SUCCESSFUL ENTREPRENEURSHIP AND AFRICA'S INDUSTRIALIZATION

Jasai Joseph Silale

Administrative/Finance Associate, Sub Office Kakuma
Turkana County, Rift valley Kenya

Abstract: While past efforts to industrialise Africa were often unsuccessful, the current industrial revolution and today’s global environment offer new opportunities, along with challenges. More developed regions have managed to shift their labor force from agriculture to manufacturing, thus increasing their overall productivity. Industrialization is necessary for Africa to transform its economies by reallocating resources from low-productivity sectors to higher ones. Industrialization is necessary for Africa to transform its economies by reallocating resources from low-productivity sectors to higher one. Africa’s regional integration record is not impressive. The fact that the large number of RIAs has done little to promote intra-regional trade raises questions about the appropriateness of this linear model for addressing the real challenges that inhibit regional trade (Economic Commission for Africa, 2010). The specific factors that have resulted in Africa’s industrialization, and sub-Saharan Africa’s industrialization, relatively disappointing economic performance over the past few decades have been the focus of much enquiry. Past African governments that worked to industrialize their countries often had little success. Following their independence, many young African governments sought industrialization to avoid economic dependence on their former colonists. Entrepreneurship policies have a multifaceted nature and linkages with other areas, such as education and skills development, technology and innovation, finance and capacity-building. Subsistence entrepreneurship may not be a first step towards transformational entrepreneurship for the vast majority engaged in subsistence enterprises. The implications of this could be pivotal for policy. Industrial policies have a role to play in promoting the structural transformation of Africa. Structural transformations, have the advantage of revealing comparative advantages by putting in place policies of accompaniment that create conditions conducive to the experimentation of new products and exports. Multiple new types of financial instruments can contribute to diversifying the financial solutions available to African entrepreneurs.

Key Words: Entrepreneurship, Industrialization, Economies, Technology, Innovation

1.0 Type of entrepreneurship leading Africa's into successful industrialization

Many African governments are embracing industrialisation, which calls for new economic strategies. At least 26 African countries have industrialization strategies in place in 2017. While past efforts to industrialise Africa were often unsuccessful, the current industrial revolution and today’s global environment offer new opportunities, along with challenges. Three strategies are essential for the continent to industrialize: promote a competitive private sector, target economic sectors with high-growth potential including non-manufacturing and better harness the potential of entrepreneurs. More developed regions have managed to shift their labour force from agriculture to manufacturing, thus increasing their overall productivity. Nevertheless, in many African countries, the surplus of labour that emerged from the agricultural sector has been absorbed by low productivity sectors such as retail rather than being channelled in the manufacturing sector. Besides manufacturing, tradable services and
farming activities such as horticulture and the agro-industry can enhance economic growth. Non-farm entrepreneurship can benefit rural households by diversifying their income sources and provide a steady source of income during difficult agricultural seasons.

The main objective for African governments is to create the conditions for their economies to return to a higher, more inclusive and sustainable growth path. Africa’s gross domestic product (GDP) grew over 5% a year between 2001 and 2014, but poverty remains high. While high economic growth is necessary, more is required to improve living standards for the whole population. Africa will need more and better jobs: between 2015 and 2030, every year 29 million new entrants will enter the labour force in Africa. Countries need to offer mass employment opportunities that are relatively accessible to Africa’s large population of unskilled workers. Today’s weak global economy and lower commodity prices have again increased the risks for African economies.

Economic transformation will not be possible without industrialization. Industrialization is necessary for Africa to transform its economies by reallocating resources from low-productivity sectors to higher ones. Only industrialization can bring about unconditional convergence with the more advanced economies. Industrialisation is a catalyst for job creation, higher productivity and innovation. The continent’s regional market has demand constraints but its growth provides opportunities for tradable manufactured goods, modern services and processed agricultural products. In turn, more exports can open countries to technology spill-overs from abroad. Industrialization can increase access to capital, technological innovation and learning (Lin and Monga, 2013).

