped market.

Singapore Investment in Sub-Saharan Africa

Sub-Saharan Africa presents itself as an underexplored and vast market for Singaporean companies. In 2007, Singapore’s foreign direct investment (FDI) abroad totalled US\$226.7 billion. By 2015, Singapore had more than doubled its investments overseas, summing US\$476.8 billion. The steady growth in Singapore’s total FDI abroad was mainly influenced by the increasing investments the city-state has been making in Asia (see Figure 18). In 2015, 53.7% of Singapore’s FDI abroad was targeted at Asia.

From 2007 to 2015, Africa’s share of Singapore’s total FDI abroad steadily dropped from US\$23.4 billion to US\$16.3 billion, corresponding to a decline from 10.3% to 3.4% of Singapore’s total FDI abroad. In the same period, global foreign direct investments in Africa had increased from US\$51.3 billion to US\$54.1 billion (see Figure 19). This suggests confidence in the continent’s long-term potential of stakeholders other than Singapore.

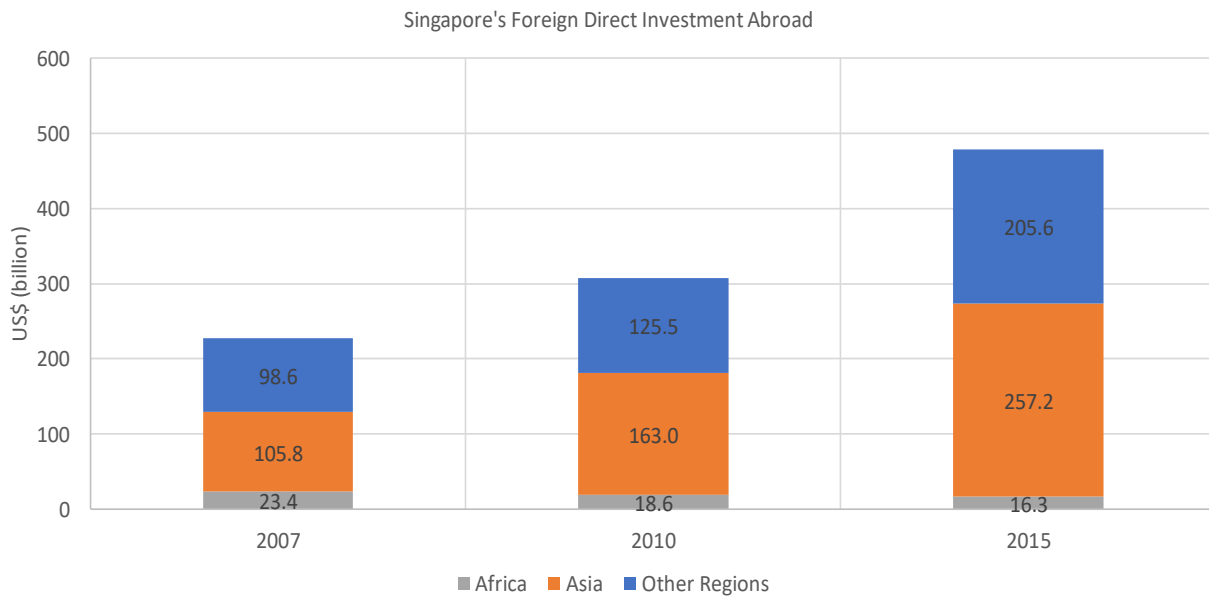


Figure 18 – Singapore’s Foreign Direct Investment Abroad (billion US\$)²⁰

²⁰ [Department of Statistics of Singapore \(Singapore Government\)](#)

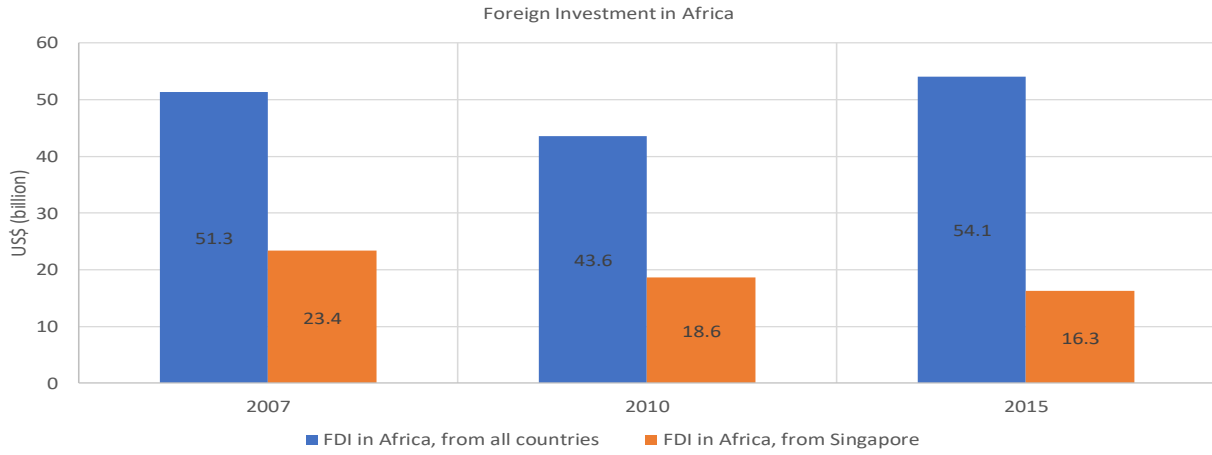


Figure 19 – Total Foreign Direct Investment in Africa (billion US\$) ^{21,22,23}

²¹ [Department of Statistics of Singapore \(Singapore Government\)](#)

²² [World Investment Report 2013 \(United Nations, 2013\)](#)

²³ [World Investment Report 2016 \(United Nations, 2016\)](#)

Singaporean Companies in Sub-Saharan Africa

Olam International Limited

With over 630 million people living in rural areas, Sub-Saharan Africa's economy is inherently dependent on agriculture. More than 32% of the continent's GDP comes from this sector. However, agricultural productivity still remains low relative to developed world standards. Over 90% of agriculture depends on rainfall, with no artificial irrigation aid. The use of fertilizers and pesticides is still limited and access to high yield seeds can be difficult. In some instances, agriculture in Africa also experiences basic infrastructural problems such as access to markets and financing.

Singapore is proving to be an engaged ally in the process of changing this reality. Some big players in the agricultural sector, with their headquarters in Singapore, are investing heavily in Africa. Technology and skills are being transferred to smallholder farmers and the large-scale producers are cooperating, playing a fair game that will help develop the sector and make it more sustainable.

An extensive interview with Mr. Ranveer Chauhan, Managing Director and CEO of Edible Oils and Natural Rubber businesses of Olam, highlighted how different countries on the African continent deal with foreign investment in the agriculture value chain.

Olam was established in 1989 in Nigeria and incorporated in Singapore in 1995. The company has a long-term relationship with Africa. Present in 24 countries all over the continent, Olam deals with the sourcing, processing and distribution of raw materials such as cocoa, coffee, sugar, beans, palm oil, and nuts, and is the world's biggest supplier of cashews and sesame seeds. Africa plays an important role in the company's portfolio: 27% of total sourcing volume comes from Africa, where 29% of sales turnover is generated.

Olam's successful experience in Gabon

Olam is engaged in projects ranging from plantations to the logistics involved in distributing agricultural products within Africa and to other continents. These ventures often require close interaction with the local governments. Alignment of objectives and constant cooperation between the company and the public sector are essential for any of these projects to become successful. That was the case in Gabon, where Olam set foot in 1997. After building a sizeable timber and lumber business, the company partnered with the government to develop a Special Economic Zone (SEZ) and a port.

According to Chauhan, Gabon's economy is and remains very special. While the country is almost as large as Malaysia, its population is less than 10% of that of Malaysia. In earlier years, Gabon's economy was based on its natural resource exports (petroleum, mines and forestry). However, when the new president came to power in 2009, he adopted plans to diversify the country's economy.

According to Chauhan, Olam was given the go-ahead to start the construction of a port. The New Owendo International Port (NOIP) was built in a record time of 18 months and cost US\$300 million. The project structure took the form of a Public Private Partnership (PPP) between Olam, the Africa Finance Corporation (AFC) and the Gabonese State.²⁴ The NOIP has an annual capacity of 3 million tons. It is equipped with 4 rubber tyred gantry (RTG) cranes, 7 tankers with a total capacity of 10,500 tonnes for

²⁴ [Olam's Port Ambitions \(African Business, Oct 2017\)](#)

storing crude palm oil (CPO), and 4 grain silos with a total capacity of 20,000 tonnes. “It was a major project; the government was aligned and was a partner in the project. There were no distractions.”

Having the support of the local government is paramount for any large foreign company to succeed in most of the Sub-Saharan African countries. Given the potential for bureaucracy and lack of transparency in navigating the business arena, a good relationship with the local government becomes imperative. Olam’s positive experience in Gabon had government backing, who was a contributing partner and helped create the infrastructure necessary to improve the trading and logistics of agricultural produce within the country and for exportation.

Another important factor to ensure success in Africa, is the availability of a skilled, hard-working and productive labour force.

Developing Agriculture as a way to foster socio-economic growth

According to Chauhan, agriculture is a major policy tool for governments to develop robustness in their economy, as well as to distribute wealth in a positive way. Olam has vast plantations of its own, but it also engages with the local communities, buying cocoa, coffee and cashew from local producers. Olam also provides training to smallholder farmers and collects information from them, such as the farm’s productivity.

