FACILITATING ENTREPRENEURSHIP IN SUB-SAHARAN AFRICA: WHAT GOVERNMENTS CAN DO?

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Abstract: On the basis of a review of the literature and analysis of the prevailing internal and external conditions in Africa, this chapter identifies the factors that impact entrepreneurship in the continent. The articles reviewed for this work are those deemed relevant for the African situation. By adapting policy recommendations available in the literature to the prevailing socio-economic conditions in Africa and also by introducing new ones, this chapter proposes a set of specific interventions that African governments may initiate to stimulate entrepreneurship in the region. The proposed policy interventions include creating a more business-friendly climate, building entrepreneurial and institutional capacity, minimising bureaucratic barriers, elevating the stature of entrepreneurship and facilitating the creation of national and global linkages and networks for African entrepreneurs. Implementing the proposals advanced in this chapter, as adapted to the specific conditions in each country, could have significant implications for new business creation, employment development and economic growth in Africa. It could also provide a basis for future empirical studies that assess the relative effectiveness of specific policy interventions in promoting entrepreneurship in Africa and other developing regions.

Keywords: entrepreneurship in Africa; entrepreneurship in Sub-Saharan Africa; entrepreneurship and government role in Africa; entrepreneurship and government role in developing countries; entrepreneurship and economic growth in developing countries.

INTRODUCTION

Despite the presence of great poverty in countries such as China and India, their economies continue to grow rapidly, while the stark reality is that many African countries are slipping deeper into poverty. The average per-capita income in sub-Saharan Africa today is lower than it was at the end of the 1960s. Freeman and Lindauer's paper reported that out of 688 million people in sub-Saharan Africa in 2003, "only 35 million people reside in nations that had higher incomes in 1995 than they had ever reached before" (as cited in Mbeki, 2005). Between 1975 and 2004, while GDP per capita in South Korea quadrupled and that in Malaysia tripled, Nigeria's per-capita income declined

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by a tenth (Prahalad, 2005). Not only have incomes declined, but also this has been accompanied by increasing inequality, creating a large rise in poverty.

Various approaches are being advocated to alleviate this poverty and help poorer African countries to achieve the UN's Millennium Development Goals. The G-8's recent emphasis is on debt relief and aid for Africa, and their initiatives have received a lot of publicity thanks to recent events such as the global Live 8 concerts. Others have emphasised the need for trade and allowing African producers unfettered access to global markets, particularly in large industrialised countries, as an important component of fostering economic development in the continent.

While many of these proposed solutions take a macro-economic view, it is important to also consider the role that the private sector, particularly small businesses, can play in generating jobs, creating wealth and contributing to economic growth. Paul Martin, co-Chair of the UN Commission on the Private Sector and Development (CPSD), Canada's former Prime Minister and ex Minister of Finance, believes that "every single country that has succeeded has done so because of the success of its own small and medium-size business sector" (Kurtz, 2003, p.18). Prahalad (2005) echoes this view, arguing that

> "leaders in private, public and civil-society organisations need to embrace entrepreneurship and innovation as antidotes to poverty. Wealth-substitution through aid must give way to wealth-creation through entrepreneurship."

Economic growth and the creation of entrepreneurial job opportunities are also necessary to reduce the social tensions and frustrations that were seen as one of the root causes of the rioting by African and Arab immigrants in France in late 2005 (Dickey, 2005).

The CPSD's focus,

> "to identify and address the legal, financial and structural obstacles blocking the expansion of the indigenous private sector in developing nations – especially in the poorest regions and communities in those countries" (http://www.undp.org/cpsd/background/index.html), makes clear the value attached to the private sector by international organisations such as the UN and the role it can play in economic development and poverty eradication.

The CPSD explicitly recognises the importance of entrepreneurial ventures in achieving some of these goals, particularly in the context of developing countries, although they are the economic backbone even among economically developed countries, accounting for over 95% of the businesses and almost 70% of employment in OECD countries (Schlogl, 2004). Robinson (2004) reports based on South African government data that over 90% of formally registered businesses in the country are small, medium and microenterprises, accounting for 45% of the GDP and 17% of employment. Several sub-Saharan African countries including Rwanda, Mozambique, Madagascar and Angola have been targeted for the early launch of the CPSD's initiatives, which includes starting a national dialogue on what legal, policy and regulatory reforms are needed to help unleash the economic potential that exists in the private sector.

