The Investment Climate Facility for Africa

Monthly Bulletin
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Senegal Tax Procedures Go Paperless

February 07, 2014

Taxpayers in Senegal can now enjoy a fully automated experience. The Modernization of Tax Administration project, co-funded by the Government of Senegal and the Investment Climate Facility for Africa (ICF), addressed challenges faced by business owners and tax payers in the country.

The project aimed to enhance the existing tax regulatory and administrative framework by automating, streamlining and digitizing tax processes and procedures.

Prior to ICF intervention, it took 6 months to process VAT or request for a tax refund. Tax records were kept manually resulting in heavy administrative burdens. Now, filling and payment of taxes can be done online at the comfort of one's home or office. Taxpayers and business owners no longer have to face long queues to undergo repetitive procedures through several agents. They will now be able to electronically track their VAT transactions, access their tax records and avoid the risk of lost documentation.

The introduction of paperless tax procedures, which was launched in December 2013 has welcomed transparency, efficiency and time savings.

Additionally, the project amended the tax law in order to enforce deadlines for tax disputes, something which was not in place before. There's now a 15 days deadline for the tax administrators to pay back taxpayers and a 2 months deadline to respond to queries from the taxpayers. This will improve customer services and increase investor confidence.
The project activities are set to complete in March 2014. This is ICF's fourth project in Senegal.

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Cape Verde Tax Reform Project

Cabo Verde, Praia - The Ministry of Finance and Planning in partnership with the Investment Climate Facility for Africa (ICF) and the African Development Bank (AfDB) has today officially launched a new project in Cabo Verde to modernise tax administration and make the tax system simple, efficient and more customer service oriented in order to improve the investment climate in Cabo Verde.

Mrs. Cristina Duarte, Cape Verde Minister of Finance and Planning speaking at the launch

As part of this improvement, taxpayers will no longer need to travel to the Tax Revenue offices to pay their taxes, but instead they will be able to register, file and pay their taxes online. Micro and small enterprises will have a more simplified tax regime to enable them to pay their taxes in an easier, faster and simple way.

The project will streamline and simplify tax administration processes, thereby reducing the time and costs faced by businesses in paying their taxes. As a result, it is expected that businesses will have to make only 7 tax payments per year instead of the current 43. The simplifications will increase transparency and create a fair, competitive and predictable tax and overall business environment in Cabo Verde. In addition, the project will raise public awareness of the country's tax system and tax services and procedures to ensure taxpayers fully understand their tax obligations.

Speaking at the launching ceremony in Praia today, the Minister of Finance said: The Government of Cabo Verde is fully engaged and committed with the implementation of the tax reform. I strongly believe that this tax reform project will boost Cabo Verde's competitiveness and it will contribute to the consolidation of the rule of law and to the country´s macro-economic stability.

Fulfilling tax obligations remain challenging in Cabo Verde. Cabo Verdean Private Sector have highlighted that fiscal system constraints represents a significant barrier to business environment. As a result the Government is committed to promote improvements in order to develop investment climate.

Also speaking at the launching ceremony, ICF's Chief Executive Officer, William ASIKO, said:

'When a country has an efficient tax system, taxpayers are able to pay their taxes quickly and cost effectively. It encourages businesses to comply with their tax obligations and encourages those in the informal sector to formalize their businesses. More importantly, it increases a country's attractiveness as an investment destination, bringing greater economic benefits. ICF is pleased to partner with the Government of Cabo Verde in this initiative to improve the tax system in the country. And we continue to be encouraged by the strong political ownership of investment climate reforms in Cabo Verde.'

The AfDB's Chief Country Economist for Cabo Verde, Adalbert NSHIMYUMUREMYI, added:

'This project is consistent and complements other AfDB's operations in Cabo Verde, thereby creating a multiplier effect enabling stakeholders to implement planned reforms for improving the business climate. Especially, the AfDB approved last year two other operations: (i) A 15 Million EUR budget support (PAGEPPI) aiming at improving public corporate governance so as to streamline public expenditure and promoting private investment in order to increase its contribution to economic growth and foster job creation; and (ii) 878 000 EUR technical assistance grant to support ADEI in its capacity building efforts for micro, small and medium-sized enterprises (MSMEs) development through business incubators.'

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Bloomberg's Africa Media Plan Raises Questions

Anton Harber

It may be imprudent to write this about someone who is spending $10m on African journalism. But then, of all the things I have been accused of in my time, prudence was never among them.

Michael Bloomberg, much-respected founder of the eponymous news service, billionaire and the 108th mayor of New York City, this week announced his three-year Bloomberg Media Initiative Africa (not to be confused with the pre-existing Africa Media Initiative — AMI).

I had been told some of the details beforehand. Eighteen mid-career journalists a year will take part in a fellowship programme, including "educational offerings, coaching, peer learning, collaborative projects and networking opportunities".

There will be 45 scholarships. I am very pleased that our Wits Journalism programme already has a couple of these. There will be an annual forum of 200 financial media, business, government, civil society and university faculty leaders (again, not to be mistaken for the annual AMI forum).

To promote transparency, they will support the Mo Ibrahim Foundation's data platform, and the Ford Foundation's Media Innovation Hub in Nigeria. They plan to pull together three journalism schools and three business schools in three countries to draw up a new curriculum that brings together economics, business, journalism, ethics and public policy.

I went to hear Bloomberg make the announcement this week in the hope of understanding why he or his people in Bloomberg Philanthropy chose these particular projects. What are the issues and challenges in African journalism that he wanted to address? Why did he choose to focus on three of the countries (South Africa, Nigeria and Kenya) that have the strongest media and best financial journalism? Why were they piggy-backing on some existing initiatives, but reproducing others? Why did they think that six very different universities in three different education systems could — or should — agree on a curriculum?

I was left bewildered. The initiative, Bloomberg said vaguely, would “foster collaboration, support professional growth and nurture the leaders who are contributing to the continent’s very bright future”.

I hope I don’t sound ungrateful. I think investment in journalism is needed. I have enormous respect for Bloomberg, and the managers of his philanthropic fund that I had the pleasure to meet. I will be grateful for scholarships for students who might otherwise not be able to go to university. This programme shows big thinking of the sort that has made Bloomberg who he is, his operation one of the most successful journalism enterprises in recent history and having driven down crime in New York City.

But good journalism, as Bloomberg knows, is often about asking the right questions. And sometimes even stupid questions. It is not about the temptation to nod in agreement with the holders of large chequebooks. A journalist’s job is to examine the gift horse’s tonsils, right?

I do think that a programme of this sort needs to start with an understanding of what the issues are and what Bloomberg hopes to achieve. Is he concerned about the evidence of growing corruption among journalists in some African countries, the “brown envelope” phenomenon? Is he concerned to encourage Africans to tell their own story, and how is this played out in Bloomberg News? Does he see the digital divide, the fact that many Africans are being left out of the information age? Is he, like AMI, concerned about building management strength and financial viability in the continent’s media? Does he see the vast differences between the types and standards of financial journalism in these different countries? Does he see a need to defend free media in those countries where it is under attack? What about all the failed training initiatives of recent times?

