



The process of economic and social development in Africa is now well underway with some significant achievements that need to be recognised while addressing the big challenges ahead.

Africa needs to achieve progress that is sustainable and built on a strong foundation so it cannot easily be derailed.

A nation's wealth is created through many sources including:

- economic value add to raw material, e.g. manufacturing;
- exploitation of its natural resources e.g. mineral, oil and gas; and/or
- knowledge-based economies, e.g. information technology.

To grow this wealth and sustain its economic power base the growth and development in the above areas must continue.

#### Lessons from the Global Financial Crisis

The much debated financial crisis that has engulfed much of the world and caused a heavy blow to economic super powers bringing them to their knees, is not what it seems to be. There are much deeper root cause issues than what have been debated. Much of the debate focussed on sub-prime mortgages and the greed of Wall Street executives, and while these were contributing factors, they were not the main cause of what has happened.

To really understand what has happened you have to move away from the complexities of economic theories and explanations and adopt the more simplistic approach outlined earlier.



Over many decades now, the Western economies, following the US trends, have been moving away from the fundamental economic drivers of wealth creation and in that process enabling other nations like China and India to take over the economic value creation activities.

Once upon a time "Made in America" was a symbol of quality in a broad range of products in diversified industries. But somehow, in their wisdom the Americans decided that manufacturing in their own country was not a worthwhile activity and their interests would be better served by exploiting cheap labour in countries like China, India and Asia generally – a big mistake. The growth of China's manufacturing industry has been quite spectacular with "Made in China" now dominating the world and providing hundreds of millions of jobs for its people, creating new businesses and attracting massive investment.

You don't have to be a rocket scientist to see that this enormous growth has come at somebody's long term expense. The number of manufacturing jobs in the USA has dropped back to levels not seen since the 1940's. This value creation asset has now been lost and cannot be regained in the short to medium term as the new owners of this asset have the knowledge, technology, people and strategies to maintain the competitive edge as they understand the true value of what they have gained through clever strategic planning, much hard work and pain.

# Africa's Path to Prosperity

So while the developing countries became the economic growth engines, the developed countries sat back enjoying the fruits of their past accomplishments. Suddenly one day, about two years prior to the Financial Crisis it dawned on me that the Western world was heading towards an economic crisis. The Western world was not creating value or adding value, hence it is now paying the price.

#### Value Creation – An Essential Requirement for Africa's Development

Africa needs to develop value creation as a fundamental part of its economic development. It is pleasing to see that many African leaders such as Dr Bashir Saleh Bashir, Founding Chairman, Libya Africa Investment Portfolio, while working towards implementing his Leader's vision, recognise a key aspect for Africa's development: the critical importance of the value-added approach in all its industry development programs.

Africa's economic development potential is huge and it can be fast tracked tremendously by leveraging globalisation and lessons learned from rapidly emerging countries like China.

Having now worked with China's business leaders for almost a decade, I understand the true power of developing industry strategies and implementation planning, harnessing knowledge and expertise of world leading experts and developing the workforce through practical training and education.

The most successful countries in Africa will be those that get the fundamentals of economic development right.

#### Preconditions for Africa's Economic Success

If Africa is to succeed in its progress, it will need to make rapid progress in addressing the preconditions necessary to be successful in a globalised world.

The emerging successful nations have demonstrated that without expanding their electricity generation capacity, there is no possibility of economic development, so the sufficiency of electricity generation and distribution is essential. Similarly, Africa needs to leverage the full potential of globalisation and Foreign Direct Investment (FDI) by developing a strong telecommunications and information technology capability and infrastructure. These preconditions are key ingredients in leap frogging development in a globalised world.

The fundamentals of success, above all, include expertise, knowledge and experience generated by having done it before in all facets of business and government operations. This is one of the biggest gaps for Africa as it was for China a couple of decades ago. In this regard, the African countries must adopt a two-fold approach:

- Firstly, they must source the necessary world class expertise from the global markets to bridge the capability gaps.
- Secondly, they need to develop the capabilities and expertise of their own people through education, training and on-the-job learning from world class experts. This area is one of the most challenging areas as there will not only be resistance from the local workforce but also difficulty associated with sourcing true experts who can make the difference.

Finally, the political and business leaders must create an environment that is conducive to foreign experts to deliver outcomes and enable success, with a clear understanding that many of their people will do their best to block change by derailing the work of experts.

The future in a globalised world brings many opportunities and challenges. All players need to think through their strategies to compete, invest in the future, and make policies that enable them to harness future value for their economy.

#### Fast Tracking African Economic Development

To fast track its economic development, Africa needs to make urgent gains in the following fundamental areas:

1. Address the electricity shortage gaps with new technologies such as solar power that are ideally suited for Africa.
2. Develop a comprehensive mining industry strategy, addressing the full infrastructure requirements and industry development programs that may require cross border collaboration.
3. Develop the IT industry through outsourcing and other initiatives, learning from the experience of countries such as India and China.
4. Develop industry strategies and programs of investment for developing new value add businesses in key industries.
5. Develop the workforce through formal education, training and development, aligning the education activities with the overall Country Human Resource Plan.
6. Focus the education effort at a practical and output oriented level.
7. Leverage globalisation through joint ventures and FDI while ensuring Africa's share of value is protected and focus is maintained on developing all possible value added activities on African soil.

At Catalyst, these are some of the areas where we can make a difference and help lead your efforts in the right direction.

Using our team of experts, we will proactively develop the best possible investment opportunities in Africa based on:

- Attracting the most appropriate companies for joint ventures and partnering in business development projects in Africa.
- Collaborating with African governments and organisations such as the World Bank and the Africa Development Bank, enabling access to additional capital and jointly undertaking development projects

This approach will create innovative opportunities in Africa within industries that are essential for economic development. Through this approach, we will undertake our best endeavours to achieve our vision - to be a CATALYST for Africa's economic and social development.

Zia Q Qureshi  
Executive Chairman