
2. Topic: Challenges and Opportunities of Entrepreneurship Capacity Development in Africa

3. Date: 06 – 07 – 2012

4. Dr Donald Kaberuka, President of Africa’s Development Bank, Members of the ADB Board of Governors, Distinguished Ladies and Gentlemen:

5. Our continent has been described as the last frontier of “human development.” The central
rationale for your bank’s creation and continued existence, is to marshal and efficiently deploy resources on sustained basis, to assist Africa and all its nations and peoples to overcome its welter of underdevelopment within the global community.

6. Until recently, the Bank’s clientele was exclusively the governments and public sector of the continent.

7. Again, until quite recently, the major preoccupation of most of the governments of Africa, especially those of the south the Sahara, has been how “to move” the rather lethargic, bureaucratic, over-manned and inefficient public sector in all its institutions and functions.
8. The private sector, especially, the indigenous private sector, has thus been marginalized in the scheme of things of governance.

9. Indeed, the indigenous private sector, which constitutes by far the most populous portions of society, is left unaccounted for in the statistics of the economies and termed “informal.”

10. It has remained largely subsistence and artisanal. This is in spite of the fact that everywhere on the continent, it predominates the traditional markets as “petty traders,” “subsistence farmers,” “tinkerers,” “hawkers” and “casual labourers.”

11. Its main access to credit is the proverbial “usurious money lender.” The subsistence farmer is also virtually enslaved by the so-called
“middle-man” and also significantly, many a time by the governments themselves, who dictate the pricing for his produce.

12. These “small people” constitute more than seventy per cent of the population of Africa. They are effectively left outside the framework of government contracts, banking services, official statistical and tax coverage, insurance protection and more or less treated like “second class” citizens in their own countries.

13. The reality, however, is that it is the resilience and the resourcefulness of this informal private sector of self-employed and risk-taking uncounted individuals which sustain the statehood of many an African nation.

14. The proof of this abounds everywhere in Africa. In Ghana, the mono-crop cocoa that has
sustained the economy over the past hundred years has been farmed by small farmers doing averagely not bigger than three to five acres each.

15. The traditional markets in our towns and villages trading foodstuffs and basic household essentials are populated by womenfolk operating on their own small savings and usurious credit without any insurance coverage.

16. These “small people” avail their children with education and healthcare from their own resources in large measure.

17. Probe the background of many a politician, academic, professional and emerging middle classes; and the evidence is stark of the
immense contribution of the largely illiterate parent to shaping them.

18. The point being made here is that Africa is not bereft of entrepreneurship talents. Rather, it is the leadership and governance mechanisms of our states that must be rudely awakened to the reality of the talent so as to sincerely support and nurture it to fully play the role of the “engine of growth” and job creation of the economy and society.

19. For avoidance of doubt as to the existence of the entrepreneurship talent, its essence must be stated as the attitude to envision the market demands for and value of a commodity which the supplier in this case, the entrepreneur risks capital, time and effort to meet.
20. It is the risk of this vision not being realized in the market that makes that small trader or artisan an entrepreneur. Relatively, at their level the risk of losing may be even more devastating than that of a bigger venturist.

21. So Mr. President, the talent abounds.

22. The main factors for retarded growth include: a) historical trap, b) political blinkers, c) overwhelming and complicated market new forces, and d) lack of support from government for rapid adaptation by the native entrepreneur to the rapidly engulfing global market forces.

23. The political challenge which is subsumed under historical challenge, has been mutating since colonial times still, persists:
24. i) The pre-independence era skewed the economies to providing raw materials for the colonial metropolises.

25. ii) The authorities, collaborating with then major European companies such as, the United Africa Company, C.F.A.O; the mining companies and banks such as Barclays Bank and Bank of West Africa, absolutely dominated the import and export trade; and frowned on indigenous enterprises that showed any promise of growth. So entrepreneurial talent remained poorly.

26. iii) Into independence, the pioneering African governments did not acknowledge the necessity for the indigenous private sector to play a serious role in the post-independence construction of the new states. On the
contrary, they, exhibiting ideological propensity, whether genuine of pretended, more often than not, attacked the budding entrepreneurs as “capitalist roaders” and “imperialist stooges,” and then confiscated or destroyed their businesses.

27. iv) The military dictators who succeeded most of the pioneering leaders just refused space to the development of the budding entrepreneurs whom they proceeded to out-rightly destroy.