It is, therefore, worth examining how entrepreneurship can be encouraged in Africa and also what can be done to increase the survival rate and support the growth plans of small businesses already in existence. Several factors have been identified that drive individuals to create new businesses. These include inborn factors such as values and personality traits that motivate people to seek self-employment, as well as certain aptitudes and skills that can be learned. Resources such as financial, human and social capital that may come from the external environment are also critical to new venture creation and growth.

In the African context, however, given the history of the dominance of the state sector and experiments with post-colonial socialism in the non-farm sector in most countries, the private sector is generally relatively weak despite recent efforts at privatisation. Also, many governments feared the threat to their power that might be posed by a vibrant private sector. As a result, even if individuals are motivated to become entrepreneurs, African governmental policies can potentially be major contributors to new venture success, either passively by removing barriers to private sector initiatives, or actively by encouraging and supporting them. The issue then becomes one of determining how best to harness the power of Small- and Medium-sized Enterprises (SMEs) so that they can be the engine that drives the economies of sub-Saharan African countries. There are those that argue that structural problems such as corruption, bureaucratic hurdles, and 'predatory political elites' (Mbeki, 2005) create a business climate in Africa that does not reward individual enterprise and can in fact discourage new venture creation. In this regard, initiatives by Africa's political leaders such as the New Partnership for Africa's Development (NEPAD), if implemented, are important steps in building the economic infrastructure and creating the right environment for entrepreneurship to flourish.

This chapter begins with a discussion of the recent economic and regulatory trends in Africa, followed by a review of the literature to identify the factors that are thought to drive individuals to start businesses, including internal as well as environmental factors. We then examine the evidence from Africa as it relates to these drivers. We conclude by proposing some specific actions, direct and indirect, that can be taken by governments to influence the internal, external and environmental factors that drive entrepreneurship.

AFRICA'S ECONOMY AND THE ROLE OF THE PRIVATE SECTOR

Although Africa's economy has recently been showing signs of growth and progress, most African countries are well below the 7% growth rate required to achieve the major Millennium Development Goal of halving poverty by 2015, according to the UN's Economic Commission for Africa (UNECA). Only five achieved this rate – Angola, Burkina Faso, Chad, Equatorial Guinea and Mozambique – while several others including Zimbabwe and Cote d'Ivoire recorded negative growth in 2003 (http://www.uneca.org/era2004), largely a consequence of political instability. The continent's GDP grew at 3.8% in 2003 compared with a 4.3% growth for developing countries as a whole in the same period. While foreign direct investment grew from $11 billion in 2002 to $14 billion in 2003, mostly in natural resources, Africa receives a mere 2% of global FDI inflows and is dwarfed by the amount that is being invested in countries like China. Encouragingly, some investments are now being made in newly privatised industry sectors such as transportation as well as in services such as communication and banking. As with many other developing areas, bribery continues to be a major impediment to investment in Africa. Unsurprisingly in a continent so large and diverse, there are huge regional variations in GDP growth rates across the Africa. The UNECA also reports that in 2003, East and Southern Africa grew at rates below that of continental average with sub-Saharan Africa recording a 3.1% growth. Much of the rapid economic growth in Chad and Equatorial Guinea is as a result of the massive increase in oil production.

The earlier discussion highlights Africa's economic growth because there is compelling evidence that GDP growth is associated with measurable declines in the rate of poverty. Annual growth rates of 6.4% in East Asia resulted in 15% declines in poverty with corresponding figures of 3.3% growth and 8.4% poverty decline in South Asia. Negative economic growth rates in sub-Saharan Africa have actually resulted in a poverty increase (http://www.undp.org/cpsd/documents/report/english/chapter1.pdf). While the assertion has been made earlier in this chapter, citing mostly anecdotal evidence, that private investment is linked with economic growth, the empirical evidence is worth examining in that regard. Bouton and Sumilinski (2000) report, based on an examination of data from 50 developing countries between 1970 and 1988, that countries with higher growth also had higher levels of private investment (as cited a report of the CPSD, http://www.undp.org/cpsd/documents/report/english/chapter1.pdf). The private sector is already active in many poorer countries, often in ways not captured by official statistics, providing health, education and other services in areas where the government is frequently unable to reach. For instance, it is estimated that 80% of the non-agricultural workforce in sub-Saharan Africa is informal.

