African Entrepreneurs

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A new generation leads the way

Start-ups are thriving and helping to change perceptions of business, writes *Andrew England*

Change of pace: growing numbers of young Africans have flourishing businesses — Bloomberg

As ever-increasing numbers of cars clog the streets of African cities, trade flourishes along congested highways. Vendors, touting anything from newspapers, to cold drinks, rat poison, mobile phone airtime and cigarettes, weave among the vehicles seeking to catch the eye of motorists inching their way to their destinations.

In city centres and surrounding neighbourhoods, makeshift street stalls offer a wider variety of products — clothes, fresh fruit, rice, sugar, small packets of washing power and other goods.

Such ubiquitous scenes have become the most conspicuous face of business in Africa and of the African entrepreneur. The majority of trade on the continent takes place in the informal sector and traders are often one-man-bands, using their wits to eke out a living in the best way they can.

"People have generally underestimated the amount of entrepreneurship that happens in Africa," says Solomon Asamoah, a vice-president at the African Development Bank. "It's extremely high, basically because there's no social net, or very limited social net in most countries, so people have to find ways to survive."

The key to developing these micro-entrepreneurs, however, is persuading more of them to move from informal businesses into the formal sector, he says. "Then they can get access to financing, employ more people and become more sustainable. So that's the challenge."

While the informal sector still dominates, growing numbers of formal businesses have sprouted and flourished over the last decade as African nations have boomed on the back of soaring commodity prices and the rapid expansion of consumer goods and service industries.

These growing businesses have thrown a new generation of successful African entrepreneurs into the spotlight. Among the best known are Nigerians Aliko Dangote — Africa's richest man, who has built his industrial conglomerate across cement, sugar and flour milling companies — and Tony Elumelu, whose business interests include financial services and power.

In east Africa, Kenyans including Chris Kirubi, the chairman of Haco Tiger Brands, a manufacturer of consumer goods, and Vimal Shah, who is the chief executive of Bidco, a manufacturer of edible oils, animal feeds and detergents, are prominent examples.

In the technology field there is a growing number of entrepreneurs who are hitting the big time, such as Sim Shagaya, chief executive of Konga, Nigeria's largest online sales portal.

A younger generation has also come to the fore, such as Ashish Thakkar, the Ugandan entrepreneur who is a partner of Bob Diamond, the former chief executive of Barclays, at Atlas Mara, an investment firm, and Swaady Martin-Leke, a former executive at GE who has set up a boutique tea business in Johannesburg.

Eric Kacou, an Ivorian who is chief executive and co-founder of Entrepreneurial Solutions Partners, a consultancy, says these entrepreneurs have created a pool of role models for young Africans that is helping to change their perceptions of business.

"It's actually cool to be an entrepreneur — there used to be a time when kids wanted to become civil servants," Mr Kacou says. "[Now] they want to be business people and that is a very important breakthrough."

He says governments and developmental institutions are increasingly coming to appreciate the role of the private sector in driving development and growth, rather than depending on the state and aid. While much focus is put on technology, Mr Kacou says the most exciting developments are traditional sectors such as agriculture and industry.

"Those stories are not covered as much but they matter more because this is where 80-90 per cent of the population is employed," he says.

Still, the picture is "far from rosy", Mr Kacou cautions.

"A very large number of businesses are still stuck in survival mode," he says.

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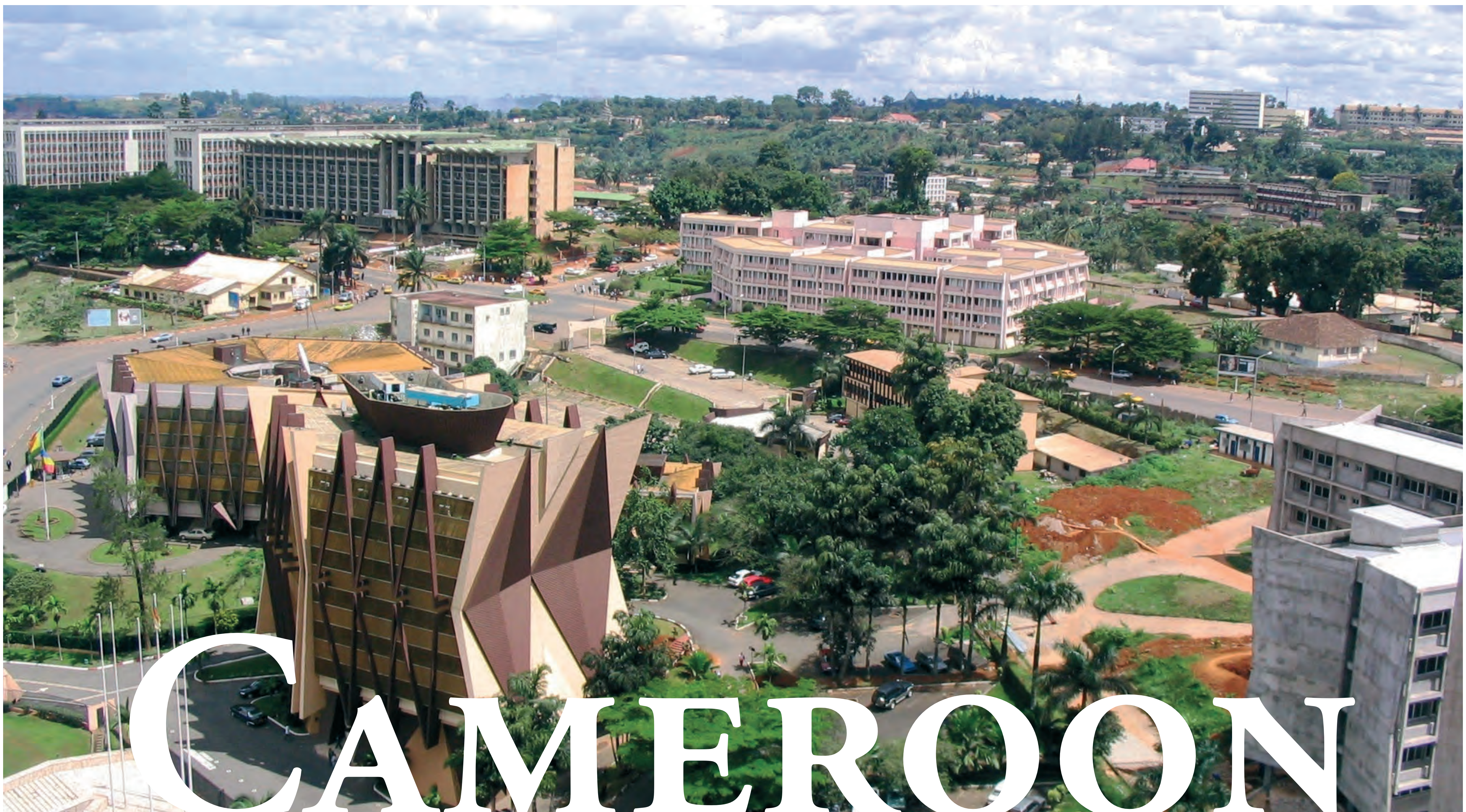

