

AFRICA

The Ultimate Frontier Market

A guide to the business and investment opportunities in emerging Africa

DAVID MATAEN

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Africa – The Ultimate Frontier Market

A Guide to the Business and Investment
Opportunities in Emerging Africa

by David Mataen

The logo consists of the lowercase letters 'Hh' in a white, serif font, centered within a solid black square.

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Harriman House

TO MY MOTHER, ANNAH SELIAN MINIK. FOR RAISING ME
TO BECOME A MAN OF VIRTUE.

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In the course of writing this book, my son Lepatei was born. I would like to thank him for not crying too much at a time when I hardly had four hours to sleep and every minute of sleep counted for much. I also would like to thank him for inspiring me to write on and to delve deeper into the soul and character of emerging Africa as he lay on the couch, a symbol of the young, fragile but inexorably growing and flourishing future of Africa.

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About the Author

During David Mataen's 13 years in financial services spanning commercial banking, stock brokerage, management consultancy and investment banking he has had the singular opportunity of becoming a scholar of African investing. His travels and tours of duty across the continent, though not to each and every corner, have allowed him to put his hand on the pulse and feel the heartbeat of African economies.

Being born, bred and educated, and having worked in Africa grants David the luxury of being first witness to the comings and goings in the continent, especially its commerce and economics. In his two and a half years as a contributing columnist to Business Daily, a publication of the Nation Media Group, he wandered far and wide intellectually and picked up invaluable insights, broad perspectives and sound reflexes that have become a foundation for his analysis of business on the continent.

Add to this his habits of extensive reading in finance and economics, and intense fascination with systems and their mechanics, which has favoured him the unique privilege of discovering just a little more of Africa's economic soul. David's travels outside of Africa gave him glimpses of a future Africa, when it grows up, and of what it has to do to reach that point. Above all, he is a hopeless romantic about the future and the intuitive signs of the future that appear in the course of ordinary life and business in the present.

David is currently the head of Corporate Finance at Faida Investment Bank in Nairobi, Kenya.

Foreword

There is no doubt that Africa has become the new growth story. Not so long ago, the debate on Africa was dominated by international aid and Aids. More recently the debate has shifted. At the World Economic Forum and other conferences, the debate is now focused on the significant opportunity that Africa presents. Whether it is the success of the World Cup in South Africa, or the addition of South Africa as the “S” in BRICS, there is no denying that this is Africa’s decade.

But Africa has had a long journey to its decade, and more importantly the journey continues. There are countries still waiting for their version of the Arab Spring. There are countries still at war. There are countries where governance remains just a word. And there are countries still being founded. In a few countries, the question of nationalisation and indigenisation remains. In most others, the issue of marginalisation continues to dominate political debate.

However, one cannot deny that Africa has made enormous steps towards this decade. Political reforms have been crisp. Between 1991 and 2009, the number of African countries with a democratically elected government increased from eight to thirty-two. Furthermore, the number of countries at full civil war decreased to just two. The Mo Ibrahim Index, which assesses governance quality, shows that between 2000 and 2011, governance across Africa as a region has improved. Economic reforms have been fast, with a number of the continent’s countries ranking high on the reforms index. Regulatory, legal and judicial reforms have stayed at pace. Financial reforms have seen several countries develop credit bureau agencies enabling the development of and access to credit. And, most importantly, common markets regimes have strengthened.

Investors have taken note of these reforms. Between 2010 and 2011, Africa foreign direct investment grew by 27%, the largest growth recorded by any region over this period. Furthermore, in South Africa, for example, M&A activity has increased from R588bn in 2010 to R602bn in 2011. Multinational corporations have been focused on growing their presence in Africa. The Asian trade corridor has experienced fast-paced growth. Chinese manufacturing firms are setting up shop in Africa. Chinese government institutions have set up bases in several African countries.

Africa’s abundant natural resources continue to attract the world’s attention. Recent oil discoveries in Ghana, Uganda and Namibia show that Africa will

continue to play an important role in international trade. Discoveries in Mozambique and Tanzania have revealed one of the largest natural gas finds in the world. The mineral wealth of the Democratic Republic of Congo (DR Congo) remains largely untapped.

Whereas commodities and natural resources dominate the story, we are seeing diversified multinationals taking interest in Africa. The recent acquisition of South Africa based Massmart by the US retailing giant Walmart is a testimony to the growing importance of Africa's middle class. Africa boasts over 50 cities with populations above one million.

Furthermore, McKinsey and Co, a leading management consulting firm, estimates that by 2020 there will be 128 million households across Africa making \$5,000 or more per year. Financial institutions have also noticed this opportunity. American banks such as JP Morgan, Citi and Bank of America have continued to invest in their corporate banking business in Africa. Barclays, the majority shareholder of the South Africa based Absa Group, has made clear its intentions to invest and grow its African business where it operates across multiple markets. South African banks have made growth into the rest of Africa a priority. Standard Bank has recently refocused its strategy towards growth in this region, selling its Brazilian and Russian entities.

To reap success in Africa however, investors must adopt a long-term view. Things move slower in Africa than in most other continents. There are many cultural nuances that can determine success or failure. There are political undertones that one must not ignore. Land rights, a cocktail of both modern and tribal land laws. Social requirements vary from country to country. It is thus important to understand these underpinnings even as one navigates the massive opportunities that Africa offers.

