CROSS BORDER ENTREPRENEURSHIP AND FOREIGN DIRECT INVESTMENT IN NIGERIA: AN EXPLORATORY OF THE LEBANESE

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Abstract: This chapter is a hybrid of entrepreneurship and international business. While conceptualising Foreign Direct Investment (FDI), together with theory and practice for development, the study looks at the role migrant entrepreneurs can play in the process, i.e. Africa. The study focuses on one group of Entrepreneurs (the Lebanese) who migrated and established successful business communities in Nigeria. Common qualities between the Lebanese and Nigerian entrepreneurs are compared and contrasted considering the adaptive ability of the Lebanese in the presence of constraints. The Host country is encouraged to create an enabling environment for both domestic and foreign investors.

Keywords: FDI; foreign direct investment; entrepreneurship; globalisation; Nigerians; Lebanese; adaptation; communication; culture.

INTRODUCTION

Foreign Direct Investment (FDI) can take many forms and has grown dramatically. FDI is now considered one of the largest sources of capital inflow to developing countries (Moran, 1999). The Effect of FDI on the growing economies of India, China and Ireland in the 21st century for instance is a good example. In the process however, the failure of expatriate assignments is quite high. Estimates place expatriate failure for US companies alone to be between 20 and 50%. According to Deresky (2008), one of the reasons that accounts for this high failure rate is the lack of cross cultural understanding and training. Japanese and European firms however, appear to do a better job of selecting international managers who can adapt well to foreign environments and as a result experience lower expected failure rate.

According to Schumpeter (1934) entrepreneurs are economic development agents and together with proper application of FDI policies can indeed promote economic growth and general development (Moran et al., 2005). Furthermore, in the 21st century, there is growing importance of the

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intersection of entrepreneurship in global business (Oviatt and McDougall, 2005) and the findings from this study could add something new to the role of entrepreneurship and factors that determine FDI in countries, especially in Africa where little attention has been given in research (Vaaler, 2005).

One of the leading foreign groups that can be observed in significant number in Nigeria is the Lebanese. It would be interesting to know why and what explains the Lebanese attraction and ability to settle and do business in Nigeria effectively amidst concerns of security, corruption, political and economic instability, ethnic and religious bigotry among other reasons, which Nigeria is notorious for.

Relatively, little FDI activity is occurring in the African continent. And most of the African continent is still relegated to the level of rentier based economies, banana state, Third World (TW) economies and LDCs. This study will attempt to identify the entrepreneurial qualities and factors that contributed to the successful adaptation and progress of the Lebanese in Nigeria and disprove the fallacy that investing in lesser-developed sub-Saharan African countries like Nigeria is risky, dangerous and should be avoided. In addition, the study will show that even small migrant entrepreneurs from somewhat unstable developing countries like Lebanon can equally venture and become successful in Africa (Samli, 2004). Implications of the Lebanese entrepreneurs' experience in the

Nigerian environment will be identified to serve as lessons for other foreign investors and to recommend policies that would attract more FDI in Nigeria and the rest of Africa and add new knowledge to business literature.

SELECTED STUDY FINDINGS

The combination of entrepreneurship and global business studies especially with regard to factors motivating FDI is quite recent and rare. Few studies in this area have been done and are still at the exploratory stage, especially with regard to Africa.

Kabasakal and Bodur (2002) noted that in order to understand the reasons supporting FDI between two countries, there is need to closely examine the commonalities shared between the states involved. As it is often said, "birds of the same feather flock together", it would also be true to ask the question "if two walk together unless they agree". These sayings would also hold true for countries sharing bilateral relationships such as FDI. Other research studies suggest that knowing the geographical location and historical description of countries, as well as their ancient ties and cultural backgrounds, can be a useful way of understanding why relationships are forming among sovereign states for cross border business (Cateora et al., 2009), since these can explain where there are commonalities. The bilateral relationships between USA and Britain, or the USA and Canada as countries of 'Anglo' origin can typify this example at this point.

Again other studies have established a relationship between personality traits and behaviours and the ability to adapt to the host country's cultural environment. What is seldom pointed out however is that communication is the mediating factor between those behaviours and the relative level of adaptation the expatriate achieves (Deresky, 2008). The communication process facilitates cross-cultural adaptation through this process; expatriates learn the dominant communication patterns of the host society. Therefore we can link these personality factors shown by research to ease adaptation with those necessary for intercultural communication.

Kim (1988) consolidated the research findings of these characteristics into two categories:

1. openness traits such as open-mindedness, tolerance for ambiguity and extroverted ness
2. resilience-traits such as having an internal locus of control, persistence with tolerance of ambiguity and resourcefulness.

These personality factors, along with the expatriate's cultural and racial identity and level of preparedness for change, compromise that person's potential for adaptation. The manager or entrepreneur before his or her assignment by gathering information about the host country's verbal and nonverbal communication patterns and norms of behaviour can improve the level of preparedness. Kim explains that the major variables that affect the level of communication competence achieved between the host and the expatriate are the adaptive predisposition of the expatriate and the conditions of receptivity and conformity to pressure in the host environment. The same factors affect the process of personal and social communication and ultimately the adaptation outcome. Explains Kim,

> "Three aspects of strangers' adaptive change-increased functional fitness, psychological health and intercultural identity-have been identified as direct consequences

of prolonged communication-adaptation experiences in the host society."

According to Denisi and Griffin (2008) clearly, success in foreign assignments is based less on technical skills and cultural skills would be far more critical because the expatriate manager or this case the entrepreneur is supposed to learn from his or her experience and apply it. Some of the more common skills and abilities assumed to be necessary in this regard include adaptability, language ability, overall physical and emotional health, human relationship, relatively high levels of independence and self-reliance and appropriate levels of experience and education.

STUDY QUESTIONS

This study attempts to answer the following questions with regard to the level of FDI development and foreign entrepreneurship involvement in Nigeria.

1. Why are Nigeria and the rest of the African continent not attracting the same attention for FDI like India, Ireland China and the other Asian countries?
2. Why are the MNCs including the oil companies like Mobil Exxon, Chevron, Shell, and Elf mostly the only ones investing and doing business in Nigeria?
3. Where are the global entrepreneurs like the ones listed on the fortune 500?, and why are they not attracted to Nigeria and Africa?
4. Is the stereotype about Africa in terms of general under-development, lower living standards, disease, corruption, inadequate infrastructure, political risk and economic instability among the reasons that most international and global entrepreneurs and companies do not want to come to Nigeria and Africa and invest?
5. Why are the Lebanese entrepreneurs the only country nationals that choose to invest in Nigeria in high numbers?
6. What entrepreneurial qualities identify with the Lebanese for successful adaptation in the Nigerian environment?

METHODOLOGY

The methodology adopted for the study included the following:

1. observation and visits to companies and people in Nigeria
2. random sampling of Nigerian and Lebanese entrepreneurs for interviews and discussions
3. review of literature.

OVERVIEW OF NIGERIA IN BRIEF

It is important that a country's overall environmental picture is scanned, analysed and understood for FDI or business purposes in order avoid and minimise risk.

The Federal Republic of Nigeria with Abuja as capital (was Lagos previously) is a West African coastal state on the shores of the Gulf of Guinea, with Benin to the west, Niger to the north Chad to the northeast, and Cameroon the east and southeast. All these neighbours to Nigeria are former colonies of France or what are known as francophone or French speaking countries.

The climate in Nigeria is tropical in the southern coastal areas; it is drier in the north.

The national official and business language is English and the two main religions are evenly divided between Islam and Christianity. The Nigerian currency is known as the Naira. At the time of writing N118 Naira officially exchanges for $1:00 USD.