CAMEROON

YAOUNDE July 2015

As global discussion heightens around the growing presence of entrepreneurship and innovative business models for development and economic growth in emerging and frontier economies, the Republic of Cameroon in central Africa, a nation noted for the commercial and economic acumen of its business leaders, continues to show leadership in economic innovation in both its private and public sectors.

President Paul BIYA

Following French president François Hollande's state visit to Cameroon in early July, and as the Global Entrepreneurs Summit takes place in Nairobi, Kenya also this month, where African business leaders will meet with both international political leaders, including US president Barack Obama and corporate investors, Cameroon's contribution to the larger African debate is best noted in its wide scope of projects currently financed as well as those scheduled for financing before the end of 2015 in cooperation with the AFD (French Development Agency) and its finance and development agency PROPARCO.

These range from significant infrastructure projects such as the building of the second bridge across the Wouri in Douala, Cameroon's commercial capital, to the hydroelectric project at Lom Pangar. This year's projects include massive road works and the highway creation in the eastern part of the capital, Yaoundé, along with the development of regional capitals of Bafoussam, Bertoua, and Garoua. Regional development in Cameroon is part of the government's larger vision for development as expressed by President Paul Biya and Cameroon's Horizon 2035 platform as an emerging nation. The economic strengthening of the northern region of Cameroon, which in addition to creating jobs and reinforcing multiple sectors of commercial activity, helps Yaoundé in its high priority mandate of deepening security and thwarting threats of terrorism which compromises all nations across all sectors, and as affirmed in the Declaration of Yaoundé in February 2015.

In the spirit of deepening these economic priorities, and informing potential partnerships among interested and talented companies and structures with targeted competencies, Cameroon has highlighted as priorities the financing of its deep water port project in Limbé, its port of Douala channel dredging, and the continuation of the commercial port complex at Kribi.

With regard to airport infrastructure, Cameroon is openly interested in developing partnerships in the construction of new airports, as well as the renovation of the international airport of Douala.

In energy, the hydro-electric dam projects at Natchigal, Birni, Menchum as well as the hydroelectric projects in Njock and Song-Dong are listed as national priorities.

The cross-border Cameroon-Nigeria electric connection between Garoua and Yola as well as a host of other rural electrification projects, mini-hydro electric stations, and the development of solar power electrification in 150 rural communities are open to creative discussions with qualified companies.

Cameroon's commitment to widening its road system with the construction of the long-awaited Yaoundé-Douala and Yaoundé-Nsimalen autoroutes, as well as new roads between Bertoua-Batouri-Kenzou and the Central African Republic border, the Olama-Kribi road, the Maroua-Bogo road, a ring-road in the Northwest region, the Ebolowa-Lolodorf-Kribi road, and the Ebolowa-AkomII-Kribi road, lend themselves to numerous contracts with companies and structures specializing in construction, design, finance, rural development, and other innovative approaches to infrastructure.

Cameroon's national train network requires a master plan, and more specifically the construction of the Ngaounderee-N'Djamena (Chad) link, which would become a major artery in central Africa commerce and trade.

The urgent need to develop Cameroon's socio-economic requirements falls into the larger appeal for new dialogue and a network of social entrepreneurs. Cameroon wishes to build an extensive program of social housing. The country intends to build and equip a regional hospital at Mbalmayo specializing in burns. The Logone and Chari rivers require a project to secure the embankments from flooding. Douala hopes to see its Sawa Beach project funded and built.

In the mining and industrial sectors, the iron exploitation project in Mbalam including the construction of a 500 kilometer rail line connecting to the deep sea port of Kribi seeks international partners. As with the iron exploitation project in Djoum and the bauxite projects in Minimartap and Fongo-Tongo and the cobalt and nickel projects in Lomié

Other sectors of economic growth, the advancement of SMEs, the expansion of high-speed internet connectivity, the innovations in technology and services, and the ultimate attractiveness of Cameroon's offerings in eco-tourism all speak well for collaborative partnerships, entrepreneurial initiatives, pro-active banking and financial services supporting commerce and business start-ups, in alignment with Cameroon's Horizon 2035 goals.

Finally, Cameroon's progressive stance toward economic development and the promotion of entrepreneurship as a tenet of sustainable growth, is the nation's determined work in battling corruption and lessening the loss of state revenues, taxes, and productivity. The creation of the Special Criminal Tribunal (TSC) for prosecuting offenses concerning the fraud or embezzlement of public wealth and major economic and financial crime, has to date handed down decisions on 87 cases and has convicted 126 individuals representing the recoverable sum of nearly 29 billion CFA (nearly 45 million euros). An improved and better Cameroon supported by stability, respect for law, and regional security and cooperation, along with productive and fraternal dialogue with its international partners characterizes a nation open to economic growth and shared values.

BUSINESS IN CAMEROON

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Opportunities multiply and ventures look to wider horizons

Growth Local companies are aiming to enter markets across Africa, writes *Andrew England*

When Choppies opened its first store in Lobatse, a small town in Botswana, its ambition was limited to becoming a retailer of substance in its domestic market.

Progress was slow. It took seven years after the first supermarket opened its doors in 1986 for the family-owned company to open its second — again in Lobatse. By 1999, the group was still limited to the two outlets. But in the years since, its expansion has been rapid and the contrast with its current operations — and its ambitions — is stark. Today, Choppies boasts 126 stores across three countries, including South Africa and Zimbabwe. It has recently announced an agreement with a Kenyan company, Ukwala, to acquire 10 stores in the east African nation; and it is working on greenfield expansions in Zambia and Tanzania.

"If you want to be a real player you have to play beyond Botswana," says Ramachandran Ottapathu, Choppies' chief executive.

The Botswana market — where Choppies claims to have a share of more than 40 per cent — is tiny. The southern African nation, best known for its diamond riches, covers more than 600,000 sq km, but has a population of just 2m. Yet Choppies' expansion reflects a broader trend of increasingly ambitious African companies looking to grow beyond their borders with the goal of becoming pan-African businesses.

Choppies — which has a turnover of around $700m and recently listed on the Johannesburg Stock Exchange — wants to have 200 stores by the end of next year and sales of a "couple of billions of dollars" in five years, Mr Ottapathu says.

"There are opportunities for every retailer in Africa and now is the right time for expansion across the continent," he says. "The reliance on the informal market is shifting to the formal market and the level of aspiration is changing."

The retail sector is one of the clearest examples of the trend, particularly South African retailers, including Shoprite, Pick n Pay, Massmart and Woolworths, wanting to build on their continental footprints. Shoprite has more than 280 corporate and almost 40 franchise stores in 14 countries outside South Africa.

Hyperactive: supermarket group Choppies wants to have 200 stores by the end of next year

Banks, insurers, construction companies and others are following suit as groups look to tap into Africa's fast-growing economies and its young and increasingly urban population.

Many of the companies leading the charge are South African, as the country has by far the continent's most sophisticated corporate sector. The South African economy is also more mature than its continental peers and has been struggling with lacklustre growth, while other African nations, such as Kenya and Nigeria, boast some of the world's fastest expanding economies.

However, companies in other parts of the continent are also thinking beyond their home borders. In the west, Nigerian companies are to the fore, with Nigerian banks beginning to compete with South African groups, such as Standard Bank, Africa's largest by assets, and Barclays Africa. Lagos-based United Bank for Africa has a presence in 19 African states, from Tanzania in the east, to Mozambique in the south.

Ecobank, which began life in Togo in the 1980s, has an even broader footprint, with operations across 36 nations.

In other sectors, the standout is the Dangote conglomerate, owned by Aliko Dangote, the Nigerian tycoon who is Africa's richest man. The manufacturing group's interests include sugar, salt and pasta, but it is in cement where its presence has taken off. Dangote is the biggest investor in the cement industry in sub-Saharan Africa and has cement plants dotting the continent.

In east Africa, groups — mainly in consumer industries — have been establishing themselves, including Kenyan companies such as Nakumatt, a regional retailer, and Bidco, which is a manufacturer of edible oils and soaps. There are also Tanzanian examples, most notably MeTL Group, a conglomerate with a presence in a dozen African states.

Helmut Engelbrecht, head of investment banking for Africa at Standard Bank, says it is a trend that will continue as groups look for economies of scale. But he adds that in Nigeria many companies are still focusing on building their business in the domestic economy — Africa's largest — because of the size and potential of that market, with the west African nation boasting a population of 170m.

On the other side of the continent, the effectiveness of a regional trade bloc, the East African Community, has fostered greater cross-border growth, he says. But for now, the attention is largely on the region rather than further expansion across the continent.

> 'Reliance on the informal market is shifting to the formal market and the level of aspiration is changing'

"East Africa, if you include Ethiopia, is about 200m people, so sorting out the logistics and getting the market share is still a big task and there's a risk they overextend themselves if they go further," says Mr Engelbrecht. "So the next task is to bed down in east Africa."

For other African companies, the notion of expanding beyond their own borders is still in its nascent stages. And progress can be slow.

"Everybody is excited about Africa but it's a situation where a lot of people are chasing businesses in the same territories," says Miles Dally, chief executive of RCL Foods, a South African group.

RCL, which has revenue of R23bn ($1.9bn), has joint ventures with Zambeef, a Zambian company, and Botswana-based Senn Foods Logistics, while it has been exploring opportunities in Ghana, Nigeria and east Africa.

But the momentum behind the shift is clear. "You go to any of the countries I was talking about and walk into the airport and the hotels and you just bump into South Africans," Mr Dally says.

'Only with our own wealth will we pave roads and feed families'

OPINION

Fred Swaniker

Kwame Nkrumah, Julius Nyerere and Kenneth Kaunda are part of a generation of leaders known as the "founding fathers of Africa". Sixty years ago, they led a movement to liberate the continent from the shackles of colonialism.

Today, as I see projections by McKinsey showing Africa will have the largest workforce in the world by 2040, and yet more than 60 per cent of the population still survives on less than $2 a day, I realise how urgently we need a different type of liberation — this time from poverty, not colonialism.

Unless we generate our own wealth as a continent, we will never be able to stand on our own two feet and will forever remain dependent on others. Only with our own wealth will we be able to pave our roads, educate our children, feed our families and provide decent healthcare, sanitation and housing.

So who has the courage to lead this new fight for economic freedom? I believe there is only one type of hero who can liberate us today: the indigenous African entrepreneur.

Throughout history, the only way countries have been able to eradicate poverty is through the relentless pursuit of entrepreneurship. No amount of government spending or foreign aid has led to serious, sustainable poverty eradication.

Even in China, where the state has been heavily involved, it was entrepreneurship by state-owned companies — producing goods and services and selling them aggressively across the world — that created jobs and lifted millions of people out of poverty.

We do not have enough entrepreneurs in Africa. Too many people are waiting for jobs and those entrepreneurs who do exist are usually "accidental" who fell into the role as a means of survival, or "buy-and-sell" entrepreneurs who buy and sell everything under the sun (often made in China or the west), but do not produce anything new in a focused way. This is not how to achieve economic liberation.

We need a new breed of entrepreneur: the "strategic entrepreneur". Strategy is about making choices and setting priorities. Strategic entrepreneurs choose to become entrepreneurs because they see opportunity and they prioritise which products and services to focus on. These are the entrepreneurs who will produce world-class, innovative African goods and services that can be sold to the growing African market and eventually to the rest of the world. They will build enduring companies that will create the jobs needed on the continent.

> Economic liberation is the best way to honour the dreams of our forefathers

Why are there so few strategic entrepreneurs in Africa? It can be an arduous undertaking to start a business. Barriers include excessive red tape, corruption, complicated labour laws and the perennial favourite — lack of access to finance.

