African Lions, African Tigers, and Emerging African Middle Classes – A Very Sceptical Note Extended[1]

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Abstract

The "Africa Is Rising Story" is the theme of the paper. A lot of myths are prevalent on African growth and development, and the international consulting companies play a role in this. Some of these myths are discussed in this paper on the basis of readings of major international consultancy reports, like McKinsey, PricewaterhouseCoopers, Roland Berger, The Boston Consulting Group, Ernst & Young, Bain & Company, ATKearney, KPMG, Deloitte, and many others. These international consultancy companies have a decisive influence on foreign investors in Africa, on multinationals doing business in Africa, but also on governments, on private local businesses in Africa, and, last but not least, also on donors who are engaged in Africa.

Some of these myths are discussed in this paper and confronted with facts and realities (Africa as a continent of top growers; Africa as a continent of booming economic sectors and of expanding consumer classes; Africa as a continent with an increasing number of globally competitive enterprises; Africa as a continent capturing the "demographic dividend" and the advantages of the "digital economy"; and Africa as a continent with an emerging middle class which is taking up developmental roles). Also the methodological frame of these international consultancy reports is considered. There is reference to the background and the motivation of these companies to write on Africa, to their methodologies and analytical approaches, to their functional importance for investors and governments, and to the

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spread of the messages all over Africa and throughout the development community.

The intention of the paper is it to provide a frame for a more critical assessment of such reports as they are circulated all over the world press and are written so as to influence not only investors but also key political decision-makers.

Zusammenfassung

Afrika wird in den letzten Jahren immer wieder als boomender Kontinent mit riesigen Wachstums- und Investitionschancen portraitiert, und als ein Kontinent mit einigen sehr schnell wachsenden Ländern (Afrikanische Löwen und Afrikanische Tiger). Mythen spielen bei der Interpretation von Wachstum und Entwicklung in Afrika eine große Rolle, und diese überlagern zunehmend Fakten und Realitäten. Wo nahm diese „Africa Rising Story“ mit „Afrikanischen Löwen“ und „Afrikanischen Tigern“ ihren Ausgangspunkt? Welche Hintergründe gibt es dafür? Eine besondere Rolle bei der Mythenbildung spielen dabei die internationalen Consultingunternehmen mit ihren Afrikaberichten, also Namen wie McKinsey, PricewaterhouseCoopers, Roland Berger, Bain & Company, The Boston Consulting Group, Ernst & Young, ATKearney, KPMG, Deloitte, und viele andere. Diese Unternehmen haben starken Einfluss auf die ausländischen Investoren, auf die Multinationalen Unternehmen, die in Afrika Geschäfte machen, aber auch auf die Regierungen, die lokale Privatwirtschaft in Afrika und schließlich auch auf die multilaterale und bilaterale Entwicklungszusammenarbeit.

Einige dieser Mythen werden in der Studie diskutiert und mit Fakten und Realitäten konfrontiert (Afrika sei ein Kontinent von besonders schnell wachsenden Ländern; Afrika sei ein Kontinent mit boomenden Wirtschaftssektoren und schnell expandierenden Konsumentenklassen; Afrika sei ein Kontinent mit einer wachsenden Zahl von global agierenden und international wettbewerbsfähigen Unternehmen; Afrika sei ein Kontinent, der zunehmend die Vorteile

der „demographischen Dividende“ und der „digitalen Revolution“ ausschöpfen könne; und Afrika sei ein Kontinent mit einer zunehmend entwicklungsförderlich agierenden afrikanischen Mittelklasse). Auch die methodischen Grundlagen der Berichte dieser internationalen Consultingunternehmen werden geprüft. Es wird auf die Hintergründe und die Motivationen bei der Erstellung dieser Berichte, auf die methodischen und analytischen Ansätze, auf die funktionale Bedeutung der Berichte für Investoren und Regierungen, und auf die Art der Verbreitung der Messages in Afrika und im globalen Kontext eingegangen.

Mit dieser Studie soll ein Rahmen für die kritische Auseinandersetzung mit den Afrikaberichten der internationalen Consultingunternehmen präsentiert werden. Dies ist wichtig, weil die Inhalte dieser Afrikaberichte sehr schnell von der Weltpresse aufgenommen und so die potentiellen Investoren und wichtige politische Entscheidungsträger gezielt beeinflusst werden.

Introduction

It is necessary to analyse the major international consultancy reports on the theme of “Africa Rising”. These many reports give an impression of the thinking of these international consultancy firms, their methodologies to analyse prospects and changes in Africa, and they also highlight the role in international advisory services. In these reports and in the economics journals and newspapers which are reporting on them we find interesting facts and figures about Africa, but also projections and trends which need a critical analytical review. Africa is presented as a booming continent, as a continent of chances, as a continent telling a new consumer story comparable to emerging Asia, and as a location for growing international investment.

The focus in these reports is on countries, on regions, on dynamic economic sectors, on consumer classes by household incomes, on regional and global African business champions, on employment prospects and education profiles, on shortages of skills for further growth, on the probability of capturing the “demographic dividend”, and on the prospects and the role of the emerging middle classes. The methodologies applied in these reports are quite different as are the definitions used. Sometimes the analytical approach is hidden behind facts and trends. Therefore it is not easy to evaluate and to compare the predictions and projections contained in these reports.

In a further study[3] all these reports on Africa are considered in great detail and relevant background information is given, but in this Extended Note some important arguments are evaluated so that the reader gets an impression of the way the international consultancy companies argue, the ideologies behind and the importance of the analyses and predictions for international business interests in Africa. It is also of interest to see how the international consultancy business looks at governance and politics as factors impacting on business prospects.

Myths and Realities I: Africa is a Continent of “Top Growers”

Every day we find in the international press new lists of rapidly growing countries in Africa (termed as “top growers”)[4]. Some of these countries are labelled as African Lions (in most cases), others as African Tigers (like Ethiopia, Zambia and Ghana)[5]. The implication is that the African Tigers have characteristics of spectacular growth. Even countries like South Sudan and the Democratic Republic of Congo are mentioned as top growers (ignoring all aspects of fragility and the causes of the sudden growth, such as in South Sudan the

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[3] How International Consultancy Companies Look at Africa – On Myths and Realities in Assessing Africa’s Growth and Development (Wohlmuth 2014)

[4] See some of these influential news reports on Africa’s top growers in: The Economist, November 18th 2013, November 2nd 2013, January 6th 2011, ALM 2013, Ventures Africa, August 6, 2012,

[5] See on Ethiopia DBR 2014b, on Zambia Pater et al. 2013, and on Ghana SDN 2012

collapse of the oil production in 2012 and the partial resumption in 2013)[6].

When reading these major international consultancy reports one can find a great number of top growers although the reports have their own list so that different countries are mentioned. It is so that most of the African countries are mentioned with actual or potential high growth rates. But, the methodologies to identify top growers are so different. We find projections for the coming year, projections for the coming two to four years, but we also find analyses of the more recent growth performance of countries (by looking at periods of favourable commodity prices which were impacting positively on Africa). There is a look in these reports at resource-rich and resource-poor African countries, at African sub-regions, at groups of African countries with similar characteristics (income level, structure of production, openness, etc.), but they all use different selection criteria[7]. There are also lists of countries based on specific criteria, such as the wealth per capita (NWW 2013), the growth of the number of millionaires in African countries (so Ethiopia is mentioned as the fastest growing country in this respect; see The Guardian, Wednesday 4 December 2013), or the growth of the number and the size of the mining and investment contracts in African countries (KPMG 2013, 2014a, 2014b).

A different approach is needed to find out the African countries with sustainable and inclusive growth. The sheer look at growth rates is not relevant for understanding business opportunities in Africa; and the identification of African Lions and African Tigers is not helping the investor to form his expectations. A look at the performance and the characteristics of the African countries in terms of “inclusive and sustainable growth” is needed. Which African countries have characteristics of inclusive and sustainable growth - in the sense of

[6] While The Economist November 18th puts South Sudan as the top grower number one for 2014, GRI 2013 has among the list of the 10 African Lions countries such as the DR of Congo.

[7] These methodological differences in selecting top growers can be seen when looking at reports from Mc Kinsey 2010, BCG 2010, DBR 2013, Deloitte 2013a, Ernst Young 2013, GSR 2010, and RBSC 2012

basic levels of human development, basic infrastructures for competitiveness, basic systems of coherent and effective governance, and basic conditions for the absorption of modern technology (internet and networking)? A look at ten important international development indexes (from UNDP's Human Development Index to World Bank's Ease of Doing Business Index and also to the Ibrahim Index of African Governance) allows it to compare the scores and the ranks of African countries[8]. The results are that only thirteen African countries have scores and ranks which qualify them as countries endowed with some characteristics of inclusive and sustainable growth.