There is a general consensus that several factors influence a country's ability to compete successfully globally. The UNECA developed a Trade Competitiveness Index (TCI), which is a composite of multiple indicators that measure how conducive the economic and political environment is, the availability of resources to produce goods and services and the existence of the necessary infrastructure in terms of transportation, power and communication networks. Their analysis reveals that of the 30 African countries studied, Mauritius, South Africa, Namibia, Tunisia and Gabon are the most competitive as measured by TCI. Not surprisingly, countries with high TCI are also successful exporters. While indicators such as the TCI and other indices, such as the Growth Competitiveness Index and the Business Competitiveness Index (World Economic Forum, 2002), are useful indicators of nations' abilities to compete, they are only proxy measures that indicate the degree to which countries create favourable environments and conditions in which entrepreneurship can flourish. They are, however, useful pointers of the fact that the political and regulatory climate in African countries, and most sub-Saharan nations with the exception of South Africa, is generally not business-friendly. This assertion is supported also by the World Bank's 2006 Doing Business Report, which suggests that African entrepreneurs face significant legal and regulatory hurdles. The EIU Views Wire (2005) reports that

> "for every three sub-Saharan countries that improved regulation, a fourth made it more burdensome – and this in a region where no fewer than six countries are ranked as the most difficult locations in which to start a new business."

Given the limited ability and capacity of many developing country governments to grow their nations' economies, it is imperative that they allow and encourage the private sector, which is frequently entrepreneurial and dominated by SMEs, to thrive.

ENTREPRENEURSHIP DRIVERS

There is a significant body of literature that has looked into both the individual and environmental factors and conditions that are necessary for successful entrepreneurship. Some of this literature is indeed quite old and can be traced back to 18th and 19th century Europe, especially to France, as can be seen from the fact that the word entrepreneur is actually French in origin. Many of the early writers did not explicitly recognise the role of the entrepreneur as distinct from that of the capitalist, but that began to come later. Even today, there is some disagreement as to what an entrepreneur actually is, although many in the field agree that starting a business 'from scratch' is one of the key indicators of entrepreneurship.

If the entrepreneurial energy of individuals in Africa and other developing areas is to be properly harnessed, the natural starting point is to understand the factors that drive, and hinder, entrepreneurial pursuit. It has been pointed out that there are several factors that 'pull' individuals towards starting new businesses and others that 'push' them in the direction of entrepreneurship. The desire for financial success and independence, family tradition, motivation to help others and the desire to create new products are some of the pull factors. The lack of job opportunities, insufficient education and skills, and economic need often push people to seek self-employment. In fact, it is often said that there are many 'necessity' entrepreneurs in Africa – people who start microbusinesses to supplement their salaries or open small retail shops because that is the only way for them to make a living. As was mentioned earlier, many of these businesses are informal and subsistence-level, with the informal sector in some African countries accounting for a substantial portion of the non-agricultural GDP (Charmes, 1999). Mitchell (2004), citing Kuiper's (1993) study, reports that this economic motivation is particularly significant among African women entrepreneurs. Spring and McDade (1998) report that only 2% of African businesses have ten or more employees although there are also some medium and large-scale businesses that have wealthy founders and educated and professional managers.

Psychological factors

There is also a long-standing body of literature that has tried to identify the psychological attributes associated with entrepreneurs. Risk-taking propensity has frequently been thought of an important driver although the empirical support for this is divided and far from conclusive. Similarly, there is only weak support for the notion that there is a link between the need for achievement and entrepreneurial performance. Locus of control, however, offers some promise as a personality trait that drives entrepreneurs. This characteristic measures the extent to which an individual considers his or her own fate to be within his own control (internal locus of control) vs. outside of his or her control (external locus of control). Begley and Boyd (1987) have provided some evidence that individuals who started new businesses had higher levels of internal locus of control. Other personality traits such as tolerance for ambiguity, need for achievement and independence have been suggested as important drivers although the empirical support for them is far from conclusive.

Skills and aptitudes

While many of the personality characteristics are generally thought to be inborn, researchers have also attempted to identify the skills that are necessary for successful entrepreneurship. Some abilities may indeed be innate as well, or learned from experience, although many are thought to be skills that can be acquired through education and training.

