Tradequity

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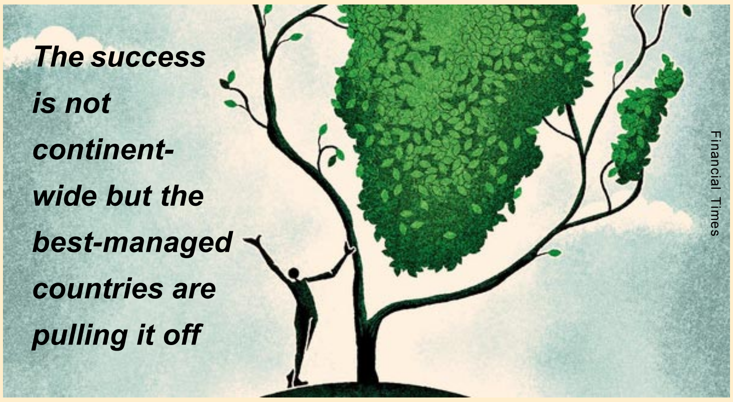
Africa is Hooked on Growth Sebastian Mallaby

A few years into sub-Saharan Africa's (SSA) renaissance, there were natural doubts. Economists had competed for so long to explain the region's growth tragedy that good news was a shock. But now, more than a decade into the revival, the good news has grown better. The lesson is that sound policies can make a difference even in the least promising of settings. Defeatists everywhere, cheer up.

Even before the recent flurry of encouragement, Africa's turnround was breathtaking. Between 1980 and 2000, the continent had experienced negative economic development: output per person had fallen by a 10th in purchasing power terms. Then, just as the Aids pandemic was thought to represent the final straw for Africa, its fortunes changed dramatically. According to the World Bank's development indicators, gross domestic product per person has risen every year since 2000, delivering a cumulative gain of more than a third.

At first, people doubted that the growth would be sustainable. But, after a dozen years of progress, uninterrupted even by enormous shocks to the world economy, that worry has faded. Likewise, people wondered whether the revival was merely the result of oil discoveries. But the International Monetary Fund (IMF) reports that real non-oil growth in SSA has averaged 5.4 percent annually over the past five years. Or perhaps the progress has been a statistical illusion? Well, it turns out that the standard numbers probably understate Africa's advance.

Two years ago, Ghana corrected an error in its gross domestic product (GDP) statistics – and the estimated size of its economy shot up by more than 60 percent. Its mistake had been to count activity only in well-established sectors, omitting new ones such as mobile telephony. It seems likely that this error exists elsewhere. A forthcoming revision in Nigeria could be as dramatic as Ghana's, boosting the GDP estimate for the whole of SSA by as much as 15 percent.



The continent's advance has not been uniform. A group of dysfunctional laggards, which generate more than their fair share of news headlines, remain as poor as they have ever been. But the flip side is that the success stories have done much better than suggested by Africa-wide averages. Some of the star performers – Angola, Nigeria and Chad – owe their progress to oil. Others are rebounding from civil war. But Mozambique is an example of a country that has been at peace since the early 1990s, does not produce oil, and yet has boosted GDP per person in the labour force by 4.8 percent annually between 1995 and 2010. Peaceful Ghana has managed a respectable 2.6 percent per year.

The surest basis for sustained productivity improvement is to move workers from subsistence farming to jobs that involve skills and tools. Between 1995 and 2010, agriculture's share of Mozambican GDP fell from 42 to 26 percent as manufacturing, construction and services grew to fill the gap. Between 2000 and 2010, Uganda cut farming's share from 25 to 16 percent, while Ethiopia reduced it from 49 to 41 percent. Again, this shift of economic structure is not a continent-wide story. But the best managed African countries are pulling it off.

Less than 20 years ago, the conventional wisdom was that landlocked, ethnically divided countries battling the burdens of tropical disease might never advance. Today, there is no guarantee of future progress. But the fatalistic talk of an African growth tragedy has been proved wrong.

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IFC to Issue Currency Bonds

The International Finance Corp (IFC), the World Bank's private sector arm, plans to issue local currency bonds in 10 African markets from 2013 to build capital in one of the world's fastest growing regions.