1.1 Africa’s Industrialization Innovative Strategies

Twenty-first century industrialization strategies call for innovative approaches. African countries must harness new opportunities and challenges, which other regions did not have to face. These include i) the new industrial revolution enhancing automation in industrial production, ii) the changing economic environment characterised by the slow-down in global growth and by the end of the commodity super-cycle), and iii) the rising labour costs in East Asia. Innovative approaches are also needed to take advantage of the latent comparative advantages in Africa's diverse countries, their geographic specificities and their unique cultural heritages. Simply replicating industrialisation strategies that have worked since the 1970s in North-East Asia will not suffice.

Manufacturing remains the central sector on which Africa’s industrialization policies can rest, however high-growth opportunities also exist in other sectors. For certain tradable services and farming activities such as horticulture and the agro-industry, production methods have become comparable to those of conventional manufacturing. These activities produce higher quantities of goods at lower marginal costs. These goods can then be exported, increasing competition and productivity. Investing all resources only in manufacturing may not always prove efficient, nor reflect the comparative advantages of all African countries.

Different pathways to industrialization exist. Experience shows that the share of manufacturing in GDP does not necessarily grow with higher income levels. Other sectors can also significantly contribute to economic growth. The potential of non-manufacturing sectors for industrialization may become more and more important in the context of the Fourth Industrial Revolution, where robots tend to replace low-skilled workers in manufacturing activities. Innovative industrialization strategies could better target high-potential entrepreneurial activities to accelerate industrialization. Entrepreneurs play an
essential role in bringing innovation to an economy, notably new technologies and production methods. High-potential entrepreneurs also experiment with new products in local markets. They offer fresh ideas and exchange information.

Industrialization strategies can serve as a platform to tap into the large continental base of entrepreneurs. Africa is the continent with the highest proportion of entrepreneurs, as 22% of working-age Africans start their own business. These entrepreneurs are essential agents of industrialisation as they take on innovative yet risky activities, create jobs and demand for skilled workers. Firms with less than 5 years and fewer than twenty employees provide most of the new jobs in Africa's formal sector. While most African entrepreneurs (55%) focus on low skill sectors such as retail trade, hotels and restaurants, efforts must be made to link young workers to sectors of high productivity potential such as manufacturing, tradable services and agribusiness.

1.2 Entrepreneurs could be more innovative and competitive while continuing to create jobs

Few African entrepreneurs are innovative. Less than one-fifth of African early-stage entrepreneurs offer new products or services to the market. This share is the lowest among the regions considered. The percentage of total early-stage entrepreneurial activity represents those who indicated that their product or service was new to at least some customers and that few or no businesses offered the same product. This lack of innovation has been attributed to smaller market sizes and markets’ weak functioning (Szirmai, Naude and Goedhuys, 2013). Fragmented and small markets reduce the return on investment. At the same time, infrastructural and institutional bottlenecks hinder the dissemination of innovations and increase the costs of doing business. Insufficient property rights, weak contract enforcement and policy uncertainty make innovation even riskier, reducing its expected returns. New entrepreneurs could put more competitive pressure on existing ones. Even if many African economies are open to imports, large formal firms in Kenya, Mozambique and Tanzania have been less active in introducing new products as they do not feel competitive pressure (Yoshino, 2016).

