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Isaba News

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SA - Hong Kong of Africa? By Allister Sparks

Twelve years after The Economist ran that damning headline declaring Africa to be "The Hopeless Continent," the continent's fortunes are undergoing a remarkable turnaround. Its political landscape is changing and with that its economic health is improving. Africa has the largest number of countries of any continent in the world, and many of them are beginning to prosper. Some investors are beginning to identify Africa as containing the next cluster of exciting emerging markets.

Perceptions are still clouded, however. Bad records, like bad reputations, are not quickly shrugged off. So, as the economic and political elite of the world gathered at Davos last month, some were still advising South Africa to detach itself from its commitment to the rest of Africa; to sell itself to the developed world as being "different," not to be hobbled by its comradely concern for the rest of the hopeless continent.

They are wrong. Not only is Africa itself beginning to prosper, but it has become an integral part of South Africa's own economic success – and is set to become even more so in the future.

A look at some of the statistics coming out of Africa should open those blinkered eyes. Sub-Saharan Africa as a whole is now averaging an unprecedented 5.6% GDP growth rate – up from 2.2% a decade ago.

The International Monetary Fund says prospects for this year look

promising, with growth in the eight oil-producing countries possibly averaging 10%, the non-oil-producing countries remaining steady at 4.5%, and inflation overall expected to fall further to 6%. That is excluding aberrant Zimbabwe where, if policies remain unchanged, inflation is projected to reach a staggering 4,000% by the end of the year.

Some of the best performances are in our own Southern African Development Community (SADC) region in which South Africa is heavily invested. Heading the field is Angola, with its expanding oil resources, which had a growth rate of 16.6% last year, followed by Botswana with 11.4%, Mozambique with 7.2% (expected to rise to 7.4% this year), Zambia, which was a basket case a few years ago, with 6% and Tanzania with 5.8%.

South Africa, which for so long was cut off from the rest of the continent, is now one of the biggest foreign investors (if not the biggest) in Africa – and Africa is certainly its biggest FDI destination. Freed from the stigma and the constraints of apartheid, sanctions and boycotts, scores of South African listed companies have led a new Great Trek into the continental heartland – such as Sasol, which is active in 44 enterprises around the continent, SAB Miller, MTN, Shoprite, Standard Bank and many more.

In our first decade of democratic rule, South Africa's trade with Africa increased from a paltry R4-

billion to R43-billion and has continued to grow exponentially since then.

South Africa is the gateway to this newly emerging continent. It can be to Africa what Hong Kong was to China.

A number of things have wrought this remarkable turnaround. Most important have been debt relief and surging commodity prices, with the rising industrial giants of China and India hungry for the continent's wealth of resources. This in turn has made Africa a more attractive investment destination and so private capital inflows are rising.

A few other factors have added impetus to these twin boosters.

1. With the Cold War ended, the Soviet Union and the United States no longer had reason to support their client states in Africa, which were often presided over by kleptocratic dictators. These authoritarian regimes lost their ability to resist internal pressures for change. It took a little time for these pressures to assert themselves, but when they did the dictatorships began to crumble and governments became more accountable to their people.

2. The end of the Cold War also saw a global movement towards democracy – in Eastern Europe and the Soviet Union itself – which again had its influence on Africa.

3. As the continent moved further away from the revolutionary fervour of its early independence years, the feverish ideological radicalism that accompanied the anti-colonial struggles began to subside,

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and as the “struggle generation” faded from the scene it was replaced by new and more critical generations for whom those in government were no longer unchallengeable heroes of their liberation but fallible and often corrupt rulers who needed to be held to account. New civil society groups began to emerge. And some vigorous independent newspapers arose to provide an alternative to the tired old government mouthpieces and give voice to the dissenters.

Of course there are still some daunting political problems in Africa, notably in Sudan, Somalia, Ivory Coast and the tragic self-inflicted implosion of Zimbabwe. But on the whole the political landscape has changed substantially. In the 1980s only five African countries held democratic elections - Botswana, Gambia, Mauritius, Senegal and, ironically, Zimbabwe. In the 1990s forty countries held multiparty elections that various groups certified free and fair. And this year almost half the countries of Africa will be holding presidential, parliamentary or local elections – among them The Gambia, Mauritania, Senegal, Mali, Morocco, Nigeria, Sierra Leone, Togo, Congo-Brazzaville, Congo-Kinshasa and Kenya.

