

African Union

- **Africa:** According to the former president of the African Development Bank, Africa in 2005 was beset by quite a few problems, such as questionable sustainability, high levels of poverty, a high population growth, and health issues. He concluded that the Bank's 5 key focus areas of the last 10 years were what was urgently needed to deal with these problems: launching a big push on infrastructure (finding innovative ways to get infrastructure projects ready and risk-free to attract private capital, and deregulating the energy sector); focusing stronger on the private sector (expanding operations to develop the private sector, with investment growing from \$200m to \$2bn); pushing for economic integration (committing \$4bn in 10 years to projects ranging from transport corridors to power pools, and progressing on non-tariff barriers); supporting fragile states (helping countries to better manage their wealth – whether oil, gas, minerals or the blue economy); and leveraging the Bank's convening power, knowledge and voice (policies ensuring good returns on investment, in addition to delivery capacity). (Kaberuka, D. 2015. What are the next steps in Africa's economic transformation? ***This is Africa*** – www.thisisafrica-online.com. 3 June.)
- **Implication:** The strategy of the African Development Bank rightly identifies the importance of developing its infrastructure. It also identifies the important role the private sector has to play, as well as the need to look at execution. The impact of economic integration can be enhanced with the ratification of the TFTA, which was recently signed in Egypt. The future of Africa does indeed depend on its people capacity, something which internal and external stakeholders would do well to take notice off.
- **Africa:** With Africa as the focus for companies seeking growth opportunities, the availability and retention of talent has become a major challenge. According to Lebo Tseladimitlwa, HR VP at DHL Express SSA, 83% of African CEOs admit they are concerned about the availability of key skills. She quotes the PwC Africa Business Agenda report, which also reveals that most CEOs expect to increase and maintain staff headcount in the next year. Given the competitive HR environment, attracting and developing the right skills have become of crucial importance. Tseladimitlwa is of the opinion that adopting leadership styles that will support and nurture the skills and talent needed for growth is very important. According to a recent EY survey, although managers in Africa are perceived to be performing well at day-to-day operational activities, they are considered to be less capable when it comes to people management (in fields of retention, productivity and engagement). Tseladimitlwa says that employers in Africa need to foster a culture of continuous learning and development and encourage employees to be masters of their own destiny. (Anon. 2015. Employers responsible for developing talent in Africa. ***How we made it in Africa*** – www.howwemadeditinafrica.com. 30 June.)
- **Implication:** Both African and foreign companies should take note of the need to develop the human capacity in order to be successful in Africa. This relates to not just the operational skills and competencies (management skills), but also to the leadership skills, where it is frequently about emotional intelligence. Africa's employees have to be developed and approached in a manner that engages them for higher productivity and employee lock-in. The employee value proposition has therefore become just as important and a pre-requisite for the fulfilment of the customer value proposition.

East Africa

- **Ethiopia:** Ethiopia has become the new talk of the town. There are good reasons for this story, such as having one of the world's fastest growing economies (at 10% pa); meeting the Millennium Development Goals; building Africa's largest hydroelectric dam; dominating Africa's skies with its national airline; achieving a level of political

stability that is admirable; and hosting Africa's diplomatic capital, with the presence of the AU headquarters in Addis Ababa. Ethiopia's economic growth over the past decade has been driven by pouring billions into projects such as building basic infrastructure in energy, rail and road transport. Chinese firms are making huge contributions in dam and road construction, as well as investing heavily in manufacturing in export processing zones throughout Addis Ababa, attracting textile and leather manufacturers from India, Turkey and Bangladesh. In 2014, Ethiopia attracted \$1.2bn in FDI, and is expecting a record \$1.5bn in 2015, due to an increase of factories relocating, attracted by low wages, cheap power and supportive government policies. Ethiopia's pursuit of a "developmental state model" where the government controls, manages and regulates the economy (much like what lifted East Asian economies out of poverty during the late 20th century), is also held as another reason for its success. A number of negatives still prevail: Ethiopia is still a poor country; its per capita income of \$470 is one of the lowest in the world; and it ranks 173 out of 186 countries on the 2015 HDI. However, government is committed to fighting poverty, reducing the number of Ethiopians living in extreme poverty from 40% in 2004-2005 to less than 30% by 2012-2013. It has cut the child mortality rate by half, more than doubled the number of people with access to clean water and quadrupled primary school enrolments. (Tafirenyika, M. 2015. The changing face of Ethiopia. ***How we made it in Africa*** – www.howwemadeitinafrica.com. 1 July.)

