

POLITICS TODAY



AN EXECUTIVE BACKGROUND BRIEFING FOR PROGRESSIVE BUSINESS

PRESIDENT ZUMA VISIT TO CONGO-BRAZZAVILLE

Speech: Emergence of an African Middle Class: Conditions, Issues and Challenges

FORUM FORBES AFRIQUE 2013

I stand before you with a great sense of honour, gratitude and appreciation, for this opportunity to share my thoughts with you on today's deliberations.

We have come to the end of a successful and informative conference, bound by a common desire to take the development of Africa's middle class to a level that will take forward the development goals of the African continent.

By choosing this theme aptly titled: "Emergence of an African Middle Class: Conditions, Issues and Challenges", Forum Forbes Afrique 2013 recognizes Africa's rise.

The continent celebrated the 50th anniversary of the Organisation of African Unity. The fact that we can talk of the rise of an African middle class means Africa is making progress, and that the standard of living is improving.

This means the 50th anniversary was worth celebrating indeed.

Also worth celebrating is the fact that over the last decade, six of the world's ten fastest growing economies were in Africa.

It was predicted last year that seven of the fastest growing economies in the world

over the next five years will be in Sub-Saharan Africa.

These include Ethiopia, Mozambique, Tanzania, Congo, Zambia, Nigeria and Ghana.

Thus, with an expected annual growth of five percent, Sub-Saharan Africa is projected to continue its move from a developing region to a hub of global growth.

It is important to note as well the World Bank statement that almost half of the countries on the African continent have attained middle income status.

However, it must be borne in mind that despite this achievement, there is still severe poverty and inequality in many parts of the continent.

We are all excited that prospects continue to look so good for the continent, dispelling the colonial myths of a dark continent. Africa has entered an era of progress, hope and opportunity.

Africa's improved economic prospects have largely been attributed to actions taken by respective governments to end political conflicts, improve governance and create better macroeconomic conditions.

This will surely continue given the success of African Union programmes such as the

African Peer Review Mechanism and the New Partnership for Africa's Development.

Among Africa's key development drivers are the continent's abundant natural resources, the growing consumer power of Africa's emerging middle class and a very youthful population.

These attributes offer enormous potential for sustainable economic growth and development across the continent.

However, despite the continent's positive economic outlook, it is still confronted by fluctuating commodity prices, rising inequality and youth unemployment.

These are the challenges that we are facing head on in the different economic regions of the continent. The African middle class should be a key player in finding solutions to these challenges. That is why this conference is so important.

Forbes Afrique has brought under one roof, amongst others, distinguished statesmen, eminent personalities, captains of industry, scholars, journalists as well as economic and political decision-makers from around the world.

These are distinguished men and women who have responded to the clarion call by this forum to champion the cause of Africa's economic and social development.

From today's discussions and deliberations, we also gleaned more information about the African middle class, which is so crucial to taking the successes I have mentioned forward.

In essence, the growing middle class is created by people moving out of poverty into formal employment and who have acquired the skills needed to transform their economies.

We have come to understand that the African middle class constitutes those members of society who live in urban centres, and tend to reside in bigger and more permanent dwellings equipped with modern amenities.

They have higher levels of tertiary education, and hold salaried jobs. They may be small business owners. They are young and in acquisitive phase of life.

They have fewer children than previous generations and certainly than those in the rural areas.

They have a strong vested interest in their children's welfare. They tend to opt for private education and health services.

Research findings by the McKinsey Global Institute, a consulting firm, defines middle-class households as those with incomes of 20,000 US dollars per year or more.

The Institute says Africa's middle class outstrips that of India.

More helpful is to look at the growth over a longer period.

Around 30 years ago, the African Development Bank estimated the middle class population in sub-Saharan Africa to be about 100 million people.

Currently, data compiled by the World Bank and the African Development Bank puts the number of middle class Africans at 350 million from a total population of approximately 875 million.

Countries counted amongst those with the largest middle class populations are South Africa, Kenya, Ghana and Angola.

As a new nation and young democracy, my own country South Africa is excited by the growth of the country's middle class. The growth demonstrates that we are making progress in improving the quality of life and extending opportunities to those who were oppressed only 19 years ago before the dawn of freedom.

Research by South Africa's University of Cape Town's Unilever Institute of Strategic Marketing estimated that South Africa's black middle class had more than doubled in the past eight years, from 1,7 million South Africans in 2004 to an estimated 4.2-million last year.

The study found that the annual spend of the country's black middle class began pulling ahead of their white middle class counterparts in 2008, and has since skyrocketed to over R400 billion per annum.

South Africa is thus slowly getting richer, as the study outlined, although many challenges still remain.

The growth of the middle class is good for Africa as it means a growth in a population with skills to help manage the economy.

It also means a growing market for goods and services which is crucial given that Africa has become the next frontier for world economic growth after China and India.

To entrench Africa as the next frontier for global economic development, the African Union member states have identified the need to respond to the need for regional integration and inadequate infrastructure.

It is estimated that, if Africa narrows down its infrastructure gap, economic growth on the continent can be boosted by as much as 2 percent per year.

Infrastructure development will help lower transport costs and ensure that people, goods and services are able to move more effectively and efficiently throughout the Continent.

Roads, bridges, rail lines, pipelines, power plants, ICT connectivity, cables, ports, and

water-ways are the underpinning arteries of growth.

It is for this reason that we have adopted the Programme for Infrastructure Development in Africa (PIDA) and the Presidential Infrastructure Championing Initiative (PICI).

We have identified certain Heads of State to champion priority infrastructure projects in order to give strategic political impetus to this process.

As I am sure we can all appreciate, it is difficult to accurately project the capital cost of the implementation of long-term infrastructure projects.

However, currently the costs are estimated at more than 360 billion US dollars until the year 2040.

African leaders have made a strong commitment to meet the expected financial gap, and it is anticipated domestic resources may represent over 50% of the total funding as soon as 2020.

I therefore wish to encourage the private sector representatives present here to today, especially those from Africa, to become more involved in the development of infrastructure on the African continent. The benefits are immense.

The establishment of strategic linkages between the African and international companies will be most helpful in the transfer of skills, knowledge and technology.

As you would be aware, negotiations are also ongoing on the establishment of a continental Tripartite Free Trade area, which will bring together the Common Market for Eastern and Southern Africa, Southern African Development Community and the East African Community.

The 26 African countries involved have an aggregate GDP of 860 billion US dollars and a combined population of 600 million. The establishment of the free trade area will provide a compelling and accessible marketplace for business.

It will also contribute to the establishment of the Continental Free Trade Area as per the Abuja Treaty, putting Africa on a development trajectory that will afford her the ability to compete favourably with the rest of the world.

It is therefore not surprising that these negotiations have solicited a lot of interest from the world trading community.

Indeed we are living through a promising time in the continent.

Together we have a common goal of building an Africa that is at peace with itself.

An Africa that promotes unity amongst its citizens. An Africa whose leaders focus firmly on promoting prosperity and in reducing and ultimately eliminating poverty and inequality.

From Cape to Cairo and from Madagascar to Morocco, our destiny and vision of a prosperous and peaceful Africa is intertwined.

The middle class of our continent should fully share the vision and actively participate in ensuring Africa's success.

We thank Forbes Afrique for promoting African growth and development and for promoting the African middle class.

We thank you all for making time to attend this crucial dialogue.

I thank you.

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