Africa Strategy for Dutch Industry

VNO NCW

MKB Nederland

The purpose of this document is to make Dutch industry aware of the developments unfolding in Africa and the opportunities that this creates. The document also aims to show how organisations from and for Dutch industry intend to seize these opportunities.

The objective of this strategy is to encourage Dutch companies to do business – or more business – in and with Africa so that Africa's potential is better reflected in Dutch earning power abroad, and to raise their awareness of Africa's potential.

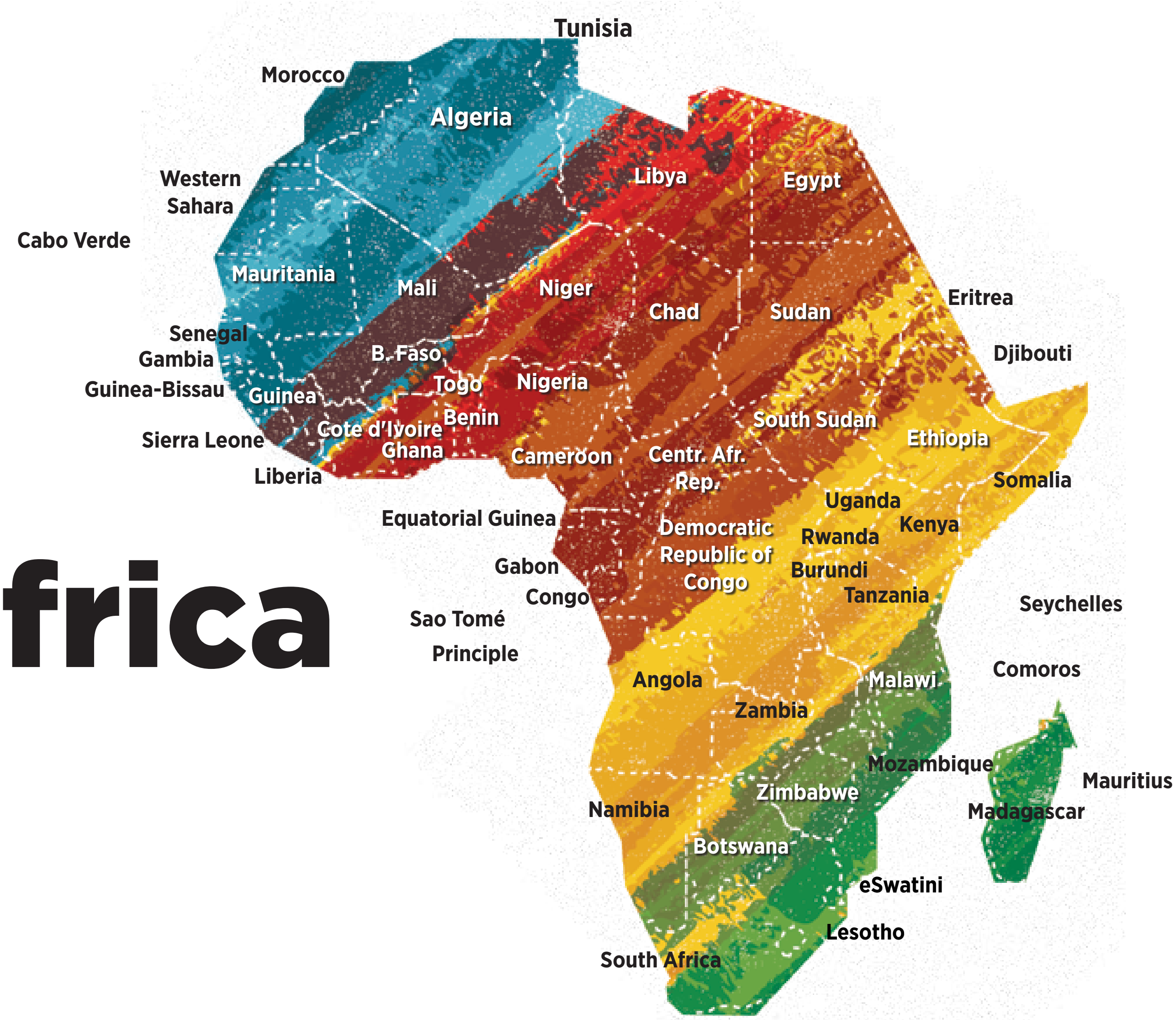
The work does not end with the publication of this document. The Africa Strategy should be regarded as a kick-off for Dutch enterprises to do business – or more business – in and with Africa.

The Netherlands African Business Council (NABC), NLinBusiness, voluntary business advice organisation PUM, the Dutch Development Bank (FMO) and the Dutch Employers' Cooperation Programme (DECP), worked closely with the project team at the Confederation of Netherlands Industry and Employers and the Royal Dutch Association of Small and Medium-Sized Enterprises to provide input for the Africa Strategy. In addition, businesses were approached by means of interviews to familiarise them with business practices on the African continent and information was obtained from sources provided by the Dutch Ministry of Foreign Affairs.

This strategy is based on the following questions:

1. **Why this focus on Africa?**
2. **What are we going to do?**
3. **How are we going to organise it?**

Africa



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1. Why this focus on Africa?

There are many reasons why Dutch industry should develop an Africa strategy . For example, it is assumed that good trade practice, i.e. trading based on International Responsible Business Conduct (IRBC), contributes to the Sustainable Development Goals (SDGs) is a very good thing, not only for the prosperity of the Netherlands but also for the prosperity and well-being of African countries.

Besides the fact that good business results from good trade practice, there are other reasons for a strategy on Africa that falls into three categories, namely **Global Developments, Market Opportunities and Momentum.** First of all, there are **Global Developments** to which the Netherlands PLC can and must respond. In addition, Africa has enormous **Market Opportunities** that are insufficiently exploited. Finally, there is **Momentum**; now is the time to focus on Africa. These three categories are explained below.

1.1 Global Developments

To begin with, the global economy is changing. China and the United States are currently setting the pace, but India will overtake the United States as the second largest economy in 2030.[1] To remain relevant, Europe must focus on trade and investment in the world's top emerging growth market: Africa.

A second development involves various geopolitical competitors pulling out all the stops to secure their interests in Africa, including raw materials. Examples include Japan, which recently held its seventh major Africa Summit (TICAD VII)[2], the US, which published a 'Prosper Africa' strategy at the end of 2018, and countries such as Korea and even Russia stepping up their efforts. Several EU countries have also been redoubling their efforts on Africa (France, the UK and Germany). Japan has indicated that it is seeking cooperation with EU countries, but is looking in particular at countries such as the UK and France, which are well represented in Africa with posts and businesses as well as having resources available for economic cooperation.

And then, of course, there is China's increasingly strong position in Africa. China is fully committed to economic cooperation with African countries, but does so on different conditions than Europe.[3] The European Commission recently characterised China as a 'systemic rival'. This also applies to Africa, which China regards as an attractive source of raw materials, sales market and manufacturing location. China is the second largest bilateral donor after the EU and the largest export finance provider in Africa. Europe (and the Netherlands) should consider whether OECD frameworks such as those for the deployment of development aid and export financing are still up to date in view of China's involvement. For example, already two-thirds of global export credit insurance does not comply with OECD rules, mainly as a result of Chinese financing. There is a challenge for the new Finnish Commissioner for International Partnerships in developing a strategy for Africa. She is committed to pursuing political, economic and investment opportunities on the continent.

The third development is the fact that SDGs are increasingly becoming part of business models, so that these goals offer long-term opportunities for the action perspectives of companies in Africa. Achieving the SDGs can in fact offer trade and industry the prospect of a USD 1.1 trillion increase in value by 2030[4]. The SDGs focus on social problems that need to be solved, such as universal health care. In this case, companies link this to their products and what their contribution may be to the sustainable development goal.

The latter development is not actually development but underdevelopment as there is no integration of the African and European economies. This lack of integration stands in sharp contrast to the close integration of Europe and Asia. It is striking that the links between Europe and Asia are much more closely integrated and we regularly refer to "EurAsia", while Africa, which is physically closer and almost in the same time zone, is still receiving too little attention. Many people are surprised to learn that the risk/return ratio is no different for some African countries than for countries on other continents.[5]

[1] Standard Chartered 2030 projections | [2] https://www.mofa.go.jp/afr/af2/page25e_000274.html | [3] See also the Dutch government's new China strategy: https://www.rijksoverheid.nl/documenten/kamerstukken/2019/05/15/kamerbrief-inzake-chinastrategie-nederland---china-een-nieuwe-balans

It is therefore particularly important now to enter the fast-growing markets on the other shore of the Mediterranean Sea. These are the countries where early investment will determine who contributes to and who benefits from sustainable economic growth.

The fact is that in the year 2019 we are dealing with a global economy in which Africa has an important position. Admittedly, in recent years the perception of Africa has increasingly shifted from a continent in dire need, plagued by poverty and conflict, to a continent with a growing middle class and trade opportunities. Nevertheless, too little nuance is given to the continent, and Africa is still too often regarded as a homogeneous whole instead of a disparate group of 54 countries.

The EU and Africa

The EU is Africa's largest trading partner, accounting for 36% of African trade in goods (valued at €243.5 billion in 2017). Next came China with 14.5% and the US with 5.5%. In terms of foreign direct investment, the EU accounted for 40% (€291 billion), the US for 7% (€51.52 billion) and China for 5% (€36.16 billion).

