

# AFRICA

By: Grace Ijeoma Okafor



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- Economic Situation in Africa

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- Entrepreneurship and Industrialization in Africa



# PROFILE:

Africa is a  
Continent with  
54  
Countries

Population:  
1.2 Billion  
(2015)



# RELIGION



gp



# PART 1

## ECONOMIC SITUATION



# Economic Situation in Africa



- ❑ **Macroeconomic Performance and Prospects**
- ❑ **Financing**
- ❑ **Trade and Regional Integration**



# Macroeconomic Performance and Prospects

## PERFORMANCE

### ❑ Decline in economic growth as at 2016 due to:

- Low commodity prices which started in mid-2014
- Slowdown in the performance of the global economy
- Decrease in China's economic growth
- Conflict (Tunisia, Egypt, Libya, Somali, Congo, Nigeria etc.)
- Bad Weather and Drought in some African countries

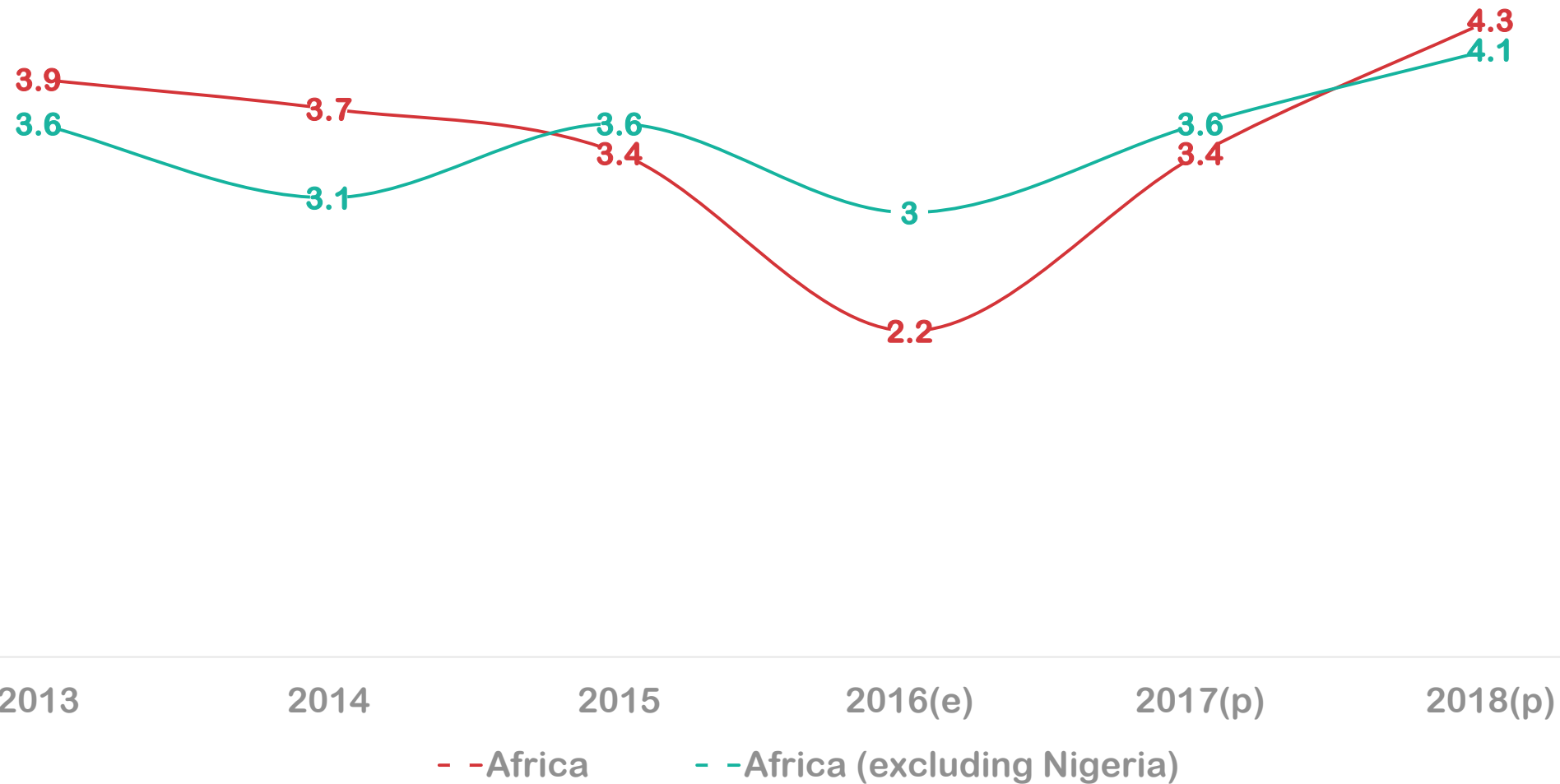
## PROSPECTS

### ❑ Increase in Economic growth due to

- Rise in price of commodity goods from the final quarter of 2016
- An increase in private consumption boosted by population growth, expanding middle class and public infrastructure investments.
- Good macroeconomic policy management (fiscal, monetary and exchange rate) especially in East Africa
- Diversification towards the services sector and manufacturing



