

Investment and the Third World: Investors Perspective

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Abstract

The IMF world economic outlook April 2016 listed the fastest growing economies in the world. Amongst these countries are three African countries namely Senegal, Ivory Coast, and Tanzania. The growing economy of these third world countries holds huge potentials for entrepreneurs and investors alike. There several key sectors where third world countries pressing needs can be met by investor. This article tries to draw investors' attention to the potential in investing areas like electricity, hunger, unemployment, waste management, disease, education, transportation and shelter.

Index terms— developing countries; third-world; africa; trade; investment.

1 Introduction

hen Africa as continent is mentioned in any subject of discussion, the first impression that lingers in the minds of many includes but not limited to war, poverty, and lack of opportunities, unemployment, disease, hunger and insecurity -a place where everything is wrong and nothing works. These thoughts are often times justified, given the fact that the leaders who are usually entrusted with resources of the continent are the some people who arrogantly create conditions that leads to the destruction of the very things they are to protect. Nevertheless, these conditions have not entirely weep the good image of Africa. It is important to note that investor perception about the Africa continent is gradually looking more positive. Entrepreneurs see a land of vast opportunities and untapped potential. Optimists like to describe Third world as the "world's last frontier" of lucrative business opportunities. While the ignorant and fearful see a dark and unpromising continent, smart entrepreneurs see the amazing business opportunities that lie beneath all of Third world's problems. Looking for serious problems and thinking of interesting and innovative ways to solve them is one of the most effective methods of finding high-potential investment opportunity.

The World Economic Forum notes that the conversation about Africa is shifting from one of "deficits" and "gaps" to one about opportunities, prospects, ventures and creativity. That's no news to companies that have paid close attention to the continent and invested there. The fast growing youth population, and urbanization is expected to drive over 50% of Africans to cities by 2050, and Africa's formalizing economy are all well known. These trends and other developments have driven a half century or more of growth in Africa, and will continue to do so.

Any investor who can take a keen interest in the problems outlined in this article stands the chance of making a great return on its investment in Third world. This article looks at eight serious problems in Third world that hold lucrative business opportunities and will make money for entrepreneurs who can unlock them. The articles will also try to discuss the challenges associated with investing in this areas and how to overcome them.

2 II.

3 Electricity

Some people say that if you look at the Third world continent from outer space at night, it looks empty and pitch black. Maybe this is why the rest of the world refers to Third world as the 'dark continent'. According to

(Sales 2015), more than 700 million (two third of the population) in Africa live without access to electricity. The problem is more prevalent in the rural areas as compared to urban areas of third world countries.

The poor supply of electricity to support everyday needs like lighting up bulbs, pumping water and charging mobile phone batteries is a big challenge in many parts of Third world countries. Electricity is such a serious problem for Third world that the growth and prosperity of its economy and the convenience of our daily lives depends on it.

Did you know that all the 40+ countries of Sub-Saharan Third world (except South Third world), with a combined population of more than 750 million people, generate roughly the same amount of electricity as Spain (a single country of less than 50 million people)? According to the World Bank, Third world arguably has the worst electric power infrastructure in the world with the lowest scores in power generation, consumption and security of supply! But there will be demand for more power in third world countries in the next few decades, driven by economic growth, population growth and urbanization. Each percentage point in GDP growth in developing countries tends to be accompanied by growth in energy demand of 1.2 to 2.3%. Between 2015 and 2040, the population of Sub-Saharan Africa is expected to increase by 755 million, or 81%. Electricity generation will have to almost double by 2040 to maintain per capita provision.

By 2050 around one half of Africans will live in cities, compared with just over one-third today -an increase in the urban population of 800 million people. Today, urban consumers in Africa use an average three times more electricity than their rural counterparts. It is important to not the huge gap in power deficit creates a huge opportunity for institutional investors with hope of achieving great returns on their investment. The hope of achieving returns on investments comes with the difficulty of investor choice of technology and timing of investment. In recent times, the power sector in most African countries have welcomed the need for private equity investors. Smart equity investor have taken advantage of the gap. Between 2010 and 2013, there were around 27 private equity investments in energy and natural resources, with an aggregate value of US\$1.2 billion ("20 facts on electricity in Africa").

