

Sub-Saharan Africa's business potential for the Middle East

The Dubai Chamber of Commerce and Industry recently announced findings of a recently commissioned research report conducted by the Economist Intelligence Unit (EIU) that highlight the significant potential Sub-Saharan Africa represents for companies in the Middle East.



The research findings have been released prior to the Africa Global Business Forum 2013, held under the patronage of His Highness Sheikh Mohammed bin Rashid Al Maktoum, UAE Vice President and Prime Minister and Ruler of Dubai, on 1 and 2 May.

Sub-Saharan Africa is now competing with Asia to become the world's fastest growing region. This growth is being driven by rising urbanisation, a young population and the emerging middle class. For certain countries, crucial economic reforms, combined with rising government spending and strengthening ties with fast-growing economies in Asia, will help drive future growth, the report claims.

H.E. Hamad Buamim, director general, Dubai Chamber, said: "The Economist Intelligence Unit report highlights the growth potential of Africa for companies here in the Middle East. Africa offers the highest return on direct foreign investment in the world, according to the UN trade agency, UNCTAD.

"Therefore, the Dubai Chamber is extremely pleased to be organising the Africa Global Business Forum 2013, in partnership with COMESA Regional Investment Agency, where regional companies will hear from leading dignitaries both from Africa and the Middle East as to how to address the challenges of doing business in Africa in order to maximise the region's business growth potential."

Business perceptions are changing

Pratibha Thaker, regional director, Economist Intelligence Unit Middle East & Africa, said: "Business perceptions of Sub-Saharan Africa are changing. Structural changes over the past decade have brought more political stability and economic growth to the continent, despite some marked exceptions. A new business mentality and an increasing consensus on economic policy have both helped. Companies can see that not all emerging markets will grow rapidly forever, and that some markets that are still growing - like China - will slow and be overtaken by others - like India - in a few years. Africa is part of this picture. But, successful investment in Africa requires a complex view of the continent, given the diversity of markets, business environments, legal systems, social groups and political systems."

Findings of the EIU report confirm both the growth opportunities and associated challenges in key sectors of the sub-Saharan Africa region's economy:

- **Agriculture:** Africa's agriculture has the potential to become a global "bread basket" with over 60% of the world's uncultivated arable land located in the region. However, the sector remains troubled by some problems, notably under-investment, a lack of clear policy, poor regulations, inefficient supply chains and inadequate fertilisation.
- **Banking:** The banking market is potentially vast and virtually untapped. Technology, such as mobile banking, is trying (and often succeeding) to fill the gap.
- **Infrastructure:** The scale of Africa's infrastructure needs is difficult to comprehend. For example, an estimated US\$ 100 billion a year is needed for investments in the power sector alone.
- **Retail:** With the emergence of the middle class, formal retail is finally starting to develop. South African retailers are expanding rapidly across the continent, often with newly-designed "value" products, aimed at lower-income customers.
- **Telecommunications:** The number of mobile subscribers exceeded the 500 million mark in 2010, with most countries still far off saturation. Internet access remains almost non-existent in most countries.

It is against this exciting and yet challenging economic backdrop in Africa that leading African and Middle Eastern dignitaries will meet at the Africa Global Business Forum 2013, to examine and debate how the public and private sector can come together to address the barriers to growth and strengthen the path to economic prosperity.

Major challenges

According to the report, major challenges remain for companies wishing to do business in Africa. Most countries from the region continue to suffer from limited infrastructure, a shortage of skills, poor governance and inconsistent policy making. However, certain countries, notably Ghana, have made consistent improvements.

The report examines the challenges and opportunities that can be found in six key Sub-Saharan countries - Angola, South Africa, Nigeria, Ghana, Tanzania, and Kenya.

- **Angola:** Cooperation with the UAE has strengthened recently, led by construction and energy deals. UAE imports from Angola are dominated by diamonds, while its exports are led by re-exports of vehicles. Oil exports will continue to support strong growth, but the economy remains largely undiversified.
- **South Africa:** The relationship with the UAE is well-developed and bilateral trade and FDI flows are strong. The business environment is among the most advanced in Sub-Saharan Africa and the private sector is well-established. However, mining and agriculture are undergoing productivity crises.
- **Nigeria:** Several UAE companies have made sizeable investments in Nigeria, while Nigerian real estate investors are investing in Dubai. UAE exports to Nigeria have recovered after falling in 2009. The government is keen to increase the role of the private sector, but opposition to privatisation and deregulation from vested interests remains formidable.
- **Ghana:** UAE investment into Ghana is starting to pick up, with a major power plant deal announced in 2012. UAE imports from Ghana are led by gold. Ghana offers a relatively business-friendly environment and red tape is gradually being removed. Poor infrastructure remains a major obstacle however.
- **Tanzania:** Political relations are warm and past UAE investment into Tanzania has included copper plants, luxury resorts and retail outlets. Businesses benefit from the relative political and economic stability, but infrastructure and skills shortages remain critical weaknesses.
- **Kenya:** UAE FDI into Kenya is relatively well-developed in retail, telecoms and banking. The UAE is also one of Kenya's largest import suppliers (primarily crude oil). The business environment is challenging. The unstable political environment and poor infrastructure pose the biggest challenges.

The Africa Global Business Forum 2013 seeks to address some of these issues and explore the opportunities for further cooperation between UAE and African businesses. The following themes and topics and more will be discussed:

- Government initiatives and business prospects in Africa
- Breaking down barriers and connecting businesses in a sustainable way for successful trade
- Commercialising agriculture - food security and investment
- Islamic Finance - Africa the new Frontier
- Private equity - lessons learnt from Dubai for Africa

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