Chapter 6:

Entrepreneurship Development

Entrepreneurship supports economic growth and development through market innovations and there is a bi-directional relationship between entrepreneurship and economic growth and development. Key constraints include the cost of starting a business and minimum paid-in capital requirements, with women entrepreneurs facing additional hurdles. Moreover, most of Africa’s entrepreneurs are “necessity driven” rather than “opportunity driven”. RMCs should promote the development of “high-growth entrepreneurship” and strengthen the quality of the entrepreneurial environment for firms. By doing so, they would support a cultural and regulatory environment that encourages people to develop original ideas, recruit the right expertise, and grow.

Introduction

Africa’s private sector suffers from low innovation and productivity, which contributes to the low level of economic development in many RMCs. Entrepreneurship supports economic growth and development through the introduction of innovations that add value to the economy. Innovation can take several forms, such as the generation of new products or services, new processes or ways of using existing factors of production more efficiently, and/or the implementation of technologies previously developed by others but not yet introduced in the local market.

At first glance, Africa appears to be ripe with entrepreneurs given that 90 percent of the total number of businesses are micro and small enterprises, the bulk of which are in the informal sector. The reality, however, is that these enterprises are generally run by “necessity-driven entrepreneurs” or individuals who start firms because they have no other viable opportunities for gainful employment. They rely on these activities in order to survive or to supplement their in-kind earnings from subsistence farming.

What Africa needs more are “opportunity-driven entrepreneurs” or individuals who innovate in order to take full advantage of market opportunities. While RMCs need to support appropriate education and training for the continent’s business managers and professionals (as discussed in Chapter 5), they also need to develop opportunity-driven entrepreneurs. At the same time, governments need to facilitate necessity-driven entrepreneurs from the informal sector to become productive workers in the formal economy.

Defining Entrepreneurship and Entrepreneurship Development

Entrepreneurship can be defined in many ways, emphasizing the different attributes, contexts, motivations, roles, and contributions of these individuals vis-à-vis society (Box 6.1). The seminal definition of an entrepreneur is attributed to Schumpeter, who argues that innovation is demonstrated in one of five different ways: new products, new production processes, new markets, new inputs, and re-organization of an industry. Schumpeter’s entrepreneur causes disruptions in the marketplace through the process of “creative destruction”.

110 World Economic Forum and others 2011; Gebreeyesus 2009; Onyeiwu 2011; and Yoshino 2011.
111 Stam and van Stel 2009.
112 Schumpeter 1951.
Box 6.1: A Typology of Entrepreneurship

**Necessity-Driven versus Innovation/Opportunity-Driven Entrepreneurs**

Necessity entrepreneurs start a firm because there are no other viable opportunities for gainful employment. They generally use old, existing, marginally productive technologies and processes, and do not have innovative ideas or high growth prospects. They are not true entrepreneurs.

Opportunity entrepreneurs pursue profit and independence. They innovate and have strong growth motivations, including expanding beyond local markets, products, and services.

**Unproductive/Destructive Entrepreneurs**

Not all entrepreneurs are welfare-improving. Unproductive entrepreneurship is characterized by activities that redistribute wealth from one part of society to the entrepreneur. These are rent seeking activities. Destructive entrepreneurship diminishes the welfare of the society as a whole and includes criminal activities such as smuggling, drug trafficking, prostitution, and illegal mining, trading, and poaching.

**Social and Corporate Entrepreneurship**

There are two other categories of entrepreneurial activity in addition to starting and growing a business – social and corporate entrepreneurship. Social entrepreneurship is embedded in a social purpose. Nonprofit organizations of all forms, including government agencies, have applied entrepreneurial activity to successfully compete for clients and scarce resources to solve social problems. Corporate entrepreneurship or intrapreneurship, as distinct from commercial entrepreneurship, is entrepreneurial activity within the context of a large firm. Many large firms want to capture the excitement, innovation, and renewal found in entrepreneurial firms. They do this by creating an environment where entrepreneurship can flourish.

*Source: Global Entrepreneurship Monitor (GEM), several years; Austin, Stevenson and Wei-Skillern 2006.*

Kirzner’s entrepreneur is a person who perceives profit opportunities that are not apparent to others and engages in an arbitrage to affect the market’s equilibrium with a view to gaining a profit\(^\text{113}\). While these two concepts differ with regard to the entrepreneur’s effect on market equilibrium, the outcome is the same: knowledge is both harnessed and created in the pursuit of profit.