Herron (1990) suggested that the following seven skills were needed for starting and succeeding with a new venture: product/service design, business, industry, leadership, networking, administrative and entrepreneurial. In addition to these, Baum and Locke (2004) have recently proposed that entrepreneurs also need the ability to acquire operating resources. Leaving aside for the moment the issue of which specific skills are needed to be a successful entrepreneur, the generally accepted view appears to be that training and education can sharpen aptitudes and therefore provide individuals with a usable skill set. With experience and the opportunity to practise these skills, entrepreneurs can learn to become more effective. In that respect, skills can be honed and improved, unlike psychological traits that are deep-seated, and therefore more stubborn. The increasing popularity of entrepreneurship courses and programmes at US universities, and the prevalence of training workshops offered by governmental and private entities provides additional evidence of the belief that certain skills are not only needed by entrepreneurs, but can be acquired.

For many developing countries, and most African ones, the problem with regard to skills is far more fundamental. Low literacy rates (estimated to be 38% in Ethiopia in 2000) and low levels of secondary and tertiary school enrolment, coupled with insufficient government spending on education, mean that would-be African entrepreneurs face serious challenges. In fact, the poor state of the labour and human capital in most of sub-Saharan Africa (e.g., Mali, Malawi, Zambia) is an important reason for their being ranked near the bottom by the UNECA in terms of their TCI. As a result, the higher-level skills needed by entrepreneurs are a low priority for African governments in light of the basic education challenges they face. The problem is further exacerbated by the brain drain – the CPSD reports that the brain drain for Africa has been 6% since 1990, with over 300,000 African professionals living and working in Europe and North America (http://www.undp.org/cpsd/documents/report/english/chapter2.pdf). Often these are potential entrepreneurs who leave their homelands and become successful in more entrepreneur-friendly societies. Obviously, this further depletes the pool of skilled individuals. The CPSD explicitly recognises access to skills and knowledge as one of the three 'pillars of entrepreneurship' it believes to be essential (the others are a level-playing field and access to financing) and investment in human capital "a prerequisite for sustained economic growth and central to the start-up, growth and productivity of firms" (http://www.undp.org/cpsd/documents/report/english/chapter2.pdf).

Resource needs

It is generally accepted that financial resources are needed both for starting as well as for growing a new business. Clearly, no amount of motivation and the acquisition of skills can make up for the lack of finance. In fact, many small entrepreneurs in developing countries are not able to expand because of financial constraints. There are several reasons for this, including low rates of domestic incomes and therefore savings (the UNECA reports that 27 out of 49 countries had savings to GDP ratios of less than 10% in 2001), weak financial and banking sectors, lack of collateral to use for borrowing, poorly functioning capital markets, and insufficient credit information, which especially harms small borrowers.

While microfinance initiatives have grown, lack of access to financing remains a significant barrier to would-be entrepreneurs in developing countries.

Studies have pointed to the importance of social networks as another important resource. They are often a source of lower cost and more committed labour, informal capital and information, especially among tightly connected extended family, tribal and clan groups. Evidence from Europe and North America has shown that for immigrant entrepreneurs who often cannot borrow from banks, these networks are a vital source of finance, and in the case of retail businesses, constitute a significant chunk of their customer base.

Business climate

Another commonly recognised constraint to entrepreneurship in the developing world is the external environment, which not only does not actively encourage business start-ups, but also frequently acts as a hurdle. The brain drain mentioned earlier, and the evidence showing high rates of entrepreneurship by immigrants – in the UK (Basu, 1998), the USA (Yoshihashi and Lubman, 1992), the Netherlands (Boissevain and Grotenbreg, 1986) and in Canada (Johnson, 2000) – provides a powerful reminder of the role the business climate can play in fostering such activity.

The CPSD in fact believes that several factors that constitute the business climate such as the global and domestic macro-environment, the physical and social infrastructure and the rule of law make up the very foundation that is necessary for the private sector to flourish (http://www.undp.org/cpsd/documents/report/english/chapter2.pdf). They argue that the 'pillars of entrepreneurship' mentioned earlier can only be built on top of this foundation. Some of the impediments they see are protected markets, agricultural and other subsidies and tariffs and other barriers to free trade. On the domestic front, political and economic stability, transparency and accountability and good governance are key prerequisites to fostering a healthy business climate. In Africa, initiatives such as the NEPAD have been announced that intend to address many of these issues. The availability of a physical infrastructure – transport, power, water, communications – as well as a social one that provides adequate levels of health and education is another part of the necessary foundation. Finally, while the rule of law is essential to providing a fair and level-playing field, burdensome legislation that is onerous and adds hugely to the cost of compliance and reporting can kill business initiative. It creates an environment that allows corruption to breed, another problematic aspect of the business climate in many parts of the developing world – sadly, poorer countries are often the most corrupt. The World Bank reports that procedural and licensing rules to register a business in lower and middle-income countries are more complex, take longer, and are more costly than those in high-income countries. A startling example of this is provided by the CPSD, based on World Bank data, that it costs US$ 5531 to start a business in Angola (eight times the annual per-capita income) vs. US$ 28 in New Zealand (less than 1% of the per-capita income).