The system Olam developed to gather information of various aspects of the smallholder farmers’ life is the Olam Farmer Information System (OFIS). The system currently gathers data from over 380 farmers. Various pieces of information, including information on the family, quality of life in the village and financial means, are gathered to help Olam optimally support the local smallholder farmers. A lack of schools might mean there could be the risk of child labour. For the benefit of the country’s future and the best interest of the children, this must be avoided.

Chauhan states that Olam is also interested in the availability of banks in the vicinity. Should this be the case, the farmers could be in a position to improve their planning of their financial needs for the whole year. Information on the quality of life and living conditions of the farmers are therefore important for Olam.

The social responsibility side of the business also includes engagement in local festivals and developmental programmes, such as supporting conditions for children to go to school, improving water distribution in the villages and constructing health clinics.

Working with Local Partners

Many companies use partnerships or joint ventures with local and well-established companies. This is a pattern observed in many of the companies interviewed for this report. However, being a large and known company in Africa, Olam has adopted a more independent approach. It uses its own offices and its own employees. At times they would use advisers or consultants, depending on various factors. For Olam, having a local partner is not a guarantee of success.

When Olam enters a new market, it makes use of its business network, getting in contact with local banks and lawyers and engaging with the local government. This more entrepreneurial approach also involves getting its employees on the ground from the start. They will recruit a manager who will go to a specific country for them. They will train him in-house about Olam processes, culture and strategy.

However, before anything, the company will do a thorough research of the market and develop a clear strategy on how to best conquer the new market. This includes determining the presence of a demand, current competitors, and supply chain imperatives. They are adamant about being present in a country as they believe you cannot engage in business in a country from a distance.

What are the factors that make a country more business friendly?

Amongst the countries Chauhan regards as being business-friendly for Olam, the following are included: Gabon, Nigeria, Ivory Coast, Ghana, Mozambique, Cameroon, Uganda and Senegal. In order to be successful in a country in Africa, Olam brings in foreign managers and employees to fill roles that need particular sets of skills.

In Senegal, for example, people are viewed as being talented, with high integrity and good education standards. In Chauhan's opinion, Senegal is a country where it is possible to find qualified employees. Kenya is another example. A segment of the population has been involved with international trading for generations through Indian immigrants long settled there. That creates a good opportunity, according to Chauhan, as that means there is an innate talent that is used to business thinking for 2-3 generations.

Having a stable currency is also important. According to Chauhan, some of the Francophone countries share a common currency, the CFA, which is linked to the euro. Having 8 countries sharing a currency is not easy, but they have been doing this for more than 70 years. He is of the opinion that it is a good policy.

What is missing? Infrastructure and Integration

Olam has been very successful in Africa. At times, however, it still faces struggles that permeate some of the regions of that continent. A lack of infrastructure and of connectivity directly affect the costs of getting farm products from their origin to the consumer market in the big cities. Transporting goods between places can be inefficient and expensive. When the product is perishable, which is the case in agriculture, a long delivery time could make the whole venture unmarketable.

Chauhan believes that infrastructure will normally follow business. If the business opportunity is there, things start developing. The lack of infrastructure increases costs, which must be borne by someone. The result of this is that the farmer cannot get as good a price as he otherwise could, and the customer will pay more for the imported product.

Creating a business-friendly policy environment also impacts how much a foreign company would be willing to invest in a new market. Lack of transparency will certainly make investors more cautious. Chauhan believes a lack of communication between the policy makers and the business community would be bad for business in Africa. When the business community is not well represented, it can be problematic. Therefore, he is in favour of good and effective collaboration between businesses and the local chamber of commerce.

While good policies are imperative, implementation is of equal importance. The latter can unfortunately be a challenge in some instances.

The next 5 years

What do the next 5 years look like for Olam in Africa? Chauhan states as follows: "We see exciting times. We already have a strong presence in the continent and there are still more projects and opportunities available for us that we are willing to invest in right now. Africa is opportunity-rich."

Olam also wants to explore more opportunities in countries where it is still not fully present, like Ethiopia, the DRC and Angola: “We already have a business in Ethiopia, but I believe we will find a pathway to go much bigger there. I'd like us to go back to the DRC and Angola and do business there. We are a quite ambitious and aggressive company and we keep looking for opportunities and opportunities keep coming to us.”

Asiatic Agricultural Industries Pte Ltd

Asiatic Agricultural is a Singaporean company founded in 1972 that manufactures and distributes pesticides for crops and products to control parasitic diseases in livestock. The company started exporting to Africa 20 years ago through a German distribution company. Asiatic Agricultural bought this distribution company in 2005 and took charge of this next step in the value chain.

Chan Chek Chee, Chairman of Asiatic Agricultural, comments on the challenges the company faced after buying the distribution company that would become the African logistics arm of Asiatic: “Although our products were sold in Africa for many years, they were sold through the German distribution company. We didn't have the experience on the ground once we bought the company. To remedy that, we visited the African countries together with the original owners of the distribution company and they helped us on the way. We understood the way the business was going.”

Since the company took the front seat on the task of distributing its products in Sub-Saharan Africa, it has expanded from East to West: “We are in Kenya, Ethiopia, Ghana, Uganda, Tanzania, Sudan, Ivory Coast, and Nigeria. We are in the registration process to sell to Zambia,” according to Chan.

For selling their products in any country, Asiatic has to go through a registration process that also involves the testing of the products in local crops. This process, although similar across the continent, can take a really long time: “The difficult part is not in the selling. It is in the registration of our products, because without it, we cannot sell anything. Registration may take years. It is only after that we start with product promotion and selling it to the market.”

This registration process works similarly to that of pharmaceutical products. The pesticide products have to be tested for suitability to local African seeds. They are also tested for toxicity, bio-efficacy and biodegradability. The tests occur along the dry and wet seasons. The registration time can be further extended if a country has accumulated backlogs. However, Chan sees Africa as an underexplored market with immense potential: “We think Africa has a good potential. Our brand name is quite well established there and we have a large share of the market. We think Africa is a frontier and once you are in one country, it is easier to expand to the others.”

On having local business partners

In contrast to Olam, Asiatic Agricultural finds that having trustworthy local partners on the ground is essential. Chan recounts a situation the company faced in Rwanda with a new partner: “The trust, honesty and integrity of your partner are of utmost importance. I'll give you an example: 5-6 years ago, when we started a stock-point in Rwanda, we appointed an agent to sell the product locally. After a while we noticed that some products were disappearing. It was a small quantity, but we learned a lesson: until we are sure the partner is trustworthy, we won't deal with him.”

How to build trust with an unknown partner? Chan suggests that upfront payments is the best deal as it eliminates the risk of default. And there is no magic formula on how to find reliable partners: “A lot has to do with trial and error, slowly building the relationship.”

However, just selling its products with a letter of credit that guarantees the payment is not enough. Many of Asiatic's buyers are small local distributors and there is the risk of them adulterating the product, which would impact negatively on the brand's reputation. To avoid this, Asiatic has a team on the ground that fosters a closer relationship with the end-users and uses the feedback to evaluate the local distribution

partners. Chan complements: “We also have a team that teaches the final customer how to use the product. It is an education program where we teach the end-users what product is used for each problem.”

What are still the main barriers for a business to thrive in Sub-Saharan Africa?

Bureaucracy is the main issue in Chan’s opinion: “The bureaucracy is the most difficult problem to tackle. Import procedures themselves are already highly complicated. All of this makes the delivery time longer, if not late, and make the product a lot more expensive than it could be.”

However, Sub-Saharan Africa’s agricultural sector has a huge growth potential and there is a true expectation that this will be one of the main segments to receive investments in the coming decade: “The more they cultivate, the more they will need our products. Things in Africa are improving by the day in our business as the importance of more productive agriculture grows in the region.”

IntraAsia Capital Pte Ltd

IntraAsia Capital is a Singaporean investment firm with businesses ranging from mining to agriculture, real estate and financial services. Graeme Robertson, CEO and Chairman of IntraAsia, talks about the extent of their businesses in Sub-Saharan Africa: “IntraAsia has involvement in coal mining and trade in Tanzania, onshore gas in Mozambique, commercial properties, a resort, an office building and a railway station in Madagascar, and banking, financial and corporate services, as well as a very special rice production in Mauritius.”

Welcoming Mauritius

IntraAsia has an almost unmatched footprint of businesses of different types in Africa. The experience the company gained there can be useful to new entrants. In East Africa, Mauritius ranks as the most stable and easy-to-do business country. According to Robertson, Mauritius is a democracy with a very long-term stable environment; it's like an OECD country.

“Mauritius is the most popular, open and business-friendly country in Africa by far. I believe there is a natural association between Singapore and Mauritius. Mauritius has the same tax system as Singapore, so it's very compatible. It has 19 double-tax avoidance treaties and investment protection treaties with Sub-Saharan African countries, whereas Singapore does not. I'd recommend anyone from Singapore looking at developing a business in Africa, setting up a company there.”

“Mauritius will probably see a steady growth rate between 2 and 4% over the next 5 years. It will play the balance of power in the Indian Ocean between India and China. So, it will get goodies from China, and it will get goodies from India as the two countries compete for the Indian Ocean.”