On 12 September 2018, the former President of the European Commission, Jean-Claude Juncker, presented a "New Africa-Europe Alliance for Sustainable Investment and Jobs", with the aim of significantly boosting investment, attracting private investors, supporting education and vocational training and promoting trade and strengthening the business climate, including through the use of renewable energy and the generation of more energy capacity. The main objective of this alliance is to focus on an economic strategy that reinforces the respective strengths of Europe and Africa and aims to take an External Investment Plan to the next level, promoting employment in Africa, including for young people. It could also be linked to the European Green Deal that has yet to be drawn up, providing, for example, energy production via solar cells where a surplus of energy (over and above local consumption) can be transported to Europe via hydrogen conversion. A €40 billion investment in Africa between 2021 and 2027, the next multi-year financial framework, has been proposed. The External Investment Plan (2017-2020) has earmarked €4.1 billion for EU grants for blending and guarantees, €24 billion is already being invested and the EC expects to €44 billion invested in Africa by 2020. Such blending and guarantees should ensure money flows from the capital markets involving international, European and national financial institutions, in order to reduce investment risks and increase access to finance.
The business and investment climate should be improved through dialogue and cooperation with African partners, including investment protection where relevant. The emphasis is on digital solutions, energy, transport and agriculture. The EU is committed to the implementation of the African Continental Free Trade Area with a view to eventually creating a joint free trade area.
Most of the 15 most promising countries have trade agreements with the EU. Some of them are part of an Economic Partnership Agreement, others are still at the level of an "Everything but Arms" agreement for lower and middle income countries that reduce EU import duties to almost zero.

1.2 Market Opportunities

Africa has a lot of potential. The continent is fast-growing economically, driven by population growth, urbanisation and the consequent growth of a middle class. In addition, Africa has a large amount of agricultural land available and a large number of natural resources, such as oil and gas, gold, metal ores, etc. There is a great demand for further development of infrastructure (including electricity, transport and water). Technological developments will help Africa to skip certain steps in economic development (leap-frogging) or to shape its own African way.
These trends are explained below:

Economic growth

The continent of Africa has grown by an average of 4.5% over the last 15 years (2004-2018), with which economic growth of 1.55% in the European Union pales by comparison.[6] Over the next few years, Africa is expected to see average growth of 3.8% up to and including 2023. However, Africa is a continent

[4] (2017) Business & Sustainable Development Commission, Better Business, Better Worlds report Africa | [5] Berenschot, Erasmus University Rotterdam & NABC, Doing business in Africa: A Strategic Guide for Entreprreneurs, pp. 39-40.

made up of 54 countries and the historical and expected growth rate varies enormously from country to country. Although industry sometimes has a negative image of Africa's potential, economic growth over the past five years has mostly been positive. In the period 2014-2018, there were only four countries with negative growth, 11 countries with growth rates between 0% and 2%, 26 countries with growth rates between 2% and 5% and 13 countries with growth rates above 5%.

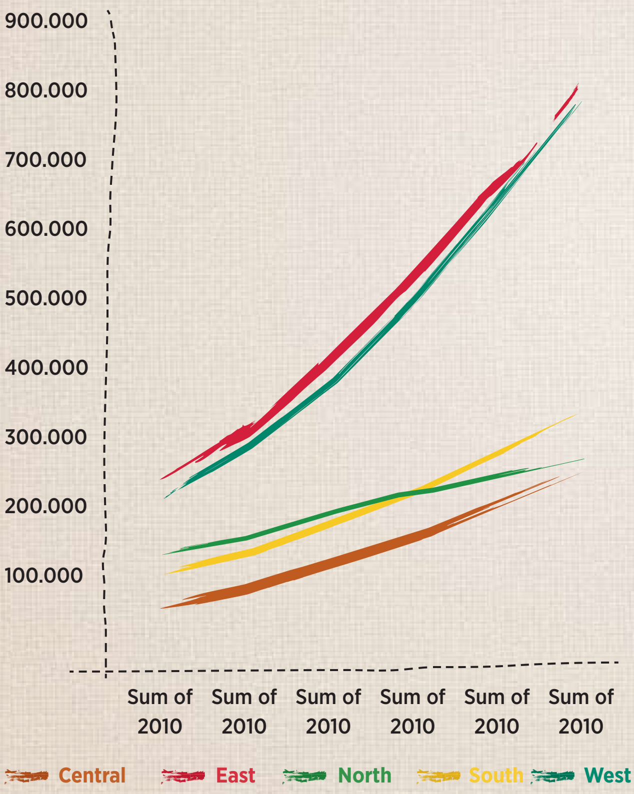
Population growth

Part of the expected economic growth is predicted by rising population numbers. Africa's population is expected to double to 2.5 billion by 2050. East and West Africa in particular will see an enormous increase in population (see Figure 1). By 2050, 43% of Africa's population will be living in the five biggest countries: Nigeria (411 million), Democratic Republic of Congo (197 million), Ethiopia (191 million), Egypt (153 million) and Tanzania (138 million)[7]. This major population growth will lead to an enormous increase in the importance of Africa as a sales market. After all, the demand for food, energy, water and consumer goods is increasing.

Population growth and food supply

At the present time, Africa imports more food than it exports, with current food imports worth $35 billion. High population growth will increase food imports to $110 billion by 2025[8], while at the same time increasing the need for local production, which will yield specific opportunities for the agricultural sector. Dutch companies will have a part to play not only in the export of agricultural products to Africa, but also in the development of local value chains that connect to global value chains.

Expected population by region by 2050 (x1,000)



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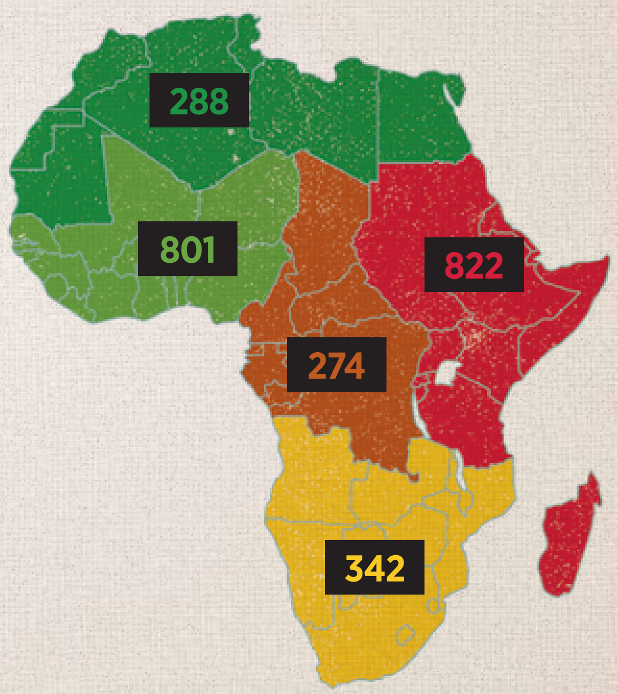


Figure 1: Demographic trends in Africa 2050 (Source: United Nations – World Population Prospects 2018 Revision)

[6] Real GDP growth 2004-2018 Africa and Europe, IMF data.imf.org

Increase in workforce

The workforce is increasing enormously, especially in East and West Africa. By 2035, Africa will have a larger workforce than India or China. However, the current economies of many African countries cannot absorb the workforce (see Figure 2). This means that there are great opportunities for Dutch companies to create more employment, while also contributing to Africa's economic growth.
The current trade dispute between China and the US, which has an impact on export costs, is leading companies to reconsider locating their production in China. They are looking at areas located closer to home: "Nearshoring". The growing workforce is making Africa an attractive destination for manufacturing goods.

Ethiopia is an example of this. That's where the textile and clothing production is developing apace, with the result that the city of Hawassa is the up-and-coming textile hub. The Ethiopian government has focused on the development of infrastructure in Hawassa. In particular, access to stable hydro-electricity was of enormous importance in attracting businesses. Manufacturers from China, South Korea, India and other Asian countries have already invested in new factories in Ethiopia, while a growing number of American and European companies are importing their clothing from Ethiopia[9]. This trend makes Ethiopia a significant production exporter, with clothing exports increasing sevenfold between 2010 and 2015[10].

Changes in workforce (15-64) 2010-2030 (%)

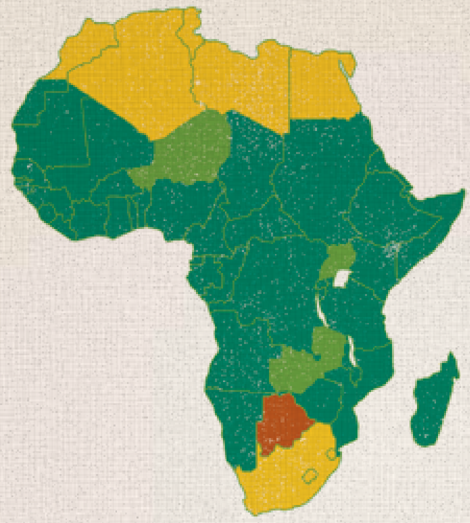


Figure 2: Workforce Absorption Rate in Africa 2010-2030 (Source: based on UN Population Prospects 2012 and Economist Intelligence Unit)

The growing African workforce can also be made 'circular'. Grant talented workers temporary residence in Europe where they can gain skills, but also make sure that they return to the African labour market in order to prevent a permanent 'brain drain'.

[7] UNDESA, World Urbanization Prospects: 2018 Revision | [8] African Development Bank, 2016, Feed Africa – Strategy for agricultural transformation 2016-20259 | [9] Nikkei, M. Tobita, Asian Review (2017): Asian investment is turning Ethiopia into textile hub. | [10] McKinsey 2018: African Business Revolution. P.49

Urbanisation

The high rate of population growth in Africa is related to the high degree of urbanisation on the continent. It is expected that 80% of the population growth will take place in cities, making Africa the continent with the highest degree of urbanisation in the world[11]. There are expected to be seventeen cities in Africa with more than 5 million inhabitants by 2030. Cairo, Lagos, Kinshasa, Luanda and Dar es Salaam will grow to a population in excess of 10 million (see Figure 3)[12].

In fact, the rate of urbanisation is so great that by 2037 the majority of Africa's population is forecast to be living in cities. This rapid growth of African cities creates a growing demand for products and services, including in the areas of retailing, banking, agriculture, and natural resources.