# Africa's Economic Growth 2013-2018 (%)



# Financing:

## ❑ Foreign Direct Investment (FDI)

- With increasing diversification into services, manufacturing and infrastructure projects (e.g. Ghana, Ethiopia, Kenya, Tanzania), FDI is expected to reach USD 57.5 Billion as at 2017.
- Greenfield investment from the Far East and Middle East.

## ❑ Migrant Remittance

- Remittances increased by more than 50% and is expected to reach USD 66.2 Billion in 2017 with Nigeria and Egypt accounting for the bulk of remittance flows.

## ❑ Aid to Africa:

- Reduction in share of Aid to Africa's low income countries

## PROSPECTS

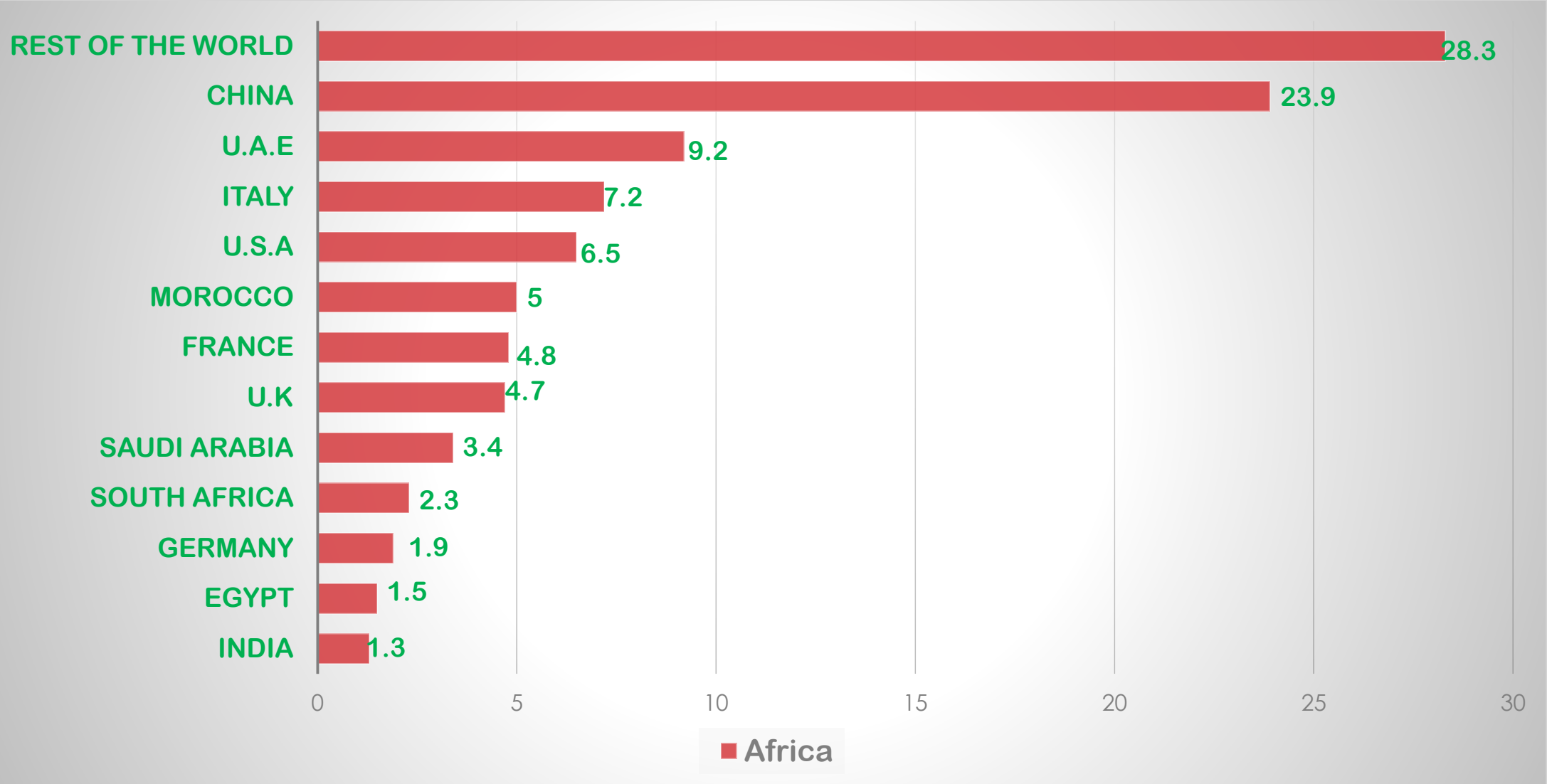
- Policy makers are engaging with the private sector to mobilise finance and foster local financial markets and entrepreneurship

