

HOW NOT TO SUPPORT ENTREPRENEURSHIP IN AFRICA

Today's youths are thinking differently about their future employment, and many have decided they do not want to work for anyone else.

Study has shown that more and more young people are interested in starting their own businesses instead of working a traditional job. This is evident in the growth in terms of the number of applications the Tony Elumelu Foundation Entrepreneurship Programme receives every year. In 2015, the Foundation had about 20,000 applications, and in 2022, applications grew to over 400,000.

According to an impact survey carried out by the Tony Elumelu Foundation late last year, the findings show that 67% of the empowered entrepreneurs from the TEF entrepreneurship programme have completed a 4-year degree or above. This proves that even with university degrees, African youths are still very much interested in entrepreneurship rather than white-collar jobs/traditional jobs.

Monitoring results also show that TEF entrepreneurs are creating jobs in their respective communities. 60% of the respondents from the survey employ up to 5 persons in their businesses, with about 3% in the remaining 40% employing up to 21 people.

This goes to show that no doubt, entrepreneurship is the backbone of the economy. Entrepreneurs are the key drivers of economic and social wealth creation globally.

“Young entrepreneurs and those they inspire are the lifeblood of Africa's rise.” – Tony Elumelu

Over the years, lots of investments have gone into the SME development space as well as interventions, however, not all these interventions have recorded positive results. The Tony Elumelu Foundation plays a key role in championing, developing and empowering entrepreneurs in Africa, and over the years, the Foundation has been able to empower over **18,000** entrepreneurs and created **more than 400,000** direct and indirect jobs and counting.

It is pertinent to note that entrepreneurship has the potential to drive economic growth and create jobs in Africa, and all hands must be on deck in the quest to drive entrepreneurship in Africa.

Our learnings over the years have shown how best to support African entrepreneurs. However, there are critical easy made mistakes on the

part of well-meaning governments and organizations which results in less than desired success in Africa. Below are few ways to guide governments and other organizations to best serve young African entrepreneurs.

Limited Access to Seed Funding Capital: One of the biggest challenges facing African entrepreneurs is access to seed funding capital. Without adequate funding, it can be difficult for businesses to grow and scale. Governments and other organizations can misdiagnose this problem by focusing on providing loans rather than grants for very early-stage businesses. Loans put additional financial pressure on businesses and can discourage risk-taking, while grants provide more flexible and long-term support for these micro enterprises.

Recent studies from the Tony Elumelu Foundation reveals that before receiving the seed capital, 58.9% of the Foundation's beneficiaries were in the Ideation Stage, 28.92% were in the Infancy Stage, and only 12.18% were in the growth Stage. This proves that African entrepreneurs are innovative and enterprising but have limited access to capital to bringing their entrepreneurial dreams to life.

"The Tony Elumelu Foundation Entrepreneurship programme is one programme I will never forget. I will tell my children about it because it changed my life forever. Cash was a real challenge for me but with the TEF Programme in 2015, I was able to get seed capital of US \$5,000 and entrepreneurial training. My business took a different turn for good after the programme" - Zion Oshiobugie

Overregulation/Bureaucratic Barriers: Overregulation, such as licenses, taxes etc, are common problems in many African countries, and they can make it difficult for entrepreneurs to start and grow businesses. The public sector can inadvertently stifle entrepreneurship and innovation by imposing excessive regulations, licensing requirements, and bureaucratic hurdles that make it difficult for businesses to operate.

In a survey recently conducted by TEF research team shows that entrepreneurs in Africa complain about high taxes that "strangle their small businesses". Thirty-four per cent of TEEP Entrepreneurs are currently accessing incentives that include tax breaks, exemptions, etc.

Steed-eloi Kassa said he wants his government to implement tax exemptions for small entrepreneurs importing processing materials that

are unavailable locally. There is a need to broaden tax incentives to benefit more African entrepreneurs.

Investment Readiness Capacity: Entrepreneurship requires a range of skills/trainings, including financial management, marketing, and product development. Governments and organizations can misunderstand entrepreneurship in Africa by overlooking the need to invest in skills development programs, such as the Tony Elumelu Foundation's Business Management trainings, that can help entrepreneurs grow their businesses. Without these resources, entrepreneurs may struggle to make informed business decisions, and may not have the skills needed to scale their businesses.

Government can do this capacity building for African entrepreneurs by partnering with private organizations like the Tony Elumelu Foundation which is already operating in this space with track records and great impact stories.



Over the years, the Tony Elumelu Foundation has trained over 1.5 million Africans on the TEFConnect platform, and here are some testimonies from the training:

“Topics like problems and solutions, leadership, branding, business plan, Marketing problems & solutions are important for every business. Thanks to the TEF team for their efforts in putting together such wonderful training for us for free. We are grateful www.tefconnect.com” - Uwaoma Emmanuel

Infrastructural Constraints/Logistics Problems: Entrepreneurs in Africa also face infrastructural constraints, including clogged ports, poor road networks, rails, unreliable electricity supply, and a lack of internet access.