THE EVIDENCE FROM AFRICA

It should be pointed out that very few studies of the factors that influence entrepreneurship have been conducted in Africa. Most of the research discussed and reported here took place in the USA or Europe, although immigrants from Asia, Africa and other regions may have been part of the sample. As a result, the question of whether these findings can be generalised to other parts of the world is quite germane, particularly given the role culture plays in under-girding many of the issues of interest here.

While findings from other parts of the world may not be easily transplanted into Africa, it is important to keep in mind Africa's diversity as well. With over 50 countries, and numerous religious, linguistic, tribal, ethnic and racial groups, often within the same country, lessons learned in one region of the continent may themselves not be applicable elsewhere within the region. Not surprisingly, research has shown differences in entrepreneurial effectiveness between Nigerian ethnic groups (LeVine, 1966) and African blacks, Europeans and Indians in sub-Saharan Africa (Ramachandran and Shah, 1999) for example.

Mitchell (2004), based on a sample of South African entrepreneurs, identified the following motivation factors as most important: security for self and family, to keep learning, contribution to success of company, need for more money to survive and freedom to adopt own approach to work. Kiggundu (2002) provided a thorough review of the literature on African entrepreneurship and reports on studies that have been conducted in Ghana, Nigeria and Seychelles. He pointed out that the cross-national study conducted in five African countries by Freese (2000) and his colleagues showed the important impact of psychological variables on the performance of small firms.

The literature from Africa on progress made with regard to resource provision and improving the business climate shows that much work still needs to be done. Despite the lofty rhetoric of NEPAD and initiatives by individual countries to create political and economic stability, ease regulatory burdens, improve infrastructure and streamline the bureaucracy, many are beset by capacity constraints and other institutional problems. Malawi, for example, has seven policy strategies that, if implemented, would provide the necessary foundation for the private sector and even some of the pillars for entrepreneurship identified by the CPSD, referred to earlier in this chapter. However, staff shortages, inadequate office and other facilities, duplication of efforts and the inability to attract qualified people has meant that many of the government ministries charged with providing SME assistance could not implement these goals (Masten and Kandoole, 2000). On the other hand, some countries such as South Africa are trying to reform their tax laws to provide relief to small businesses (Klein, 2005).

As indicated earlier, the role of Small, Micro and Medium-Sized Enterprises (SMMEs) for economic growth and job creation is well recognised. While there is no generally accepted formula for classifying entrepreneurial firms into SMMEs, the World Bank classifies microenterprises as those with ten or fewer employees, and assets and annual sales each of US$ 100,000 or less. Small enterprises are those with 11–50 employees and assets and sales each between US$ 100,000 and US$ 3 million whereas medium-sized ones are those with 51–300 employees and annual sales and assets each of US$ 3–15 million (Bridges.org, 2002, p.28).

Of the three types of entrepreneurial firms, there is evidence that medium-sized enterprises are the greatest catalyst for innovation and job creation. In Africa, however, most firms are micro-enterprises started by necessity entrepreneurs, and growing these enterprises to medium-sized firms poses a great challenge mainly owing to the lack of effective strategies that foster the growth of these small startups (http://www.cefe.net/scripts/user1.asp?Sprache=1&DokID=2864). Therefore, African governments have a critical role to play not only in facilitating the creation of new enterprises but also in helping small and microenterprises transition to medium-sized firms so they may have a greater economic impact.