Before 1914, prior to when there was even a country called 'Nigeria', the people in what is known as 'Nigeria' consisted of four different 'empires', some of them extending into parts that are not part of current-day Nigeria, like parts of current-day Ghana, and current-day Cameroon. In the 1800s, the British started to reside in parts of these kingdoms and empires. In 1914, combining the Northern and Southern Protectorates and the Colony of Lagos formed Nigeria. The British operated an efficient administrative system and introduced a form of British culture to Nigeria. They also sent many capable young Nigerians to England for education. The experience of Nigerians who lived overseas in the years preceding, during, and after World War II gave rise to a class of young, educated nationalists who agitated for independence from Great Britain. The British agreed to the Nigerians' demands and, in 1947, instituted a ten-year economic plan toward independence. Nigeria became an independent country on 1 October, 1960, and became a republic in 1963.

Today Nigeria expands over 923,768 sq km and it is the most populous country in Africa (estimated at 136,461,000 in mid-2003). It re-achieved democracy in 1999 after a sixteen-year-long interruption by corrupt and brutal series of military dictators and counter-coups.

A BRIEF OVERVIEW OF LEBANON

The Republic of Lebanon is located in western Asia, with Beirut as capital; it is bordered by Israel and the Palestinian Autonomous areas to the south, by Syria to the north and east, and by the Mediterranean Sea to the west with a coastline of approximately 135 miles.

The climate varies widely with altitude. The coastal lowlands are hot and humid in summer, becoming cool and damp in winter. In the mountains the weather is cool in summer with heavy snowfalls in winter.

The official language is Arabic while French and English are widely used as second languages.

The two main religions are Christianity (43%) and Islam (57%).

Lebanon is one of the main regions of the Phoenicians, Semitic traders whose maritime culture flourished for more than 2000 years, roughly from 2700 BC to 500 BC. The region was a territory of the Roman Empire in the province of Syria and during the middle ages was important in the Crusades. It was then taken by the Ottoman Empire.

Following the collapse of the Ottoman Empire after World War I, the League of Nations mandated the five provinces that make up present-day Lebanon to France.

Modern Lebanon's constitution, drawn up in 1926, specified a balance of political power among the major religious groups.

The country gained independence in 1943, and French troops withdrew in 1946. Lebanon's history from independence has been marked by alternating periods of political stability and turmoil (including a leadership crisis in 1958 marked by the intervention of US Marines) interspersed with prosperity built on Beirut's position as a regional centre for finance and trade.

Lebanon's current territory expands over 10,452 sq km and has an estimated population of 4,497,669 (mid-2003). Its currency is the Lebanese pound.

DEVELOPMENT REFORMS IN NIGERIA

Since the start of this century there has been an emphasis on economic reforms in Africa, which make regional economies more attractive to foreign investors. For instance Nigeria is motivated to achieve a develop country status by the year 2020.

Over the past six years in Nigeria, for instance, the government has pursued a policy of trade liberalisation (making the operating environment for businesses less rigid and friendlier to foreign investors); and privatisation (allowing private ownership of previously government-owned operations). As a result, many opportunities for global business operators have been created in Nigeria, which is now the second largest economy in the region after South Africa.

Perhaps due to the negative way the international press portrayed Nigeria, beginning from the mid 1980s through the 1990s; foreign investors have been slow to take advantage of opportunities in the country.

Since 1999, however, the government of President Olusegun Obasanjo worked to erase that negative portrayal of the country. The effort is yielding results. The World Bank and other international lenders recognise improvements in Nigeria's macroeconomic performance.

The International Monetary Fund (IMF) has agreed to support more economic growth in Nigeria through its willingness to help finance infrastructure development and other improvements in the country. What all of this means is that Nigeria is ready for small and medium business investors from around the world.

LEBANESE IN NIGERIA

While past negative media may have kept Western investors away, Lebanese investors have not been afraid to invest in Nigeria and learn about the nation's business culture.

Many of them have been in Nigeria since the early 1970s and longer. The largest Lebanese community is located in Kano. Kano is a northern Nigerian state capital bearing the same name and is predominantly Moslem. Many of the early Lebanese small and medium businesses in Nigeria started out as traders and retailers of consumer goods. Slowly they have graduated to small-scale manufacturing and food packaging for the Nigerian consumer market and for export.

Example (Rofico): Maker of Milcow – a popular milk brand. The Letraco Group is a Lebanese business group that has been in Nigeria for 25 years. They specialise as importers of consumer goods and supermarket operations in Nigeria.

In 2002 Letraco set up a food packaging company at a new factory in Ikeja, Lagos. The new company, Rofico, packages powdered milk products under the brand name 'Milcow'. The powdered milk is manufactured in other countries and imported by Rofico for packaging in Nigeria.

Rofico became very successful under the economic policies of the Nigerian government. The company opened 14 warehouses in less than 18 months after startup. Their distribution network reaches 26 of Nigeria's 36 states as of February 2005. According to Raja Ezzeddine, managing director of Rofico, his company developed the Milcow package in six months and the product attained high market penetration with good customer patronage within a few weeks of introduction.

> "When we decided to invest in Nigeria, we did a lot of feasibility studies … in the food packaging sub-sector, fast foods and restaurants. We also carried out other market studies and found out that food packaging has good business opportunities here. We did very deep and thorough marketing studies that took us about ten months before we decided on the business we would go into. After this, we used another four to six months to go to the regulatory authorities to register the company, to register the brand and then went to meet machine suppliers and milk suppliers. We had to study the whole process of the packaging industry before we were able to put the company together," Ezzeddine says.

> "In some countries, locally domiciled communities – Asians in East Africa, Lebanese in Nigeria and Ghana – provide a valuable business resource because they are thoroughly at home in the local

> environment. At one time these immigrants provided shop and crop-buying stations in the countryside as a way of promoting cash crop farming. Most have long since moved on to more sophisticated tasks." (Cobridge, 2000, p.535)

Nowadays, there is a vast Lebanese community in Nigeria (more than 100,000 reported by the end of 2003); most of them have been for more than 20–30 years. They represent a rising minority with good political ties and business knowledge: "Lebanese were adept at allying themselves with Nigerian politicians" (Forrest, 1994). As Nigeria had bad publicity so did the Lebanese, mostly because Lebanese people directed some of the bigger illegal operations in Nigeria like the illegal smuggling of precious stones:

> "The most profitable part of diamond trade is not the extraction of the stone but their export to wholesale and cutting centres overseas, most probably in Belgium. This export business is dominated by foreigners, especially Lebanese ..." (United Nations Publications, 1997, 2005)

Even though the Lebanese community in West Africa and especially in Nigeria has grown, it has been increasing at a very decreasing rate. Fewer immigrants are arriving to Nigeria but those who are going there often have relatives already established. The nature of the migration has changed from poor Lebanese going to work and tries to send money back to their families at home, to Lebanese investors now trying to take advantage of a network established with good political ties and a growing economy. Although the Lebanese are known to be generous and hardworking in Nigeria and also as people who have high taste for good things and maintain high quality standards and good work ethics, they are also seen as very dubious people who exploit cheap labour. Another aspect of the Lebanese in Nigeria is that they do not inter marry with other nationals and their businesses' cores are usually family oriented.

ENVIRONMENTS FOR BUSINESS IN NIGERIA

The level of risk in host country environments is usually what determines how successful companies will perform in countries from FDI activity (Deresky, 2008).

Natural resources

Nigeria's natural resources consist of but are not limited to natural gas, petroleum, tin, columbite, iron ore, coal, limestone, lead, zinc, precious stones and metals and arable land.

The Lebanese who arrived in Nigeria years ago were interested in the black 'gold' – petroleum. They contracted with many local and international companies to transport petroleum, engineer drilling plants, refineries and channelling.

Others went in pursuit of precious stones and into the Diamond business. The Lebanese in Nigeria seemed to be good mediators and skilled with good bargaining traits that they might have inherited from the Phoenicians when Lebanon used to be the door to the Orient.