# Top foreign direct investment destinations in Africa by value of investment, 2016

Top Destination Country	Value (USD Billion)	Main Recipient Sectors
EGYPT	10.1	Real Estate, Oil, Gas, Alternative/Renewable Energy
MOROCCO	4.9	Alternative/Renewable Energy, Real Estate, Automotive
ANGOLA	4.4	Oil, Gas, Communication, transportation
GHANA	3.6	Oil, Financial services, Construction
MOZAMBIQUE	3.4	Transport, Coal, Gas, Real Estate
ETHIOPIA	2.7	Chemicals, Real Estate, textiles
SOUTH AFRICA	2.8	Coal, Oil, Gas, Transportation, Automotive

Source: African Development Bank (2017)

# Greenfield Investment in Africa (2015-2016 cumulative %)



Source: AfdB

# Policies attracting F.D.I in Africa

## ❑ ETHIOPIA

- Ethiopia's policy on the development of Industrial parks: These parks will focus on textiles, leather, agro-processing and pharmaceuticals.
- It's Hawassa Industrial park (2016) already includes 35 manufacturing facilities, 1 fabric mill powered by green energy, 15 major manufacturing firms from China, Ethiopia, Indonesia and United States. Aims to employ 60,000 people at full capacity and generate export revenue of USD 1 Billion annually.
- 9 Industrial parks are under construction with the aim to boost exports, generate knowledge, transfer skills and job creation

## ❑ KENYA

- New Business laws signed in 2015 which gives incentives to foreign investors to establish SEZ's (Special Economic Zones) focused on manufacturing.

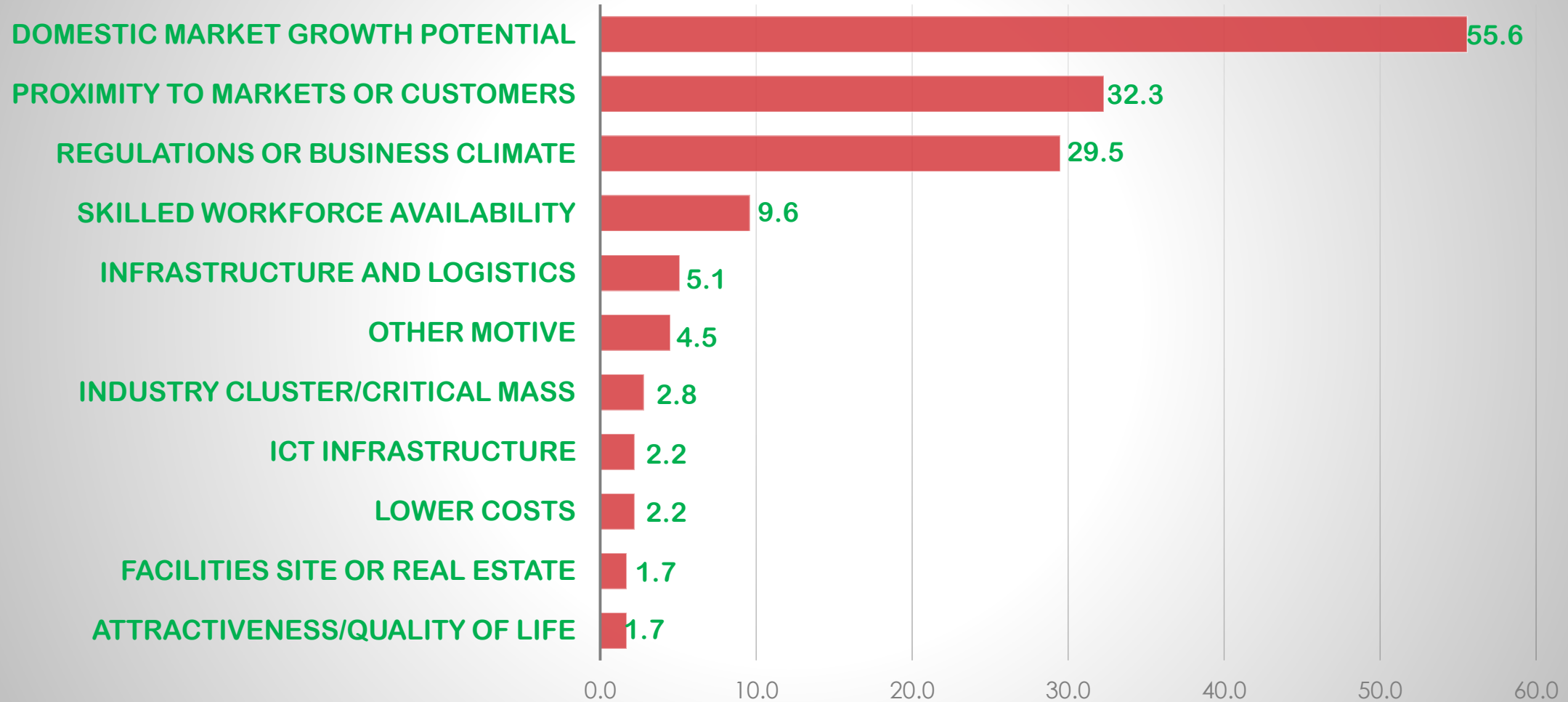
## ❑ EGYPT:

- In 2016, The Egyptian government and China Fortune Land Development Company signed a USD 20 Billion deal to develop and manage 5,700 hectares east of Cairo.

❖ As at 2016, China has invested more than **USD 30 Billion** in greenfield projects across Africa

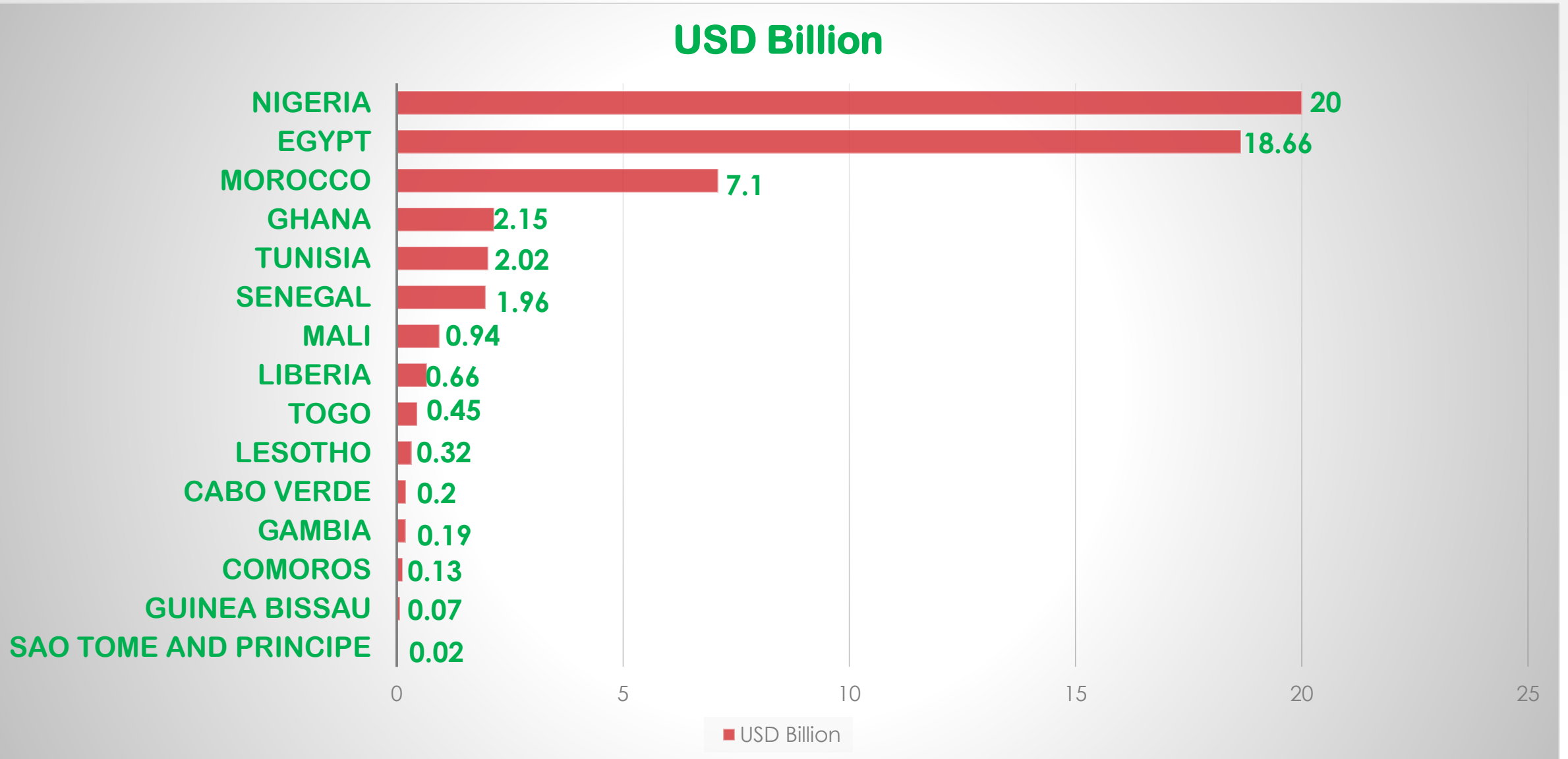
# Determinants for FDI in Africa 2015-2016