We stress that the role of the government for new enterprise creation and growth is particularly crucial in Africa. There are several reasons for this. First, it is quite clear that in order for the proper foundations to be in place for the private sector to appropriately contribute to economic growth and for entrepreneurial initiative to thrive in developing countries, the governments have to play an active and important role. Second, many of the necessary reforms can only occur as a result of specific actions by the state, such as introducing and enforcing legal and regulatory changes to spur entrepreneurship, even though pressure may come from outside. Third, and arguably most important, the history of many African nations is one of the post-colonial socialism where the government was, and continues to be, a powerful player. It provides much of the employment and investment opportunities and has created massive bureaucratic public sector enterprises that still dominate economic activity. Since most of these are subsidised by the public purse, there was no adequate incentive to develop the skills needed to efficiently manage these enterprises to generate a profit. Protectionist policies ensured that there was no real foreign competition so companies were not pressed to innovate, develop competitive products, control costs and acquire many of the other managerial skills honed by private sector managers operating in competitive economies elsewhere. As a result, when these countries began privatisation and transition to freer markets, the void was filled by foreign multinationals rather than home-grown ones, except in the case of South Africa whose apartheid policies and the resulting international boycotts and sanctions forced the indigenous private sector to develop (Mbeki, 2005).

WHAT GOVERNMENTS CAN DO?

The four important factors that impact entrepreneurship in any environment – psychological factors, skills and aptitudes, resources and business climate – have been identified earlier in the chapter. It was also shown that for entrepreneurship to flourish there should be in place a system of incentives and support mechanisms, good infrastructure and supportive institutions that ensure property rights and enforce contractual agreements (http://www.unu.edu/hq/academic/Pg_area4/Brautigam.html). Unfortunately, however, most developing countries, particularly those in Africa, have been unable to provide favourable conditions for entrepreneurship to thrive. In this section, we will focus on policy interventions that African governments may use to stimulate the successful start-up and management of private enterprise in the continent. These proposals recognise that while the majority of indigenous African businesses are informal, small and subsistence-level, there are also some that are larger and professionally managed. Therefore, government policies need not only encourage new business startups, but also nurture them to survive and grow, while at the same time enabling the existing larger businesses to expand.

Create an environment that fosters entrepreneurship

Much has been written about the need to streamline the bureaucracy, fight corruption, ease burdensome regulatory structures on new and small businesses, enforce the law fairly and transparently and simplify tax codes. Bureaucratic and regulatory bottlenecks not only complicate the ease with which new enterprises are established and operated, but also increase the cost of doing business, decrease the firm's ability to respond to market needs in a timely manner and thus reduce its competitiveness. In Africa, bureaucratic barriers are even more inhibitive. To strengthen entrepreneurship, therefore, African governments must minimise administrative red tape and provide positive business climate. There are a few 'best practices' that need to be expanded and emulated. For example, one-stop shops such as the Tanzanian Business Registration and Licensing Agency have dramatically reduced the time needed to register a business. In Kenya, the introduction of a single permit to start and operate a business has reduced costs for small businesses while increasing the government's revenues. Zambia's unified tax authority has eliminated duplication and unnecessary delay. All of these are examples of the kinds of administrative reforms that will help entrepreneurs and can be implemented easily if there is the political will to do so. The need for these reforms is clear and so is the issue of what needs to be done. Under the aegis of international organisations, pan-African initiatives such as NEPAD and pressure from African citizens themselves, the external environment will begin to respond to the needs of the private sector and of entrepreneurs, if for no other reason than that African governments will see from similar reforms undertaken in South Asia and elsewhere that change is inevitable. Creation of business networks that seek to promote the interests of the private sector by influencing government policy (McDade and Spring, 2005) may help improve the business climate. The timing and pace of the change is far less predictable and clearly some countries will respond quickly and others, where centrally planned economies have taken deeper root and political elites still rule, will be slower to do so.

Enhance entrepreneurial capacity through education and training

African governments need to develop internal capacity to help potential entrepreneurs acquire the skills necessary to identify, plan, launch and operate a business. In a study of content and training methods of SME service providers in South Africa, Ladzani and van Vuuren (2002) found that business skills were emphasised to emerging entrepreneurs rather than entrepreneurial skills. Thus, they argue that by educating entrepreneurs on how to generate and screen ideas and identify opportunities, the success rate of new ventures can be increased. This suggests that African governments need to recognise the importance of effective management for success in the current environment and must take the steps necessary to enhance the competitiveness of their entrepreneurs. These steps may include the following:

- *Develop customised educational and training programmes*: To help nascent enterprises in Africa to survive and thrive, governments need to encourage local institutions of higher education to develop training, research and consulting programmes that will be offered to current and aspiring entrepreneurs covering the critical aspects of starting and managing a business venture. South Africa has already taken such a step to offer formalised skills training with the opening of a virtually free university in Johannesburg, with private sector funding for scholarships for disadvantaged students. It will offer a four-year business degree with an emphasis on entrepreneurship, along with science and technology. The university intends to "provide an African solution to African issues" (Nevin, 2003). Encouraging the creation of business and entrepreneurial education programmes by other African universities and diverting a portion of the education budget to offer scholarships to more promising students is also more likely to pay handsome dividends. To ensure that start-ups have the necessary skills to succeed, seed money and other support mechanisms may be made available for new ventures subject to taking these programmes/ courses.