These countries are (in the following order): Mauritius, Seychelles, South Africa, Botswana, Tunisia, Cape Verde, Morocco, Namibia, Egypt, Ghana, Algeria, Gabon, and Libya. Some of these countries are not found on the popular lists of top growers, but all of them have some characteristics of inclusive and sustainable growth. This is important as only in these countries the small and medium sized companies (SMEs) have a chance to become formalized (so as to be able get finance from the formal finance system and to grow and to diversify in conditions of functioning legal and governance systems). However, some of these thirteen countries are island economies which can much easier build sustainable economic, corporate and political institutions (Mauritius, Seychelles, and Cape Verde). Some countries are from the North Africa region (Morocco, Egypt, Tunisia, Algeria, and Libya); while some of these countries have at the moment severe political problems, the lack of regional integration between all of them

[8] These indexes are: HDI/Human Development Index; GII/Gender Inequality Index; MPI/Multidimensional Poverty Index; KOF-IoG/KOF Index of Globalisation; GCR/Global Competitiveness Report Rankings; DB/Doing Business Rankings; IIAG/Ibrahim Index of African Governance; PIA/Performance Index Africa; NRI (Networked Readiness Index): TI-CPI/ Transparency International-Corruption Perceptions Index 2013; PIA was included although only covering Sub-Saharan Africa. So three human development indexes, three competitiveness/globalization indexes, three governance/transparency indexes and a performance index Africa give a picture of inclusive and sustainable growth in Africa. This is done by comparing the rankings for African countries for these 10 indexes (see on details Wohlmuth 2014).

is a serious constraint for structural transformation, for production and trade diversification and for the expansion of markets. Some of these countries are located in Southern Africa (South Africa, Namibia, and Botswana); also these countries have severe structural, employment and distributive problems, especially so South Africa with negative spillover effects on the region. Two countries (Ghana and Gabon) only are in the West Africa region and there are also skeptical reports on the foundations of growth in these two countries (associated with oil and gas and corruption/governance issues). So, West Africa, but mainly the Central Africa and East Africa regions are underrepresented among the list of these thirteen countries. There are rare critical voices on such popular lists (such as Africa Confidential 2014, Compare Afrique February 15, 2013, Mega Media 19/3/2014, and Kappel 2014 who comes to a quite similar list of successful African countries as this paper, but based on specific criteria of the Performance Index Africa).

Other African countries are weak on most of the ten development indexes, like Nigeria, or are weak on human development and governance indexes like Kenya (although Kenya is surprisingly strong with regard of competitiveness and technology indexes). Some other countries which are often mentioned as top growers (like Ethiopia, Mozambique, Senegal, Rwanda, Lesotho, and Zambia) lack favorable (middle) positions on many of these international development indexes (despite of relatively good ranks with regard of some of the indexes). The myth of Africa as a continent of top growers is widely prevalent now but the facts as measured by development indexes are telling different stories. More important than looking at high growth rates is it to look at sources of growth, at conditions of growth, at episodes of growth, at the sustainability of growth, and at the inclusiveness of growth. This is so also because of the new trend of rebasing and recalculating the African GDP and the African per capita GDP (see Jerven 2010 on these issues). This trend has also to do with strategies to impact on investors’ perceptions of the growth prospects in Africa.

Myths and Realities II: Africa is a Continent which is shaped by Dynamic Economic Sectors and by Rapidly Expanding Consumer Classes

In these international consultancy reports one can find a discussion of the business opportunities in Africa in the decades to come. The leading sectors of African growth are identified and based on certain assumptions one can find projections up to 2020 or 2030 or even to 2050 and 2060. Four sectors are mentioned by McKinsey (McKinsey2010) and by most of the others – the consumer sector (or consumer-facing industries as including tourism and telecommunications) as the number one, the resources sector as the number two, agriculture as the sector number three, and infrastructure as the sector number four.

Agriculture and Infrastructure are considered as the sectors with the greatest growth potential, but all depends on the commitment of the African governments to honour their own plans and projects. Examples are the plans for agricultural development such as CAADP (Comprehensive Africa Agriculture Development Programme) as agreed in the context of the African Union/NEPAD initiatives and the Africa Infrastructure, Transportation and Logistics Development plans to build up road, telecommunications and energy infrastructure within countries but also across the borders so as to link the Regional Economic Communities (RECs). Both programmes show that there are delays in implementation and that in some African countries the commitment of governments is rather weak. While interest of the international consultancy companies in business opportunities in agriculture and agro-industries is quite limited (see on agriculture DBR 2014a and ATKearney 2014b), infrastructure has top priority for the international consulting companies. The international consultancy business is looking with great expectations to this sector and analyses the drivers, also based on global megatrends (on impacts of global megatrends on Africa see RBSC 2011, 2012 and on infrastructure of all types see ICA 2013, McKinsey 2013, PwC 2013b, and AfDB et al. 2013a).

Also with regard of the development of consumer-facing industries and of the natural resources sectors (sectors one and two in McKinsey 2010) the assumptions in the international consultancy reports are heroic as it is assumed that announced mining and oil and gas projects will be executed (by involved firms and resource-rich countries) and that the speed of urbanization and income growth (by consumer classes with discretionary income) will allow a fast growth of consumption spending and a rapid development of supermarket chains all over the continent. These assumptions are heroic as many announced mining and oil and gas projects in Africa never are materialized or on a much smaller scale. With regard of the development of supermarkets in urban Africa the adaptations of the local food economy in Africa to this spread are not considered (see on this transformation Abrahams 2010). On this basis McKinsey (McKinsey 2010) comes to a US$ 2.6 trillion revenue base by 2020 for these four sectors. It is not made clear which policies have to be followed in order to make possible such growth rates – neither the private sector development policies nor the public development policies are outlined in these reports in sufficient detail. Also, the projections for the four sectors (consumer, natural resources, agriculture, and infrastructure) are highly aggregated and cannot be cross-checked on a country or sub-region basis.

Some of the reports (like the ones by Roland Berger: RBSC 2011, 2012) emphasize the impacts of global megatrends on Africa, arguing that these global megatrends add to the opportunities that Africa will be able to exploit. The global megatrends of “connectivity” (by mobile phones applied to all economic sectors), “scarcity of resources” (leading to innovative solutions in all economic sectors) and “adaptation to climate change” (with investments to mitigate and to adapt to climate change in various sectors) will give Africa the chance to leapfrog in technology while saving huge amounts of money on fixed communication lines, on huge power stations and on expensive climate change mitigation and adaptation investments. However, one should not expect too much in terms of the positive global impacts on Africa (the negative impacts are not mentioned: technological dependency of Africa and cost of technologies, repercussions of pollution and market power on Africa, and large-scale environmental destruction by natural resource exportation).

Indeed, an increasing use of mobile phones does allow some leapfrogging by avoiding large fixed line costs and by enabling many small producers and low-income consumers to connect with information providers so as to make business possible also in new niches of activity and to facilitate more informed consumption spending by African households. However, there are limits to leapfrogging as large-scale infrastructure is needed for the development of key economic sectors and in order to connect the African countries and the African Regional Economic Communities (RECs) for generating larger markets. Also, leapfrogging has preconditions and also has cost. Extended R&D infrastructure and adapted tertiary education systems are the base for applying such technologies on a broader scale. Other international consultancy reports assume that the "demographic transition" will be through in Africa by 2035 so that Africa can benefit from the "demographic dividend" (McKinsey 2012b taken as an example). Then, but only then, the growth of the consumer classes with discretionary income is solidly based on an increasing share of the working age population (15-64 years) relative to the share of the dependent persons (children under 15 years). However, the key assumptions for capturing the "demographic dividend" in Africa are not mentioned (that the growing labour force gets stable employment chances and that adapted tertiary education systems are provided by deep reforms). A look at the unemployment rates of young people (15-24) and of tertiary education graduates and a look at the overall unemployment and poverty rates show that these conditions of a successful demographic transition towards capturing the "demographic dividend" are not fulfilled widely (see AfDB et al. 2012, The Economist, March 8th 2014, and the discussion below). The increases of vulnerable employment and of unemployment and poverty in Africa are factors which are limiting the expansion of markets (McKinsey 2012b and WEF 2014b do not deny these facts, but argue that business action and private sector development can be strengthened so as to overcome the situation). So, the growth of the consumer classes with discretionary incomes may become ultimately blocked. Heroic assumptions concerning "leapfrogging" and "capturing the demographic dividend" are only two in a long list found in the context of analysing the Africa Rising story (Wohlmuth 2014).

Also, it is not clear which part of the cake ($ 2.6 trillion revenues for the four sectors in 2020) will be absorbed by domestic industrialisation and which part of the cake will come through regional and international imports. It is also not clear what the implications are for the competitiveness of firms in Africa (and so for employment). Severe staff shortages of the domestic firms (with regard of all these four sectors) are a burden for development. Only implicitly the international consultancy companies give advice on the supply and demand issues of skills needed for Africa's growth (see Wohlmuth 2014 and Mega Media 19/3/2014). The tertiary education sector in Africa does not provide enough skilled labour for these sectors – enrolments and graduations in agriculture, engineering, health, IT, tourism, marketing and management, and in various fields of services are not corresponding to demand; these areas are undersupplied by colleges and universities in Africa (see AfDB et al. 2012 and World Bank 2009). Structural changes of the education systems are overdue, and part of any strategy to capture the "demographic dividend". By the way, the huge international consulting companies recruit most talented African staff and give advice to public and private institutions which are scarce of skilled staff (see as an example the ambitious strategy for Africa by PricewaterhouseCoopers: PwC 2011).

