

African Union

- **Africa:** During the recent WEF on Africa meeting in Cape Town, a number of global and African CEO's launched the Continental Business Network (CBN). The purpose of the CBN is to fast-track high-level private sector investment into Africa's regional infrastructure, and to provide advice to governments on issues such as policy, investment risk rating(s), project structuring and constraints to the implementation of the Programme for Infrastructure Development in Africa (PIDA). The CBN will address the lack of capacity and funds in project preparation and the weak involvement of the private sector, generally viewed as the main issues that militate against the implementation of African regional infrastructure. The importance of PIDA is seen in the expected outcomes, i.e. the reduction of energy costs and increase of access to energy; the slashing of transportation costs and boosting of intra-African trade; the provision of finance for transport; ensuring water and food security; and increasing regional connectivity. (NEPAD. 2015. Top global and African CEOs launch infrastructure business network on side-lines of WEF in SA. **NEPAD** – www.nepad.org. Accessed 23 Jun.)
- **Implication:** The importance of PIDA is self-evident. As with any strategy worldwide, execution is always a problem. The CBN will therefore play a crucial role to bring about the development of infrastructure projects in Africa, by working on the means and the capacity to deliver, both to the benefit of the people of Africa and the companies delivering on the projects. The inclusion of global CEO's enables the opportunity to learn from best practice in countries with a high service delivery history on projects. Good governance will be crucial, however.
- **Africa:** The African Growth and Opportunity Act (AGOA) is set to expire on 30 September 2015. It does appear that due to the grouping together of AGOA with other trade pacts, the re-authorization thereof has become a problem. The AGOA has created a lot of benefits for Africa and the USA alike during the period 2000 to 2014. For the USA, exports to Africa have grown by 284% under AGOA, consumers have gained access to more affordable goods, and imports of non-extractive products from Africa have grown by 94%, while thousands of jobs in the USA are dependent upon AGOA trade. On the African side, 25 of the 38 countries that were eligible in 2013, exported products to the United States under AGOA, of which 14 exported more than US\$ 10 million worth of non-extractive products. Job creation in Africa has also been boosted, with the direct creation of more than 300,000 jobs, together with millions of jobs that have been created indirectly. Women and the youth have benefited in a major way, contributing to women's empowerment and increasing stability and security in Africa. AGOA reauthorization will also support African efforts at regional integration, such as the establishment of the African Continental Free Trade Area (CFTA). (Acyf, F.H. 2015. Africa: The Urgency of AGOA Re-authorization. **Al-Africa.com** – www.allafrica.com. 22 June.)
- **Implication:** The failure to re-authorize AGOA will be a major blow to the people of Africa. Even delays in the process could hurt the African suppliers to the USA, in that orders have a long lead time and clients could turn to other supplier countries. However, should the AGOA not be re-authorized, it would also be problematic for the USA. The likelihood of this happening is therefore low. The issue could arguably be another reason for Africa's turn to other continents (such as Asia) for more steady trade relations.
- **Africa:** Africa with its growing middle class is now one of the world's fastest-growing beverage markets. Wine consumption in Africa is rising 5 times faster than the global average, at a total of 864 million bottles of still light wine in 2013 - a rise of 17.3% in 5 years. The market is forecast to grow another 11% by 2018. Higher GDP growth, higher disposable incomes, brand image and perceptions of sophistication by the urbanizing middle class and the youth have all contributed to this growth in consumption. The expansion has been limited, however, by

factors such as high import taxes, complicated customs procedures, and corruption. In addition, a lack of infrastructure means keeping products chilled to the right temperature, and in finding reliable distributors, are problematic. Spirits exporters are enjoying an even bigger African boom, with whisky in the lead along with brandy and Cognac. Africa's growth has seen a surge of foreign investment and an influx of Chinese represent an opportunity for the Cognac market. Castel, the world's fourth biggest wine company and a distributor of beer in Africa (in partnership with SABMiller), has also targeted Africa's expatriate residents. (Fin24. 2015. Booze firms toast Africa's ripening market. *Fin24* – www.fin24.com. 21 June.)