The project could prove a boon to Africa which is growing on average at five to six percent a year and eager to develop transport and power infrastructure. But financing has been hard to come by for these capital-intensive projects. Triple-A rated IFC will offer proceeds from the bond sales to companies seeking financing in the countries. *(Reuters, 20.12.12)*

Malawi Affirms Policy Reforms

The Malawi Ministry of Finance, the Reserve Bank of Malawi and the International Monetary Fund (IMF) jointly organised a conference under the theme "Towards More Inclusive Growth" in Lilongwe during November 02-03, 2012 aimed at discussing strategies for enhancing the implementation of Malawi's Economic Recovery Plan.

President Banda encouraged participants to review critically the ERP implementation strategy and come up with concrete recommendations for strengthening Malawi's international competitiveness and attracting investments that would promote broad based growth that will significantly reduce poverty. *(IMF, 05.11.12)*

Limit State, Local Mining

Mozambique does not plan to seek overly high state and local participation in mining, beyond current totals of 5-20 percent, to keep attracting vital investment, the head of the state-owned mining company said. While some Southern African politicians have campaigned to nationalise mines or demanded that 51 percent stakes in companies be given to local black people, as in Zimbabwe, Antonio Manhica said his government would seek to balance the interests of the country with those of investors.

"In each of the projects, we have 5-20 percent...we don't expect to see much change in that," the CEO of the Empresa Mocambicana de Exploracao Mineira said. That percentage is divided between what is given to the state and what would be sold to local investors, possibly via a listing on the local bourse. *(Reuters, 27.11.12)*

Rwanda's GDP Growth Slow

Rwanda's GDP growth is likely to slow down by two percentage points as inflation increases slightly to 7.5 percent should aid suspension spill over to the first half of 2013. The IMF estimates Rwanda's real GDP growth to have reached 9.9 percent in the second quarter of 2012, buoyed by a rise in investments, strong growth in exports, and a reduction in inflation from 8.3 percent in December 2011 to 5.8 percent in August 2012.

The government has given itself until the end of the second quarter of the fiscal cycle in December before deciding on necessary changes to the national budget and the projects that should be suspended. *(TEA, 27.10-02.11.12)*

FAO and ACP Partnership

The Food and Agricultural Organisation (FAO) and the African, Caribbean and Pacific (ACP) group of states are to become strategic partners in the fight against hunger and poverty and for the sustainable management of natural resources in the 79-member bloc of countries.

Specific areas for collaboration under the FAO-ACP agreement will include promotion of food security, sustainable intensification of crop and livestock, fisheries and aquaculture production; food crisis early warning systems; development of improved food products, standards and marketing; food and nutrition education; and promotion of sustainable forest management.

Financial resources for projects under the agreement will be identified and mobilised through funding sources including the European Development Fund, Trust Funds, the Global Environment Facility and other international and national partners.

(www.allafrica.com, 14.12.12)

Aid Cuts Begin to Bite

Analysts warn of dire consequences if government expenditure is not reduced. With the European Union (EU) also joining the bandwagon of donors that have suspended aid to Uganda over the corruption scandal in the Office of the Prime Minister, the stage is now set for a problematic 2013. Experts warn that the donors' action would definitely affect the common man in addition to slowing the growth of the economy by 0.7 percent.

Already, there are worries that inflationary pressures are creeping in once again with a reported spike in headline inflation in November - mostly driven by food prices, and energy, fuel and utilities, which rose to 7.5 and 13.8 percent compared to 4.4 and 12.8 percent respectively in October. *(TI, 16.12.12)*

Burundi Ranked Most Corrupt

Burundi has, for the second year in a row, been ranked the most corrupt country in the East African Community (EAC) with a global score of 19 on a scale of zero (zero being highly corrupt) in the global Corruption Perception Index 2012 released by Transparency International.

Kenya is second most corrupt in the region with a score of 27, followed by Uganda at 29 and Tanzania at 35. Rwanda is ranked the least corrupt in the region with a score of 53. Two-thirds of the 176 countries ranked in the 2012 index scored below 50, showing that public institutions need to be more transparent, and powerful officials held accountable. *(TEA, 08-14.12.12)*

Namibia will not Sign EPA

The newly appointed Minister of Trade and Industry, Calle Schlettwein had reiterated Namibia's stance on the stalled Economic Partnership Agreement (EPA) saying the country will not be pushed into signing an agreement that is "harmful."