1.3 Africa Regional Integration and Entrepreneurship

Africa’s regional integration record is not impressive. The fact that the large number of RIAs has done little to promote intra-regional trade raises questions about the appropriateness of this linear model for addressing the real challenges that inhibit regional trade (Economic Commission for Africa, 2010). The specific factors that have resulted in Africa’s, and sub-Saharan Africa’s, relatively disappointing economic performance over the past few decades have been the focus of much enquiry. Reliance on very few export commodities, primary commodities representing more than 80 percent of Africa’s total exports in recent years and one or two sectors (Organisation for Economic Cooperation and Development and United Nations, 2011; Sindzingre, 2011), are part of this story. Such high dependence on commodities creates severe constraints on growth due to commodity price volatility, a factor which is external to these countries and beyond. Despite this recognition, many African countries lack the industrial capacity for diversified manufactured goods, and are faced with inadequate infrastructure to support trade (Economic Commission for Africa, 2010). Although sub-Saharan Africa is one of the fastest growing regions in the world at present (World Bank, 2011), “this growth appears therefore to be intrinsically fragile and based on distorted factors rather than sound economic fundamentals” (Sindzingre, 2011). Consequently, it has been argued that a change in trade composition, coupled with industrialization, an improvement in infrastructure, and structural
transformation, would be key processes in triggering sustainable growth paths in sub-Saharan Africa (Sindzingre, 2011).

In a globalized context, a country’s trade performance and export sophistication and diversification are critical indicators of its competitiveness and are drivers of economic performance. Looking at the various RIAs in Africa, SADC includes three of the top five most competitive countries in sub-Saharan Africa (South Africa, Mauritius and Botswana), making it the best performing regional economic community overall. In general, countries in SADC have relatively good quality institutions, efficient goods and labour markets, and well-developed financial markets. However, health and education indicators are a cause for concern, and there is generally a low level of technological capability. Some of the most problematic factors for doing business in the region include inefficient government bureaucracy, an inadequately educated workforce, and a poor work ethic in the national labour force. Poor infrastructure and lack of access to finance also feature as key hindrances (World Economic Forum, 2010).

South Africa remains the highest-ranked sub-Saharan African economy on the World Economic Forum’s Global Competitiveness Index (GCI) at 54 (out of 139 economies) in 2010-11, dropping, however, from position 45 in 2008-09 and 2009-10. Other top performers on the GCI include Mauritius (ranked 55th), Namibia (74th), Botswana (76th), and Rwanda (80th). South Africa benefits from the large size of its economy (ranked 25th on the market size pillar), particularly when compared to other countries in the region. It has also done well on measures of the quality of institutions (ranked 47th), such as protection of intellectual property, strength of investor protection, and ethical behaviour of firms; macroeconomic stability (ranked 43rd); and goods market efficiency (ranked 40th). Particularly impressive, however, is the country’s financial market development (ranked 9th), indicating high confidence in South Africa’s financial markets during a time when trust has been eroded in many other parts of the world (Sala-I-Martin et al., 2010).

South Africa also does reasonably well in terms of business sophistication (38th position) and innovation (44th position), with competitive advantage in the areas of sophistication of production processes and quality of scientific research institutions, among others. COMESA includes two of the top five best performing countries in Africa (Mauritius and Rwanda), and also performs well in relation to other African regions. COMESA countries, in general, have strong institutions and well-developed financial markets, as well as efficient goods and labour markets. Again, indicators in the health and education sectors, as well as technological readiness, are poor. Factors hindering business in the region include access to 14 financing, corruption, high tax rates, and inefficient government bureaucracy (World Economic Forum, 2010). Within the EAC, countries generally have very efficient labour markets by both regional and international standards. Their financial markets are well developed, and they have relatively sound institutions as well as the capacity for innovation. However, the quality of infrastructure, macroeconomic stability, and health and education indicators in the bloc are poor, as is technological readiness.

Some of the key factors hampering business in the region include access to financing, corruption, high tax rates, and inadequate supply of infrastructure (World Economic Forum, 2010). Overall, countries within ECOWAS perform worst on the GCI indicators in comparison to other RIAs. They are strongest on institutions and innovation, and weakest in the areas of health, education, and infrastructure development. Some of the most problematic factors for doing business in the bloc include access to finance, corruption, burdensome tax regulations, and inadequate supply of infrastructure (World
Economic Forum, 2010). In summary, it is evident that some African countries continue to perform well on the various GCI indicators. However, as a whole, sub-Saharan Africa lags behind other world regions in terms of competitiveness, and faces a constrained business environment more generally. Further reforms to improve competitiveness are thus necessary. Economic activity requires predictable and transparent rules. Since 2004, about 85 percent of economies have made it easier to do business, and more than 1,500 improvements to business regulations have been recorded. Firms in developing economies are increasingly benefiting from these improvements. In 2010, 66 percent of developing countries made it easier to do business, up from only 34 percent in 2004. Doing business remains easiest in OECD high income countries and most difficult in sub-Saharan Africa. Over the 2009/10 period, 27 sub-Saharan African countries implemented Doing Business reforms that made it easier to do some aspect of business (49 in total), representing 23 percent of all reforms recorded in 2010 (World Bank, 2010).