Fortunately, in *Africa – The Ultimate Frontier Market*, David Mataen has provided a go-to place for investors looking to understand Africa with a view towards tapping its long-term potential. Through well researched work, Mataen walks through Africa in generations. Understanding where Africa has come from allows for a better projection of where it is going. In this decade for Africa, Mataen's book is a must-read.

John Mburu Gachora
Managing Director, Barclays Africa Corporate and Investment Banking

Preface

“Four billion dollars doesn’t count as an ‘every day low price’, but Walmart, the world’s biggest retailer, hopes it has found a bargain. That is how much the Arkansas-based ‘beast of Bentonville’ has offered to acquire Massmart, a retailer with 288 stores in 14 countries in Sub-Saharan Africa.

“This is the clearest sign yet that Africa is now near the top of the agenda for the world’s leading businesses. The continent still has problems, but it is no longer ‘hopeless’, especially for anyone wanting to be part of a fast-growing consumer market. Last year, while the global economy struggled with the aftermath of the financial crisis, Africa as a whole continued to advance and is expected to grow at least 4.3% this year (2010). Some economies such as Nigeria and Ghana are racing ahead. As the middle class and urban working class expand rapidly, food consumption is expected to grow strongly, along with sales of other consumer products.

“The bid for Massmart is an attempt to gain a first-mover advantage by one of the world’s most sophisticated companies, and it is likely to be seen as the moment when the beasts of the corporate world recognised that Africa is the next big growth market.”

**‘The beast goes on safari: Can Walmart make it in Africa?’ –
The Economist, 2 October 2010**

“Much has been written about the rise of the BRICs (Brazil, Russia, India and China) and the shift in economic power eastward as Asia outruns the rest of the world. But the surprising success story of the past decade lies elsewhere. An analysis by The Economist finds that over the ten years to 2010, no fewer than six of the world’s ten fastest-growing economies were in Sub-Saharan Africa.

“On IMF forecasts Africa will grab seven of the top ten places over the next five years. In other words, the average African economy will outpace its Asian counterpart. Looking even further ahead, Standard Chartered forecasts that Africa’s economies will grow at an average annual rate of 7% over the next 20 years, slightly faster than China.”

**‘The Lion Kings? Africa is now one of the world’s fastest growing regions’ –
The Economist, 8 January 2011**

The data in Tables 1 and 2 shows the world's ten fastest growing economies between 2001 and 2010 and the forecast for the fastest growing economies for 2011 to 2015.

Table 1 – the world's ten fastest growing economies for 2001 to 2010 (annual average GDP growth, %)

2001-2010	
Angola	11.1
China	10.5
Myanmar	10.3
Nigeria	8.9
Ethiopia	8.4
Kazakhstan	8.2
Chad	7.9
Mozambique	7.9
Cambodia	7.7
Rwanda	7.6

Source: *The Economist*, IMF

Table 2 – the forecast ten fastest growing economies for 2011 to 2015 (annual average GDP growth, %)

2011-2015 (IMF forecast)	
China	9.5
India	8.2
Ethiopia	8.1
Mozambique	7.7
Tanzania	7.2
Vietnam	7.2
DR Congo	7
Ghana	7
Zambia	6.9
Nigeria	6.8

Source: *The Economist*, IMF

Frontier economics and a quest for information

Quite a bit has been said and written in the recent past decade about Africa's, or Sub-Saharan Africa's (SSA's), economic potential – there has been a groundswell of interest in Africa and its economies. (For the purpose of this book, the term *Sub-Saharan Africa* has been used interchangeably with *Africa* and *emerging Africa*. I have done this because the countries of SSA – the territory south of the Sahara – have similar economic circumstances including stage of development, nature of economic and social challenges and, more specifically, rate of economic potential and opportunities.) However, most people in the developed West, the Far East and emerging Asian countries are only just waking up to the idea of an Africa draped in full commercial glory. This is because for many years Africa was ignored, if not actively sneered at, being thought only capable of tribal wars, biting poverty and hopeless disease.

Those who bothered to try economic activity in Africa were seen as rugged pioneers and courageous individualists, given the sheer optimism of their outlook against a dark and forlorn backdrop of wretchedness and botched experiments. And so it was that for decades on end Africa was bypassed by agents of commerce seeking new fortunes in other emerging economies.

Yet, business still carried on in Africa out of view; subtle, unremarkable and sometimes inscrutable. Occasionally this caught the view of researchers, journalists, outliers, and most certainly management consultants. For the main part though, Africa remained unexplored, unattended and neglected. That has been changing, and the new attention Africa is now receiving – though it remains fairly cautious – still amounts to a shift in outlook. Suffice it to say, the worm has started to turn!

In the 2000s alone Sub-Saharan Africa became one of the most talked about regions of the world in terms of emerging investment opportunities, sources of new growth and newly qualifying investment destinations – a quintessential *frontier market*. The term frontier market is commonly used to describe capital markets located in developing countries that are less advanced; they are countries where investable stock markets are not as established as those located in emerging markets. Frontier markets are considered risky but in some instances the pay off can be high.

The *Financial Times* Lexicon described a frontier market as a type of emerging market. It said: "A frontier market is considered to have lower market capitalisation and less liquidity than many emerging markets." Frontier

markets are generally deemed to appeal to investors because they offer potential high returns with low correlation to other markets. They are ultimately expected to become more liquid and take on characteristics of the majority of emerging markets.