Corporate philanthropy always seeks a balance between the company’s aspirations and those of its grant recipients. The best of such programmes serves both company and community, a balance that is difficult to achieve.

This philanthropy is part of Bloomberg’s push to expand his company’s presence in Africa, and there is nothing wrong with that if good is done along the way. Hopefully, as Bloomberg Philanthropy’s initiative rolls out, we will see it take shape in a way that benefits African journalism as much as it does the parent company.

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Source Site: www.bdlive.co.za

Financial ExpertSpeak: Dynamism and Responsiveness are GML’s Success Mantra

Jean-Claude Béga, the Chief Financial Officer of Mauritius’ largest conglomerate, GML, spoke to AfricaMoney on how the arbitrage between existing operations and new opportunities sets apart a great company from a good one.

AfricaMoney spoke to Jean-Claude Béga, the Chief Financial Officer of Mauritius’ largest conglomerate, GML, on how astute financial management is key to the group’s success. Our financial expert took us through the challenges of being a CFO at such a highly diversified organization, the journey through last year's robust results and the way forward in the current financial year. Commenting on rationalization and consolidation being the current strategy at GML, the unflappable CFO explained how the arbitrage between existing operations and new opportunities is what ultimately sets apart a great company from a good one.

Edited excerpts from an interview:

What are the biggest challenges you face as the CFO of a highly diversified conglomerate like GML which cuts across sectors such as hospitality, banking, fisheries, real estate and sugar, besides operating across multiple geographies?

GML is a highly diversified group, which deals with many different sectors. As such, shifting from one file dealing with one sector to another file dealing with a totally different sector several times in a day is one of the biggest challenges I face as the CFO of this vast conglomerate. One must be 'mentally agile' to manage the switch between different sectors. Also, setting priorities and managing my time between family and work is an important agenda for me, as I am extremely invested in my family and believe in taking out time for them at all costs. Besides, taking time out to think of important strategies, and not only using my time to get things going, is an important challenge that I face, since there are enough tasks to keep me occupied through the day, unless I actively make time for more important, but less urgent, strategic matters. Finally, staying abreast of challenges in the environment and keeping an eye out for possible opportunities for GML is another key area for me. After all, since GML is present in so many sectors and geographies, I need to keep tabs on any news coming across industry sectors all the time to be able to filter through the clutter of data and zoom in on its potential impact on the group.

GML achieved a 27% rise in net profits at Rs 1.05 billion for the year ended 30 June 13, while group turnover grew 7.1% to Rs 29.0 billion. To what factors do you attribute the robust results?

Proper portfolio management in terms of deciding which sectors to continue with and which ones to trim away, is what has really played a key role in our achieving a robust financial performance. The arbitrage between existing operations and new opportunities is what ultimately sets apart a great company from a good one. Accordingly, rationalization and consolidation of our operations was a key determinant of our success last year, and continues to be important to the group operations this year. In October 2012, GML sold Robert Le Maire Ltd to Ireland Blyth Limited, as RLM was a better fit within IBL's operations and allowed GML to focus on its key sectors.

Again, in February 2013, the merger of DRBC and FUEL entities to consolidate the group's sugar operations really helped us to achieve value-add for the shareholders of both companies. Additionally, GML places emphasis on aligning the strategy at a group level with those of its affiliates and associates. We have a value-creation and profit focus and we strive to ensure that this focus is replicated across our associated companies. Our group top management participate in boards across affiliates and associates to make sure that the profitability and value-add objective is met across the board. Finally, GML ensures it has the right people at the right place. We do not hesitate to deploy foreign talent, if mandated for the job, and go the extra mile to ensure employee motivation and retention.

What is the financial target for 2014 and is the group on track to achieve the same? What have been some key milestones in the group's operations this year to date?

At a group level, the target is to grow the equity attributable to the owners of the company by at least 8.5% annually, and we are very much on track to achieve the same. As I mentioned, rationalization and consolidation was a crucial pillar of the group's robust results in 2012-13, and continues to be so in 2013-14 as well. For this financial year, a key milestone is the recent amalgamation between Indian Ocean Real Estate Company (IOREC) and Blue Life Limited. Both companies are involved in real estate sector and their merger has allowed their shareholders to exploit synergies between the two businesses, instead of wasting resources by dividing them between the related entities.

Your comments on the financial and accounting aspects of restructuring the group's sugar operations with the merger of Deep River Beau Champ (DRBC) and Flacq United Estates Limited (FUEL) , culminating in the listing of Alteo Ltd on the stock exchange.

It was a very big and exceedingly ambitious project indeed. Our vision was to create value for our shareholders and that was doubtless realized as the quoted value of shares in DRBC went up exponentially after the merger. Since both DBRC and FUEL were undertaking the same activities, it made perfect sense to get their operations under one roof. Now, the way forward lies in the closure of the DRBC sugar mill, which is currently under application with the ministry of agro industry, and relocating all its activities to the FUEL sugar plant. Both crushing of canes for milling operations and burning of bagasse for power generation will henceforth be undertaken under the same roof. As we believe at GML, big is beautiful, and there is no doubt that the synergies realized by combining both companies will ensure that the merged entity, Alteo Ltd, has adequate resources to carry out its operations efficiently.

Will the closure of the DRBC sugar mill result in lay-offs or will all employees be adjusted in the merged entity?

Well, it is inevitable that the closure of the plant would result in lay-offs, as all employees cannot be accommodated in the merged entity. However, all lay-offs will be done in strict compliance with the Blue Print for the Sugar Sector and labour laws.

GML owns 75% of the MSM group, which is facing bankruptcy with debts exceeding Rs 400 million. How is the imminent insolvency expected to impact GML's books?

GML has, over the years, been extremely prudent on the accounting treatment of its support to MSM in view of the difficulties encountered by the company. Hence, given the provisions that have been created in the books of GML, the impact on our financial results will not be significant in 2013-14.

Banking arm AfrAsia contributed less to group profits last year. Could you please elaborate on the reasons for the same?

AfrAsia contributed less to group profits last year because we were negatively impacted by the Zimbabwe associate which had to write down one of its biggest debts. The bank in Zimbabwe was earlier an associate and turned into a subsidiary this year by AfrAsia buying majority stake in the entity through an increase in capital.

Are there any plans to turn the Zimbabwe entity into a wholly owned subsidiary?

Regarding the status of the Zimbabwe bank, we are happy with our majority stake in the entity. We have no plans currently of turning it into a wholly owned subsidiary since local partners are needed as well and we believe we can grow better with on-the-ground support from existing players.

What is the ideal debt equity ratio that GML is targeting on consolidated basis? What are the plans to achieve the same?

On a consolidated basis, the shareholder's equity (inclusive of minority stake) stood at Rs 20.2 billion as on 30 June 2013. On the other hand, the consolidated debt stood at Rs 14.2 billion on the same date. This brings us to a debt to equity ratio of 41:59 at the end of financial year 2012-13, which was a slight deterioration over the previous financial year, when it stood at 37:63. The rising debt was partly attributable to IBL which has grown larger with bigger and more ambitious projects lined up last year. However, the increase in debt is linked to a corresponding rise in productivity, causing us no concerns on any count. Regarding the ideal debt to equity ratio, since GML is multi-sectoral, it is not possible to comment on the same at a group level, as each individual entity would be targeting a different gearing depending on its industry.