- *Develop partnerships*: African universities should be encouraged to partner with those in other countries that have a record of developing successful entrepreneurs to strengthen their capacity in this area. For example, pan-African entrepreneurial networks can be established among universities and research organisations so that some learning and sharing can take place across the continent. Some of these start-ups can offer job training and internships for would-be entrepreneurs.
- *Provide incentives to reverse 'brain drain'*: It is estimated that over 300,000 African professionals and academics reside in North America and Europe. Most of these well-trained Africans have been compelled to emigrate from their native countries owing to political strife and, to some extent, better employment opportunities. There is evidence that many Africans in the Diaspora have and would be willing to return to their home countries and invest in new businesses if they believe that the business and political climate has become more stable and welcoming. There is evidence that this is beginning to happen in some African countries (Wax, 2005) but more needs to be done to persuade Africans in the Diaspora to return home and participate in the development of the continent.

Initiate 'social entrepreneurship' through public/private partnerships

There are signs that the traditional approach of providing aid – donor governments providing funds and technical assistance to governments in developing countries – is changing. This is now giving way to a new *social entrepreneurship* model whereby "wealth creation is increasingly seen as a vehicle for social change" (Bridges.org, 2002, p.28) and donors seek to support and strengthen SMMEs through partnership with governments, corporations and NGOs to bring about the desired social change. A study by Bridges.org also indicates that several social entrepreneurship initiatives that assist SMMEs in developing countries have been launched based on public/private partnerships. These initiatives emphasise the application of fundamental business principles, accountability and performance measurement and take different forms: they could be local initiatives established at the community level, national initiatives, or international initiatives established at the community or national level. Such efforts are designed to help create and strengthen new start-ups by providing them with a variety of valuable services including planning assistance, management support, financial support, business incubation facilities, networking and relationship building (Bridges.org, 2002) and can be invaluable to African SMMEs.

Increase the profile of self-employment

Historically, entrepreneurship has not been a career of choice for many Africans, particularly for the educated elite. Studies have shown that most Africans who start their own businesses do so as a last resort and as a means of survival, not as a preferred path to potential wealth accumulation and economic success. Thus, an important issue is how African governments can motivate some of their citizens to pursue entrepreneurship as a viable economic and career option. This is particularly important in view of the fact that high school and college graduates prefer public sector employment owing to job security and that there are increasingly fewer jobs compared with job applicants. By showcasing successful home-grown entrepreneurs as role models and by simplifying the process required to start new businesses, African governments may be able to raise the stature of entrepreneurship among the citizens.

Motivate potential entrepreneurs to start new ventures

Different individuals are motivated to start a business by different behavioural factors. In view of the fact the very act of starting a business is a highly individualistic activity, the government can impact this factor to a lesser extent. Despite easier access to financial resources and a more favourable business climate, for only 2.8% of the US population and 3.3% of Germany's population is self-employment, the primary source of household income (Ladzani and van Vuuren, 2002). It takes a certain kind of motivation (the push and pull factors discussed earlier) combined with particular skills to start a new venture. Both of these are the product of individual desire and effort. On the other hand, availability of resources and the business climate can determine entrepreneurial success. Although it will be a long-term initiative, education programmes can foster some of the personality factors thought to stimulate entrepreneurship such as locus of control, risk-taking, energy level and desire to help others. There is empirical and anecdotal evidence that some of these traits may also be learned as a result of historical and other experiences.

Encourage women entrepreneurs

In many African countries, cultural norms discourage women from undertaking formal business ventures (McDade and Spring, 2005). Arguably, the notable exception here may be engaging in informal microenterprises initiated by necessity entrepreneurs wherein the proportion of women tends to be significant. In view of the fact that women comprise more than half of the population in Africa, it is particularly important that African governments take steps to create the conditions to for women to play a more active role in entrepreneurial endeavours. While it is heartening to see that more women entrepreneurs are beginning to benefit from microfinance arrangements when made available to them, much more remains to be done to further energise their involvement in entrepreneurial activities to spur economic growth and development in Africa.