The most important, of course, are Nigeria and Kenya, which together with South Africa form a tripod of stability and influence in the south, west and east of the continent.

It is worth noting, too, that the Democratic Republic of Congo – that is Congo-Kinshasa – so long a place of chronic instability at the very heart of the continent, has emerged from last year’s presidential elections – its first in 40 years – looking a whole lot healthier.

My advice, then, is to keep an eye on the DRC this year. It is huge, it is immensely rich in resources, and now it is beginning to stabilize. It could be the African success story of 2007.

Economic & Trade Update (by Standard Bank)

The South African economy has entered its twenty fifth quarter of uninterrupted growth supported by a relatively benign financial and economic environment, a series of tax cuts, increases in disposable income and sharp increases in asset prices. A relatively low interest rate has led to a strong increase in domestic demand, especially consumer expenditure.

The interest rate cycle turned in June 2006 and will in due course imply that domestic demand will lose some steam. This slack will be picked up by huge infrastructure projects and exports are also likely to increase on the back of a somewhat weaker exchange rate. The booming economy has resulted in many sectors reaching capacity constraints of both a physical and

human nature.

On the political front the ruling African National Congress will elect a new leader by the end of the year. This is a controversial issue given that one of the potential candidates is Mr Zuma, a previous Vice President that was sacked and possibly still faces charges of corruption.

The trade balance swung back into a deep deep deficit in January, continuing with the theme of teenage deficits recorded in the concluding months of 2006 (barring December). January, however, is a seasonally stronger import month, as businesses generally realign their production processes for the year ahead. Exports decreased by 16.6% m/m in January to R30.456bn from

R36.516bn in December, whereas imports recovered by 17.3% m/m to R42.393bn in January. As a result, a trade deficit of R11.937bn was recorded in the first trading month of 2007. Despite weakening in 2006, the rand is still strong enough to provide support to importers in the coming months and, at the same time, buoy the theme of deficits on both the trade account and current account. The magnitude of deficits in January this year and October and November of 2006, however, is unlikely to be on the cards for the rest of 2007.

Inner City Regeneration in Johannesburg

A GROUP of clever entrepreneurs has taken on the ruin of Johannesburg's inner city, revamped it and built themselves a small fortune. This amazing downtown renaissance sees the new financial district as the first of the city's improvement districts. See, I am rolling out the props," says property developer Alfons Botha as we walk along a spanking clean downtown street in the district, lyrically landscaped with sandstone sculptings, mass plantings and mosaic inlays in quiet squares.

Now there are cameras on every street monitored permanently to prevent crime and armies of cleaners to create a just-brushed freshness.

It would probably be accurate to say these are the safest streets in Africa. And when it comes to real estate, safety is up there with location, location, location in the South African psyche. Hundreds, probably thousands, of people are buying into the new loft-style lifestyle with starting prices of R450000. Botha talks about a penthouse going on the market for R30m. Developers cannot keep up with demand. We have 20 buildings but no stock available," says Botha. There was a time when you could buy an old building in the city for the price of a house in the northern suburbs, now their value has shot up, in some cases by a factor of 20.

According to the recent article in Business Day, estate agents bill it the inner-city "Manhattan lifestyle", but in reality, there are lean pickings. Most of the social and cultural life fled northwards when the CBD sank into a state of urban decay. But this, no doubt, is set to change once gentrification begins in earnest. The town is still in the first flush of its development and still feels eerily abandoned, as most loft owners buy off plan. Some of the background noise,

which developers are addressing is due to hardcore poverty and urban decay. The financial district is ringed by hundreds of ruined buildings alive with humanity the no-income to low-income groups. This is where families divide up rooms with cardboard strips and live without electricity or running water. Where women often turn to prostitution to survive, and young children are sent into the streets to beg for food or steal it. It is a social problem that has to be addressed and will be decisive in the fight against crime. The inner city has long been a no-man's-land of lawlessness. They don't only steal your wallet here, they take whole buildings. Neil Fraser of the Central Johannesburg Partnership says developers and the council are dealing with this in a sensitive and intelligent way. Models are being developed to house the homeless and hawkers, and are being regulated so that they can ply their trade in certain areas. He is aware of the fact that social problems are like the proverbial bad penny and will re-appear with a vengeance if not properly addressed.

