

African Union

- **Africa:** Entrepreneurship must be actively encouraged in Africa, as it is a key to economic growth. The youth must be targeted to develop their skills in putting up businesses.

In Africa, entrepreneurship is increasingly seen as a key to economic growth. Entrepreneurship is a “necessity” at a time of high unemployment. African youth (15 to 24 years) constitute 37% of the working age population, but accounts for 60% of unemployed in Africa. Uganda has implemented an entrepreneurship strategy that is focused on skills development, resource provision and access to markets. Governments are seen as not doing enough, as most goods brought into the African market are from China, which denies the youth much needed manufacturing jobs. Uganda has included entrepreneurship as a subject in secondary schools and colleges. In Kenya, people hope the government will follow Uganda’s example by creating an enabling environment to support entrepreneurship that can create jobs for youth. Entrepreneurship can create more jobs on the continent and increase the middle class, which is essential in sustaining economic growth. Cameroon has prioritised entrepreneurship as a key pillar of Cameroon Vision 2035. Cameroon’s poverty alleviation strategy is linked to entrepreneurship. Governments must tackle some of the greatest challenges that impede its progress, including lack of funds, mentorship and poor government policies. Tax relief, laws and regulations should favour entrepreneurship. For more information, read [here](#).

- **CAS View:** Youth unemployment and the need to diversify Africa’s economies away from commodities is a constant refrain throughout publications addressing Africa. This article identifies entrepreneurship as an answer to these challenges. In East Africa, it is not just Kenya and Uganda that are addressing the challenge of stimulating entrepreneurship and unemployment amongst the youth and women, but also Tanzania, Ethiopia and Rwanda. CAS has stated it a number of times that if Africa wants to tap into the demographic dividend that awaits it, it must address the issue of youth unemployment. I want to repeat it so that there is no uncertainty, should Africa not stimulate the job environment in which ever way it can, the youth will overthrow the systems in place. They will not do so orderly, but rest assured there will be lots of violence involved. Let there be no doubt about this! Stimulating entrepreneurship must go further than calling upon people to start their own businesses. The lack of working capital is a major source of concern, as is the lack of mentorship. There are so many retired businessmen and women who would love to give back to society in the form of mentoring and coaching. And most of them would do so for free. Governments giving the private sector incentives to help stimulate entrepreneurship is not a nice to have anymore, but has become essential!
- **Africa:** Informal cross-border trade is a huge phenomenon in Africa. On the one hand it provides jobs in the informal sector. On the other hand, governments lose out on taxes and control.

Informal cross-border trade constitutes the majority of informal activity in most African countries. In the SADC, informal cross-border trade makes up between 30 to 40% of total intra-SADC trade, with an estimated value of \$17.6 billion. Around 75% of people trading across African borders are women, who are vulnerable to abuse. Businesses from the EAC involved in cross-border trade use the USD as currency. 43% of Africans in COMESA are involved in this form of commercial activity. It contributes to economic growth, job creation and food security for the majority of the region’s population. Informal trade is essential for poverty reduction. It creates jobs and contribute to food security. Intra-African trade costs around 50% more than trade across borders in East Asia, and is the highest of intra-regional costs of any developing region. Africa has therefore integrated with the rest of the world faster than with itself. EAC members have agreed to phase out the dollar and use the various local

currencies. People involved in cross-border trade evade taxes or fees. Traders avoid administrative formalities, which are perceived as expensive, complicated and time consuming. Informal cross-border trade deprives governments of revenue and statistics. Informal cross-border trade provides access to goods unavailable domestically. For more information, read [here](#).

- **CAS View:** According to the African Development Bank (AfDB), the informal sector, of which the informal cross-border trade (ICBT) is a sub-section, contributes about 55% of SSA's GDP and 80% of the labour force. ICBT is a major part of employment and revenue generation in Africa. A report has stated that ICBT made up an estimated 43% of Africa's GDP in 2013. As governments do not have the ability to accurately measure this phenomenon, most of them (if not all) publish economic growth figures that do not take it into consideration. This mostly leads to an under-reporting of economic growth. The resources required and the measurement methods are probably out of reach of the majority of the African countries. The very nature of ICBT is such that it is virtually impossible to measure it accurately, if at all! The AfDB does state that there is a need for African governments to coordinate their policies and strategies in order to support the formalization of the sector. Effective regulatory framework, good governance, better government services, improved business environments, and improving access to financing, technology and infrastructure are essential in this process. Should governments be successful in creating a situation in which ICBT is formalized, it would have various benefits, such as better statistics, higher tax revenues, better efficiencies, etc. Whether this would suite the current players in the ICBT environment, is another issue altogether!
- **Africa:** Vega Foods provides a view on challenges and lessons learnt in the food distribution sector in Africa. SME's can learn a lot from this.

