



March 2014



**Thinking Aloud**

Awakening the Slumbering Giant - Jay

**Podium**

Interview with **Arshad Dudhia**, Managing Partner at Musa Dudhia & Company

**We Recommend**

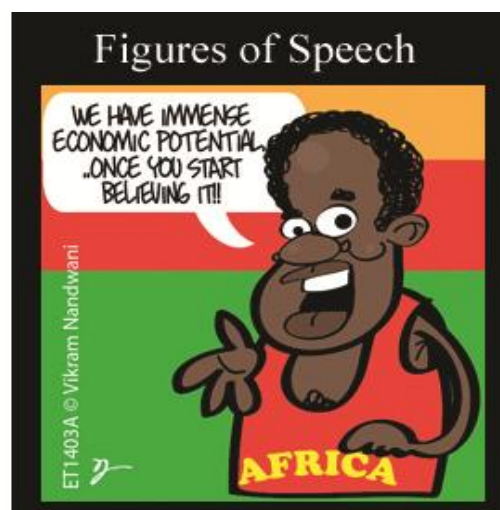
**Articles from McKinsey & Company**

**Standing Ovation**

**Balajee Sewa Sansthan** – Bihar and Uttarakhand

Dear Reader,

Emerging markets is a topic that has been long talked about in recent times, and one region which comes to mind is Africa. As global uncertainty continued to be the norm in most economies last year, the continent has been resilient. The continent's optimism stems from improved macroeconomic management, a growing middle class concentrated in urban areas, coupled with a youth bulge across the continent. However on the other side, underdeveloped infrastructure, persistent inequality and flagging job creation in the face of steady population growth pose considerable challenges. Nevertheless, countries have realised the importance of the potential that this continent holds and this is evident from the presence of many companies investing in the region; Africa's growing economic ties with the BRIC economies, particularly China, are well known.



Times are changing with the Indian tiger and the Chinese dragon now in the backdrop, while the African lion basks in the glory of economic development and investment flows. This month, ET elucidates the potential of Africa as an upcoming market.

In **Thinking Aloud**, Jay highlights the growing importance of the African economy given its varied background in terms of language, religion, economic and political models. Africa is akin to an economic sleeping giant endowed with natural resources, multi-lingual demographics and its under-utilized farms & plantations. The importance of the country is seen from the presence of companies leveraging and investing in Africa. Although there are factors of concern, Africa is viewed as a work in progress market economy.

On the **Podium**, Managing Partner at Musa Dudhia & Company and one of the Zambia's pre-eminent corporate

lawyers, Mr. Arshad Dudhia defines the characteristics of an emerging economy and how Africa as a continent fits this definition. He looks into the various potential business investments that exist in Zambia for investors and how the Government supports investments in the country.

In ***We Recommend***, various articles are put forth from the plethora of research articles published by McKinsey & Company. These articles highlight the growing importance of Africa, its future growth prospects and opportunities. The continent has itself undergone various transformational changes to compete with its global peers and capture its share of the competition.

***Standing Ovation*** features Balajee Sewa Sansthan, an NGO which works towards the uplifting of the economic backward people of Bihar and Uttarakhand, through the provision of financial help and other training programmes which will create opportunities for self-employment and economic development. The NGO aims to serve the marginalised and become one of the most preferred NGOs in North India by 2020.

In ***Figures of Speech***, Vikram's cartoon is hopeful towards progress!

As always, we value your opinion, so do let us know how you liked this issue. To visit our previous issues you can visit the Resources section on the website or simply [Click Here](#). You can also follow us on [Facebook](#), [Twitter](#), [Linked In](#) & [Google+](#) - where you can join our community to continue the dialogue with us!

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## Thinking Aloud

### Awakening the Slumbering Giant - Jay

The business route into Africa has not got crowded yet. Therein lies the opportunity.