Leibenstein focuses on entrepreneurs in developing countries, where markets are not well defined nor smoothly operated and the production function is not known\(^\text{114}\). In such cases, he sees the entrepreneur as having four principal roles: a gap-filler, an input-completer, a connector of different markets, and a creator of firms. The developing country entrepreneur must therefore fill in for market inefficiencies, find inputs for production, and connect markets.

Each of the above definitions considers the entrepreneur to be a creative and alert person who surveys the economic horizon and uses knowledge and information to pursue profit. They also include entrepreneurial activity within existing firms (i.e., intrapreneurship) and entrepreneurial activity in non-profit institutions (i.e., social entrepreneurship). Human capital (i.e., knowledge and training) and access to information and markets are preconditions for the entrepreneur’s success. Although in some cases the entrepreneur may also manage the firm, in most cases he is the innovative spark that creates a market opportunity that others can then take forward.

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\(^{113}\) Kirzner 1997.

\(^{114}\) Leibenstein 1968.
Entrepreneurship development is the process of enhancing entrepreneurial skills and knowledge through structured training and institution-building programs. It aims to enlarge the base of entrepreneurs to speed up the pace at which new ventures are created. The focus is on the individual who wishes to start or expand a business, with concentration on growth potential and innovation.

**Entrepreneurship in Africa**

A major constraint to assessing entrepreneurship in Africa is the lack of comprehensive data on the size and breadth of entrepreneurial activities. There are many gaps in the existing data sets that attempt to measure entrepreneurship and innovation. The Global Entrepreneurship Monitor is a perceptions based survey which covers attitudes and activities of entrepreneurs (Box 6.2). However, it is highly subjective and only covers 6-7 countries per year. The WBES has broader country coverage and its variables are more objective. However, the variables used in the survey change from year to year, which makes trend analyses and inter-temporal comparisons problematic. While both surveys give an idea of the types of entrepreneurship in RMCs (i.e., necessity-driven versus opportunity-driven), neither quantify the number of entrepreneurs on the continent.

**Box 6.2: The Global Entrepreneurship Monitor**

<table>
<thead>
<tr>
<th>The Global Entrepreneurship Monitor (GEM) was established in 1999 and is a research program centered on an annual harmonized estimation of entrepreneurial activity in countries around the world. GEM currently conducts surveys of adults (ages 18 to 64) in 59 countries in both OECD and non-OECD countries in order to better describe the “world’s entrepreneurs and their role in economic development.” Specifically, the surveys capture country differences in entrepreneurial attitudes, activity at various stages of the entrepreneurial process, and aspirations. At least 2,000 adults per country are interviewed using random sampling. The individual country survey results are then harmonized into a master dataset.</th>
</tr>
</thead>
<tbody>
<tr>
<td>GEM distinguishes between opportunity-driven and necessity-driven entrepreneurship. Questions covered in the survey include whether the respondents believe they have the knowledge and skills needed to start a business, perceive good business opportunities in their country, see entrepreneurship as a good career choice, and perceive high status associated with successful entrepreneurs. GEM also measures the rate of nascent entrepreneurship (i.e., the percentage of survey responders who are currently setting up a business for which they will have (partial) ownership but have not begun to make any kind of payments, such as salaries, wages, etc.), and young entrepreneurship, (i.e., the percentage of respondents who own and manage a business that pays salaries and wages and has been in operation for more than 3 months, but less than 42 months). These two types of entrepreneurship are combined to give the rate of total early-stage entrepreneurial activity (TEA) in all surveyed countries.</td>
</tr>
<tr>
<td>GEM has its limitations in measuring entrepreneurship in Africa. First, its definition of entrepreneurship excludes the concept of innovation. Opportunity entrepreneurship covers only whether the firm’s owner started the business because of a perceived business opportunity and/or because he wanted to be financially independent. Second, since it is a survey, the answers are subjective and there is no way to verify the responses. Lastly, each year, the GEM only surveys 6 or 7 out of the 54 African countries each year, and the countries surveyed change from year to year.</td>
</tr>
</tbody>
</table>

Source: Global Entrepreneurship Monitor 2011.
An important indicator for gauging new firm creation is entry density – the number of newly registered limited liability companies per 1,000 working-age people (those ages 15–64). As Figure 6.1 shows, between 2004 and 2009, there was large variation in entry density, across both regions and income levels. On average, about four new limited liability firms registered annually per 1,000 working-age people in industrialized countries; between one and three in Latin America and the Caribbean and Europe and Central Asia; and less than one new firm registered in other regions of the world. Sub-Saharan Africa has the lowest entry density of 0.58. The new entry densities translate roughly into national averages of 55,000 newly registered limited liability firms a year among industrialized countries and about 35,000 in Latin America, 14,000 in South Asia, and 9,000 in Sub-Saharan Africa. Figure 6.2 indicates the fluctuation in new firm entry density for twenty African countries with consistent data for the period, 2004 to 2009.