1.4 New industrialization strategies
Past African governments that worked to industrialize their countries often had little success. Following their independence, many young African governments sought industrialization to avoid economic dependence on their former colonists. Their industrial policies rested on large state-owned enterprises (SOEs) and targeted capital-intensive manufacturing, using import substitution to protect them. As a result, between 1960 and 1975, manufacturing grew rapidly.

However, strategies failed for a number of reasons. In particular, many of these strategies focused on capital- and knowledge-intensive industries that did not match countries’ comparative advantages. Weak accountability and incentive schemes caused large deficits for the SOEs. Yet removing these enterprises was difficult. They employed a large share of labour, and the industrial elites running them were politically powerful. Letting the SOEs collapse would be an admission of policy failure. The subsequent period of structural adjustment programmes led to the dismantling of SOEs after 1975. With it, manufacturing sectors declined.

Since the mid-1990s, economic policies in African countries have largely followed the “Washington consensus”. Governments have focused mostly on improving the business environment. While these policies have had positive impacts, progress has been slow. Their generic policy prescriptions have overlooked countries’ specificities. In addition, they have often called for a capacity beyond that of African governments. Without the support of industrialization strategies, the manufacturing sector faced a number of crosscutting challenges: infrastructure bottlenecks, insufficient productive capabilities, and the dearth of skilled workers, underdeveloped financial markets, and high levels of income inequality.

2.0 Role of entrepreneurship in promoting social and economic inclusion in Africa
There is increasing consensus that entrepreneurship is key to sustainable development and critical to poverty reduction, gender equality and environmental sustainability. Entrepreneurship policies have a multifaceted nature and linkages with other areas, such as education and skills development, technology and innovation, finance and capacity-building. To assist policymakers, UNCTAD developed the Entrepreneurship Policy Framework, which was launched during the thirteenth quadrennial conference of UNCTAD, held in Doha in 2012.
Along with a growing recognition of the role of entrepreneurship in sustainable development, key trends include increased attention to a holistic approach to entrepreneurship policies and their implementation, the growth of women’s entrepreneurship, and youth and social entrepreneurship (AfDB, 2012).

The lack of decent jobs is matched with the ongoing and pressing challenges of inequality in Africa. Inequality has led to an overall loss in human development measured in terms of health, education, political participation and economic empowerment (AfDB, 2012). Lowering inequality will increase the poverty-reducing power of economic growth so that the benefits accrue to a greater portion of the population. In addition, gender inequality is also negatively impacting industrialization. For example, in countries with high gender inequality, women have lower access to economic assets, workplace participation, entrepreneurship opportunities and benefits from natural resources and the environment.

Industrialization is an essential stepping stone for Africa's development. Each country must develop its own policy mix based on its resources, development vision, technological capability and production systems. Industrialization will contribute to increased growth and will be key to the emergence of a middle class. A higher number of entrepreneurs are starting a new business in Africa than anywhere else in the developing world. Approximately 11% of working-age Africans start a new venture to exploit a business opportunity. Thus, there is a good potential for entrepreneurship to build a solid and sustainable base for a diversified and inclusive industrialisation. At the same time, policies should acknowledge that different types of entrepreneurs will require customized policies. In Africa, self-employment often constitutes the only alternative outside the agriculture sector. For example in Uganda, despite impressive growth rates, the majority of the nonagricultural employment was created in household enterprises and microenterprises (World economic Forum, 2010).