No doubt, there seems to be an increasing consensus that Africa is now developing into something the rest of the world would be happy to look at more keenly and with economic interest. The world is warming up to Africa as the final investable frontier: enquiries have been increasing, reconnaissance trips are more frequent, and coverage in world press is more positive.

There is a swelling appetite for information on Africa – positive information about Africa – on a broad cross-section of issues such as economic growth, social progress, political stability, implementation of modern governance systems, entrepreneurship, market expansion, commercial and trade opportunities, and financial investments. Unfortunately, there is a massive gap between this appetite and the availability of credible information.

As an avid consumer of financial and economic information, I have personally trodden this arid road in search of quality knowledge numerous times and each time I have felt the profound lack of information, especially about the rising economic appeal of SSA and its economies. Yet, something is going on here, and the more it goes on the more people want to know.

This thirst for knowledge has inspired the establishment of certain magazines, journals and websites dedicated solely to informing about Africa and its rising appeal. Some examples are *Africa Investor*, *Africa Business News*, *The African Report*, *Africa Business Journal* and *TradeInvestAfrica*. Indeed CNBC in 2007 started a channel for Sub-Saharan Africa – CNBC-Africa.

This lack of good information about African economic development has also motivated the writing of this book. *Africa – The Ultimate Frontier Market* does not pretend to fill the void of information on Africa on its own, neither does it claim exclusivity on its coverage, perspectives explored or depth of analysis. It brings to you Africa and its economic appeal from a consumer markets perspective through the eyes of an African capital markets practitioner; it aims to present the market opportunities in emerging Africa.

How this book is structured

This book is split into three parts. Part I examines how the Africa of today came to be. It builds up historical, demographic, cultural, social, government policy and economic perspectives with a view to providing an understanding of the driving forces behind Africa's rise. It provides a richly developed background to the dynamics that are currently in play in Africa's emerging consumer markets. The time period that Part I covers falls between the independence period and the implementation of structural adjustment programmes which came with restructuring, reforms and privatisation – therefore between the 1960s and 2000s.

Part II addresses efforts that have been made to lay down enablers for business and trade across the continent. These could be by individual country or regional, isolated or concerted, short term or long term, but are all collectively viewed as deliberate attempts at creating an enabling environment for the promotion and successful operation of business in single country economies or in regional economies. In terms of period, this section falls between 2000 and 2010.

Finally, Part III uses the backdrops set out in Part I and the possibilities brought about by the positive changes addressed in Part II as the foundation for identifying the broad themes and organizing principles for the range of expected economic, business and commercial outcomes in African economies going forward. It then proceeds to outline the opportunities in the specific consumer sectors expected to have the greatest growth trajectories and the broadest impact on African consumer markets – building the investment cases and rationale for value and wealth creation. Part III looks at the period from present day to 2030, meaning it is futurist in approach. The maturities of the implied opportunities cannot be placed on a definite timeline, of course, and so some may peter out earlier than projected while some may hold out for a longer term, even beyond 2030.

This book looks at Sub-Saharan Africa as a whole, as an asset class, or alternative investment opportunity, without isolating national economies, though it draws on examples from national economies as evidence of premises promoted or arguments set out. This is because while Sub-Saharan Africa is not one distinct unitary geographical expression, almost all the dynamics, trends and opportunities are similar and transcendental – cutting across from one economy to another and increasingly reinforced by regional economic and trading blocs and common markets. If national economies are

not exactly similar in terms of their size, stage of economic development, population size, and levels of social and economic development, when comparing the collection of countries against other world regions, the internal differences between African nations are insignificant. It is very feasible for African nations to catch up with each other and converge; this confirms that Africa is not an event, but a process.

I acknowledge that the trends and dynamics developed or alluded to in this book may not necessarily be affecting all SSA countries simultaneously and the overlying opportunities identified may not all mature contemporaneously. But to return to a central feature of the book, I believe the close similarity and proximity of economies should be recognised. There is ongoing economic integration within the framework of common markets and monetary unions, and other attributes of economic contagion will accelerate the realisation of trends and opportunities already being experienced in satellite economies within the neighbourhood. As such, events in Kenya would immensely influence its neighbourhood, as much as those in Ghana, Nigeria, Côte d’Ivoire and Sierra Leone.

In researching references, attributions, examples, illustrations and citations, statistics for some Sub-Saharan Africa countries are less readily available than others. In this regard the reader will find disproportionate emphasis on a few countries. This does not constrain meaning nor transfer application from Sub-Saharan Africa to individual countries or regions; it only serves as a sample of the whole.

Who this book is for

This book is targeted at all classes of investors in African economies, be they within or outside the continent: active investors, prospective investors, aspiring investors and students of investments. These investors may fall within two broad category types: *professional investors*, financial and equity participants, or stock market investors; and *trade investors* – roll-up-the-sleeves entrepreneurs and strategic investors. It is also targeted at investment intermediaries in financial markets: executives and employees of commercial and investment banks, stock exchanges, brokerage houses, investment research houses, management consultancies, asset and fund managers, financial advisors and all those charged with proffering investment advice and recommendations.