Vega Foods is a Singapore-based exporter of food items, beverages and snacks. It has been in Africa for over 10 years – 80% of its turnover comes from Africa and it has a presence in about 30 countries. The products trade under Vega's own brands, but manufacturing is outsourced to about a dozen countries. Shaun Jayaratnam, VP at Vega Foods, shared some of Vega's experiences in Africa. West Africa is an easier market to penetrate as it has less domestic food producers and is more reliant on imports. It accounts for about 70% of Vega's business in Africa. East Africa is generally challenging for exporters such as Vega because the food industry is more developed, with many established local producers. Despite challenges from unscrupulous competitors, Vega remains committed to its African operations. Vega is currently considering establishing manufacturing facilities in Africa. The sharp devaluation of African currencies against the US\$ is a major challenge, as are sudden changes in government policies. By producing locally, Vega would benefit from a reduction in import duties. Asian businesspeople seeking success in Africa need to be patient and spend time in the local market to gain the trust of their African partners. For more information, read [here](#).

- **CAS View:** Vega Foods considers itself an SME. As such, its experience in Africa provides valuable lessons for other SMEs interested in moving into Africa. Lessons hinted at above include being cautious of unscrupulous competitors, understand the competitive playing field, being patient, and being visible. Being in 30 countries in Africa makes Vega Foods a substantive enterprise. What is encouraging for Africa is that Vega Foods is considering the manufacturing of its products in Africa. This will create jobs and provide more disposable income to the community. The country's economy would be stimulated, with all the concomitant benefits from that. In a very real sense, Vega would be creating and growing its own market. Local production of food items would be another example of value adding at source, similar in principle to AB Minerals Corporation's separation plant in Rwanda. It would create closer ties and greater loyalty between the local population and Vega. The CEO of Vega Foods,

Mr Vikram Chand, will be talking about the company's challenges and lessons learnt at the African Angle Breakfast Series on 6 Sep at the premises of the SBF. This should be of particular interest for Singapore's SMEs.

- **Africa:** Urbanisation is a very prominent trend in Africa. Various factors bring this about. It poses a number of daunting challenges to governments and city authorities in Africa.

Africa's population of 1.1 billion is expected to double by 2050. More than 80% of that growth will occur in cities, especially slums. If Africa's leaders take the right steps, innovation, employment and economic growth will follow. If they do not, they can expect poverty, sluggish economies and instability. The regional urban growth rate is averaging 3.9% a year. Africa's turbocharged urbanization is driven by several factors. First, there is organic population growth. Second, there is in-migration from rural areas, with locals seeking a better life in the city. Pull factors include economic opportunities, employment, better connectivity, access to essential services and education. Push factors include rural conflict, environmental degradation, climate change and resource shortages. Third, labour migration and new forms of connectivity are driving migration across borders, stimulating booms in some cities while draining others of human capital. The fast pace of urbanization, combined with the high proportion of young people with few job prospects, is a major risk factor for instability. The good news is that African cities are not standing still. Urban authorities are investing in improved risk assessment, urban upgrading, smarter land use and plans to strengthen environmental protection. Urbanization frequently translates into improved living standards and wellbeing in the medium to long term. If the continent's urban advantage is not properly seized, it could lead to a new era of urban fragility. For more information, read [here](#).

- **CAS View:** Urbanisation is happening in Africa at a fast rate. That is a given. Currently, most of it is unplanned; it just happens. Cities are not created; they also just happen. Authorities, with a few exceptions, are doing their utmost to play catch-up, but the rate of urbanisation makes it difficult to catch up. In addition, current economic opportunities have no chance to meet the requirements given the unplanned nature of urbanisation. CAS has in earlier newsletters referred to the phenomenon where large multi-nationals have adapted their business models from having a country strategy to developing a city strategy. This does not change the need for authorities to manage the influx into cities in a much more efficient manner. This will require them to also address the push factors that are driving people away from the rural areas into the cities. Concentrating so many people into cities and then having them live in slum conditions without job opportunities, is tantamount to begging for trouble! More so when a major portion of these unemployed individuals living in squalour are youths. Africa must deal with this. This is where companies such as Surbana Jurong International can (and are) playing a meaningful role in advising authorities in Africa.

East Africa

- **Rwanda:** Rwanda is industrialising its mining sector by creating value-adding activities at source. This is in line with the imperatives identified by the African Development Bank. It will create opportunities in the whole value chain.

The first industrial scale Coltan separation plant in Africa will be built in Rwanda by AB Minerals Corporation, and will become operational in mid-2017. It will bring much needed industrialisation opportunities to the region where the mineral is produced. Rwanda is currently the number one exporter of Coltan, supplying 50% of the world's tantalum. There is an urgent need to increase the industrialisation of the mining sector throughout Africa, and the best way to achieve this is through increased technology and high-level skills transfer from more senior industry participants. Bringing Coltan processing directly to the region will bring industrialisation to the country and the

mining industry in Rwanda and East Africa. Local government will gain an increase in tax revenue through having the mineral concentrate upgraded to high purity oxides, prior to its export from Rwanda. This means the country will be able to deploy more funding to other economic sectors throughout the country. This is essential for employment creation and improved living conditions. AB Minerals will hire people in the fields of metallurgy, chemistry, accounting and finance, lab operations, quality assurance and quality control, and plant and shift managers. For more information, click [here](#).

