

Opinion & Analysis

Big players blind to real value of small-scale off-grid power

BUSINESS WATCH

MORE than 5 000 power and water professionals from different African utilities and institutions descended on Cape Town yesterday to engage on the challenges that face these two crucial sectors on the continent.

Although Africans are quick to dispel the notion that theirs is a dark continent, more than 600 million people are still without electricity in sub-Saharan Africa.

According to World Bank figures cited

by Agnes Dasewicz, the director of USAid's Private Capital Group for Africa, at the African Utility Week yesterday, businesses on the continent, on average, experience 56 days of power outages a year, translating to a loss of 20 percent of working days yearly.

These are not new discussions, they take place every year yet even a country like South Africa, considered to have a more stable grid than most, is able to avert general outages only at the expense of big businesses.

As Frans Vreeswijk, the secretary general and chief executive of the International Electrotechnical Commission put it, some countries have enough resources to power the entire continent but they do not have the money to make anything out of those resources, be it rivers for hydropower plants, gas or solar energy.

The planned integrated southern African electrical grid, which is being piloted by the region's power pools, is a noteworthy start but something to take away from Vreeswijk's remarks yesterday is that we do not need to build big centralised power systems. Isolated small-scale off-grid power generation is gaining momentum around the world. And such systems can be installed in months rather than years.

So why is South Africa sceptical of off-grid generation?

Ayanda Nakedi, the senior general manager of the renewables business unit at Eskom, spoke about off-grid power that had been rolled out to a few rural communities, but it was not reliable. Its performance showed that it was "electricity for poor people" and people protested against that. They wanted the same quality of

power supply provided to people in the urban areas and rightfully deserved that.

If there is one thing the engagements at African Utility Week should try to provide a solution to, it is these small areas of concern because the bigger problems, bigger power stations and bigger and smarter grids will take years to sort out.

Leisure

The hotel, gaming and entertainment industry leaders looked a lot like players forming strategies on a chess board.

Announcements about who is buying and selling what came trickling down yesterday from Tsogo Sun, Sun International and Grand Parade Investments (GPI).

By the end of the day all three players had made healthy gains on the JSE, led by

QUOTE OF THE DAY

Your words have power! They can be tools that build or weapons that destroy... your choice. – Tony Gaskin, American life coach, motivational speaker and author

International does not come as a surprise.

The company has recently invested R220 million in the refurbishment and re-launch of the Southern Sun Elangeni and Maharanji hotels in Durban.

For Sun International, which had earlier planned to cut 1 700 jobs due to muted growth as a result of highly indebted consumers cutting back on domestic travel and gambling, the move is based on a pure strategy.

The group's chief executive Graeme Stephens said the move was consistent with its long-term objectives of increasing interest in key strategic assets, streamlining the company's structure and enabling black empowerment value creation. **page 17**

Edited by Banele Ginindza. Contributions from Lonidwe Buthelezi and Nompumelelo Magwaza.

Asia co-operation will do the world a whole lot of good

IN MY OPINION

the Globalist

Chandran Nair

WHAT do you think would be the tenor of global debate if Chinese President Xi Jinping, on a tour of South America, were to give speeches at each stop about the threat to the region by the US?

While visiting Cuba, he would offer promises of "deepening our alliance". And, at the trip's end in Mexico, Xi would call that country "freedom's frontier on this divided peninsula".

Anything of the sort would be greeted by the universal outrage of global commentators – and probably by calls for sanctions on the part of leading US politicians.

But switch China and the US's places, and this is almost exactly what happened when US President Barack Obama visited Asia late last month. Those words above were his – but directed to the Philippines and South Korea, rather than Cuba and Mexico.

Indeed, few issues nowadays can avoid being drawn into the ideological sinkhole of Chinese-US competition. But global nervousness goes further than that.

In a speech to students in Pennsylvania, Obama recounted that "countries like Germany, China and India – they're working every day to out-educate our kids so they can out-compete our businesses".

Even the Hollywood press has been abuzz about whether studios are "kowtowing to China" by editing their films in an attempt to enter the lucrative Chinese market.

Apart from creating an attitude of fear and mistrust among the next generation of Americans, this kind of narrative promotes a dangerous national solipsism.

A world where all other countries are either threats or allies and a world that can be either "with us or against us" is an increasingly dangerous place – whether those words are uttered by a sitting American president or others.

What may be intended as harmless, even cheerful motivation, can be turned, almost accidentally, on its head – and become the spark for a generation's worth of misunderstanding and mistrust. Hardly the goal of political leadership.

