

## **Internet Consultation International Trade & Development Policy**

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## **Question 2**

**How can the Netherlands (the government, the private sector, social enterprises, civil society and knowledge institutions) best address population growth in Africa and stimulate youth employment in Africa and the Middle East?**

Dutch policy should focus on enabling mature and established African SMEs to internationalise as a means of expanding and growing their business. Such an expansion will become an impetuous for widening demand for labour.

SMEs play a pivotal role in the social and economic development of low and middle income countries. In Africa, SMEs are the main employment generators, source of innovation and enhance national revenue mobilisation: value-added exports, provision of wage employment in the formal economy, and local input consumption.

NABC notices a strong focus in Dutch policy on fostering entrepreneurship amongst youth, through start-up support and start-up incubation projects. Although NABC is a supporter of fostering local entrepreneurship, the reality is that a lot of start-ups in these programs are run by necessity entrepreneurs. There is a lack of basic business skills, leading to a high fail rate for these startups. Fortunately, there is a surge in the number of start-up incubators providing these essential services and trainings for young enterprises. However, the business model for such incubators is not really that sustainable. Due to the high amount of basic business trainings many entrepreneurs need before they can focus on building their business, incubators are compelled to direct substantial operational capacity toward fundraising instead of fostering local entrepreneurship. Therefore net positive effect of such incubators on the local economy is relatively low--measured in terms of rate of ventures survive beyond scale-up period (+5 years)

NABC proposes a recalibration of Dutch policy on fostering entrepreneurship in Africa: one that balances support for start-ups with that of mature and established local SMEs. The recalibration called for is not merely provision of financing facilities (e.g. DGGF), rather an integrated approach focused on strengthening SME ecosystems on the African continent.

Through our on-ground experience and accounts received from Dutch private sector active in Africa, NABC recognises three factors as pivotal to the continents weak SME ecosystem. These include:

1. Underdeveloped SME-appropriate financing market & low levels financing and investment literacy

Although on paper there are many funds available there exists a shortage of financial products suitable and accessible for African SMEs. Additionally, African SMEs display limited awareness and understanding of alternative financing products (non-debt products) and investment sourcing procedure,

2. Undersupply of cost-effective business development services:

Business development services in Africa are primarily focused on servicing Multinationals and generally the services are too expensive for African SMEs. Therefore it is difficult for African SMEs to adhere to, for example: global Sanitary & Phytosanitary standards and quality standards to export.

3. Lack of an International network of business partners:

African SMEs often do not have the resources to invest in developing an international or intra-regional network of business contacts. This impedes their growth ambitions.

In the main ecosystem, the following challenge constrains high-performing SMEs' capacity to expand beyond their domestic markets:

4. Poor infrastructure: Transport & Energy

Poor transport corridors lead to high-transportation costs and poor energy services lead to high-production costs. This stems international and intra-regional trade and international competitiveness for African SMEs.

Dutch Private Sector Development Policy should focus on improving the local business climate and fostering local entrepreneurship by breaking down the above-mentioned constraints and connecting African SMEs to Dutch Technology, Know-how and Capital. Dutch policy should also be focused on creating transport corridors like, for example Trade Mark East Africa and using Dutch Public-Private-Partnerships to assist in infrastructure and energy projects.

These policies should lead to better and stronger African SMEs which in turn will lead to more success for Dutch SMEs in Africa since they need strong local SMEs to connect with and/or invest in.

NABC is in a unique position to connect African SMEs with Dutch Partners, Capital & Know-how and to introduce Dutch SMEs to promising African Markets. Enabling both Dutch and African SMEs to prosper and generate local employment, income and therefore, perspective.

**Question 6**

**What innovative and creative solutions could the government use to better support the private sector and knowledge institutions that wish to market their knowledge and expertise globally? And in what areas?**

Feedback received from NABC members shows that the government currently runs a sufficient number of instruments & tools that enable the private sector become internationally active. NABC and its members actively use and have used many private sector development instruments.

The central critique from the private sector is that access to these instruments are time and knowledge intensive. Entrepreneurs noted that the application and evaluation process is far too protracted. Additionally, the technical aspects of the application process require securing the services of a consultant. These costs renders, in their view, the instruments less attractive.