An entrepreneur will always have obstacles, but he or she must find a way around them. Becoming a strategic entrepreneur in Africa is possible, because in these same, difficult conditions Chinese, Indian, Lebanese and European entrepreneurs are also building successful businesses.

I have experienced how fulfilling it can be to be an economic 'freedom fighter'. At the age of 27, with no capital of my own, I left my job to create an organisation that would identify and train a new generation of leaders and entrepreneurs for Africa. Today, 11 years later, we have raised almost $100m in financing to provide education and leadership development. We have created 200 jobs and trained thousands of entrepreneurs who will each create many more jobs.

Our team is now embarking on another entrepreneurial adventure: we are building a series of large-scale tertiary institutions that will train 3m Africans over the next 50 years to become entrepreneurial leaders. If we are successful, we will create more than 10,000 jobs directly and several thousand more indirectly.

Join me in this fight. If you are educated and talented, the continent needs you to apply your creativity to produce goods and services that can be sold worldwide. Stand up and be counted. Economic liberation is the best way to honour the hopes, dreams, blood, sweat and tears of our forefathers.

The author is the founder of the African Leadership Group

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Young founders are excluded from a booming economy

Ivory Coast

Despite its recent growth, the country does not have a start-up mindset, writes *Maggie Fick*

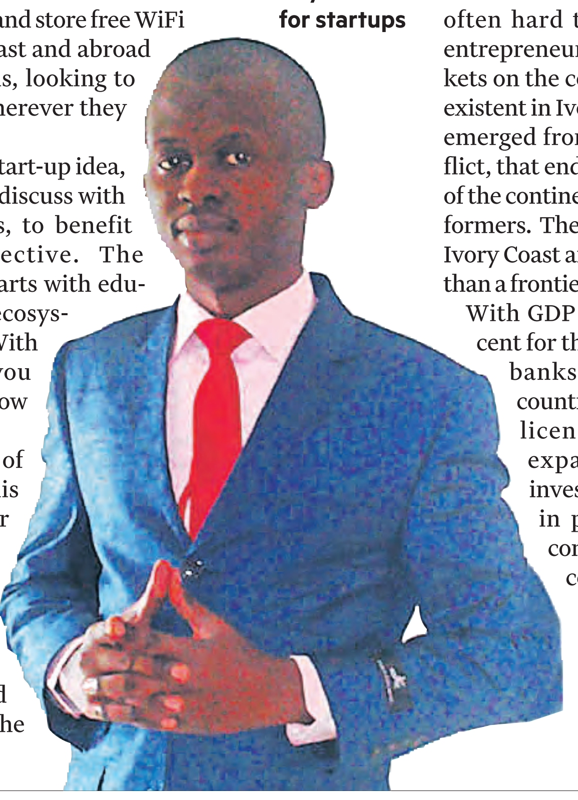
In African cities such as Lagos and Accra, striving entrepreneurs and shrewd young professionals head to one of a growing number of business incubators to exchange ideas and draft business plans. In Nairobi specialist centres have opened in the past five years to encourage technological growth and innovation.

But there are no such centres for the young entrepreneurs of Abidjan, the commercial capital of Ivory Coast in francophone west Africa. Instead, they meet after work and at weekends at fast food outlets and coffee shops to give each other encouragement.

"There is no ecosystem for entrepreneurs here," says 27-year-old Bacely Yorobi. He is trying to launch a mobile app that would track and store free WiFi locations in Ivory Coast and abroad for his fellow citizens, looking to get online for free wherever they are.

"To advance your start-up idea, you need to learn, to discuss with other entrepreneurs, to benefit from their perspective. The start-up's mindset starts with education and with an ecosystem, with mentors. With that kind of help, you can't fail, you know how to succeed," he says.

But given the lack of opportunities for this support at home, Mr Yorobi has so far spent more time on applications to attend conferences and programmes, mainly in the US and Latin America, than he has on developing his business plan.



Bacely Yorobi: 'no ecosystem' for startups

While access to finance and advice is often hard to come by for fledgling entrepreneurs in other emerging markets on the continent, it is almost non-existent in Ivory Coast. The country has emerged from nearly a decade of conflict, that ended in 2011, to become one of the continent's leading economic performers. The government aims to make Ivory Coast an emerging market, rather than a frontier market, by 2020.

With GDP growing at around 9 per cent for the past three years, foreign banks with no history in the country, are hustling to apply for licenses in anticipation of expanding infrastructure investment by the government in partnership with private companies. New restaurants , construction projects, exhibitions and conferences are all signs that Abidjan, a city of 4.5m is booming.

But the ability of aspiring local entrepreneurs such as Mr Yorobi to be a part of Ivory Coast's economic comeback is limited. He points to where he believes the problems begin: "In our schools, we can't study computer science. The government says it wants to create a cadre of entrepreneurs, but it doesn't bother to look at our needs."

> 'In our schools, we can't study computer science. The government . . . doesn't look at our needs'

Abdourahmane Cissé, the budget minister, is aware of the problem. "Around 74 per cent of our students in university are in non-scientific areas. We must look at what we need and at exactly what is being taught," he says.

Jean-Louis Billon, the trade minister, says that the government is concerned about entrepreneurs. Previously the focus was on attracting foreign investment, now a Small Business Agency is being established to monitor small and medium-sized companies and there is also a ministry of entrepreneurship, craft and SME promotion.

The World Bank's 2015 Doing Business in Ivory Coast report found that starting a business is becoming easier, but it defines entrepreneurs as those running businesses with between 10 and 50 employees. Many of Ivory Coast's new entrepreneurs are either sole operators or working a partner.

One such sole operator is Cynthia Wodié, 33, who has launched Virgin Bohème, a business selling imported women's accessories from France online in Ivory Coast.

"My main problem is not financial, it is more the coaching and the contacts," she says. Ms Wodié has financed her start-up using her savings from her day job as an accountant. She says it is difficult to secure financing because banks do not have structures set up specifically for micro-businesses like hers.

"In east Africa and in Ghana and Nigeria, there are more opportunities for entrepreneurs, but less so in the French-speaking African countries."