Creation of networks and linkages

In developed nations, entrepreneurs have access to sophisticated physical and intellectual infrastructure that fosters networking and linkages to national and global partners, an invaluable facility that is seldom available to entrepreneurs in emerging economies. The availability of business networks and clusters helps reduce transaction costs and strengthens entrepreneurs both individually and collectively. While it is the primary responsibility of individual firms themselves to create networks and linkages, SMMEs in Africa lack the financial strength and business sophistication to develop such networks. Initiatives such as West African Enterprise Network, and subsequent ones in East and Southern Africa, were seen as beneficial to their members although the ending of donor funding led to the closing of the ones in West and East Africa (McDade and Spring, 2005). Given the reported benefits of these connections to their members, and despite their shortcomings such as few women members and uncertainty about their impact, this is an idea that has merit and may in fact nurture successful entrepreneurship. In addition to strengthening the private sector, these networks may also have the added benefit of increasing intra-African trade. African governments can, therefore, play a significant role in assisting entrepreneurs to identify potential partners, help them make contracting arrangements, and give them necessary training and guidance that will help individual entrepreneurs maintain and nurture these relationships. For example, governments may create bureaus for the purpose of assisting local entrepreneurs in developing such linkages. The challenge is for governments to support the formation and growth of these networks from the outside while resisting the temptation to interfere with their functioning. The moment they become political and subject to corruption, political cronyism and the like, they will cease to be effective. The government's involvement in such networks is in many ways desirable since policy-makers need input from the private sector to properly understand its concerns and to accordingly initiate changes in laws and regulations that can create the business climate in which new ventures can flourish.

CONCLUSION

Research has demonstrated that private enterprise holds the key to economic growth and development, and that the state must provide an enabling political and economic environment for private enterprise to flourish in developing nations. This chapter has proposed specific actions that sub-Saharan African governments can take to create an environment conducive for entrepreneurship to thrive. These include creating a more business-friendly climate, building entrepreneurial and institutional capacity through training and education programmes, minimising bureaucratic barriers, elevating the stature of entrepreneurship in Africa and facilitating the creation of linkages and networks to help individual entrepreneurs develop and maintain mutually rewarding relationships with their business partners. Some of the suggested interventions are a dissemination of 'best practices' that have been shown to be successful elsewhere, but others can be home-grown strategies that take into account the African context and thus have a better chance of working. It is hoped that implementing these proposals, as adapted to the realities prevailing in each nation, will help entrepreneurs take their rightful place in moving Africa forward.

In this chapter, we stress the role of African governments in promoting entrepreneurship in view of the fact that good governance is at the core of the development agenda in Africa and in other developing nations. Studies have shown that countries with higher degrees of economic freedom and good governance achieve faster economic growth and development. According to the Mercatus Center, the existence of an independent judiciary, property rights, rule of law, accountability and well-developed institutional capacity are the cornerstones for economic growth and development (http://www.mercatus.org/enterpriseafrica/category.php/96.html). Despite the fact that this has been affirmed by several studies and public pronouncements, the issue of good governance has so far proven elusive in most African countries.

By emphasising the role of governments in Africa and other developing countries in fostering the development of entrepreneurship, we are not by any means suggesting that they are the only actors; we believe that many others have to be committed as well for any real impact to be felt. These include developed country governments and international institutions such as the agencies of the United Nations. By easing trade rules, untying developmental aid and providing debt relief, developed countries can help the private sector in developing countries. They can also use their considerable economic power to initiate political and economic reform. Other actors are in the private sphere – local as well as multinational companies along with civil society organisations and other groups interested in the well-being of developing country populations. Social entrepreneurships through public–private partnerships are also crucial in this regard, and they need to be properly leveraged with the involvement of, and buy-in from, all segments of the society.

Implementing the above-mentioned proposals through a coordinated effort of national government initiatives and the donor community could have a synergistic effect in stimulating the development of entrepreneurship in Africa by encouraging potential entrepreneurs to start new business ventures and strengthening the success and competitiveness of existing enterprises. This would, in turn, help create much-needed jobs and promote economic growth and development in Africa.

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