Entrepreneurs like Tanzania's Patrick Ngowi are seizing the lucrative opportunities in Third world's electricity problems. By focusing on solar energy, which is freely and abundantly available in Third world, Patrick has brought electricity to thousands of homes in his country.

To date, his company (Helvetic Solar Contractors), has installed more than 6,000 small rooftop solar systems in his country and four other East Third world countries -Kenya, Uganda, Rwanda and Burundi.

And there are more ambitious entrepreneurs like him who are using the power of the sun to light up Third world.

4 III.

5 Hunger

Hunger is one of Third world's biggest and most serious problems. Images of hungry and starving Third world children often make the headlines in mainstream media and have come to represent the face of the continent. Despite having more than 60 percent of the world's uncultivated arable land, a conducive climate for agriculture, and an overwhelmingly young population (more than 60% of the Third world population is under 25 years old), millions of people on the continent still go hungry. According to (Bremner 2012), Nearly 240 million people in sub-Saharan Africa, or one person in every four, lack adequate food for a healthy and active life, and record food prices and drought are pushing more people into poverty and hunger. One of the major causes of hunger in the sub-region is population (Yihdego and Paffard 2016;Yihdego et al. , 2017)). With a high fertility level and 40 percent of ladies in the sub-region under the age of 15years, it is expected that population will greatly increase in the coming years, hence the amount of food needed to feed the people in the region will also increase. Population in sub-Sahara Africa alone is projected to more than double from 856 million to 2 billion in 2050 ((FAO) 2015). With all these mouths to feed, agribusiness is more than likely to become a booming industry in Third world's future. Presently, Third world does not produce enough food to feed itself and has remained a net importer of food which causes third world in excess of billions annually.

There are other reasons for the serious hunger problem on our in third world countries. Apart from hunger which is induced by conflicts and natural disasters (like drought and floods), Third world's failing agriculture industry is arguably the root cause of hunger on the continent (Yihdego and, Eslamian 2016; Yihdego 2016a, 2016b). Agriculture, which used to be a booming and attractive industry, has been abandoned for whitecollar jobs in the cities due the unattractiveness of the trade or perhaps, the difficulties in securing large litigate free lands for agriculture activities. About 80 percent of lands in Africa are less than 2 hectares, and while the region is becoming more urban, the rural population is still expected to grow by more than 150 million people over the next 40 years (Bremner 2012). From (Bremner 2012) studies on the Democratic Republic of Congo, we expect that farm size per person will continue to decline due to the fact that farming families are trying to distribute farm land to members to cultivate separate. Though the sharing of land among families might not affect production in aggregate if the whole land is cultivated, there could challenge if one owner dies. The unavailability of litigate free large arable lands affects investor confidence in investing their capital into this venture. With decreasing interest from ordinary people and low investments from both the business community and governments, the current state

of Third world's agriculture industry makes it unable to produce the amount of food needed to feed a large and fast growing population.

Notwithstanding the challenges, there are several exciting opportunities and high returns for entrepreneurs and investors who start or invest in agribusiness. Some interesting opportunities investors can look at includes vegetable farming, cassava farming, livestock farming (fish, chicken, pigs, ostrich, and snails), palm plantation and beans. There is also a huge potential for businesses like animal feed production that support the livestock industry. The return on investment in agribusiness can rise up to 100%. Barring any unforeseen event like rain and pet destruction, an investor can hardly get it wrong with food production in third world country.

IV.

6 Unemployment

With one of the world's youngest populations, Third world's large and growing pool of unemployed labour is one of its biggest problems. Young people, many of who are physically and mentally capable, cannot find the jobs they need to earn a decent income for their upkeep and basic survival. Depending on whose figures you're looking at, the unemployment rate in the third world is huge (up to 50 percent or more). Since jobs must exist before people can be employed, does it mean that there are no jobs in Third world? Of course not!