The Head of the EU Delegation to Namibia, Ambassador Raul Fuentes Milani said that a lack of consensus and agreement on a final EPA was now causing the EU Delegation to Namibia "EPA fatigue".

He said: "Namibia represents about 0.1 percent of EU trade. We don't want trade gains from Namibia, what we want is an agreement that is legally sound and will not be challenged. We are now experiencing EPA fatigue." *(NE, 08.12.12)*

Analysing Economic Integration

The brief entitled, Economic Integration: to Expand or to Deepen? was intended to examine the various geographically proximate African free trade agreements (FTAs) in the context of analysing the deeper and expand models of economic integration and endeavour to indicate which of the two is likely to prevail.

Over the decades, African countries had relied on the deeper model for their integration and FTAs based on this model have realised modest gains that include trade policy reforms, liberalisation, cross border facilitation regional infrastructure development etc. *(AfDB, 19.11.12)*

Legalise Smuggling: ZNFU

The Zambia National Farmers Union had decided to think outside the box and make a fortune out of the maize smuggling misfortune, according to Union President Jervis Zimba. The influential lobby group was considering establishing an agricultural trade centre at Kasumbalesa border post to promote legal trade in agricultural products such as maize with the Democratic Republic of Congo (DRC) and eliminate smuggling.

The move was necessitated by the reports of rampant smuggling of maize at the border where over 2,000 bags of mealie meal were said to be finding their way into the DRC daily. The Union was concerned about the lack of a farmers' trade centre to enhance agricultural marketing and proper storage of agricultural merchandise. *(ZDM, 22.11.12)*

New Cranes at Tanzania Port

The Port of Dar es Salaam has received four new state-of-the-art mobile cranes 'Gottwald' from Germany expecting to improve the day to day operations. The new machines, worth • 2.6mn each have been received at a right time and are expected to enhance quality customer service at the port.

According to a statement by the Tanzania Ports Authority's (TPA) communication department, the cranes are expected to reduce stevedoring especially at the authority container terminal and reduce the time that ships spend at the port. TPA has recently been working on equipment modernisation plan under its port master plan that aims at supplementing the old equipment with the modern ones to match the current maritime demands.

TPA has in the past bought new Reach Stackers, Terminal tractors, Forklift, for loading and stacking containers. These achievements are in the areas of synchronising stakeholders services to enable the port to operate 24 hours. *(TD, 29.11.12)*

COMESA to Discuss SMEs' Role

Common Market for Eastern and Southern Africa (COMESA) businessmen converged in Kampala to discuss on how to promote small and medium enterprises development in the region. The 8th business forum was under the theme: 'Enhancing Intra-COMESA Trade through MSME Development: Seizing opportunities for Innovation and Prosperity in Business'.

Amelia Kyambadde, the Minister of Trade, Industry and Cooperatives said micro, small and medium enterprises have a potential to spur economic development. small and medium enterprises play a key role in developing countries as they account for more than 90 percent of all firms outside the agricultural sector, they also constitute a major source of employment and generate significant domestic and export earnings. *(DM, 20.11.12)*

Fear over Single Customs

Rwanda has raised red flag over the proposed Single Customs Territory, calling for consultations before signing. Whereas the government gave the proposal a thumbs up, it wants outstanding contentious issues thrashed out first. The Minister for EAC Affairs Monique Mukaruliza emphasised that member countries must agree on mutual benefits before Rwanda could ratify the proposal.

