Quality, Independence, Impact
Outline

• Some Broad Questions about Spain and Africa?
• Why Local Entrepreneurship Matters for Foreign Investment
• Entrepreneurship in Africa—character of Risk taking and innovation
• African Economies-Historical Evolution and Entrepreneurship
• Business climate and Reforms
• Case studies of successful businesses in Africa
• Opportunities
• Concluding Remarks
Spain and Africa

- Why Didn’t Spain colonize Africa (except for a few marginal areas)?
- What is the character of other Africa-Spain relations (such as tourism, social and cultural exchanges)?
- What previous efforts have been implemented to increase Africa-Spain relationships (student exchanges, business exhibitions, etc)?
Why Local Entrepreneurship Matters for Foreign Investors

- Weak entrepreneurship may signal difficult environment for business
- If it is difficult for locals, it is even more difficult for foreigners
- Important for inter-industry linkages—suppliers
- Income generation-demand
- Quality of labor, services, etc.
African Economies and Local Entrepreneurship—Historical Overview

- Pre-Colonial: Traditional economies—but still widespread trade—batter trade but also long-distance trade—well developed
- Colonial: Disruption of existing trade-control colonialists, loss of land and the monopolization of trade and natural resource exploitation—African suppliers of labor
- Post-Independence: Regulated economies, government controls, entrepreneurship weakened—willingness to take risk and innovation not rewarded
- Era of democratization and liberalization: Improved environment for doing business—resurgence of African entrepreneurship
Entrepreneurship in the Pre-Colonial Period

- Existence of both subsistence and market economies
- Significant evidence of dynamic market based economies – trade between coastal villages and inland.
- Most prominent entrepreneurs traded salt and iron –
- Extensive market for iron ore trade in West Africa (including Nigeria, Togo, Ghana, Mali)
- Other key trade materials include soap, textiles, copper and brass
- Regional specialization of production
Entrepreneurship during colonization

- Economic activities restricted to those that benefited the colonial powers
- Ownership of means of production restricted—land ownership and labor mobility regulated
- Difficult time for local entrepreneurs—except very few
- 1900’s emergence of small group of business elite but their activities were still limited
Post-Colonization-early period

- New government inherited top-heavy administrative states—extensive government involvement in production
- Majority of countries became one party systems, and later military dictatorships
- Socialism/Marxism became popular in some countries—strong role of state in economy
- Weak Macro-management—infrastructure, currency over-valuation, trade restrictions, etc
- Entrepreneurs operated under difficulty conditions—non-supportive policy environment
Democratization and liberalization

- Wave of democratization and the end of single party rule in the majority of African countries.
- With it came the liberalization of African economies and Privatization of state owned businesses
- Reforms to diversify African economies and promote the private sector—private sector seen as engine of growth
- Deregulation of consumer/producer prices - market determined prices, foreign exchange repartition,
- Trade liberalization: removed tariffs and non-tariff barriers, removed import levies and export taxes, regional integration
Business Climate and Reforms

• Africa is rapidly reforming its business climate

• Rwanda was ranked the world’s top reformer of business regulation for 2008/2009

• African countries are making it easier to start a business, register property, protect investors, trade across borders, and access credit

• In addition to business sector reform the liberalization of African economies has made it easier to do business in Africa
Reforms

• More prudent macroeconomic and fiscal policies: reducing inflation (avg. 7 percent between 2000 and 2007), lower deficits, allowing currency to float

• Removed many of the bureaucratic obstacles to doing business: made it easier to repatriate profits

• Less government intervention in private sector

• Vibrant entrepreneurial class
Character of African Entrepreneurship

- Risk taking in pursuit of profit/wealth creation
- Innovation—new ways of doing things
- Venturing into new activities/markets
- Evolving business forms—from partnerships to local corporations, international
Character of Local Entrepreneurship

- Non-farm activities—trade in locally produced goods
- Local processing—milling, etc
- Small and Micro enterprises
- Medium sized trading firms and manufacturing
- Large scale agro-processing, financial services, retails, manufacturing
- Challenges of doing business remain but improving
Top Challenges Faced by Entrepreneurs in Africa

- Electricity
- Access to Finance
- Practices Informal Sector
- Tax Rates
- Corruption
- Crime, Theft & Disorder
- Political Instability
- Transportation
- Access to Land
- Licenses & Permits

% of Firms
Ghana: Industry and Services have become more prominent
The service sector dominates Kenya’s economy