In fact, Third world's economy has been growing steadily for over a decade and six of the ten fastest growing economies in the world are in Third world. A growing economy is often a clear sign that more jobs are being created. However, the main problem with the job market in Third world is that it is largely disorganized. It is quite difficult for businesses and employers to find potential employees with the right skills, education and experience for the positions they want to fill (Le Goffa and Singh 2014; Loots and Kabundi 2012; Were2015)

To a considerable part, Third world's unemployment problem has to do with information sharing rather than total unavailability of jobs. Several smart Third world youth are already rising to the challenge of solving our continent's unemployment problems. In Nigeria, Jobberman.com, which was started by three university undergrads in 2009, has become Nigeria's Number 1 job search and recruitment portal. In a country where more than 40 million able-bodied people are unemployed, Jobberman.com is helping millions of people get a job by connecting vacancies with the right candidates; saving recruitment costs for businesses.

Seeing the huge potentials in this business model, Tiger Global, a New-York based fund with investments in Facebook and LinkedIn became an investor in Jobberman.com in 2011, a little less than three years after it started. The service now has a subsidiary in Ghana and plans to roll out across Africa in the near future.

Apart from providing critical information services that help employers and potential employees to find each other, there is also another angle to the unemployment problem in Third world, unemployability. Many of the people looking for jobs in third world countries do not have the required education, training, skills and experience that make them desirable for employment. Businesses and entrepreneurs who can offer solutions to this problem in the form of skill acquisition programs, education, training and retaining are very likely to enjoy huge benefits. The cost labour in third world can be very cheap. This provide business owners the opportunity to run profitable ventures with very low direct and indirect labour related cost.

V.

7 Waste Management

Third world is losing its natural beauty and environment to different forms of degradation especially solid waste pollution.

As Third world becomes more urbanised and the spending power of the average Third world rises, more goods will be consumed leading to even more waste. The volume of waste generated in third world countries is expected to double in the coming years as the size and population of its cities explode.

In 2009, the United Nations identified these major trends relating to waste management in Africa:

1. Poor waste management practices, in particular, widespread dumping of waste in water bodies and uncontrolled dump sites, aggravates the problems of generally low sanitation levels across the African continent.
2. Urbanization is on the rise in Africa, and this trend is expected to continue in the future. Of concern is the inability of infrastructure and land use planning methods (including for waste management) to cope with urban growth.
3. Waste management infrastructure is largely nonexistent in rural areas of Africa. Improvements in infrastructure are urgently needed to combat the high cost of health services and thereby alleviate poverty and reduce rural-urban migration.
4. The gap between waste management policy and legislation and actual waste management practices is widening due to perennial capacity constraints and lack of waste management facilities for various waste streams. Access to major investments and acquiring the technical know-how needed to resolve the capacity constraints remain a tall order.
5. Waste generation is expected to increase significantly as a result of industrialization, urbanization and modernization of agriculture in Africa.
6. Changing lifestyles and consumption patterns of the growing urban middle class, in particular, is increasing the complexity and composition of waste streams in Africa.

The danger posed by this trends listed above cannot be emphasised enough. Most disease contracted by citizens of third world nations are usually as a result of poor waste. The fatality can even lead to loss of lives. The impact of providing effective waste management are largely associated the reduction or elimination of health

risks, environmental degradation and impediments to urban productivity ??Bartone et taken advantage of the vast opportunity that guarantees a maximum returns, there is still the need for massive infrastructure investment in areas like e-waste management and turning human waste into energy.

Apart from the dirty and unsightly look that heaps of waste are giving to several cities across Third world, poor waste management is closely related to, and largely responsible for, the outbreak of diseases. In addition to its undesirable effects, the way we handle and treat our waste will play a very significant role in managing Third world's natural resources in the future. Recycling waste (like kitchen waste, paper, plastic and metals) helps to reduce the pollution in our environment and provides jobs for thousands of people on our continent.