Recent evidence on the ground, however, indicates that entrepreneurship is increasing in Africa, powered in part by the influx of returning skilled workers.

Just as waves of expats returned to China and India in the 1990s to start businesses that in turn attracted more outside talent and capital, there are now signs that an entrepreneurial African diaspora will help transform the continent. Some reports indicate that about 10,000 skilled professionals returned to Nigeria in 2010 while the number of educated Angolans seeking jobs back home rose 10-fold, to 1,000, in the last five years. For example, Bartholomew Nnaji gave up a tenured professorship at the University of Pittsburgh to move back to Nigeria in 2005 to run Geometric Power, the first private Power Company in Sub-Saharan Africa. The company’s US$ 400 million, 188-megawatt power plant will come on stream late 2011 as the sole provider of electricity for Aba, a city of 2 million in southeast Nigeria. In the same vein, Afam Onyema, a 30-year-old graduate of Harvard and Stanford Law, turned down six-figure offers in corporate law to build and run a US$ 50 million state-of-the-art private hospital with a charitable component for the poor in southeast Nigeria.

114 Klapper and Love 2010.
The Nigerian Aliko Dangote is a good example of a successful entrepreneur on the continent. He transformed a small trading farm founded in 1977 into a billion dollar conglomerate present in at least 5 African countries. The Dangote Group is now one of the main suppliers of sugar and cement in West Africa. One of the most successful African hi-tech start-up entrepreneurs is Mo Ibrahim. After few years of experience in the telecommunications industry, Mo Ibrahim created Celtel, which later became a 24 million mobile phone subscribers company, sold afterwards for US$ 3.4 billion.

Entrepreneurship and Economic Growth

There is a bi-directional relationship between entrepreneurship and economic growth/development. Some maintain that entrepreneurship leads to economic growth, while others believe that economic development leads to more entrepreneurship.\(^{115}\)

Entrepreneurship’s Impact on Economic Development

In addition to introducing innovations to the market, entrepreneurs also create opportunities for others to profit from their discoveries and innovations. This continuous process of innovation engenders technological change, which contribute to economic growth. The presence of entrepreneurs varies across countries, and this variation in part explains differences in economic growth rates.\(^{116}\)

However, empirical evidence supporting the claim that entrepreneurship leads to economic growth and development is mixed. This is not surprising because of the various definitions used for entrepreneurship and the many contexts in which entrepreneurship occurs. Variations in entrepreneurship rates across countries have been found to account for a third to a half of the economic growth rates in some economies.\(^{117}\) These studies conclude that entrepreneurship in transition and high-income countries leads to strong economic growth. But other studies maintain that...

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115 Kilele 2011.
116 Baumol 1968.
117 Reynolds and others 1999; and Zacharakis and others 2000.
entrepreneurship does not have any effect in low-income countries, such as in Africa, and that the role of entrepreneurs in developing countries is different from the role of their role in developed economies\textsuperscript{118}. While entrepreneurs in developed countries are focused on cutting edge innovation and research and development, entrepreneurs in developing countries are largely engaged in producing goods for the local market that available in the world market place, but at a lower cost\textsuperscript{119}.

For Africa, it can be argued that entrepreneurship has not played a key role in growth to date. As indicated in Chapter 1, the high growth rates that Africa has recently experienced are largely the result of structural reforms at the macro level and not productivity-driven at the micro-level. Moreover, as underscored in the 2011 African Competitiveness Report, there are only four African economies (i.e., Kenya, Senegal, South Africa, and Tunisia) that rank high on the innovation index, comparing favorably with Italy and India (Figure 6.3)\textsuperscript{120}. African economies are still not well-diversified, their share of world trade remains low, and they suffer from low skills and capacity to absorb new technologies (Box 6.3)\textsuperscript{121}.

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{innovation_in_africa.png}
\caption{Innovation in Africa (Scale 1-7)}
\end{figure}

Source: Data from World Economic Forum 2011.