Having on several occasions facilitated access to such instruments on behalf of our private sector partners, NABC is of the view to simplify the application process and will lead to better promotion of such instruments and will increase its usage and thus its effectiveness.

**Other Creative & Innovative Tools**

1. Create synergy in all trade facilitation activities for SME:

Many different government bodies and network organisations try to mobilise the private sector for their respective markets, sectors and focus regions. NABC proposes to set up a strategic "SMEs in Africa Group" with all relevant government bodies active in trade facilitation in Africa and NABC to research and develop a 12 month activity planning. This will create more synergy amongst government organisations and NABC, a better overview and better service for Dutch SMEs wanting to develop African markets.

2. Independent Event & Trade Mission Budget of €30.000 for Embassies

Local Embassies are often better suited to act upon new market opportunities within their respective countries than central governmental bodies. NABC has often approached Embassies with proposals for trade missions that are member driven: requested by a group or platform of Dutch businesses. Due to a lack of a sufficient trade facilitation budget it often proves difficult to set up a trade mission within 6 months, leading to a loss of important momentum and attention of the Dutch private sector.

3. Gazelle Acceleration Platform

NABC, in cooperation with Asoko Insight & VC4A is setting up a Gazelle Acceleration Platform. This platform will connect high-potential African SMEs with Dutch Expertise, Technology and Capital, through a digital and scalable platform. NABC aims to set up a successful SME acceleration platform based on start-up acceleration methods, but tailor-made for African SMEs.

4. Utilize African Diaspora to connect African SMEs with Dutch business partners

NABC supports activities of African Diaspora organisations to improve the bilateral relations between Africa and the Netherlands. African Diaspora have, through their experience and family ties to their country of origin and the Netherlands, a unique knowledge and vision on European policies regarding their country of origin. NABC is convinced the African Diaspora can play a decisive role in: a. Formulating a more efficient International Trade & Development Policy, and b. Generating local employment in Africa by assisting the Dutch private sector to expand in Africa.

### Question 8

**How could the government create a more comprehensive support package for companies, especially SMEs, interested in doing business internationally, and for which markets is an extra boost warranted?**

As mentioned in question 6, reducing and improving the availability, accessibility, and lowering the threshold for application could greatly improve the effectiveness of the current support packages.

NABC also notices that there are currently many instruments available for companies that are looking to trade their goods and services internationally. Yet, Dutch policy lacks effective tools and instruments to assist SMEs that wish to invest in international markets.

Support and instruments could greatly improve for the due diligence phase for companies that are looking to invest in Africa, more support is needed for:

- Market studies
- Matchmaking facilities
- Investment support

**For which markets is an extra boost warranted:**

NABC believes a top sector approach is not the only answer for international private sector development, additional focus is needed for African countries.

- Why Africa?
  - Large population growth (Estimated that current population will double to 2.4 billion in 2050)
  - It is important to create local perspective for youth by creating meaningful jobs and realise inclusive growth and development
  - Bilateral trade leads to interdependency and stability
  - In 2017, most business reforms took place in Africa
  - Africa offers favourable language & time zones for Dutch SMEs
  - African markets are the last frontier of economic development and offer Dutch SMEs the “Early Mover Advantage”
  - African Markets can develop through the Leapfrog Model: implementing the latest innovations directly instead of going through the different time-consuming development phases and saving on vast investments.
- Current government trade facilitation activities planned for African “Partnerlanden” are not sufficient to cover the opportunities in these markets for the Dutch Private Sector. Bi-monthly or Quarterly Trade Missions and extensive business support for SMEs can generate sufficient attention for these markets.
- Current government trade facilities planned for “Transitie & Hulplanden” are not sufficient to cover the early mover advantage” for Dutch SMEs in these regions.
- NABC has a Broader focus than BEB/DIO focus countries & NL Business Focus Cities and the Ministries’ Partnerlanden. NABC is therefore well-suited to initiate business development and trade facilitation activities in with support of local Embassies and Dutch Government.