2.1 Subsistence Entrepreneurship

Subsistence entrepreneurship may not be a first step towards transformational entrepreneurship for the vast majority engaged in subsistence enterprises. The implications of this could be pivotal for policy. For example, if the goal of policy is growth then identifying which of the subsistence entrepreneurs is able to transition to transformational entrepreneurship and focusing a policy on these individuals while supporting the existing transformational entrepreneurs may be the most efficient policy. As another example, improving access to capital may increases the profits of transformative entrepreneurs but not subsistence entrepreneurs, who may have low entrepreneurial ability or high opportunity cost of their own time and may not choose to make profitable investments that require additional time or attention to supervise. Similarly, if one’s goal is poverty alleviation, it may not be possible to dramatically increase profits of purely subsistence entrepreneurs by providing money into their business. Instead, more impact may be possible by supporting growth policies that make jobs with better income paths available. The goal then is twofold. First, identify subsistence and transformational entrepreneurs. However, the distinction is surely not quite so severe, as it seems possible that some subsistence entrepreneurs could transition to transformational entrepreneurship. Identifying how this transition can be achieved provides the second goal.

3.0 The politics of industrialization: enabling factors and stumbling blocks

Industrial policies have a role to play in promoting the structural transformation of Africa. Structural transformations, defined by structural reforms such as privatisations, reduction of customs barriers or
fiscal policies, have the advantage of revealing comparative advantages by putting in place policies of accompaniment that create conditions conducive to the experimentation of new products and exports. These reforms should therefore foster intensive job growth, particularly in the formal sector, and are an essential vehicle for improving social indicators.

Correspondingly, the analysis of industrial policies needs to focus on getting the policy process right, and these may vary depending on the circumstances and development objectives - for instance, industrial diversification, job creation, and reduction of income inequalities. Market forces and private entrepreneurship should drive industrialisation while governments perform a strategic and coordinating role in the productive sphere, beyond simply ensuring property rights, contract enforcement, and macroeconomic stability, notably through adequate public policies including active industrial policies.

3.1 Public Service Reform

As part of the efforts at satisfying the growing demand for “democracy dividends”, African Governments have in recent years shifted attention to the reform of the public service. In fact, the signs are visible, and the evidence is overwhelming, that issues that had once been evaded in political circles (for example, issues of competence, performance, and integrity of the public service) are now being debated within and across political parties. In consonance with the momentous changes taking place in the broad governance sphere (particularly, the replacement of one-party and/or military rule with multi-party competition) the career service is gradually being reconfigured into a de-politicized and professional institution.

The public service reform programmes implemented in the last ten years underscore the importance that the African leaders now attach to the professionalism as well as the performance and productivity of the service. Taking their cues from the experience with the administrative reform initiatives of the early post independence period (1960s and 1970s), and the negative impact of structural adjustment programmes on the public service, a growing number of countries embarked on “home-grown” reform initiatives as from the mid-1990s (Dodoo, 1996; Ntukamazina, 1996; Balogun and Mutahaba, 1999; and Balogun, 2013).

To be specific in terms of making more radical improvements in the situation of human resources in the public service and to unlock its potential for supporting the implementation of NEPAD, African governments would do well to give serious consideration to the following basic steps:

• **Institutionalize merit-based civil service system**: Governments may need to focus their efforts on strengthening merit-based career civil service systems before embarking on more complex reform, such as devolution of management and/or introduction of a position-based system. The main characteristics of such a civil service system would include the following: job security for civil servants and protection from political interference; a legally defined civil service cadre with common terms and conditions; strict application of the merit principle in recruitment and promotion; and career development to avoid nepotism.

• **Increase investment in strategic human resources management**: Recent research findings clearly demonstrate that investment in effective human resources management can make a decisive contribution to improving public sector performance. Empirical studies suggest that investment in
human capital in the public sector is more likely to enhance the effectiveness of government than downsizing. Furthermore, in a competitive labor environment, characterized by changing demographics and rapid turnover, governments will increasingly have to develop effective strategies to recruit and retain a fair share of the best talent.