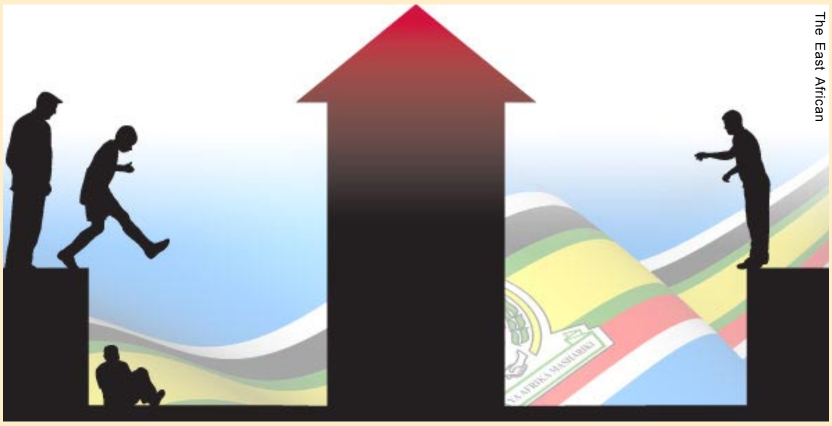
Though the idea to establish a Single Customs Territory was mooted in 2005, after member states embarked on coming up with a Customs Union Protocol, countries still have different tax laws which have hindered the free flow of goods and services. The process of creating one Single Custom Territory was too slow, and different laws will have to be enacted before the implementation. *(TEA, 27.10-02.11.12)*

Speed up Free Trade Zones

Kenya is pushing for a new law that will see the country set up more special economic zones. Moses Wetangula, Kenyan Trade Minister said his ministry would speed up the enactment of the Special Economic Zones (SEZ) Bill. Kenya has set aside 3,400 square kilometres of land for SEZs.

The land is in three regions: Kisumu to the west of the country plus the coastal regions of Lamu and Mombasa. The Mombasa SEZ will facilitate importation of raw materials and exporting of finished goods. It will include an agro-industrial zone incorporating activities to encourage growth of offshore fishing, according to the Kenya Vision 2030 blueprint. *(TEA, 03-09.11.12)*

EAC to Eradicate NTBs



The EAC is working towards eradicating Non-tariff Barriers (NTBs) to accelerate trade in the region. The EAC has adopted non-tariff barriers (NTB) regulation committees at both national and regional levels.

With a population of 140 million, the EAC is still expanding and aims to accommodate South Sudan, Somalia and the Democratic Republic of Congo into a wider market.

The EAC Partner States agreed to remove roadblocks and replace them with electronic cargo tracking systems and police patrols by December 2012. Among the key decisions taken at the NTB's dedicated session held in Nairobi, transit vehicles will be weighed twice from the Port of entry and Port of exit for Kenya, Rwanda, Uganda and Burundi while the United Republic of Tanzania awaits a study on the establishment of the weighbridges.

(TNT, 07.12.12)

Trade a Key to Growth

Marking Africa Industrialisation Day on November 20, 2012 Secretary-General Ban Ki-moon flagged the role that intra-African trade plays in achieving sustainable, inclusive and equitable growth in the continent, and called for its expansion by lowering trade constraints.

"African economies are among the fastest growing in the world, yet intra-regional trade accounts only for 10 percent of the continent's commerce – significantly less than in other regions," Ban said.

Many constraints impede trade expansion in Africa: obsolete infrastructure, fragmented economic space, low production capacities, limited investment financing and high transaction costs. Eliminating these obstacles is a prerequisite to fully realising Africa's economic potential and helping to address the continent's socioeconomic and developmental challenges.

(UN News, 22.11.12)

DHL to Facilitate Investment

Vice President Dr Mohamed Gharib Bilal is expected to inaugurate the DHL House, the company's courier and transit facility, at the Julius Nyerere International Airport, in Dar es Salaam on Friday. DHL Express Tanzania Managing Director Blaise De Souza said the modern courier and transit facility, which has been built to international specifications and quality would help his company to achieve its goals of enhancing express delivery services to customers.

The state of the art facility that will be a benchmark for DHL Express operations in East Africa and across the region was built by a Tanzanian contractor and construction materials bought from within the country will be a testimony on how investors can make good use of local experts in expanding their investments.

(DN, 06.12.12)

OSBO Gain Momentum

Plans to roll out the One Stop Border Operations (OSBO) in the EAC have gained momentum after the project facilitators confirmed that the project would be commissioned in 2013. With Japanese funding available, the system that will harmonise EAC partner states' tax operations at border points is about to take off. In fact, a pilot project is successfully being undertaken at the Namanga border between Kenya and Tanzania.