The BRIC nations caught the fancy of the world a decade ago & the glitter has been under severe question (some might even argue is slowly fading) given the economic & political turbulence in Brazil, Russia and India. Only China has retained its promise despite periodic questions on the veracity of its economic data. The next set of nations to watch for they say is the MINT countries (Mexico, Indonesia, Nigeria & Turkey). The one that has really caught the eye is Nigeria. Caught in the crosshairs between bad social reputation resulting from extreme ignorance & poor PR and immense economic potential, in many ways it epitomises the potential that is Africa.

First, a caveat: any discussion of Africa must begin with an explanation that we are referring to a continent with 55 countries (as recognized by the United Nations), spread over a large land mass, with not just different language & religion but with different economic & political models. Therefore, generalization of arguments is fraught with danger and liable to errors. However, having said that, for the limited purpose of this feature, let us accept that there are many common elements that can be viewed for a large part of the continent.

With this preamble out of the way, let us explore what makes Africa an economic sleeping giant. Take demographics for a start: 50% of Africans are 19 years or less and with over 1,000 languages, Africa is the most

multi-lingual part of the world! However, what makes Africa a prized territory is the immense natural resources that it offers. Gold, diamonds, iron, uranium, copper, bauxite, et al, you name it, and Africa has it. And, of course the oil wealth of Africa is still largely underleveraged. The other new El Dorado is the immense potential of commercial farms & plantations that has been recently acknowledged as potentially the world' s most under-utilized opportunity.

So, is the new rush into Africa shades of a 21st century neo-colonialistic scramble for natural resources? One may well argue that it is so with both the West & China making inroads for tying up long term stake in the mining & other natural resources sectors across countries (for instance, Chinese firms reportedly own 40% of the oil production from war affected Sudan). But things may not be as dismal as it appears. The beneficial presence of these companies & countries is that they are also investing in building basic infrastructure in these nations, thereby providing a much needed fillip to the economy. The projects undertaken by China have extended from roads, railways, schools, hospitals to bridges and the grandiose ' gift to Africa' , the African Union' s grand headquarters in Addis Ababa. And, more importantly, trade with China is helping African consumers too as they provide an affordable volume of goods to a constituency which aspires for modern amenities without having to pay the exorbitant western prices.

Therein lies a tale. What the mass markets of Africa require is a bottom-of-the-pyramid uniquely African solution appropriate to its condition. And, the BRIC nations can be the ideal partner for creating and offering this remedy, primarily because they too face similar situations in their home markets. Be it Brazil or India, the large population of these nations are building economic models (fuelled by rising demand for products and services) that are akin to those required in Africa. Since the fall of the Soviet Union, Russia has been too preoccupied with its own domestic challenges to pay sufficient attention to African markets unlike in the past, and China has played its card well to maximise the opportunities thrown up due the absence of the Russians.

However, what most African nations truly face is a governance deficit. This is one element that cannot be imported from overseas. In fact, indulging foreign interests is counter- productive in the long run and will only enhance the neo-colonialistic tendencies and shackles which were dispelled after major wars of liberation.

The scourge of AIDS remains a threat (with about 10% of the population being HIV infected in 9 countries) but thankfully is being contained. The true route to development lies in raising education standards. Sub-Saharan Africa has a literacy rate of 63% but there are parts of the continent where the rate is as low as 22%, with women being the most neglected as always. Education creates awareness and becomes a lever to all other issues for achieving the UN' s Millennium Development goals, be it in health, social, economic & ultimately political.

Yes, political instability & corruption are factors of concern, as is law & order, but these need not deter investments for growing the economy. What is now required is positivity towards the business opportunity that is on offer. No longer should Africa be seen as a basket case, but a WIP (work in progress) market economy, and the relatively stable countries of the continent (Nigeria, South Africa, Kenya, Zambia, Ghana, Ethiopia, to name just a few) & arguably should be viewed with a different lens.

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## Podium

### Mr. Arshad Dudhia, Managing Partner at Musa Dudhia & Company



Recognised as one of Zambia's pre-eminent corporate lawyers, Mr. Arshad Dudhia is currently the Managing Partner at Musa Dudhia & Company. Under his leadership, the firm has doubled in size and increased its revenues by 171% in the last two years.