- **Take action on the ‘positive agenda’ for Human resources, whose elements include strengthening recruitment on merit, developing internal promotion and paying competitive wages:** The ‘negative agenda’ of reducing wage bills and cutting jobs has dominated the actual practice of governments (and also of private companies in industrialized countries) through most of the 1980s and 90s. Yet it is the ‘positive agenda’, that has the most potential to improve government performance, ‘knocking on’ to better conditions for public or business organizations and ultimately to increased national prosperity.

- **Improve labor relations and diversity management in the public service:** By giving public servants the chance to participate in decisions which affect them and through 20 measures showing that government is harnessing the talents of all its employees, women as well as men, including disadvantaged ethnic, religious and other groups. This is something that governments should do, and many of them are indeed doing so, because human dignity is a noble objective in itself, but also because it is in this way that governments will get the best return on the human capital in the public sector. However, the creation of a more representative civil service should not be at the expense of qualifications, expertise and experience.

- **Frame reform programmes that are politically feasible, given the interests of different governance stakeholders, in the public, private, and civil society sectors:** Governments should conduct an explicit analysis of the views of stakeholders, capitalizing on their support where it exists, but also taking account of the opposition of others, whether by winning them over through dialogue, finding ways of circumventing their opposition or modifying a programme where stakeholder opposition cannot, or perhaps should not, be overcome.

- **Adopt a holistic approach to Human resource management reform and enhance the influence of Human resource managers in organizational decision-making processes:** Considering that the achievement of organizational goals is largely determined by the quality of the human capital, human resources managers should play a more influential role in corporate decision-making processes. Workforce analysis and planning is also becoming a critical part of strategic management of the human capital in public sector organizations.

- **Build strong leadership commitment to Human resource management reform:** Governments should make a voluntary, explicit, public and irrevocable commitment to a challenging programme of human resource reform. They should also follow a flexible and participatory approach to reform that focuses on enhancing the quality of the human capital rather than reducing the number of civil servants. Both politicians and senior officials should play a ‘hands-on’ leadership role in improving HR, seeing reform through to implementation by exercising transformational leadership skills.

### 3.2 Civil Service Reform

During the 1980s, many African countries concluded that their civil services were not providing public goods and services in the most cost-effective and efficient manner. Consequently, reform of the civil
service became necessary to pursue and maintain the path of economic liberalization and good governance that had been embarked upon. In this new century, African governments are also beginning to realize that the globalization wave dictates that further and deeper reforms of their civil services are required in order to successfully ride the rising tide of borderless economic activities encompassed in that globalization wave. NPM-type reforms have been, and are being, applied to African civil services because these civil services are seen as unprofessional, often lacking capacity to solve the tough new problems of their governments, too bloated in size in relationship to their outputs, suffering from dysfunctional rigidity, lacking in and not caring about, measurement of their performance, preoccupied with their own rules and practices rather than promoting, protecting, and serving the public interest and, generally, being too corrupt and intent on maintaining their own patrimonial and territorial interests.

Although some African governments had, from time to time embarked on civil service reform, for the majority, the efforts became concentrated in comprehensive strategies that were included in the economic liberalization packages of structural adjustment that were facilitated by the World Bank and IMF. The basic thrust of the reform process was, and continues to be, to build a professional, meritocratic, and qualified public workforce to ensure effective and efficient delivery of public services and combat bureaucratic corruption. Without such reform, the performance of the civil service and, hence, of their respective governments, will continue to be deficient. A government’s performance can only be as good as the people who do its work. African governments, or any government for that matter, will perform poorly if there is a failure to recruit, retain, reward appropriately, and assure the integrity of highly skilled civil servants (Hope, 2001; World Bank, 2000; Kettl et al., 1996).