Kenya, high spot in East Africa

Kenya is another East African jewel. After a highly-contentious re-election, President Uhuru Kenyatta was re-elected by a large margin for a second 5-year term. Although experience with second term elected presidents in Africa generally turn out bad for the country, Robertson has a positive expectation for Kenya: “Kenya is okay now that elections are over and the incumbent government has another 5 years of government. It's interesting to note that in many African countries, when a president takes his/her first 5 years term, they usually do a good job. You see a clean-up of corruption. However, in the second term, the government may become corrupt, because he/she cannot be re-elected for another term. The president and family have to protect themselves and make money. Uhuru Kenyatta is now in his second 5-year term, but hopefully, with the level of education reached by the Kenyan population, they will follow closely and try to curb any risk of corruption.”

Tanzanian Complications

Kenya's southern neighbour, Tanzania, is another story. Limited freedom of speech and political repression to the point of assassination attempts and the disappearance of political rivals of the president, take the headlines of international newspapers with an alarming frequency.²⁵ John Magufuli won the presidential elections of Tanzania in 2015. The initial feat of taking down corruption became shadowed by the broad political persecution of political opponents and a dubious approach to import taxes at Dar es Salaam harbour. The high import tariffs applied to goods received through that port did not translate

²⁵ [John Magufuli is bulldozing the opposition and wrecking the economy \(The Economist, Oct 2017\)](#)

into high revenues to the government. They only made importers turn to Mombasa, in Kenya, as the preferred gateway to East Africa.

Magufuli is also responsible for questionable disputes against two mining companies operating in the country. With this scenario, it is not surprising that IntraAsia Capital looks at the country with careful eyes: “The President seems to be embracing some of the populist policies of the Founding Father of modern Tanzania, Julius Nyerere, who encouraged African socialism in the 1960's until he recognised its limitations. President John Magufuli seems to favour State intervention in business and increased emphasis on national objectives and indigenisation to create a clean taxable industrialisation for Tanzania. There are indications that the previous rapid development has slowed. It is noticeable that the number of expatriates has reduced in Dar es Salaam.”

IntraAsia companies grew sorghum as a trial for beer production in Kenya. Sorghum is a flowering plant used to produce a gluten-free beer popular in Africa. The idea was to grow the plant in Tanzania for export to breweries. In a preliminary assessment, the company researched which type of sorghum would be the most productive. During the process, Robertson's team found something unexpected: “We planted 27 different varieties of sorghum to determine the most productive varieties on 60 hectares of land in Morogono area. The four best sorghums came from Australia, South Africa and Argentina, the worst with less than 50% germination came from Tanzania. We investigated why the local sorghum was so bad and found the seeds had been mixed with dead seeds by unscrupulous traders ripping-off the poor farmers.”

The availability of good quality certified seeds is a challenge in Tanzania and it is necessary to have a closely supervised distribution system for seeds to curb exploitation or corruption, with possibly an international involvement in assisting in this regard. Another problem, according to Robertson, is the length of time certifying and testing the application of new improved varieties of seed. The regulations require that new seed crops should be grown several times in trials before gaining acceptance, which could take up to 3 years and seriously impair the farmers ability to improve productivity.

Besides agriculture, IntraAsia also invests in coal mining in Tanzania. The company manages to integrate mining with agriculture in a singular way: “We have a programme in the coal mining company in Tanzania, called the Mbalawala Womens Group, with local women from some 3 nearby villages. Following our mining, we rehabilitate the land by levelling it and replacing the top soil with fertiliser. The women work the rehabilitated land and grow tomatoes, lettuce, onions and other vegetables. We provide uniforms and cooking expertise and they do the catering for the mine operators, which ensure adequate provision of healthy food and assists in prevention of accidents. This is both improvement of women's welfare and sustainable development where we provide and maintain the land, the women mother the crops and sell them to us processed as food, and make a good profit from the service. This is a very scalable project and should be a feature of every mining venture in Africa. Tanzanian women are incredible. We are now working with them in briquetting coal fines to replace charcoal in cooking fires, which saves the trees from destruction as charcoal.”

The Impact of the Coup in Madagascar

Adding to the list of tricky and certainly dreadful surprises when doing business in some particular countries in Africa, Robertson recounts the bad timing of the opening of a business in Madagascar, back in 2009. “Two months after we opened a resort in an island of Madagascar, the country was the scene of a coup. The president was overthrown by the mayor of the capital Antananarivo, who ruled the country until 2014. Tourism disappeared during this time. We had to put the resort in care maintenance for almost

4 years. Only when the current government was democratically elected, were we able to reopen the resort. After the president was there for 2 years, we can now start to look forward to a future in Madagascar.”

Mozambique Natural Gas Boom

One decade ago, no one would have guessed that the Portuguese speaking country of Mozambique would be among the countries with the largest natural gas reserves globally. With proven reserves of 100 trillion cubic feet, it ranks 13th among the countries with the largest natural gas proven reserves, according to the Central Intelligence Agency (CIA).²⁶ Mozambique’s economy is ticking on the royalties and the development of its huge natural gas offshore reserves.

According to Robertson, “Mozambique is different because its main gas resources are offshore and they are 90% owned by consortiums of international companies. These consortiums have done the feasibility studies and concluded that, even with the royalties they will pay to the government, even with the government having 10% equity, and despite the cost of US\$30 billion to develop the gas resources, the development of this opportunity is viable. There is an oversupply of gas at the moment, but it could cease by 2022. Prices will go up. It will be 2022 before they start coming into production.”

The investments in natural gas have boosted Mozambique’s FDI. In 2010, FDI inflows to the country had boomed, while Mozambique received 15% of all Sub-Saharan African FDI in 2012 (while it accounts for a little less than 1% of SSA GDP). In 2013-2015, FDI amounted to 70% of Mozambique’s GDP, the highest share of all African countries.²⁷

The growth due to natural gas exploration spread throughout the other sectors of the economy. It is estimated that between 2009 and 2014, over 100 greenfield projects in areas non-related to natural gas were created in Mozambique, 45 of them in the capital of Maputo. These projects are expected to have a cumulative value of around US\$21 billion and to create 25,500 jobs, mostly in construction, manufacturing and services.²⁸

Robertson is optimistic about Mozambique: “In the next 5 years, the gas will kick in. I’m optimistic. As people become better educated, they become more competent. I think Mozambique is on a good track. Development will reach every sector.”

Local Partners

As observed in most of the interviews for this report, the importance of having local business partners in the locations where a foreign company establishes its enterprise, is highly emphasized. A local business partner will help the foreign company find its way in the new territory by providing a more realistic understanding of the market, expanding the company’s business network and helping navigate local laws and bureaucracy.

The government can also be a partner in a venture. That is the case with most mining companies operating in Africa. Robertson has an interesting take on this: “One thing that most of the mining companies with business in Africa will tell you is that you need a local partner. One should never aim to acquire 100% of a business. I don’t believe it’s right. I believe that the government should have a 10% equity, it’s their right

²⁶ [Rank of Natural Gas Proved Reserves \(CIA\)](#)

²⁷ [Mozambique Economic Update, A Two Speed Economy \(The World Bank, Jul 2017\)](#)

²⁸ [Resource discoveries and FDI bonanzas: An illustration from Mozambique \(International Growth Centre, Oct 2017\)](#)

to do so and they help develop the operations. That was the case in Asia 20 years ago and even today. If you go to Indonesia, you need a good local partner. So, that's the first thing.”

And if the partner on the ground is a private institution? Where to find trustworthy locally-settled companies willing to engage in the business?

“The best idea is through personal networks. The second-best idea, if you don't have personal networks, is go to IE Singapore and see whether they have a representative in the country. The third way is to join one of the SBF business missions, which is quite effective, into an African country and see if you can make a connection through that. The fourth way is through a board of investment. Most countries have this. You can go to the board of investment and they will have a number of potential partners for you. So, there are four ways of looking for a local partner,” according to Robertson.

Manufacturing, Logistics and Electricity: What's missing in Africa

For all history, the African continent is known as an endless source of natural resources and raw material. However, history also shows that this is not sustainable. Relying only on selling commodities makes a country vulnerable to cycles of economic boom and bust. The crash of the crude oil markets at the end of 2014 is one of the most recent examples of this. Hence, a country must seek to add value to what it sells. Evolving an economy towards manufacturing rather than resource exploitation, is a step in this direction. According to Robertson, there is an opportunity in this shift for Singaporean companies.

“Downstream processing is one of the most important things for the future in Africa, not only in the mining industry, but in other industries as well.” Robertson emphasizes the importance of exploring segments with higher added value products. “Africa has to invest more in processing plants. And, from the Singapore perspective, there are a lot of opportunities as a lot of the small- and medium-size companies are manufacturing companies or high-tech companies, valuable in terms of supplying services to the development of the processing industry.”

Strengthening the manufacturing sector across the continent and extending it from fast-moving consumer goods to technology, can only improve an economy to a certain point if the ways to deliver a finished product to the buyers are precarious. Connecting the main consumer hubs to industrial areas and improving intra-regional links are essential to create a competitive market.

“The other thing that's extremely important is logistics. I supply my coal in Tanzania, and also export it to Kenya, Rwanda, Malawi and Zambia. When I put them on a truck, it costs me about 7 cents per ton per km. It used to cost me 10 cents before the petrol prices went down, but it still costs me about 7 cents. When you roll 1000km, it will cost me US\$70 per ton. I sell it at stock pile at US\$50. The price of the coal is far less than the cost of the transport. This is the African curse. If I bring equipment from South Africa up to the mine site, it has to cross many countries. Each border crossing requires another tax and another police certificate. So, despite the regional economic blocs, there is not a fluid movement of goods between those countries. That's a major problem. Also, logistics is an opportunity for Singapore. Particularly, the marine logistics side of it.”