It has, however, been written in a style and approach to also fit general readership. An average grasp of economic and financial terms, acronyms and abbreviations in general usage has been assumed, for example GDP (gross domestic product); PPP (Public-Private Partnership); inflation to depict the general rise in consumer and asset prices; and GDP growth rate to represent the rate of economic growth in an economy.

Exclusions made by this book

This book deliberately excludes South Africa because its advanced economy, and its physical and social infrastructure, are years ahead of the rest of Africa. It has dissimilar internal dynamics and a more complete interconnectedness with the rest of the world. Basically, South Africa is an emerging economy whereas the rest of SSA economies are frontier economies.

Apart from South Africa, another exclusion from the book's coverage is the mining sector. There are various reasons for this, chief among them being that it is largely operated under systems of state capitalism in partnership with giant multinationals, to the exclusion of local private sectors. The mining sector also does not have much impact on job creation, being extensively mechanised, and its products are sold in export markets abroad as raw materials without any impact to the local consumer markets. Besides these points, and most importantly, the mining sector is not present in all African countries, not even the majority of them. Where it has been present long term (except in very few glowing exceptions such as Botswana) it has tended to result in less progressive governance systems that have seen the propagation of corruption. It has also provided less and less incentive for economic liberalisation and therefore the private sector has generally remained stifled and less empowered by mining.

Finally, I have deliberately excluded the challenges, constraints, problems and threats to business in general in Africa and to the realisation of the specific opportunities identified in particular – there is far too much literature on this already. This does not mean that Africa is suddenly without problems and challenges to business, commerce and investments. Africa still faces the greatest challenges of any area in the world. These do not, however, detract from the opportunities that abound now and in the future in the African consumer markets.

Challenges are not necessarily negative, either; the challenges and constraints faced by African economies form the underlying basis for developing unique business models with which to access and appropriate the opportunities identified in this book. After creating home-grown solutions to mitigate constraints, African entrepreneurs will have built the bridges that enable them to step over the challenges to the opportunities, thereby cultivating long-term competitive advantage for themselves.

I hereby invite you to explore Africa as it proceeds toward greater economic and commercial relevance!

David Mataen,
Nairobi, Kenya, June 2012

THE MEGATRENDS

I

Introduction

Of course, Africa's movement into a position where its business environment generates a warm buzz in halls of academia, business conferences, and the world's business and financial press has not happened in a short period of time. The set-up for Africa's economic and commercial proposition has its genesis in various factors. These are sometimes disparate across time and sometimes they act together in unison or overlap, to bring into being an underlying framework for business incubation. When put together these factors make possible the prevailing positive economic and business case for Africa.

I have called these factors Africa's *megatrends*. They are the forces that, acting together over the long term and in the main part out of view of the casual observer, provide the context in which doing business on a global scale has become possible in Africa.

What is a megatrend?

To understand what a megatrend is, it is first good to define a trend. When talking in terms of countries, a *trend* is an emerging pattern of change likely to impact state government and require a response (i.e. adult children taking care of parents).¹ It is a pattern of change over time in some variable. Having trend data for the variable implies multiple instances of that variable. For example, one revolution in Africa is an event; two or three revolutions would call for comparative case studies; 15 revolutions in countries in Africa within five years would constitute a trend. One of the most obvious trends is the increase in world population. A potentially even larger trend, but much less obvious – or even agreed upon – would be the gradual warming of the Earth's atmosphere. Another is the continuing decline in the cost of microchips and consequently of computers.

“ A megatrend is a large, social, economic, political, environmental or technological change that is slow to form. ”

The term megatrend was made popular by John Naisbitt with his bestselling book *Megatrends*. A megatrend is a large, social, economic, political, environmental or technological change that is slow to form. It is a major

movement, pattern or trend emerging in the macro-environment; in business then it might be an emerging force likely to have a significant impact on the kinds of products consumers will wish to buy in the foreseeable future. The term is commonly used to indicate a widespread (across more than one country) trend of major impact, composed of sub-trends which in themselves are capable of major impacts. For example, global climate change will have a major impact on all the countries of the world and can be disaggregated into global atmospheric warming, sea-level rise, decrease in stratospheric ozone, etc.² Thus, it is a megatrend.

Once in place, a megatrend influences a wide range of activities, processes and perceptions, both in government and in society, possibly for decades. A megatrend marks a general shift in thinking or approach affecting countries, industries and organisations. Megatrends evident today include a growing interest in health, leisure, lifestyle and environmental issues.

The eight African megatrends

The megatrends I have identified as the drivers of Africa's current and future economic realities are the following:

1. Population growth and demographic shifts
2. Cultural revolution
3. Regionalisation of markets, consolidation and evolution of intra-African markets
4. Rapid urbanisation
5. Commercialisation of essential services
6. Deregulation and liberalisation
7. The growth of credit
8. Capital market development

Some of these megatrends have had longer incubation periods than others. Some have cause and effect relationships with each other. Some of them will peter out sooner in terms of their effects on society and the business environment while others will linger on far into the future. Some transcend Africa to have a global impact but affect Africa no less, such as demographic changes and urbanisation. In fact their effect on African society and geography is what perhaps gives them the global profile they enjoy currently

because of the massive contribution current happenings in Africa make to their global aggregate changes.