Mr. Dudhia has particular expertise in mining and commercial transactions. He has represented a wide range of clients from both the public and private sectors, including investment banks, retail banks, financial institutions, private equity providers and international development institutions. Mr. Dudhia has renowned expertise in providing advice on lending and acquisition financing, asset financing, project and corporate finance and financial regulatory issues. Furthermore, he is exceptionally skilled at the preparation of the full spectrum of financial product documentation. Consistently praised for his unwavering client focus, Mr. Dudhia has assisted numerous clients in resolving their disputes efficiently and effectively, whether through litigation, arbitration or mediation.

Mr. Dudhia is consistently ranked as a leading lawyer in Zambia by Chambers Global. PLC Which Lawyer? 2011 also recognised him as a leading lawyer in corporate and commercial law and dispute resolution.

**ET: What defines an emerging market and what makes Africa an emerging economy?**

**AD:** Emerging markets sit between frontier markets and developed markets. Emerging markets are characterised as markets in which one is expected to achieve higher returns but which is accompanied by greater risk. To me, an emerging market is a market in which there is still room to grow. I do not think you can look at Africa per se as an emerging market. Africa is a very big continent. It is as big as USA, China, India and most of Europe together and so one must be careful when generalising about whether Africa is an emerging economy. There are 52 different countries at different stages of development. We have to remember that Africa has many diverse cultures, languages and legal systems with little or nothing in common with each other. This makes it difficult to see it as one economy. I prefer to categorise Africa as comprising of 3 different categories of economy. And here I am talking about sub-Saharan Africa where I am based. The categories are " Gateway" (examples Botswana, Nigeria, South Africa, Kenya, Mauritius), " Rising" (such as Mozambique, Ethiopia, Zambia, Tanzania, Uganda, Rwanda, Ghana) and " Raw" (including Malawi, DRC, Burundi, Sudan). The Gateways are in a more advanced stage of development and are often the countries into which the investment into Africa first comes. Rising are the countries which are still at a low stage of development but which are attracting greater investments. Raw are the countries which are quite undeveloped but are beginning to get investments.

**ET: Over the years, Zambia has consistently clocked in impressive growth rates among its regional peers. What are the factors that drive the Zambian economy?**

**AD:** The Zambian economy is driven by its stability. Since independence in 1964, Zambia has not had any political difficulties. In 1991, it transitioned from a single party state to a multiparty democracy and it has had peaceful and fair elections and is one of the few countries in Africa where an incumbent lost an election and freely relinquished power. On the base of this stability, Zambia is very rich in natural resources. World Bank reports have cited the Fraser Institutes ranking of Zambia as 26 out of 79 jurisdictions worldwide for mineral potential – in Africa only the DRC and Burkina Faso have higher mineral potential rankings. Copper is what Zambia is most famous for. Zambia also has very large water resources and very arable land and there have been significant investments in large scale commercial farming.

**ET: Multinational companies are increasingly focusing on emerging economies in the developing world for new growth opportunities as developed markets become more saturated and competitive. What are the potential business investments that exist in Zambia for investors and how does the Government support investments in the country?**

**AD:** After the privatisation process in 1992, Zambia became well known as an investment friendly destination. Since the liberalisation of our economy in the 1990' s, Zambia has institutionalised the granting of investment licenses and has established the Zambia Development Agency as a “ one stop shop” for investors. Getting a license gives protection such as tax incentives, work permits, a protection against expropriation and assurance of being able to repatriate profits. Zambia does not require any local participation in businesses except in a few protected sectors, such as asset management, broadcasting, small scale mining. Zambia does not have any exchange control and as such foreign currency can be traded easily. There are good opportunities for investors in microfinance, agri-business, mining, construction and services.