\textsuperscript{118} Stam and van Stel 2009.
\textsuperscript{119} Rodrik 2007.
\textsuperscript{120} World Economic Forum and others 2011. The African Competitiveness Report measures innovation differently from how we have described it here. Its innovation index includes measures of capacity for innovation, quality of scientific research institutions, company spending on R&D, university-industry collaboration in R&D, government procurement of advanced technology products, availability of scientists and engineers, utility patents, and intellectual property protection.
\textsuperscript{121} World Economic Forum and others 2011.
Box 6.3: Global Competitiveness Index and Innovation in Africa

Africa gets low scores in the GCI innovation pillar of competitiveness (12th pillar) compared to other regions. Africa and its sub regions lag behind in the areas of company spending on R&D, availability of scientists and engineers (except for North Africa), university-industry collaboration in R&D, and the quality of scientific research and institutions. These have implications for PSD and competitiveness of African economies.

<table>
<thead>
<tr>
<th>Region/ Country</th>
<th>Company Spending on R &amp; D</th>
<th>Availability of Scientists &amp; Engineers</th>
<th>Government Procurement of Advanced Technology Products</th>
<th>University - Industry Collaboration in R &amp; D</th>
<th>Quality of Scientific Research Institution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Africa</td>
<td>2.9</td>
<td>3.7</td>
<td>3.5</td>
<td>3.3</td>
<td>3.2</td>
</tr>
<tr>
<td>North Africa</td>
<td>2.8</td>
<td>4.4</td>
<td>3.3</td>
<td>3.0</td>
<td>3.0</td>
</tr>
<tr>
<td>East Africa</td>
<td>2.9</td>
<td>3.6</td>
<td>3.5</td>
<td>3.4</td>
<td>3.2</td>
</tr>
<tr>
<td>Southern Africa</td>
<td>2.9</td>
<td>3.2</td>
<td>3.4</td>
<td>3.5</td>
<td>3.3</td>
</tr>
<tr>
<td>West Africa</td>
<td>2.9</td>
<td>3.9</td>
<td>3.7</td>
<td>3.2</td>
<td>3.4</td>
</tr>
<tr>
<td>China</td>
<td>4.1</td>
<td>4.6</td>
<td>4.5</td>
<td>4.6</td>
<td>4.3</td>
</tr>
<tr>
<td>Brazil</td>
<td>3.8</td>
<td>4</td>
<td>3.9</td>
<td>4.3</td>
<td>4.2</td>
</tr>
<tr>
<td>East Asia</td>
<td>3.9</td>
<td>4.6</td>
<td>4.2</td>
<td>4.4</td>
<td>4.2</td>
</tr>
<tr>
<td>South Asia</td>
<td>3.1</td>
<td>4.1</td>
<td>3.5</td>
<td>3.3</td>
<td>3.4</td>
</tr>
<tr>
<td>Latin America</td>
<td>3.1</td>
<td>3.8</td>
<td>3.6</td>
<td>3.7</td>
<td>3.6</td>
</tr>
</tbody>
</table>

Source: Data from World Economic Forum 2011.

<table>
<thead>
<tr>
<th>Category</th>
<th>Company Spending on R &amp; D</th>
<th>Availability of Scientists &amp; Engineers</th>
<th>Government Procurement of Advanced Technology Products</th>
<th>University - Industry Collaboration in R &amp; D</th>
<th>Quality of Scientific Research Institution</th>
</tr>
</thead>
<tbody>
<tr>
<td>ADB Countries</td>
<td>2.9</td>
<td>3.9</td>
<td>3.4</td>
<td>3.3</td>
<td>3.3</td>
</tr>
<tr>
<td>ADF Countries</td>
<td>2.9</td>
<td>3.7</td>
<td>3.5</td>
<td>3.3</td>
<td>3.2</td>
</tr>
<tr>
<td>Fragile States</td>
<td>2.5</td>
<td>3.6</td>
<td>2.9</td>
<td>2.8</td>
<td>2.9</td>
</tr>
<tr>
<td>Coastal Countries</td>
<td>2.9</td>
<td>3.9</td>
<td>3.5</td>
<td>3.3</td>
<td>3.4</td>
</tr>
<tr>
<td>Land Locked Countries</td>
<td>2.8</td>
<td>3.4</td>
<td>3.4</td>
<td>3.2</td>
<td>3.0</td>
</tr>
<tr>
<td>Oil Exporters</td>
<td>2.7</td>
<td>4.4</td>
<td>3.1</td>
<td>2.8</td>
<td>3.0</td>
</tr>
<tr>
<td>Oil Importers</td>
<td>2.9</td>
<td>3.6</td>
<td>3.6</td>
<td>3.4</td>
<td>3.3</td>
</tr>
</tbody>
</table>

Source: Data from World Economic Forum 2011.
**Economic Development’s Impact on Entrepreneurship**

In addition to entrepreneurship affecting economic growth and development, entrepreneurship rates vary from country to country depending on their level of economic development\(^{122}\). Studies reveal that there is a U-shaped relationship between these two variables (Figure 6.4). At low and high levels of economic development (as measured by GDP per capita), there are high rates of total early-stage entrepreneurial activity (TEA). TEA declines, however, at the middle level of economic development\(^ {123} \).

![Figure 6.4: Total Early-Stage Entrepreneurial Activity and Per Capita GDP, 2010](image)

Note: Bolivia and Vanwatu are not showed in this figure, because their TEA rates are outsiders.

Source: Global Entrepreneurship Monitor (GEM) Adult Population Survey (APS) and MF World Economic Outlook Database.

It is important to note, however, that the TEA is composed of both necessity and opportunity entrepreneurship. As the level of economic development increases, the prevalence of opportunity or innovation-driven entrepreneurship rises (Figure 6.5)\(^ {124} \). In contrast, the rate of necessity entrepreneurship declines as the level of economic development increases (Figure 6.6)\(^ {125} \). This explains why there is a U-shaped relationship between the entrepreneurship rates and the level of economic development in a country\(^ {126} \).

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\(^ {122}\) Wennekers and Thurik 1999; and Wennekers and others 2005.

\(^ {123}\) The correlation coefficient is -0.49, indicating a moderate, negative relationship between the TEA rate and the level of economic development.

\(^ {124}\) The correlation coefficient is 0.582, which suggests a moderate and positive association between the amount of opportunity entrepreneurship and the level of economic development.

\(^ {125}\) The correlation coefficient is -0.62, which implies that there is a negative relationship between the rate of necessity entrepreneurship and the level of economic development.

\(^ {126}\) Although there is an association between these two variables, determination of causality will require further research and analysis.
Figure 6.5: Rate of Opportunity Entrepreneurship versus GDP per Capita for 67 Countries, 2007-09

Source: GEM APS and IMF World Economic Outlook Database.

Figure 6.6: Rate of Necessity Entrepreneurship versus GDP per Capita for 67 Countries, 2007-09

Source: GEM APS and IMF World Economic Outlook Database.
Constraints

*Doing Business* indicators on starting a business show the impact of the business environment and barriers to entry on new firm registration in the countries surveyed. Table 6.1 compares these constraints for Africa and the global average during the periods, 2004-11 and 2011 only. It shows that while the procedures of starting a business and the length of time involved are worse in Africa than the global average, there are two most important constraints to new firm creation in Africa. The first is the cost of starting a new business (all official fees and fees for legal and professional services involved in incorporating a company, measured as a percentage of the economy’s GNI per capita). Between 2004 and 2011, Africa’s average was 194 compared to the global average of only 72. The second key constraint is the paid-in minimum capital requirement as a percentage of income per capita: between 2004 and 2011, this averaged 202 in Africa against only 126 globally. In addition, women entrepreneurs face even greater constraints. For example, in a recent study on Women, Business and the Law, the World Bank Group surveys of 28 sub-Saharan African countries show that all countries except Botswana have unequal rules for men and women in at least one of the following areas: accessing institutions, using property, getting a job or dealing with taxes.

Table 6.1: Constraints of Starting a New Business

<table>
<thead>
<tr>
<th></th>
<th>Procedures (number)</th>
<th>Time (days)</th>
<th>Cost (% of income per capita)</th>
<th>Paid-in Min. Capital (% of income per capita)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2004-2011</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Africa</td>
<td>10</td>
<td>54</td>
<td>194</td>
<td>202</td>
</tr>
<tr>
<td>World</td>
<td>9</td>
<td>43</td>
<td>72</td>
<td>126</td>
</tr>
<tr>
<td><strong>2011 Only</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Africa</td>
<td>9</td>
<td>45</td>
<td>100</td>
<td>138</td>
</tr>
<tr>
<td>World</td>
<td>8</td>
<td>36</td>
<td>43</td>
<td>63</td>
</tr>
</tbody>
</table>

Source: Data from World Bank Doing Business Surveys.