Agriculture (% of GDP)  Services (% of GDP)  Industry (% of GDP)
Ethiopia: The service sector grew significantly and now rivals agriculture in importance
Kenya- local entrepreneurship

• Agro-processing
  - milk (many competing locally owned plants—packing, yogurt, butter, etc)
  - Meat and meat products
  - Fruits and fruit juices,
Local entrepreneurship

- Beverages
  - Competitive new entrants in the beer industry
- Wines
- Local manufacture of soft drinks
Kenya- local Entrepreneurship

- Services
  - locally owned banks-regional operations
  - insurance companies
  - Major regional hospitals
  - Financial advisory firms, Accounting etc.
  - Private institutions of Higher learning—locally owned universities
Local Entrepreneurship

- Manufacturing
  - Steel works—exporting to East African region
  - Pharmaceutical processing
  - Cement (joint ventures)
Examples of outstanding African Entrepreneurship

» Agricultural Sector: AAA Growers Kenya
» Mining Sector: ARM Gold, South Africa
» ICT Sector: Kencall, Kenya
» Banking Sector: Ecobank, Nigeria
» Manufacturing Sector: Comcraft Group
**Successful Entrepreneurs in Africa: AAA Growers**

- A horticultural company based in Nairobi, Kenya, that grows, processes and exports vegetables to the United Kingdom and other European countries
- Started as a micro-finance project by the IFC
- It employs in excess of 2,000 people (70% women)
- One of the leading exporters of vegetables in Kenya
- Exports 4,000 MT of produce annually
- Winner of the Legatum Award for African Entrepreneurship in 2007
Successful Entrepreneurs in Africa: ARMgold South Africa

- Started by Patrice Motsepe
- Through a series of acquisitions ARMgold was formed in 1997
- In May 2003, ARMgold merged with Harmony to create the world's sixth largest gold company
- ARMgold has been listed on the JSE since 2002
- The company has a market capitalization of approximately R10 billion ($1.4 billion) as of 2006
- Motsepe was awarded South Africa's Best Entrepreneur for 2002 and Ernst & Young Best Entrepreneur of the Year Award
Successful Entrepreneurship in Africa: Kencall

- KenCall is Kenya’s largest contact center operating globally and providing call center and Business Process Outsourcing services.
- Started in 2005, by 2008 Kencall employed 500 employees and annual revenue of $3.5 million.
- Taking advantage of the large labor pool of well spoken university graduates in Kenya.
- Has not been hampered by technology challenges instead has helped to being in fiber optics and other ICT in the country.
- CCF award for the Best Non European Call Center in 2008.
Successful Entrepreneurship in Africa: Ecobank

- Created in 1985
- Ecobank is one of the few commercial banks in West Africa owned and managed by the African private sector
- Operates in 29 African countries
- The bank has grown from the initial authorized capital of $100 in 1985 to $6.5 billion in assets in 2007
- It is an example of a successful venture in the banking sector in Africa
Successful Entrepreneurship in Africa: Comcraft Group

- Comcraft Group based in Nairobi Kenya
- Started as a manufacturing company producing aluminum now produces a wide range of products including steel and plastic
- Operations in 45 countries, employs thousands of workers
- The conglomerate is now worth an estimated $5 billion
Opportunities-Kenya and Africa in General

- Human capital
- Undersea fiber optic cables—communication technology services
- Regional Integration
- On-going major investments in infrastructure
Rate of return on investment by region

Source: UNCTAD, World Investment Report 2008
Who is Doing Business in Africa?

• **China**
  
  • Trade between China and Africa has increased significantly from $18 billion in 2002 to $107 billion in 2008
  
  • China’s investment in Africa has been concentrated in the mining sector
  
  • Though China is branching out to include infrastructure and manufacturing
  
  • China has also established Special Economic Zones (SEZ) in Zambia, Nigeria, Mauritius, and Ethiopia
  
  • These zones include various industries including textiles, garment, construction, appliances
Who is Doing Business in Africa?

- **Joint Ventures: Safaricom**
  - Safaricom a joint venture between Vodacom UK (40%) and Telkom Kenya (venture year: 2000)
  - Employs over 1500 people headquarters in Nairobi
  - 12 million subscribers in January 2010
  - Safaricom reported Sh20.9 billion profit for 2009 despite the global crisis
  - Launched a very successful mobile banking service called M-PESA in 2007
  - M-PESA users increased from 4.14 million in 2008 to 7.99 million in 2009, one of the fastest growing mobile services in Kenya