Expected population of mega-cities in Africa by 2030 (in millions)

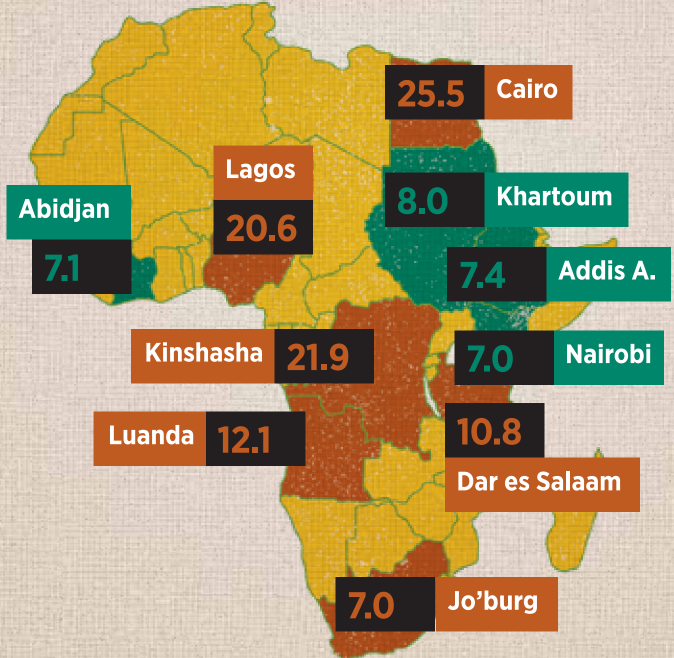


Figure 3: Population of mega-cities in Africa by 2030 (Source: UN 2018 revision, World Urbanisation prospects)

Growing middle class

Africa's middle class is growing, slowly but surely. Across the continent, the middle class grew from 26.2% of the total population in 1980 to 34.3% in 2010[13]. By 2030, Africa's middle class is forecast to grow by 71%[14]. Currently, more than half of the population already lives in middle-income countries (see Table 1). The income that will increase private consumption is gradually increasing.

Private consumption in Africa is estimated to have already increased from US$860 billion in 2008 to US$1.4 trillion in 2015, and will rise to US$2.1 trillion by 2025[15]. The fact that the consumer product category is already the largest in terms of current imports of goods to Africa is remarkable[16].

Infrastructure

In the field of infrastructure, in the widest sense of the term (roads, railways, electricity and the Internet), much remains to be done, giving rise to many opportunities. With the growing population and the high degree of urbanisation, the demand for better infrastructure is set to increase significantly over the coming years. The importance of good infrastructure is high on the agenda of the African Union; infrastructure determines the success of the recently agreed African Continental Free Trade Area (AfCFTA). The African Union is already working on some major projects under Agenda 2063.

Examples include an integrated network of high-speed rail lines, a major energy generation project (the Inga Dam project (DRC)), a common market for air transport movements, African financial institutions, a pan-African e-network, a strategy for space and a digital university. These are all areas in which Dutch industry can provide added value. A couple of examples of opportunities arising in African infrastructure are given below.

[11] Leke, A., Chironga M. Desvaux, G. (2018) Africa's Business Revolution, How to succeed in the world's next big growth market. Harvard Business Review Press, p.41 | [12] Idem, p42 | [13] AfDN, 2011, The middle of the pyramid: dynamics of the middle class in Africa | [14] World Data 2019, Africa a growing middle class

Table 1: Country classification by GNI/inhabitant (World Bank)

Low income <USD 996	Lower middle income USD 996-3,895	Upper middle income USD 3,896 - 12,055	High income >USD 12,055
Burundi	Angola	Botswana	Seychelles
Benin	Côte d'Ivoire	Algeria	
Burkina Faso	Cameroon	Gabon	
Central African Republic	Congo, Rep.	Equatorial Guinea	
Congo, Dem. Rep.	Comoros	Libya	
Eritrea	Cabo Verde	Mauritius	
Ethiopia	Djibouti	Namibia	
Guinea	Egypt, Arab Rep.	South Africa	
Gambia, The	Ghana		
Guinea-Bissau	Kenya		
Liberia	Lesotho		
Madagascar	Morocco		
Mali	Mauritania		
Mozambique	Nigeria		
Malawi	Sudan		
Niger	Senegal		
Rwanda	São Tomé and Principe		
Sierra Leone	Eswatini		
Somalia	Tunisia		
South Africa	Zambia		
Chad	Zimbabwe		
Togo			
Tanzania			

Electricity

Lack of electricity is a major obstacle for companies wanting to do business in Africa. For both multinationals and SMEs in all sectors, electricity and energy are necessary if these companies are to do business successfully. However, there are considerable differences between countries. For example, South Africa and the North African countries have a reasonably good supply of electricity. There are also several pockets of excellence on the continent, such as the aforementioned Hawassa in Ethiopia, where a stable supply of electricity is very attractive to manufacturers. Yet 600 million people in Africa currently have no access to electricity. Added to this are the predictions that the demand for electricity will quadruple by 2040. This means that the demand for electricity is growing by 4.5% each year[17] and that there are great opportunities here for the energy sector.

[15] McKinsey 2018 African Business Revolution | [16] World Integrated Trade Solution, World Bank 2017 | [17] https://www.mckinsey.com/-/media/McKinsey/dotcom/client_service/EPNG/PDFs/Brighter_Africa-The_growth_potential_of_the_sub-Saharan_electricity_sector.ashx p. 10

Roads and railways

In the area of road and rail construction, a lot of money is being invested across the continent (US$80 trillion in 2015)[18]. A quarter of the annual investment in infrastructure is made by China.
To truly address the lack of infrastructure, investment in this sector needs to double[19]. This is another great opportunity for the private sector, which can receive support from local authorities and the African Union. At the same time, poor infrastructure is also a factor to take into account when doing business in Africa. Johannesburg and Nairobi are in the top 5 of the most difficult cities for commuters[20].

Available agricultural land

Africa is regarded as the future breadbasket of the world. Although the continent is currently a net importer of food, it contains 60% of the world's virgin arable land. At present, the local agricultural sector is driven by roughly 33 million small-scale farmers who grow an estimated 80% of the food[21].
There is an urgent need to improve agricultural productivity. It is possible for Africa to become self-sufficient (or even an exporter) by increasing productivity in the production of rice, grain, corn, soy, livestock, dairy, fish and poultry[22]. The Netherlands is extremely well placed to get involved in this. In addition, the African Development Bank (AfB) recognises that there are opportunities to move Africa higher up the value chain in export products such as cocoa, coffee, cashew nuts and horticulture.
Dutch companies can respond to the need to add value to unprocessed products at a local level, paying attention to IRBC aspects, such as working and investing in sustainable value chains.

Digitisation

Digitisation in Africa is increasing rapidly and is being applied in many ways. Digitisation generates opportunities to provide *pay-as-you-go* services, such as electronic payments (M-pesa), electricity (Azur i) or healthcare (Philips mobile ultrasound equipment). This makes these services affordable for a large section of Africa's population. Digitisation also offers many opportunities for agriculture.
The CTA, the Technical Centre for Agricultural and Rural Cooperation in Wageningen, is working on inclusive digital agricultural transformation[23].
By 2030, 200 million small-scale farmers are expected to be digitally registered. This creates possibilities for combining information from individual farmers and fields into macro-level data by means of technology in the areas of remote sensing, big data and block chain. Farmers will optimise their production, gain access to useful products and results, and explore new connections with their market.
Governments will be able to base their policy on these data. It will be possible to work towards a connected, intelligent and real-time agricultural system with corresponding economies of scale. However, digitisation requires a digital infrastructure, i.e. efficient registration of farmers and availability of digital agricultural data (such as soil, pest and disease control and meteorological data).

As well as agriculture, digitisation will play a part in the future of African manufacturing industry[24].
Traditionally, investment and production growth have been the most effective ways of transforming and industrialising developing economies. In many countries, therefore, the advent of digitisation has led to significant growth. However, this does not benefit everyone equally everywhere, because digitisation requires skilled professionals.

Leapfrogging

This is where processes in economic development are skipped because an economy immediately latches on to modern developments. In Africa, for example, fixed telephone lines have not been rolled out to any great extent. In recent years, the penetration rate of mobile phones and laptops/PCs has been much deeper, resulting in the immediate delivery of modern services. An example of this is digital banking, which enabled many Africans to open their first bank account. This leapfrogging is possible and ongoing in other sectors as well. New phenomena are also being creatively applied in the context appropriate to the African country in question.

[18] Leke, A. Chironga M, Desvaux G. (2018) Africa's Business Revolution How to Succeed in the world's next big growth market. Harvard Business review Press. P. 61 | [19] Idem, p.62 | [20]IBM Global Commuter Pain Survey: Traffic Congestion Down, IBM 2011. | [21] UN Food and Agriculture Organization, Smallholders and family farmers, 2012 | [22] African Development Bank, 2016, Feed Africa – Strategy for agricultural transformation 2016-2025. | [23] Digitalisation of African Agriculture, CTA, 2018-2019, Dalberg Advisors

Industry's next move

The above trends provide opportunities for Dutch business. Currently, there are already 400 African companies with a turnover in excess of USD 1 billion and these companies are growing faster and are more profitable than their equivalents on other continents. China in particular is taking advantage of these increasing opportunities; it is estimated that 10,000 Chinese companies are operating in Africa, and trade between China and Africa increased more than one hundred fold between 1990 and 2018. Table 2 shows that China and India in particular have increased their trade with Africa enormously, while the Netherlands has lost a large share compared to 2010. According to the UN Conference on Trade and Development (UNCTAD), the Netherlands is doing better in terms of direct investment, as the Netherlands was the second largest investor in Africa with USD 63 billion in 2017, after France (Chart 1). After 2013, Dutch investments in Africa grew tremendously, but then began to fluctuate (Chart 2). Africa's share of the current total investment by the Netherlands (FDI) is 3.3%[25].