A thorough grasp and understanding of these megatrends and a rational analysis of how they cascade to affect society, its tastes and preferences, its ability to consume, its demands and commands, will significantly inform future expectations and the design of markets in Africa.

What follows is a detailed analysis of each of these megatrends, highlighting its background, perspective and its driving forces, and setting out its implications for today's Sub-Saharan Africa marketplace. For each of the eight megatrends, the analysis is arranged as follows:

Background and perspective

Explanation of the megatrend itself, description of its components and context, and some relevant data to support the premises introduced.

Driving forces

Description of the driving forces making the megatrends possible, sustainable or likely to increase in strength. Examining the megatrends that drive socio-economic change in Africa, though useful to consider in understanding Africa and the composition of its markets, is not enough on its own. I will give a thorough analysis of the driving forces that made the megatrends possible, and that will continue to sustain the relevance of the trends in the future, in order to show the foundations for the megatrends identified.

Implications for today's Sub-Saharan Africa marketplace

Linking each megatrend with the realities of the present and emerging African marketplace, summarising its underlying contributions and implications for why African markets are the way they are currently or the way they are shaping out to be in the future. In situations or circumstances where there has been overlap or interdependence between one or multiple megatrends, this will be demonstrated. In the final analysis all the megatrends come together in a complex nexus of the cultural, economic and commercial reality that is the Sub-Saharan Africa marketplace.

**POPULATION GROWTH
AND DEMOGRAPHIC
SHIFTS**

1

Background and perspective

Sub-Saharan Africa has been experiencing phenomenal population growth since the beginning of the 20th century, following several decades of population stagnation attributable principally to the slave trade and devastating epidemics like smallpox. The region's population has increased from 100m in 1900 to 770m in 2005.³

As the population of Africa has grown exponentially over the past century it consequently shows a large youth bulge, further reinforced by increasing life expectancy, which is now at about 50 years in most African countries. The total population of Sub-Saharan Africa is estimated at 864.6m as of mid-2010 (total African population is estimated at 1,030.4m). The population of SSA has doubled over 28 years and has quadrupled over 55 years (UN estimates).⁴ The latest population projections for Sub-Saharan Africa envisage a figure of 1.83 billion being reached by 2050.⁵

The most populous country in SSA is Nigeria, with an estimated population (without the benefit of reliable national census data for a long time) of 158m, followed by Ethiopia with 85m and the Democratic Republic of the Congo (DR Congo) with 68m in population. Niger, Burkina Faso, Uganda, and Liberia have annual population growth rates above 3.3%, while in Mali, Benin, Guinea, Somalia and Tanzania growth rates are above 3%. Table 1.1 summarises the population figures for the ten largest SSA countries.

Table 1.1 – population figures for African countries, mid-2010

Country	Population (m)
Nigeria	158
Ethiopia	85
DR Congo	68
Tanzania	45
Sudan	43
Kenya	40
Uganda	34
Ghana	24
Mozambique	23
Côte d'Ivoire	22

Source: Population Reference Bureau, 2010 World Population Data Sheet

Driving forces

African cultural laissez-faire

In pre-modern Africa the land was the centre of society, it was almost a deity. The people depended on it for practically everything. They fed off it, they made shelter from it, they sought protection in it and they relished it. Cultural festivals were held throughout the year, in fact becoming the basis for an annual calendar. Everything revolved around the land.

That is why land was so fiercely defended and fought over. Powerful communities projected their influence in the societal pecking order not by the extent of tangible possessions but by their expansionism: a consistent ability to expand, integrate and defend their territory.

Accordingly, where family units in Western societies considered the combined earning power of the family, the availability and cost of day-care, the destabilising impact of newborns, the availability of education capacity, projected inflation, economic cycles and taxation regimes impacting net disposable incomes, family units in Africa concerned themselves only with the land and its ability to support them. Where that ability was undermined African communities reacted by acquiring more land from neighbouring tribes, or driving deeper into virgin lands such forests, mountains and hillsides, and marshland. So while in Western societies a newborn belonged to a family, in Africa a newborn belonged to the land. Therefore the dynamics of population growth in the two scenarios were totally unrelated.

It is against this background of simple civilisations that uncontrolled child birth developed, and even heightened to a contest between communities. Regular checks would be made by rival communities on the numbers of babies born in enemy tribes and they used these figures as a case for increasing the rate of childbirth in their own tribes. Similar counter-actions across tribes would touch off a proliferating baby-race.

Dietary changes leading to enhanced fertility

Dieticians and nutritionists will tell you that a good, varied diet is important in improving human fertility.

In pre-modern Africa both male and female fertility were never assured. Instances of infertility were far too common in certain communities,

especially the nomadic pastoralists who lived in marginal lands where access to an abundant and variety of food was a challenge. Agricultural communities which farmed arable land and wetland fared slightly better in this respect because access to a rich variety of food types helped sustain a very high level of fertility within the communities.

In Africa today the introduction of cash-trade and establishment of trade infrastructure across a large number of communities has opened up trade and enabled the availability of a wider variety of food types than ever before and at affordable prices.

The efforts, albeit gradual, to extend dietary education through the media of public clinics and hospitals, educational institutions, mass media and public meetings has helped change the dietary habits of many in society with the effect of boosting fertility in African communities generally, but among marginal communities in particular.