These reports (by McKinsey 2010 and by many others[9]) identify distinct consumer classes and the characteristics of the consumers in these classes – of special interest are the consumer classes between the

[9] International consultancy companies investigate into all aspects and characteristics of the African consumer, not only looking at the distinct consumer classes. This is based on the view that "small is big", that also small budget shares of the African consumer for branded goods add up to big volumes; see on all these aspects and characteristics of the African consumer: Accenture 2011, ATKearney 2014a, Bain & Company 2012a, 2012b, BCG 2013a and BCG 2013c, Booz/Allen/Hamilton 2012, Deloitte 2013c, Deloitte N. D., Euromonitor International 2013, McKinsey 2012a, PwC 2013-2014, PwC 2013a, and RBSC 2012.

classes of the poor/the destitute consumers and the classes of the rich/the global consumers. Various consumer classes in the middle of the income pyramid are identified (McKinsey 2010), like the already established “consuming middle class”, the “emerging consumers”, and the consumers with “basic consumer needs”. The focus is on middle class consumers although the upper class consumers show a tremendous income and wealth growth as revealed by the growth in numbers and wealth of African billionaires and millionaires (see Ventures Africa, October 9, 2013 on the richest people in Africa, and Ventures Africa, December 11, 2013 on new income sources of the millionaires). The spectacular growth of billionaires and millionaires as reported also in the New World Wealth Statistics (NWW 2013) has deep implications for Africa’s future development because of the accelerated trends of capital flight, the exploding levels of luxury consumption, and the role of them as powerful actors in influencing African governments and their policies and politics. The blocking of public redistributive policies by them has deep impacts, with consequences also for the middle class consumers and for the consumption base of the destitute. The calculation of the dynamics of the consumer classes and their spending power in these consultancy reports is not really convincing; it is not at all clear how the discretionary spending power will develop and how it will be shared between the middle classes and the upper classes (the upper class consumers are labelled as “globals” in McKinsey 2010). The declining shares of the consumers with “basic consumer needs” and of the “destitute” in overall spending power (according to McKinsey 2010) may be the result of premature assessments as a turn is possible even before 2020.

There is not enough evidence from inequality measures and measures of living standards so as to be able to accept the picture of such positive trends with regard of the consumption power by household income brackets. Technical issues (like the PPP/Purchasing Power Parity calculations) and structural issues (like the heterogeneity of the middle class consumers) add to the problems of perception and assessment. The reports also look at the African middle class consumer in a rather stereotypical way, by assuming that the African consumer has certain consumption attitudes and specific consumption behaviours. On this basis the expectations of investors in consumer-facing industries can best be realised by concentrating business in large urban growth centres with already high and increasing purchasing power. The African consumer in these large spending zones (of large cities and large sub-urban areas) is looked at as brand-minded, as technology-conscious, as flexible and adaptable, and as responding quickly to market signals and to innovations in products and marketing channels (as an example for this analysis of the African consumer see McKinsey 2012a). So, the “typical African consumer” in these reports is not at all reflecting the diverse and rapidly changing social structure in African countries.

Myths and Realities III: Africa is a Continent of even Globally Competitive Business Champions

We find in the business newspapers which are writing on Africa many lists of African business champions. Also the World Economic Forum reports on such ventures called Africa’s Global Growth Companies (WEF 2014a). The Boston Consulting Group (BCG) has identified forty so-called “African Challengers” (BCG 2010), who are companies and banks in Africa meeting three main criteria (double digit revenue growth over the last five years, advancing on the stage of globalization, and meeting a minimum sales turnover/size threshold). These companies are located in South Africa (18), in Egypt (7) and in Morocco (6). Only few of these companies are present in other African countries (2 in Nigeria, 2 in Tunisia, 2 in Angola, 2 in Algeria, and 1 in Togo). Obviously there exists a small group of highly competitive companies in a few African countries, and these companies are also moving up the “globalization ladder” – from “master executors” to “multiregional operators” and then to “international players”, although these moves imply an ever increasing demand for qualified staff which is a scarce resource. In another study The Boston Consulting Group (see BCG 2009, and for a more recent list BCG 2013b) identifies the hundred most dynamic corporations and banks in developing countries, which are labelled “Global Challengers”. Africa has (BCG 2009, BCG 2013) only 6 Global Challengers (5 in South Africa and 1 in Egypt). While the “African Challengers” are able to restructure and to transform the

African markets, the "Global Challengers" have such an impact at the global level and are already empowered to compete and to cooperate with global multinationals.

While the Global Challengers in Africa are already strong in building capabilities and in mobilizing human resources, the African Challengers are involving increasingly local and international talent for their globalized businesses. So, the range of competitive and globalizing companies and firms is limited to a quite small number of firms originating from few African countries, and the presence of South Africa is overwhelming. Countries like Nigeria are underrepresented in such lists what corresponds to the missing characteristics of "inclusive growth" for this country. While the business areas of the African Challengers are diversified, agriculture and agro-industry corporations are underrepresented on the list of the forty. Financial services; mining and natural resources; technology, media and telecommunications; and international logistics are the main business areas. Agriculture and related manufacturing firms are not strong on these lists despite of the assumed comparative advantage of Africa in agriculture and agribusinesses. In these consultancy reports one cannot find any predictions on the growth in the number of such enterprises and on the growth of such companies in other African countries. It would be important to know which the main constraints are (skills, technology, management, size of the market, speed of internationalization, ownership advantages, etc.). The BCG (BCG 2013) only emphasizes the need for building capabilities more quickly and more systematically, a deeper post-merger integration process, and a better stakeholder management.

The landscape in Africa with regard of companies and banks is quite heterogeneous. The list presented annually by The Africa Report identifies the 500 largest companies and the 200 largest banks in Africa (The Africa Report, February 2013; The Africa Report, September 2013). However, the lists contain companies and banks with quite different business record. In order to see some of these companies and banks catching up to the groups of African Challengers and Global Challengers substantial reforms would be necessary – limiting the influence of the governments on enterprises, pursuing careful privatizations and re-privatizations, and enabling the firms by pro-active state action to move up the globalization ladder. Many public policy areas (reforming financial systems, taxation systems, medium-term public finance strategies, competition policies, and science, technology, and innovation policies) would need restructuring in order to allow such changes to happen. So far, the number of countries where such pro-active policies are implemented is small; even the thirteen countries with some characteristics of inclusive growth could do much more. The international consultancy reports are quite silent on such issues; it may be because the global multinationals are their main customers.

A major problem is it that many of these firms are owned by the state or are connected to the state class of politicians and bureaucrats, especially in sectors such as mining, oil and gas, and construction. We see that the "upper class" business interests are dominating the "middle class" business interests although the entrepreneurial spirit of the "middle class(es)" is emphasized in many reports from international consultancy companies. The "upper class" business interests are controlled by a rapidly growing number of billionaires and millionaires in Africa (see on these trends Forbes 2013; Ventures Africa, October 9, 2013; and NWW 2013). Their business activities are increasing rapidly but are to a large extent connected with government contracts and licences in sectors such as natural resources, finance, construction, but also services, media, telecommunications and advanced technologies. However, beside of this type of "upper class" business (organized around groups of companies associated with dynasties of billionaires and millionaires) another type of "upper class" business is emerging: competitive companies which are owned by independent and innovative millionaires and with links to technology sectors and to international finance are emerging (see the report in Ventures Africa, December 11, 2013, and also other articles in the magazine). Some of these companies grow up from "middle class" ranks, others from former "upper class" connections. These companies from independent and innovative millionaires are not related to traditional forms of wealth generation, and many more African countries, like Uganda, Tanzania, Mozambique and Zambia, are involved as a home base of such companies. These companies work increasingly in new business fields (IT, services, and media). However, the major gap remains with regard of “middle class” entrepreneurs in Africa despite of the claims of the “empowered African middle classes”. Middle class entrepreneurship in Africa is to a large extent survival entrepreneurship and not growth-oriented entrepreneurship (see Berner/Gomez/Knorringa 2012 on this important distinction). An agenda for supporting survival entrepreneurship has to be built around the logic of survival entrepreneurship and should not assume that the logic of growth-oriented entrepreneurship prevails. International consultancy reports do not distinguish among these types of business in Africa (see GEC 2012, and Omidyar Network 2013).

The greatest gap in terms of the structure of enterprises in Africa is in the range of formalized small and medium enterprises (SMEs). Africa has according to some estimates around 5 million small and medium companies (SMEs), more than 13 million formalized MSMEs (Micro, Small and Medium Enterprises) and many more informal MSMEs, but the growth of such firms to become larger firms with more than 250 employees is limited all over Africa (see on such estimates WEF 2014a and Kushnir et al. 2010). This is so despite of a quite dynamic African entrepreneurship base (GEC 2012, and Omidyar Network 2013) and a relatively high attractiveness of Africa for foreign investors (Ernst & Young 2013). There is still a huge gap in Africa between the rather small group of large formalized companies at the top and the very large number of formalized and informal micro, small and medium enterprises (MSMEs) at the bottom. This “missing middle” in size and degree of formalization/regulation is prevailing widely. Meant in this context are companies with 250 to 500 and 1000 employees, called “Mittelstand” in Germany. There are barriers to grow up to this range of company sizes. It is so that only in countries with characteristics of inclusive and sustainable growth the basic conditions for the growth of formalized enterprises are given, and according to the evaluation in this paper these are only thirteen countries in Africa. So the formalized SMEs play a role in Ghana, in Mauritius and in South Africa, and to some extent also in other countries of this small group of African countries with characteristics of inclusive and sustainable growth. In the many other African countries SMEs mostly work on an informal basis with limited potentials for expansion and also formalized SMEs remain small. Some hope for the SMEs is seen by international consultancy companies through the large-scale expansion of transport & logistics services and telecommunication & IT services, as small firms need such an infrastructure and their services to expand (see on the new prospects for the small firms in Africa: Business Report (on the DHL/IHS study), April 23, 2014; McKinsey 2013; and PwC 2013a). Again, all this is not so relevant for survival entrepreneurship, but for growth-oriented entrepreneurship. And the international consulting companies are not dealing with survival entrepreneurship.

McKinsey and other international consultancy companies (see especially McKinsey 2013) refer to the “new spirit” coming from the increasing internet presence in African countries. Something like a revolution for businesses and entrepreneurs is predicted, with impacts on employment and development. It is argued that Internet has the potential to create “stable employment” (based on wages and salaries employment and business ownership) in six sectors (financial services, education, health, retail, agriculture, and government). On this basis new prospects for employment and entrepreneurship are anticipated. The basis for the formation of firms in these business areas and for the creation of additional and stable (not vulnerable) employment in many African countries is considered as very favorable (McKinsey 2013, McKinsey 2012b). It is argued that by Internet access firms become more competitive, that many more consumers can be reached, that markets are better connected and are expanding, and that information is spread much more quickly. Also, many more African countries will be able to exploit entrepreneurial opportunities, such as Kenya, Senegal, and Cameroon (McKinsey 2013). Huge productivity gains and large increases of (stable) employment are anticipated in these “lions go digital” predictions, but to capture these technology-related productivity gains a complete overhaul of the tertiary education systems is requested. So far, the reforms of the tertiary education systems are not implemented as planned, despite of some interesting initiatives (AfDB et al. 2012; World Bank 2009; Mega Media 2014). Mismatches between demand and supply of graduates limit the “digital revolution” (see AfDB et al.

2012 on comparative data for Africa, the OECD region, and other developing regions). While the potentials for IT-based businesses are great, the limited supply of graduates (in IT, engineering, agriculture, health, services, marketing, tourism and management, and sciences) limits the absorption of new technologies, the creation of stable employment, entrepreneurship development and the emergence of start-up firms. The mismatch between demand and supply with regard of the output of the African tertiary education systems leads to an underutilization of all these opportunities, also in the countries with characteristics of inclusive and sustainable growth. Neither the important traditional employment sectors (agriculture, government and manufacturing) nor the new employment sectors (IT, logistics and finance) are served by the prevailing tertiary education systems. Also, IT firms in Africa serve the end consumer more than the firms so that even outsourcing to other regions takes place. The focus on SMEs should be promoted by government and the IT community itself (obviously AfriLabs is moving in this direction; see The New Africa, November 2, 2013). Therefore, many policy areas (education policy and economic policy) have to be adjusted drastically so as to support a wave of startup companies in Africa as well as providing sufficient transitional support for survival firms and growth-oriented firms.

While Africa has some successful business champions and a number of already globalized large enterprises, the gap between the rather few large formalized companies and the many informal and formal micro, small and medium enterprises is not closing – and formalized small and medium companies are still rare in many African countries. The large, competitive and globalized firms are located only in a few African countries, and such firms are underrepresented in the major sectors where Africa has a comparative advantage (agriculture, agro-industries and agribusiness) and in the major employment sectors of Africa (agriculture, agro-industries, manufacturing, tourism, and all types of services). Most of the African countries have to wait for the emergence of such large, competitive and globalized companies, especially so countries like Algeria, Nigeria and Kenya.

Myths and Realities IV: Africa is a Continent increasingly capturing the "Demographic Dividend"

Looking at the employment situation in Africa, the demographic picture reveals rather pessimistic trends. High rates of unemployment, underemployment and poverty, and even increasing rates of youth unemployment and unemployment of tertiary education graduates give the impression that Africa is far away from capturing the "demographic dividend" (AfDB et al. 2012, Ashford 2007, AfDB Group 2012, Soucat/Offei-Awuku 2014, and Sippel et al. 2011). It is assumed that countries which are capturing the "demographic dividend" are able to derive benefits in terms of an increasing consumption power, accelerating investment opportunities and a growing savings potential from an increasing share of the working age population in the population (if stable employment of the working age population increases as well!). But, while various international consultancy reports mention the huge economic potential for capturing the "demographic dividend" (see especially McKinsey 2012b), the actual situation in Africa is highly divergent in this regard and exploiting the benefits in Africa is obviously a highly complex issue requesting difficult policy choices.

The "demographic dividend" can only be exploited when - via "demographic transition" - the share of the working age population (15-64 years) relative to the share of the children (under 15) increases and when the working age population is employed in a form which gives room for more consumption, more investment and savings, and a more rapid accumulation of wealth. Channelling income shares from raising-up and sustaining children towards more consumption, saving and investment for other purpose areas is a necessary condition. But there are other conditions which have to be met in order to capture the demographic dividend ("sufficiency conditions"). These primary and secondary phases of exploiting the demographic dividend are assumed to occur all over Africa not later than by the year 2035 (Mc Kinsey 2012b as one example). This contrasts with research work in and for Africa (UNECA/AUC/AfDB Group 2013; Madsen 2013; and PRB 2013), emphasizing the so far met and unmet preconditions.

But how is the reality? Such a favourable situation can occur only if a) the demographic transition takes place and is not stalled, b) the share of stable employment relative to vulnerable employment of the working age population increases, c) the education levels and skills are matching the demand of the key economic sectors, and d) the developmental advantages of internet access are broadly used. With regard of these four conditions, the situation is highly different in African countries; some countries perform favourably in some of these four areas (preconditions) but not so in the other ones. First, a look at the demographic transition in Africa has to be presented. The divergent picture for Africa can be seen when looking at the data for the demographic transition; the situation in Africa is divergent between the Sub-Saharan African (SSA) countries on the one side and between Northern and Southern Africa and SSA on the other side. The North and the South of Africa show signs of demographic transition with relatively low fertility rates (although there are exceptions), but the situation in Sub-Saharan Africa is highly divergent. In various West African countries such as Benin, Burkina Faso, Cameroon, Chad, Guinea, Mali, Niger, and in high population Nigeria, but also in Lesotho, Mozambique, Zambia and Zimbabwe the demographic transition has stalled (Madsen 2013; and in a popular form by The Economist, March 8th 2014). As Niger has never dropped below seven children per woman this country is even considered as a “pre-transition country”. Countries with ongoing demographic transition, like Uganda, Malawi, Tanzania, and Senegal, have still high fertility rates. The fact that Nigeria’s demographic transition is stalling is a major problem for Africa as the importance of the country means that social problems will spill over.to the whole region (Madsen 2013). In all these countries the ratio of the share of the working age population (15-64 years) to the share of the children under 15 in the population is not improving. Even in the case of Ghana with an improving ratio – projected to increase from 1.5 to 2.2 between 2006 and 2030 – the unemployment level is so serious that strong policies to create employment are requested (Ashford 2007). And these policies have to be successful in order to derive the benefits of the “demographic dividend” in Ghana. If not Ghana, which country can achieve it?

A second condition for capturing the demographic dividend is that stable employment (wage and salary employees and business owners) increases faster than vulnerable employment (subsistence farming, informal self-employment, and work for a family member). However, this is not the case in Africa. The report by McKinsey (2012b) shows that the workforce of Africa may increase between 2010 and 2020 by 122 million, but only 54 million will become employed under stable job conditions (in case the current policies are not changed). By using pro-active governmental employment policies between 2010 and 2020 a further increase by 18 million to 72 million stable jobs (employees/business owners) may be feasible, still leaving the rest of 50 million for vulnerable employment or outright unemployment. But, pro-active employment policies intended to create stable employment are a part of reform politics only in only few African countries. Key employment sectors in terms of generating stable employment are agriculture, manufacturing, retail, and tourism, but the international consultancy reports do not go to the roots of the problem how to create this number of new jobs (McKinsey 2012b is an interesting report, but stops just when an Agenda for Action would be needed; also McKinsey 2013 remains vague on the issue). They are silent on "structural transformation" issues and on the agenda how even low income countries can pursue growth and structural transformation policies in parallel (see on these key issues AfDB et al. 2013b; De Vries et al. 2013; and IMF 2013).[10]

The third condition for capturing the "demographic dividend" is that education systems and skills training are adapted to the key

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[10] It is curious that the international consultancy companies and The Economist (The Economist, November 2nd 2013) are so happy with the expertise of the IMF on low-income African countries like Rwanda, Uganda, Ethiopia, Burkina Faso, Mozambique, and Tanzania which is showing that African countries must not dig for minerals, oil and gas to have long periods of high growth rates, form 1995 to 2010 (IMF 2013). When reading carefully the analysis by the IMF, one learns that severe doubts on the sustainability of this growth are there and that the discovery of minerals and oil and gas may change the situation drastically. Also, all these six countries are weak on human development indexes, on competitiveness indexes, and on governance/transparency indexes; none of these countries is in the group of 13 countries endowed with characteristics of inclusive and sustainable growth.

employment sectors so that mismatches between supply and demand and slow adaptations are overcome. Providing the skills needed for creating stable employment refers to reforms of the education system, especially of the tertiary education system in Africa. The tertiary education systems need urgently reforms so as to provide the skills needed for the key employment sectors. The facts show that Africa will have an educated population in the future, but nonetheless severe mismatches and slow adaptations will retard growth and development. Most important in this context is what the figures about the education levels show. By 2030, Africa will have a highly educated population; by 2030 59% of the 20-24year old persons will have secondary education (these are 137m) and 12 million persons will have tertiary education (AfDB et al. 2012, p. 100). The share and number of persons with “primary education only” and “no education” will shrink further. But, the “demographic dividend” can be captured only if the mismatch between supply and demand of/for skills is eliminated as qualified staff is a production requirement. The reality is that only 2% of the tertiary students are enrolled in agriculture (while the employment and value added shares in Africa are central to the overall workforce and to the GDP); and there are huge gaps between supply and demand in enrolments and graduations also for engineering, science, IT, retail, marketing and management, and for tourism and environment (AfDB et al. 2012, Mega Media 2014). Unemployment among the tertiary education graduates is pervasive and has to do with these mismatches but also with growth characteristics, policy constraints and employment patterns. Because of these mismatches the import of skills and services by African firms, for example in the IT and engineering businesses, is widespread; also in agribusiness, tourism and management such imports are needed.

Fourth, the potential of the Internet for developing and supporting entrepreneurship, for generating new growth sectors and employment chances, and for making (more and more formalized) SMEs to become the basis of private sector development is considered as huge. However, the available studies and indexes of IT prevalence in Africa (see INSEAD/World Economic Forum 2012, 2013, 2014) show that this potential is largely underutilised, although at different degrees in the African countries. The employment generation capacity of Internet is seen as very great, as almost all economic sectors are involved and are benefitting. The “digital economy” is therefore considered as important for capturing the “demographic dividend”. The Internet has (according to McKinsey 2013) potential roles in six areas (financial services; education; health; retail; agriculture; and government). Internet can speed up financial transactions, support educational processes, spread information about health conditions, facilitate retail marketing, make agricultural production less vulnerable, and modernize government. But as with other reports form international consultancy companies there is too often reference to “potential” and there are too many “if”s. Interestingly, some of the countries in Africa with Internet successes (according to McKinsey 2013) have a weak performance on other policy areas (governance, human development, structural transformation, employment and social safety nets, health and demographic transition, etc.), like Senegal, Cameroon and Kenya. These countries use the Internet opportunities even more fully than other countries in Africa (according to McKinsey 2013), but these are countries with a weak demographic transition (like Senegal and Kenya) or countries having even a stalled demographic transition (Cameroon). These countries also lack other preconditions for capturing the “demographic dividend”. Countries with characteristics of inclusive and sustainable growth like Ghana, Namibia, South Africa, Morocco and Mauritius could probably gain in the long-term most from a large-scale support of Internet throughout the economy and society.

So we can conclude that – despite of potentials and opportunities - only few countries actually capture the “demographic dividend”, but many more countries could do this by pro-active employment policies towards the creation of stable jobs, by transforming the education system so as to strengthen the links with the employment system, by improving the conditions for demographic transition, and by using the Internet more fully for development. Even the African countries with characteristics of inclusive and sustainable growth like Ghana, Namibia, the North African countries, and the economic powerhouse South Africa have problems in some of the areas which are important for capturing the “demographic dividend”.

Myths and Realities V: Africa is a Continent where Emerging Middle Classes increasingly take up Developmental Roles

Africa is considered as a continent which is shaped by the developmental role of the expanding middle classes[11]. Although the various definitions of the African middle classes are differing widely, are lacking clarity and analytical rigour, and are based on quite simple statistical groupings of the African population, the middle classes in Africa are considered by so many experts as a developmental force of huge importance. The African middle classes are credited with characteristics, behaviours and abilities that may shape the condition of African economies: they are considered as a pool of entrepreneurship and innovation, as a force in private sector development and economic reform, as actors in market development and market connectivity, as a dynamic element of technology transfer, use of new technologies and innovation, as a force of "new consumerism" by changing widely the consumption styles and consumption patterns, as a factor in stimulating regional and global integration by responding to globalization impacts, as a factor in preventing a further aggravation of Africa's income and asset inequalities as they are assumed to bridge between the poor people and the upper class segments of the society, and as main actors in capturing the "demographic dividend" by leading the demographic transition, by gaining income, status and stable employment, by responding to the "digital revolution", and by accumulating wealth, human capital and power.

According to the African Development Bank (AfDB 2011) the middle classes can be seen as the "middle of the pyramid". It is therefore necessary to analyse the pyramid (all population segments and income classes), not only the middle of the pyramid (the middle income classes) what the AfDB does. The AfDB's approach got international recognition as the sheer numbers impressed the readers – that by 2010

[11] We say "middle classes" as the heterogeneity of the "middle class" is so great that sub-divisions are regularly made. On critical evaluations and assessments of the whole concept of the African Middle Class see Melber 2013, Birdsall 2014, The South Face 2013, and Compare Afrique 2013.

not less than 34% of the African population are counted as middle class, or nearly 350 million people in Africa. However, the approach obscured many issues, and brought out only some questionable facts on the basis of a simple Lorenz curve/income classes methodology. While some other studies use relative statistical concepts to measure the range and the dynamics of the middle class, by including individuals/households between the 20th and the 80th percentile of the consumption distribution, the AfDB uses an absolute statistical concept of per capita daily consumption, by including individuals/households with an income of \$2 - \$20 (in 2005 PPP US dollars). The AfDB separates them into classes: first, the “floating class” with an income between \$2 - \$4 per day is considered as a group which is still struggling to survive and may potentially fall back into outright poverty; second, the “lower-middle class” with income in the range of \$ 4 - \$ 10 per day is considered as a group being able to consume non-essential goods (although also this income group is vulnerable because of not having a secured access to social safety systems, especially to health and unemployment insurance); and third, the “upper-middle class” with income in the range of \$10 - \$20 per day which can be considered as a group of income earners where saving, human capital and wealth accumulation, and consumption may lead to political and economic participation, to connectivity, to entrepreneurship and innovation, and to the formation of economic interest groups so as to change established governance patterns[12]. However, this is a potential force of change; what is the actual contribution? The myth of an entrepreneurial and developmental middle class in Africa is widespread, but what about the realities? These developmental roles are however increasingly put in question. Main argument is that the middle class(es) cannot be looked at in isolation from the structure and the dynamics of the “upper classes” and of the poor segments of the society.

While the “middle class” with all sub-groupings has a share of 34.3% of the African population in 2010, the share of the middle class

[12] These views are found mainly in African economic journals and newspapers (also related to global multinationals), but also in the reports from international consultancy companies; see as a few examples: Deloitte 2013b; Düerr 2013; FBR 2013; and Ventures Africa, August 20, 2014.

without the share of the floating class is reduced to 13.4% of Africa's population (AfDB 2011). With a share of 60.84% for the poor (having an income in 2010 of less than $2), a share of 20.88% for those with an income of $2 - $ 4 ("floating class"), a share of 13.44% for those with an income of $4 - $20 (lower and upper "middle class"), and a share of 4.84% for the "rich class" (with an income of more than $20), one is left with a "middle class" which is highly heterogeneous in terms of income, household characteristics and consumption behaviour. The "middle class" incorporates a lower and an upper middle class, but even these two classes need further differentiation. Between and within these "middle classes" we observe different household characteristics, human capabilities and developmental attitudes. Such groupings by income classes do not reveal the endowments and capacities to act in entrepreneurial and developmental ways. Such a "spirit" – acting entrepreneurial and developmental - may be prevalent among segments of the poor as we know from so many studies about informal enterprises. "Survival entrepreneurship" is very demanding in terms of management, use of resources, foresight, and planning, especially so because there is no substantial government support made ready. Also, the "rich class" needs differentiation as we see the spirit of acting entrepreneurial and developmental in the lower, middle and upper segments of this class, but there are quite different styles of entrepreneurship and development action, as direct connections with government and bureaucracy (ensuring access to licenses, land rights, credits, and allocation of scarce resources) are largely missing for the lower income segments of the "rich class". The spectacular expansion of the number and role of billionaires and millionaires in Africa has deep impacts on the entrepreneurial and developmental roles of the "middle class(es)".

The countries with the largest share of "middle class" are obviously those with some characteristics of inclusive and sustainable growth in terms of human development, competitiveness, and good governance, but even in this small group of African countries the structure of the "middle class" is highly different. In some of these countries, like Morocco, Algeria, Gabon, Ghana, and Namibia the share of the middle class net of the floating class is rather small. The share of the "upper middle class" is small in Namibia, Morocco, Algeria, and Ghana, but relatively high in Botswana and Tunisia (AfDB 2011). When we consider the "upper middle class" in Africa as a pool for entrepreneurship, then we see that even in countries with inclusive and sustainable growth characteristics the share of this sub-class is quite limited. The "upper class" may be considered as such a pool for entrepreneurship, and indeed we find evidence that the African billionaires and millionaires are doing business in various traditional and new fields. They are even building business empires, but there is also evidence that the upper segments of the "rich class" capture the state via privileged access to government contracts, licences, land, oil and gas reserves, and mineral resources[13]. Control of media and communication channels enhance the power of these segments of the "upper class". We see that the developmental and entrepreneurial roles of these sub-classes need a much deeper analysis. The myth of a developmental and entrepreneurial role of the "middle class" is widely prevalent, but there is a severe lack of evidence and a serious gap with regard of analytical differentiation and case studies.

The same type of over-generalizations is prevalent with regard of the myth of a "new consumerism" in Africa which is seen as a trend shaping fundamentally the economies and societies in Africa. The urbanization trend and the emergence of the "middle class" in Africa are taken as the driving forces of the "new consumerism"[14]. The new characteristics of consuming in African urban areas and the increasing power of the African consumer when demanding high quality goods are mentioned, thereby assuming that the African consumers are becoming a developmental force per se (as value chains are transformed from the top, from the end consumer). Also in this regard there is not enough evidence presented by these consultancy companies; evidence is related to specific segments of the upper

[13] The stories in the form of personal histories of the accumulation of wealth and the ways of building business empires are reported in journals like Ventures Africa. One can see that privatization deals, natural resources contracts, licenses for media etc. play a role. In most of the cases the early access to information and the direct contact to decision-makers in governments are important.

[14] Practically all the leading international consultancy companies have their reports and their regular reporting on the "African consumer"; see footnote 8 on the major reports.

middle classes and the upper classes (see the reports by McKinsey, PricewaterhouseCoopers, Accenture, Bain & Company, ATKearney, The BCG, Ernst & Young, Roland Berger, and Deloitte, all of them mentioned in the References). The other important issue which is neglected in the discussion about middle classes in Africa is their power to enforce the establishment of social safety nets. The upper middle class is able to pay for social security contributions on the basis of stable employment, but all the classes below have not this possibility. Social safety nets are extremely important for the poor, the floating class and the lower middle class to provide a minimum of income security. The discussion about the new African middle classes has pushed away the thinking about concepts of establishing social safety nets on the assumption that the middle class can save themselves enough for social security (see Birdsall 2014 and Melber 2013 on these "forgotten" dimensions). In reality, large segments of the middle class cannot afford to pay for health and education as they are not benefitting from social security systems, social safety nets, and subsidized health and education systems. The concept of the middle class was also propagated as an instrument to promote foreign investment in Africa, by the Diaspora and by other investor groups from outside. Remittances from the Diaspora may have played a role to increase the consumption of the middle classes, but outright foreign investment from the side of the Diaspora may have remained limited. Evidence is limited. It was also assumed that the African consumers (of the middle classes) increasingly become part of the global consumption society, thereby contributing to new consumption styles, to the spread of new technologies, and to crucial entrepreneurial and developmental attitudes. In reality, islands of global consumers are indeed present in African capital cities, but in order to become a developmental force the "new consumerism" has to contribute to structural transformation in Africa (via re-industrialization, sophistication of local products, branding initiatives, etc.). But, structural transformation between and within economic sectors is rare in most of the African countries (see on the issue AfDB et al. 2013b; the regular IMF Regional Economic Outlook on Sub-Saharan Africa; and De Vries et al. 2013). So the African Middle Class is obviously not the force of change as it is emphasized in so many consultancy reports.

The socio-economic dimension of the African middle class is abstracted fully in the consultancy reports. No reasoning on class characteristics, on common interest and strategy, on social status and political power. Even the African “upper middle class” (as defined by the AfDB 2011) lacks common beliefs, status and power in most of the African countries. It is rather the “upper class” that has similar convictions, similar behaviours, similar strategies and similar actions in relation to government, bureaucracy and towards other sub-classes. Getting status and economic power via relations with government elites and the bureaucracy is seemingly a collective strategy. On the other side of the social stratum, the poor segments of the society and large parts of the middle class are sharing some characteristics – to be named as coping strategies, trust-based support systems, survival strategies, survival entrepreneurship, etc. There is evidence that the distinction between the poor segments of the society and the middle class in the range of $2 - $10 incomes in terms of entrepreneurship is not justified; there is no great difference in terms of vulnerability and success of running small businesses as income security is not there (see GEC 2012, Omidyar Network 2013, and other entrepreneurship monitoring for Africa). Parts of the “upper middle class” may have more stability in their business activity because of their greater income security. International consultancy companies admit such limits of the African Middle Class concept only indirectly by referring to the necessity of creating more stable jobs by pro-active employment policies (see McKinsey 2012b).

Instead of looking into common class characteristics, status and power or even class relations, the studies (from practically all international consultancy companies, but also from the AfDB in AfDB 2011) look at material levels and spending characteristics of the middle classes (with regard of: own occupied house, private expenditures for education and health, internet use, subscription to fixed broadband internet access, vehicles owned, consumption of petroleum products, and access to electricity). Focussing on the “middle class(es)” became a concept to target new markets and new business activities, such as for credit, housing, vehicle sales, outlets of supermarket chains, mobile phone applications, and other services. Country cases show however quite different characteristics of the middle class. The black African middle class in South Africa has to do with government positions and management jobs in the context of fulfilling affirmative action laws and programmes (see FBR 2013; and Düerr 2013). A new middle class has emerged in Nigeria based on incomes generated in specific private businesses (like IT and telecommunications, finance and banking, and other diversified services). In the international consultancy reports these country-specific sources of the growth of the African middle class are not a theme; of interest is the volume of spending of the "class" and is as well the projected structure of the spending.

The debate on the African middle class therefore centres more on drivers of growth than on common characteristics and joint actions (AfDB 2011). Such "drivers" are a robust growth of the private sector, a reduction of inequality towards more inclusive growth, stable jobs with adequate remuneration, higher shares of tertiary education, but in the right balance of study fields, access to education and health care, infrastructure for enhanced market connectivity, and a level of competition that allows for market entry. Based on these factors, creation of stable employment is considered as the key factor for increasing consumer spending, and it is argued that all this may lead to a systemic change in Africa from export-led and investment-led growth to domestic demand-led growth. This change may then further empower the middle class. Governmental policies (on income stabilization, human capital formation, and social policies) towards the African middle class may empower it further. Contrary to these far-reaching expectations about the roles of the middle class to be found in the international consultancy reports the limits of creating stable employment are mentioned as a key constraint and pro-employment policies are requested (McKinsey 2012b). However, the academic discussion about the African middle class does not support these hypotheses of the far-reaching developmental impacts; these are expectations and there is not enough evidence (at the country-level and at urban and rural areas) to confirm such trends. Although the list of "drivers" of the growth of the middle class is long, it does not tell anything about the perspectives and the heterogeneity of the African middle class in the years to come. So the projected figure of 1.1

billion persons belonging to the African middle class by the year 2060 (covering by then 42% of the population) is not telling much as we do not know about the future structure of the group and the relation to the other classes. The developmental role of the African middle class may be potentially great, but the roles of the poor and the rich classes in Africa have to be connected to these trends. The exclusive focus on African middle classes is not adequate[15].

Myths and Realities VI: Methodologies for the Identification of African Lions, African Tigers and Emerging Middle Classes

Invest, invest!, but carefully guided by international consulting companies: International consulting companies have built up huge and powerful affiliates in Africa, also by recruiting highly qualified African staff. African skilled staff is increasingly drawn ("crowded-out") from African companies and government offices to the consulting business (competing also with other institutions, like international organisations and donor agencies). There is an increasing pressure to use the advisory services of these companies, but on the other hand the scarcity of skilled staff makes it difficult to implement the advice. The message of the international consultancy reports is that the best way to succeed in a risky environment like in Africa is to make investment which is guided by these consultancy companies[16]. Reporting regularly on the economic perspectives of African economies and African economic sectors is a welcome opportunity to recruit new customers (and then also skilled staff). Governments in Africa are also happy about these reports as their over-ambitious development plans, visions, and projections are taken 1:1 by the consultancy companies in order to present the huge market prospects all over Africa. The international consultancy companies present the

[15] It is argued that the interest of the African Development Bank in researching the African Middle Class has to do with their interest to catalyse foreign investment towards Africa. From this point of view, international consultancy companies and the African Development Bank show a coincidence of interests.
[16] These international consultancy companies refer to their presence in all African regions and argue that they so can help to mitigate business risk through their superior knowledge of the African regional integration processes (see Deloitte 2013d).

reports with the huge business opportunities in Africa on the basis of their accumulated international reputation. The continent is presented as an integrated region with huge market potentials; the great diversity of the continent and the heterogeneity between countries are mentioned as well as the risks for the investors, but the conclusion is that the international consultancy companies can help to manage the risky environment. A strategy is also to buy local consultancy firms and to recruit local skilled staff so as to advertise local competence.

High levels of aggregation, over-generalizations and vague definitions: The reports have common characteristics with regard of the applied methodology. Concerning projections of business opportunities, the reports refer superficially to projections based on “current trends”, “current growth rates”, and “established analytical findings” (by making quite often cross-references to reports of competing international consultancy companies). A common characteristic of the reports is the high level of aggregation. Many questions arise when reading these reports and not all of them are answered: how many countries are included?, how many sectors and sub-sectors are considered?, how many companies and groups of companies are surveyed?, which social classes and social sub-classes are mentioned?, and which areas - urban and rural - in the African countries are really focussed on?. The level of aggregation is very high in regard of key issues (especially concerning the economic sectors). The international consultancy studies focus on few sectors (aggregating the African economies into four key economic sectors according to the projected market volume[17], or are looking at important sectors like oil and gas[18], IT and telecommunications[19], finance and banking[20], and transport and logistics[21]), on key countries

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[17] Like the methodology in McKinsey 2010.

[18] There is some specialization among the international consultancy companies, and a few like Control Risks (Control Risks 2012) and KPMG (KPMG 2013) concentrate on mining, oil and gas (with great impact in regions where new discoveries are, like in East Africa, West Africa, and Southern Africa).

[19] The study by McKinsey (McKinsey 2013) is of interest, with a methodology developed to rank countries by their digital progress.

[20] Roland Berger (RBSC 2012) has developed a methodology based on global megatrends, and focusses strongly on finance and banking.

which are considered as African Tigers or African Lions (although the lists differ considerably between the companies[22]), on highly urbanized areas (as these are the areas where the "new consumerism" takes place in Africa), and on broad aggregates of the African middle class (disregarding the poor and the rich classes and the differing degrees of income security among the middle class income earners). Aggregating the market volumes all over Africa and making projections up to 2030, to 2050 and even to 2060 give the impression that huge business opportunities can be grasped even by newcomers to Africa's markets (not mentioning the great number of barriers in intra-African trade and the market barriers due to the many conflict-areas in Africa). This type of aggregation presents a big picture of huge untapped markets which become now visible through the market knowledge of the international consultancy companies. Aggregation also follows as a guiding principle from the basic philosophy upheld by these companies that "small is big" (meaning that small income shares left for non-essential goods add up to huge markets for branded goods). Aggregation also minimizes the fact that doing business in Africa is burdensome for firms and investors because the small country markets present many problems, risks and uncertainties, and high transaction costs (due to different governance styles, laws, regulations, attitudes, and very imperfect forms of contracting). Aggregation is also helped by vague definitions and over-generalizations. Definitions of key concepts are vague (like "middle class", "rising real growth", "new consumerism", etc.), but this is obviously part of the game. Over-generalizations are prevalent throughout the reports (like "great economic potentials", "huge markets can be captured if…", "abundance of untapped land and natural resources", "widely improved macroeconomic and governance conditions", "Africa is rising", "Africa's middle class is a pool of entrepreneurship", etc.), but terminology and wording play their role; the message should come through.

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[21] PricewaterhouseCoopers (PwC 2013b) is strong on transport and logistics in Africa.

[22] There is an astonishingly great difference in labelling countries as African Lions and African Tigers (see Wohlmuth 2014).

A young, educated and dynamic workforce is expected to transform the African economies: Throughout the reports the focus in on the young workforce and on the chances this will brings for development and for investors. Africa is portrayed as a continent with a huge workforce, implying that competitive and comparative advantages can be utilized on this basis, if the process of development is properly guided and if the investors are given the right advice. The workforce in Africa is portrayed not only as young, but also as better educated and dynamic (also in terms of digitalization) so that it can be directed to new business opportunities; this workforce is also assumed to be increasingly ready to communicate and to collaborate with foreign economic actors. As the capturing of the "demographic dividend" is also envisaged in a not too far future by the consultancy companies, negative trends like high youth unemployment, lack of stable jobs, and increasing income inequality are seen and presented just as transitory phenomena. An enormous potential for "leapfrogging" technological advances in Africa is anticipated by the consultancy companies; on the basis of this young and flexible workforce the global megatrends can be fully captured by Africa. The rising "middle class" of Africa is an expression of this young and dynamic workforce, endowed with an increasing spending power and being in the process of accumulating human capital, real estate and finance. To give substance to all this, demographic and socio-economic trends are presented up to the years 2020, 2030, and even to 2050 and 2060, but carefully selecting the projections which are used[23]. This allows it to streamline the projections in such a way that the demographic developments in African countries are becoming compatible with success stories of stable jobs creation, poverty reduction and growth. Projections are presented in an aggregate way for Africa, and so the impression is communicated that major trends, such as demographic developments, are representative for the whole continent. An example is the assumption that by 2035 Africa will be able to capture the "demographic dividend"[24], although data clearly show that

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[23] Considering alternative population projections would alter the picture dramatically (see in the context of world food security the study by Alexandratos, Nikos/Jelle Bruinsma, 2012).

[24] McKinsey (McKinsey 2012b) presents a vision of the African job market which gives rise to hope and optimism, but the underlying projections and

demographic transition trends vary widely in Africa as well as the perspectives of stable jobs growth and of human capital formation. It is expected that - guided by international consultancy companies' advice - the African governments and the investors in Africa will lead to a convergence on all these trends in a pro-active and positive way. The increasing problems with youth unemployment and graduate unemployment and many other related problems of African development are not considered to the level of the root causes.

The African middle class is seen as a major force for expanding consumption spending: The developmental roles of the African middle class are scantly or not at all mentioned in the reports (being a pool for entrepreneurship, being a force in disseminating new technologies, being a driving force of political change and economic transformation, overcoming the capture of the state by the rich classes, etc.). However, the role of the African middle class for consumption spending has the greatest weight in these reports. It is argued that a "critical mass of consumers" on the basis of "small is big" will lead to continuously increasing revenues by consumer multinationals, supermarket chains, and domestic outlets of international companies and stores. The role of domestic African firms in this process is minimized; even the competitive "African Challengers" are not strong in areas of consumption and retail, but more so in finance and banking; mining and natural resources; technology, media and telecommunications; logistics services, and industrial goods. The characteristics of the African consumers are emphasized by practically all international consultancy companies, arguing that they are rational in decision-making, interested in brands, in high quality, in related consumption services, etc. There is interest both in the consumers with small spending power ("small is big") but even more so in the consumption power of the more wealthy (actual and prospective) consumers in the urban areas where the "critical mass of consumers" can be more easily reached, and where African talent can be recruited for the consumer-facing industries. Although also other economic sectors are regarded as important (like agriculture and agro-industries, natural resources and mining, and infrastructure), the African consumers are associated

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assumptions are not emphasized strongly enough in order to show the highly conditional framework of analysis.

with the expectation of a continuously growing market with high profit margins. There is not that much interest from the side of the consultancy companies in issues of promoting domestic processing and expanding domestic retail chains by upgrading the domestic value chains, as the focus is on an internationalized business which is controlling the stages of the value chains near the end consumer. It is also assumed that the "critical mass of consumers" is reaching more and more markets by the process of graduation of consumers in the lower income classes into upper middle class consumers. The role of the rich classes in consumption is not mentioned directly, although an increasing interest of African consumers in luxury brands (not only of upper class consumers, but also of more and more middle class consumers) is emphasized. The business prospects of the other key economic sectors are highly rated, but considered as rather temporary business opportunities (for minerals' exploitation, infrastructure-build up, etc.). There are only few remarks on the potentials of agro-processing towards the production of higher value-added products, and reference is made to government plans and AU (African Union) initiatives[25]. Similar is the situation with minerals' beneficiation, as this development potential is not emphasized strongly. So, the African middle classes are seen basically as major driving forces of a new African consumption society, not so much as social groups that will shape African development through productive value chains. It is not at all considered in these reports if and how the African middle classes will be able to overcome the state capture by the rich classes and their upper class business networks by building new power and economic centres. Beside of the African Consumer the African Private Investor is looked at by the international consultancy companies, although the emphasis is on the financial equity investor, not the productive investor in agriculture and manufacturing. Various international consulting and asset management companies present their global wealth reports with reference to Africa (directed to upper middle classes and upper classes by estimating and projecting the numbers of the "High-Net-Worth Individuals" /HNWIs and analysing their

[25] The DBR Report (DBR 2014a) is an exception as the new business opportunities in this sector are offensively emphasized. It may be that the interest of the Deutsche Bank in finance products related to agricultural raw materials and products is the reason behind this emphasis.

finance options). The focus is on the graduation of middle class income earners into this group[26]. The second phase of capturing the “demographic dividend” in Africa is so envisaged by the international consultancy companies.

Lack of transparent methodologies in calculating business opportunities: It is not easy to follow up how the international consulting companies calculate the sector-specific and economy-wide “business opportunities”. There is a lot of cross-referencing to other consultancy companies instead of giving outright explanations what they are doing. Methodological problems are associated with the growth assumptions for the national economies, for the economic sectors, for the urban versus rural areas, and for the regional economic communities and geographic regions. It is not easy to follow the calculations as methodological annexes in the reports are rare and short. The income and growth projections for consumer classes and the projections for the revenues of the major economic sectors (such as in McKinsey 2010 to give just one example) are based on specific definitions, base values, income ranges and industry groupings which need more clarification and analytical support. Consumer classes are calculated on the basis of specific population projections, specific inequality measures, and PPP (Purchasing Power Parity) income values on the basis of a certain reference year, but the calculations of household income brackets, real income per capita, growth rates, and of the number of households graduating over time to a higher consumer class are not made transparent enough. The same is the case with the development of the “annual revenue” of the four key economic sectors (called industries) in order to identify the overall business opportunities in Africa. Neither the definitions of the sectors, nor the base revenue volumes or the measurement of the growth rates of the sectoral annual revenue are becoming obvious to the reader. The sectoral composition of and the revenues from business opportunities (for consumer, resources, agriculture, and infrastructure sectors) for 2020 lead to a nice picture of huge opportunities, but the

[26] Companies like Capgemini/Royal Bank of Canada, Knight Frank, Allianz, New World Wealth (with special focus on Africa and the Middle East), and The Boston Consulting Group may be mentioned with their global wealth reports (to identify HNWIs/High-Net-Worth Individuals and UHNWIs for Ultra-HNWIs).

values included (value added, turnover, investment, etc.) are not presented in a comparable form (by some short footnotes it is attempted to clear the issues, but then more questions arise). The lack of transparency is also a problem when projections for regional economic communities (RECs) and for geographic regions in Africa are presented; regional output differs according to the aggregation of countries into the RECs and the five African regions (North Africa, South Africa, West Africa, East Africa, and Central Africa); business opportunities may look quite different in the various reports although just the scope of the regions may differ. The reports are full of terms which are associating all of Africa with progress (like African growth champions, African top growers, African lions and tigers, booming sectors in Africa, “Africa is rising”, “Africa is growing”, “Africa is catching up”), but there is a lack of differentiation between and within African countries and a serious gap in analysing the growth drivers, the growth actors, the growth impacts and the growth episodes. Even countries like South Sudan emerge as African top growers if there are (short-lived) signs of a recovery of oil production (in a country where oil production is the main income source of GDP). Growth drivers, like technical progress and innovation, entrepreneurship, human capital formation and domestic investment, are only scarcely mentioned and/or are not put into context. “Inclusiveness” and “sustainability” of growth are not dimensions of importance in these reports, although some consultancy companies now use such words in the titles of their reports (like in McKinsey 2012b).