With a Sustainability Index in the pipeline on the Stock Exchange of Mauritius in line with Maurice Ile Durable, how does GML plan to showcase its sustainability reporting? Do you perceive there will be greater focus among Mauritian entities on green accounting, going forward?

GML is already following an eco-friendly approach with its 'Go Green' initiatives. Further, on green accounting, we are complying with Green Index Sustainability Reporting at a holding company level and are poised to take it forward with our affiliate LUX next year. Regarding the Sustainability Index planned by the Stock Exchange of Mauritius, we strongly support this initiative and firmly believe that many other companies in Mauritius will follow suit with great accounting practices.

You mentioned that LUX, an affiliate, will be following the Green Index Sustainability Reporting that has been instituted at a group level in GML. Is there any pressure on associates/affiliates to 'follow the leader'?

It is important to note that while GML is a majority stakeholder in affiliates and associates, it is not the 100% owner of these companies. Each company has an independent management and board of directors. We follow sound corporate governance practices and do not interfere in the day-to-day decisions of these companies. So, while we encourage our group companies to follow certain guidelines and strategies, each board ultimately makes all the decisions in the best interest of the company at stake. Finally, your views on the sector of the economy that you are most bullish on, and how you see GML leveraging on opportunities in that sector.

In my opinion, the financial services sector is driving the island economy and will continue to play an ever increasing role in the growth of Mauritius industry. GML can leverage on opportunities in this sector by structuring investments into Africa via Mauritius on the back of the Double Tax Avoidance Agreements (DTAAs) in place with various countries in the continent. And, strictly in a personal capacity, I believe that it is Africa and not India which is the way forward for Mauritius-routed investments, given the uncertainty over the tax treaty with India on one hand, and the growing potential of the African continent on the other.

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Source Site: africamoney.info

IBM Starts Rolling Out Watson Supercomputer in Africa

Tim Cocks

IBM (IBM.N) began rolling out its Watson supercomputer system across Africa on Thursday, saying it would help to address continental development obstacles as diverse as medical diagnoses, economic data collection and e-commerce research.

The world's biggest technology service provider said "Project Lucy" would take 10 years and cost $100 million. The undertaking was named after the earliest known human ancestor fossil, which was found in east Africa,

"I believe it will spur a whole era of innovation for entrepreneurs here," IBM Chief Executive Ginni Rometty told delegates at a conference on Wednesday.

"Data ... needs to be refined. It will determine undisputed winners and losers across every industry," she said.

As an example, Rometty cited how Morocco had used sophisticated data mining for "smart agriculture" to improve how crops are grown by predicting weather, demand and disease outbreaks.

The Watson system uses artificial intelligence that can quickly analyze huge amounts of data and understand human language well enough to hold sophisticated conversations. It beat humans on the TV quiz show "Jeopardy" in 2011.

International Business Machines Corp has so far failed to convert that genius into substantial revenue growth, with the system contributing just $100 million over the past three years as overall revenues declined.

The company said last month it would invest $1 billion in creating a business unit for Watson, named after former IBM President Thomas Watson.

The technology would enable poorer parts of Africa to "leapfrog" stages of development they have failed to reach because they were too expensive, in much the same way mobile phones took off across the continent in places where there had been virtually no landlines, said Michel Bézy, a Rwanda-based technology professor who helped develop the Watson system.

It could help with education in schools that have few computer resources by using smartphone apps that get access to Watson's analytical tools through cloud computing, IBM's chief Africa research scientist Uyi Stewart told Reuters in Lagos.

"This is a continent with a tremendous infrastructural deficit, but leveraging data can help you get around it," he said.

Roads in countries like Nigeria are often so poorly maintained, traffic-clogged or flooded that it is impossible to predict how long a journey will take, which is problematic for logistics companies. Stewart said the system would help such companies by telling them where potholes are, which junctions are choke points and whether it is raining.

Two Nigerian start ups, a logistics and a traffic control company, have already adopted the Watson system.

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Source Site: www.reuters.com

Ripe for Change: The Promise of Africa's Agricultural Transformation

The potential for agriculture to drive inclusive economic growth, improve food security, and create opportunities for millions of Africans is enormous.

More than two-thirds of Africans depend on agriculture for their incomes. Research shows that, in sub-Saharan Africa, growth in agriculture is 11 times more effective at reducing poverty than growth in other sectors.

Investing in agriculture now could help lift tens of millions of people out of poverty by 2024.

In 2003, at the African Union (AU) summit in Maputo, African leaders made bold commitments to support agriculture: pledging to allocate at least 10% of national budgets to agriculture, to adopt sound agricultural development policies and to achieve at least 6% agricultural growth.

Governments developed country-specific plans through the Comprehensive Africa Agriculture Development Programme (CAADP). However, progress on the Maputo targets has been mixed, with many countries falling short on their promises.

In 2014, the AU is celebrating the Year of Agriculture and Food Security. At the AU summit in July, African leaders will have the chance to review and revitalise the Maputo Declaration, and to make new policy commitments for the next ten years of African agriculture.

To recognise this historic opportunity, ONE's report, "Ripe for Change: The Promise of Africa's Agricultural Transformation" assesses the achievements and the shortcomings of the last decade. It also presents valuable lessons and policy recommendations, developed in consultation with key stakeholders, which could accelerate the pace of agricultural progress in Africa.

Source Site: www.one.org

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Burkina Faso Admitted into Forest Carbon Partnership Facility

Libreville - Burkina Faso, benefitting from the close support of the African Development Bank (AfDB) and the World Bank, has successfully become a member of the Forest Carbon Partnership Facility (FCPF).

This now qualifies Burkina Faso as a REDD country and, with the award of a US$3.8 million grant, allows it to put in place the necessary policies and systems needed to effectively operationalize the Reducing Emissions from Deforestation and Forest Degradation (REDD) mechanism, according to a statement issued by AfDB on Friday.

It said this marked a significant step forward for Burkina Faso, a Sahel country where wooded areas and forests cover approximately 13 million hectares, roughly equivalent to 43 per cent of the total land area, and forest reserves account for almost 4 million hectares. The statement said despite these abundant forest resources, annual deforestation was estimated to be 107,000 hectares per year, while degradation was estimated at 0.5 million hectares per year.

It noted that much of this deforestation and forest degradation was driven by a complex array of factors but included socio-economic, political, technological and cultural factors. With Forestry Investment Programme (FIP) and FCPF support, Burkina Faso is putting in place a national REDD strategy to address the drivers of deforestation and forest degradation.

These include land-use planning in order to facilitate the most appropriate land use for each of the many different activities that take place in a rural setting; security of land tenure management of agricultural-sylvicultural-pastoral systems; and a cross-cutting component of national capacity-building harmonization of policies, and promoting good governance of natural resources, and forests in particular.