Although regional integration remains a strategic objective pursued by many countries on the continent, the gains have been, so far, limited. Trading within regional blocs such as the EAC and ECOWAS has lower tariffs as compared to trading outside of the economic blocs. However, the African market remains highly fragmented. Poor road and port infrastructure limit the movement of goods, services, people and capital across borders, curbing economic growth that otherwise could be significant. Adding to that, there is the

bureaucracy, which may include a pile of paperwork, certificates, licenses and requirements just to transport goods from point A to B.

By imposing unnecessary costs on exporters, these barriers raise prices for consumers, undermine the predictability of the trade regime, and reduce investment in the region. The World Bank estimates that intra-African trade costs are around 50% higher than in East Asia, and are the highest of intra-regional costs in any developing region.²⁹

Another brick in the modelling of a booming African economy, is reliable and plentiful electricity. In 2016, only 37.7% of the Sub-Saharan African population had access to electricity. According to Robertson, “the other thing that's important is electricity, because you can't do anything if you don't have it. And African countries suffer from, most of all, a lack of electricity. Malawi has effectively about 170 MW for a population of 18 million people. In comparison, Singapore has 6,000 MW for a population of 5.5 million people.”

One way to improve this situation is to focus on small power generation plants rather than larger projects. That would be a cheaper, faster and more focused alternative to generate electricity in specific areas with industrial potential across the continent. Small power plants could make use of a variety of fuels: from natural gas through LNG to renewables such as wind and solar. Electricity could be generated, not only for industry, but also for domestic and agricultural use. And therein lies an opportunity for Singapore:

“What I was thinking about Singapore companies, is power generation up to 10 MW. There is probably a number of companies in Singapore with the capability to develop that. The big potential in rural Africa is for mini-grids. This is just one single transmission line between one village and another. It's cheap. In Tanzania, you have a population of 55 million people and about 1,500 MW of productive electricity. Less than 20% of the population have access to it. Anything from 5 or 6 to about 50 MW is a perfect size. That's what Indonesia is doing. They have a number of LNG stations to supply that gas,” according to Robertson.

“Mauritius is an interesting case as I am special advisor on energy to the Deputy Prime Minister, with a focus on the development of LNG for electricity generation and also for bunkering and regional supply. A number of Singapore companies have expressed interest as Singapore's electricity is based on gas and the country has invested some billions of dollars in a LNG bunkering facility, which is certainly far-sighted. In the future, more and more vessels will be converted from heavy fuel oil into gas. LNG is the fuel of choice and Singapore is a world leader in this. It would be a natural fit for Mauritius as both are island economies, Singapore to Asia and Mauritius to Africa.”

The Banking System in Africa

From the small entrepreneur to the large company, obtaining financing is one of the first steps when initiating a project. Self-financing and finding investors are options. However, even when using these avenues, a company will eventually need to interact with a bank. The lack of an interconnected banking system with global reach and the presence of strict rules on transferring money out of the countries in most of Africa, severely limit foreign companies trying to succeed on the continent. Currency risks and limited access to liquidity only contribute to the massive interest rates African banks charge their customers.

²⁹ [Deepening African Integration: Intra-Africa Trade for Development and Poverty Reduction \(World Bank, Dec 2015\)](#)

Intrasia is a shareholder in AfrAsia Bank Limited, a boutique commercial bank with headquarters in Mauritius. The bank ranks among the best in Mauritius and is one of the fastest growing banks in Africa, winning awards for innovation and private banking services. Robertson suggests that the banking sector is very different in the African region as compared elsewhere and that “know your customer” (KYC) requirements are as onerous as in Singapore. Thorough research is required before deciding the preferred bank for your business. That may vary from country to country and is often very inefficient and hugely expensive.

People's banking is done extensively by phone in Africa, which leads the world in phone banking. “You can be walking through rice paddies in Malawi and suddenly you will hear a mobile phone ringing and answered in perfect English to transfer kwacha from an account to make a payment.” According to Robertson, the most difficult and expensive banks are the international ones, which charge very high transfer fees and provide dismal service. It is possible to find good domestic banks; however, the investor will need to do research and determine whether they are competent.

Robertson is of the opinion that Mauritius remains the best destination for establishing African banking, followed by South Africa and Kenya. “Mauritius is seriously structuring its financial services environment to cater for African currencies and is likely to become the financial centre for many African countries, together with its tax and investment treaties and low taxation regime.” He personally uses AfrAsia Bank, which has invested extensively in technology and is one of the fastest growing banks with a strong capital base.

NEST and MEST

Aaron Fu is a Singaporean that has long ago ventured into Africa. Among two of the most recent companies where he has worked on the continent, are NEST and MEST.

NEST is a Hong Kong-based venture capital firm that supports African start-ups and builds platforms to support each stage of their journey. Fu was the regional director and helped kick-start the company's operations in Nairobi, Kenya, 7 years ago as a joint venture fund. "About 3 years ago, we changed our scope. We noticed that a lot of the start-ups that we engaged with needed significantly more than capital to be able to grow and succeed." The new companies are looking for market access, brand recognition and partnerships. NEST provides this platform that enables start-ups to understand the needs of the market, reach customers and scale the business across the continent.

With a high failure rate, start-ups struggle to pass through the first stages of growth. Among the causes are the following: lack of market need for the product, lack of sufficient capital, team out of compass and tough competition.³⁰ To mend this, NEST hosts a range of programmes, including accelerators, innovation challenges and leadership workshops. The goal is to facilitate start-ups to reach commercial scale validation through collaborative environments.

Nairobi – NEST

Why did NEST choose Nairobi, Kenya, to build its African base? According to Fu, there is a number of reasons. "Nairobi is significantly more representative of the rest of Africa. I think if you look at the stage of growth, the infrastructure, the number of slums, I think it's a significantly better testing ground of technologies that will target the demographic that is consistent across Sub-Saharan Africa."

The bottom of the pyramid constitutes a large chunk of Africa's underprivileged urban population, people with no permanent job. Collectively, this segment accounts for a growing amount of trade. "A lot of innovations we see in Nairobi are very basic in nature, but it's all to solve very real problems." One example of this is a start-up called OKHi. "They are trying to give everyone an address, because at the moment, most people don't have an address. Most people just have something like 'please deliver this to the house that is 2 houses down from the river, next to the tree...'; if you don't solve that, you don't have any chance to solve e-commerce, you don't have any chance to solve other issues." In the company's website, it claims the customer can save home, work and other locations for later sharing as easy directions.³¹ This would allow users to receive delivery with accuracy in areas without a formal address.

Sendy and Sokowatch are two other start-ups operating in Nairobi that tap into the bottom of the pyramid.^{32,33} According to Fu, "the best equivalent for Sendy in Singapore, is the app NinjaVan. Sendy is all about utilizing motorcycle taxis to deliver goods. These motorcycle drivers know the routes the best and they already exist, so you don't need to build your own group." Sendy is a cousin of Uber, but focused on delivery through motorcycles.

"Sokowatch does short-time delivery to those corner shops. If you see those corner shops in Nairobi, you have one person sitting in a booth and they have to close it for, on average, from half an hour to one hour

³⁰ [Why startups fail, according to their founders \(Fortune, Sep 2014\)](#)

³¹ [OKHi website](#)

³² [Sendy website](#)

³³ [Sokowatch website](#)

every day just to go and buy goods to top up their stock.” According to Fu, with Sokowatch the shops can order goods via their phones so they do not need to leave their shops. The company offers on-demand distribution to independent retailers, enabling them to save time and money by placing orders via SMS to receive same-day delivery. This allows shopkeepers to service their customers and helps manufacturers ensure that their products are consistently available to consumers.

These are examples that show the range of opportunities Nairobi has to offer and why NEST selected it to be its starting point in Africa. In addition to that, Nairobi is seen as a hub in the FinTech universe. “The second reason to stay in Nairobi is the city’s reputation for financial technology, specifically mobile payments. Of course, mobile payment gave rise to mobile credit and the ability to do mobile payments. A lot of the institutions I’ve been working with in Asia and across the world are very interested in this. More than half of our partners are banks. Nairobi drew a lot of mobile payment, digital banking, and digital financial services experts from across the world. I believe the concentration of experts in Nairobi is pretty high,” Fu added.

Kenya is the country with the third-most internet users, after Nigeria and South Africa. Over 45% of its population have access to the internet and there are 80 mobile phone subscriptions for every 100 people.³⁴ This connectivity creates the cradle for all sorts of internet-based services. Fu elaborates on this: “I believe that a lot of businesses that rely on digital as a way of delivering, have a good potential to be successful. Branch is one example. They are a mobile-based lending platform, founded in 2015. The entire engineering team is based in Silicon Valley, with operations and customer services sitting in Kenya.”

Branch is an Android app that offers loans up to 50,000 Kenyan Shilling (US\$ 485), launched in Kenya. The app builds a credit score of the user by analysing their M-Pesa usage and over 2,000 data points on the customer’s phone. Once the customer’s credit worthiness is determined, he/she can enjoy Branch’s services.³⁵ From Kenya, the company expanded to Nigeria and Tanzania. The monthly interest rates on their loans range from 1% to 21%.³⁶

“Kenya has a lot of people in the upper lower class that actually have a pretty stable income. They are able to save and make good candidates for loans. I feel there is a lot of markets for mattresses, textbooks, tables and cooking stoves. More and more people are moving out of poverty and they will need basic consumer items. It’s different from the European middle class that spends on clothes, in malls and traveling.”