Some of Nigeria's bigger mineral resource exporters today are Lebanese.

The interest of the Lebanese in Nigerian natural resources does not end there; it expands into mining, agriculture, and catering. However, they are not the ones to grow, produce, or build; they were keener on selling, negotiating and transporting.

Political environment

Nigeria is a federal republic in which an executive presidency appoints a Federal Executive Council, comprising government ministers and ministers of state from each of Nigeria's 36 states. The executive is accountable to the bicameral National Assembly. Olusegun Obasanjo, a former military ruler who won the election as Nigeria's second civilian president in May 1999, and was re-elected in May 2003. The president's, People's Democratic Party (PDP) has majorities in both houses of the National Assembly. The current President is Umaru Musa Yar'Adua who was elected on the PDP platform in 2007.

With democracy ruling Nigeria, it is now more and more possible for foreign investors to conduct business in Nigeria. All businesses are required to register with the states and need to go through an approval process. The most common business facilitator seems to be 'lobbying'. In the Lebanese business environment, lobbying is very common. Very often, parties expect grease payment in order to achieve a transaction. It seems that in both Nigerian and Lebanese cultures, receiving payments in order to conduct business is actually well accepted. This practice is outlawed for American businessmen abroad and is punishable under violation of the foreign and corrupt practices act (FCPA) of 1977.

This might not be the primary reason for success, but the practice surely facilitates making negotiations much easier in Nigeria. The Lebanese have as a matter of fact been blamed for the escalating corrupt practices in Nigeria. Some Lebanese have been accused of being used as fronts to siphon money for corrupt officials out of Nigeria. Some Lebanese have been accused of being involved in other shady business deals like oil bunkering, the sell of illegal firearms and drugs and promoting gambling.

However, the political environment in Nigeria has not always been very stable, or favourable to the Lebanese. The Lebanese (among many other foreign groups) have been subjects of sabotage and vandalism from different activists. Many Lebanese who were victims of looting have packed their bags and left.

Regional environment

Nigeria's relations with neighbouring countries have been generally good, although there is an ongoing territorial dispute with Cameroon over the oil-endowed Bakassi Peninsula.

On a regional level, Nigeria was instrumental in the creation of the Economic Community of West African States (ECOWAS) in 1975 (see Regional Organisations). It was also the driving force behind the ECOWAS Ceasefire Monitoring Group (Ecomog). The Nigerian-dominated multi-national military force was formed in 1990 to help end the civil war in Sierra Leone in 1997 and in Guinea Bissau in 1998. Nigeria has never had any major economical or political dealings with Lebanon however. The relation was always apparent, and it seemed like the Lebanese were more interested in Nigeria than the other way around. Nigeria is seen as a frontier state in sub-Saharan Africa, sometimes referred to as the giant of Africa. Nigeria as a base has good prospects for the Lebanese business people than other Africa states that are economically less robust, even to Arabic and French speaking countries like Egypt, Tunisia, Morocco, Libya or Algeria, which should have been more natural attraction spots to the Lebanese.

Legal environment

The Public Enterprises (Privatisation and Commercialisation) Act was promulgated in May 1999. It set out the legal framework within, which government-owned enterprises may be privatised. Under the provisions of the law, the government can retain up to a 40% stake in the privatised utilities, refineries, steel, and fertiliser companies. Strategic core investors may hold up to 40% interest, and the Nigerian public may hold 20%, which will be sold through the stock exchange.

Governments in Nigeria, including the past Obasanjo administration, have taken steps to create an environment that encourages foreign direct investment. Along with the Foreign Exchange (Monitoring and Miscellaneous Provisions) Act of 1995, which permits unhindered repatriation of foreign currency, the Nigerian Investment Promotion Commission (NIPC) Act of 1995 substantially eliminates discrimination against foreign investors. A provision permitting 100% foreign ownership in Nigerian entities lets existing investors build up controlling stakes.

The government plans to continue to liberalise the investment climate by removing various bottlenecks to the free flow of FDI. These plans include repealing restrictive laws, improving security, signing investment-protection treaties, providing additional fiscal incentives, privatising utilities and fully equipping the export-processing zones. Nevertheless, poor infrastructure, political violence, and communal and religious disturbances in various parts of the country continue to discourage foreign investment.

New foreign companies must register with the NIPC, a one-stop shop for various operating permits. NIPC registration approval is supposed to take 14 working days. However, due to bureaucratic bottlenecks and poor work ethic of government personnel delays are often expected to take much longer.

Oil companies must obtain approval from the National Agency for Petroleum Investment and Management Services to employ expatriate workers.

Foreign capital must be brought in through authorised dealers, and foreign investors should open domiciliary accounts in which to deposit the initial capital.

Banks must apply for a license from the Central Bank of Nigeria and conform to the N2bn paid-up equity requirement.

Petroleum and oil-service companies need a license to operate from the Ministry of Petroleum and Mineral Resources. The permit fee is US $15,000.

Mining companies need a permit from the Solid Minerals Development Ministry.

The licensing body for telecommunications ventures is the Nigerian Communications Commission.

Nigeria has a reputation of having very lax laws due to the high level of corruption in the country. The German based Transparency International organisation rated Nigeria to be among the most corrupt countries in the world. Chances are that most of the time culprits can bribe their way out of trouble, if it is true that the Lebanese also have a reputation for being unscrupulous in some of their dealings, this would be credible. However, Nigeria is determined to fight corruption and has set up a number of high-powered establishments to combat the problem. Among these establishments are the Economic and Financial Crimes Committee (EFCC) and the Independent Corrupt Practices and Other Related Offences Commission (ICPC).

Socio-cultural environment

Nigeria has over 250 different languages and cultures. The three largest are the Hausa-Fulani who are predominant in the north, the Igbo who are predominant in the southeast, and the Yoruba who are predominant in the southwest. The rest of Nigeria's ethnic groups (sometimes called 'micro-minorities') are found all over the country but especially in the densely populated south. The Hausa tend to be Muslim and the Ibo, Christian. Practitioners of both Christianity and Islam are found among the Yoruba. Indigenous religious practices remain important, especially in the south, and are often blended with Christian beliefs.

Nigeria is famous for its English literature and its popular music. Nigeria has produced a Nobel Laureate Winner in Literature, in the person of Wole Soyinka in 1986. Since the 1990s the Nigerian movie industry, sometimes called 'Nollywood' has emerged as a fast-growing cultural force all over the continent.

Nigeria has a higher percentage of Muslims than any other country on the African continent. Not surprisingly, differences in religious inclinations have become the major social division in Nigeria. This could be attributed to the colonial tendencies that brought about a regionalisation of Nigeria's religious geography.

Since the late 1990s and with the transfer of power from the military to civilian rule, Muslims in the north have ceaselessly demanded the introduction and use of the Sharia'a (a set of rules and regulations as evident in Islamic law). In the heat of Christian protestation at the end of 1999, several Northern States indicated their intent to join in the seemingly laudable cause, regardless of the fact that under such a law, the future of non-Muslims would be either unknown or could be jeopardised. Though proponents of Islamic law explain that the enactment of the Sharia'a will not apply to Christians, citizens of Nigeria are still wary

Demographic information

Nigeria (Year 1995)	
Urban population	39.3%
Rural population	60.7%
Population by ethnic composition	
Hausa	21.3%
Yoruba	21.3%
Ibo	18.0%
Fulani	11.2%
Ibibio	5.6%
Kanuri	4.2%
Edo	3.4%
Tiv	2.2%
Ijaw	1.8%
Bura	1.7%
Nupe	1.2%
Others	8.1%

Demographic information

Religious affiliation	
Muslim	50.0%
Christian (of which)	40.0%
Protestant	21.4%
Roman Catholic	9.9%
African indigenous	8.7%
Other	10.0%

Source: The Robinson Rojas Archive (1998)

of the deplorable act of chopping off of arms and legs as punishment to erring Muslims. There are also the segregation tendencies of the law, which advocate separate taxis and buses for men and women, a ban on the sale of alcoholic drinks and separate schools for boys and girls in Sharia'a practicing States.