**ET: Can you elucidate the legal system that the African countries follow and particularly in Zambia? Does the legal system support investments in the region?**

**AD:** As earlier stated, Africa is very diverse. In the main, the legal systems that have been adopted by African countries is a colonial legacy. So, those countries that were colonised by the British adopted the English common law system. This includes Zambia, Uganda, Kenya, Tanzania and Nigeria. The Lusophone countries that were colonised by the Portuguese, like Angola and Mozambique have adopted Portuguese law. Similarly, the Francophone countries, like Ivory Coast, DR Congo, Senegal and Cameroon and Sierre Leone, have adopted the French civil code type of law known as OHADA. South Africa and Zimbabwe have Roman Dutch law. Some countries like Mauritius have a unique hybrid of French and English law. Rwanda is also trying to change its laws to allow English law based documents as it is perceived that international capital is drawn to countries that have similar legal systems to the Western countries like the UK and America. In East and Central Africa, using an English law based legal system helps investors as they are familiar with how the law of contract and finance works.

**ET: Chambers Global has consistently ranked Musa Dudhia & Company as a leading law firm in the region. How do you operate in the region and what are the characteristics that help the firm stand out from the rest?**

**AD:** Our firm is the oldest firm in which a founding partner is still working. We have been in operations since 1958. The firm has built up through its years, a strong history of integrity in its dealings with the government and international investors and its local clients. This has helped to ensure a steady stream of work and growth. Also, we are known for our culture of always thinking beyond the obvious to find solutions for the client. To sustain this competitive edge, we invest heavily on ensuring that we increase our knowledge of international best practise as well as our clients' businesses. For example, to stay ahead of the curve, since 2007 our firm has been a member of ALN. This is a pan African alliance of the leading independent firms in the region. We are currently in 13 African

countries, with an associate office in Dubai and South Africa. Each of the partners of the ALN firms are African lawyers who trained in England but live in their home country because they accept as true, that what their firm is doing is developing their country for the future. This motivation that we share gives us a powerful vision to work hard to ensure that we build transaction governance capacity, through contracts and dispute resolution without corruption. Through our shared vision, we support ourselves in times of need and share lawyers, trainings and knowledge. Together we are committed to change any negative connotations attached to the phrase “ Made in Africa” . We believe that this vision enables us to give huge value to our local and international clients and by helping our clients we in turn are helping our countries’ economies and building the continent.

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## We Recommend

### Articles & Videos

Various articles and reports have been published on the World Wide Web highlighting the importance of Africa as an emerging economy. This month we share with you links to resources from Mckinsey & Company who have released various articles and research reports on Africa.

#### 1. **Lions on the move: The progress and potential of African economies**

In a joint effort of McKinsey’s Global Institute and Mckinsey & Company’s Africa offices, the report “ Lions on the move: The progress and potential of African economies” examines the sources behind this emerging market’s economic growth since 2000, future growth prospects and other opportunities ahead.

**Link:**

[http://www.mckinsey.com/insights/africa/lions\\_on\\_the\\_move](http://www.mckinsey.com/insights/africa/lions_on_the_move)

#### 2. **Africa at work: Job creation and inclusive growth**

McKinsey’s Global Institute, through its research report, has presented a comprehensive insight into Africa’s employment landscape. Through a survey of five African countries and interviews with key policymakers and leaders, the report delves into the prospects for job creation to 2020.

**Link:**

[http://www.mckinsey.com/insights/africa/africa\\_at\\_work](http://www.mckinsey.com/insights/africa/africa_at_work)

#### 3. **What’s driving Africa’s growth**

McKinsey’s Principals Acha Leke and Arend van Wamelen and Directors Susan Lund and Charles Roxburgh, have worked on this article which aims to highlight the country’s growth story and how investments have paid off positively in Africa than in any other developing region of the world. The authors have also put forth a framework for understanding how the opportunities and challenges differ by classifying countries according to levels of economic diversification and exports per capita. This approach can help devise business strategies and may also

provide new insights for policy makers and strategists alike.

**Link:**

[http://www.mckinsey.com/insights/economic\\_studies/whats\\_driving\\_africas\\_growth](http://www.mckinsey.com/insights/economic_studies/whats_driving_africas_growth)

4. **The case for investing in Africa**

Professor of Economics at Oxford University, Paul Collier explains the transformational changes that the African continent has undergone.