The OSBP concept means that goods in transit will stop once in each direction of travel. The border control laws of one country will fully apply in a "common control zone" between two states, exit and entry procedures will be undertaken in the country of entry from a single location. Customs officials will conduct joint inspection of goods. *(TO, 12.12.12)*

EAC-EU Trade Talks Extended

The EAC has secured a two-year extension to conclude the ongoing trade talks with the EU. Europe's bid to insulate itself against emerging economies like India and China has been cited as the biggest point frustrating the negotiations. A January 2014 deadline for concluding the decade-old EPAs talks has been extended to January 2016 by the European Parliament at the request of the African Union.

The extension effectively means EAC member countries can enjoy longer access to the lucrative EU market should the talks fail. It also means that the EAC states have time to ratify their EPAs before losing the right to duty and quota-free access to the EU that they have been enjoying since 2007. *(TEA, 15.12.12)*

Uganda Register Foreigners

The Ministry of Trade, Industry and cooperatives started registration of all foreign traders in the Greater Kampala (Kampala Capital City Authority, Mukono and Wakiso districts). The Ministry warned that failure to attend this registration exercise will lead top cancellation of the licences in accordance with the aforementioned legislations.

After the registration, the Ministry said that a physical verification exercise to ascertain the authenticity of the information will be conducted. Ugandan traders have been complaining about foreigners who enter the country pretending to be potential investors but turnout to be petty traders, competing for space and the market in retail business.

(TI, 06.12.12)

Experts Back Payment System

Experts on Finance and Monetary Affairs Committee of the COMESA concluded their 18th meeting in Kigali where they backed the newly launched Regional Electronic Payment and Settlement System as the key to unlocking deeper intra-regional trade.

According to Sindiso Ngwenya, COMESA Secretary General while intra-COMESA trade has grown from US$3.1bn at the time of the launch of the COMESA Free Trade Area in 2000 to US$18.8bn in 2011, traders still have to incur very high costs in clearing payments for transactions across COMESA member countries.

The experts revealed that the estimated cost of making payment for the import component of trade (which is mostly done through international correspondent banking relationships) amounted to US$444.3m in 2011 up from US$417m in 2010.

(EABW, 19.12.12)

SACU Consider Revenue Share

The Southern African Customs Union (SACU) ministers discussed the allocation of revenue share, with the ministers looking at the recommended allocation of revenue share to Botswana, Lesotho, Namibia, Swaziland, and South Africa for 2013-14.

Growth in advanced economies is too slow to make a dent in rising unemployment, while emerging markets are revising their once-buoyant overall economic growth prospects for 2012. The expected global recovery remains fragile with a number of uncertainties.

Unemployment is most likely to stay elevated. Africa will not be spared, therefore as a region, there is need to consider whether the global economy is just hitting another bout of turbulence in what was always expected to be a slow and bumpy recovery or whether the current turbulence will stay with SACU.

(NE, 14.12.12)

Sudan Bid to Join Regional Bloc

South Sudan's bid to join the bloc will feature prominently at 2012's final EAC Council of Ministers meeting. The decision the Council of Ministers make will then be presented to the Heads of State Summit. The heads of state directed the Council of Ministers to come up with a verification report by November, regarding South Sudan's request to join the regional bloc.

Rwanda, Uganda, Burundi and Kenya gave their consent based on the EAC Verification Committee Report presented to them earlier. Among the issues that guided their decision are that South Sudan had established mechanisms for ratification and access to international treaties, the country had acceded to UN and AU charters, it had also has been admitted to several regional and international organisations such as Igad, Nile Basin Initiative and Unesco.

(TEA, 17-23.11.12)

Uganda Joins COMESA FTA

As it hosts 2012's Summit of the COMESA, Uganda has joined the trade bloc's FTA, ending years of its wavering commitment to Africa's largest regional economic community. However, behind Kampala's swift decision was an ultimatum that the Lusaka-based trade bloc had issued over Uganda's failure to honour its commitments to the COMESA Treaty.