The social changes that follow the adoption of the Sharia'a in some Nigerian States are bound to affect Christians or non-Muslims. An example was the violent and bloody riots of mid-February 2000 that erupted with the announcement by Kaduna State government that it was considering the introduction of the Sharia'a in the State, which Christian and Muslim following are equally strong. It is therefore evident that in Nigeria, people are often appointed or recommended to prominent positions in government on the basis of religious sentiments rather than on that of visible competence. This could be detrimental to citizens practicing minority religions such as the African traditional religion.

Infrastructure

Nigeria's urban infrastructure is crumbling. Water supply, sewerage, sanitation, drainage, roads, electricity, and waste disposal – all suffer from years of serious neglect. Periodic and routine maintenance, by far the most cost-effective infrastructure spending, is almost zero. The fact that infrastructure facilities are inadequate in Nigeria should not discourage FDI participation. Just like Bill Gates of Microsoft, cited in Prahalad (2005) said, companies must revolutionise how they do business in developing countries if both of that economic equation is to prosper.

Transport

1. Railways

   There are about 3505 km of mainly narrow-gauge railways. The two principal lines connect Lagos with Nguru and Port Harcourt with Maiduguri.

2. Roads

   In 1999 the Nigerian road network totalled 194,394 km, including 1194 km of motorways, 26,500 km of main roads and 32,300 km of secondary roads; some 60,068 km were paved but most are poorly maintained.

3. Shipping

   The principal ports are the Delta Port complex (including Warri, Koko, Burutu and Sapele ports), Port Harcourt and Calabar; other significant ports are situated at Apapa and Tin Can Island, near Lagos. The main petroleum ports are Bonny and Burutu.

4. Civil aviation
   The principal international airports are at Lagos (Murtala Mohammed Airport),

Kano, Port Harcourt and Abuja. There are also 14 airports for domestic flights. In early 1997 a two-year program to develop the airports at Lagos, Abuja, Port Harcourt and Kano was announced, which have been delayed. Recently however, in June of 2008 two Nigerian aviation ministers were arrested for being involved in corruption scandals worth billions of Naira. After corruption rocked the aviation industry in Nigeria, it was a Lebanese firm that took over the temporary management of the facility.

Economic environment

The Primary mineral resources in Nigeria include petroleum, coal and tin while the main agricultural products include groundnuts, palm oil, cocoa, citrus fruits, maize, millet, cassava, yams and sugar cane.

Oil-rich Nigeria, long hobbled by political instability, corruption, inadequate infrastructure, and poor macroeconomic management, is undertaking some reorganisation under a new reform-minded administration including the bold and ambitious vision of attaining a developed country status for Nigeria by the year 2020 AD. The current administration is vigorously encouraging FDI to support thee vision. Nigeria's former military rulers have apparently failed to diversify the economy away from its overdependence on the capital-intensive oil sector, which provides 20% of GDP, 95% of foreign exchange earnings, and about 65% of budgetary revenues. The largely subsistence based agricultural sector has failed to keep up with population growth; once a large net exporter of food, now must import food. Nigeria at the moment is rated as the largest importer of rice in Africa. Following the signing of an IMF stand-by agreement in August 2000, Nigeria received a debt-restructuring deal from the Paris Club and a $1 billion credit from the IMF, both contingent on economic reforms.

Nigeria pulled out of its IMF programme in April 2002, after failing to meet spending and exchange rate targets, making it ineligible for additional debt forgiveness from the Paris Club. By the end of 2002 the government has begun showing the political will to implement market-oriented reforms urged by the IMF, such as to modernise the banking system, to curb inflation by blocking excessive wage demands, and to resolve regional disputes over the distribution of earnings from the oil industry. In 2003, the government began deregulating fuel prices, announced the privatisation of the country's four oil refineries, and instituted the National Economic Empowerment Development Strategy (NEEDS) a domestically designed and run programme modelled on the IMF's Poverty Reduction and Growth Facility for fiscal and monetary management. GDP rose strongly in 2005, based largely on increased oil exports and high global crude prices. In November 2005, Abuja won Paris Club approval for a historic debt relief deal that by March 2006 eliminated $30 billion worth of Nigeria's total $36 billion external debt. The deal first required that Nigeria repay roughly $12 billion in arrears to its bilateral creditors. Nigeria would then be allowed to buyback its remaining debt stock at a discount.

Import-export

Nigeria's primary export markets are the USA, Brazil, Spain and France. The Chief import sources for the country are the USA, the UK, Germany and China. Nigeria's exports consist primarily of crude oil, whereas most of its imports consist of machinery and transport equipment, chemical products and manufactured goods, especially iron and steel.

The USA is Nigeria's largest trading partner. Exports to the USA rose from US$ 5.65 bn in 2002 to US$ 9.20 bn in 2003, an increase of 62.8%. The increase came mostly from the rise of oil purchases. Imports from the USA reached US$ 2.31 bn in 2003, up by nearly 100% when compared with the US$ 1.16 bn in 2002.

Nigeria was a member of the Lomé IV Convention, under which 72 African, Caribbean and Pacific (ACP) countries (mostly former colonies) were affiliated with the European Union. Under the terms of the convention, industrial exports from these countries entered the EU free of duty and quantitative restrictions if they complied with certain rules of origin. Some agricultural products remain subject to restrictions but receive most-favoured-nation treatment. Lomé IV expired on February 29th 2000. Negotiations on new arrangements began in September 1998, and an interim agreement was signed at Cotonou, Benin in June 2000. This provided for the continuation of the present favourable terms for access to the EU market for another eight years.

Nigeria is a member country of the Summit Level Group of Developing Countries, known as the G15. This group was established during the ninth Summit of Heads of State/Government of the Non-Aligned Movement held in Belgrade in September 1989. The group, with 16 member countries, aims to achieve effective management of defined economic goals. Nigeria has reaped dividends from participation in the group by increasing trade with other members.

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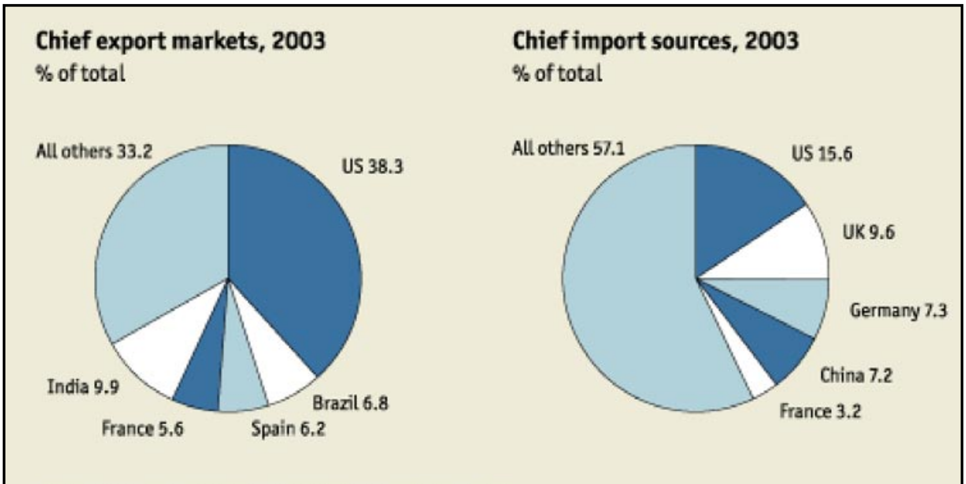
Nigeria also belongs to the Economic Community of West African States (ECOWAS), which aims to establish a common market among its members. However, the volume of formal trade between Nigeria and other ECOWAS countries is relatively small. The ECOWAS Trade Liberalization Scheme (ETLS) provides for four successive 25% annual reductions in customs duty on approved manufactured products. Around 50% of the 1000 industrial products admitted under the trade scheme are manufactured in Nigeria.