Medical advances enabling people to live longer

Traditional African societies lost young children and strong active adults alike to disease and epidemics that unremittingly hit communities. For example, between 1880 and 1920 smallpox almost decimated the population of northern Kenya,⁶ In the Congo River basin, malaria, yellow fever and other tropical diseases made it difficult for human life to survive the vagaries of the harsh, humid African equatorial climate.⁷

What is more, African communities and their leadership regarded these chiefly as curses, bewitching or bad omens, meaning that afflicted individuals got minimal or no care. Among the Maasai of Kenya and Tanzania, people who became critically ill would be thrown in the bush to die there, or left alone in abandoned homesteads as the rest of the family would move on to find new habitation elsewhere. The sight of death was dreaded but was almost always seen as a certainty for those who fell sick.

Before the arrival of modern medicine (brought by missionaries and colonial administrations) and the dispersal of medical services across Sub-Saharan Africa, the average life expectancy was 42 years and infant mortality rate per 1,000 births stood at 149.⁸ Medicine as a practice was introduced to Africa by Christian missionaries, first in isolated places and on a small scale. Colonial governments went a little further by laying the foundations for national medical infrastructure. This also did not go too far, owing to a

“ Heightened dissemination of medical services, steps towards universal healthcare and lately provision of healthcare as a business have together allied to increase the lifespan of individuals and communities. ”

deliberate focus and bias towards settler communities and their servants, rather than native populations.

Independence governments, acting by themselves, were spectacular disappointments in their efforts to spread medical care to their

citizenry. Where there was no capacity expansion, the colonial infrastructure was maintained. Where some sort of capacity addition was witnessed it was through tokenism and pork-barrel politics which rewarded communities that backed ruling parties and political classes. In certain sorry states visited by civil strife and other chaos, even the colonial infrastructure was uprooted by disease.

Where tangible success can be identified in the extension of medical services to African communities is within the complex of religious institutions with international networks; global pharmaceutical companies seeking new growth and footprints in frontier markets; targeted development assistance in turnkey projects from world healthcare institutions like the WHO; and leading health sector NGOs.

Governments only later became active, riding on citizen activism that fed the social and political resurgence of the 1990s that saw many independence administrations toppled at the ballot and the ushering in of a new breed of progressive African leadership. Of note too is the UN Millennium Development Goals (MDG) initiative which set target deadlines for achievement of, among other things, universal healthcare by 2015.

While the MDGs may not be achievable in Africa as conceived, its supreme benefit is found in the principle of unintended consequences. Under UN and World Bank supervision African governments have had to earmark large chunks of their national budgets to healthcare provision as a prerequisite for accessing vast resources under numerous programmes designed to collectively achieve MDG targets. One such programme that has benefited is the Global Fund to Fight AIDS, Tuberculosis and Malaria. The latest initiative is private sector healthcare provision, an initiative backed by medical insurance.

By 2008 life expectancy for the African population, excluding HIV and AIDS, had improved to 54 years according to the UN.⁹ This represents a leap of 11 years from the independence era of the 1960s.

Heightened dissemination of medical services, steps towards attainment of eventual universal healthcare and lately provision of healthcare as a business have together allied to save lives and increase the lifespan of individuals and communities which live responsibly.

A major explanation for why population growth in Africa has spiked only in the past couple of decades is that healthcare provision was only then reaching societies and communities which hitherto had none.

Antenatal and early childhood care

Childbirth has never been an issue in Africa. In fact the best exemplification of nature's creative combination of multiple production and natural selection was to be found in traditional African societies. Men married many women in polygamous family settings. Families begot large numbers of children.

Besides the requirement for many hands to work and defend the land, the underlying imperative for bearing many children was the very real spectre of death and child mortality. Parents always worried how many children would reach adulthood. A random check on families in rural Africa would reveal this fact. National census sheets in Africa have provisions for total children birthed into a single family and another for those who are still alive. With minimal variations, these two figures always turned out vastly different.

Measles would kill a sizeable portion of all children below the age of five years. Malaria had its own quota; Polio, Tuberculosis, Kwashiorkor, Marasmus and other similar complications all took their toll as well. As a result, in the 1960s, 267 children out of every 1,000 children born in Africa would never live to see their fifth birthday.¹⁰

With the gradual introduction of antenatal clinics and early childhood care in Africa, this picture has been changing for the better. Government and church mission clinics provide free or hugely subsidised pregnancy services to women in rural Africa and those living in slums or low-income settlements. General practitioners, nurses and clinical technicians receive basic training in dispensing of these services. Standardisation and simplification of the procedures involved have resulted in almost universal

availability of antenatal care across Sub-Saharan Africa. The emergence and current advance of gynaecology and obstetrics as standard medical practices in Africa is testament to the improving healthcare for pregnant women and young mothers.

Early childhood management has been made routine in all medical centres, even where only first aid can be administered. Large paediatric wings with comprehensive childcare facilities have been established in most large hospitals; while dedicated paediatric hospitals have been emerging in urban centres and progressive areas of rural Africa.

As a consequence, between 1990 and 2009 average child mortality has fallen from 180 per 1,000 to 129 out of 1,000 across Sub-Saharan Africa.¹¹ Still some countries are ahead of others – in Mauritius and Botswana child mortality has been reduced to near developed-world rates at 12 and 13 out of 1,000 respectively.¹²

Many more children born in Africa now have the chance to grow into adults, therefore boosting Africa's population numbers significantly.