The commitments include acceding to the FTA and paying the annual membership fees, which sources indicate were several years late and run into millions of dollars. Uganda was threatened with sanctions, including its nationals being denied jobs in other COMESA member states. Uganda now becomes the 15th member state of the COMESA FTA, which started in 2000.

(TEA, 24-30.11.12)

CET Review Pushed to 2015

The EAC member states have three years before the Common External Tariff (CET) takes effect, after the Fourth Ordinary Summit of Heads of State extended the period to review them to 2015.

The EAC partner states signed a protocol establishing the EAC Customs Union and the CET in 2005. The delay in establishing the CET and a single Customs territory is hindering free movement of goods, capital and people across member country borders, even though the Common Market Protocol was officially launched in 2010.

The extension of the review period to 2015 means proposals made by member states on the tariffs will have to wait, delaying the region's integration. The proposals include: reduction of import duty to 10 percent on parts and inputs for refrigerators and freezers, on food supplements from 25 to 10 percent, and on raw materials used in the manufacture of animal and poultry feeds from 10 to zero percent.

(TEA, 08-14.12.12)

Negotiators over Tripartite Trade Bloc

Negotiators of the planned merger of three regional trading bodies to form Africa's biggest trade bloc will hold a meeting in Cairo in November 2012. Trade officials from COMESA, EAC, and the Southern African Development Community (SADC) are keen to jump-start the project that is facing teething problems, ahead of the planned integration.

The agenda is expected to include finalisation and adoption of the tariff negotiation modalities, review of the work plan of the Tripartite Negotiating Forum — particularly the negotiating schedule, and review of the reports of the technical working groups.

Richard Sindiga, Director of Economic Affairs in the EAC Ministry (Kenya), said negotiations have been narrowed down to regional levels, with task forces put in place across the three member blocs.

(TEA, 24-30.11.12)

Impact of Climate Change

A recently produced paper on the impact of climate change on the road and building infrastructure within South Africa has illustrated how climate change effects on both road and building structures can be evaluated with the application of a new analysis system – the infrastructure planning support system.

The results of the study indicate that the national level climate change cost impact in South Africa will vary between US$141.0mn average annual costs in the median climate scenario under an adaptation policy, and US$210.0mn average annual costs under a no adaptation scenario.

Similarly, the costs will vary between US$457.0mn average annual costs in the maximum climate scenario under an adaptation policy scenario, and US$522.0mn average annual costs under a no adaptation scenario.

(www.wider.unu.edu, 28.12.12)

Climate Finance Promises Unmet

A new report on the current provision of climate finance shows that only a small fraction, less than 11 percent, of currently provided climate finance meets the UN commitment of being "new and additional." The report finds that there are many lessons to be learnt from the current 'fast start finance' system, which was supposed to deliver US$30bn in 'new and additional' funding to developing countries, and was agreed at the Copenhagen climate conference.

Fatima Denton, Coordinator of ACPC, said, "the experience with the 'fast-start' pledges and discussions of the US$100bn promise suggests that the adequacy and predictability of climate finance may remain very low if the future climate finance architecture reflects current practice". *(UNECA, 10.12.12)*

EAC to Curb Effects of Aflatoxins

The EAC states have launched a joint initiative to curb the effects of aflatoxin which is taking its toll on the region's grain production. The programme funded by USAid is seeking to raise consumer awareness on the impact of aflatoxin on health, agriculture, and trade and help investigate methods for controlling the substance in East Africa.

Aflatoxins are a group of chemicals produced by certain mould fungi. They affect soils and crops and are carcinogenic. Agricultural and chemical experts said the recurrent cases of aflatoxin poisoning in the arid and semi-arid areas of the EA have become a revolving epidemic, causing an estimated loss of US$350mn in Tanzania and Kenya only since 2010.

(TEA, 20.10.12)

Extintion of Fish Resources

A recent study conducted by the Accord Tanzania predicts that by 2048 there would be a significant loss in fish resources in the Lake Victoria. Fish in Lake Victoria was being plundered at an alarming rate, calling for urgent steps to save the resources. Pollution and environmental degradation has also led to extinction of more than 400 fish species in Lake Victoria over the last four decades.