To tackle the menace of plastic waste in Nairobi (the Kenyan capital), Lorna Rutto, a former banker decided to start a small plastic recycling business. Her business uses plastic waste collected from dumpsites and garbage cans across Nairobi to manufacture fencing posts. These posts, which are used to fence houses and forest reserves, are becoming a preferred alternative to timber. So far, her innovative business has created over 7,000 fencing posts, 500 new jobs, generated more than \$150,000 in yearly revenues, saved over 250 acres of forests and removed more than 1,000 tonnes of plastic waste from the environment.

Another interesting business that is solving the problem of waste disposal in Third world is DMT Mobile Toilets in Lagos (Nigeria) -one of Third world's most populated cities. In its bid to reduce the public disposal of human waste, this business provides affordable access to toilet facilities in public spaces (bus parks, events, etc) across Lagos. To date, this company has manufactured over 3,000 mobile private toilets. It produces over 200 units every month for sale and for hire across Nigeria and in the West Third world region.

The achievement of this entrepreneurs gives hope that investing waste management in third world is not only viable, but carries with it unlimited opportunities.

8 VI.

9 Disease

While third world is home to about 15 percent of the world's population, third world alone accounts for nearly 24 percent of all diseases that occur in the world. Apart from poor access to essential medicines and vaccines, low quality healthcare, malnutrition, and poverty, Africa especially, it's tropical (warm) climate favours the breeding of disease vectors (especially mosquitoes which cause malaria). In addition to these factors, the rise of chronic diseases like heart attacks, cancer, respiratory diseases and diabetes is causing more deaths in third world every year.

According to a recent WHO Report, infectious diseases are the leading causes of sickness and death in developing regions. Of these infectious diseases, malaria, HIV/AIDS, pneumonia, tuberculosis, diarrhoeal diseases, and measles make up more than 90 percent of over 10 million disease-related deaths that occur in Third world every year. Most of these diseases can be treated with the right drugs. Due to the serious disease problem in third world countries, there have been huge and rapidly growing demand for drugs, medicines and other pharmaceutical products.

The size of Third world's pharmaceutical market is expected to reach nearly \$45 billion by the year 2020 and entrepreneurs like Uganda's Emmanuel Katongole, and Samuel Amo Tobin are already taking advantage of this huge opportunity.

Malaria, for example is estimated to cost countries such as Nigeria and the Democratic Republic of Congo up to 1.3% of their GDP, according to the Malaria Consortium. That's why Faso Soap, the brainchild of two ingenious third world entrepreneurs brings some relief.

Comprised of shea butter, lemongrass, marigold and other natural resources that are plentiful across Third world, this soap is designed to leave an insect-repelling odour on the user's skin after bathing. It can be used to prevent against a wide range of mosquito-transmitted conditions, perhaps eventually even Zika.

The major constraints facing the development of the local pharmaceutical industry in Ghana alone has been identified by (Hasper & Gyansa-Lutherodt 2007) as follows:

1. A chaotic and unregulated pharmaceutical distribution chain that leads to high prices and which seriously compromises pharmaceutical supply chain security.
2. A focus of local production on OTC product manufacturing in a highly saturated local OTC market against the background of an 'ad hoc' local pharmaceutical market.
3. Inability to produce essential medicines that meet the standards for international tenders (i.e. WHO prequalification with its emphasis on manufacturing and product international regulatory compliance);
4. Relatively high manufacturing costs, for a number of reasons, of locally manufactured pharmaceutical products compared for example to imports from China and India;
5. Absence of a local 'enabling business environment', i.e. effective and coordinated incentives and support for local pharmaceutical production of essential drugs according to international pharmaceutical standards;
6. Difficult access to cost-effective investment;

10 VII. ducation

Education is extremely relevant in the economic growth of any nation. It is therefore logical to say that any country with higher illiteracy is most likely to face challenges than countries with higher literacy. Though education might not be the end, it is often times the means to the end. Any third world country expecting to achieve a developed status needs to invest heavily in its citizens. Unfortunately, the opposite is true in third

world countries. The standard of education in many parts of this region has deteriorated terribly. Poor access to quality education at all levels, from basic primary education to university is another serious and nagging problem across third world countries. The quality is even more regrettable when it is a public institution.