- ***Implication:*** Ethiopia has apparently learnt important lessons from countries such as Singapore. It has developed its economy with care, making it attractive for foreign investors, yet controlling strategic industries. It has placed strong emphasis on developing its infrastructure. At the same time, it is also paying attention to developing the quality of life of its citizens, in such a way that the ruling party has won all the seats in the election of May 2015. It is becoming a model of development worth studying in an African context. The developmental battle is by no means over, and much still needs to be done. It does seem, however, that Ethiopia is on the right track.
- ***Kenya:*** The Tripartite Free Trade Area (TFTA), comprising of 26 African countries, was launched in the first half of June 2015 in Cairo. The TFTA presents an opportunity to increase a very low level of intra-continental trade (Africa: 12% of total trade; Americas: 40%; Europe: 60%). This situation can be ascribed to poor infrastructure and a propensity to trade with and provide better trade terms to Europe than the rest of Africa. The author uses the statistics of Kenya's trade between 2010 and 2014 to indicate the opportunities and challenges for Kenya in the TFTA. Although the nominal value of Kenya's trade with other African countries increased by about 30%, the proportion of that value to total trade declined from 22.4% to 18%. The value of trade with EAC and COMESA partners also show a decline in the amount of trade with those partners as a proportion of total trade, due to a decrease in the value of exports from Kenya and an increase in imports from states in those regional economic communities. The preferential access provided by the TFTA could stimulate more exporting as more countries will be accessible to Kenyan exports on preferential terms, potentially increasing the value and volume of Kenya's total trade. As such, Kenyan exports will now gain preferential access to 6 more countries that are not members of COMESA or the EAC, namely Angola, Botswana, Lesotho, Mozambique, Namibia and South Africa. South Africa is currently the most significant trade partner to Kenya. While access of South African products to the Kenyan market on preferential terms could see a significant rise in the trade deficit, the trade and welfare benefits for Kenyan consumers would outweigh this negative. (Ong'onge, L. 2015. Why the TFTA is significant for Kenya. ***Institute of Economic Affairs*** – www.ieakenya.or.ke. 25 June.)
- ***Implication:*** The creation of the TFTA has the potential to benefit the whole of Africa. The low level of intra-African trade can be improved upon a lot, with benefits in the field of reducing current account deficits (or other benefits should the current accounts deteriorate), as well as an upliftment of the African consumers from their poverty stricken conditions. Hopefully the increase in exports will stimulate job-creation and the concomitant improvement of consumer spending, with overall economic growth. This will eventually increase the attractiveness of Africa as

an investment destination. The title of this article could actually have been changed to “The significance of the TFTA for Africa.”

