

## Overcoming barriers to do business in Africa

The opportunity for South African business to establish operations, or expand their offerings into Africa has never been more apparent, says Adapt IT executive Kevin Dees.



Kevin Dees, technical executive at Adapt IT

"Doing business in Africa has changed significantly over the past few years with increased connectivity via new undersea cabling, investment from European business seeking emerging market alternatives, multinationals entering the market, and a general technological awakening for many African businesses."

Dees continues with a warning to South African businesses considering a move into Africa, "We have four that whilst certain elements have matured, challenges and barriers still exist which hinder the movements of South African and international companies on the continent. Corporates and entrepreneurs alike should be willing to make many mistakes in the process of moving into African countries, and look at partnerships with local businesses to guide them through."

### Challenges faced

The Adapt IT Group has done business across 11 African countries in a period of 14 years, and in that time has adjusted to the challenges presented. The availability of foreign exchange in certain countries is one such challenge.

In Malawi, forex is not easily obtained often leading to long delays in foreign payments. This could hinder the payment to employees and suppliers and halt activity on the ground. The customs regulations in certain African countries are also a key consideration for businesses importing or exporting goods. Customs regulations differ across Africa, and it is possible for goods to take a long time to arrive.

Whilst labour is readily available in most African countries, skilled resources, particularly in the IT industry, are not easily found. As a result, most businesses entering into Africa pay 'withholding tax' to the local governments to support skills development when a foreign resource is appointed to a position which might be filled by a citizen of that country. The tax percentage varies across Africa, but is usually between 15-20% of a contract value.

"With the move into a new territory, alongside the necessary infrastructure required, a certain amount of experienced resources usually relocate in the short-term to guide the set-up and development of the business. We have found that Visas are sometimes hard to obtain initially, and then can be revoked at any point."

### The cost of doing business improves

The cost of doing business in Africa is improving as technology improves and countries adopt more Western tendencies in their business approach.

"Challenges do exist, but as the market matures further and companies in South Africa and across Europe Asia and the US invest in the continent, these will lessen, inviting more and more business into Africa. A firm mover advantage exists now for business, specifically South African business that can benefit from proximity and cultural similarities," concluded Dees.

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