Percentage



Source: AfDB and fDi Markets (2017)

# Top Remittance Recipient Countries as at 2016





# Trade and Regional Integration

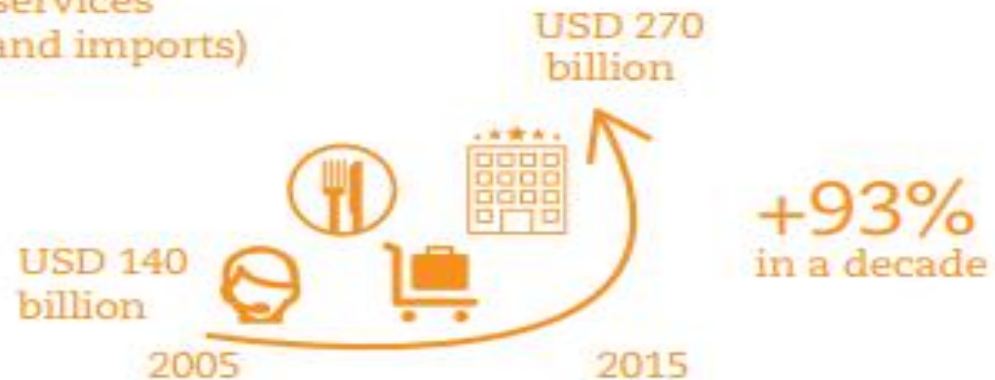
1 out of 4 African countries  
rely on 1-2 commodities for 75% or more  
of their export revenues



Overall, export remains  
undiversified

Africa enjoyed  
a steady increase  
in services trade

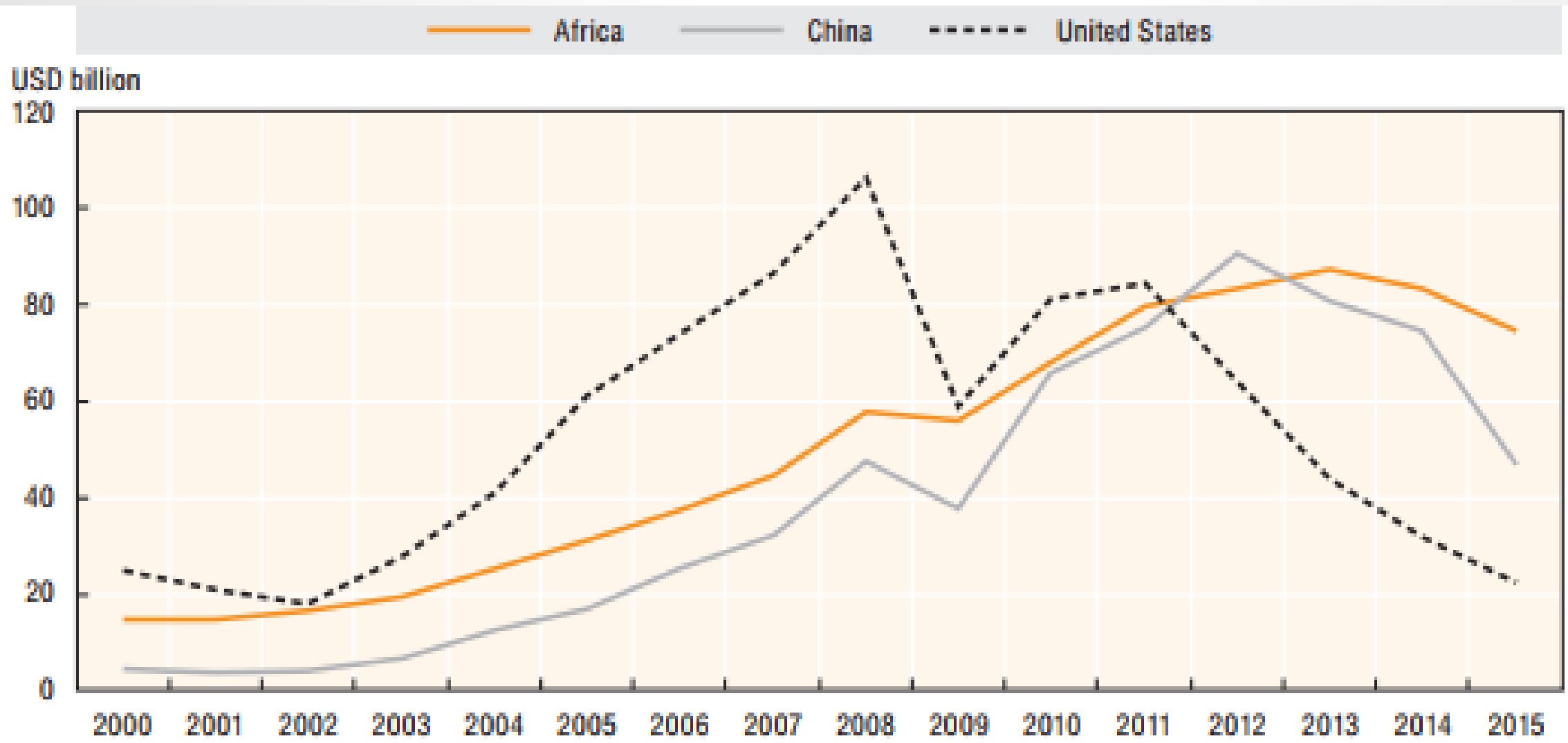
Trade in services  
(exports and imports)