Still in the digital arena, Fu presents one more app that has improved the lives of small shops in Kenya: “One of the most successful capital raisings this year was a company called Twiga Foods. They raised about US\$10.2 million. They go straight from the farm to the duka shops [mom and pop shops], supplying the shops with fresh products. Because they supply and provide an easy ordering system, they are able to anticipate demand. They are able to reduce the cost of purchase for the duka owner by 20-30%, which is very significant. And the cost to acquire the farm goods is also lower than the middle man, and all what they are doing is providing efficient supply-demand management, logistics and forecasting.”

Twiga Foods uses technology to consolidate the fragmented purchasing power of urban retailers, saving them a trip to the market by delivering better quality and better-priced stock to their doorstep. The start-

³⁴ World Bank data, 2015

³⁵ [Branch Mobile Lending App Disburses 4 Million Dollars in Loans Monthly \(TechWeez, Jul 2017\)](#)

³⁶ [Branch website](#)

up's platform then translates this aggregated purchasing power to farmers across the country, allowing them to access stable markets at better prices, while minimising post-harvest losses through efficient logistics. It is the largest distributor of a number of basic food staples in Kenya, having sold over 55 million bananas and delivering over 4,000 orders a week.³⁷

“They started with bananas, but now the company deals with a whole range of products, still all fresh farm products. They are also on a mission to reduce the price of food. In many scenarios, you will find quite similar prices in some locally-produced vegetables than you would get in M&S in London. Another point they want to tackle, is bringing equipment, knowledge and supplies back to the farmers, applying logistics on the way back to the farm.”

Accra – MEST

Fu recently left Nairobi, Kenya to move to Accra, Ghana. There he joined MEST, an acronym for Meltwater Entrepreneurial School of Technology. MEST is a school for entrepreneurship, that very selectively only admits the crème of the crop business ideas with the best potential to become successful start-ups.

Why Ghana? Aaron explains: “Ghana was chosen for its great connectivity to Europe, the US and other parts of Africa, its strong and stable democracy, and because it's English speaking. It also has a very Africa-friendly visa system, with many African countries not needing a visa to enter there. Since we have entrepreneurs from all over Africa, not having to worry about a visa is quite convenient. We could certainly not do it in South Africa as it is very restrictive on visas for other African countries. Rwanda does not have as much connectivity as Ghana and it's a very small economy.”

“MEST is a training program, a seed fund and an incubator. It started about 9 years ago as a school and it brings about 60 entrepreneurs in training from all across Africa, flies them to Ghana, and puts them on a one-year program on software development and entrepreneurship. They live together, work together, learn together, and build products together. At the moment, we have people from Zimbabwe, South Africa, Kenya, Nigeria, Ghana and Ivory Coast and they are all working together, which I think is quite cool as it is kind of bonding Pan-Africa since day one.”

The founder of MEST is the serial entrepreneur of mixed Norwegian-Korean origin, Jorn Lyseggen. “Over the last 9 years, the organization has put in about \$25 to \$30 million into the school and enterprises. The idea is that during the entire year, it's all free; everything is taken care of, so that you can focus on learning and building. The acceptance rate is something like 0.1%. It doesn't give you a degree though. If you want a degree, you have to go somewhere else. If you want real life training to get to build a business, come here,” Fu continued.

At the end of the program, instead of a final project, the aspiring entrepreneurs do a final pitch of their business model. “We usually fund a few of them; usually it's between \$50,000 to \$100,000, which is a lot in Africa, for them to continue building their product. That is when they move from the school to the incubator. Traditionally, this incubator has been physically in Accra, but we offer virtual support if your company is elsewhere. During the next few months, we will be launching physical incubators in Lagos and Cape Town as well, to continue growing as these companies tap into those markets. Currently, we have about 5 portfolio companies in Lagos, in media, e-commerce, fintech and agriculture.”

³⁷ [Kenya's Twiga Foods raises \\$10.3m Series A funding round \(Disrupt Africa, Jul 2017\)](#)

The investment stage can last between 12 to 18 months, after the one-year training. During this phase, MEST offers seed funding to selected graduating teams in exchange for a minority stake in the company. After this, the incubation stage follows, which lasts another 12 to 18 months. During the incubation stage, the companies continue to receive extensive full-time support and access to resources, mentorship and a global network.

And what happens after the incubation?

Fu answered as follows: “We are shareholders; we sit on the board and continue to work quite closely with them. Since inception, there has been 2 notable acquisitions: one was acquired by a US-based company and the other by a European company. At least 10 of our incubator companies raised further external capital to continue to grow. We have about 5 of them operating in more than one African market, growing across the continent.”

What’s the Next Big Thing in Africa?

Aaron does not think twice: “Nigeria - if you have patient capital and a 20 to 30-year horizon. The macro statistics don't lie, the way that market is going, the way they are always finding solutions and opportunities. I have no doubt in my mind that Lagos is going to be at the heart of all the changes. It's a very large market. I think the future is definitely in Nigeria.”

Nigeria will have a population of over 260 million people by 2030. The country has an economy still very reliant on crude oil exports, but has made significant steps towards diversification. The two biggest contributors to GDP previously – hydrocarbons and agriculture – have both declined in importance. Services now account for 48.3% of GDP, with telecoms showing a tenfold growth from 0.8% in 1990 to 8.7% in 2017. Manufacturing’s share of GDP has grown from below 2% to 8.5%.³⁸

To conclude, Fu describes what he sees as the main impediments for growth in Nigeria: “I believe one of the main issues would be capital controls, flow of people and clarity on regulations. Constant change in regulations and difficulty of moving money out of Nigeria has impacted people's desire to move money in. Why I am still so optimistic over Nigeria is that it's already thriving so well in spite of all of this.”

³⁸ [Nigerian Gross Domestic Product Report Q3 2017 \(National Bureau of Statistic\)](#)

Alteco Chemical Pte Ltd

Alteco Chemical is a member of the Alteco Group of Companies, with headquarter in Osaka, Japan, and incorporated in Singapore in 1988. The company is specialized in the manufacturing of cyanoacrylate adhesive (commonly known as Super Glue). The company produces a range of super glues and epoxies for both consumer and industrial applications.

The company opened a factory and distribution centre in Ghana in 2013, from where it delivers to the West African market. According to Robert Lew, Sales Chief of Alteco, Ghana was chosen as the main base for Alteco in West Africa because it is a more stable country and it has English as its main language. “From the distribution centre in Ghana, we transport the goods by road to the other countries, taking 5 to 7 days to reach the destination. The quality of the roads is also very good, having improved a lot in the past years.” The company found that the container clearing process in Ghana is more efficient and less bureaucratic. It takes less time to receive the raw material in Ghana, repack it into finished products and send it to customers by land transport. In the past, customers may take up to 2 months or more to receive the goods due to port congestion or shipment delay.

Alteco also sells to East Africa. However, the products are delivered directly from Singapore, without the use of a local distribution centre.

Excessive bureaucracy and corruption are two issues that many companies face when trying to expand a business in Africa. Lew comments on this: “In the past, you may face special requests from a custom officer. Nowadays, this situation has improved, and we don't see this very often. In terms of bureaucracy, we faced a lot of problems when trying to register our packing plant in Ghana. It took around 10 months to get the registration done. IE Singapore helped us in networking with relevant parties.” Ghana and Nigeria rank, respectively, at 120th and 145th in “Ease of Doing Business”, out of 190 countries.³⁹ In the Corruption Perception Index, Ghana and Nigeria rank, respectively, at 70th and 136th out of 176 countries.⁴⁰

On Local Partners

According to Lew, they had a mix of luck and hard work. To find a good local partner is not so easy, as it takes time to build trust. “We know most of our local partners for more than 10 years. We found the partners through networking and cold calling. At the beginning, when the relationship was still new, we started with small orders. As the trust grew, we increased the size of the orders.”

Perspectives on Sub-Saharan Africa

“For the past few years, the oil-rich countries have faced a lot of currency, corruption and inflation challenges. We also face competition from imitators and counterfeiters. It'll take a few years for these countries to grow well again. The regulations of each countries and cultural differences also make it difficult to do business there. We plan to grow our presence in the Congo. We used to sell to Angola, but because of the current economic situation of the country, we had to stop. Ethiopia is another country we plan to expand to.”

³⁹ [Economy Rankings \(World Bank, 2017\)](#)

⁴⁰ [Corruption Perceptions Index 2016 \(Transparency International\)](#)

MG Logistics

MGL is a logistics company based in Singapore and directly affiliated with Multiple Group (MG), in Kenya. With over 1,300 trucks, the group is one of the largest logistics enterprises in East and Central Africa. MG is also a truck dealership in the region, including brands such as Volkswagen from Germany, and Sinotrucks from China. With this large number of vehicles, the company expanded to have its own fuel supply company, which fuels its fleet, but is also sold in gas stations across Uganda. MGL also has a container freight station for storage in Kenya and Uganda. MGL is also an IATA member, holds an Air Operator Certificate and operates cargo flights with Boeing aircrafts out of Jomo Kenyatta International Airport, Nairobi.

According to Subramanian Krishnamoorthy, a commercial pilot from Kenya and Director of MGL, “Our group is a perfect example of vertical integration, with a focus on transportation. We have our own dealership for trucks, in-house maintenance function, oil company, and our own container division. We offer a one-stop solution. For example, if you have a cargo from Singapore, we will transport it by sea, clear it in Kenya, store it in our container storage facility, and transport it door to door. Because of this vertical integration, we have lower operating costs. Our main areas of operation are Singapore, Kenya, Tanzania and Uganda.”