The statement said Burkina Faso's approval as a REDD country had been greatly assisted by its experience with the Forest Investment Program (FIP) of the Climate Investment Funds (CIF).

The AfDB and the World Bank assisted Burkina Faso with the preparation of its FIP Investment Plan which won approval in November of 2012 and dedicated US$30 million to promote the sustainable management of forest resources.

"With the combination of FIP and FCPF support, Burkina Faso is now poised to take great strides to arrest the deforestation and forest degradation threatening its globally recognized forest resources," the statement said.

Source Site: allafrica.com

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Kenyan Railway Project Puts China's Business Model on Trial

Dianna Games

When Kenyan President Uhuru Kenyatta laid the foundation stone for the country's biggest post-independence infrastructure project late last year — a high-speed railway line from the port at Mombasa to Nairobi — he said the scheme would define his political legacy.

But it was not long before the storm clouds gathered over the contract and, just a few weeks later, two probes had been launched into the costs, the legality of the procurement process and the ethics of the deal.

The project is 85% funded by the Export-Import Bank of China, which made it a condition that construction be executed by China Road & Bridge Corporation, a company debarred by the World Bank for fraud relating to a contract in the Philippines.

Critics claim the project is overpriced. Cost estimates rose from $2.5bn to $3.8bn after it was decided that China would supply rolling stock and locomotives, a decision that was not subjected to a bidding process.

Questions have been raised about China being both player and referee — doing the feasibility study, designing the project, determining the cost and offering the finance on the condition that a Chinese company gets the construction contract.

The existing line serving the 470km route is a narrow-gauge line built by the colonials. It is slow and inefficient because of age, neglect and lack of maintenance, which has driven the bulk of regional freight to the nearby highway, itself hardly an efficient transport link.

Kenyatta, who inherited the project from the previous regime, sees it as a key driver in his plan to stimulate regional integration and trade. He says the new railway will reduce freight costs to eight US cents a tonne per kilometre, from the present 20c.

Kenyatta has vociferously defended the deal with China, as have his officials, who say it is a government-to-government affair, which allows it to bypass the normal procurement channels.

The head of Kenya's Treasury claimed China was approached about the deal only after years of negotiations with other funders failed to secure the required financing. But China Road & Bridge Corporation has been active in building infrastructure in Kenya for some time.

Some Kenyan commentators say the political noise surrounding this issue is not so much about the contract as such, but is part of a broader battle among factions in the new ruling alliance for the opportunity to broker multibillion-dollar Chinese-funded infrastructure projects.

The theory goes that government officials and high-level business people linked to them, who lost out in this behind-the-scenes battle for a slice of the rail contract pie, are encouraging those shouting loudest about ethical problems related to it.

There is yet another theory about why the Kenyan government has allowed itself to be so manipulated by China — competition for regional superiority. If Kenya does not accept the Chinese money, could it be diverted to another regional project that would compete with Kenya for business? China's pledge to fund a multibillion-dollar port in Bagamoyo, Tanzania, a stone's throw from Mombasa, has already rattled the Kenyans.

But what seems to be really on trial here is China's style of doing business in Africa.

African governments' preference for Chinese funding is obvious in the number of deals they have done.

But a widely held assumption in Africa that China's deals come without conditions is wrong. They are negotiated in such a way as to create new frontiers for Chinese labour, capital, materials and contract fees.

A Deloitte report last year said the bulk of funding for African projects commissioned by mid-2013 came from China — $43.6bn compared to $43.4bn from development finance institutions. In turn, Chinese companies are earning a rising share of project fees.

The Kenya railway saga highlights the fact that Africa's sorely needed infrastructure may be being built, but the price might be higher than bargained for.

Ordinary citizens are mostly unaware of such rarified deals. Whether it was internal political battles or genuine concern about ethics that raised a flag on the Kenya project is not important. What is important for Africa's future is that this engagement is being interrogated and debated, unlike most of the continent's dealings with China.

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Source Site: www.bdlive.co.za

Doing Business In Africa: Gabon

Jeffrey Cavanaugh

Nestled on the southern stretch of the Gulf of Guinea, Gabon, a country of 1.5 million people in an area the size of the U.K. is something of a paradox; Gabon is rich, but does it make sense to do business there?

Unlike much of the rest of developing Africa, whose cities are dynamos of burgeoning commerce and post-independence political excitement, Gabon and its capital – Libreville – remain much has they have always been – outposts of French corporate and political power.

That's because Gabon has remained firmly under the sway of its former colonial power since its nominal independence in 1960. When the country's first president, Léon M'ba, was ousted by a military coup in January 1964 after dissolving Gabon's parliament, French paratroopers intervened to restore order, and M'ba. Ever since, the French military has maintained a garrison in Gabon and the country thereafter slid into authoritarianism that deepened in 1967 when its second president, Omar Bongo Ondimba, succeeded M'ba.

The pro-French Bongo ruled Gabon for 41 years until his death in 2009, and in the process he eliminated parliamentary democracy in favor of a one-party political system run mostly to enrich family, close friends, and political allies.

Corruption, as might be expected, became rampant, and widespread protest in 1990 subsequently forced Bongo to institute multiparty democracy. Rather than ushering in a new era of political leadership, however, elections merely gave Bongo the opportunity to entrench his power further through the use of political patronage that a splintered opposition could not match. At least, that is, until Bongo died in office. It would seem Bongo's power lives on even after death as his son and current president, Ali Bongo Ondimba, replaced him. Under the two Bongos and the watchful eye of the French, Gabon has grown relatively wealthy on oil, which was discovered in the 1970s. Since then the economy has grown tremendously, reaching a current annual per capita gross domestic product of $12,000. While this has made Libreville one of the most expensive cities in Africa to live in and given rise to a consumer economy much like one might find in France itself, prosperity is not widely shared and the country groans under the accumulated weight of nearly 40 years of oil-based development.

Ease of Doing Business

Given all this, what are business conditions like in Gabon? According to the World Bank, Gabon currently ranks 156th out of 183 countries on its Ease of Doing Business Index – a measure created by the bank to gauge the degree to which commercial enterprises encounter regulatory hurdles, legal threats to property, and the time and money spent on things such as registering a business, ensuring right of title to property, and acquiring licenses. By way of comparison, the U.S. ranks fourth for ease of doing business, right after Singapore, Hong Kong, and New Zealand. What does this ranking mean? Take, for instance, the bank's measure of how easy it is to start a business, which is depicted in Figure 1 below. The bank defines business-creation costs as the time and money outlays involved in the series of legal steps an entrepreneur must take to legally establish an in-country firm. Using this framework, the bank then tasks researchers to establish in-country averages. When this metric is applied to Gabon, the bank finds that Gabon ranks 153rd out of 183 in ease of starting a business, making Gabon a very difficult place to start a commercial enterprise. To start a business in Gabon, one has to complete nine bureaucratic procedures that take a total of 58 days and cost about $1,621, with a minimum capital requirement of more than $2,400 imposed by the government on the start-up. These substantial startup costs represent a significant burden on Gabonese business formation.