Social permissiveness and moral decadence

Barely three decades or so ago, Africa was one continuous, unpunctuated rural real estate sheltered from the rest of the world by its remoteness of communication and infrastructure. The city of Nairobi had a population of 1.3m¹³ in 1990, Kinshasa in the Congo had 3.8m people,¹⁴ and urbanisation of Africa as a whole was 28%,¹⁵ which indicates that the majority of African populations lived in the rural areas.

Most children attended rural schools and grew up to engage in the economic and social activities of their families. Migration was almost non-existent and the little there was was generally rural to rural in type. In summary, traditional African social systems and norms were functioning, and families were raised under strict rules of morality and etiquette. Children were imbued with the ways of the straight and narrow, and society enforced these rules to the letter. Infraction or malfeasance were punished disproportionately, not only as a corrective system but importantly as a deterrent to any other elements that might be having such dispositions. Sexuality among the youth was anathema and was out of bounds. Child pregnancy would scarcely happen and when it did it was met with the full weight of societal wrath.

Over the years, Africa has opened up. It has opened up to Western systems of education, which have led to young people travelling away from home and living among themselves for most of the year in schools and training institutions. It has opened up to Western media and entertainment. It has opened up to Western economic and cultural systems. It has opened up to Western civil liberties.

The result of this is a cultural *mélange* that is neither African nor Western. It is a fact that it is still taking time to fully define itself but for now, provisionally, it has had huge and costly social implications. It has presided over the collapse of the African way of life, particularly its checks and balances.

Wherever you turn now, the old social norms are considered relics from a past way of life. Most of the aspects of this state of affairs are positive, or at least progressive and innovative. Some may not be so, but when put together with other forces at play in society they contribute to making possible the current and future realities of the African economic marketplace.

Runaway pregnancy among the youth is one of the changes. In Uganda, teenage pregnancy is the highest in Sub-Saharan Africa at 25%,¹⁶ while in Kenya teenage pregnancy and childbearing

“Wherever you turn now, the old social norms are considered relics from a past way of life.”

remains very high at 18%, with regional differentials.¹⁷ By way of comparison, teenage pregnancy in the USA is 5%, in China it is 0.5%, in Japan 0.4% and in South Korea 0.3%.¹⁸ Amongst many families in the slums and rural Africa there are unmarried teenage girls nursing babies in succession, some with entire families of their own, with no fathers, under the watch of their parents.

The growth in child pregnancy in Africa is a phenomenon that has become one of the main reasons for the continent's population growth.

The 1980s demographic bulge

Between the late 1970s and the early 1990s Africa experienced a baby boom, a period when the mothers of Africa gave themselves to child bearing at an unprecedented rate. The average rate of population growth recorded was 3% across Sub-Saharan Africa. Kenya as a country posted the highest rate of population growth ever recorded anywhere in the history of mankind and

Rwanda wasn't too far behind that. Ethiopia, Nigeria and the Congo, even though buffeted by famine, social strife and government misrule, still recorded high figures.¹⁹

A critical mass had thus been reached by virtue of the factors present – the forces amenable to bringing into being and sustaining human life converged at that critical juncture in the continent of Africa and a demographic bulge occurred. The earlier progenies of this demographic bulge would have reached about 30 years of age by 2000, and the later ones about 18 years. This means that the ripple effect of this baby boom has been underway for well over 10 years in 2012 and the baby boomers are now having babies of their own.

“ The forces amenable to bringing into being and sustaining human life converged at that critical juncture in the continent of Africa and a demographic bulge occurred. ”

Various factors come into play to compound the current baby boomers and should result in this boom being even more significant than the previous one. Fertility levels have soared and teenage pregnancy is on the rise, for reasons previously explained. If good antenatal clinics and early

childhood care made it possible for many baby boomers to survive and mature into adults, then steady improvements and better spread of clinical services make it even more possible for their offspring 20 years hence. The result is that a second demographic bulge could take Africa within striking distance of deposing Asia from its long-held perch at the top of the world demographic table.

Absence of national population control initiatives

Following the demographic bulge described above, governments across Africa were advised by donors and development partners to establish national population control programmes. These had the broad mandates of sensitising their citizens to the dangers of uncontrolled population growth, educating them on the economic and social impact of bringing forth new lives without corresponding economic empowerment to bring them up, and about the deteriorating collective welfare effect of unchecked child birth. In simple terms the governments were told that population growth without corresponding or higher economic growth was a clear recipe for poverty.

For a very brief moment, these programmes were splashed across the local press, with a few road shows in rural regions and in areas of population clusters like industrial towns and slums. Posters were displayed in clinics, hospitals and other public places. Mothers with babies and pregnant women were visited in hospitals. Additions to school curricula were introduced to give school children an early foundation in population studies.

Unfortunately the initiatives did not last long and soon petered out. The donors never intended to fund the programmes indefinitely. They only meant to help African governments establish the programmes and once in full operation take them over and provide for them in the state budgets.

This is not to say the programmes had no positive initial impact at all; in a handful of African countries they did. In Kenya fertility patterns during 1977-89 revealed a reduction in the total fertility rate (TFR) of 1.2 children between 1977 and 1983.²⁰ The number of children per woman came down from 7.2 to 6.5.²¹ However, it is difficult to isolate how much of this was as a direct result of the population control initiatives.