Kenya

Among the countries where MG operates in East Africa, Kenya is considered the most business friendly by Krishnamoorthy: “Kenya is definitely the best country to do business. In terms of infrastructure and governance, Kenya is more advanced than the neighbouring countries. It's also more stable politically. The president doesn't stay for life and policy doesn't change from one term to the next. Kenya is the most advanced country in East Africa in terms of technology and e-commerce. It has the highest number of mobile transactions, even among advanced countries in the rest of the world.”

Although Kenya is deemed to be business friendly, its investors still have to deal with corruption. “The most pressing issue to attract more businesses to Kenya is the corruption. Anyone setting up a business here will have to go through brokers, spending unnecessary money to get licenses, and there is a lot of bureaucracy,” Krishnamoorthy continued. In 2016, Kenya ranked 145th on the Corruption Perception Index.

Krishnamoorthy is very optimistic about the future of Africa and more specifically, Kenya: “Africa is growing. All East African countries are setting up railways, connecting themselves. In addition, they are building a new port in the Northeast part of Kenya, the port of Lamu.”

The Lamu port is part of the Lamu Port-South Sudan-Ethiopia-Transport (LAPSSET) Transport and Developmental Corridor, which is a public-private-partnership (PPP) joining Kenya, South Sudan and Ethiopia. The project will open up the region to immense socio-economic development and will promote cross-border trade.

Upon completion, the Lamu Port is expected to handle bigger vessels than Mombasa Port, the main gateway to East Africa. Three of the expected 32 deep sea berths are scheduled for opening early in 2018 and the whole project is expected to be completed by 2030.⁴¹ Other infrastructures within the LAPSSET Program that will be developed in Lamu County are Resort City, the interregional railway, the interregional

⁴¹ [Lamu development to be bigger than Mombasa port \(African Review, Jun 2017\)](#)

highway, crude and product oil pipelines, and an international airport.⁴² The port is expected to make Kenya a trans-shipment hub because of its deep waters and ability to accommodate large vessels.

Another large infrastructure project is the Standard Gauge Railway, which started operating in Kenya since July for passengers and, for cargo, from December 2017. This will have a positive impact on the local economy by reducing traffic congestion and road accidents and decreasing transportation costs.

Still on Kenya, Krishnamoorthy ends with: “In the next 5 years, we will see a totally different economy. Direct flights between the USA and Kenya will start in July 2018. Kenya will be developed into an air hub. Railway is expanding to each and every part of Kenya and will also connect to neighbouring countries; Mombasa Port will have more terminals and with efficient handling systems, the port’s productivity will increase. East African Customs is embracing a single-entry system like Singapore, where you can do necessary documentation and customs declaration at the point of entry, reducing time required for cargo clearance; Jomo Kenyatta airport will have a second runway that will expand the ability to handle a higher number of aircrafts with international standards.”

⁴² [Lamu County Inches Closer to Becoming a Future Port City and Transportation Hub \(LAPSSET, Oct 2017\)](#)

Build Africa Industry

Build Africa Industry is a Singaporean company founded in 2015 with the aim of spurring industrialization in Africa through investment in small businesses with a focus on social causes. It also seeks to connect like-minded small and medium investors to business opportunities in Sub-Saharan Africa. The company invests in Kenya, Tanzania and Rwanda. Edwin Kwan, CEO and founder of Build Africa Industry, comments: “We believe Rwanda is the most business friendly, because they mimic Singapore in foreign investment drive.”

For Kwan, the excessive bureaucracy and a general lack of understanding of the intricacies of the local markets are the most important factors companies should pay attention to before planning an expansion in the region. Finding a local partner features as an essential step in this process: “We believe it is important to have a local resource, whether equity partner, customer or supplier. Lack of a local resource may result in difficulties such as a lack of market knowledge, wrong interpretation on laws and regulations and additional costs and time in doing business.” Local partners would fill the gaps and help build a more detailed knowledge of the market.

And how competitive are SME’s in relation to larger companies? Agility in market response and lower costs of entry feature as two main advantages SME’s have, in Kwan’s opinion. However, a slower response from local authorities if the company needs the government’s help, and a lack of capacity to absorb escalating hidden costs are two factors that small companies should keep in mind and prepare accordingly.

In Kwan’s opinion, to make Sub-Saharan African countries more attractive to foreign investors, governments should take steps on “realigning their national income priority, learning from role model countries like Singapore and reforming existing policies and procedures. As a start, they should focus on ease of doing business and improve clarity on policies and procedures.”

Pacific International Lines Pte Ltd

Pacific International Lines (PIL) was founded in 1967 in Singapore, and is today one of the largest ship-owners in Southeast Asia. It has a focus on the container transportation business linking Asia, Africa and the Middle East. With a fleet of 157 vessels and over 18,000 employees, PIL constitutes a big Singaporean corporation that manages to be successful across the globe.

William Tay, Executive Director at PIL, comments on why setting foot in Africa makes sense for the business: “We have decided to expand into Africa in general as it has potential for further growth due to its huge population and a growing middle class that is increasingly affluent. The increase in disposable income will be a key driver for business. We do have a considerable presence in Sub-Saharan Africa as we speak and we are keen to expand further into land-based logistics activities, providing synergy for our main shipping business.”

PIL operates a container depot and a warehouse storage facility in Tanzania to cater for the oil and gas industry. In Sudan and Djibouti, the company has a trucking operation. Among the most relevant issues foreign companies face when expanding into Sub-Saharan Africa, Tay mentions the lack of an understanding of the local culture and a difficulty to connect to the local business network. Understanding the tax and currency regulations and finding highly-skilled local employees are also two important issues companies have to overcome when doing business in Sub-Saharan Africa.

On having a local partner, Tay says: “There are regulations in place in some Sub-Saharan Africa countries that require a local partner in order to operate a business. In countries that do not enforce such restrictions, a local partner can be beneficial in terms of avoiding pit falls, building business relations, and navigating local regulations. As with all businesses, trustworthiness is imperative in partnerships.” As to where to find these local partners, Tay replies as follows: “This is usually done through existing business partners, business contacts and business forums. It is better to do it through existing relations as there is already an understanding between both parties.”

In the quest to find good local partners, some companies engage with the government and make it a shareholder of the business. Tay does not see a need to follow this strategy: “It is not necessary to have local government involvement as a shareholder since most of the countries have open economies. Cooperation between government and the private sector, leading to an ease of conducting business, is more important.”

As a logistics company, PIL closely follows any infrastructural project that may shorten its delivery time. Three major railway projects are set to further cross-border integration and positively affect PIL’s businesses across the region: LAPSET (Lamu Port-South Sudan-Ethiopia-Transport) connecting the Lamu port, in Kenya, to South Sudan and Ethiopia ([read more](#)); the Mombasa-Nairobi Standard Gauge Railway (SGR); and the SitaRail, connecting the Ivory Coast to Burkina Faso.

“The Mombasa-Nairobi Standard Gauge Railway will increase the cargo capacity by a large degree and boost commerce within the region considerably. The SitaRail is another example; it is a 1,260km rail network between Côte d’Ivoire and Burkina Faso that allows 900,000 tonnes of freight to be transported every year,” according to Tay.

The US\$3.2 billion Mombasa-Nairobi SGR project was completed in June 2017 and its route connects the main port city in East Africa, Mombasa, to Kenya’s capital, Nairobi. The 472km railway, which is Kenya’s

biggest infrastructure investment since its independence in 1963, was heavily financed by the Chinese. Most of the railway's revenue is expected to come from transporting cargo. Currently only 5% of the cargo is transported via rail, while 95% moves through the roads. Kenya Railways is aiming to push its share to 40% by 2025 with the new track.⁴³

Looking to West Africa, the SitaRail railway runs from Abidjan, in the Ivory Coast, via Ouagadougou to Kaya, in Burkina Faso. The railway has 59 stations, carries around 180,000 passengers and 900,000 tonnes of freight a year, comprising mainly of fuel, containers, fertilizer, cotton, local produce and cement.⁴⁴ In July 2017, the Ivory Coast and Burkina Faso have given final approval for a renovation project that will extend through 200km of tracks and include the renovation of several train stations.⁴⁵

As important as solving infrastructures challenges, is tackling other more ingrained issues: red tape and bureaucracy. “The most pressing issue is the reduction of red tape and bureaucracy. Other pressing issues to address include taxation, the relaxation of regulations and the provision of skilled labour,” Tay commented.

Tay is brief on what to expect from Sub-Saharan Africa in the next 5 years: “The outlook is positive. However, this is subject to there being a concerted effort to remove bureaucracy, to manage good corporate governance and to eradicate corruption. Any effort to introduce laws to stifle foreign investment will make the outlook less positive.”

⁴³ [Will Kenya get value for money from its new railway? \(BBC News, Jun 2017\)](#)

⁴⁴ [Sitarail to upgrade Abidjan - Kaya railway \(International Railway Journal, Aug 2016\)](#)

⁴⁵ [Ivory Coast, Burkina Faso pave way for Sitarail upgrade \(Reuters, Jul 2017\)](#)

MOI International and Mewah Group

MOI International is the marketing arm of the consumer pack goods division of the Mewah Group, a 60-year old Singaporean company specializing in edible oil and a large producer of palm oil. The company is integrated throughout the downstream edible oil value chain, from the sourcing and processing of raw materials, to the packing and merchandising of end products.