Using similar metrics for other aspects of business operations, the bank ranked Gabon in a number of other areas. To obtain a construction permit, Gabon is ranks 67th out of 183. It takes the completion of 16 procedures, taking on average 210 days to complete at a cost of $3,161, or around 43 percent of national income. Obtaining a construction permit is relatively expensive and difficult compared to most Western countries.

Continuing in its assessment, World Bank determined that in order to obtain and register property, Gabon ranks 132nd out of 183 countries. To register property in Gabon requires seven bureaucratic procedures that take, on average, 39 days to complete and cost 10.5-percent of the property's financial value in fees and other costs. Not insurmountable, but, again, a steep price to pay and an indicator of just how hard it is to develop Gabonese property.

Gabon does a bit worse when it comes to obtaining credit. It ranks 138th out of 183. Here, as depicted in Figure 2, the bank examines the legal rights of creditors and borrowers in secured transactions and bankruptcy law as well as the strength of credit information bureaus and exchanges. When lenders have both strong legal rights and easy access to a wide variety of information about the client's creditworthiness, reasons the bank, the more available credit will be. When information on borrowers is significantly lacking – as is the case in most of Africa – legal protections for creditors must in turn be very strong. While public credit bureaus have information on nearly a fifth of all adults, creditor rights are relatively weak and there is no information on creditors available from private bureaus.

When it comes to protecting investors and minority shareholders, Gabon does even worse. Here, the country ranks 154th out of 183 countries – making it one of the worst places in the world for minority shareholders. Gabon received this score because while it has in place relatively strict conflict-of-interest disclosure requirements, directors are nonetheless not generally held liable and minority shareholder lawsuits are difficult to mount.

Gabon does marginally better in the area of taxation. The World Bank estimates that pleasing the tax man in Gabon requires a total of 26 payments over the course of a year which take up to 488 hours to complete and can consume up to 43.5-percent of a company's profits. Accordingly, Gabon's tax burden is ranked 140th out of 183 nations. When it comes to engaging in cross-border trade, Gabon improves, though only marginally. In Gabon, to import goods into the country one needs eight documents for customs officials to inspect. On average, it takes a total of 20 days to import goods into Gabon and costs $1,955 (excluding tariffs) per container shipped into the country. The cost to export goods is similar. Gabon requires six documents to be inspected by customs' officials. The total cost (excluding tariffs) is $1,945 per container, with delivery taking up to 22 days from point of origin. Compared to global averages this nets Gabon a ranking of 134th out of 183 on ease of engaging in cross-border trade. Gabon is also a difficult place to do business when it comes to contract enforcement. It ranks 148th out of 183 countries. On average, World Bank analysts report it takes 38 legal procedures to take a contract from dispute to resolution, completed over the course 1,070 days, or nearly three years in court or attending to other legal issues. The financial cost of pursing a contract claim typically accounts for 34.3-percent of the value of the claim – clearly a big impediment to the legal enforcement of contracts. Finally, in terms of closing or liquidating a business Gabon ranks 139th out of 183 countries. It takes nearly five years to close an estate at a cost of 15 percent of the value of the estate for a recovery rate of 15.2 cents on the dollar.

Prospects

As far as external investment goes, Gabon represents both the best and the worst of post-independence Africa. One the one hand, the country is relatively rich in oil — though production there seems to now be in decline — as well as other valuable natural resources such as timber and manganese. Likewise, the country's relatively high GDP means there is a vibrant consumer and service-based economy in the country to take advantage of. Growth has not been spectacular, but, rather, steady and consistent over the past 10 years, and has now picked up to around 5-to-6 percent growth per year.

That being said, Gabon suffers from several problems that lurk just underneath the surface. First, political stability is premised on France's willingness to intervene militarily to restore order. This naturally keeps conflict at a relatively low level. Continuing bouts of unrest continue to break out sporadically across the country and while elections may have given the Bongos a touch of popular legitimacy, Gabon remains a one-party authoritarian state where elections are mostly for show. What this means is that Gabon's stability is really just an artifice – absent French willingness to back up the Bongos, widespread popular discontent could bring down the country quickly and possibly violently.

Second, while Gabon's ruling elites seem content to have their country remain a neocolonial appendage of what remains of the old French Empire, the country's economy remains for the most part unreformed and firmly in the hands of its ruling elite. This may work well enough when oil profits are fat, but Gabon's declining oil output suggests that barring a huge investment in the oil industry that leads to more oil being squeezed from Gabon's rocks, those fat days are numbered. Once the oil goes, the rest will follow in short order.

This leads to Gabon's third major problem, which is the inability of the country to develop an economy based on anything other than the export of oil and other raw materials. While this has been a common problem throughout much of developing Africa, for Gabon this is particularly problematic due to its high GDP and strong currency – the CFA Franc.

For investors and those doing business in Gabon the CFA Franc provides needed currency stability, and given that it is backed by Paris and, therefore, the Euro, the currency remains one of the strongest in Africa. Indeed, the CFA Franc was one of the few African currencies to actually gain on the dollar in the past year. However, the strong CFA Franc only makes sense when it is used to support a wealthy country that imports a great deal from abroad. For Gabon and its rich elite, this rings true, but for exporters of anything other than oil or other high-value natural resources it is crippling.

Manufacturing and agriculture are thus uncompetitive given the CFA Franc's high value, meaning that the two sectors most likely to provide stable, high-employment growth are firing on, at best, half cylinders. Gabon is, therefore, a textbook case of both the Dutch Disease and the oil curse. Furthermore, since natural resource development, especially oil, is notoriously skimpy in its use of labor, the onus for job growth has fallen on the service sector. Unfortunately, that service sector is crippled by the country's corruption and monopolistic elite.

What this all boils down to is that Gabon, at best, is a country investors should be wary of. If one is seeking to build productive assets in the country in anything other than oil, timber, or mineral extraction, one would be wise to steer clear as the overpriced currency and corruption will make business hard going.

If, on the other hand, one is looking to invest in oil-backed Gabonese bonds, in high-end consumer goods aimed at the Gabonese elite, or in the oil sector, the outlook isn't so grim.
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Japan to Invest $32bn in Resource-rich Africa

Londiwe Buthelezi

Japan has promised financial assistance to resource-rich African nations totalling $32 billion (R357bn) for investment in infrastructure and mineral resource development, along with education, health care and human resource development, in its bid to cement relations with the continent.

Yesterday Japan's vice-minister of economy, trade and industry, Yoshihiko Isozaki, unveiled "Japan's new assistance package for Africa", amid stiff competition for the continent's mineral resources from China.

Isozaki said the continent was the "starting point" of the supply chain for the minerals Japan needed to produce cars and electronic appliances.

Japan has only one operating gold mine and relies on imports for 100 percent of the basic and minor metals it needs in car manufacturing. Without security of supply for these metals, it stands to lose a large part of its global market share in hybrid cars, for example. It has 94 percent of that market.

"If the supply of material deposits from African countries is stopped, we will have to suspend production of those cars and electrical appliances," Isozaki said.