	Total Value of trade in goods (USD Billion)			Share in Africa's global trade in goods (%)			Rank Among Africa's trading partner		
Trading Partner	2000	2010	2015	2000	2010	2015	2000	2010	2015
China	7.3	93.3	135.9	3.0	11.4	15.9	8	2	1
India	6.9	37.5	51.1	2.9	4.6	6.0	9	4	2
France	27.3	53.2	50.1	11.3	6.5	5.9	2	3	3
United States	33.3	98.4	45.3	13.8	12.1	5.3	1	1	4
Spain	11.0	31.6	37.0	4.6	3.9	4.3	6	7	5
Germany	13.3	33.9	34.8	5.5	4.2	4.1	5	5	6
Italy	15.5	33.9	31.5	6.4	4.2	3.7	3	6	7
Netherlands	6.8	29.7	27.1	2.8	3.6	3.2	10	8	8
United Kingdom	13.6	21.3	23.1	5.6	2.6	2.7	4	10	9

Africa’s Main trading partners, Value and Ranking. **Source: AfDB**

# MERCHANDISE EXPORTS FROM AFRICA TO: AFRICA, CHINA, USA



# INTRA-AFRICAN TRADE

- Most African countries rely on unprocessed resource commodities for export revenues: Angola, Chad, Congo, Eritrea, Guinea-Bissau, Nigeria, Libya, Sierra Leone, South Sudan.
- However, Egypt, Kenya, Mauritius, Morocco, South Africa and Tunisia have incorporated some manufactured and relatively high technology products
- Manufacturing can help Africa reduce its imports, increase exports and intra-African trade. It constitutes more than 50% of regional trade in Africa
- Trade between African countries has the greatest potential for building sustainable economic development
- Regional transportation, Infrastructure enhancement, free movement of Africans within Africa and the Private sector are crucial for Africa's regional integration

# REGIONAL FTA'S AND AFRICA

- ❑ The TPP could have adversely affected Africa's trade as it would have given USA the option to substitute Africa's primary commodities with the member countries like Chile, Mexico, Peru or Vietnam who possess better international packaging and labelling standards.
- ❑ The RCEP includes China, Japan and India, all major trading partners for Africa and could lead to a significant drop in Africa's exports to these partners. It could be larger if the agreement allows for free movement of people and capital across borders
- ❑ Brexit is unlikely to have a negative impact on trade between the UK and Africa as it's share of trade with Africa fell from 8% in 2001 to 3.6% in 2015. More so, more African countries are renewing trade commitments with the EU (ECOWAS 2016, East and Southern Africa in 2017)
- ❑ A Continental Free Trade Agreement (CFTA) will strengthen Africa's position and appeal as a global trading partner.

# PART 2

## ENTREPRENEURSHIP AND INDUSTRIALIZATION



DID YOU  
KNOW?