- **CAS View:** Tantalum is used in the electronics industry for capacitors and high power resistors. It is also used to make alloys to increase strength and corrosion resistance. The metal is used in dental and surgical instruments and implants, as it causes no immune response. Building the separation plant in Rwanda is an example of value adding at source, and will have numerous benefits as indicated. These include higher export revenues, greater demand for skilled people, greater salaries and greater disposable income, more middle class consumers, which will lead to more stability, and more money to stimulate other sectors of the economy. Rwanda's safe low crime environment and its reputation for good governance, makes the building of the separation plant a natural step in the development of the value chain in Rwanda. The AfDB has been pushing industrialisation as an important strategy in Africa. Rwanda is going from strength to strength in its development path!
- **Tanzania:** The honey industry in Tanzania is in need of investment for both the production and export of honey to neighbouring countries and further abroad. It seems there is a huge market for honey that is currently not met. This is also a good opportunity for SME's to get involved in Africa, in a relatively risk-free way.

Heavy investment is needed to increase beeswax and honey production. In addition, honey exportation requires a huge capital investment. The price of honey in Tanzania is low compared with operational costs. While prices are higher in Kenya and other neighbouring countries, exporting is problematic because of capital and licensing difficulties. Agents and suppliers benefit since they buy honey at low prices locally and export it. Tanzania produces 19,000 tonnes of honey a year, but only 137.4 tonnes are exported. The rest are consumed locally. More than 16 nations need honey. Local producers have been advised to register and brand their products for marketing internationally. The National Economic Empowerment Council (NEEC) in Tanzania has made headways in facilitating the establishment of a defined honey market. Honey collection centres have been set up and a warehouse receipt system has been promoted. Training on better beekeeping practices has been conducted in 28 cooperatives. NEEC aims at increasing honey production to 138,000 tonnes, up from the current 19,000 tonnes annually. Stakeholders call on the public and private sectors to increase efforts of promoting honey production and marketing. For more information, read [here](#).

- **CAS View:** Here is a great entrepreneurial opportunity for locals in Tanzania to get involved in the production and export of honey. It is clear there is a huge market, with 16 countries in need of honey, and a perceived market for 138,000 tonnes. Potential investors can get involved in the honey industry, as there is a need for capital, something Africa is in dire need of. Knowledge of marketing, brand-building and route-to-market building is also in demand. Given the demand for honey, and the infrastructure being put in place, it seems that the risks involved are relatively low. Also, given the nature of the industry, this is an opportunity that foreign SMEs could get involved in relatively easily.

West Africa

- **Nigeria:** Nigeria's economy is hurting. The president has identified the diversification of the Nigerian economy as a priority, with the agricultural and manufacturing sectors as targets. Various factors are limiting the industrialisation and diversification of the Nigerian economy.

The CEO of Erisco Foods, Mr. Eric Umeofia, has urged the federal government to increase its support for the agricultural and manufacturing sectors if it was serious about creating jobs and diversifying the economy. Umeofia urged the federal government to immediately put a ban on the importation and dumping of fake products in the country. He commended the efforts of President Buhari towards economic diversification. Government had to create a level playing field for indigenous manufacturers, agriculturists and genuine foreign investors. Investment in processing plants in Nigeria would provide more jobs for the people and this would save and also earn Nigeria much needed foreign exchange. Umeofia also identified lack of foreign exchange, lack of low interest rate loans, hostility from MDAs and continuous importation of tomato paste as some challenges facing the country. The federal government should ban the importation of items that can be produced locally, just like the EU, China and some other countries do. Federal, state and local governments should provide infrastructure like roads, electricity, reinforcement of industrial estates, etc. in order to reduce the cost of producing the items needed locally and make locally produced products competitive in the international market. For more information, read [here](#).

- **CAS View:** President Buhari was quite clear towards the end of last year when his administration drew up Nigeria's budget, that he was going to ensure that Nigeria's economy be diversified away from oil. He did identify the manufacturing and agricultural sectors as targets in this endeavour. Mr Umeofia seems to agree. He is also clear about the challenges facing the Nigerian economy. His plea for government to provide infrastructure in order to bring the cost down of locally produced goods, presupposes that government has the funding available, which it does not. This could be the case should the oil price pick up strongly, which again does not seem likely in the short term. This negative situation is aggravated by dissatisfied groups such as the Niger Delta Avengers, who are hurting the already damaged economy of Nigeria in a way worse than Boko Haram had been able to do. It is a pity that Nigerians themselves are protracting the pain of a deteriorating economy. These difficult conditions in Nigeria are all combining to create a situation in which prospective foreign investors are hesitant to enter Nigeria, and current investors are looking at disinvesting. President Buhari seems to be honest in his intentions to "fix" Nigeria. However, he has no option other than to play the cards he has been dealt, and not the ones he wished he had. His "ban list" and his unwillingness to devalue the naira was maybe not his brightest moves. For the sake of the Nigerians, let's hope President Buhari is able to turn the economy around. It would be good, not only for Nigeria, but for the rest of the region as well.