Asia's political leaders have been little better. They are far from acting in a harmonious fashion, mired as they are in their own petty squabbles.

The new "game" in Asia reads like a football World Cup schedule: Japan versus

South Korea, South Korea versus China, China versus Vietnam – and North Korea versus everyone else.

Asian leaders should know better. Their populations need them to focus on equitable and sustainable growth. Instead, far too many politicians seem stuck in the past, brooding over wars that ended 70 years ago.

The cliché is that Asian nations have long histories and long memories, which gives them wisdom. But the opposite can just as easily be true. An obsession with a perverse interpretation of history prevents co-operation on the real challenges of the future.

Small wonder then that many, both within and without Asia, have clung to the notion, eagerly seized on by the US, that America has to step in and "fix" the region. But this is a dangerous idea.

One needs to look only at the Middle East to see what kinds of disasters such thinking can cause.

Nor is the seemingly placid state of Europe today something that Asia should aspire to, and not just for the obvious reason that a huge amount of blood was spilled in the interim.

What many too often forget is that the reason Europe is so seemingly peaceful is because western European nations have essentially forfeited any notion of an independent foreign policy. In crisis after crisis, they have listened to the US's luring calls and become totally subservient.

Europe, as many Europeans tacitly recognise, has become a tool in the global exercise of American power.

One need only look at a map of US overseas bases to know who is really calling the shots globally.

What is needed is not just an American and a European pivot to Asia, but a Russian pivot to Asia, an African pivot and – most of all – an Asian pivot to Asia.

– and should not – come from outside.

It is short-sighted of China's neighbours to antagonise what will inevitably become the region's most powerful political, economic and military force. But it is just as short-sighted of China to promote any vicious form of nationalism as a means to distract from domestic dissatisfaction or challenges.

China is here to stay. Constant obsessing about regional conflicts, by whichever "camp", poses the very real danger of becoming a self-fulfilling prophecy.

More than this, the real problems of the 21st century – those to do with scarce resources, climate change, rising populations

and technological over-reach – need to be solved with the help of the entire world, not by squabbling groups of short-term allies.

China, in its well-understood self-interest, should be at the centre of these efforts – possibly even leading them. For this, it will need the consent and co-operation of its neighbours.

The latter should not fall victim to the "western" folly of treating it like a pariah, largely because it has a very different but actually quite well-functioning political system.

The Chinese, in turn, need to step up to the plate and validate their claims of a "peaceful rise". They must start to compromise. If they do not, they risk living up to frequent accusations of bullying made against them.

In the end, only a series of mutually agreed regional rules can prevent a race to the bottom. To the victor the spoils? Anybody who seriously believes that notion, even for a moment, has no idea of the lasting damage that could be created in the struggle for control of a small group of uninhabited islands.

Chandran Nair is the founder of the Global Institute For Tomorrow in Hong Kong. Follow the Globalist on Twitter: @theGlobalist

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India's central bank head to face fresh challenge as political pressure looms

HONEST BROKER

William Pesek

EW central bankers have had as much success in so short a period as India's Raghuram Rajan. Eight months ago, when Rajan took over as head of the Reserve Bank of India, the rupee was in a free fall, speculators were betting on a debt crisis, and economists buzzed about India being the first Bric (Brazil, Russia, India and China) nation to have its credit rating cut to junk.

Today, India's central bank is back to battling more conventional foes such as inflation, not financial Armageddon, thanks to Rajan's decisive moves to stop capital from fleeing the economy.

But Rajan is about to confront an even bigger challenge: India's dysfunctional politics. On Friday, India's 1.2 billion people will get a new government. Elections that began on April 7 are widely expected to deliver Narendra Modi's Bharatiya Janata Party to power.

Markets are rallying amid expectations he will cut red tape, attack corruption, and reduce the crushing poverty that leaves 800 million people living on less than \$2 (R21) a day. Since 2001, Modi has served as chief minister of the western state of Gujarat, where growth significantly outpaced the national average in 11 of the past 12 years for which data are available.

Voters want Modi to replicate that performance across the nation. Yet as Modi will learn early on, enacting change in a region of 60 million people that was famed for entrepreneurship and industriousness well before he came along is one thing; doing it in corrupt, inefficient and ossified New Delhi is another.

As the magnitude of the task becomes clear and vested interests dig in, expect Modi to do what so many governments before have done: put pressure on the central bank to boost growth. Rajan should brace for unprecedented criticism that the Reserve Bank is not doing enough to support the nation.

He should stand firm against the policies of expediency and focus on establishing a foundation for sustainable growth. The most important contribution Rajan can make is getting India's inflation rate well below the growth rate.