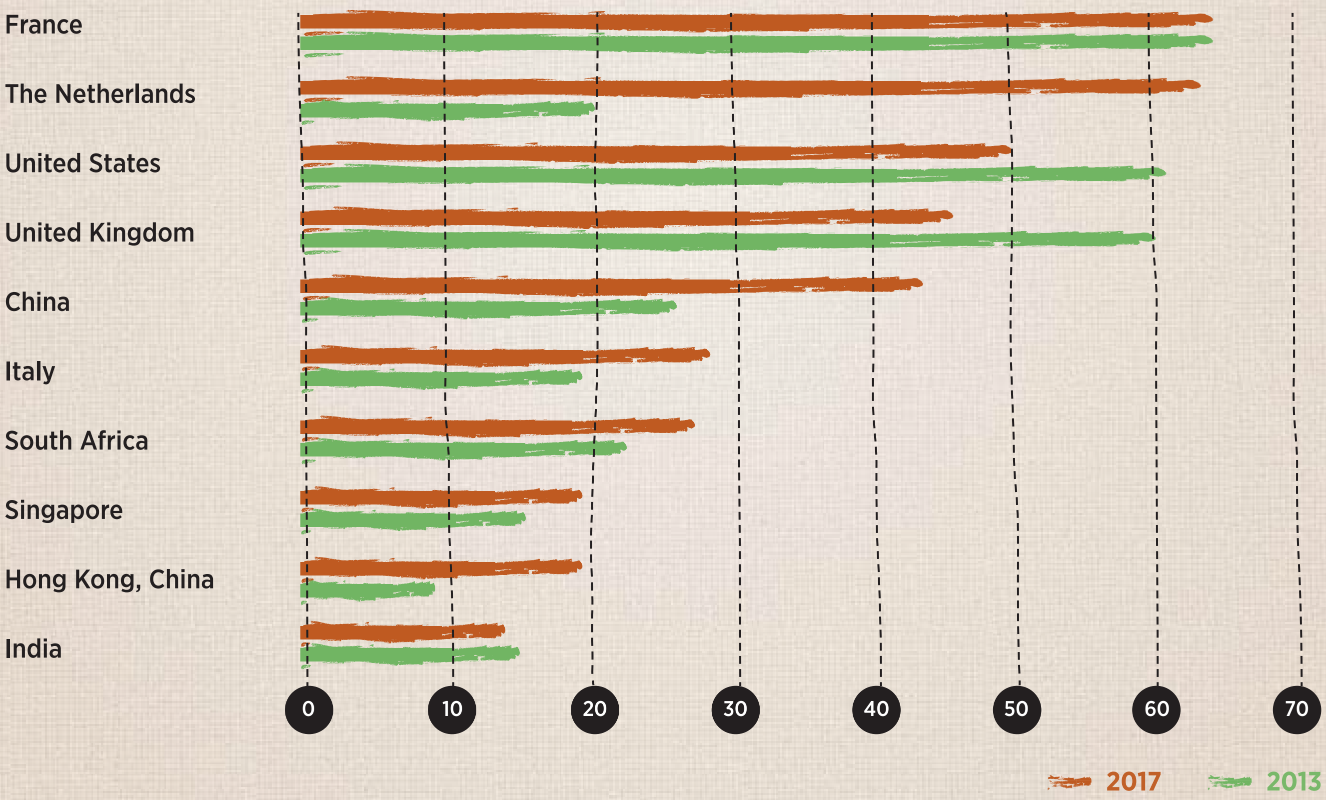
Table 2: Trade with Africa

	Total value trade in goods (numbers in billions of dollars) with Africa				% of Africa's trade in goods			
	1990	2000	2010	2018	1990	2000	2010	2018
China	1.2	7.6	85.4	134.1	0.7%	3.2%	10.3%	14.5%
India	0.9	8.3	45.2	65.2	0.6%	3.5%	5.5%	7.1%
USA	20.4	24.6	52.5	50.7	12.5%	10.5%	6.3%	5.5%
The Netherlands	**20.8**	**32.5**	**96.8**	**46.3**	**12.7%**	**13.8%**	**11.7%**	**5.0%**
Spain	5.2	11.2	29.9	36.4	3.2%	4.7%	3.6%	3.9%
Germany	13.2	12.6	32.2	35.3	8.1%	5.4%	3.9%	3.8%
France	11.5	15.0	34.2	33.2	7.0%	6.4%	4.1%	3.6%
United Kingdom	9.5	14.5	25.2	25.7	5.8%	6.2%	3.0%	2.8%
Italy	6.5	6.7	27.6	25.5	4.0%	2.8%	3.3%	2.8%

Source: IMF Direction of Trade Statistics

[24] Digitalisation and the future of manufacturing in Africa, ODI, March 2018, K. Banga and D. van der Velde | [25] CBS data.

Graph 1 Top investors in Africa in billions of dollars in 2013 and 2017



Source: World Investment Report 2019, UNCTAD Data from the Netherlands do not include special financial institutions

1.3. Momentum

This Africa Strategy draws on the recommendations in the advisory report "Team Netherlands: Together stronger in the world" issued by the DTIB (Dutch Trade and Investment Board) Steering Group on International Trade, Innovation and Investment Promotion chaired by Chris Buijnk in 2017[26].
This report states that more economic growth can be achieved from international aspirations, especially outside Europe. The aspiration is for us to earn 40% of our income (GDP) from international trade by 2030. Dutch business can help shape these aspirations in Africa, given the opportunities that are opening up there.

But there is also momentum in Africa. Work is being done to develop an African Continental Free Trade Area (AfCFTA), in which 54 of the 55 African countries (except Eritrea) are working towards creating a single trading block. The required 22nd ratification for its entry into force was received at the beginning of this year. The agreement aims to cut trade tariffs on goods by 54% - 90% in 5 to 10 years (depending on a country's level of development) and facilitates trade in services. It is very important that the EU works towards a trade agreement with Africa, through the African Union. Ideally, this agreement should also include arrangements on investment ("a TTIP for Africa")[27]. The investment arrangements agreed between Canada and the EU (known as the CETA agreement) are a good template for this as they involve the establishment of an Investment Court System The Netherlands must promote its own investment protection agreements with African countries if protection is not possible at European level. The model text for these has recently been revised: for example, letterbox companies can no longer use this form of arbitration and SMEs are better protected[28]. Although it will take some time to fully implement the AfCTA, it is important that Dutch companies explore how this development can

[26] Rapport Buijink, Team Nederland: "Samen sterker in de wereld", 2017. | [27] Similar to the Trans-Atlantic Free Trade and Investment Treaty between the EU and the US. | [28] See https://www.rijksoverheid.nl/onderwerpen/internationaal-ondernemen/investeringsbeschermingsovereenkomsten

contribute to growth on the continent.
Finally, this strategy is a response to the motion tabled in the Lower House of the Dutch Parliament on 4 July 2019 by MP Mustafa Amhaouch and others[29], who asked the government to set up a task force to promote trade and economic development between the Netherlands and Africa. Industry, civil society, the scientific community and government should be represented in this task force. This Africa Strategy for and by Dutch industry will provide input for the above-mentioned task force and will be a first step to identify opportunities for the Netherlands in Africa and remove barriers.

1.4 Conclusion

In short, global developments, market opportunities and momentum require Dutch industry to adopt an Africa Strategy. In view of the scope of the subject, choices will have to be made in order to arrive at a sound strategy. The Africa Strategy sets objectives, defines boundaries, explores opportunities and challenges for industry and makes recommendations.

2. What are we going to do?

It is important to set the right objective and boundaries in order to arrive at a sound Africa Strategy. The African continent is so large and diverse in terms of surface area, economy, geography and population that focus is needed.

2.1 Objective

The objective of this Strategy **is to encourage Dutch companies to do business – or more business – in and with Africa.** This means developing more and deeper trade relations between the Netherlands and various African countries and ensuring that Africa's potential is better reflected in Dutch international earning power. To make this objective a reality, the following targets have been set, the aspiration being to achieve them by 2030:

- To double Dutch investment in Africa (68 billion in 2018)[30] and trade flows between the Netherlands and Africa (27 billion in 2018)[31]
- To double Africa's share of the Dutch trade volume (in 2018 Africa's share was 3.14% in goods and 1.06% in services[32]).

In order to achieve this objective, the strategy focuses on:

1. Exploiting and expanding the current information available
2. Enlarging the network of Dutch industry in Africa
3. Improved access to finance applicable to the African context
4. Contributing to the economic development of Africa and to the promotion of the SDGs (interwoven SER Advisory Report[33]).

In addition, this Africa Strategy serves as **input for the Task Force on Trade Promotion and Economic Development between the Netherlands and Africa** in response to the aforementioned motion by Member of Parliament Amhaouch and others.[34] Public and private actors can and do work a lot together when it comes to achieving each other's aspirations on the African continent.

Dutch industry is aware that the strategy is not drawn up in isolation, and should therefore be flexible enough to adapt to changing circumstances. After the launch of this strategy, the following activities of other parties should therefore be acted upon:

- The African Continental Free Trade Agreement (AfCFTA) and the African Union's Agenda 2063[35].
- The European Joint Africa-EU Strategy[36].
- The Business Views of BusinessEurope ("A better investment climate in Africa").[37] Dutch industry will therefore cooperate as much as possible with European partners where it is opportune to do so.

2.2 Boundaries

Firm boundaries are needed in order to focus. As stated in the introduction, this is a private Africa Strategy.

[29] Lower House of Parliament, session 2018-2019, 34 952, No. 69 | [30] De Nederlandsche Bank, Total direct investment by the Netherlands by country, 2018. | [31] CBS data, adjusted for re-exports. | [32] CBS data. | [33] SER advisory report 'Kansen pakken en risico's beheersen – over de samenhang tussen de SDG's en IMVO', October 2019. | [34] https://www.tweedekamer.nl/kamerstukken/moties/detail?id=2019Z14568&did=2019D29854. | [35] See https://au.int/sites/default/files/documents/33126-doc-03_popular_version.pdf. | [36] https://www.africa-eu-partnership.org/en/partnership-and-joint-africa-eu-strategy. | [37] https://www.businesseurope.eu/publications/better-investment-climate-africa-business-views. 18 June 2019

Given that the African continent consists of 54 very diverse countries, a selection of promising African countries must be made. This "country focus" helps Dutch industry to understand where and why there are opportunities in those countries. A variety of criteria can be used to arrive at a selection of countries. The chosen criteria and the final selection are discussed below.

2.2.1. Country focus

The potential of countries is analysed by looking at current Dutch business activities in a country, its current economic position and growth opportunities, political stability and the way business is done. To this end, a number of indicators were selected and ranked in order. Annex 2 includes a table showing the ranking.