Abhijit Janbandhu, from MOI International in Ghana, talks about doing business in West Africa. “We are in the Ivory Coast, Ghana, Senegal and Guinea-Bissau. We are in Nigeria, but it's a very difficult market to get in. Besides West Africa, we are expanding to East Africa. In the next 2 to 3 years, we should have a significant presence there.”

“The most business-friendly countries among those would be the Ivory Coast and Ghana. Our company has been doing business for many years in the Ivory Coast, so we know the system. Ghana is an English-speaking country, so it's easier to talk to clients. Nigeria is a very big market, but very complicated. The currency is very volatile. The French speaking countries in West Africa, on the other hand, have the currency pegged to the Euro, so are less volatile.”

For a company that takes care of the whole value chain of its products, the Mewah Group is also involved in the logistics and distribution of edible oils in the region. Poor logistics infrastructure results in higher prices for the final consumer, which is critical in a region where disposable income is low. “Infrastructure is a very critical part of business. For the past 4 years, I've seen infrastructure evolving very rapidly, although still not very efficiently. Connecting the landlocked countries to the ports through railways will improve logistics dramatically. The railway infrastructure that is in place now, is not sufficient to cover what is required. Currently, most of the transportation is still made through roads,” according to Janbandhu.

In addition to the poor railway infrastructure, he considers that tackling corruption and making information more broadly available to foreign investors, are two other important changes that local governments should make to create a more business-friendly environment.

However, Janbandhu still sees a bright future: “Africa is going to be the place to do business. Most of the countries still don't have factories here. The growing consumer market in Africa will create huge opportunities for companies to start producing locally. Urbanization is currently happening. A middle class with disposable income is emerging. There is a high acceptance of technology like mobile money transfers. All this is going to give rise to employable people.”

Wilmar International Ltd

Wilmar is a listed company in Singapore, in the agricultural sector. Its business includes oil palm cultivation, oilseed crushing, edible oils refining, sugar milling and refining, manufacturing of consumer products, specialty fats, oleochemicals, biodiesel and fertilisers, as well as flour and rice milling. The company has an integrated agribusiness model that encompasses the entire value chain of the agriculture commodity business, from cultivation, processing and merchandising to manufacturing of a wide range of branded agricultural products.

Daniel Ker is a senior manager at Wilmar, having joined the company 17 years ago: “Since day one, for the past 17 years, I've been focused on Africa. At that time, there was basically no Wi-Fi, no roaming in certain countries, so every time when we made a deal, we had to make use of the business centre in the hotel to fax. In the past, I didn't see any Asian companies other than from China, India and Lebanon, investing in Africa. Now you can see a vast range of companies going in.”

About the meagre number of Singaporean companies with business on the continent, Ker believes Singapore is still uninformed about Africa and this affects Singaporean companies to invest there. “There is no in-depth publication, media coverage about Africa. And, of course, there are 54 countries. It's a challenge to cover the whole continent, thus it's difficult for a Singaporean company to know where is best for their business or investment.”

Ker believes that, in general, East Africa is more developed than West Africa: “East Africa was industrialized much earlier so the business climate and policies are more mature. However, the business environments are more saturated, so when you get there, you may not be the first mover, depending on the type of trade you want to invest in.” In East Africa, Ethiopia is now the centre of attention. “Ethiopia has a lot of potential. Now, with infrastructure in place, with the Chinese investing in infrastructure, this will bring a lot of opportunities to Ethiopia.”

On what is holding the other countries back in unleashing their potential, Ker's answer is not different from that of many other businessmen trying to succeed in Africa: “Corruption, red tape, complex policies, lack of skilled workers.”

Having trustworthy local partners is a constant topic among companies planning to set foot in Africa. They can help navigate through the opaque laws and policies that sometimes permeate the business environment of African countries. Local partners also help fill the gaps and fix misconceptions foreign companies may have on the market potential and relevance of bringing their business abroad.

According to Ker, they do a lot of joint ventures with local partners and then expand from there. “We have been dealing with these partners either for a long time or we observed from the market that they are reputable in terms of their products and services they provide. More importantly, the person behind the scenes must be trustworthy and he must be passionate about growing the business, rather than just skimming the profit out of Africa. Investors have to take a long-term view on Africa.”

According to Ker, there is no effortless way to find a good local partner. “You have to be on the ground and do a market survey, spend time there. You can't rely on recommendations. How can you be sure of their credibility?” Indeed, finding local partners that you can trust, certainly demands time investment and deep research.

F&N Foods Pte Ltd

This large player in the food and beverage industry has the isotonic drink “100 Plus” as one of the most recognizable brands in Southeast Asia. The company has expanded to Sub-Saharan Africa with palpable success.

Peter Lim, manager at F&N Foods, explained their first steps in Africa: “F&N entered Africa around 20 years ago. In those days, doing business in that continent was unheard of for Asian companies. We started selling canned milk in West Africa, mostly in Ivory Coast, Mali, Ghana and Benin. At that time, the main sources of canned milk were European companies. We were maybe the first Asian company selling this product there. After a short testing period, our product gained momentum in the market for being cheaper than the European option and yet of good quality. Our orders grew steadily.”

How did F&N Foods first reach the end consumers of their products in this unexplored continent that was Africa two decades ago? According to Lim, in those days they were selling to agents, not directly to the market. Hence, they did not have to deal with bureaucracy and corruption. As the business grew, there was a greater need to have a more solid presence on the ground. “We started to contact agents that helped us in the distribution across Africa through international food exhibitions in Europe. We were always very careful when dealing with unfamiliar parties. Collecting payment in advance is a means of safeguarding. And the only way to be sure whether the partner is trustworthy, is through trial and error, starting with small shipments and growing the business as trust between parties grow.”

F&N Foods chose Ghana as one of its main markets in Sub-Saharan Africa. Lim explains why: “Among the countries in West Africa where we sell our products, Ghana is one of the easiest markets. The government encourages imports. Some other countries, like Nigeria, are more difficult to do business in. Sometimes they impose very restricting regulations on food products and we have to go through lengthy product registration processes to get our products approved.”

“Bureaucracy is also a current problem in Nigeria as the registration processes are, most of the time, not very straightforward. But even with this, since West Africa is such a large market, it is worthwhile doing business there,” Lim concludes.

Educare International Consultancy

Educare is a Singaporean company that provides education consultancy services, as well as professional development and leadership training for educators. Its largest market is Russia, but the company is also present in Asia, the Middle East and Latin America. Africa would be the next step on its international expansion.

Yeo Tiong Hui, assistant director at Educare, comments on the first reconnaissance trips the company made in Sub-Saharan Africa: “Last year we visited South Africa, where we saw a lot of potential. We attended a conference called EduWeek, which is Africa's largest education conference, where we had the opportunity to network and meet many educators aligned with our goal to build the capacity of teachers and educators. There were representatives from private schools, government officials, education hardware providers, technology companies and education services providers, like ourselves. We met many potential partners, and even the Department of Basic Education (DBE) of South Africa. And this was done with the support of IE Singapore. Besides South Africa, we are also looking into Rwanda and Kenya.”

Sub-Saharan Africa falls behind in the education sector when compared to other regions. Most of the Sub-Saharan countries will need to expand access to primary schools for an additional 77 million pupils by 2030.⁴⁶ At the same time, demand for upper levels of education will also grow rapidly. Secondary enrolment grew by 125% between 1999 and 2012.⁴⁷

With the growing number of potential students comes an increasing demand for training programmes for new teachers. In Nairobi and Lagos, most teachers tend to have tertiary education to some extent and sometimes a full degree. In Lagos, 61% of teachers had partial education-specific training. Only 40% of teachers in Accra, and none in Lagos, had specific early childhood training.⁴⁸

If there is a demand, what is lacking? Yeo answers: “We haven't managed to find a suitable local partner in South Africa so far. Things are moving a bit slow, but now IE is helping us find a partner through its Johannesburg centre and is also trying to identify more avenues for us to engage the DBE. African embassies in Singapore also play a critical role in helping set up some key meetings as well.”

“At the moment, we are exploring partnerships with Singaporean publishers who have already ventured into the African market. According to them, local buyers have asked for complementary professional development training for their teachers,” Yeo added.

“The sheer size of Africa's population and improvements in various economies across the continent adds to the demand for education. A healthy education sector is critical to any country that wishes to develop its work force and compete in the global market. We would love to establish our presence in Africa. If political stability and the trend of growing economies persist, we will continue exploring and doing more projects in Africa in the next few years,” Yeo concluded.

⁴⁶ [Financing Education in Sub-Saharan Africa \(UNESCO, 2011\)](#)

⁴⁷ [EFA Global Monitoring Report – Education for All 2000-2015 Achievements and Challenges \(UNESCO, 2015\)](#)

⁴⁸ [EFA Global Monitoring Report – Education for All 2000-2015 Achievements and Challenges \(UNESCO, 2015\)](#)

What are the Obstacles to Success?

The companies interviewed for this report either have operations across Sub-Saharan Africa or are actively studying the market. These companies operate in a variety of industries and range from small/medium businesses to large multinational companies. Regardless of the different backgrounds, the concerns and obstacles these companies face while trying to succeed in Africa, are quite similar.

The necessity of finding and engaging with trustworthy local partners is prevalent, only seeming to wane for the big companies. For the SMEs, on the other hand, local partners become essential as these companies do not extend their business throughout the whole value chain. They usually need local distributors to store inventory and to reach the end consumers. A business partner on the ground also helps the new entrant to better navigate local laws and deal with bureaucracy. It can also give a more realistic view of the market for the products the foreign company is willing to bring.