More people start a new business  
in Africa than in LAC or Asia



## Who are the African entrepreneurs?

Young



36 in Asia

35 in LAC

31 years old  
on average in Africa

African  
women  
are twice as  
likely to start a  
business than  
women  
elsewhere



Mostly  
in services

Top early-stage  
entrepreneurs:



Trade, hotels  
and restaurants



Agriculture,  
forestry and fishing



Manufacturing

Innovative



20%

of new African entrepreneurs are introducing  
a new product or service



# ENTREPRENEURSHIP IN AFRICA

According to a report by the African Development Bank in 2017:

- Every year, between 2015 and 2030, 29 million new entrants will join Africa's labour force
- 22% of Africa's working age population are starting new businesses, the highest rate in the world
- Firms with fewer than 20 employees and less than 5 years experience provide the most jobs in Africa's formal sector
- 44% of African entrepreneurs start businesses to exploit opportunities in the market while 33% do so because they cannot find jobs.

# INDUSTRIALIZATION IN AFRICA

Despite impressive economic growth, the share of manufacturing in Africa's GDP has declined



## A new look at industrialisation in Africa

Looking ahead, new opportunities are emerging for Africa's industrialisation



26 African Countries have a National Strategy on Industrial development as at 2016, and 19 of those target light manufacturing

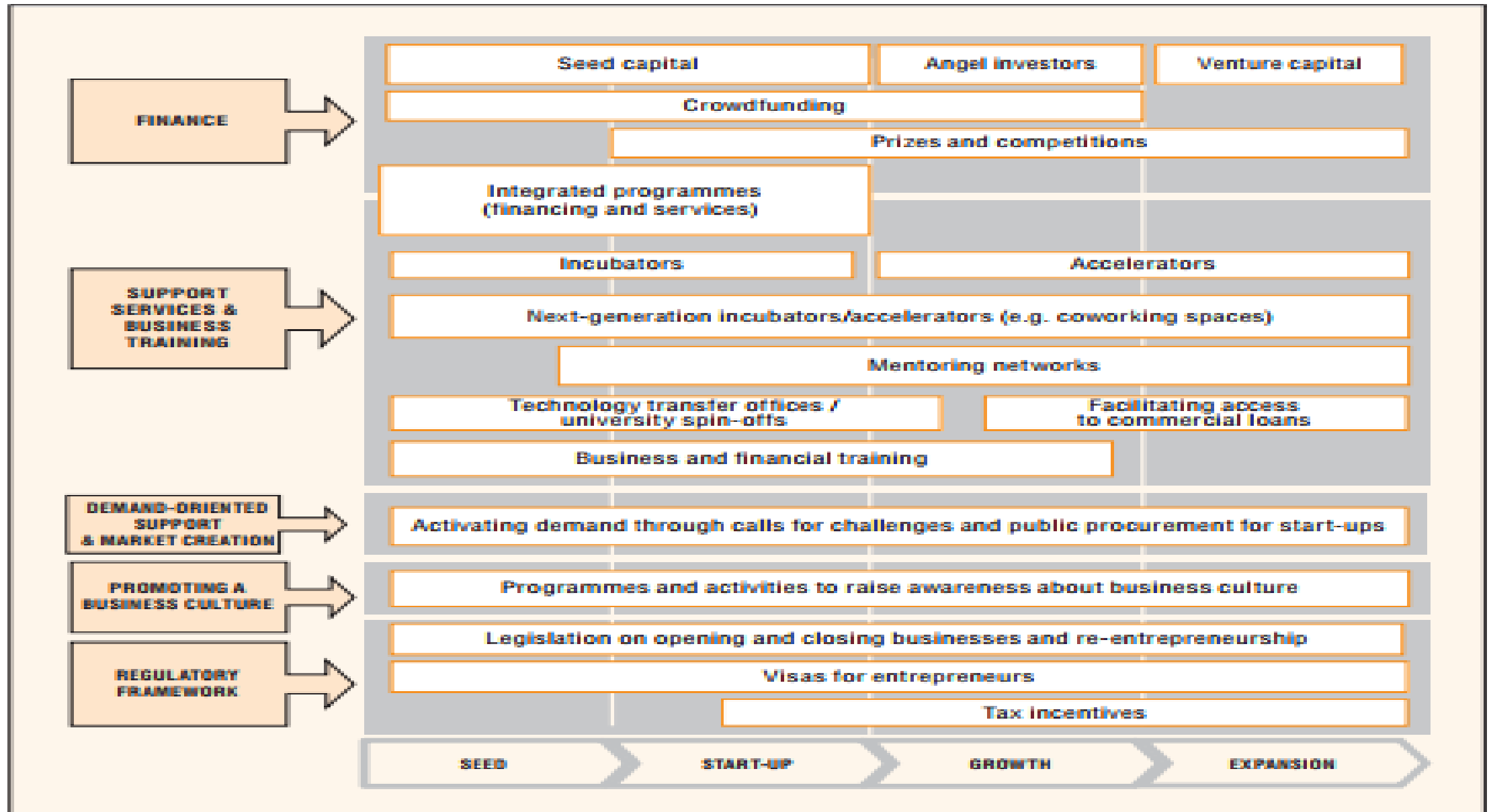
Botswana, Ghana, Mauritius and South Africa rank higher in their capability to implement industrial policies than some Asian Competitors