These challenges can make it difficult for businesses to operate effectively and can increase the cost of doing business.

One of the major challenges faced by African entrepreneurs is the difficulty in the mobility of goods. Roads typically spring to mind whenever the word “infrastructure” is used, but for the average African entrepreneur, it is much more than that. Government must prioritize opening congested access to the sea in addition to building good road networks, as this has a significant negative impact on African businesspeople.

The seaports in many African countries are plagued by inefficiencies and bottlenecks that lead to long delays in the movement of goods. This is a major impediment to the growth of businesses and the overall private sector economy in Africa.

One of the main reasons for the clogging of seaports is the lack of adequate infrastructure and technology. Many seaports in Africa are outdated and unable to handle the growing volume of trade. This results in long wait times for ships to unload and load cargo, leading to increased costs and lost opportunities for businesses.

Inadequate infrastructure poses a significant challenge to African entrepreneurs, hindering the growth of their businesses and the overall development of the African economy. Addressing these problems requires a concerted effort from both the private and public sectors, but with the right investment and commitment, African entrepreneurs can overcome these challenges and build a more prosperous future.

“The lack of infrastructure is an obstacle to the development of agriculture in my country. In rainy seasons the farmers record [significant] losses because the farms are far from roads. Consequentially, the cost of transport increases, and [a large percentage of] harvests are lost. I think the government should build the country's roads first and foremost.” –

Ombick Essome Manfred Olivier

Lack of Availability of Mentorship: Many aspiring entrepreneurs in Africa lack the guidance and support of experienced mentors. This can leave them feeling lost and uncertain and make it difficult for them to develop the skills and knowledge needed to grow their businesses. Many

entrepreneurs require handholding to be able to grow and scale their businesses.

It is also very important that this handholding and coaching come from a professional or an expert in a field that an entrepreneur is operating in. The Tony Elumelu Foundation sees Mentorship as a key pillar for African entrepreneurs and equipping them for their entrepreneurial journeys.



In a survey undertaken by the Foundation last year to our Tony Elumelu Entrepreneurs, 90% of all respondents stated that having a mentor to guide their business was “helpful”. In another survey to business incubators across the continent, we found that most of them were founded to provide “much needed mentoring” to entrepreneurs. Mentoring is especially valuable in assisting entrepreneurs navigate the often-difficult start-up terrain. The Foundation currently mentors over 18,000 African entrepreneurs in different business sectors.

“Mentorship through the Tony Elumelu Foundation gave me a step forward to start an early-stage investment fund for African entrepreneurs. This powerful programme has given me a pipeline for investments.” - Ayo Sopitan

Poor Access to Markets: Many entrepreneurs in Africa face challenges in accessing markets, both domestically and internationally. This can be due to a lack of trade agreements, high tariffs, and limited access to transportation and logistics.

Visa restrictions and difficulties in obtaining visas can also greatly hinder the ability of African entrepreneurs to access markets and opportunities for growth. This is especially true for those looking to expand their businesses beyond their local or national borders. The stringent visa

requirements, lengthy application processes, and high costs associated with obtaining visas can make it difficult for many entrepreneurs to attend international trade fairs, and conferences, and meet with potential clients and partners. As a result, they may miss out on key opportunities to network, form partnerships, and secure new contracts that could help grow their businesses.

In addition to visa restrictions, visa arrivals also play a role in limiting market access for African entrepreneurs. Delays or problems with visas on arrival, such as being denied entry or having visas revoked, can result in missed business opportunities and disrupt travel plans. This can be especially frustrating for entrepreneurs who have already invested time and money in preparing for an international trip, and it can also damage their reputation and credibility with potential clients and partners. These issues further contribute to the challenges that African entrepreneurs face in accessing markets and growing their businesses and highlight the need for more streamlined and accessible visa processes for those looking to expand their businesses globally.

A supportive entrepreneurial ecosystem is crucial for the success of entrepreneurs. Governments and organizations can harm entrepreneurship in Africa by failing to foster such an ecosystem, for example, by not providing access to mentorship, networking opportunities, and access to markets.

Fifty-two per cent of entrepreneurs desire access to market and sector information to enable them to effectively understand and reach markets to sell their products. There is a gap in access to relevant market insight that stakeholders across the private and public sectors can step up to resolve.



“Being a part of the TEF Entrepreneurship programme has helped me become very bold and daring. The programme has helped my

networking skills and gave me an opportunity to think beyond my imagination.'' - **Zambo**

Supporting entrepreneurship in Africa requires a multi-faceted approach that addresses the challenges facing entrepreneurs and fosters a supportive ecosystem. By avoiding these common pitfalls, governments and organizations can help to create a thriving entrepreneurial culture in Africa.