- **Implication:** Africa presents an increasingly attractive alternative market to the wine producing countries that struggle to make inroads in the new hotspots of the USA and China. More of the so-called “New Wine” countries are turning towards Africa in an attempt to find a market for their wine, with a growing number of wineries seeing Africa as a future market. This is not just the case for wine, but also for fruit such as apples. Apple producing and exporting companies in South Africa are moving away from their traditional European markets to Africa, with great success. The growing African middle class is held up as a reason for this. It remains to be seen whether wine will do so at the same scale. Large corporates with an established distribution network could tap into this opportunity.
- **Africa:** Africa's strong economic growth the past decade or 2 is a matter of record. However, ordinary people are deemed not to be benefitting from this. A reason that is gaining traction is the illicit outflow of money from the continent. According to a UN panel led by Thabo Mbeki, the former South African president, Africa was losing \$50 billion a year in illicit outflows. Should African governments be able to put a stop to this, the impact on job creation, social services improvement, cutting of poverty, and the improvement of health and education would be substantial. This is according to 6 pan-African lobby groups at the launch of a campaign 'Stop The Bleeding'. They are also of the opinion that curtailing tax evasion and illicit financial flows and improved tax collection in developing countries would raise more money than any likely increase in foreign aid. According to these campaigners, the primary culprits are multinationals, particularly those working in the oil, gas and mining industries, which account for 60% of the lost revenues. Criminal activities, such as trafficking and poaching, account for 30%, and corruption for 10%. (Migiro, K. 2015. Africa is bleeding. *Moneyweb Today* – www.moneyweb.co.za. 26 June.)
- **Implication:** It does seem that the issue of the illicit outflow of money from Africa is becoming a major issue, which it rightly should. This could lead to regulatory responses on the side of African governments that could constrain the repatriation of returns on investments. It is also a possibility that public opinion at large could be mobilized to prevent this kind of illicit outflow. In addition, corporate governance prescriptions could also be adjusted for multinationals to declare that funds were moved in a legal manner. Whatever the response, the reality is that Africa cannot afford this kind of practice and that everything possible should be done to prevent it.
- **Africa:** According to Bloomberg New Energy Finance (BNEF), trillions of dollars will be invested in energy over the next 25 years, driving some profound changes in how people get their electricity. Firstly, the price of solar power will continue to fall, until it becomes the cheapest form of power in a rapidly expanding number of national markets. It has the potential to strand billions in fossil-fuel infrastructure. Secondly, with solar power so cheap, investments will increase to an expected \$3.7 trillion by 2040. Solar alone will account for more than a third of new power capacity worldwide. Thirdly, due to high electricity prices and cheap residential battery storage, small-scale rooftop solar will become cheaper than electricity from the grid in every major economy. Fourthly, in spite of the world being inundated with appliances and gadgets, the growth in demand for electricity is slowing due to substantial advances in energy efficiency. Fifthly, natural gas will not become the bridge that transitions the world from coal to renewable energy. The BNEF is of the opinion that developing countries will often opt for some combination of coal, gas, and renewables. Lastly, in spite of the fact that the shift to renewables is happening fast,

it is not fast enough to prevent dangerous levels of global warming. (Randall, S. 2015. The way we get electricity is about to change forever. *Moneyweb Today* – www.moneyweb.co.za. 26 June.)

- **Implication:** Africa cannot afford the more expensive forms of electricity generation. Currently coal is the preferred source, as it is the cheapest. It does have negative CO2 implications though. In addition, it seems that the general efficiency of the power generating companies are not what it should be. Africa therefore needs a new business model for its power generating companies, hopefully leapfrogging the industrial route followed by the developed West. This article does indicate that solar is the way to go for Africa, as there is an abundance of sun, for free. Although not dealt with in the above article, hydro and wind power could also play a meaningful role. Companies interested in playing in the solar market in Africa should jump at it, as China has already indicated a meaningful interest and is backing this up with manufacturing capacity.

East Africa

- **Ethiopia:** According to the World Bank, Ethiopia's economy is expected to grow by 9.5% this fiscal year ending June before accelerating to 10.5% in 2015/16. This has no doubt played a meaningful role in the election victory of the ruling Ethiopian People's Revolutionary Democratic Front (EPRDF), where it has won all the seats in parliament. The World Bank is of the opinion that lower oil prices could give additional disposable income to consumers and help grow the economy even further. As it is, the Ethiopian government has targeted annual growth at about 11 per cent for the past five years. The service, agriculture and construction sectors are seen as the likely drivers of growth. Annual inflation is under control and deemed to stay that way. (Reuters. 2015. Ethiopia's economy to grow 10.5% in 2015/16: World Bank. CNBCAFRICA – www.cnbc africa.com. 22 May.)
- **Implication:** Politically stable Ethiopia is increasingly becoming an attractive investment destination. Its economy is growing at a sound rate, with inflation seemingly under control. With a population of 94 million, it presents a large consumer market, with its people obtaining more disposable income. Government debt to GDP is at a relatively healthy 28.6%. However, it should watch its budget deficit of -2.6% and its current account to GDP deficit of -7.09%, both indicators at the edge of its stated range (figures obtained from www.tradingeconomics.com).

Southern Africa

- **South Africa:** The Chinese equity finance firm, Heaven-Sent Capital, has just bought gold and platinum miner Village Main Reef (VMR) for R637 million (at a price 50% lower than what VMR was trading at in 2013, and generally viewed as a bargain) and delisted. HSC aims to increase its investment in South Africa, and sees the mining sector as a strategic entry point into South Africa. They are viewing opportunities in the gold, platinum, diamond, energy, and jewelry sectors. Potential acquisitions come cheap due to uncertainties in South Africa's mining industry and various operational challenges. It was thought that partnering with local management teams to focus on operational efficiencies and profitability would create value for all partners. Should HSC be successful in its venture with VMR, it could lead to a trend, as foreign investors would be of a mind that risks in South Africa are worth taking. (Nkabinde, S. 2015. Chinese equity firm enters SA resource market at 'a steal'. *Moneyweb Today* – www.moneyweb.co.za. 17 June.)
- **Implication:** This kind of acquisition could become the norm for Africa. A struggling mining industry and uncertain policy environment are making it cheap for foreign investors to acquire assets in South Africa. The South African government (and African governments in general) would do well to bear this in mind. In the mean time, it does create opportunities for not only Chinese investors, but for all with the appetite to confront the risk associated with

structural and operating inefficiencies. An alternative view could be that these investments are not only creating value for the new investors, but also to the people of South Africa.

The implications stated above are the personal opinions of the editor and do not reflect the point of view of the Centre for African Studies.