To avail itself of the scheme, a company directs its application to the National Planning Commission, which confirms the claims on local content, plant capacity and related items before forwarding the



Source: Economist Intelligence Unit Nigeria *Country Profile*, 2005.

application to ECOWAS headquarters. Companies registered under the scheme include Cadbury (for confectionery and beverages), Carnaud Metal box (for packaging), UAC Foods and PZ Industries (a Nigerian-owned consumer-products company). However, companies registered under the scheme complain that they cannot take advantage of the preferential tariffs because the institutional framework to implement the scheme is not yet in place. Furthermore, few bona-fide manufacturers can compete favourably with the informal sector, which operates a well-run trading system. During 2004 the government announced the approval of 28 additional companies and 63 products that qualify for the ETLS. A total of 41 companies with 91 products applied for approval during the year; 22 of these companies were approved based on local raw-materials content, and the rest were based on value-added to foreign products. The 91 products include pharmaceuticals, biscuits, mineral water, juices, mattresses, packaging materials, lotions, perfumes, sweets, syrups, malt, beer and macaroni.

The Congress of the USA passed into law the African Growth and Opportunity Act (AGOA) in mid-2000. Under this legislation, specified manufactured goods with predominantly local content and value added can be exported to the USA at concessionary or zero duty rates.

In addition, Nigeria is equally playing a key role in the New Partnership for Africa's Development (NEPAD) program. NEPAD is focused on building infrastructure facilities that would support the environment for economic and business development in Africa.

THE LEBANESE IN NIGERIA

Considering the plethora of opportunities that are available in Nigeria as described above in a relatively more developed environment than the rest of Africa, there is no doubt as to why the Lebanese are attracted to settle on this fertile ground and do business rather than in other African countries. The nature of the Lebanese business in Nigeria is mostly in trading, a skill that the Lebanese have learned to master since the times of the Phoenicians. However they do not limit themselves to commerce anymore, they now own different types of business, like catering and construction.

> "… I came here to work and after some time in the fish trade business, I saw a demand for commercial boats, so I decided to start building and selling boats; my company has grown dramatically since then …" says Mr. Antoine Moudaber, a Lebanese entrepreneur who owns a very successful boat business in Nigeria.

Most Lebanese in Nigeria own their businesses; and few of them work as labourers but when they do they work only for other Lebanese. The explanation for this could be thought of as arising from the fact that the Lebanese somewhat appear to be against being told what to do by a 'boss' from people of a different nationality. The Lebanese seem to understand and work better with themselves. The Lebanese generally do not like to co-mingle or form partnerships in business as can be explained by their unwillingness to intermarry with Nigerian nationals. To what extent would those non-integrative, actions affect national integration (Onimode et al., 1983)? This type of action has caused rifts in Uganda in the late 1970s, which led the then President Idi Amin to expel all British Asians out of Uganda, leaving behind all their possessions.

The fact is also true that some of the Lebanese might be newcomers and often want to start off by working for someone they know or who they are related to, or it may also be for cultural norms and language reasons since they would feel more comfortable to be around their own kith and kin:

> "when I first went there, I did not even speak a word of English, I had a cousin who owned a fish market. The economic situation in Lebanon was not very good, so I had to leave and find work someplace else to feed my family" Mustafa Hamdoun says.

"My cousin gave me a job at his fish market and there I learned whatever little English I know", he added. At the early stages of settling in a host country for business there might be no problem with this approach to inter-cultural relationship, however, the question is what are the long-term socio-cultural effects of non-interaction on social transformations? Socially the Lebanese in Nigeria appear to be more relaxed only when relating with people from their home country even though they are well known for their generosity to other people from a different ethnic group.

They are very family oriented people but they lack to bond together as a whole what that means is that the Lebanese have the tendency to form separate sub-groups in a society. For example successful Lebanese might appear to be good friends but they tend to get very competitive and jealous of each other's good fortune and they eventually split and form new social groups while others assimilate with the original. This situation could very well be described as 'tribal' and it does not only happen in Nigeria, it also happens in other places like the USA. Divisions can be noticed within even small Lebanese communities around just like it happened in Lebanon when relating to the twenty years of war that started between Christians against Muslims and ended up with at least ten different militia groups against each other.

Overall the Lebanese business community has been able to achieve an appreciable level of success in the Nigerian business environment. Some of the Lebanese success in Nigeria could be linked to the way they do business, especially in their communication and management skills. They are relationship oriented and tend to be well organised and hard working, always striving for perfection. Their management skills could be described as strict and somewhat authoritative.

Lebanese are very good at networking, and especially getting political connections, which is something they learned to do in Lebanon, where in order to get something done, one had to have good political connections.

Recently however the Lebanese have been among those who face several challenges in societies outside their own; especially with the bad publicity the Middle East has been getting after 9/11, or just because of the fact that they are simply foreigners.

However, many remain and permanently reside in Nigeria, and they continue to take advantage of an economy that is growing. Their tenacity and will to succeed is concomitant to the knowledge that their families back home depend on the income they provide. Their competitiveness and 'street smartness', topped by their networking and communication skills make most of them very successful in Nigeria. As the most successful foreign community in Nigeria, the Lebanese have very well mastered how to play by the rules of the game in the Nigerian business environment. Tables 1 and 2 describes by comparing the common and different entrepreneurial qualities that are apparently visible between Lebanese and Nigerian entrepreneurs.

CONCLUSION

From the foregoing article we can see that FDI is not left only to multi-national corporations alone or for developed countries. The Lebanese entrepreneurs who invested

Table 1 Entrepreneurial qualities of Lebanese entrepreneurs in Nigeria

	Characteristic
1	Gone Beyond adaptation-Have Gone Native (Stroh et al., 2004)
2	Flexibility and Playing by the rules of the game
3	Quick to learn and grow (Lane et al., 2004)
4	Identified and Seized opportunity
5	Creative risk takers
6	More organised as entrepreneurs
7	Ability to manoeuvre
8	People skills
9	Non-ethnocentric

Table 2 Findings and commonalities (Nigerians and Lebanese)

	Characteristic	*Nigerians*	*Lebanese*
1	History of Political instability	^	^
2	Religious composition (Moslems and Christians)	^	^
3	Commercial Interest in Trading	^	^
4	Collectivist Culture (Hofstede, 1994)	^	^
5	Humane Oriented (Project Globe)	^	^
6	Corruption	^	^
7	Flair for Materialistic and free lifestyle	^	^
8	Give free information but no records	^	^

in Nigeria mostly started from small beginnings in their search for opportunities beyond their own country borders. They are people who were quick to spot profitable business opportunities and adapt to a new host environment while sustaining successful businesses. They seem to have a rapid learning ability of the societies they are based in Lane et al. (2004) especially in understanding the cultural environment and communication style. Many of the Lebanese have been able to blend in the Nigerian environment and understand how to relate and do business within the social and culture parameters and yet remain and maintain their identity as Lebanese. In some respects the Lebanese in Nigeria can be said to have 'gone native' (Stroh et al., 2004). This reminds us of Carlos Slim Helu, the business mogul who is considered to likely be the richest man in the world today. Carlos is a native of Lebanese heritage based in Mexico. Many hundred thousands of Lebanese now call Nigeria their home. There is already a third generation Lebanese population living in Nigeria. The Lebanese businessmen appear to be shrewd, clever and more organised in applying management skills to their businesses and in some respects more so than even their Nigerian counterparts. Lebanese entrepreneurs even win procurement contracts ahead of Nigerian entrepreneurs. Unlike most Nigerian businesses the Lebanese tend to apply business theory and concepts in a practical sense. They conduct detailed due diligence, feasibility studies, business plans and cost benefit analysis before embarking on any business transaction, which are key forerunners to any successful business venture (Shane, 2005; Stutely, 2002). One striking observation about the Lebanese businessmen is how quick they are able grow and diversify their business portfolio than most Nigerians do. The length of time it takes a Lebanese business to graduate from small to medium scale and diversify into other areas is shorter than that of most Nigerians.