Consumer prices rose at a rate of 8.59 percent last month, the fastest pace among the biggest emerging markets. The economy is expanding at barely half that rate: roughly 4.7 percent, near last year's 4.5 percent, which was the slowest since 2003. That right there explains so many of India's vulnerabilities.

Rajan has raised borrowing costs three times to 8 percent. The moves were partly

aimed at stabilising the rupee after it plunged to record lows. But Rajan is also trying to rid the \$1.8 trillion economy of the chronic inflation that exacerbates poverty, damages competitiveness and inhibits foreign direct investment.

Since taking over as the central bank's governor in September, Rajan has had reasonably free rein to shore up India's financial system. With crisis in the air, politicians were all too happy to defer to the central bank. But inevitably, Rajan and his team will find themselves in an uncomfortable spotlight. Expectations are high for Modi. Businesses and households alike will be looking for fast dividends that will be very hard to deliver.

The changes India needs will be nothing less than explosive for the country's leadership. Any moves to root out corruption, make the government more accountable and reduce the barriers to everything from trade to investment will require epic battles with entrenched interests.

So will any effort to reduce government debt or narrow the current account deficit. It will not be long before the pre-election hype about Modi taking his "Gujarat model" nationwide meets governing realities, dragging down his approval ratings. The quickest way to calm the masses will be the central bank's compliance. But Rajan must resist the torrent of criticism sure to come his way.

Given in would not just fan fresh inflation – it would also remove the urgency for the government to internationalise an economy that risks getting left behind as China races forward. Rajan has the gravitas to push back.

The University of Chicago economist did India proud when he headed up the International Monetary Fund's (IMF's) research team from 2003 to 2007.

Prominent economists such as Columbia University's Jagdish Bhagwati think Rajan is an obvious choice to replace IMF head Christine Lagarde someday, boosting India's global clout.

For now, though, Rajan faces what may be the toughest job in global economics. Instead of becoming Modi's monetary lackey, Rajan should speak truth to power. The way central bankers in the US and EU did once upon a time. Rajan is just the man to play the honest broker role New Delhi has lacked during the past decade.

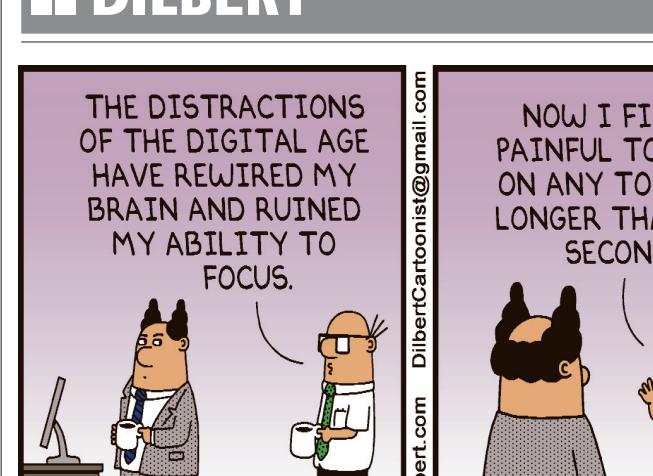
If he can turn the tables and prod Modi to alter the mechanics of India's economy, Rajan will be remembered as one of history's greatest reformers, and the world economy will be a better place.

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DILBERT



DIARY

Selfless taxi driver keeps Chinese idealism on the road

A TAXI driver has become an overnight celebrity in China after he found a huge bundle of cash in the back of his taxi and promptly returned it to its rightful owner.

Zhao Lei found 170 000 yuan (R285 000) in a paper bag on the back seat of his taxi after taking a young couple to a car dealership in Harbin, in the north-eastern province of Heilongjiang.

Instead of keeping the huge haul – probably three times his annual salary – he handed it to the company he works for.

The firm contacted the passengers and returned the money.

The delighted couple, who said they had been carrying the cash so they could pay for a new car, tried to offer Zhao 10 000 yuan as a reward for his honesty, but he refused to accept the cash.

"It is what I have to do," the driver said after news of his deed came to light.

"Anyone who lost such a big amount of money will go crazy. I won't take advantage of that."

Taxi drivers in China earn less

than 5 000 yuan a month for working punishing 14-hour shifts, six days a week.

The story of Zhao's selflessness is likely to be held up as an example of community spirit by the Chinese media, in contrast to a wave of stories demonstrating the increasing individualism of society.

In 2011, a little girl who was run over by two cars was seen on camera bleeding to death while nearly 20 passers-by simply ignored her plight. – Daily Mail