The study also revealed that while there were over 400 fish species in Lake Victoria during 1920s, the number had dropped to almost zero with only three species available including Nile Perch (Sangara), Tilapia (Sato) and Sardines.

Lake Victoria basin has an estimated population of 30 million. Over 30 million people in Lake Victoria Basin could greatly improve their livelihoods if they utilise the abundant investment opportunities in the basin. *(TD, 23.11.12)*

Act Tough Against EWURA

There was an acute shortage of fuel in the local market of Tanzania with some motorists coughing up to TZS5,000, down from around TZS1,900- per litre. The shortage was caused by a broken supply chain as a result of priority berthing for ships that brought in fuel for transit to neighbouring countries. This led the local market to dry up for lack of timely replenishment as oil marketing companies were left with no other alternative but to sit and watch.

It is time the government also tasked the Energy and Water Utilities Regulatory Authority (EWURA) board over the shortage, which could have been avoided anyway if its management acted swiftly when some parts of the country went without the commodity for over a month.

(DN, 06.11.12)

Operationalising Green Climate Fund: Enabling African Access

This paper made a series of recommendations that facilitates access by African countries to the Green Climate Fund. It also made recommendations for the Green Climate Fund board, African nations and the African Development Bank (AfDB) that would increase the likelihood that African countries will be able to access significant flows of climate finance from this source, especially through 'direct access'. The Green Climate Fund represents a potential watershed moment for climate finance in Africa.

Paresh Cartoons

To date, the flows of climate finance of the continent have been inadequate in comparison to the continent's needs: Africa is widely acknowledged as the region in the world most vulnerable to climate change, while its recent impressive economic growth has placed an increased focus on the resources required to ensure that emissions do not grow correspondingly.

As well as the volumes of climate finance being inadequate there has also been increasing concern about the 'modality' by which these resources are accessed with overlapping, sometimes conflicting, multilateral institutions all disbursing and implementing projects, with only limited degrees of national ownership. *(AfDB, 15.11.12)*

Inside Africa's Consumer Revolution

David Fine *

Nowadays, Africa's economic potential is widely acknowledged. Poverty and unemployment are still more widespread than in other emerging markets, but accelerating growth since 2000 has made Africa the world's second-fastest-growing region

Financial Express

With rapid economic growth have come more prosperous consumers – and vice versa: 45 percent of Africa's total GDP growth in the 2000's came from consumer-related sectors of the economy. It is expected that, by 2020, more than half of African households will have discretionary income to spend (or save), up from 85 million today.

Moreover, Africa has the world's fastest-growing population – and the youngest, with more than half under 20 years old, compared to 28 percent in China. The United Nations estimates that the continent will account for more than 40 percent of global population growth through 2030, with the working-age population expected to surpass that of China by 2040.

Given these trends, the continent's consumer industries are expected to grow a further US$410bn by 2020 – more than half the total revenue increase that all businesses are expected to generate in Africa by the end of the decade. But, for many companies entering Africa or seeking to expand there from a local base, the challenge now is to obtain a better understanding of the market and its consumers.

Indeed, with 40 percent of its population living in cities, Africa is more urbanised than India (30 percent), and nearly as urbanised as China (45 percent). By 2016, more than 500 million Africans will live in urban centers, and the number of cities with more than one million people is expected to reach 65, up from 52 in 2011.

This development is critically important for consumer companies. Urban household spending in Africa is increasing twice as fast as rural spending, with urban per capita incomes, on average, 80% higher than those of countries as a whole.

Overall, consumers are increasing their spending across most retail categories. Up to 30 percent of the more optimistic consumers in some countries say that they are shopping more frequently and purchasing new and more expensive products. And half of all respondents claim to make daily sacrifices to save for major expenditures.

This suggests that companies offering cheap, poor-quality, unbranded products are unlikely to succeed in the long term. For apparel consumers, for example, quality is second only to price when choosing a store, and second only to fashion when choosing a specific item. And, in both North and sub-Saharan Africa, brand loyalty is strong, averaging 58 percent.

But quality and brand must be delivered at the right price. Even though Africans value brands and product quality, affordability remains crucial. To succeed, companies should work to reach consumers' price points through a combination of product reengineering, smaller package sizes, and low-cost operating models.