Most Lebanese businesses are engaged in the trading of general merchandise than in manufacturing activity. The Lebanese are also known to be popular in operating fast food restaurants, gambling and construction business in Nigeria.

On the other hand however, the Lebanese are equally thought of as people who dabble in, questionable deals and illicit businesses. Some Lebanese have been seen as the main culprits who have introduced fraudulent acts in the Nigerian banking industry, commonly referred to by the criminal code '419'. They have been known to be involved in money laundering and all kinds of scams, as well as serving as fronts for corrupt Nigerian public officials who are looking for quick and easy ways of making money. Although the Lebanese came with the intentions of settling down for doing business in Nigeria they are also seen as a two edged sword with both good and bad influences on the Nigerian society. Not all FDI is good! Some type of unwarranted business activities especially in lesser-developed communities like Nigeria's therefore need to be checked before they destroy the society through cross border activities. Global entrepreneurship could be said to be a positive sum game but it could also have its own negative side effects if left unchecked. This study sets the ground for further research to continue on the role foreign immigrants' play in the future of Nigeria's and Africa's development. Another foreign group like the Lebanese that are growing with time in Nigeria and other parts of Africa are the Chinese who are recently coming to live and invest in Nigeria in large numbers. British Asians came in large numbers to work in Nigeria, mostly in the education sector as teachers in the 1970s to mid-1980s but left when repatriation permits from their earnings were reduced. Many European companies left Nigeria due to the indigenisation policy and demand for nationalising foreign companies in Nigeria. It is important to observe the impact on development of foreign cultures in Nigeria over time. Only time will tell how current foreign presences would impact on the country in the long run. Proactive anticipation and constant close monitoring would be a better way to protect against any undesirable effects and to attract more FDI into Nigeria.

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AFRICAN SMES IN THE BRITISH ECONOMY

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Abstract: Based on actual and sustained period of engagement with capacity development issues in the context of black-owned businesses in London, I address in this chapter the profound changes that are taking place within the main sectors of endeavour as well as the constraints and prospects for future growth and sustainability. I conclude that there are inescapable public policy imperatives which need to be overcome in order to ensure a more effective participation of black people in the mainstream British economy. Consequently, a more robust model of engagement is called for; in order to stem the tide of economic/social exclusion.

Keywords: black entrepreneurship, economic participation, businesses development, Britain.

INTRODUCTION

> "We work to improve the quality of life for all Londoners, and encourage strong sustainable economic growth in the capital. We will continue to pioneer and drive initiatives that tackle London's challenges and enable all Londoners to enjoy the exciting opportunities our city creates." London Development Authority (LDA, 2005).
>
> The vision in the LDA's stated aim is "to make London a sustainable and socially inclusive world city driven by healthy economic growth and equal opportunity. Our primary task is to drive the delivery of the Mayor of London's Economic Development Strategy (EDS)".

The historic economic situation of black people (Afro/Caribbean people) in the UK has been at its best ever in the last 15 years barring the current economic downturn that remains to be fully analysed. Over this period, the economics statistics in the UK indicate on average a fall in the rate of unemployment (on average, the employment rate in London was at 69.3% with London's productivity being over 40% higher than the rest of the UK). This is now being challenged and reversed by the current economic situation that put unemployment at over 3 million nationally. The period also witnessed the introduction of several UK governments' initiatives and interventions European Regional Development Fund (ERDF), European Social Fund (ESF), London Development Agency (LDA), London Skills Council (LSC), London Councils (LC) amongst many other packages aimed at stimulating economic growth in general and specialist programmes within them for increasing black people's participation in development.

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In part, this has a hand in the growth of the black middle class and black business successes (BBC Radio 4) in a way never experienced before in the history of the UK. In 2004, there were around 66,000 BME-owned businesses in London, employing 560,000 people and generating a combined sales turnover of £90 billion. In addition, there are approximately 93,000 self-employed people from the BME communities who are also contributing to the London economy. Some research ('Redefining London's BME-owned Businesses' by LDA) suggest that the number of black and minority ethnic-owned businesses in London had grown significantly over time and were making major contributions to the regional and national economy (e.g. LDA 2004).

These achievements are in most terms significant but grossly insufficient to warrant letting out the orchestra to serenade the victorious song. Do we need to celebrate at all in any event? Many people would subscribe to initiatives that require black people to count their blessings and by extension, their successes in the UK. There are good reasons for that supposition given the historical legacies and administrative dynamics that were in use to manage this target group. Such legacies include a historic practice of discriminatory policies and the regular exclusion of black people from social and political participation.

The effects of such practices are most vivid in economic activities or lack of it. For example, most minority ethnic groups will have unemployment rates well over twice as high as the white population, and though they make up only 28% of London's population, they make up 45% of the capital's unemployed. Also, there is an indisputable 'ethnic penalty' syndrome meaning that when compared with a white person of the same age, with the same skills and qualifications and living in the same area, black people are more likely to be unemployed.

In this chapter, I address some key interventions – both statutory and non-statutory – that have assisted the advancement of this target group and provide some explanations as to their dynamics and how they may have helped and or hindered the legitimate demands of black people in the UK. London is used here as the focal point for both comparison and analytical purposes because:

- London's net business start-up rate over the most recent economic cycle was above that for the UK as a whole. Over two-fifths of London's businesses are innovation-active although productivity growth over the most recent economic cycle was below that achieved in the recent previous economic cycle.
- London remains the best European city in which to locate a business the experts say. But, despite London's global success, over 400,000 children in London are living in poverty, and over 1 in 5 children in the capital live in households where nobody works (LDA 2009).
- London has the highest concentration of black people in the UK (Office for National Statistics, 2001; 2004'; Greater London Authority, GLA, 2004). The figures show that 343,567 Londoners identified themselves as Black/Caribbean ethnicity. In England and Wales, there was a total of 563,843 so that three-fifths of all Black Caribbean people in England and Wales lived in London. Inner London was home to nearly 190,000 Black Caribbean people, nearly 7% of the population. Over 150,000, around 3.5% of the total population, lived in Outer London. Across England and Wales excluding London, there was

220,000 Black Caribbean people, around 0.5% of the total.

THE CONTEXT

For the strength of its diverse cultures (over two and half million people from nine ethnic groups – Black, Asian, Chinese, Turkish and other minority ethnic groups (GLA 2006)), London presents the biggest and toughest challenges to policies and administration for all stakeholders including the authorities. The Greater London Authority (GLA) Economics Unit provides data and analysis that form a base for policy and investment decisions facing the Mayor of London and the GLA group. The unit is funded by the GLA, Transport for London (TfL) and the LDA. It is because of their strategic importance that reference is being made of their dynamics in the development of the regional. Furthermore, no attempt is being made here to separate and distinguish between voluntary organisations and the small and medium-size businesses and enterprises, largely because the issues we are concerned with here affect them nearly in the same way. Such issues include lack of business capacity, access to resources, exclusions and discrimination amongst others.