The selected indicators are as follows:

- Size of the economy and economic growth
- Population size and growth
- Per-capita GDP
- Importance of Dutch goods for an African country
- Countries covered by the G20 Africa Compact. These are African countries that are committed to promoting private investment by making substantial improvements in the macro, business and financing frameworks.
- Africa Stability Index[38]
- Volume of trade in goods between the Netherlands and African countries[39]
- Dutch investment in Africa[40]
- Ease of doing business
- African cities with potential[41]
- "Cultural Distance" between the Netherlands and African countries[42].

On the basis of these indicators, a selection of 15 countries[43] was made and categorised. This means that some recommendations for countries will differ depending on how they were categorised. The selection is as follows:

Selection of countries

Top 3	The Next 5	Potentials
1.South Africa	4.Côte d'Ivoire	9.Ghana
2.Nigeria	5.Kenya	10.Tunisia
3.Egypt	6.Algeria	11.Tanzania
	7.Ethiopia	12.Mozambique
	8.Morocco	13.Senegal
		14.Rwanda
		15.Uganda

Explanation of categorisation
Top 3: these countries score very well on all indicators. They are the three largest economies, have a large population and there is currently a lot of Dutch activity in both trade and investment. Moreover, cities where there are many openings have been identified in all the countries (Cape Town/Johannesburg, Cairo and Lagos). The next 5: these countries score well on all indicators. For example, Morocco and Algeria are the largest economies in Africa after the "Top 3" countries, and Kenya, Côte d'Ivoire and Ethiopia expect to achieve economic growth of more than 6%. In addition, there is a lot of trade with the Netherlands (Morocco, Kenya, Algeria and Côte d'Ivoire) or considerable investment by the Netherlands (Ethiopia). Cities with many openings have also been identified in all these countries (Tangier, Nairobi, Algiers, Abidjan and Addis Ababa). Potentials: these countries score well on some indicators and relatively well on others. These countries are experiencing strong growth of between 4% and 8.5%. Ghana, Tunisia and Senegal have relatively high levels of trade and Tunisia and Tanzania have relatively high levels of investment. Tanzania, Senegal, Rwanda and Uganda are considered "stable growers". In addition, Rwanda has the best Ease of Doing Business score on the African continent, apart from Mauritius.

[38] McKinsey Report. | [39] CBS data. | [40] DNB data. | [41] According to NLinBusiness.
[42] Doing Business in Africa | [43] B: in addition to these 15 countries, Libya, Mauritius, Angola and Cameroon showed some potential, but these are not included because of their political situation, size of their economy, economic one-sidedness or lack of a Dutch embassy.

When focusing on a limited number of countries/ regions of opportunity, it is of course important to involve the Dutch top economic sectoral qualities. The Netherlands can make a major contribution to the Sustainable Development Goals with its range of products and services, such as food production, water management, smart cities and the circular economy.

With the Dutch top economic sectors, we should therefore be looking at win-win models for the Netherlands and for the 15 African countries. This campaign will start after the launch of this strategy.

3. How are we going to organise it? Follow-up steps and recommendations

Bearing this analysis in mind, it is important to make clear recommendations. This section briefly examines what Dutch industry is already doing to promote business in Africa and what it intends to focus on even more strongly. Recommendations are then made for new actions and instruments aimed at both private and public sector parties. These recommendations vary in terms of form, scope and recipient. Recommendations are therefore formulated in such a way that it becomes clear whether a recommendation is in favour of knowledge, the network of companies or obtaining funding to finance doing business in Africa. In addition, there are a number of general recommendations that are mentioned first.

3.1 Existing initiatives and instruments

An inventory has been made of what Dutch industry is already doing and what is being focused on more strongly to promote doing business in Africa. Below is a brief overview of the activities of the direct partners and public-sector organisations to support Dutch industry.

Private-sector organisations that help Dutch industry:

PUM, Netherlands senior experts: PUM strengthens local SMEs in 19 countries in Africa. Dutch entrepreneurs share practical knowledge with SME entrepreneurs in these countries on a voluntary basis. As a result, PUM has a large local network in various sectors, and is well informed on a practical level about what is going on in these sectors. By strengthening local SMEs, PUM helps to improve the investment climate in these countries. PUM can help Dutch companies to engage with the African market, and Dutch companies can join in with the development of the economic clusters on which PUM is focusing in these countries.

NABC, Netherlands African Business Council: has been engaged in strengthening business relationships between Dutch and African companies for over 70 years, focusing exclusively on trade and investment promotion in the private sector. With its extensive network, NABC can support Dutch industry in the creation and development of the opportunities it has identified. NABC provides support during four different phases: Inform, Inspire, Catalyse and Connect.

In the priority countries mentioned, NABC will be devoting even more attention and focus and can provide companies with support through its network of both Dutch and African contacts. In order to inform and inspire, NABC focuses on Africa Works! Conferences, the annual Ambassador's Dinner, the regular Africa Business Club meetings, the Africa Academy (together with evofenedex), public contributions to national and international conferences, publications in the media and daily publications on social media. For Catalyse and Connect, NABC makes its range of instruments available for the implementation of this private-sector Africa Strategy. This includes outbound and inbound trade missions, matchmaking, financing mediation, market research, individual consultancy, solving practical problems and identifying trends and opportunities for Dutch industry. NABC has the experience and expertise to manage and administer clusters of companies from a particular sector in order to jointly present and promote Dutch industry with multi-year programmes and projects. As an objective coordinator, the NABC therefore plays a crucial part in assisting clusters of companies from the poultry sector, the seed sector, the vegetable sector, the water sector, the spice sector, the energy sector, etc.

NLinBusiness: focuses on cities and their hinterland. Currently, they have identified 4 "cities of opportunity" in Africa: Cairo, Nairobi, Lagos and Tangier/Casablanca. These are cities where large Dutch multinationals are already well represented, providing Dutch SMEs with easier access.
Working closely with NABC, NLinBusiness aims to link these cities to the international business platform. In addition to the cities mentioned above where mainly NLinBusiness operates, NABC also has formalised partnerships with bilateral chambers of commerce in Algeria, Ghana and South Africa.

FMO, the Dutch Development Bank: invests in companies in developing economies and has 50 years' experience in investing in Africa. FMO has a portfolio of EUR 3 billion in its own investments in Africa and manages a further EUR 1.3 billion in investments from public and private funds.
FMO finances projects and businesses that make an impact particularly in the following sectors: financial institutions, agriculture, water and food and energy. FMO is therefore focusing on three Sustainable Development Goals: Decent Jobs (SDG 8), Reducing Inequalities (SDG10) and Climate Action (SDG 13). Whereas FMO mostly focuses on supporting local companies with loans, participations and guarantees, the NL Business Funds unit within FMO focuses specifically on financing Dutch exports to and Dutch investments in developing countries.
In this way, it is able to serve both the private and the public sector. NL Business Funds can also use development capital to finance and co-manage 50% of the feasibility studies during the pre-financing phase. Work is currently underway on creating a new entity whose objective is to meet the financing needs for the international activities of Dutch companies and international projects in which Dutch industry can play an important part. These include international projects that provide solutions to global issues. The entity will be an addition to the market.

DECP, the Dutch Employers' Cooperation Programme: supports employers' organisations in 11 African countries with Dutch knowledge and expertise to bring these organisations' association management, lobbying and social dialogue to a higher level. In this way, DECP promotes powerful employers' organisations that are able to exert a positive influence on the business climate and help to increase business activity. This is good not only for local prosperity and welfare but also for generating export and investment opportunities for Dutch companies. DECP is a trusted partner of the African employers' organisations with which the programme cooperates, a position that DECP wants to exploit more to assist Dutch industry in the current programme period 2018-2022.
If Dutch companies need knowledge and information on the issues concerning employers in DECP's partner countries or want to contact members or the network of African employer organisations DECP works with, DECP is happy to put them in touch. DECP should continue to support business organisations in Africa itself in order to improve the business climate. African entrepreneurs' and employers' organisations represent the voice of the business community and are therefore an important countervailing power for government policy. Improving business policy and the business climate is good for African companies, but also for Dutch companies that are or intend to start operating in Africa.

Public-sector organisations that assist industry:

RVO, the Netherlands Enterprise Agency: This is a public executive organisation, which assists companies in various ways. It has country pages online listing business opportunities (sectoral opportunities) in each country. In addition, RVO indicates what instruments are available in each country to facilitate business activities. The following instruments are open to most countries: Develop-2Build (infrastructure), DRIVE (infrastructure), DHI (demonstration projects, feasibility studies and investment preparation studies), DGGF (Dutch Good Growth Fund), PIB (Partners International Business) and SIB (Starters International Business). RVO also organises missions and meetings on a regular basis to inform companies of opportunities and openings.

The Dutch Ministry of Foreign Affairs/network of embassies: The Ministry of Foreign Affairs, and in particular the Minister for Development Cooperation and Foreign Trade, also focuses on stimulating international trade, not only from The Hague, but also through its network of embassies, including those in the 15 countries referred to, which can advise companies on doing business in a country. The Ministry has also developed the above-mentioned business instruments, which are implemented by RVO. The objective of these instruments may be to promote either trade or aid and trade, depending on a country's level of development. In addition, the Ministry regularly organises missions to countries or to specific sectors in countries, often accompanied by a government minister.

3.2 Recommendations for new initiatives

As indicated above, there are and will continue to be a number of parties providing their knowledge, network and a number of instruments. The recommendations below centre on new measures to allow Dutch companies to do business – or more business – in and with Africa. These recommendations are addressed to the private and public sectors or are applicable within a public-private partnership (PPP). Figure 1 shows a proposal for a roadmap for the recommendations and the parties who can implement these recommendations.
A distinction is made between the different types of recommendations, i.e. **general, knowledge, network, financial resources and SDGs.** This roadmap runs until 2025, after which a reassessment of the recommendations and strategy will take place. The Africa Steering Group will monitor the progress of the recommendations and perform the reassessment. This steering group is explained in detail in 3.3. The figure is followed by a list of the recommendations.