Meanwhile in Abidjan, Mr Yorobi is organising meetings with other would-be entrepreneurs. He hopes to foster the "start-up mindset" that he hopes more of his fellow citizens will embrace — if given the right support.

Perseverance pays off for those with the 'great idea'

Hands on: the start-up iCow supplies Kenyan dairy farmers with agricultural and market data
Bloomberg

Seed funding Ventures no longer depend on charities and aid programmes, says *John Aglionby*

Samson Abioye found himself in what is familiar territory for most African entrepreneurs towards the second half of last year: he was struggling to find anyone to finance his "great idea". Banks would not touch pass.ng, his mobile app to help Nigerian students cram for an important university exam.

Then in October he secured $20,000 from 400ng, a joint venture between Africa-focused seed funders L5Lab from Lagos and Nairobi-based 88mph. 400ng took a 25 per cent stake in pass.ng, which charges students the equivalent of $1 a week or $2.50 a month for access to revision materials.

Luckily Mr Abioye's operation was lean — he is both chief executive and the *de facto* chief technical officer — and so the funds kept pass.ng afloat until the beginning of this year when L5Lab awarded him a further $25,000, this time in return for another 10 per cent of the equity.

The financing helped pass.ng to be prepared for the crucial February-to-March period ahead of university exams in Nigeria. "So we managed to break even in February and in March we made $60,000 in revenue," says Mr Abioye. "In April, after the revision peak we still made $30,000 and since we didn't want to have down time we started developing other products."

Mr Abioye appears to be set on the road to success. "We're in partnership with a telephone company, Airtel Nigeria, which is promoting us and we have plans to go international — to expand to Ghana, Togo and Ivory Coast," he says.

"Next year we'll probably be looking for $1m, " he adds, to help finance further expansion.

In May of this year, Kenya-based Chloé Spoerry was arguably in even more dire straits. With help from 88mph she had restarted HiviSasa.com, a twice-failed local-level news service, and was having to finance the company using her own money.

She was willing to take such a risky step because she had two interested investors: Novastar Ventures, a Nairobi-based venture capital company, and the Omidyar Network, a philanthropic investment firm set up by eBay founder Pierre Omidyar, but the due diligence was taking months.

"We ran out of money at the end of January but I decided to keep going because we never got the red light from the investors, the process was just long and slow," she says.

Her perseverance was repaid when, at the beginning of June, the investors signed off on $450,000 of funding in return for a 40 per cent stake in the company.

Until recently, many of the successful start-ups, such as iCow, an app, which connects farmers with agricultural, market and meteorological data, often relied on organisations such as foreign governments' aid departments or charities such as the Bill and Melinda Gates Foundation.

But that is changing. Kresten Buch, a co-founder of 88mph, says that while the amount of corporate venture seed funding available to the many African start-ups emerging almost everyday is "tiny" compared with elsewhere in the world, it is nonetheless increasing.

"There's a realisation that there are so many programmes and businesses out there [investors'] business models are changing," he says.

Having said that, most of the money invested in start-ups is from abroad. "There's some local venture capital in South Africa and Nigeria but in Kenya and elsewhere it's mostly foreign."

"A lot of people have money to invest but they don't understand the investment. They like to invest in things they understand. But as more companies taste success that will change. It's just a matter of time."

Aly-Khan Satchu, a Nairobi-based business adviser, agrees. "African pools of capital predominantly [come from] tech-type people. But it's only going to take one of these companies to be sold for a tipping point to be reached and that will change."

Fundz, which invests in start-ups across the world, has provided seed funding to entrepreneurs in Nigeria, Kenya, Cameroon and Togo. David Mark, the chief executive and founder, believes that there is a big shift going on in terms of finances.

> 'A lot of people have money to invest but they don't understand the investment'

"Traditional financing is going to be dominating the show for the foreseeable future but democratisation of financing is happening," he says.

Mr Buch has noticed that one feature of the new funding models is that elements of the corporate model are creeping in, with banks such as Barclays starting venture capital entities.

For people looking to invest in African enterprises, Mr Mark believes the key is to keep a strong connection to the venture. "As a start-up owner, you don't just want an investor, you want to have someone who's going to have an input as well," he says.

Mr Buch says another "critical factor", in those countries where he has selected enterprises to invest in, is the deregulation of the telecoms sector.

"In South Africa, it has made cheaper phone rates and cheaper smart phones. These countries are investing in infrastructure and that's where people have access to products."

Mr Abioye hopes to be one of those entrepreneurs who will eventually help trigger the financing tipping point.

"I see a public listing in about six years' time," he says, but cautions: "It will take a lot of hard work."

A new generation leads the way

Continued from page 1

These are "hand-to-mouth" enterprises. "People still don't have a very good understanding of what entrepreneurship is or means."

Often, the struggle to access finance is singled out as the main factor inhibiting the development of small businesses on the continent. Mr Kacou says a lack of business skills and education is also an impediment.

"It's intelligent capital, it's about making sure entrepreneurs have the right combination of dollars and sense — the right insight to be able to make their vision happen," he says. "People focus so much on the dollars that even if they have the dollars they still fail because the skills and insight are not there."

Mr Asamoah says another challenge facing the development of businesses is changing the mindset of family-owned companies "with one person at the top who believes that control is everything".

Often those businesses are reluctant to open their books and there is a blurring between the finances of the company and the family.

"What they really need is equity finance and guidance to get to the next level, but that clashes with their general approach, which is 'I need to own everything'," Mr Asamoah says. "Those practices have to stop and that is sometimes difficult for many entrepreneurs to get [their minds] around."

Governments need to do more to improve the business environment, he adds, by removing bureaucratic barriers and creating a climate where smaller companies can flourish.

But, Mr Asamoah says micro-financial institutions that serve small businesses have learnt from past mistakes and are putting in place systems to reach previously ignored companies.

Eric Kacou, head of Entrepreneurial Solutions Partners, says people do not have the necessary skills and insight

Some banks, exemplified by Equity Bank in Kenya and UT Bank in Ghana, are taking a bolder approach and are lending to smaller businesses, setting a trend that is beginning to influence the larger, more established, banks.

The macroeconomic environment, boosted by the healthy growth of the past decade and improved governance, has helped.