But, most of the London regeneration initiatives including the commercial finance agencies in the period under analyses present special emphasis on promoting diversity and to a large extent show how they plan to demonstrate outcomes in these areas. For example, the LC grants (formerly known as the Association of London Government), seen as one of the most transparent of all fund providers, largely owing to its democratic control and ownership, slices up its over £28 million annual pan London grant fund into allocations for specified thematic areas stressing ethnic minority involvement as central part of its cross-cutting theme. Others develop policies to promote the development and involvement of black people both in process and in access to finance. The LDA commits itself to playing a critical role in supporting the growth and development of the city's businesses, including those owned by the capital's black and other minority ethnic groups. The LDA being the Mayor's agency for business and jobs prepares the Mayor's business plan for the capital, investing over £300 million a year and mobilising the support and resources of other organisations to create a better environment for London's diverse people, businesses and communities to thrive.

To some black professionals, the information mentioned earlier were sufficient to propel them into taking actions designed to respond and cause changes in the lives of their communities amongst others. They also triggered black-women-ownership of businesses in numbers never seen before in the history of the country. Numbers started to increase. The percentage of majority of female-owned businesses grew to one in six (16.7%) in 2005 compared with only 11.4% in 2004 and 9.7% in 2003 (please see Learning and Skills Council various report regarding statistical information). Of these, the black-owned businesses are more likely to be run by women than businesses in other ethnic groups. Black women run around one quarter of black-owned businesses (25.5%) compared with 18.0% of white-owned and only 11.7% of Asian-owned businesses.

BME-owned firms no longer limit themselves to operating in the ethnic niche and traditional markets. Increasingly, we see the growth in the number of black entrepreneurs running successful multi-million pound businesses in mainstream and international sectors such as banking and financial services, business and professional services, ICT, media, fashion and manufacturing. Many of them also build international trade dimensions into the core of their UK business activities.

For the same reasons, the organisation I manage – Reform Corporation (RC) – in part, developed its services in response to some of these statutory actions. Indeed, the Corporation (RC) was established in 1989 as a result of a DSS (LAC) 83 Initiative, which set out to encourage the development of 'Alternatives to Custody and Care for Young Offenders'. The Organisation subsequently developed to cater for the vulnerable and poorest black communities in the UK and African States. RC is a Black-led agency with the overarching aim to fill the gaps that exist in the provision of services for the black and ethnic minority people in the area. This is achieved through Education, Training, Advocacy, Representation, Facilitation, General Empowerment and Collaboration.

Although the corporation started by diverting offenders from custodial sentences, reviews and emerging needs suggest that economic activities or lack of them have a correlationship with the propensity to commit crime, offend and or to recidivism. Fellow criminologists will argue that specifically unemployment in the inner cities has been implicated in a host of major societal issues, from social exclusion and the physical and mental well-being of the individual through to the drug abuse and related crimes. It is an issue of national, public concern and in any event, the promotion of economic well-being could be seen as central to the development of citizenship.

In contribution to these London regeneration initiatives and development opportunities, RC responded and designed a Community Business Development, Support and Advice Project targeting Black African communities in East London area. This was the fourth in a series of other enterprise development and support initiatives managed by the corporation in a ten-year period. The current project, which focuses on developing access to finance for target group, also provides mentoring interventions in key areas of business management and organisational development. The project provided business support interventions to over 1100 individuals, organisations and Small And Medium-size Enterprises (SMEs). Of these numbers, over 280 of them have been trading for over five years now and are still receiving continuous business support from RC. At a recent review, the 'access to finance' project raised over £8 million for client organisations and businesses.

KEY INTERVENTIONS

The London regeneration initiatives trend continues and in the last ten was supplemented by the general feel good factor that resulted from the economy. The feel good factor released synergy within the communities and made access to finance more easily available. Although there are funds like the 'seed' capital and funding for a variety of enterprises through these regeneration and other initiatives, it is the housing market with 'buy to let' programme that epitomised the phenomenon, leading to the charge for apparent prosperity for most. The Council of Mortgage Lenders (CML) show that in 2001, lending to this market was £119,798 million (CML, 2009). This figure grew steadily annually and reached its pick of £363,679 million in 2007 before the first decline in as many years was recorded in 2008. The CML began collecting quarterly buy to let data in 2006, but on the basis of previous half-yearly data 2008 presented almost certainly the lowest quarterly lending figure since 2003. In 2006–2007, housing completions exceeded the targets set in the GLA London Plan for all sub-regions.

Although the exact number of black people who took advantage of this programme was not captured by the CML, our experience as a provider of capacity-building interventions to the black SMEs is that with the UK's ethnic minority communities having an estimated total disposable income of over £13 billion (LDA, 2003), they represent a significant economic force to be monitored closely for its development. With our project, up to 40% of those we worked with got involved in what is now called the housing boom era. Our figure includes people involved in other active economic activities such as full and or part-time employment as well as the group combining business with some training and formal education.

Other interventions contributed to the general feel good factor and made real difference on the ground. For example, the Capital's most comprehensive business survey of 2005 by the Business Link for London shows that general business performance and productivity were up significantly in the previous year. The figures show that in comparison with a previous year, a significantly higher proportion of business establishments reported an increase in turnover (38% of businesses increased their turnover compared with 34% in 2003), profitability (35%, compared with 25% in 2003) and staff productivity (32%, compared with 26% in 2003) London Business Support Network (LBSN, 2008).

In our experience, the small firms' loan guarantee scheme and the numerous grants/investment schemes available were instrumental to the growth recorded for our target group. With the small firms' loan, the companies that have no assets to offer as security for conventional bank funding were assisted to raise cash without them being required to provide equity. Because the government funds 75% of the Small Firms Loan Guarantee Scheme (SFLGS), it takes some of the risk away from the lender, making the banks slightly bolder in their lending decisions than usual. The scheme is provided by 27 participating lenders, including a number of high street banks. They are able to lend up to £250,000 for a maximum ten-year term. Like all grants and loans, there are restrictions and boundaries placed as regards the type of SMEs that can access such funds. Also present are other conditions both special and general for accessing and using this fund. However, this presents a useful source of credit and one that assisted many of our client group.

Other influential sources include The City of London Corporation that has since 1999 invested £8.5million in SME loan funds; the *London Regional Venture Capital Fund* that provides equity finance to high growth, innovative businesses that require sums below £500,000 and *OneLondon's London Business Growth Fund*, which provides loans of up to £40,000 to small businesses with potential for growth and employment generation. There are also the Capital Fund, South East Growth Fund, South West Regional Venture Capital Fund, Advantage Growth Fund (WM), East Midlands Regional Venture Capital Fund, etc – all with larger budgets operating and were laid out to encourage economic development for the SMEs. But, it is the non-refundable grants run by both statutory agencies and Trusts that made the more difference to this target group – black people. The difference made include supporting the setting up of thousands of new SMEs and voluntary organisations across the country.

London alone now has over 40,000 voluntary and community groups operating and delivering services across the board. The resources available are for a variety and a range of projects. This is very significant in London area and we note that more than 10,000 black organisations were born in that era. Currently, Black, Asian and other ethnic minority businesses make up nearly 20% of London's small business community. But, we also know that up to 60% of black small businesses/organisations cease trading within the first five years. There are various reasons responsible for this high failure rate.

FAILURE RATE OF BLACK BUSINESSES

Although Britain recorded a period of unprecedented growth in employment levels and amongst the black businesses, the failure rate of their businesses was equally huge and disproportionate. BME-owned businesses encounter disproportionate barriers to the development and growth of their businesses. Particularly in securing contracts and accessing start-up and growth finance, affordable business premises, quality business support, international trade opportunities, etc. For example, over the last decade, the statistics in the UK indicate a fall in the rate of unemployment. This disguises the inequitable outcomes and higher levels of disadvantage in the labour market experienced by our target group. Nationally, the employment rates for ethnic minorities are 14% lower than those for white people, with the employment rates for ethnic minority women 22% lower. The highest unemployment rates were among Pakistani, Bangladeshi and African people.