Figure 1: Roadmap for Africa Strategy 2020 - 2025

<table>
<tr><th></th><th>2020</th><th>2021 - 2025</th></tr>
<tr><td>1 General</td><td>Set up and implement first flagship project with value chain-oriented approach in one of the top 8 countries</td><td>Set up and implement second flagship project and evaluate approach</td></tr>
<tr><td>2 Knowledge</td><td>Embassies develop agenda for facilitating trade</td><td></td></tr>
<tr><td></td><td colspan="2">Develop sector-specific programmes and send trade missions to top 8 countries</td></tr>
<tr><td></td><td colspan="2">Develop joint events agenda to increase awareness of opportunities in top 8 countries (VNO-NCW, MKB-Nederland, RVO, BZ, NABC, FMO, NLinBusiness, PUM, DECP)</td></tr>
<tr><td>3 Network</td><td>Activate hubs in top 3 countries – NLinBusiness</td><td>All top 8 countries have a hub</td></tr>
<tr><td></td><td>Set up >3 Dutch Desks at local banks (in top 8 countries) – FMO</td><td></td></tr>
<tr><td></td><td>Set up one additional hub in Next 5</td><td></td></tr>
<tr><td>4 Instruments</td><td>FMO and RVO work on new entity</td><td></td></tr>
<tr><td></td><td>Develop more instruments for SMEs (FMO, RVO)</td><td></td></tr>
<tr><td></td><td colspan="2">Facilitate more high-risk capital and continued financing of feasibility studies (public)</td></tr>
<tr><td></td><td colspan="2">Explore solutions for convertibility and transferability</td></tr>
<tr><td></td><td>Cooperate to make value chains more sustainable and achieve SDGs with current instruments</td><td></td></tr>
<tr><td></td><td colspan="2">Develop instruments for both PSD (Private Sector Development) in Africa and NL business support (public)</td></tr>
</table>

3.2.1 General

As stated above, the aim of this Strategy is to encourage Dutch companies to do more business with and in Africa. To this end, a selection was made of 15 countries where there are increased opportunities for Dutch businesses. The general recommendations for facilitating this process for businesses are set out below:

- **Aim for general, broad support for business owners who want to do business in the 15 countries.**

In selecting 15 promising countries we are working on achieving a minimum level of support for business owners who want to do business in the focus countries. In view of the differences between the 15 countries, as indicated in the ranking, different degrees of support have been chosen.
In some countries, Dutch businesses are already more advanced than in others, so the degree of support can be broader. Figure 2 is a proposal to support Dutch businesses in the focus countries. In some areas of support, certain parties are mentioned who can provide this support.
The Africa Steering Group will further develop general support with the relevant stakeholders.

Figure 2: Proposal for level of support in the different countries

Support

- Setting up new hubs in major cities (NLinBusiness), incl. Dutch Desks at local banks (FMO)
- Trade missions and/or private business trips 2-3 x per annum
- Embassy and private parties; economic support and extensive agenda of events for trade promotion

- Setting up new hubs in major cities (NLinBusiness), incl. Dutch Desks at local banks (FMO)
- Trade missions and business trips 2 x per year (RVO, NABC)
- Embassy and private parties; economic support and extensive agenda of events for trade promotion in these 5 countries

- Digital one-stop shop for businesses with plans for Africa
- Increasing awareness in the Netherlands of opportunities in these countries with targeted events and communication
- Embassy; economic support and light agenda of events for trade promotion
- Improve financial instruments for better fit with conditions and opportunities in the 15 countries (FMO, RFO)

- **Call to explore opportunities in the most important sectors in these countries and to link these to sectors in which the Netherlands excels.** Other European countries, such as Germany and France, are successfully using public instruments to commercialise national knowledge and skills. The Netherlands can offer increased support through public-private partnerships to make a real impact. One of the ways in which this can be done is by considering a **value chain approach.** The Netherlands is good at providing comprehensive solutions. Instead of only offering support to individual companies in each country, having a value chain approach can add value. In this case, Dutch and local companies operating different parts of a value chain work together; NABC, for example, already organises trade missions aimed at value chains (such as poultry). Another suggestion would be **flagship projects** that show how Dutch industry can position itself in Africa. Examples include projects in the area of water and dykes.
- **Adopt a multi-annual, programmatic approach at national level, where the specifications for and implementation of schemes are in keeping with the African context.**
The strategy focuses on a multi-annual programmatic approach to make success more likely. In order to promote trade and investment between the Netherlands and Africa, it is important to have a long-term vision that fits the African context.
- **Call for EU economic project aid for Africa, including a European alternative in the area of infrastructure development, financing and procurement (cf. the Chinese 'Belt & Road Initiative').** There are great earning opportunities here for Dutch companies and strengthening the infrastructure is one of the top priorities for the development of African countries.
- **Get rid of both aid and trade support.** Provide instruments that focus on both private-sector development in Africa and Dutch business support;
- **Encourage investment in Africa, including by means of tax arrangements.** Investment in Africa is often impeded by a high-risk perception. Tax incentives from the Netherlands should make investments in Africa attractive.
- **Make the growing African workforce 'circular':** look at schemes such as the knowledge worker scheme by granting talented African employees temporary residence in Europe where they can gain skills, but also make sure that they return to the African labour market in order to prevent a permanent 'brain drain'.

3.2.2 Knowledge

In order to stimulate Dutch companies to do more business with Africa, it is first and foremost important that companies are aware of the opportunities that exist, and have the knowledge to enable them to enter this market. Section 4 of this strategy provides an initial impetus for this, and the following is recommended as a follow-up:
- **Work towards a single public-private digital information point** according to the 'one stop shop' principle, or an 'Africa-Netherlands desk'.
Available information needs to be better accessed and joined up. An important task lies in improving the accessibility of information for businesses, making it easier for them to take a step towards Africa.
- **Create a calendar of events for the coming years** in which events from different parties are initiated and collected in order to eliminate misconceptions about Africa and reveal opportunities and challenges. Cooperation between the direct partners for this strategy provides a possible structure in this regard.
- **Increase companies' knowledge of business practice in Africa and the earning opportunities provided by SDGs,** including a digital information point and events.
- **Strengthen PUM's position and make more use of its knowledge and experience in Africa.** Further cooperation with the direct partners can serve as a starting point for this.
- **Continue financing feasibility studies for projects and investments.** Companies need these studies to assess the feasibility of projects and investments and to develop financially viable projects.
Financing the feasibility phase can assist with this process. Existing instruments made available by the Dutch Ministry of Foreign Affairs under the management of FMO and RVO are already being used to finance half of these feasibility studies. These studies look not only at the financial feasibility of a project but also at its technical feasibility and its impact on social and environmental factors. Experience shows that there is a great

demand for this type of instrument, including from start-ups.

3.2.3 Network

In addition to increasing knowledge, it is important to support companies by providing access to a network and expanding that network. This applies to both local partners and Dutch partners. The recommendations for expanding the network for companies are set out below:

- **Organise private-sector trade missions targeting the focus countries.** A multi-year approach is needed to plan these missions properly. An example of this is the SME missions as set out in the Entrepreneurship Agenda of the Royal Dutch Association of Small and Medium-Sized Enterprises[44], in which small scale is the guiding principle. It is recommended that the countries selected in this strategy should be considered in the planning of future private-sector trade missions. A distinction could be made here between "very promising and promising" and "lots of potential and potential".
- **Use each other's local partners.** It pays dividends when Dutch companies can and will share each other's network in an unfamiliar market. This also applies to the networks of organisations that assist companies, such as FMO, DECP, NABC, NLinBusiness, and PUM.
- **Strengthen or establish a connection to existing hubs and support the construction of new hubs.** A hub is a type of network in which Dutch businesses in a particular city or region come together to support each other and newcomers in their business activities. NLinBusiness has identified Lagos, Cairo, Nairobi and Tangier as 'Cities of Opportunity'. It considers them to be cities where the Dutch industry is already well represented, providing openings for SMEs. Other potential locations include Cape Town, Abidjan, Addis Ababa, Johannesburg, Casablanca and Algiers. NLinBusiness and NABC are working together to create these hubs.
- **Bring Dutch industry and government together to respond to the developments surrounding the AfCTA.** Finally, the Dutch private and public sectors will have to work together if they are to benefit from the opportunities generated by the implementation of the African Free Trade Agreement. Neither the public nor the private sector can achieve this on its own. This recommendation is therefore addressed to the Task Force or others who aim to promote economic opportunities in Africa.

3.2.4 Financial resources

A major challenge for doing business on the African continent, especially for SMEs, is access to financing, where, inter alia, the instruments available are not really suitable for the African context. The recommendations for encouraging business activity on the continent are therefore set out below:

- **Create more instruments that serve SMEs, including for financing needs in the category below EUR 10 million.** Dutch SMEs are not quick to take the step towards doing business in Africa but with the right access and tools they can. FMO NLB Business Funds[45] is currently working on a framework agreement with a financial institution in East Africa with the aim of facilitating Dutch export transactions (also under EUR 10 million) to countries where local banks receive loans from FMO in order to finance local importers of Dutch goods and services. FMO intends to extend this to West and South Africa as well.
- **Facilitate SME access to local financial networks.** For example, by setting up Dutch Desks at local banks. FMO is investigating whether (based on the model of Germany's DEG in certain developing countries) it could set up a "Dutch Desk" in a number of African countries to offer financial services to Dutch SMEs and their local trading partners. These services are provided at the branch of a local bank by a local person who knows both cultures well.

- **Facilitate more high-risk capital** Public instruments (such as the Dutch Good Growth Fund) are still insufficiently tailored to the needs of start-ups and up-scaling companies to provide access to high-risk capital. There are few private parties available, particularly for financing needs between EUR 3 million and EUR 15 million, that can invest high-risk capital, especially when it comes to scaling up in developing countries. An instrument that could meet this need could facilitate the development of Dutch companies in Africa.

[44] https://ditisondernemen.nl/ | [45] NLBusiness funds, part of FMO.

- **The Dutch Foreign Trade and Development Cooperation (BHOS) policy is recommended to devise instruments for financing infrastructural projects.** There are many opportunities in the area of infrastructure in Africa, but Dutch companies that want to set up infrastructure projects are now facing a funding gap. A recommendation to the public sector is therefore to develop instruments to bridge this funding gap.
- **The convertibility and transferability of local currencies is an obstacle for Dutch investors at the present time.** This is a major problem for industry in a number of countries, and solutions involving public and private sector cooperation will have to be explored on a country-by-country basis.
- **Come up with a scheme that will mitigate the effects of the restriction on the liquidation loss scheme.** This restriction causes Dutch companies to focus more on Europe because of the fact that the scheme does imply within the EU/EEA. This makes it not only more attractive for companies to stay within Europe, but also much riskier to start up in Africa. One way would be to extend the same exemption from the restriction enjoyed by companies in the EEA to the 15 focus countries.