"We are seeing more robust businesses being built and more robust banks being built and . . . generally over the past 10 years you've seen an improvement in the macroeconomic environment in most African nations," Mr Asamoah says. "Interest rates and inflation have tended to come down, that's important because it means the cost of borrowing falls."

Razia Khan, head of Africa macro-global research at Standard Chartered, highlights the contrast between countries where entrepreneurship is thriving, such as Nigeria and Kenya, and those where it is less noticeable, such as Ethiopia.

"If you are missing that entrepreneurial class, if for some reason it hasn't been allowed to develop, then you are missing a very important building block in terms of future development," she says.

"The economies that 20 years ago started to see a significant increase in this sort of entrepreneurial behaviour and the fact that this kind of activity was encouraged", she adds, are "what today distinguishes the frontier market from the markets that lag some way behind."

Harsh lessons learnt on the bumpy road to global growth

South Africa Multinationals are more likely to use their competitive advantage, says *Andrew England*

For decades South African companies have been strutting the global stage, taking on the multinationals and often holding their own.

Among the older generation are SABMiller, the brewer, Anglo American, the miner and Old Mutual, the insurer, all of which trace their roots back to South Africa. The trio began their lives more than a century ago during the colonial era and have evolved over the decades to become significant in their respective industries. Now a younger generation of entrepreneurial South African groups are making their mark far beyond Africa.

These include the likes of MTN, the world's largest emerging markets mobile phone company, which is regarded as an example of post-apartheid business success. Set up in 1994, the year South Africa made its historic transition from white minority rule to democracy, MTN boasts a market value of about $36bn and a presence in 22 countries in Africa, Asia and the Middle East.

Another example is Bidvest, the conglomerate, set up by veteran entrepreneur Brian Joffe in 1988. With its businesses ranging from food services to logistics, financial services and car rental, it has a turnover of more than $17bn and employs 140,000 people, from Europe to Asia and Latin America.

The international expansion of these companies can be traced back to the 1990s when South Africa was welcomed back into the international fold following apartheid's demise. Expansion has not always been smooth and some harsh lessons have been learnt.

South African companies have become better at global expansion, says Nazmeera Moola, a strategist at Investec Asset Management. "There was a push throughout the 1990s to do it, and you saw lots of companies lose money, but you are now seeing companies doing it successfully."

South Africa has the continent's most mature and sophisticated corporate sector, with a trillion-dollar stock market that dwarfs the rest of Africa's markets combined.

South African companies have a strong record of corporate governance. The country is ranked first on the list of 122 nations for the strength of auditing and reporting standards in the 2014-15 World Economic Forum's Global Competitiveness Report.

"In the global markets we work in, there is often an underestimation of just how sophisticated the corporate sector is," says Adrian Gore, the chief executive of Discovery, South Africa's largest health insurer.

Since Mr Gore founded the group in 1992, Discovery has grown to provide health and life cover to more than 4.5m people across South Africa, Britain, the US, China, Singapore and Australia.

S African cities such as Johannesburg have a mature corporate sector — Bloomberg

Mr Gore says the group has come up with an offering that is "applicable globally". It has a flagship brand, Vitality, and a focus on products that encourage healthier lifestyles.

The company's first foray overseas, however, proved to be an expensive lesson. In 2000, Discovery attempted to establish itself in the US market through the launch of Destiny Health, its subsidiary. But towards the end of the decade, and about $100m later, Destiny was wound down after it struggled to compete against established US healthcare companies.

"The model was quite applicable, but we could just not get the scale of discount that you need from the healthcare system," Mr Gore says. "I think it taught us a lot of very good lessons."

The group has since enjoyed success in its expansion abroad. In the UK, it owns PruHealth and PruProtect and in China it has a 25 per cent stake in Ping An Insurance. In April, it announced a partnership with John Hancock, a US insurer and a division of Manulife. Discovery has partnerships with Generali Group in Europe and AIA in Asia and Australia.

Ms Moola says South African companies have generally become more strategic in their quest for global growth and are putting more focus on where their competitive advantage is — namely in Africa or other emerging markets.

She cites Aspen, a Durban-based pharmaceutical company set up by Stephen Saad in 1997, as an example. In its early days it bought brands from multinationals, but through acquisitions and deals with the likes of GlaxoSmithKline and Merck, it now has a presence across 150 countries on six continents. One of the world's largest generic pharmaceutical producers, the Aspen group reported revenue of about $2.5bn in the last financial year.

Ms Moola expects South African entities to continue to look overseas as they move into new markets.

"The volatility of the rand and the persistent real depreciation over the long term means that if you are a corporate it makes sense to have some diversity in earnings," she says.

Mobile technology widens its reach

Innovation

E-commerce, entertainment and rapidly growing retail platforms have enormous potential for development, reports *Siona Jenkins*

Much of Africa is plagued by unreliable electricity, limited internet coverage, poverty and weak governance, none of which is promising for the development of the latest technology.

But where many see obstacles, the continent has discovered fertile ground for innovation. A growing pool of mostly young, successful entrepreneurs are creating a technological buzz and often improving the lives of millions of Africans — while making a tidy profit, too.

The Africa tech sector provides a rich opportunity to build from "Ground Zero", says Ken Njoroge, a Kenyan entrepreneur. With Bolaji Akinboro, his business partner, he co-founded Cellulant, the mobile money transfer company, in 2002 with "$3,000, a credit card and a business plan drawn on the back of a serviette".

The company offers a mobile payment system across 10 countries, including Kenya, Zambia, Botswana and Gambia, and aims to expand to another 13 in the next 15 months. This would give it access to more than 500m consumers in the continent. Profit comes from a cut of 1-2 per cent taken from each transaction. "We estimate [there is] a $25bn opportunity — completely open for us to compete and take market share," Mr Njoroge says.

Payment system companies such as Cellulant provide some of African technology's biggest success stories in making the most of previously unmet demand. Mobile phones have allowed Africans to leapfrog their infrastructural shortcomings. The number of people with mobile connections across the continent is growing: from 778m people in 2013 to a projected 1bn by the end of this year, according to a 2014 study by Informa Telecoms & Media.

M-Pesa, developed in 2007 by Safaricom, a Kenyan mobile service provider, pioneered mobile money transfers. Allowing even small amounts to be transferred via SMS, it has reached millions who previously had no access to financial services. The impact on Kenya's largely cash economy has been profound and a number of spin-offs have been developed. Just as important for its developers, it has helped to establish Africa as a leader in mobile banking.