The key elements of the process of reform of the civil service in Africa have been centered on pay and employment measures, productivity enhancement, capacity building, training, improving accountability and transparency and making management more effective (Lindauer and Nunberg (1994); Robinson (1990); Lienert and Modi (1997); Goldsmith (1999)). Due to the concern with the fact that two major contributors to bureaucratic corruption in Africa are the erosion and the compression of salary scales of civil servants, pay and grading reform has been at the forefront of pay and employment measures in the attempts to reform the civil service.

In Tanzania and Uganda, the size of the civil service has declined by 23% and 55%, respectively, since the early 1990s (Clarke and Wood, 2001). Likewise, in Zambia, the size of the nonmilitary public service dropped from 137,000 in 1997 to 112,000 by the end of 1999 without affecting front-line service providers such as nurses, teachers, and the police who were exempt from retrenchment (IMF and World Bank, 2000). Also, some countries, such as South Africa and Ghana, have moved toward competitive and open recruitment procedures with selection based on merit as an integral part of their employment reform measures. This helps to ensure that vacancies are filled on the basis of skills and competence rather than on other factors such as ethnicity and kinship. Similar merit-based systems were put in place with respect to promotions. Merit-based promotions tend to attract more individuals into the civil service who have strong preferences for making an impact on their government’s task of providing public goods. Together, merit-based recruitment and promotion serve as mutually reinforcing mechanisms to build commitment towards the goal of an efficient civil service. Other countries, such as Botswana have also decentralized some human resource management functions to ministries. Permanent secretaries of these ministries are, among other things, empowered to appoint, promote, and discipline their staff members.
Traditional bureaucratic governments have nurtured people with tendencies to protect their position, to resist change, to build authority, to enlarge their sphere of control, to encourage and defend projects and schemes irrespective of their relevance to the present conditions and in short to protect the status quo. On the contrary, “entrepreneurial” government initiates more efficient and effective ways of managing systems and organizations. It is a government that recognizes the importance of abandoning old and irrelevant programs and methods. It encourages taking timely and necessary action. It is a government that is creative and innovative. It is business-oriented. It privatizes wherever it makes pragmatic sense, and where private operators can provide the same service much more effectively. It makes room for new ventures and revenue-generating operations. It is customer-driven and adopts transparent performance metrics. It rewards merit. It is a government that welcomes change and challenges and has the will to win. In summary, an entrepreneurial government is one that ensures the continual betterment of resource utilization in its broadest connotation. In addition, entrepreneurial governments support competition between service providers. They empower citizens by shifting control of the bureaucracy into communities. Performance of their agencies is measured on the basis of outputs produced rather than inputs expended. Clear mission and goals drive every organization. Rules and regulations are of little importance. Citizens are treated as customers and they can legitimately expect the delivery of quality service. Anticipating problems and preventing them is the norm, instead of offering redress after the problem arises. Authority is decentralized and everybody is encouraged to participate. They are highly market-oriented and shun bureaucracy in all forms.

4.0 The Way Forward:

Multiple new types of financial instruments can contribute to diversifying the financial solutions available to African entrepreneurs. These instruments include asset-based lending, various types of private equity funds and listings, and social investment funds. Other such investments are “profit with a purpose” funds, multiple types of debt instruments, microfinance for SMEs, crowd-funding, various solutions provided by development financial institutions, and philanthropic finance targeting SMEs and entrepreneurs. Asset-based lending such as factoring and leasing can bolster a firm’s cash flow while removing the stringent requirements associated with traditional credit. Factoring refers to a firm selling its accounts receivable to a financial intermediary for immediate cash. Factoring can alleviate firms’ problems with limited cash flow while doing away with collateral requirements. Burkina Faso has a successful programme that uses a mix of private capital and donor contributions (Nakusera, Kadhikwa and Mushendami, 2008). As for leasing, firms can acquire machinery and equipment without making large investments or providing collateral.