3.2.5 Sustainable Development Goals

As mentioned above, SDGs are increasingly becoming part of business models, providing long-term action perspectives for companies in Africa. Achieving the SDGs in Africa can in fact offer industry the prospect of a USD 1.1 trillion increase in value by 2030[45].
The recommendations for achieving the SDGs and giving companies an extra incentive to trade with Africa are set out below:
- **Encourage cooperation between the successful Dutch business community in Africa and SMEs to work together on the sustainability of local value chains and the achievement of SDGs.** Established Dutch companies in Africa can make use of the existing instruments to facilitate investment in local value chains and make them more sustainable. This also leaves scope to create opportunities for Dutch SMEs.
- **Provide instruments that contribute to the SDGs.** It is not always easy for Dutch businesses to achieve SDGs when doing business in Africa. Any instruments that help a business to achieve SDGs will create a win-win situation.

3.3 Africa Steering Group

It is of course extremely important to act upon the Africa Strategy. VNO-NCW and MKB-Nederland, as owners of the strategy, together with the direct partners, will initiate an Africa Steering Group that will combine the following tasks:

1. Increasing knowledge and boosting ambitions at companies;
2. Connecting the various stakeholders;
3. Representing interests to government and politicians;
4. Monitoring the progress of the Strategy.

These tasks will be divided among the different partners. Naturally, developments in Africa must be taken into account and this Strategy is a starting point. This requires the Steering Group to respond to relevant developments.

[45] (2017) Business & Sustainable Development Commission, Better Business, Better Worlds report Africa

4. Doing business in Africa

This section discusses the direct input from the industry. This input is divided into tips and challenges for doing business in Africa. Eighteen companies, spread as much as possible over the Dutch top economic sectors, were approached to provide information through interviews.

4.1 General

In general, the companies interviewed show that they first made an analysis of the continent based on objective data. Using this data, they looked at the countries in which they ought to be operating. The degree of economic growth in the market, stability, security and potential is also important. In order to enter the market, a business development process was completed, mainly by looking for agents to connect to local networks.

4.2 Tips from Dutch industry
Business challenges

Of course, doing business on the African continent also involves challenges. In any case, please take the following points into account. It should also be noted that although countries such as South Africa and Nigeria come out best on paper, in practice this can be very different for some companies and sectors.

Shortage of foreign currency or volatility of local currency

For companies that earn their revenue in local currency, it is not always easy to repatriate funds in dollars to the parent company in the Netherlands. Some countries, such as Nigeria and Ethiopia, have a serious shortage of dollars because their imports far exceed their exports. It is a huge challenge for international companies to get their earnings in local currency out of these countries.

Finding the right talent

This is a well-known problem in many African countries, even in a country like South Africa. Although the universities are of a high standard there, there is a shortage of vocational training. This is sometimes related to their high population growth, which puts great pressure on their training facilities. It therefore means that a company has to target those who do have vocational or other training and at the same time consider creating facilities to give people "on the job" training .

Non-tariff barriers

A good example of these is phytosanitary measures, where it is difficult to obtain a certificate from an approved inspection body to allow a product to meet the phytosanitary requirements of the country of arrival. Philips: "Some countries definitely want an FDA (American) approval while others want a European one so you have to adapt your products continuously. And sometimes a country will suddenly change its preference".

Regulations

The picture here varies from country to country: some countries seem to have their regulations in order on paper (e.g. Uganda), but in practice there is a lack of enforcement, or a government agency seems to apply rules arbitrarily and not take a pro-business approach. In other countries, there is still a lack of proper regulation on important issues such as land rights (such as South Africa) or licensing and accreditation requirements are very strict in a sector such as healthcare (again in South Africa).

Corruption

Whether a company encounters corruption in the country depends very much on its business model. Companies that focus on small and medium-sized enterprises in Africa and do not operate in the governmental sphere claim that they are not affected by corruption. However, obtaining permits in, for example, the construction industry, or from other bodies where the government plays a role in business operations, can pose a problem. Furthermore, there are considerable differences in the level of corruption from country to country, which in turn affects the ease of doing business. Nigeria is cited as a country where it is more difficult to do business, partly due to corruption.

Security

In some African countries security plays a role because of often long-term political unrest. This can significantly increase the cost of doing business because various security measures have to be taken into account. For example, despite its strong economic position, the Nigerian market is certainly a challenging market for SMEs to enter, as the cost of security measures can quickly mount up, making it more difficult to do business.

4.3 Tips from Dutch industry increase your chances

Despite the fact that doing business outside Europe, and therefore also in Africa, brings challenges, Section 1 shows that Africa offers opportunities and that it is important for Dutch businesses to enter this market. The companies interviewed have offered the following tips:

Cooperate with local partners

Cooperating with local partners is crucial for success on the African market. Local partners know the local market well and are extremely valuable when entering and operating in the market.
In countries where the distinction between the economy and politics is more blurred than in the Netherlands, it is also important to keep abreast of the most recent political developments likely to affect the company. Companies that are not yet active on the continent can find the right openings with the right local partners, through Dutch companies that already have a presence or through the embassy. As a company, it is important that you choose the right partners carefully to ensure future success. If you are to do business successfully, it pays to show sincere interest and respect for people.

Choose the starting countries carefully

As a starting company on the African continent, it is important to make a careful choice of where to start. Of course, economic growth, stability and market potential are important pillars in any analysis. However, every African country also has its own business climate. Companies recommend starting in countries where the business climate is friendly and businesses can learn how to do business in Africa. Although Nigeria is a large and attractive market, the country is known for the fact that it is not easy to do business there. SME entrepreneurs who want to make the first step to Africa therefore need to be well prepared and weigh up which countries appear to offer the best potential for them.

Start small

When a company invests in Africa, targeting a particular African market, it is important to take time to learn. You should therefore start small and standardise processes before expanding into other geographical areas. Not only can this save you a fortune in the long run through learning from your mistakes, it also provides the right focus you need to be successful in the market.

Make an impact

As mentioned above, there are enormous opportunities (EUR 1.1 trillion) in achieving the Sustainable Development Goals. These goals are gradually becoming more closely integrated into companies' business models. Companies state that, in order to be successful, it is important to look beyond profit maximisation. In that way companies contribute to the development of the African continent, which in their opinion is "the right thing to do".
One example is developing local value chains so that the company has access to quality raw materials.

Focus on local talent and management

Companies that invest directly in Africa focus on local talent and management. Companies try to minimise the number of expatriates and invest in talent and management from the countries (or surrounding region) in which they operate.
Depending on the country/region, it is not always easy to attract and/or retain local talent.
That's why companies often offer internal training programmes. There are also countries/regions where youth unemployment is huge with a surplus of talented job seekers.

Climate-smart solutions

The UN organisation on climate change assessment (IPCC, Intergovernmental Panel on Climate Change) has identified the Sahel and Southern Africa in particular as climate change hotspots.
This means that climate-smart solutions are particularly welcome there.

Make connections through Dutch parties

It pays to make "via-via" connections when a company is barely familiar with an African country, if at all. These connections can be made through the network of top economic sectors, direct partners, or embassies. They can bring a business into contact with local parties or provide assistance with grant applications.

Doing business in Africa is different

Be aware of the fact that doing business in Africa is different. In the Netherlands, you would quickly look at optimising existing *workflows*, while in some African countries you first have to train your customer, find out how something fits into the regulations and sometimes you have to chase up the government.
In addition, Dutch companies which are mainly business-to-business oriented should bear in mind that certain industries in certain countries are still developing. This requires an adjustment of the business model, e.g. selecting other customer segments.

Appendix 1: Specific comments in relation to the 15 countries selected

Based on the criteria referred to in the strategy, a brief outline for each country is given below. If known, the number of Dutch companies that are already established, the population per country, the industries in which most opportunities seem to lie and opportunities and challenges for doing business are discussed.

1. South Africa (approx. 350 Dutch companies, population approx. 58 million): opportunities are to be found in a large number of sectors, particularly in water/water technology; agriculture; energy; transport/smart logistics (port and corridor development); trucks; health tech (hospital design, medicines); financial and physical infrastructure, IT and in the transport sector. South Africa spends a high percentage of its GNP on public health and has a strong private health sector. This also means there are strict licensing and accreditation requirements in this sector. South Africa is a logistics hub, including for the other countries in southern Africa. There is a state monopoly on airports, ports and pipelines. Corruption and crime are a problem, along with a lack of skilled labour and also non-tariff challenges (phytosanitary measures). It is as well to take into account higher investment costs due to the "Broad Based Black Economic Empowerment Procurement Laws", which, for example, set requirements for the mandatory use of local people and products. National policies on matters such as land rights, national health insurance and a water master plan are still under negotiation.

2. Nigeria (approx. 39 companies, population 202 million): the strong population growth mainly provides opportunities in the areas of food and food security, agriculture and horticulture, agrilogistics, value chain development, fast consumer goods and retail growth. Home furnishing is growing, as is the private health market (importing food and healthy lifestyle, exporting medical treatments to the West or India). The service sector including IT, energy, power generation, distribution and tariffication is also growing. These markets are mainly concentrated in the port city of Lagos, and to a lesser extent in the capital Abuja and the oil producing areas. The main challenges are unstable and multiple exchange rates that make it difficult for companies to bring their profits home. Other difficulties include the closure of Nigeria's borders, multiple and inconsistent policies in various areas, such as policies on import tariffs for renewable energy or sometimes an explicit ban on agricultural products. The delay in the adoption of the Petroleum Import Act is also causing problems for foreign direct investment.