28. v) In Ghana, banking confidentiality was officially breached with anybody with substantial deposits being hauled before commissions of enquiry to show how they got the money. This was as recent as 30 years ago. Some indigenous manufacturing companies were blacklisted by the government which
instructed the public not to patronize their products.

29. vi) Poor macro-economic management, including indiscriminate and excessive government borrowing domestically crowded out the private sector which then had to borrow at the unimaginably high rate of 52 per cent. This was just over a decade ago. Business start-ups and even some matured ones could not be sustained.

30. Successive governments seemed more comfortable with foreign companies in their exercise of patronage over contract and procurement issues. This they hardly launched any policies to strengthen the indigenous private sector to be competitive.
31. To correct this, the government led established, for the first time in the history of Ghana, the Ministry for Private Sector Development to give real meaning to the oft-touted slogan of Public-Private Sector-Partnership as the cornerstone for the effective and accelerated development of the economy and society.

32. Financially, the capital base of the banks was so narrow, till about six years ago when my government and the Central Bank raised it from $7 million to $60 million, that no one bank could support a proven feasible venture loan of $1 million.

33. Similarly, the Stock Exchange had restricted floatation with such high threshold demands that it was not option for aspiring
entrepreneurs. Venture capital market was introduced within the past decade rather cautiously and is yet to make the necessary impact on entrepreneurship development.

34. The Rural Banking system with national coverage to cater for the rural economy of small farmers and artisans was established in the 1970s.

35. Within the past decade, the Apex Bank was launched to exercise regulatory authority over rural banks to ensure best uniform practices among them to benefit their customers and articulate the saving habit in the rural communities.

36. Finally, the government launched the Micro and Small Loans Scheme within the past decade to give access to credit to the grassroots
economic operators, otherwise known as the “informal sector” at affordable rates in order to facilitate their entry into the “formal sector.”

37. Psychologically and culturally, there have been formidable barriers to entrepreneurial capacity development dating back to the colonial times, and which still persist in many of our nations, to sap the self-confidence of the entrepreneurial class.

38. It requires well-thought out government policies, including education at all levels, contract and procurement, tax regimes, concessioning and even affirmative lending mechanisms a la mode of Malaysia’s Bumi Putra, to break down the barriers.

39. Public sector bureaucracy with licensing new companies and also with payments for jobs
already executed by the “small contractors” and further with clearing of imports at Customs department, engenders untold corruption and discourages and saps the creative energies and initiatives of the private sector.

40. Overall, with the raging globalization of the market which is hall-marked by competition, the only chance of entrepreneurial survival is efficiency of both product and pricing.

41. Technological know-how and informative knowledge of the market are critical as access to capital.

42. The indigenous entrepreneur by himself is so seriously handicapped by history and lack of practice.
43. But his failure automatically, is also the failure of his nation which becomes the “dumping ground” for imports which could otherwise have been produced competitively locally and which would have enhanced sustained job-creation and employment locally.

44. Therefore, it behoves the public and private sectors of the economy to join forces to strengthen and deepen entrepreneurial capacity as the main agency for nation venturing in the international market successfully.

45. Mr. President, it is significant that the African Union launched the New Partnership for Africa’s Development (NEPAD) on this basis.

46. For Africa to get and secure its fair share of the market, it may be necessary to enter into
partnerships that ensure harnessing know-how, capital and market for competitive advantage.

47. The critical mechanism to enlist such partnership is efficient and effective NEGOTIATING SKILLS, which the government within their REGULATORY AUTHORITY, should assist their private sectors with even as the latter enters into partnerships with their foreign counterparts.

48. For success, material interest and enlightened self-interest must be the watchwords.

49. The Opportunities that would issue fro, the institutionalization and practice of the concept of Public-Private Partnerships as the cornerstone of Africa’s Development will be legendary.
50. The Continent abounds in practically all the raw materials requisite for sustained industrial, agrarian and economic transformation for its peoples.

51. It has the potential to become the single biggest market in the world in the foreseeable future. This is why currently it is being courted from the East to the West.

52. Now more than ever, it requires leadership of insight both in its political as well as its financial and intellectual institutions to guide it mainstream itself into globalization.

53. Mr. President, Ladies and Gentlemen, the African Development Bank is playing its part by diversifying its products with necessary guidance, efficiently but affordable for both the governments and private sector of Africa.
54. Long Live the Bank. Thank You: