

African Union

- **Africa:** According to the author, while entrepreneurship is increasingly framed as a vehicle for poverty alleviation and development, it is not the path to prosperity its proponents claim it to be. The USA has formulated a business-oriented US foreign assistance approach in the African context. All USA foreign assistance programmes are increasingly framed in entrepreneurial language. However, the images of African development have shifted from farmers in fields to youth around computers, or business people in smart suits. The change is significant because the focus has transitioned from the rural poor and marginalised in African societies to privileged, well-educated urbanites. The author is concerned that outsiders are deepening divides in African societies by aiding those who least need assistance. The problem is that outsiders largely deal with elites in the country, leading to, for example, commercial agricultural projects and land grabs that marginalise the poor. The implication is that the poor are beyond hope and, as such, the best shot at developing African economies is to help those who are already privileged, i.e. the entrepreneur who will invest wisely, create jobs, and lift all African people. The author acknowledges Africans are some of the most entrepreneurial people he knows. While the lack of access to credit and investment capital is limitations on the African entrepreneurial spirit, the private sector will fill this void. What he is uncertain about is whether the basic fundamentals are in place for environmentally and socially sustainable development. These fundamentals include peace and stability, sound governance and rule of law, as well as equitable access to basic healthcare and education. It is as if these fundamentals have been discarded in favour of the low hanging fruit of individualistic entrepreneurialism. Furthermore, the developmental impacts of investment and entrepreneurial activity will always be limited if only a small segment of the population has sufficient education, skills and training. African leaders, journalists, and public intellectuals will be doing their people a considerable service if they critically and cautiously analyse the latest development craze focused on entrepreneurialism. (Mosely, W.G. 2015. Africa's Entrepreneurial Dilemma. [Al Jazeera](#) – www.allafrica.com. 4 August.)
- **CAS View:** The author's critique of the US approach to development in Africa has merit. The poor at the bottom of the pyramid must be supported. Just helping the well-to-do entrepreneurs does not equate to helping the poor. Creating a supportive context and framework is essential, and equally important. The author's reference to peace and stability, sound governance and rule of law, together with equitable access to education and health care, cannot be overemphasized. In South Africa, for example, the move towards broad-based black economic empowerment (BBBEE) is an acknowledgement that the masses of people at the BoP need to be supported. Investment in Africa without dealing with the basic issues at the bottom of Maslow's needs hierarchy, can become problematic in the medium term. The triple bottom- line of people, planet and profit should always remain in focus. By growing the poor people out of their poverty, you grow the market for the entrepreneur and destroy the poverty cycle.
- **Africa:** The rate at which dollar millionaires in Mozambique will be growing, is expected to be the fastest in Africa over the next decade, followed by Ivory Coast and Zambia, as a mix of construction, financial services and property developments boost the numbers of the rich in Africa. The number of people with net assets, excluding their primary residence, of more than \$1 million will grow 120% to 2200 by 2024 in Mozambique. The number of millionaires in Ivory Coast will grow 109% to 4800, while those in Zambia will double. High net worth individual numbers are expected to rise by 45% over the next decade, reaching approximately 234000. Mozambique's economy is being boosted by the biggest natural gas find in the world in the last decade, Ivory Coast is recovering from a civil war, and Zambia's rich are expected to benefit from real estate development. The countries will take over from oil producers Angola and Ghana, where the number of millionaires rose more than fivefold between 2000 and 2014. Over that period, the number of millionaires in Africa rose 145% compared with a global average

of 73%. While South Africa, with 46,800 millionaires, and Egypt, with 20,200, remain Africa's biggest wealth centers, growth in the numbers of the rich have been curtailed by emigration from South Africa and instability in Egypt. Still, South Africa is expected to remain home to most of Africa's wealthy, with their numbers rising 40% in the next decade to 65,700. The African private banking market is forecast to grow 8% annually over the next decade. According to Martyn Davies, CEO of Frontier Advisory, true wealth creation is where billionaires are created from non-resource assets. Sources for future wealth creation have been identified as the growth in Africa's middle class, construction, financial services and property development. Aliko Dangote, Africa's richest person, amassed a \$14.9 billion fortune by founding Nigeria's biggest cement producer and has lost \$3.6 billion in 2015. He also owns stakes in oil fields and is building Nigeria's biggest oil refinery. Including Egypt, Africa has 8 billionaires among the 400 world's richest people, with a combined \$54 billion in wealth. (*Kew, J. 2015. Mozambique Millionaires Seen Leading Growth of Africa's Rich. Bloomberg Business – www.bloomberg.com. 3 August; Pendleton, D. and Klein, M. 2015. Commodities Rout Erases Billions from Africa's Biggest Fortunes. Bloomberg Business – www.bloomberg.com. 4 August.*)

- **CAS View:** CAS has referred to the growth in the luxury market in a previous edition. The growth in the numbers of the rich referred to above will stimulate this market and not only attract luxury consumer brands, but create a demand for services such as private banking. This is already happening with high end brands in the liquor market rushing into countries such as Nigeria. Therefore a number of factors make Africa an attractive destination: growing middle class, urbanisation, growth in numbers of the rich, development of infrastructure, development of energy sources, and overall political stability, to name but a few. The commodity boom of the last decade or 2, however, seems to be plateauing due to China's growth tapering off. Those countries that have succeeded in diversifying their economies away from resources, will pick the fruit of their foresight. An alternative view of the wealth created is that it contrasts too starkly against the poverty found in Africa. One should have a systemic view of Africa and remind oneself that a system housing abject poverty in the one hand and extreme wealth in the other, is not sustainable.

East Africa

- **Ethiopia:** Ethiopia has gained global attention as a state-dominated development model that has worked well. Dr Arkebe Oqubay, a contributor to government policymaking for 25 years, has released a new book: "Made in Africa: Industrial Policy in Ethiopia", explaining the policies that resulted in an economic growth of 11% annually for 11 years. In spite of good progress in agriculture, the targets for a structural transformation of the manufacturing sector were not fully achieved. To ensure that manufacturing led the economy, the first 5-year plan, the Growth and Transformation Plan (GTP 1) was initiated in 2010 and focused on the structural transformation of manufacturing, where exports would play a leading role. Although Ethiopia could not afford to neglect agriculture, it had long-term investment plans where close to 55% of the federal capital budget was spent on long-term infrastructure projects, e.g. energy, railways and skills. In terms of energy, billions were spent to build the Grand Renaissance Dam, through which 12 000MW of power will be generated by 2017. To link Ethiopia to the sea, a 5 000km rail network is being developed, with one of the main corridors from Djibouti to Addis Ababa scheduled to be operational in October 2015, and cut the journey to only 9 hours, dramatically changing the dynamics. The third long-term investment is in skills development. In 1991, Ethiopia only had 3 technical schools; there are now more than 600 technical colleges, technical schools, and technical centres that can train up to one million students annually. 20 years ago, Ethiopia only had 2 or 3 universities; it now has more than 35 public universities with more than 400 000 students. Previously 90% of the courses were in social sciences; over 70% are now in engineering, technology and natural sciences. Ethiopia hopes to create 2 million manufacturing jobs in medium and large-sized firms in the coming decade, and wants to expand manufacturing to grow four-fold from the existing share of the

total GDP. (Moore, D. 2015. Ethiopia: "Manufacturing Must Lead the Economy" - Arkebe Oqubay. **The Ethiopian Herald** – www.allafrica.com. 4 August.)

- **CAS View:** Ethiopia has clearly been putting a business-enabling policy framework in place to transform its economy from a primary sector-dominated economy to a secondary and even tertiary-dominated economy. It is still early years, but Ethiopia is putting the right mechanisms in place. Without energy, no meaningful manufacturing is possible. Without access to the sea, exports are problematic. Without skilled people, nothing is possible. The sustained growth in its economy the past decade, albeit from a low base, is testament to the apparent sound nature of its policies. Let's hope they are sustainable in future as well.

West Africa

- **Nigeria:** CAS attended the Nigeria Singapore Business and Investment Forum 2015 on 4 Aug 2015. The following are points to ponder for the prospective investor in Nigeria. Dr Mohammed Maliki Bin Osman, Minister of State, Ministry of National Development and Ministry of Defence and Special Guest of Honour, identified Nigeria as the gateway to West Africa and stated that the trade volume between Africa and Asia was expected to reach US1.5 trillion by 2020. In Nigeria, Singapore companies are involved in sectors such as agriculture, port development and petrochemicals. Mr. Paulo Gomes, Distinguished Visiting Fellow of CAS, highlighted 2 factors: demographics – skilled and competent people; and connectivity –roads, harbours, trains, etc. He also mentioned that only 13% of Africa's trade was intra-Africa. Mr. Louis Tay, MD of Surbana, advised governments of Africa to provide housing to their citizens, but admitted financing could be a major challenge. Mr. G. Jayakrishnan of IE Singapore identified opportunities in the field of training, education and infrastructure, with required conditions being logistics (connectivity), power and utilities, and skills. A session on the Nigerian experience on custom reform and trade facilitation addressed Nigeria's progress in global standards, process of custom documentation and lessons learnt from Singapore with regards to automation of processes and procedures. The session referred to a 6 point agenda, i.e. capacity building, ICT, co-ordination, integrity, stakeholder collaboration, and welfare. Challenges include pressure for more revenue from the new government, fall in oil prices, and pressure from state governments. Mr. Ian Lee of IE Singapore highlighted 3P's for success in Nigeria: people, partnerships with banks, and politics – trade pacts that were efficient and productive. Mr. Farouk from Green World Matters, Nigeria, identified the biggest impediment to grow economic relations between Nigeria and Singapore, as the slow movement of Singaporean entrepreneurs outside their shores. The governor of Imo State, H.E. Richas Anayo Okorochoa, provided very clear long-term investment opportunities in his state in the fields of education management, health management, poultry farming, and tourism. Mr. Jim Rogers, investment expert and author, stated that although he had never invested in the Nigerian Stock Exchange, he would be considering it now as he thought the underlying dynamics had changed. He also cautioned against excluding foreigners from the Nigerian economy. In a session on opportunities in the Nigerian Capital Markets, the CEO of the Nigerian Stock Exchange, Mr Oscar Onyema, stated that the stock exchange was on the road to becoming an emerging market, although currently known as a frontier market. He also showed that although 91% of Nigeria's exports were in oils and gas, its contribution to Nigeria's GDP was only about 40%. Three Singaporean companies, Olam and Tolaram (both actively involved in the Nigerian market for 25 and 40 years respectively) and Hyflux (aiming to invest in Nigeria in water purification), talked about growth prospects and wish lists for Nigeria, which included an end to the disturbance in northeast Nigeria, speed of execution, speed to market, and the political will to see through implementations. They have also experienced very few constraints in terms of policy frameworks hindering their plans. Finally, in a session on 'Promoting Effective and Sustainable Education', Mr. Tan Seng Hua, CEO, Institute for Technical Education, stated that the ITE was part of Singapore's economic development strategy. The session also discussed emotional intelligence needed for the 21st century.

- **CAS View:** The forum created and increased awareness of not only Nigeria, but also Africa as the last frontier for investment opportunities. While the opportunities were highlighted, few of the risks were noted, such as the exchange rate volatility, the vulnerability of the government revenue to oil prices (over which they have no control), energy availability (which can be managed, but at a cost), security, large number of people living under US\$1.25 per day, and the perception of corruption, amongst others. President Buhari has fortunately stated his intention to deal with these issues. So, for the street-wise investor, Nigeria can be a wonderful opportunity to tap into.

Southern Africa

- **South Africa:** In South Africa, the black middle-class population has grown rapidly since the onset of democracy, to where they now represent around 10% of the population. In 2014 the black middle class overtook the number of white middle-class citizens. However, the SAIRR is warning that the future growth in the number of the black middle-class growth is expected to slow as a result of a weak economy and government policies. The SAIRR estimates that at most, 20% of South Africans can be classified as middle class, although the institute believes it could be closer to 10%. The indicators used to designate middle class range from household spending levels, workplace seniority, education levels, medical aid cover, Internet usage, banking patterns and property ownership. The black middle class numbers since 1994 have largely been driven by the civil service sector through the government's affirmative action policy. However, in light of the current fiscal crisis facing South Africa, it seems future black middle class expansion will only be possible if there is a dramatic turnaround in terms of economic growth and changes to policy frameworks. SAIRR CEO Frans Cronje says aspects of the government's current policy framework need to be adapted in order to prevent a slow down in future black middle class expansion. In spite of good progress along a number of issues, too many areas of policy still undermine the educational outcomes, entrepreneurship and investment driven growth that is important to unlock access to the middle class. (Skade, T. 2015. Black middle class growth decelerating: report. **Destiny Man** – www.destinyman.com. 4 August.)
- **CAS View:** The future of a prosperous and unified South Africa lies in the growth and development of a large, strong and growing black middle class. The government of South Africa should therefore pull out all stops to make this a reality. Unemployment is too high at 25%, with the youth (between 15 and 25) making up far too high a proportion of that. People who do not have a vested interest in maintaining a system, will easily be persuaded to overthrow that system. The SAIRR numbers are also confusing. It is known that the black middle class is about 10% of the population, at about 5 million. This is also about (not quite but close) what the white middle class is. So it can indeed be safely said that the middle class in South Africa is closer to 20% of the population rather than 10%. On the issue of sustainability, growing the black middle class purely on the basis of affirmative action was bound to slow down and stop and was never sustainable. That was the low hanging fruit. Government now needs to develop sound economic growth policies to bring about sustainable growth in the numbers of not only the black middle class, but the whole middle class in South Africa. The number of people receiving government grants (approx. 16 million) also needs to be reduced drastically as this is not sustainable, in spite of being necessary.
- **Zimbabwe:** Chinese parastatal China National Materials Group Corporation (SINOMA) has provided \$20 million to its Gweru-based subsidiary, Sino Cement Zimbabwe, for the setting up of a brick and tiles manufacturing company that will see the cement-producing company creating over 200 jobs for locals, out of a workforce of close to 400. SINOMA is the world's largest cement equipment and engineering service provider and China's leading non-metal materials manufacturer. The project, estimated to cost about \$50 million, will be in 3 phases, with the first phase seeing Sino Cement constructing a brick manufacturing plant, with a capacity of making 60 million bricks annually, at a cost of about \$20 million. The construction of the plant under Phase 1 will be completed by June 2016, at which time they will start making bricks. Sino Cement Zimbabwe is operating at 90% percent capacity

and is looking forward to scaling up. The cement manufacturing company is currently undergoing refurbishment, which is expected to be completed by the end of 2015. (Musiiwa, M. 2015. Zimbabwe: Sino-Zim to Set Up U.S \$50 Million Brick Plant. **The Herald** – www.allafrica.com. 4 August.)

- **CAS View:** With the West turning its back on Zimbabwe, it has been turning to China for much needed FDI. Hopefully this kind of investment will not only create urgently needed jobs, but is also a harbinger of growth and development for Zimbabwe. Exporting these products to its neighbours would provide foreign currency, and do its trade and current account deficits a world of good. The question, however, remains how much of the revenue will be expatriated to China? Irrespective, the development of such projects can only be good for Zimbabwe to boost its GDP and provide employment opportunities.