Moreover, timing is crucial when choosing where to play. Demand for consumer products typically follows an S-curve. As incomes rise, categories reach a takeoff point where demand accelerates by 3-5 times. At higher levels of income, markets become saturated and growth slows.

Identifying growth hot spots is only the start. Substantial differences among and within Africa's countries imply the need for a much deeper and finer-grained understanding of consumer preferences and affordability profiles by product category. Likewise, many markets are still in early stages of development, and must be built through concerted consumer education and trial.

Here, Africa's youth merit special attention. Young people's consumption habits are quite different from their elders'. They are more than twice as likely to search for information online and to seek products and stores that reflect the "right image." They are also more educated, with 40 percent of 16-24 year olds having completed high school, compared with only 27 percent of the 45-and-older group.

These characteristics point to a major change in African consumption habits as this cohort ages, its incomes increase, and its behaviors and decision criteria become the societal norm. Many companies will have to adapt accordingly.

– *Director at McKinsey & Company, South Africa. Abridged from an article that appeared in the* Financial Express, *on November 07, 2012*

Economiquity


ECONOMIQUITY

Address Non-Tariff Barriers to Indo-Pak Trade
Virtues of a Participatory Approach

The October-December 2012 issue of Economiquity carries an article entitled, 'Address Non-Tariff Barriers to Indo-Pak Trade: Virtues of a Participatory Approach' in its cover story which states that the need of the hour is to bring back the focus of policymakers on economic costs and benefits of cross-border trade and limit politicisation of trade reforms that has been damaging South Asia's aspirations on regional economic integration.

A special article by Anatole Kaletsky states that outside the Eurozone, which now accounts for just 17 percent of global output and will shrink to just nine percent by 2060 according to the OECD, economic statistics are clearly improving across the world.

Another special article by R K Pachauri says that India needs to focus on domestic action for climate goals.

This newsletter can be accessed at: www.economiquity.org

Harnessing small-scale farmers' potential in Kenya

This report presents the study findings and analysis and contributes to the overall project aimed at building an effective small-scale farmer's policy advocacy movement for sustainable and equitable agricultural development in Kenya. The research conducted and policy recommendations provided by CUTS Nairobi feed into the knowledge capacity of small-scale farmers and their organisations such as Kilifi and Homa-Bay and the Kenya Small Scale Farmer's Forum (KESSFF) to take bottom-up advocacy action, to organise effectively, and to represent their interests to the various stakeholders in the economy.

This report can be viewed at: www.cutsinternational.org/ARC/Nairobi/KAPMAD/index.htm

Policy Briefs

Consumer Experiences across Key Service Sectors in Kenya

In recent times, Kenya has been experiencing new developments in the area of consumer protection with the recognition of rights of consumers in the Constitution under Article 46; and the establishment of the Competition Authority of Kenya under the new Competition Act. This policy brief summarises the findings of this study entitled, 'State of the Kenyan Consumer 2012' in order for the busy policymakers to take cognisance of urgent issues pertaining to consumer protection in the country.

www.cuts-international.org/ARC/Nairobi/pdf/Consumer_Experiences_Across_Key_Service_Sectors_in_Kenya.pdf

What will East Africans Eat in 2040? Who Will Produce the Food and How?

The policy brief analyses various scenarios explaining how stakeholders perceive the evolution of agricultural development and food security. East Africans face a tremendous complexity of systemic pressures on agricultural development and food security. At the same time, it is not clear on whether the relevant institutions in the respective partner states are up to the task of discerning and articulating the choices, navigating and arbitrating between competing interests and resolving conflict by finding common ground on which to enlarge the space for vision and action.

www.cuts-international.org/ARC/Nairobi/pdf/What_Will_East_Africans_Eat_in_2040.pdf

Sources

AfDB: African Development Bank; DM: Daily Monitor; DN: Daily News; EABW: East African Business; Weekly; IMF: International Monetary Fund; NE: Namibia Economist; TEA: The East African; TI: The Independent; TNT: The New Times; TO: The Observer; UNECA: United Nations Economic Commission for Africa; ZDM: Zambia Daily Mail

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