The renovations are described as a little slap dash and the bathrooms are so odd-shaped they look as though they once held filing cabinets. But they have hardwood floors, city views and the sound of traffic. What is it about city life that is so appealing? It's the energy," says Botha, There is a sense of community. You can talk to anybody here. Don't expect Sandton City, it's not like that." But it's more than that. The people buying lofts in such improbable surroundings are adventurous spirits who are proving that it is possible to roll back seemingly intractable problems.

Affordable Housing to Double

The South African government has recently announced that it plans to double the building of RDP (Reconstruction & Development Programme) houses to eradicate informal settlements by 2014. Housing Minister Lindiwe Sisulu said South Africa's population was expanding by 200,000 households a year. New RDP homes were being built at a rate of 250,000 a year, which was enough to cope with the increase but was not reducing the backlog. An estimated 2,400,000 households currently live in informal settlements. Sisulu said delivery was already being stepped up to 265,872 in the current financial year. Asked whether the construction industry would be able to cope given the World Cup and

Asgisa requirements, Sisulu admitted it would be difficult. "Faced with the competition we could be wiped off the radar screen," she said, "but housing is a constitutional requirement and we are working on it." She noted that proper housing developments, with streets and lighting that would facilitate police patrolling, was also an essential part of the fight against crime. Sisulu also said a special Housing Development Agency would be set up to help manage and coordinate the accelerated project around the country, including identifying and buying land for integrated housing developments. The agency would be part of a "special purpose vehicle" that would also help handle land reform and land redistribution. Acquiring

suitable land was the most difficult part of the housing programme, Sisulu said. She added that the unit cost of building an RDP house was about R36,000, but when land value was added, the market value was around R250,000. Once title deeds were issued to all the home owners, householders would be in possession of valuable assets which could help leverage them into the economy. "We are working on that," Sisulu said, adding that the Deeds Office fell under the Department of Lands and she was working hard trying to establish a separate housing unit within it that could speed up the issuing of title deeds to homeowners.

SA Embassy Update

AGRI TRADE EXPO - JULY 2007

Africa's Big Seven Agri-food exhibition takes place 15-17th July 2007 in Johannesburg South Africa. Widely accepted internationally as Africa's showcase for Food, Retail and FMCG products together with the processes to manufacture them and the technologies to market them, this expo is a great opportunity for Irish companies to see what's on offer from South Africa agri- sector.

Irish buyers interested in attending should contact Emma-Jane Dockery Trade & Investment South African Embassy 01 6615553 or for more information see www.exhibitionsafrica.com

HONORARY FELLOWSHIP FOR KADAR ASMAL

Royal College of Surgeons in Ireland (RCSI) granted its highest award of Honorary Fellowship to Professor Kader Asmal, Member of Parliament of the Republic of South Africa,

On Saturday 17th February.

Professor Asmal has dedicated his life to human rights, social justice and environmental sustainability, both for South Africa and for the world. He was a founder of the British Anti-Apartheid Movement and founder and chairperson of the Irish Anti-Apartheid Movement. On his return to South Africa he played a key role in constitutional negotiations prior to his appointment in 1994 as Minister of Water Affairs and Forestry by then President Nelson Mandela.

ENTERTAINMENT NEWS

Anner House is a feature length television movie for RTE. Little Bird commissioned the story from international best selling Irish novelist, Maeve Binchy which was adapted for the screen by Anne Marie Casey. It was shot for 4 weeks in and around Cape Town, South Africa. It will be broadcast on RTE on Easter Sunday 8th April 2007.

Tourism Update

According to Investec The number of SA tourist arrivals increased by 15.4% year on year in the first six months of 2006 (from 8.7% in the same period 2005) following growth in both the African and overseas visitor categories.

The number of African tourists visiting SA grew by 20.3% year on year in first six months 2006 to 3 million – chiefly due to robust cross-border commerce. The number of overseas visitors from overseas grew by 5% year on year for the same period, explained primarily by Rand weakness, global expansion of low-cost transport and SA's marketing efforts.

Investec believe that robust growth in the tourism sector in South Africa will have been maintained for the latter half of 2006 (although the data is not yet available) and into 2007. Good economic growth in sub-Saharan African countries is likely to support cross-border trading while improved world confidence and some rand weaknesses are both likely to bolster SA's tourism sector in the medium term.

Upcoming Event

ISABA AGM & NEW MEMBER NETWORK EVENING

Isaba will be having its Annual General Meeting combined with a new member networking evening following the AGM.

Date: Thursday 3rd May 2007

Time: 17h00 - AGM

18h00 - Networking evening

Venue: To be confirmed

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