He announced that the new assistance package would see Japan's public and private sector invest $32bn in infrastructure, human and mineral resource development in Africa over the next five years.

Some $2bn of this would come from Japanese government-affiliated agencies and go towards accelerating resource development projects, in line with its government's pledge during the Japan-Africa ministerial meeting last year.

Financial assistance for infrastructure alone would amount to $6.5bn. This includes investments in the development of corridor projects and improvements to power generation equipment.

Some of the Japanese investments in local mining include stakes in Assmang, Kudumane Manganese Resources and exploration joint ventures of the Japan Oil, Gas and Metals National Corporation (Jogmec).

In South Africa, Jogmec – which is a Japanese government-affiliated resource development agency – is part of the platinum group metals joint venture in the Waterberg.

Yesterday Isozaki said the Japanese government had decided to expand Jogmec's joint venture exploration projects, not only in South Africa but throughout the continent.

He told African delegates that Japanese firms were committed to mining development projects and would not give up in the middle of a project.

Last year Japan held its fifth Tokyo International Conference on African Development conference to promote high-level policy dialogue with African nations. It was during this conference that the Japanese government expressed its intention to support African development by using the country's public and private funding sources.

Isozaki said the financial assistance over the next five years would also support human resource development by providing graduate study opportunities for 1 000 African students in Japan in the period.

These students would learn about Japan's hi-tech environmental protection equipment and safety techniques so that these could be transferred to African mining operations.

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Africa's Powerhouse

Mwangi S. Kimenyi and Josephine Kibe

Lately many observers have been avidly discussing the recent high rates of economic growth in Africa. Speaking in Washington earlier this year, Donald Kaberuka, the president of the African Development Bank offered some cautionary words. While the good economic news from the continent may well represent a turning point from a past characterized by hopelessness, he said, Africa nevertheless remains far from a tipping point.

To reach such a threshold, Africa requires major investments in three "I's": institutions, integration, and infrastructure. Even with the recent robust growth experienced over the past decade, Africa still suffers a major infrastructure deficit. Most of the countries have relatively weak institutions. And the regional integration project has been slow and marred by compliance and commitment deficits. Thus, as Kaberuka noted, although Africa has reached a turning point, progress to a tipping point is not an easy journey.

One of the regions in Africa that is making remarkable progress in all these "I's" is the East African Community. The EAC's original members -- Kenya, Uganda, and Tanzania -- have recently been joined by Rwanda and Burundi. South Sudan is expected to join the community soon. The region has fast-tracked regional integration and has seen considerable progress in institutional reforms. Moreover, East Africa boasts much greater political stability than it has at any time in its recent past, and peace has been restored in most of the countries. The region has also seen major investments in both national and regional infrastructure; many more projects have been planned and are scheduled to commence shortly. On Nov. 28, for example, President Uhuru Kenyatta of Kenya inaugurated the commencement of construction of a rail project that will link Kenya's coast town of Mombasa to Kampala (Uganda), Kigali (Rwanda), and Juba (South Sudan). With positive growth trajectory predicted over the medium term, the EAC has a good chance of reaching a developmental tipping point. (The photo above shows Ugandan President Yoweri Museveni waving an EAC flag during an event attended by the region's other leaders at Mombasa Port in August.)

Within the EAC, the Kenyan economy is the anchor. The overall performance of the region will to a great extent depend on what happens in Kenya. Kenya's economy is the largest in the region and is much more dynamic than those of other member countries. The country's economy is much better linked to the other economies in terms of investment flows and trade. Thanks to its more advanced human capital base, its more diversified economy, and its role as a leader in the information communication revolution in the region, Kenya's economy is expected to remain strong, creating salutary benefits to the other member countries. The prospects for a strong economy are boosted by recent institutional reforms that have culminated in the adoption of a new constitution that provides for devolved governance.

Kenya's economic dominance in the region is based on a strong private sector that has evolved under relatively market-friendly policies for most of the post-independence era. Kenya's record of relative political stability and its lack of dramatic ideological shifts over the same period have done much to cement its position. By contrast, the other members of the EAC have had rather turbulent political histories. In the case of Tanzania, a radical ideological orientation to socialism under the policy of "Ujamaa" was the cornerstone of founding President Julius Nyerere's government. Such factors undermined the growth of the private sector in the other EAC countries. Though these countries have undertaken substantive reforms, and are now on a positive growth trajectory, Kenya is likely to hold onto its dominant position for the near-to-medium future.

EAC member countries have diverse political histories. The five countries attained their independence in the 1960s. Tanzania was the first (1961), followed by Uganda, Burundi, and Rwanda in 1962, and Kenya in 1963. Despite achieving political independence at the same period, the countries' political development has been somewhat heterogeneous. Only Tanzania and Kenya escaped major internal conflict and military rule. Uganda's Milton Obote was ousted in 1971 by Idi Amin, and what followed was a devastation of the country's economy brought about by Amin's policies, including the eviction of Asians, the nationalization of private enterprises, and the expansion of the public sector. Idi Amin was ousted through a military coup in 1979 by Milton Obote, who was again overthrown by General Tito Okello, who ruled for six months before being ousted by the current Ugandan president Yoweri Museveni.

Burundi has been marred by civil unrest since its independence, a conflict primarily between the Hutus and the Tutsis, the two main ethnic groups. Burundi, one of the five poorest countries in the world, has seen its growth and development curtailed by civil unrest. Rwanda, the smallest country in East Africa in terms of geographical size, experienced one of the worst genocides in history in 1994, in which over half a million people were killed within approximately a hundred days. The 1994 genocide in Rwanda was a culmination of the ethnic and political rivalry that long existed between the Hutu and the Tutsi (the same groups that were involved in the conflict in Burundi).

Tanzania boasts a large reservoir of resources: land, water, and mineral wealth. Although the country has been politically stable in recent decades, the development of the private sector was greatly hampered by the Ujamaa policy. The Ujamaa village was a concept propagated by President Nyerere, based on the ideals of "African Socialism," which stipulated that the president should determine how the country's natural resources were allocated and used. There was no freehold land ownership. Cultivation of land was collective, as the land rights were transferred to the elected village councils, "the Ujamaa." The Ujamaa concept not only affected agriculture but also nationalized the banks and industry and made the government the biggest employer. As a result, the private sector declined. The country became dependent on international aid. A nation rich in natural resources became one of the poorest in the world.

Although Kenya has never experienced military rule, and its political environment can be described as somewhat democratic, the country has had its share of politically instigated violence along ethnic divisions and tribal lines. Even though elections in Kenya have been marred by flaws and irregularities, the country is considered to have a wider democratic space compared to its neighbors.

Following the post-election violence in 2007-2008, Kenya held a constitutional referendum in August 2010, approving a new constitution that brought several important reforms. Among other things, the new constitution allows Kenyans to initiate referenda, thus promoting popular initiative. This democratic environment is not enjoyed in Uganda, where Yoweri Museveni has held power for the last 25 years, and who has stated that he will run yet again in the 2016 elections if his party endorses him.