"Innovation is leading, regulation is following," says Juliana Rotich, co-founder and executive director of Ushahidi, a Kenyan-based non-profit tech company, which has also developed BRCK, a self-powered, brick-shaped mobile WiFi router designed to provide resilient connectivity where power failures and poor line speeds are common.

Ms Rotich says the continent has enormous potential for e-commerce and entertainment platforms, with companies such as Nigeria's Jumia — an online retailer — growing rapidly.

Governments provide another opportunity. "In many African countries, there is inefficiency in data gathering and service provision and tech can help," she says. Education, financial inclusion, agriculture and healthcare are areas where technology has a role to fulfil, she adds. For example, Cellulant's mobile payment technology has been applied to Nigerian agriculture, raising productivity by delivering subsidy funds to farmers.

> The Africa tech sector provides a rich opportunity to build from 'Ground Zero'

Mr Njoroge and Mr Akinboro aim to make Cellulant the biggest mobile payments company in Africa, while also wanting to be "a living example of regular guys that created a billion dollar business".

This could inspire young Africans, they add, and represent the spirit the continent needs to improve its standing in the world.

Wanted: investors with capital, expertise and experience

Private equity

Foreign cash is starting to flow into African enterprise – and it often comes with advice and know-how, writes *Sophia Grene*

As African entrepreneurs expand their businesses, they look not only for capital but also for expertise from their investors to help build their ventures. And, although much investment in African businesses is domestic or intra-African, significant flows of money and business guidance are coming from the rest of the world.

Last year saw foreign direct investment into Africa remain constant at $54bn. Increased flows went to sub-Saharan Africa and east and central regions, offsetting declining funds to north Africa and areas of the west affected by the outbreak of the Ebola virus.

"There is a vast amount of money flowing in from overseas, from Europe, the US and globally," says Dominic Liber, a partner at Leapfrog Investments, a private equity manager specialising in financial services companies serving poorer communities.

Much of this money comes in the form of private equity, not only because of the problems of investing through public markets, but also because the informed knowledge that comes with it is as welcome as the capital.

"Entrepreneurs and businesses in Africa seeking investors are typically looking for more than just money," says Mr Liber. "They look for specialist expertise too and the capability of the investor to add value well beyond the money."

As in many developing markets, publicly listed equities are a cause for concern as investors fret over corporate governance standards and struggle to find sufficient liquidity.

Although there are stock markets across the continent, in sub-Saharan Africa, only the Johannesburg Stock Exchange has sufficient liquidity for comfort. Trading volume on the Nigerian stock exchange, the largest outside South Africa, is just 1 per cent of that on the JSE, according to Mr Liber.

While emerging markets debt is an established market, African corporate debt is a very small part of that. Corporates in Ethiopia, Mozambique, Morocco and Nigeria have issued bonds in recent years, as investors' thirst for yield leads them to look beyond mainstream emerging markets.

So private equity and other direct investment remain the order of the day for most companies seeking capital at all stages of their business life.

According to an annual report from the United Nations Conference on Trade and Development, many of the largest investments into Africa were private equity-driven. US specialist KKR made its first African direct investment last year, putting $200m into Afriflora, the Ethiopian rose producer. Carlyle, another private equity group, raised nearly $700m for its first sub-Saharan Africa fund and Blackstone and Edmond de Rothschild, private bank, have made commitments to the region.

Collecting roses at a flower farm in Oromia, Ethiopia — Bloomberg

The weight of money coming into African private equity is creating a challenge — how to put the capital to work quickly in a crowded field.

"The private equity funds have so much money, they're venturing out of their comfort zones," says Nicolas Clavel, founder and chief investment officer of Scipion Capital, which specialises in African trade financing. He has seen private equity bidding for deals in competition with Scipion, even though trade finance is far removed from traditional private equity. He has also been asked to manage money on behalf of private equity funds anxious to put their money to work as quickly as possible.

At the other end of the scale, even tiny enterprises need some initial capital or credit and innovation is creating interesting opportunities for investors.

Micro-credit, the investment innovation that provides credit to groups traditionally excluded from financial services to start small businesses, is big business for investors. Luxembourg has been working hard to establish itself as a centre for microfinance funds.

However, academic research is raising doubts about the efficacy of this form of development funding, while at the same time, technological innovation is starting to provide alternatives. Mobile money, where small amounts of money can be transferred using mobile phone accounts, provides similar sums to microcredit, but on more flexible terms and with much greater convenience.

"For clients this offers great advantages," says Paul Clark of Ashburton Investments, a South African investment manager. "The convenience of paying and receiving payments remotely is huge," he says

While friends and family are still the primary source of start-up capital for someone setting up a small business, angel investors are beginning to form networks to access the most interesting ideas at a level where entrepreneurs are not yet looking for capital through a formal process.

This widens the pool of capital available to small-scale entrepreneurs, and gives them access to investors with the business experience they need to develop their enterprises.

With luck, this should begin a cycle of growth and advice that can be repeated until the entrepreneur has grown the business and is able to either sell it or hand it on to other family members.

ADVERTISEMENT

Reinventing LAGOS From the Sky

Ropeways Transport

A Lagos street scene in 2020 would be very different from one today. There would be fewer vehicles on the road and consequently less motionless traffic as the acute daily gridlock in Nigeria's commercial capital is sometimes euphemistically described. There would be cleaner air and possibly less harried people. If the sun were high in the sky, a shadow would float over the street at regular intervals, somewhat like a big gray cloud. If you squinted up, it might just be possible to make out something high above, rushing towards the far horizon.

Lagos 2020 will be living the change literally wrought by a revolution in the sky: Lagos SKYBUS, with its 218 cable cars, each taking 38 passengers and with the combined capacity to move 77,000 passengers every hour, efficiently, quietly and at speed, through one of the most densely populated, fastest growing megacities on earth.

The 1st phase of the Lagos SKYBUS will take 18 months to build and a total of four years to complete from the day construction starts next year, and it will be the first time that a city-state in Nigeria adopts the cable car concept for commercial purposes. The implications are staggering, especially in the sixth largest city on the planet, the second fastest growing in Africa and one that is strategically located at the end-point of three trans-African highways.