For SMEs in countries with deep capital markets, equity listings can constitute an alternative source of finance. Listing requirements are usually less stringent and costs are lower compared to those for larger companies. Africa has 14 equity exchanges for SMEs,10 with over 200 firms listed (Minney, 2016). The Johannesburg Stock Exchange (JSE) established the first SME-tailored trading platform in 2003. As of 2016, a total of over 120 firms were listed, a quarter of which “graduated” to the JSE Main Board. The challenges with SME equity listings are information asymmetries for investors and a lack of know-how and expertise by entrepreneurs and managers. If enforced, the existing transparency requirements would address the first issue. Certain equity exchanges solve the second by appointing advisors to guide SMEs through all the steps leading to the listing (Minney, 2016).

Providing capital directly to entrepreneurs increases their growth and creates more jobs. While it is almost impossible to identify which firms will grow quickly in the future, it is possible to identify
those with a high potential for growth (McKenzie et al., 2017; Nanda, 2016). A large-scale national business plan competition in Nigeria provides evidence of this approach. Each winning entrepreneur was awarded approximately USD 50,000. Surveys tracking applicants over three years showed that winning led to greater firm creation and survival rates. The winners’ firms enjoyed higher profits and sales than the others and an increase of over 20 percentage points in the likelihood of employing 10 or more workers (Mckenzie, 2015).

Development partners can directly support entrepreneurs through co-financing and advisory services. Entrepreneur’s financial support as well as technical assistance in the form of coaching and mentoring. The initiative involves partners from both public and private sectors. The potential for private investment in developing countries is substantial. Globally available finance is estimated at USD 120 trillion (Woetzel et al., 2016). Official development finance (ODF) amounts to about USD 2 billion per year, while developing countries across the globe need an estimated USD 2.5 trillion per year to achieve the Sustainable Development Goals.

Development partners therefore increasingly use ODF to build up private investment for development. For instance, multilateral development banks claim that for every USD 1 they extend directly to the private sector, USD 2-5 of additional private sector investment are mobilized (AfDB et al., 2015). Initiatives such as Boost Africa, jointly launched by the AfDB, the European Investment Bank and the European Commission, allow mobilizing private capital through initial public investments. In this case, the EUR 150 million that the three institutions contributed are expected to generate EUR 1 billion in additional investments.

In addition, development partners provide financial assistance to governments and national development banks to on-lend to private companies. This can also generate considerable resources. For example, a study shows that USD 1.4 billion in financing from the Clean Technology Fund to the public sector has mobilized about USD 5 billion of private co-finance.

Other approaches include project preparation facilities and facilitation platforms. Project preparation facilities serve to design well-structured bankable projects. Project facilitation platforms match the interests of public and private financiers in carrying out joint projects. Examples include Grow Africa, an initiative of the African Union Commission, the New Partnership for Africa’s Development and the World Economic Forum. Grow Africa provides a platform for governments and companies to promote business models that engage smallholder farmers and facilitates value-chain linkages. It focuses specifically on women and youth.

Prioritizing specific policy interventions depends on countries’ resources and capacities. The conditions differ between countries, based on their natural resources’ endowment, their fragility and their income levels:

- **Natural resources-based countries** may wish to create funds with the profits from natural resource extraction, transformation and export to promote entrepreneurship. Governments could also foster financial sector development through laws and regulations. Donors could assist governments in managing the funds or in designing related regulations, as in the case of the multi-stakeholder Managing Natural Resource Wealth Trust Fund (IMF, 2016).
• **Fragile states** may wish to seek private sector investment and donor assistance to build government capacity and engage with entrepreneurs.

• **Low-income countries** could seek donor assistance to build government and private sector capacity and to develop financial markets through guarantees and funding. In countries where remittances are important, tailored regulation and policies could attempt to tap their potential.

• **Middle-income countries** could diversify their market environment with holistic financial sector laws and regulations as well as supervision that targets different agents and instruments. These countries could likewise request donor support to increase government and private sector capacity and market development, particularly through credit guarantees or by tapping domestic and international financial markets.

**References**


Dwivedi, O.P. *Bureaucracy and the Alternatives in World Perspective*. London: Macmillan