In Rwanda, Paul Kagame has held the presidency since 1994; during that time, critics have accused him of infringing on media freedom and suppressing the opposition. Burundi has been somewhat democratic in its elections, but the country has also experienced presidential assassinations and at least one coup d'etat since it embraced democracy. Tanzania has a multiparty democracy (though Chama Cha Mapinduzi has been the dominant party since 1977).

As previously observed, Kenya has the largest economy amongst the members of EAC in terms of GDP. Kenya's GDP accounts for 40 percent of the region's GDP, followed by Tanzania at 28 percent, Uganda at 21 percent, Rwanda at 8 percent, and lastly Burundi at 3 percent. In terms of GDP at current market prices, Kenya's 2011 GDP stood at $34 billion, well ahead of the closest rival economy, Tanzania, with a GDP of $24 billion.

Compared to other African countries, Kenya has very limited arable land and rainfall -- but it also boasts the most sophisticated agricultural sector. Horticulture contributes the highest percentage of agricultural gross domestic product (33 percent), followed by food crops (32 percent). Industrial crops and industrial crops contribute 17 percent each. Kenya has consistently done well in horticulture and tea production and export. The horticulture industry has existed since pre-colonial times and continued to flourish when the export market was opened in Europe in the post-independence period.

Kenya is doing better than Tanzania in this industry because of the infrastructural rigidities inherent in Tanzania's export system. Tanzania produces much more horticulture produce than Kenya but sells very little overseas. Compared to Kenya, Tanzanian farmers grow the produce on a small scale and lack networks to enable them combine their harvest at lower costs when exporting. Additionally, higher freight charges at Kilimanjaro International Airport and Julius Nyerere International Airport in Dar Es Salaam, coupled with inadequate storage facilities at the airports, make it even harder for Tanzania to export.

By contrast, Kenya's Nairobi Jomo Kenyatta airport is well served by major airlines and charter operators, making it easier to access European markets and the rest of the world. The Kenyan government has also supported this sector by ensuring that supply chain bottlenecks are minimized as much as possible by streamlining the process. At the same time, the Ministry of Agriculture has steadily increased funding for irrigation projects and subsidized fertilizers.

Another agricultural product that makes Kenya competitive compared to its neighbors is black tea. Kenya is the world's number-one exporter of black tea. (Tanzania and Uganda are also major producers of black tea.) Kenya is competitive in tea production and export not least due to the fact that is the home of the Mombasa Tea Auction Center, the second largest tea auction venue in the world, which, among its other advantages, provides direct feedback of market prices to factories and farmers. Additionally, favorable weather conditions and tropical rich volcanic soils result in the production of high grade tea that has a unique flavor, making it the best in the world. Incentives offered by the government, such as value-added tax exemptions, withholding tax holidays for firms that process and package tea, and Export Processing Zones that offer favorable conditions for exporters, make Kenya's tea industry a competitive cluster in the region and in the world.

In terms of intra-East African trade, Kenya ranks at the top, averaging 37 percent in 2011-2012, followed by Uganda at 24. The intra-regional trade is driven by the manufacturing industry, and particularly the Fast-Moving Consumer Goods (FMCGs) and processed products that are major drivers of the economy. Kenya's competitive edge in this industry stems from the diversification of its exports basket, which makes it less vulnerable to shocks.

Additionally, compared to the region, the country's transport system, including roads, the Mombasa port, and the airports, is more advanced than those of most other countries in the region (though there are bottlenecks at Mombasa). Kenya, Uganda, and Rwanda have recently started building a superhighway from Mombasa to Kigali that will ease the movement of cargo through these countries. The fact that Kenya is one of the only two East African countries that is not landlocked (the other being Tanzania) gives the country a competitive advantage in terms of international trade. Kenya is also the region's major exporter and importer with the rest of the world.

Kenya is also very competitive in terms of human capital. It ranks at the top in terms of adult literacy rates. The adult literacy rate in Kenya is 87 percent, followed by Uganda at 73.2 percent, Tanzania at 72.9 percent, Rwanda at 70.7 percent and lastly Burundi's literacy rate is 66.6 percent. In comparison to other East African countries, meanwhile, Kenya has the highest public expenditure in education at 17.7 percent between 2008-2009 and 2011-2012, compared to Uganda, which spends an average of 10 percent.

Education plays a major role in increasing productivity and economic growth and reducing poverty and inequality. Studies comparing the state of primary schools in Kenya, Uganda, and Tanzania conclude that a child from a poor household in Kenya is more likely to succeed than a child from a wealthy household from Tanzania or Uganda. Tanzania exhibits the worst performance among the three East African countries. Kenya also ranks on top in terms of enrollment of students in higher education, followed by Uganda and then Tanzania. In 2012, Kenya enacted the Universities Act, which is aimed at improving the quality of education at all levels by promoting separation of governance of universities and other tertiary institutions and strengthening its technical sector by separating it from the university sector. The Global Competitiveness Index (GCI) 2013-2014 ranks Kenya 44th in quality of education out of 148 countries. By comparison, Rwanda ranks 51st, Uganda 82nd, Tanzania 100th, and Burundi 143rd.

Kenya's private sector has been more dynamic than that of the other members of the community, which has translated into a more competitive and innovative economy relative to its neighbors. The service sector has been a huge contributor to the growth of the private industry in Kenya. This sector is the largest contributor to GDP growth since 2007 in the country, according to the IMF regional economic outlook for sub-Saharan Africa. Kenya has emerged as a technological and financial hub for East and Central Africa. A major techno-city project is underway in Konza, 40 miles from Nairobi, that aims to reinforce Kenya's reputation as the regional technology leader in Africa. The project has been dubbed the "Silicon Savannah." IBM also set up its first African research lab in Nairobi, following the likes of Google, Microsoft, and Intel, which also have their regional headquarters in Nairobi.

The Nairobi securities exchange (NSE) is among the best in Africa. Participation of foreign investors in the NSE has always been encouraged and their interests protected since independence. This is demonstrated by legislation such as the Foreign Investors Act of 1964, which aimed to protect foreign investors and allowed foreigners to repatriate their earnings. Several institutional changes have been instituted to strengthen the markets, such as the establishment of the Capital Markets Authority (CMA) in 1990.

The CMA's mission is to protect investors' interests, promote market development through research of new products and institutions, and ensure proper conduct of all licensed persons and market institutions. The introduction of the Central Depository System in 2004 further reinforced the integrity of the financial system by providing clearing and settlement services in the Kenyan Capital Markets by offering a central custody that enables simplified, swift, and secured services to the investors. Moreover, the automation of the trading system in 2006 greatly enhanced the efficiency of the Nairobi Securities Exchange.

Just recently the NSE announced that it will upgrade its IT infrastructure to support the diversification of trading securities, including derivatives and futures. Market capitalization increased from $453 million in 1990 to $14.8 billion in 2012. Kenya has the most advanced capital market in the region and has over 60 listed companies on the stock exchange. The rest of the East African countries have less than 20 listed companies; Burundi does not yet have a stock exchange.