In Ethiopia, federal and regional agencies work together with municipalities to provide management training and facilitate financing for SMEs.

# Strategies and Initiatives to foster Entrepreneurship in some African Countries

COUNTRY	STRATEGIES AND INITIATIVES
Algeria	National Agency for Investment Development, National Agency for SME Development
Botswana	Citizen Entrepreneurial Development Agency
Burkina Faso	National strategy for the promotion of women's entrepreneurship
Egypt	General Authority for investment (Small and medium enterprises
Nigeria	National Policy on Micro, small and Medium Enterprises
South Africa	Youth Enterprise Development Strategy
Zambia	Micro, small and medium enterprise development policy

# Policy Mix to support Entrepreneurship



# Improving Africa's entrepreneurship for its industrialisation



## Improving skills

Share of students in secondary education enrolled in vocational programmes:



## Grouping business clusters

Benefits:



## Improving access to funds

Proportion of working capital financed by banks in Africa:



- Policies that facilitate business for entrepreneurs
- Better infrastructure and a supportive business environment
- Policies to upgrade firms from the informal to the formal sector
- Inclusive financing
- Policies aimed at improving skills
- Promoting or encouraging business clusters
- Cooperation between governments, development partners and the private sector

# Examples of Active Start-up Incubators in Africa (2016)

Country	Hub
Algeria	Pépinières d'entreprises (under the Ministry of Industry and Mines)
Angola	National SME Support Institute
Benin	e-TRILABS, Jokkolabs Cotonou
Botswana	Botswana Innovation Hub, First Steps Venture Center
Burkina Faso	Yam Pukri, Jokkolabs Ouagadougou
Cameroon	ActivSpaces
Congo	BantuHub
Côte d'Ivoire	Jokkolabs Abidjan, W Hub, Akendewa
Congo, Dem. Rep.	Mwasi Tech Hub, Imani Hub
Egypt	Cairo Hackspace, The District, Flat6Labs
Ethiopia	IceAddis, xHub Addis
Gambia	Jokkolabs Banjul
Ghana	mFriday, Meltwater Entrepreneurial School of Technology, gSpace
Kenya	iHub, mLab East Africa, GrowthAfrica
Liberia	iLab Liberia
Madagascar	I-Hub Malagasy, Habaka, INCUBONS, Centre d'Excellence en Entrepreneuriat (CEENTRE), Century Reliable Partners (CRP)
Mali	Jokkolabs Bamako
Malawi	mHub, Malawi
Mauritius	Ebene Accelerator
Morocco	Jokkolabs Casablanca, New Work Lab, Espace Bidaya, Pitch Lab, Dare Inc
Mozambique	MICTI Technology and Business Centre
Namibia	Namibia Business Innovation Centre (NBIC), Fablab Namibia
Nigeria	LS Lab, Co-creation Hub, Wennovation Hub
Rwanda	kLab, The Office, 42Kura
Senegal	Jokkolabs Dakar, CTIC Dakar, Africa Living Lab, E-Cover
Seychelles	Providence Industrial Estate (includes the micro-enterprise complex "Leve Debrouye")
Sierra Leone	AFFORD Sierra Leone
South Africa	Jozihub, Capetown Garage, Black Girls Code, Shanduka Black Umbrellas, Raizcorp, The Innovation Hub
Sudan	Family Bank has a consortium with Sudan University of Science and Technology (two locations), Graduate Employment Fund (two locations) and Agricultural Research Corporation (two locations)
Tanzania	Kinu Innovation and Co-Creation Space, TANZICT
Togo	Woe Lab, Ecohub, Innov'Up
Tunisia	Wiki Start-Up
Uganda	HIVE colab, @TheHub Kampala, The Outbox Hub
Zambia	Bongohive Zambia
Zimbabwe	Muzinda Hub, Emerging Ideas, Neolab, Moto Republik

Source: Adapted from World Bank (2016b) and contributions by AfDB country economists.