Other major constraints to entrepreneurship development in Africa include (i) lack of education and training in entrepreneurial skills; and (ii) lack of access to information particularly relevant to entrepreneurial activities. African firm owners and managers need more training concerning how to successfully start and run a business is needed in Africa.

In a managerial training experiment that was held in industrial clusters in Ghana and Kenya, trainers found that firm owners in the clusters did not engage in bookkeeping, organizing of their files, marketing, and other crucial business management activities. This lack of business know-how severely stifles the growth of firms and therefore the African private sector.

Access to information is also a problem for firm owners/managers in Africa and other developing regions. Potential firm owners may not know all of the steps required to start a business. For example, they may not know who the proper authorities are. Firm owners and managers in Africa might also not even be aware that there are government programs that exist to help them to run more productive businesses.

**Addressing the Challenges to Entrepreneurial Development**

Given the major constraints identified above, ease of entry matters in Africa hence more firms will enter into countries with lower business start-
up costs. Better financial support schemes to increase business credit should be developed while providing greater equality of economic rights for men and women entrepreneurs.

African countries will also need to promote “high-growth entrepreneurship”, that is, enterprises with average annualized growth in employees greater than 20% per annum, over a three year period, and with more than 10 employees in the beginning of the observation period. To do this, and depending on where each country is in its path of general economic development, it might need to strengthen the conditions for and improve the quality of entrepreneurial environment for firms, including the rule of law, labor market flexibility, infrastructure, financial market efficiency and management skills. These conditions are necessary to attract FDI that will provide employment, technology transfer, exports and tax revenues.

Governments need to make a strong commitment to education at all levels but especially at both the secondary and tertiary levels. African countries need to strengthen their “basic requirements” (institutions, infrastructure, macroeconomic stability, health and primary education) to transition to culture of innovation and entrepreneurship. Policies focused at firms, should include financial assistance, management assistance, training and reducing regulatory burdens.

A cultural and regulatory environment that encourages people to develop their original ideas, recruit the right expertise, and grow is imperative. Among the policy changes needed, are for focusing SMEs on quality, not just quantity; nurturing high-growth entrepreneurship, rather than self-employment; fostering clusters and ecosystems for growth, rather than scattering entrepreneurial seeds at random; recognizing the role of big companies in entrepreneurship – both as the nucleus of clusters, and as sources of talent; training people for global growth; ending market fragmentation; and educating potential entrepreneurs out of their risk-aversion.

In addition, entrepreneurial levels should be improved through commitment to entrepreneurial sensitization in order to instill a mindset of entrepreneurship; governments at all levels should support innovative and viable business creations with patent rights so as to limit duplication; and governments at various levels should also encourage research and technological developments by giving tax exemptions or holidays, where necessary. It is essential that RMCs, DFIs, universities, and other stakeholders gather data and study African entrepreneurs and firm owners. An example of this is the OECD’s Entrepreneurship Indicators Programme\textsuperscript{130}. This program is a coordinated effort to gather comparable data on entrepreneurship and business demographics in OECD nations in order to better formulate policies to nurture entrepreneurs and businesses. Once governments know exactly what they desire for their private sectors, they can enact policies to promote them. More work also needs to be done to refine the use the term entrepreneur for the purpose of policy making. As noted earlier, simply owning or managing a firm does not make a person an entrepreneur and there is a difference between necessity-driven and opportunity-driven entrepreneurs.

\textbf{Conclusion}

RMCs need to implement policies to encourage necessity-entrepreneurs to become productive workers in formal sector rather than remaining in marginally productive informal activities. African governments should provide viable work opportunities for their citizens through sound economic policies and improving the enabling environment for business as has been argued throughout this report. In the absence of such policies, necessity-entrepreneurs will continue to establish small, limited productive firms that contribute only marginally to economic growth.

For opportunity-entrepreneurs, governments, DFIs, and other development partners should put in place systems that provide entrepreneurs with market information and facilitate linkages with formal firms, both domestic and international, with a view to increasing their knowledge, innovation, and competitiveness. Promotion of FDI, clusters, incubators would be particular helpful\textsuperscript{131}.

\textsuperscript{130} OECD website.

\textsuperscript{131} Yoshino 2011; and Akçomak 2009.