African governments on the other hand had never really embraced population control, either as a principle or as a practice. Most presidents and senior government officials were themselves polygamists and heads of large families. Those who did embrace the principle failed in the practice. It was a major test in prioritising for governments which couldn't even extend basic primary education and basic health care to 70% to 80% of their populations. And so population growth is occurring once again.

The social aspect of the dominant economic activities

African traditional communities were a broad dichotomy between agricultural and ranching communities. Agricultural communities tilled the land and had permanent or semi-permanent abodes. They were intensive in their land tenure and land use. The ranching communities roamed the plains in search of new pastures and water for their livestock.

This order of economic wellbeing also set the order of social interactions. Families in agricultural communities lived in one place together throughout the year. The family garden, which was never too far away from the homestead, was cultivated in a team effort enabling married couples maximum time together to build families. The livestock keepers on the other hand were peripatetic with skeleton staff mainly of able bodied males and

“ Embracing of modern lifestyles has contributed to the increase of incidences of child birth among a majority of African people. ”

young boys, while leaving the women in makeshift homesteads which served as forwarding addresses. Time together for married couples was reduced often to only three months in a year, drastically reducing opportunities for family building.

With time the ranching communities have settled down to permanent homesteads and reduced their seasonal migration to only critical periods when rains fail or delay for too long. They have taken up subsistence agriculture and engage in rural trade. With this landmark change in their way of life, their time at home has stabilised and their population numbers have shot up precipitously in recent decades.

But more fundamentally, the general crossover from subsistence agriculture and livestock keeping to regular employment in cities and trading centres for many of the African folk, coupled with living in modern houses where a man and woman sleep in the same bed every night, has increased contact between them and with it the probability of conception.

Embracing of modern lifestyles, therefore, without underplaying the overarching concept of sexuality and virility, has contributed to the increase of incidences of child birth among a majority of African people. This is the reason slums and planned settlement schemes are heavily populated across Africa.

Projected demographic outcomes

The Population Reference Bureau estimates that the Sub-Saharan Africa population will rise to 1.83 billion by 2050 from 864m in mid-2010, a 110% increase in 40 years. This represents a rate of 2.5% population growth per annum, more than double the current annual world growth rate of 1.2%.²²

Table 1.2 serves to illustrate the current population numbers and the projected changes up to the year 2050 for a sample of Sub-Saharan African countries. Importantly, this data signifies two things: that population growth is a continent-wide factor and not isolated to one country or region; and the momentum already in place is sustainable in the long term.

Table 1.2 – population figures up to 2050 for African countries

Population	Mid-2010 (m)	Mid-2025 projected (m)	Mid-2050 projected (m)	Increase by 2050 (%)
Nigeria	158.3	217.4	326.4	106
Ethiopia	85	119.8	173.8	104
DR Congo	67.8	101.4	166.3	145
Tanzania	45	67.4	109.5	143
Kenya	40.1	51.3	65.2	63
Uganda	33.8	53.4	91.3	170
Ghana	24	31.8	44.6	86
Mozambique	23.4	31.2	44.2	89
Cote d'Ivoire	22	30.8	47.2	115
Niger	15.9	27.4	58.2	266
Sub-Saharan Africa	864.6	1,207.4	1,830.8	112

Source: Population Reference Bureau 2010 World Population Data Sheet

Three African countries are expected to be in the top ten countries which will contribute most to world population over the next 40 years. They are all projected to add new net population sizes far exceeding their current estimated populations. Nigeria, fourth globally, will contribute 168m new people; DR Congo will contribute about 98m people; and Ethiopia will add 88m new people.

Conclusion/marketplace implications

The most distinct character of Africa's population growth is its long-term sustainability. The continent, now and in the future, boasts the most youthful demographics of any in the world. Its net contribution to world population, in absolute and percentage terms, continues to rise, especially against a bleak contrast of negative growth rates and greying populations in Europe, North America and Japan.

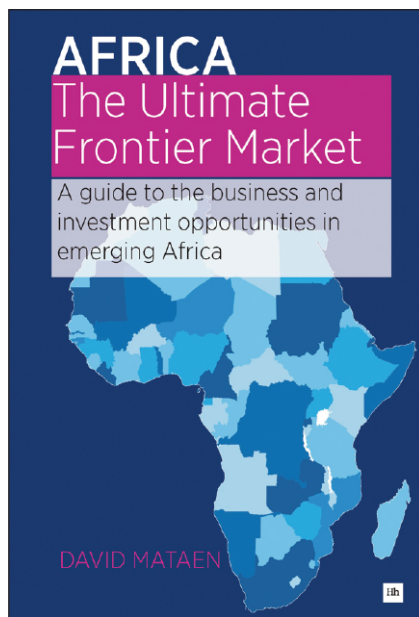
This has three major implications for business and economics going forward:

1. It assures a growing and replenishing consumer hinterland into the long term. This should be compounded by rising GDP income per capita and further democratisation of credit.
2. It lays massive overbearing demands on infrastructure, both mainstream physical such as transport and communication, as well as social, such as schools and health facilities.
3. It provides a compelling basis for supersized long-term capital investments in (production) scale, (distribution) capacity and (modernising) technology.

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