**Link:**

[http://www.mckinsey.com/insights/economic\\_studies/the\\_case\\_for\\_investing\\_in\\_africa](http://www.mckinsey.com/insights/economic_studies/the_case_for_investing_in_africa)

5. **Fulfilling the promise of sub-Saharan Africa**

Former Managing Director at the World Bank, Ngozi Okonjo-Iweala reports that the sub-Saharan region has not been left behind to perform better than its regional peers. In fact, it offers a better platform for profitable new investments than ever. The region inspires to move past the image of poverty and conflict to one open for business in all spheres.

**Link:**

[http://www.mckinsey.com/insights/economic\\_studies/fulfilling\\_the\\_promise\\_of\\_sub-saharan\\_africa](http://www.mckinsey.com/insights/economic_studies/fulfilling_the_promise_of_sub-saharan_africa)

6. **Extreme climate conditions: How Africa can adapt**

McKinsey Consultant Adrien de Chaisemartin and Principal Marcel Normann looks into Africa's climate and its effects on the economy. For African nations, adapting to severe weather disasters, shifts in rainfall patterns and climate zones and rising sea levels is an urgent necessity to sustain economic developments.

**Link:**

[http://www.mckinsey.com/insights/sustainability/extreme\\_climate\\_conditions\\_how\\_africa\\_can\\_adapt](http://www.mckinsey.com/insights/sustainability/extreme_climate_conditions_how_africa_can_adapt)

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## Standing Ovation

### Balajee Sewa Sansthan



Balajee Sewa Sansthan is a registered NGO working extensively in Bihar and Uttarakhand. The NGO has been active in spreading awareness about health and hygiene, water, sanitation, education and social evils prevalent among economically and socially disadvantaged people in the region. The main mission of the NGO is to provide need based financial services to economically and socially disadvantaged groups thereby creating opportunities for self-employment and economic development. Balajee Sewa Sansthan has been instrumental in understanding that it is not awareness alone but also the access to institutional funds to start productive activities, which will help to uplift the various classes

of the society.

Identifying the need of financial services to promote micro entrepreneurship, Balajee Sewa Sansthan initiated the service of livelihood finance in these less credit penetrated villages. The NGO envisions to serve the poor urban, semi urban and rural marginal disadvantage family by 2015 and become one of the most preferred member centric NGO in North India by 2020.

### **Objectives:**

- To provide sustainable self-employment generating opportunities to low income households
- To support and help financial inclusion
- To support government policies aimed at eradicating poverty, creation of jobs in the rural and semi urban areas and in other developmental activities
- To create awareness amongst the low income households and to prepare them for a better economic and social life

### **Activities**

- **Livelihood Finance-** Balajee Sewa Sansthan helps in providing credit facilities through various products such as micro credit and micro enterprise loans and other insurance related products. Balajee Sewa Sansthan also conducts financial literary products.
- **Skill Development Programs-** Apart from providing credit, skill training is also imparted especially to the youth migrating to cities in the search of a job. The training will also help in starting small enterprises at the village level which will provide them an additional source of income.
- **Green Energy, Saving the Environment** - Balajee Sewa Sansthan is also creating awareness on plantation on a large scale. Selected loan clients of Balajee will be provided with saplings based on the flourishing flora in that particular topographical region and which is easy to maintain also for plantation in their home premises or nearby vicinities during the time of loan disbursement in unit offices. During the loan utilization check process, it would be ensured that the sapling has been planted properly. The growth of plants has been included as one of the deciding criteria to avail financial services from Balajee Sewa Sansthan in the near future.

### **Future Endeavours**

- Livelihood generation through rural tourism.
- Supporting dairy networks in Uttarkashi and Tehri Garhwal region.
- Upgrading watermills producing electricity towards green environment.

For more information on the noble cause that Balajee Sewa Sansthan undertakes, one can visit <http://www.bssindia.net/>

Balajee Sewa Sansthan deserves a standing ovation for its work!

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