Lagos SKYBUS project "is part of the ongoing revitalization of the city designed to make it a genuine world class metropolis comparable with similar cities of its size." The SKYBUS will be more than a mere revitalization. It might be the very re-birth of Lagos, Nigeria's industrial hub, home to more than 45 per cent of the nation's skilled manpower and gateway to the country because this is where its principal seaport and airport are located.

Consider the scale of Lagos's transport problems. In 2009, the Lagos Metropolitan Area Transport Authority (LAMATA) lamented that the city was the only major urban conurbation in the world without an "official" transportation system. Six years on, LAMATA identifies "numerous" transportation problems. These include, it says, "increasing traffic congestion, worsening state of roads disrepair, deteriorating physical attractiveness and comfort of road-based public transport, high transport fares, absence of effective rail and water mass transit system, rising levels of road accidents and increasing rates of traffic related emission and atmospheric pollution." Poorly maintained roads, which flood every time it rains because of the lack of proper drainage, add to the misery.

For the city's estimated 22 million inhabitants, the dismal state of the roads and limited transport options can mean spending as many as six hours a day commuting to and from work. They are forced to rely on informal, often unsafe, ways to get around – the danfo or minibus, the okada or motorcycle taxi, the keke napep or three-wheeled motorcycle and the coasters and molues, which are mid-sized and large buses respectively.

Cable-propelled transit will literally soar high above the chaos. The three cable car lines that will make up SKYBUS, running approximately 11 kilometers across Lagos Island, Victoria Island and Lagos Mainland, will address transportation needs in the heart of the city. SKYBUS will ameliorate congestion on the six main bridges connecting Lagos Mainland to Lagos Island. The three lines will run through eight stations, whose locations have been strategically picked to allow passengers access to major commercial and residential areas as well as to change over to other modes of transport, including some that exist only as drawing board plans right now.

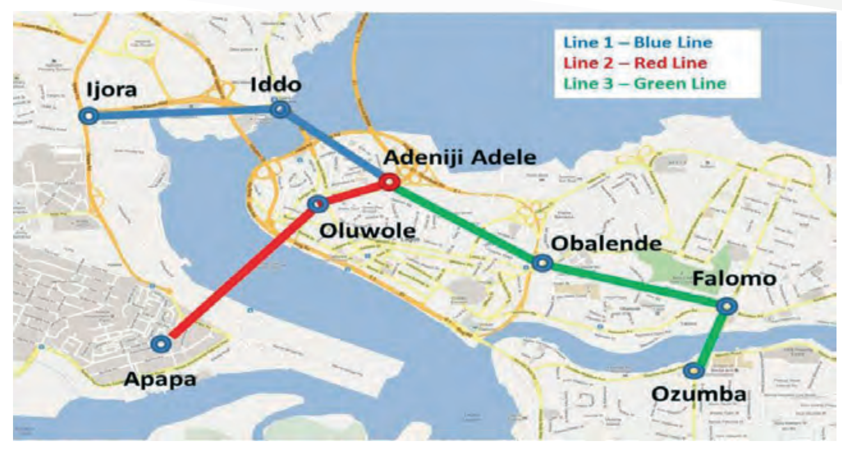
In 2020 then, to a Lagosian boarding or disembarking from one of the four cable cars that will be in a SKYBUS station at any one time, the state of the roads really won't matter. Or the sweaty haphazard huddle of danfos or okadas out on the street, hawking their services to passengers. Instead, there will be the assured promise of a clean, safe and efficient ride through the skies to the destination.

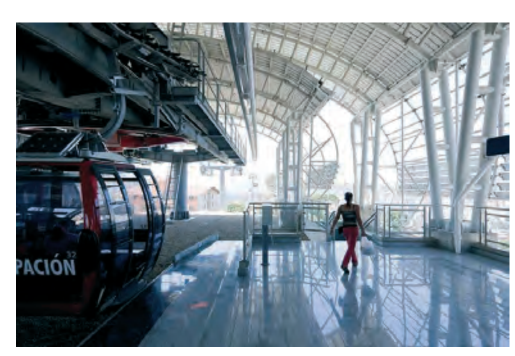
But how will this miracle of well-ordered public transit come to pass? First, the nuts and bolts. SKYBUS will utilize state-of-the-art Doppelmayr tri-cable detachable grip technology. It is obviously vastly different and much superior to that used in the world's first urban cable car system, which was installed in Austria in 1644, but the concept has the same sort of transformative potential. Doppelmayr tricable technology assures cable-propelled transit that is robust, has excellent wind stability, consumes the minimum of energy and offers enormous travelling comfort. It helps that Doppelmayr has an impressive track record with ropeway systems, having installed nearly 10,000 of them in cities around the world. These include 17 in other African countries, the first cable linear shuttle in Las Vegas, the world's first automobile ropeway in Bratislava, Slovakia and the world's largest mass urban cable car transit system in La Paz, Bolivia.

It is a measure of the importance of the project that SKYBUS is that rare mixed-breed corporate entity: not really a public sector venture; not a private enterprise or even that half-way house, a public private partnership. Instead, SKYBUS's size and the scope of its impact on Lagos, has prompted a unique arrangement. In 2012, the state government and LAMATA signed a 30-year agreement with Ropeways Transport Limited to design, build, finance, own, operate and maintain a cable car system for public transport. In return, the Lagos state government would receive a franchise fee for the life of the project. The agreement can contractually be extended for 20 years by mutual consent.

Despite the complexities of such an extensive project with its multiple consultants, advisers, and stakeholders, SKYBUS really is value for money says the CEO of Ropeways Transport, Capt Dapo Olumide. "The bottom line is that it's not just about providing an excellent transport solution to Lagos's problems. Ropeway transportation is widely recognized as an environmental friendly solution."

This is a good point because it has the potential to take thousands of private cars off the roads simply by enthusing drivers to try being driven to work instead. And offering a reliable transport option. But could SKYBUS ever go green? Initially, it will be connected to the national grid but might it one day be able to run on renewable energy, kick starting wider social, economic and political change? Perhaps. As they say, it takes a revolution to begin another because in spite of the fact that mass urban cable car systems is one of the fastest growing forms of transport infrastructure globally, so little is known, or understood about it by the very people the Lagos SKYBUS is designed to serve.





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LAGOS SKYBUS