



GROWING AFRICA'S ENTREPRENEURS: How Africa Can Become the Next India

The United States has long been known to foster entrepreneurship, from tobacco use to online shopping. Like Franklin Roosevelt's New Deal, US President Barack Obama has his own program to continue this entrepreneurship – A New Foundation. This New Foundation is premised on the notions of economic growth through the promotion and development of new ideas in areas such as energy, health care, and education. The goal is to break away from the cycles and habits that got the country in the situation it is in today and to start anew - to remake the way the country and industry operates, interacts, and progresses both domestically and internationally.

But where is Africa's New Foundation? There is much discussion (and impatience) about what Africa needs to do to become the next India, the next Brazil, the next Asian tiger. It all started with a foundation. Those countries that are now being talked about as being the most successful and desired in terms of emulation took a long-term view. While these countries invested in key pillars to foster economic advancement, they also invested in infant ideas and took a chance on themselves when no one else would.

While African countries lack in many areas, be it due to capacity, resources, know-how, or just plain money, there is one area that African stakeholders can build upon right now and start on their New Foundation. Unlike the developing country successes, African stakeholders have consistently failed time and time again to develop and invest in one another. More specifically, in home grown businesses. Why are there so many other developing countries that are able to develop industries and businesses seemingly out of nothing, and others, particularly African countries, do not? Where are the African businesses that people can point to and say 'we are on our way'? Sure it is easy to look at a South Africa and point to it as a success story, but it is a special case. Not everyone can be blessed with such natural wealth.

There are a number of viable business ideas ALL ACROSS the continent that are underutilized. These are not some joint ventures where the foreigners provide all the know-how and Africans all the hard labor and then call it an 'African' success story. All THAT led to today's problems, with leading international trade commentators – like the World Bank and Trade Law Centre for Southern Africa – now lamenting about Africa 'dealing' or 'coping' with the global economic crisis as those joint venture partners scale back and/or stay in their home countries.

However, when looking at business ideas thought up by Africans, using local know-how, and ready to proceed



Trade Hound

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the 'African way', they often fail to obtain the necessary financing to move forward. Why? In contrast to other countries that took that chance on themselves, banks and other investors all across Africa are consistently either unwilling or unable to take the necessary risks and invest in an idea, to pour the needed water on the seedling and see if it will grow into a beautiful flower. They would prefer to partner with a Western company, where they are the (far away) minority, pick up what scraps may fall

from the table, and call themselves a success. Now may be the time to break the cycle, stop what experts like Zambian economist Dambisa Moyo are calling the 'dead-end of African entrepreneurship' and start a New Foundation for Africa. Jean-Louis Ekra, the president of the African Export-Import Bank (Afrimbank) recently advocated for African banks to work together and provide the necessary trade finance that the West is unable to provide. In other words, the call is out for African stakeholders to tend to their own gardens, plant their own seedlings, and grow their own crops so that, years from now, they can be proud of their plentiful gardens.

Just prior to the recent G-20 meeting in London, a program was initiated that may provide the necessary start. Calling itself the Global Trade Liquidity Program, a three-year program was put in place by the World Bank to ease the shortfall in loans that support world trade. The International Finance Corporation, the World Bank's private sector financial and advisory arm, has already put up \$1 billion (out of a projected \$5 billion total) for the Program, with government and financial institutions to follow with additional funding. Under the Program, private African banks will be able to take credit lines from the facility amounting to 40% of any trade deal that involves a developing country, while the bank itself will provide the remaining 60%. The banks are free to decide how to use the money, but have to base their decisions on established lending criteria. This will allow them to establish a new model, whereby they can feel more secure about trade financing and start focusing on taking calculated risks in local financial lending. In other words, banks can start acting like banks, but with the added advantage of not having to bear 100% of the risk should there be problems. Already, there is movement afoot. Standard Bank, Africa's leading lender, is set to tap the fund, and will utilize approximately \$400 million to finance and sustain African-based trade deals. Standard Chartered will also receive a line of \$500 million.

Africa is blessed with a vibrant, young, entrepreneurial, energetic, and educated workforce. This new generation is ready to move. This financing will go a long way towards helping economies where these banks have a significant presence to re-align themselves so that there is support not only for their export-focused industries, but for its nascent industries as well – industries that would otherwise not have access to such capital to develop their entrepreneurial ideas and business operations.

Is this Program the first pillar in Africa's New Foundation? Only time will tell. But, for the first time in a long time, the seedlings are there and the water is in the faucet. Now it is up to Africans to decide how green their gardens will be.

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•L-R, Front row: Saudi Foreign Minister, Saud al-Faisal, Chinese President Hu Jintao, Britain's PM Gordon Brown; (second row) Turkish President, Recep Tayyip Erdoğan; Thai PM Abhisit Vejjajiva; US President Barack Obama; Italian PM Silvio Berlusconi; Russian President Dmitry Medvedev and Ethiopian PM and representative of New Partnership for African Development (NEPAD), Meles Zenawi during this month's G20 Summit in London PHOTO: AFP