The avenues foreign companies use to find a legitimate partner in the new market may also vary. The trust issue can be somewhat attenuated if the local partner is found through personal networks or through recommendations. IE Singapore works as a vital link for Singaporean companies that have no network in the new market. Most of the companies interviewed for this report, engaged with IE Singapore to arrange introductions to potential local partners. Reaching the African embassies in Singapore or contacting the local Chamber of Commerce in Africa, are two other ways to link Singaporean business people to an African counterpart.

The process of partnershiping also involves checking the local partner's creditworthiness. If that is not possible, the foreign company can start the partnership by accepting small orders while trust is being developed.

Lack of creditworthiness was a problem Fortrec found when looking for local partners. Fortrec is a commodity trading company focused on petrochemicals and petroleum products. "In the last couple of years, we identified a partner in Sub-Saharan Africa. On paper it looked pretty good, but when it came to registration, bank references and financial credibility, each and everyone of them just fell like flies," explains Colin Choo, from Fortrec.

The company has been trying to find partners on the ground for the distribution of petroleum products as Fortrec does not own storage facilities in Sub-Saharan Africa. "We tried South Africa, Nigeria and Angola. These countries pose a lot of prospects because they (except South Africa) are main exporters of crude oil and they look into importing finished products. The challenge we face is that we are in the business of bulk liquid shipments. We are talking about 2,000 to 5,000 tonnes of petrochemicals. The cost per metric tonne of petrochemicals is a lot more than what it is for crude oil. Every shipment is a couple of million dollars. Hence, the local dealers cannot afford to pay everything in advance."

Choo also mentions political instability, lack of policy transparency, excessive bureaucracy and lack of security as additional obstacles foreign investors have to deal with when doing business in Sub-Saharan Africa. He concludes: "Are we keen? Yes, we are. Are we exploring? Yes, we are. We are looking into a project in Angola today, with credible partners there. We are still in the early stages of the feasibility study."

After securing a good local partner, the companies face a range of infrastructural issues that vary in importance from country to country, but are usually consistent across Sub-Saharan Africa. Lack of

infrastructure such as roads, railways, ports and airports largely deter a fast expansion from one African country to another. Intra-regional import tariffs and lengthy processing time also add to the cost of bringing a product across an African country border. Lack of security also brings up costs as insurance companies will charge more to secure cargo being transported through dangerous areas. In some cases, a product produced locally ends up costing more than a similar product imported from China.

That is the case for Lucky Fibres, a carpet and rug manufacturer with a factory in Nigeria. The company is a member of the Tolaram Group. Lucky Fibres started its Nigerian plant in 2003, attracted by its large domestic market. Besides Nigeria, the company also distributes carpets and rugs to Ghana, the Ivory Coast and Cameroon. For Lucky Fibres' general manager, Jitesh Pamnani, the Ivory Coast is the most business-friendly country among those the company sells to: "You can incorporate your company in 2 days' time."

The Ivory Coast, Nigeria and Ghana are part of the trading bloc ECOWAS (Economic Community of West African States). Cameroon, not being part of it, has a disadvantage. According to Pamnani, Cameroon, not being part of ECOWAS, pays for the importation of goods from Nigeria.

Although Nigeria has a large internal market for its products, there are still structural deterrents that prevent the company to further grow its market, both internally and abroad. According to Pamnani, transportation costs from the factory to the port are quite huge. A lack of infrastructure, poor port conditions and bureaucracy further restrict their market. These barriers increase the price for the consumers, sometimes making a locally produced product more expensive than imports. "Most of the competition we have is from Asian companies exporting to Nigeria. Their product costs less than what is produced locally," he adds.

Political instability, dealing with corruption and going through excessive red tape and bureaucracy also score high among the issues faced by the Singaporean companies interviewed.

NISK Capital compares Rwanda and Kenya on their pros and cons for foreign companies. NISK Capital is a boutique investment banking and advisory firm focused on the SME segment in East Africa. Sara Oon, partner at the company, explains: "Rwanda's government is less corrupt and the country is an easy place in which to operate business. However, it's a small market and is landlocked; logistics are therefore expensive. Kenya has a better education system and a larger middle class with growing purchasing power. It has a larger market, and is more sophisticated. However, there is more competition and more corruption when compared to Rwanda."

Another concern shared by some companies is the difficulty of repatriating revenue generated in Africa. Companies create subsidiaries in Mauritius or Dubai, which have double-taxation avoidance agreements with a number of Sub-Saharan African countries. After the revenue is transferred to one of these tax havens, the company can finally remit it back to Singapore.

Obtaining financing can also be difficult. African banks usually charge a high interest rate on loans, while financing through international banks have the added risk of exchange rate volatility as the loan is usually made in American dollars, but is spent in local currency.

Filtec is a Singaporean company specializing in automotive and industrial supplies. In Africa, the company has operations in South Africa, Mauritius and Zimbabwe. Steve Loy, former business development manager for Filtec, lists the top 3 most relevant issues foreign companies face when trying to enter the African marketplace: "Obtaining financing; lack of liquidity for payment in American dollars; and

difficulties to enforce on payment default.” He advises Singaporean companies planning to invest in Sub-Saharan Africa: “Manage credit risk and full payment before shipment, even with longstanding customers.”

Navin Ravindran is the Director of Alstro Pte Ltd, a supply chain integrator with business activities in metals and export and distribution of various industrial consumables. For him, any company should “have a solid business plan before venturing overseas, with a clear understanding of the business and cultural landscapes.” He lists the main issues found when trying to succeed in Sub-Saharan Africa: “credit worthiness of the customers; poor infrastructure facilities leading to longer lead time for inland importers; no defined product standards for specifications, quality and performance in most importing countries; poor banking relationships with Singapore banks and hence cost of financing is high.”

In other cases, the company finds that the African market is still at a young stage for its products. Singaporean company Biomax Technologies sells digester systems that converts organic waste into fertilizer at high temperatures. Since its first incursion in Sub-Saharan Africa 5 years ago, Biomax secured deals in Kenya and South Africa. However, the company finds its overall experience in Africa somewhat unwelcoming. Puah Chum Mok, from Biomax, explains: “The market is very difficult. Although they like our technology, they cannot afford us and they cannot get loans with low interest to buy.” The company decided, instead, to focus on Australia.

A thorough research of the market conditions is essential before a foreign company ventures into Sub-Saharan Africa. The company has to understand the market’s needs and analyse whether the product it sells elsewhere would be of use in the new market. Finding a business partner with more knowledge of the region will help. This partner can be a local business that will operate as a distributor, but it can also be another Singaporean company already successful in the country being researched and selling products complementary to those of the new entrant.

The Singaporean company entering the African marketplace will have to set aside time for research on the ground as well. Most of the interviewed companies commented that there is nothing better than feeling and studying the market in real life. The time spent with a small team living in the African country that the Singaporean company wants to enter, will bring insights that would never be achieved from afar. These insights may come in the form of the following:

- Better tailoring of the product to the local needs;
- Understanding logistics costs and how to bring the product to the end user without losing quality or making it too expensive;
- Probing a potential local partner more deeply and building trust with it;
- Understanding how to avoid corruption and be able to push forward easier through the maze of bureaucracy; and
- Engaging with the local government, showing how the region can benefit from better trade agreements with Singapore and with more transparent laws regulating foreign businesses.

How can Singapore help?

From the Singaporean business executive point of view, there are many ways Singapore's government institutions can help the journey of investing in Sub-Saharan Africa. From the information gathered during the interviews and research, a list of the most important suggestions was compiled. IE Singapore and SBF are engaged partners to Singaporean companies venturing abroad and their work already encompasses most of, if not all, the suggestions below:

- Help finding trustworthy local partners for the Singaporean counterpart and help vetting them;
- Help the Singaporean company find credible law firms and local banks that will help setting up business in the new market;
- Help linking the Singaporean company to other companies that are already in Africa and have complementary businesses, along the same value chain. The companies can share experiences and help each other;
- Reach business institutions from other Southeast Asian countries that are also engaged in African markets. Due to the small size of Singapore, companies may not find useful experience among Singaporean peers. Reaching our Southeast Asian neighbours may lead to joint ventures with more chances of success in an unexplored African market;
- Broadcast relevant industry-specific conferences and network events happening in African countries;
- Help the Singaporean company with market research on the ground;
- Organize business missions to African countries for groups of Singaporean companies within the same industry. The Singaporean companies will have the opportunity to meet local policy makers and businessmen;
- Become a reference to Singaporean companies that need a better understanding of laws and policies that will affect their businesses in the target African market;
- Meet with government entities in the African country and convey how business-related local policies could be tailored to make the environment more business friendly to Singaporean companies;
- Assist the Singaporean company in setting up a local office; and
- Organize a hands-on seminar in Singapore to teach the basics of how to approach a new market in different countries in Africa.

Singaporean companies seeking a foothold in Africa must be prepared to invest for the long haul. Even with the help of IE Singapore and SBF, it will undoubtedly be a challenging journey that will require good preparation and a real understanding of the new market. But the prize can be huge. By 2030, nearly two-thirds of the estimated 303 million African households will have discretionary income. This massive expansion of the consumer pool — an addition of almost 90 million consumers in just ten years⁴⁹ — will

⁴⁹ [Winning in Africa's consumer market \(McKinsey & Company, Jul 2015\)](#)

certainly encourage many international players to invest in the region. The first entrants to this market will secure a firmer position and more chances of success.

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