West Africa

- **Nigeria**: Africa’s unbanked segment has long been in need of banking services. According to the CEO and MD of Airtel Nigeria, Segun Ogunsanya, a telco-led model will help expand retail banking, thereby driving financial inclusion in the unbanked segment. With about 78% of the adult population of Nigeria being unbanked, the market opportunity for mobile money is vast. Therefore he has called for a review of the mobile money model. Currently, telecoms companies are not permitted to provide their own mobile money services, as banks are the only players allowed to do so. Telecoms companies only play a supporting role. According to Ogunsanya, for the mobile money market to reach its full potential, it is important that telcoms companies be allowed to serve this market without the current constraints. (Anon. 2015. Airtel Boss, Ogunsanya, Calls for Review of Mobile Money Model. *This Day Live* – www.thisdaylive.com. 26 June.)
- **Implication**: Mobile money has become a major industry in Africa. In Kenya, the well-known mPesa has taken the market by storm. Banks in general are concerned about this phenomenon, as an increasing number of telcoms operators are developing business models to diversify their value proposition away from voice (mature) and even data (cheap) to the more lucrative value-added services offering of mobile money. In the process the consumer of Africa is the ultimate beneficiary, with good results for Africa’s overall economic growth.

Southern Africa

- **Botswana**: The South African-based food and restaurant company, Famous Brands, has recently acquired a 51% controlling stake in Retail Group, its licence partner in Botswana. The company holds the rights for brands such as Debonairs Pizza, Wimpy and Mugg & Bean. Famous Brands is moving away from the traditional licence agreements in African countries in order to exercise more control over its brands. According to Darren Hele, the CEO of Famous Brands food services, the fast-food and restaurant industry in Botswana has a couple of advantages, namely: significant room for growth, both growth that is relatively unrestrictive and growth that comes off an organic base; a strong economy; the opportunity to tap into benefits from activities in Botswana in industries such as agriculture, diamonds, etc; the option to tap into local produce relatively painless to source fresh fruit and vegetables, fresh meat, etc.; a government flexible on regulatory issues; and an affluent population with a higher income per capita. Famous Brands is looking to introduce some new brands into the Botswana market to tap into new segments. The company is not only looking towards the capital, Gaborone, but also to more rural towns such as Francistown and Maun. (Douglas, K. 2015. Talking strategy: Famous Brands on strengthening its position in Botswana. *How we made it in Africa* – www.howwemadeitinafrica.com. 29 June.)
- **Implication**: An increasing number of African countries are exhibiting a growing and increasingly prosperous middle class, eager for the trimmings associated with this segment. Serving these needs promise to benefit those adventurous enough to venture into Africa. Giving the generally improving political climate in most African countries, it makes a lot of sense to investigate investment opportunities on the continent. There are a lot of stable countries with sufficiently strong economies such as Botswana for foreign investors to be satisfied.
- **Mozambique**: After 40 years of independence, Mozambique has turned from civil war and poverty to a more prosperous future, powered by vast amounts of natural gas, enough to supply Germany, Britain, France and Italy for nearly 20 years. The benefits of foreign investment (close to \$100bn) to develop the deposits are already being

felt. The economy has posted 7% growth for the past five years, spurring a construction boom in Maputo. European and South African corporates are flocking to Mozambique to benefit from this boom. Some negatives, however, include a narrow spectrum of employment opportunities, mostly limited to the hydrocarbon development, while the strengthening of the country's currency resulting from its gas prospects is hobbling other more labour-intensive sectors such as agriculture, manufacturing and tourism. In addition, on the political scene, it does appear that the major opposition party, Renamo, is unhappy with the autocratic rule of Frelimo. Although a return to a civil war scenario is highly unlikely, it does provide the potential for political instability. (Cropley, E. 2015. At 40, Mozambique looks to more *prosperous future*. ***Business Day Live*** – www.bdlive.co.za. 26 June.)

- ***Implication:*** Mozambique could resemble a rags-to-riches fairy tale. The discovery of gas reserves has given the future of the country a rosy glow. The citizens of the country will greatly benefit from the spinoffs from the discovery. The upstream and downstream industries should provide jobs and increase the general benefit for both the consumers and the government. However, the challenge for Mozambique would be to avoid the resource curse and rent-seeking behaviour (also referred to as corruption). This is true for all countries with a strong commodity discovery. The country should also gear itself and develop policy early on for the foreign companies aiming to benefit from this discovery and the concomitant upliftment of the economic well-being of Mozambique.

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.