In total, they make up only 28% of London's population, but they also make up 45% of the capital's unemployed. We see similar patterns in the failures of black businesses and their exclusion from accessing sustainable business support. We know for example that a significant percentage of community businesses and micro-enterprises (about 40%) fail within the first-three years of inception. There are various reasons responsible for this high failure rate. Some experts attribute it to partly a general lack of business expertise and understanding on the part of black people. But, we have other theories borne out of both our experience in the sector and our historic involvement in the various processes in this country.

One of the theories is seen in a study funded by the Leverhulme Trust and conducted by the University of East London. It provided a well-grounded empirical evidence to embed the fact that black and ethnic entrepreneurs suffer levels of business failure crises (Nwankwo, 2003). The research studies suggest that as a result of the market failures black and ethnic minority people often turn to self-employment and business ownership as a means of avoiding discrimination in the labour market. Even such enterprises are often inefficient and marginal because the community and individuals do not have access to the resources (including suitable premises, finance and business support) that can transform them into viable businesses. Indeed, in the UK market, our target groups' business experiences tend to be written off and unrecognised. Perhaps, the explanation to this is contained in the data from both the DTI and the Bank of England that reveal that black peoples' micro-enterprises are the fasting mutating phenomenon in today's London yet very little is published about the dynamic phenomenon of their entrepreneurship. This is partly because of the general tendency to exclude them and view the ethnic minority enterprise sector in a monolithic fashion.

A RESPONSE THROUGH THE THIRD SECTOR

The main statutory response

There is ample evidence to suggest that the development problems of SMEs and the voluntary organisations in general are well known to most fund providers. We see such evidence in the various statutory and non-statutory efforts that are being made to develop rescue strategies in the industry. But, most of them select the third sector (The third sector in London is both large and diverse, comprising charities, voluntary organisations, community organisations and social enterprises) development as the route to tackling the problems of the third sector. The government through its various mechanisms appears to lead the rescue mission with few headline grabbing programmes.

It first recognised that the Third Sector plays a vital role in our society, from bringing people together through voluntary action and advocacy, building social capital and strengthening communities, to the delivery of public services. For the government, this underpins all reviews in this area. In 1996, it commissioned the Deakin Commission to report on the future of the voluntary sector. This became a significant factor behind the creation of the Compact, the Office of the Third Sector and Change-Up, as well as regulatory reform and the introduction of a public-benefit text for charities.

In 2002, the HM Treasury published a Cross-Cutting review on the Role of the Voluntary and Community Sector in Service Delivery. The report recognised that many voluntary and community organisations were unable to access the support required to meet the needs of their users and recommended that the voluntary and community sector and central and local government develop a shared strategy to underpin the capacity of the sector. Following on these was the introduction of The Change-Up framework in 2004 by the then Home Office Active Community Unit. The Third Sector Review and its recommendation of 2006 were to follow with responses that were impressive and ranging.

In 2006, Capacity-builders – a Non-Departmental Public Body (NDPB) – was set up to take over the management of the Change-Up programme and to work with other funders to build the capacity of the Third Sector (i.e., organisations that provide information, business advice, facilities and other kinds of development support and assistance to help third sector organisations and others to become stronge). The Change-Up programme was funded through Capacity-builders' sponsor department, the Office of the Third Sector, with £70 million invested during 2006–2008. A further £88.5 million of investment was committed for the three-year period 2008–2011. The Capacity-builders exist to create a more effective third sector by improving support for third sector organisations. Capacity-builders want to increase by 2011 the access that third sector organisations have to high quality, relevant and affordable shared facilities and services offered by local resource centres across England.

Their framework sets out a ten-year vision up to 2014, for how the support and development needs of frontline third sector organisations can be better met through the provision of high quality, accessible and sustainable support services. The general idea is that with their strong links to communities, their diversity and their commitment to positive social outcomes, third sector organisations are ideally positioned to work with local and central government. They can easily identify community needs and get involved in planning joined-up delivery of public services. Also, the development of the second-tier agencies and others (front-line organisations) will through this system receive appropriate development services and interventions.

Their focus, therefore, includes:

- the development of local and regional partnerships to develop long-term plans for more effective and sustainable support services
- supporting the development of six national hubs to lead work in the six key areas of organisational needs identified including governance, volunteering, information and communications technology, finance, performance improvement and workforce development
- a smaller programme supporting sector involvement in public service priorities.

Overall support will be provided to the frontline organisations through a wide range of voluntary organisations and social enterprises, as well as by public agencies. These agencies operate at national, regional and local levels. Some focus on generic6 support needs, while others respond to particular needs, or to specific parts of the sector.

The main non-statutory response

For the Trusts (non-statutory sector fund providers), the Big Lottery presents a good rescue programme. It accepts that infrastructure organisations services do vital work to help SMEs voluntary and community groups achieve their aims through services such as training, providing information, representing community groups' interests, supporting networks and sharing good practice. The absence of these services/skills are some of the key issues identified severally as causing the underdevelopment of businesses and increasing the failure rate of new ventures. The Big Lottery developed and launched interventions such as BASIS programme in 2006 with the aims to ensure that voluntary and community organisations throughout England have access to high-quality support that will help them become more effective. In round 1, they awarded £101 million to 206 voluntary and community sector infrastructure organisations across England and awarded up to £50 million in round 2.

The City Bridge Trust is another serious player in this theatre. It makes grants of £15 million a year to charitable projects benefiting the inhabitants of Greater London. Since they began grant-making in 1995, they regularly set aside 5% of their grants budget each year for strategic purposes (capacity building, action research projects, feasibility studies and conferences,) but overall they have awarded 5725 grants totalling more than £220 million. They acknowledge that in their experience, they know that many organisations struggle just to keep afloat, planning, budgeting, financial management and reviewing your work can seem like luxuries to these organisations when time and money are short. This is clearly true for our entire client group hence our series of capacity-building interventions in the last ten years. For The City Bridge Trust, to fund the second-tier organisations so that they are able to help the third sector become stronger is the answer to business failures. They acknowledge that there are so many needs in these organisations. They also have identified several key development areas on which to concentrate their funding. The belief is that stronger organisations will be able to deliver better services and prove their value to future prospective funders at the same time.

CONCLUSION

How well black-led second-tier organisations have been assisted by all these is also central to the historic and current performances of the black community entrepreneurial outcomes. It appeared that in the 1990s that there was the professional willingness on the part of fund providers to support in good numbers black-led initiatives both at frontline and or second-tier levels. This also supported the growth seen for this target group. For the second-tier organisations, there has been recognition that black-led organisations deliver some of these services in ways that empower the black community much more appropriately. In addition, key statutes will have to be met covering the cross-cutting themes Sex Discrimination Act 1975, the Race Relations Act 1976 as amended, the Disability Discrimination Act 1995, the Equal Pay Act 1970, the Data Protection Act 1998 and Human Rights Act 1998. These place some responsibility on the shoulder of fund providers to ensure compliance of significant nature.

What is clearly supported by evidence is that even with these statutes, black SMEs and organisations find it particularly harder than whites to access development funds and development interventions even as second-tier organisations. We know that significant numbers of black people do not access many of the mainstream provisions led by white organisations. Some of them argue that such services do not understand their needs especially where language, religion and cultural dynamics are crucial to the services being delivered. We have seen in numerous situations where mainstream projects could not meet their targets for ethnic minority users because their services could not find or reach these communities. In such situations, not only language, religion and culture that are obstacles, but also access for both provider and beneficiary is a problem. The solution needs to include increased and enhanced participation of ethnic minorities in the funding decision-making processes. Their involvement will assist in interpreting the business proposals of black people to the funding committees as they decide on whom to fund. Such measures will ensure in even greater measures that proportional mix of multicultural providers and provisions are available leading to economic and social equity.

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