3. Egypt (15 companies, 150 companies with a connection, population 101 million): Egypt has a large consumer market (in relation to population size), but with limited purchasing power. Opportunities can be found in agriculture, water and renewable and conventional energy and efficiency, water transport, training and education and green cities. Companies are faced with the political situation, corruption, regulations which are not always transparent , bureaucracy, cultural differences and a language barrier (Arabic). The military influence creates a (not always) level playing field. Customs procedures can cause "hassle", it is difficult to obtain certification and import permits and there is a lack of clarity about which documents are required. There is a shortage of well-trained staff. You have to be in it for the long haul.

4. Côte d’Ivoire (population 25 million): Agriculture and horticulture offer the greatest opportunities, along with port development (Abidjan and San Pedro). The agricultural sector is growing. The main export products are oil, cocoa and coffee. Fruit and the maritime sector can also be attractive options. The local processing of agricultural products is growing. For a number of years, the country has had stable growth of around 7%, making it one of the fastest growing economies in the world. Opportunities are to be found in the improved business climate, a calm political situation and investment. It is important to have a good command of French.

5. Kenya (150 companies, population 47 million): The main opportunities are to be found in agriculture/food/horticulture, life health and sciences, IT and water. Climate, energy efficiency and the circular economy also offer openings. The challenges include obtaining a work permit, customs and tax procedures. Import rules are complicated. A local agent or representative is a ‘must’. The government is starting to ask foreign companies more often to provide ‘local content’.

6. Algeria (69 companies, population 43 million): Opportunities are to be found in agriculture, port development, the maritime sector, startups/youth and female entrepreneurship, circular economy, sustainable and traditional energy. In addition, there is a growing and young population and new connections to West Africa are being created (ports under construction, new Algiers airport, Trans Sahara highway and the creation of a free trade area). There is a desire to diversify the economy (agriculture, industry and services). Algeria is a higher middle-income country, has a well-educated population and a relatively good level of development. Newly established: the Algerian-Dutch Business Council. The challenges include complicated payment system, unattractive investment climate, archaic banking system, corruption, phytosanitary restrictions. The Algerian subsidy system is counter-productive, and governance is poor. Large informal untaxed economy. It is difficult to find local distributors due to language barrier and visa issues (Algerians want to see products in the Netherlands first). Intellectual property rights are not highly developed.
Not connected to international banking system; non-convertibility of Algerian currency.

7. Ethiopia (75 companies, population 108 million): Ethiopia has a large home market and there is great growth potential in the longer term. But there are still hurdles and obstacles to overcome. Opportunities are to be found in agriculture (agroprocessing), logistics, infrastructure (road building/maintenance), the construction of ports and airports and liberalisation of telecommunications (100 million potential users of whom 40% mobile users). The challenges include access to finance and stable access to electricity and the internet.
There is also shortage of foreign currency and an unstable local currency. It is therefore difficult to repatriate locally generated income. In addition, land is expensive and difficult to obtain, inflation is a factor, the workforce is not very efficient, local production is of low quality and there is poor infrastructure.

8. Morocco (55 companies, population 34 million): Opportunities are to be found mainly in agriculture (horticulture, animal husbandry, storage, greenhouses, aquaculture), renewable energy (solar energy, wind, hydrogen, green ammonia, solar pumps) and water (waste water treatment, water management, smart irrigation, coastal protection, transport and logistics, automotive and aviation). Challenges include the protection of specific sectors such as timber and metal; finding the right road/connections and a lack of knowledge of the Moroccan market such as the legal framework (customs, sanitary standards, technical standards) or public procurement rules. You therefore need a good agent/distributor and a good command of French. It is difficult to find funding and the tax authorities do not always act in a subtle way. Land ownership is complicated, as foreign ownership is not allowed in agriculture and horticulture and long-term leases are not an option.

9. Ghana (population 29 million): Opportunities are to be found mainly in the water sector, especially with a growing population, increasing urbanisation and a growing economy. The waste sector is also attractive, especially for Dutch businesses with knowledge of waste processing and recycling. There is also the mining sector, the oil and gas sector is booming and there are opportunities in the field of sustainable energy, the poultry sector and health care. Ghana is English-speaking and strongly hierarchical. Spend a lot of time establishing personal contact when doing business. Respect is very important. A local commercial agent can be valuable in maintaining personal relationships with customers.

10. Tunisia (population 11 million): Specific opportunities are to be found in agriculture and horticulture, water, waste management, logistics and the maritime sector. In agriculture, opportunities are to be found in the production of animal feed and the registration, vaccination and artificial insemination of Tunisian cows.
A reasonably well-trained workforce is available. There is a lot of bureaucracy. Spend time establishing a personal relationship. Only then do Tunisians start doing real business. You need a command of French and to deliver documents in French. It pays to have a local partner. A partner will help in doing business with local banks, the government and the tax authorities. French influence on business is still clearly noticeable.

11. Tanzania (78 companies, population 57 million): Opportunities are to be found in agriculture, tourism and infrastructure. Thanks to the discovery of large gas fields, there are also opportunities in the energy sector. Despite good growth prospects, doing business in Tanzania remains difficult. This is mainly due to arbitrary claims by the Tanzanian Tax Authority, coupled with heavy fines. There is no level playing field. Foreign and high-profile companies seem to be particularly targeted by the authorities. Regulation is regularly subject to change and enforcement bodies have discretionary powers. The government is weak and corruption is rife at all levels. Revision of purchase contracts and illegal occupation of land is also a regular occurrence.
Decision-making on public works contracts can take a very long time. On 1 April 2019 Tanzania unilaterally terminated the Bilateral Investment Protection Agreement. This means that new investments are no longer protected in the event of, for example, expropriation. Tanzania is a member of the East African Community. Together with Kenya, Uganda, Rwanda and Burundi they form a customs union with the mutual tariff-free movement of goods, which do sometimes have to meet specific requirements. Tips for doing business: be on time for a business meeting. Greet first the highest-ranking person, and then the others. Always start a meeting with an informal conversation.

12. Mozambique (20 companies, population 26 million): Opportunities are to be found in water, agriculture, infrastructure and sustainable energy. Specifically, there are opportunities for integrated water management, irrigation, clean water infrastructure and port development. In addition, gas fields have been discovered and a lot of agricultural land is available. Mozambique is the gateway to Zambia and Zimbabwe, offering general tax and customs advantages. Challenges: economic growth is not as strong as forecast due to a debt scandal. Currently, there is no major public expenditure, which makes it difficult to obtain financing for investments.
In addition, it is difficult to set up a business because of time-consuming bureaucratic procedures and to get foreign currency out of the country. The one-stop-shop principle for opening a business is not yet working properly. A minimum investment of EUR 3.5 million is required. It pays to invest in long-term relationships and to have a command of Portuguese.

13. Senegal (20 companies, population 14 million): Opportunities are mainly to be found in the maritime sector (ships, ports, coastal protection), the energy sector (oil and gas), agriculture (technology such as seeds, machinery, packaging and storage facilities and agribusiness), renewable energy (onshore wind and solar farms and solar home systems). Internet and mobile phone penetration is growing, and e-commerce is on the rise. This requires phone masts and optical fibre. Oil and gas were discovered off the coast a few years ago and new gas fields are still being found. Delivery is set to start in 2022 after which economic growth will increase and energy is expected to become cheaper faster in Senegal.

14. Rwanda (15 companies, population 12.7 million): Opportunities are to be found in horticulture, agribusiness (production, processing, export, logistics, transport), construction (low-cost housing) and IT. Rwanda has relatively little corruption and a good business environment, a pleasant climate and is politically stable and safe. The government is trying to attract investment, so major investors can count on tax exemptions. Challenges: you can register your company quickly, but follow-up steps are difficult afterwards. Coordination between the Rwandan Development Board and taxes for expatriates, as well as work permits need to be improved. There is a shortage of well-trained local workers.

15. Uganda (200 companies, population 39 million): Uganda has a fairly liberal investment climate and an active Dutch Business Club. It is important to have a basic knowledge of doing business in Uganda as well as an awareness of cultural differences. Legislation is reasonably sound and pro-business, but enforcement there still seems to be somewhat arbitrary. Challenges: the tax authorities often lack a pro-business attitude. Work permits are expensive and institutions do not function properly, making continuity and predictability difficult.

Appendix 2: Country scores

Countries	Size of economy (2018)	Average Growth Rate 2019-2022	Per-capita GDP	Population size 2018	Countries where the Netherlands is most important for goods exports (2017) CBS	Compact with African countries	Africa Stability Index
South Africa	19		14	16			3
Nigeria	20		4	20	5		1
Egypt	18	5	13	19		5	1
Côte d'Ivoire	7	15		5	5	5	5
Kenya	12	10		14			5
Algeria	17		15	13			5
Ethiopia	13	19		18		5	5
Morocco	16		8	10		5	5
Ghana	11		3	7		5	1
Tunisia	9		11			5	3
Tanzania	10	14		15			5
Mozambique		20		9	5		1
Senegal	2	16				5	5
Rwanda		18				5	5
Uganda	4	12		11			5

Explanation: The scores rank the 54 countries on the African continent for each specific subject, based on the indicators of size of the economy, economic growth, per-capita GDP, imports and exports and Dutch investments. Example: Because it has the largest population, Nigeria scores 20 points (maximum number of points) for population size. The other indicators, with the exception of "Countries where the Netherlands is most important

Ease of Doing Business	Cities	Trade: imports from Country X to NL	Trade: exports from NL to Country X	Direct Dutch investments	Cultural Distance (Sub-Saharan only)	Total number of points
5	10	27	28.5	28.5	10	161
3	10	30	30	25.5	5	153.5
3	10	19.5	25.5	30		149
3	5	28.5	16.5	13.5	3	111.5
5	10	21	13.5	15	5	110.5
	10	25.5	19.5			105
	5	9	9	18	3	104
5	5	22.5	24			100.5
3		24	21		10	85
5		13.5	15	19.5		81
3			3	16.5	5	71.5
3		7.5		12	3	60.5
3			22.5		3	56.5
10				7.5	10	55.5
3		6			5	46

for export goods", have a weighted score. Example: Rwanda scores a 10 for ease-of-doing business, because it scores well on the Ease-of-Doing Business index worldwide. NB: the table does not contain raw data but a weighting of the data covered by the indicators. In addition, for the purposes of the overview, the valuation of all African countries is not included in the annex. Only the 15 countries are shown in the table.

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