Africa is portrayed as a continent with increasing political and economic stability: In order to portray Africa as “a continent of chances and opportunities”, one has to say something on political and economic instability. This is done in the international consultancy reports in a very superficial way. The reports assume that there is a greater capability in Africa (on the side of the governments, the business community and the civil society?) to manage violent conflicts towards creating more political stability and to manage macroeconomic policies towards achieving higher economic stability. However, Africa is still widely affected by civil wars, violent conflicts, humanitarian disasters, widespread prevalence of hunger, food insecurity and malnutrition, and it is therefore not justified to generalize in saying that the management of such handicaps is now based on a greater management capability. There is no evidence given for such statements. Most of the reports do not touch these issues in a concrete way, such as through assessments which business opportunities may be lost by such conflicts and how the business community could respond in order to save the business opportunities. Although many studies are available how governments and businesses can respond to conflicts in Africa, even cooperatively, these issues are not considered. Such conflicts and crises are mentioned but are not related to fundamental causes and factors (like misuse of public revenues from oil and minerals exploration and exploitation, bad governance and corruption, state capture by upper class businesses, lack of power-sharing and trust between ethnic and social groups, lack of planning and guidance of the economy, lack of coherent trade, industry and agriculture policies, etc.). The reports refer to progress in the management of the politics and the economy, although progress is limited to some countries, some policy areas and some sectors. All these conflicts and crises are considered as manageable, and Africa is portrayed as a continent with an enhanced management capability moving forward on the path to peace and prosperity. So, it is assumed that these conflicts and crises are not affecting fundamentally the optimistic horizon of business projections. Therefore it is not a surprise that even countries like South Sudan and the Democratic Republic of Congo are from time to time appearing on the lists of the African Top Growers.

Serious infrastructure gaps in Africa are looked at as huge immediate business opportunities: The main infrastructure gaps for production and trade in Africa are scarcely mentioned in these consultancy reports as impediments to businesses (this is found in investment surveys at the country level!), but are considered as major opportunities for international and domestic firms to benefit from the expansion of the infrastructure sectors. Emphasis is in the many consultancy reports on business opportunities in specific infrastructure sectors; primarily the lack of adequate cross-country infrastructure in Africa is mentioned. This type of infrastructure means “big business”. “Connecting Africa” is a key term in the consultancy reports on business opportunities in infrastructure sectors (like transportation and logistics, telecommunications and IT development, power, etc.). The "Connecting Africa" agenda paints the picture of huge Africa-wide business opportunities, which are following directly on the basis of the mostly large-scale projects but also indirectly as it is assumed that kick-off impacts on the affected areas and economies will occur. Limitations of regional integration and regional cooperation in Africa and deficiencies in the opening of the economies effectively for trade and investment are not reflected at all in the analyses by the consultancy companies or are seen as minor obstacles. Despite of so many regional integration initiatives in Africa the prevalence of barriers to trading and investing is a huge problem; "connecting Africa" by infrastructure investments will not solve the major problems for it. Ultra-optimistic African integration perspectives (such as tripartite free trade areas/TFTAs) are taken as a reality of "Africa Rising and Moving" and as an irreversible trend; demanding huge "Connecting Africa" infrastructure investments is considered in the reports as the logical next step. In this context the cooperation among governments towards cross-country infrastructure plans and between governments and big business in the form of Public-Private Partnerships is recommended. There is much less interest in these reports to care for local and national infrastructure although it is vital for linking economic sectors such as agriculture and industry.

Africa's "private sector" is considered as a strong partner for executing the international business interests in Africa: In all these international consultancy reports the role of the African private sector is seen as strong and as based on a long-term mutually rewarding partnership with the international business. But, it is not made clear which segments of the private African business community are linked to the international business interests in Africa. The great heterogeneity of the African private sector - from the Global Challengers, the African Challengers, the African Champions to the large-scale privately-owned and state-owned African firms, to the formal Small and Medium Enterprises (SMEs), and then to the informal small and micro enterprises – is not considered in these reports. Obviously the international consultancy companies have the Global and African Challengers, some large African companies and some formal and internationalizing SMEs in mind. When they report on the interests of the SMEs they argue about transport & logistics infrastructure and about digital infrastructure which is needed by the small companies. As the focus of African IT companies is on the end consumer, the international consultancy companies see rewarding business opportunities in providing logistics and digital infrastructure for the great mass of formal and informal SMEs (as it is expressed in McKinsey 2013 and PwC 2013b). “Connect Africa” is becoming a new strategic term used also by the international consultancy companies. While African development organizations mean the creation of Internet platforms for exploiting the business opportunities of the SMES between suppliers and customers, the international consultancy firms mean the provision of the infrastructure so as to connect the SMEs.

Africa’s development plans and development visions are the basis for deriving the huge expected business opportunities: While the expansion of the African middle class is the base for projecting an African Consumer Society, the official development plans and development visions of African countries and African Union programmes and targets form the basis for projecting the huge market opportunities that are seen in agriculture, natural resources and infrastructure. These plans and visions are accepted rather uncritically by international consultancy companies and are taken as a proof of the huge and ever increasing market opportunities. Many African countries and their Regional Economic Communities (RECs) and as well the African Union (AU) and NEPAD have their plans and visions. Although there are good reasons for developing such plans and visions at the national level (for planning, policy-making and social cohesion purposes), too often these plans and policies are not adhered to in the daily politics. The international consultancy reports take the plan figures and even the most optimistic projections, scenarios and outcomes in these plans and visions as reference values. Business opportunities in Africa are derived from these figures. This is in the interest of the consultancy companies as volumes of business opportunities are inflated. The Africa Rising Story can go on!

Eclectic, selective and ad hoc use of growth and development theories: From the theoretical point of view, the international consultancy companies use development theories and growth theories in a very specific and selective way. We find mixes and combinations of take-off theories, trade, investment and development theories, technology and innovation theories, and economic governance theories. The eclectic use of theories is practised in a purposeful manner. At the centre of the amalgamation of theories is the theme of a broad and sustained market development. An optimistic tone is prevalent and this implies that the positive implications of the theories can be brought to action by good public management. If policies are corrected, if drivers are unleashed from bureaucratic control, if natural resources are managed well, and if markets are better connected by the economic institutions, the envisaged market growth rates will materialize. There is not much on structural change and structural transformation in these reports; also the great heterogeneity of firms in Africa is not further discussed. Market failure and market imperfection theories, transaction cost and contract theories are not seen as relevant as it is assumed that good government policies can manage the economy better and better. As such, we see a closed system of arguments. Too many readers will find the arguments in these reports quite convincing.

Concluding Remarks

The “Africa Is Rising Story” is the theme of the paper. A lot of myths are prevalent on African growth and development. Some of these myths are discussed in this paper on the basis of readings of major international consultancy reports. These international consultancy companies have a decisive influence on foreign investors in Africa, on multinationals doing business in Africa, but also on governments, on private local businesses in Africa, and, last but not least, also on donors who are engaged in Africa.

Some of these myths (Africa as a continent of top growers; Africa as a continent of booming economic sectors and of expanding consumer classes; Africa as a continent with an increasing number of globally competitive enterprises; Africa as a continent capturing the “demographic dividend” and the advantages of the “digital economy”; and Africa as a continent with an emerging middle class which is taking up developmental roles) are discussed in this paper and confronted with facts and realities. Also the methodological frame of these international consultancy reports is considered. There is reference to the background and the motivation of these companies to write on Africa, to their methodologies and analytical approaches, to their functional importance for investors, and to the spread of the messages all over Africa and throughout the development community.

It is not the purpose of the paper to deny the economic and social progress in Africa. The intention is to provide a frame for a more critical assessment of such reports as they are circulated all over the world press and are written so as to influence not only investors but also key political decision-makers. Also, it is necessary to draw attention to the fact that the increasing number of large and expanding international consultancy firms is increasingly important as an employer of skilled staff in Africa to the extent that skilled staff is becoming scarce for other employers (governments, regional organizations, donors, and private local businesses). However, the paper draws attention only to the core group of the worldwide known and most influential international consultancy companies.

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