It should come as no little surprise that, in 2012, Kenya attracted the most private equity deals in East Africa. These involved investments in firms that have not gone public and are therefore unlisted on the stock exchange. The main reason for this large volume of investment is that Kenya is widely viewed as the regional economic hub because of the financial infrastructure that is already in place.

Another area in which Kenya is doing tremendously well in comparison to the other East African countries and the rest of the world is the mobile money services sector. The country is ranked number one in the world in mobile money. Mpesa, the flagship mobile phone banking product, put Kenya at the forefront of mobile money transfers and mobile banking services. Mpesa's success in Kenya is attributed to several factors: the need to provide a solution to the high cost of sending money from one place to another; the presence of a dominant player in the market (Safaricom), which was able to develop an efficient agent network; and support from the regulatory body (Central Bank of Kenya), which advocated for regulation to follow innovation.

The other East African countries have made considerable strides in mobile money, but serious challenges remain. In Tanzania, the inefficiency of the agent network and the lack of understanding of mobile money applications by potential and current users present a major problem in the mobile money industry. The major challenge in Uganda arises from the fact that the Ugandans lack a national identification system like the one in Kenya. Transferring money thus becomes a challenge.

Kenya boasts a market-based economy and the most liberal economic system in East Africa. A market-based system, among its other advantages, promotes economic efficiency and competition and encourages foreign investment. Since independence, the market structure has changed from one in which prices are influenced by the government to one in which they are determined by the market forces of supply and demand. Kenya has been a pioneer in embracing freedom of enterprise, and this manifests itself clearly in the broadcasting industry, where Kenya Television Network (KTN), the first non-pay, privately-owned TV station in Africa, was founded in Kenya. Liberalization of the agricultural sector was undertaken in the 1980s and 1990s, reducing government's control of agricultural production and marketing. This led to an environment that encouraged private sector participation in agriculture.

Moreover, building on the African Growth and Opportunity Act (AGOA), Kenya has developed a textile and apparel industry that exports to the United States. AGOA is a law that was passed in the United States that offers incentives for African countries to export to the United States in an effort to build free markets and open African economies. The World Bank recently hailed Kenya's private sector as the most vibrant and dynamic in East Africa. The Kenyan economy has been market-based for a longer time than all the other East African economies, and this has given it a competitive edge in attracting foreign investment to the country.

Kenya has consistently attracted relatively high levels of foreign direct investment (FDI). FDI flows to Kenya have consistently been to transformative industries such as high technology. The recent FDI flows to Uganda and Tanzania are driven by recently discovered resources and are geared towards extractive industries. Kenya is the main source of FDI to its neighbors; outward investments to other countries have increased from $9 million in 2011 to $16 million in 2012. There are big Kenyan companies that operate throughout the East African region (Equity Bank, Kenya Commercial Bank, Nation Media Group).

The recent planning documents issued by the Kenyan government, The Economic Recovery Strategy (ERS) for Wealth and Employment Creation and Kenya Vision 2030 , detail carefully designed strategies that focus on growing and developing the economy. Vision 2030 in particular aims to transform Kenya to a newly industrialized, middle-income country by 2030. It is based on three pillars: the economic pillar, which seeks to maintain and sustain economic growth of 10 percent per year for 25 years; the social pillar, which seeks to invest in Kenyans so as to improve the quality of life in education, health, and housing (among other public goods); and the political pillar, which focuses on moving the nation forward as one and envisions a democratic system that is issue-based, people-centered, results-oriented, and accountable to the public.

In conclusion, Kenya remains a vibrant and promising economy in East Africa, one that is resilient and has the ability to bounce back after political shocks such as the 2007-2008 election violence and the Westgate Mall terrorist attack in Nairobi. There are challenges that the country still needs to address, above all poverty, inequality, and access to health services. The recent discovery of resources such as oil, base titanium, coal, and underground water, augur well for the country's future economic performance.

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Five New Year's Resolutions for SMEs

Business Partners Team

2014 brings with it new challenges and opportunities for business owners, all of which need to be incorporated into a business's plans going forward. This is according to Gerrie van Biljon, executive director of Business Partners Limited, who says business owners should make use of the first few weeks of the New Year to reflect on what worked well in 2013 and what needs to be improved or changed for the year ahead.

He says proactive planning, with clear timelines, will positively benefit the long-term development of a business. "Business owners who avoid planning ahead may increase their exposure to risks during the upcoming year.

"Implementing changes early in the year will ensure that the business is prepared for the period ahead and will assist in evaluating whether it is effectively prepared for upcoming opportunities or possible challenges within the landscape that it operates in."

Van Biljon shares five New Year's resolutions that small and medium enterprise (SME) owners should consider when planning for 2014:

1. Managing cash flow as effectively as possible

Cash flow is the life blood of any business and effectively managing this aspect of the business will allow more flexibility when there is a need to address emerging dilemmas, such as late payment, or when critical decisions need to be made, such as having the capital available to purchase additional stock in order to satisfy client demand. Regularly updating a budget and a statement of cash flow will enable business owners to keep an eye on where money is spent, and allow them to cut back where applicable.

2. Create and maintain valuable partnerships

A new year provides businesses with the opportunity to establish new and beneficial partnerships, as well as cement any present valued partnerships. Building relationships with the right individuals and businesses is key to the success of any business, due to the long lasting and powerful effect a favourable relationship can bring about. In order to make a successful partnership thrive, establish a win-win solution that is fair to both parties.

3. Attending networking events

Building a successful business takes a lot of time and drive, so it's advisable for business owners to surround themselves with individuals who share a similar ambition. As an entrepreneur, networking is crucial as it provides the opportunity to build those much needed business contacts and relationships.

4. Continuously seek mentorship

Seeking regular advice and guidance from a mentor can prove invaluable for business growth, as well as personal development. It is simply impossible to know everything about running a business as everyone has their individual strengths, and a fresh pair of eyes can identify possible gaps in business practices and assist with strategies which the business has not yet considered. Not only will a mentor enable a business to focus on its objectives more effectively, but it can also boost morale. When selecting an appropriately experienced business mentor, seek a mentor who has experience in the skills you may lack and ensure the terms of the mentorship – time, costs and outcomes – are as clear as possible in order to ensure that the match works effectively.

5. Establish a successful online presence

Having a successful online presence and strategy is becoming increasingly important for SMEs due to the growing number of consumers making use of online tools to find suppliers and solutions for their needs. The increasing number of online users and growing popularity of online mediums such as a company's website, Twitter, Facebook and LinkedIn have created many opportunities for SMEs to directly interact with both their current and potential customers. These tools have also dramatically changed the way brands interact with their target audience. It is therefore key that SMEs utilise these platforms effectively in order to maximise the exposure and awareness for their business.

Having a constant stream of engaging content will ensure that the business maintains a favourable online presence. Van Biljon says the New Year creates an opportunity for businesses to better themselves and their offerings. "Like many New Year's resolutions, the list may seem daunting. However all business owners require is a shift in mindset and most likely a change in habit. Allocating time for each goal and a realistic date of conclusion will assist you in achieving your New Year's resolutions," concludes van Biljon.

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