The poor quality of government education and low investment in the education sector has put it in a state of crisis in many third world countries. Nevertheless, citizens of third world countries are embracing themselves with the need to eliminating poverty through good education. However, the good schools and training facilities are not affordable for many people and are not even enough to cater to the needs of third world's large and rapidly growing population. It cost parents huge fortune to educate their wards in good schools like Lincoln community and Ghana International School.

To solve the problem of inadequate opportunities for affordable quality education (especially for children from poor homes), some entrepreneurs in third world countries have come up with interesting solutions. Omega Schools, based in Ghana, is a chain of low-cost private schools that offers basic primary education to children in poor families for an incredibly low and affordable fee (less than \$1 a day per student). Bridge International Schools in Kenya uses a similar low-cost model to provide affordable education to thousands of children in East Third world for less than \$5 per month per student. Before these amazing businesses started, it was thought impossible to educate poor people at a profit. With this business model working successfully for other entrepreneurs, it equally replicated in other third world countries for better return.

VIII.

Transport

With millions of humans and goods that are moved around every day across Third world, transportation has become central to the functioning of Third world's economy and crucial to basic survival of third world countries.

With potholed roads, poor transport networks, absent rail lines and weak water transportation, the options for moving people and goods around on the continent are quite limited. This affect the movement of people and goods seriously.

With a population that is growing faster than anywhere else on earth, transportation remains a problem of the present and future for Third world countries.

The investment opportunities in this sector is limitless with its related returns. However, the cost of raising capital for projects in these areas are often time complex and requires not only high net worth investors but people with the requisite experience to initiate and complete. Nevertheless, the current government in Ghana in its inaugural address has indicate the willingness to partner private investors to develop the transport sector as part of its agenda for growth. With such assurance coming from a third world country government and the commitment with which that assurance was made gives hope to smart investors.

IX.

Shelter

After food, shelter is arguably the next most important necessity in our lives. Shelter in this regard refers to housing accommodation, office space and public buildings.

The growing migration of Third world citizens from rural to urban areas is putting a lot of pressure on available and affordable housing in cities and towns across the continent. The housing deficit in Ghana alone is estimate between 1.2million and 1.5million. Two bedrooms flat for the recent affordable housing built by the government of Ghana is being sold for 20,000 dollars. Though this is cheaper than the private estate which usually goes for a minimum 60,000 dollars and above depending on the location, there is still a profit margin.

Seeing the huge opportunities and potentials in our continent's housing problem, it's hardly any surprise that entrepreneurs like Nigeria's Aliko Dangote, who is Other building and construction materials like wood, glass, aggregates and steel have become hotselling products in this region. Individuals, businesses and governments are making huge investments in Third world's real estate and infrastructure market. Smart entrepreneurs are buying up undeveloped land around major cities in a bid to build their own houses and possibly earn rental income from tenants who need shelter too. Other popular real estate investments are in office spaces and retail spaces; shops for traders.

X.

Conclusion

In this paper, we discussed opportunities in third world countries with emphasis on electricity, hunger, unemployment, waste management, disease, education, transport and shelter. These are areas third world countries really need help. This is not to say other areas does not exist for equal attention. However, the aforementioned provides opportunities for investor expecting higher returns on their investment. Finally, the

15 CONCLUSION

277 paper tried to highlight the attractive of this areas which is balanced against the considerable challenges that
278 comes with investing in third world countries. ^{1 2 3}

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²Year 2017Investment And The Third World: Investors' Perspective currently African richest man, has been making very significant investments in cement production, the most vital material in building construction.

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