

African Union

- **Africa:** World leaders met this past week in Addis Ababa for a development finance summit crucial for the UN's efforts to end global poverty and manage climate change by 2030. The objective of the summit is to create the ground rules for a fairer world of inclusive, low-carbon growth. This translates in how to fill an investment gap in key sustainable development sectors for developing nations — estimated at \$2.5 trillion (some estimates indicate \$4.5 trillion) annually. This will enable the UN to push ahead with its 2015-2030 SDGs, to be formally adopted in October. Choosing Ethiopia as summit host highlights the importance of the issue for Africa, which counts 33 of the world's 49 least developed countries. The summit should reaffirm the objective for rich nations to allocate 0.7% of their wealth to development aid for the poorest countries. One of the main challenges is the creation of an international tax organisation within the UN to fight against tax evasion by MNC's. Rich countries want decisions about international taxation frameworks to remain in the hands of the OECD and G20, where they control the agenda. Others see the OECD as ignoring the concerns of developing countries, and even putting them at a disadvantage. According to Oxfam, developing countries currently lose more than \$100 billion annually due to tax avoidance by MNC's, who use transfer pricing as a mechanism. These taxes could have been invested in education and healthcare to the benefit of all developing societies and economies. Oxfam estimates that with corporate tax rates averaging 28%, Africa loses about \$11 billion annually in tax revenues. The African Union/UN Economic Commission for Africa (Uneca) estimates that Africa loses up to \$50 billion in revenue annually, enough to halve poverty in Africa by 2030. (Anon. 2015. Key global development summit to open in Ethiopia. Daily Nation – www.dailynation.co.ke. 13 July; Anon. 2015. Political support in Addis summit seen as key in global tax reforms (Ethiopia). The East African- <http://asokoinsight.com>. 15 July.)
- **CAS View:** CAS has previously referred to the phenomenon of the illicit outflows of money from Africa, with high profile people such as former president of South Africa, Thabo Mbeki, heading up investigations into this matter. MNC's are opportunistic in their exploitation of weaker governance practices in developing countries, to the disadvantage of these communities. In the long-term, however, everyone will lose. The weak developmental conditions in the developing world will come back to haunt those who are now illegally benefitting from them. The integrated nature of the global economy brings about a long-term situation that either we all win, or we all lose. It therefore is gladdening to see steps towards the curtailing of these negative practices.
- **Africa:** Africa needs a public and private sector strategy to provide its youth (between 15 and 25 years old) with the skills needed to thrive as entrepreneurs. According to ACET, Africa is falling short in providing the tools and opportunities youth entrepreneurs need to realize their full potential. The rate of youth unemployment in SSA not only hovers at around 20% overall, they also constitute 60% of all unemployed in Africa. A number of challenges face Africa's youth. The lack of an enabling environment to develop entrepreneurship must be addressed. Negative attitudes towards entrepreneurship (uncertainty avoidance and risk minimization) must be addressed. Technical support on running and growing a business in Africa must be provided, with mentors passing on knowledge and experience. The lack of finance for budding entrepreneurs must be addressed. The report suggested the following additional ways to support entrepreneurship: expand entrepreneurship competitions to include seed money, technical support, and collateral and application support for loans; focus resources on social entrepreneurship projects; direct development and investment promotion strategies toward job-creating industries; and institute mandatory national service programs. As the informal and SME sectors are driving the growth of African economies, the youth must be channeled towards the vast opportunities that exist there. Governments should encourage the proliferation of technical vocational education and training (TVET) institutions, which develop not

only practical, income-generating skills, but also embed the entrepreneurial spirit and knowledge required. (Buruku, B. 2015. How To Support Youth Entrepreneurship In Africa. **GE Reports/Ideas** - www.ideaslaboratory.com. 5 June.)

- **CAS View:** CAS has frequently referred to the need to grow and develop opportunities for the youth of Africa, and has repeatedly shown upon the dire consequences should governments in Africa not do so. For future economic growth and political stability, it is essential that Africa, and its FDI supporters, address this issue. It is also clear to CAS that the efforts should be well coordinated and integrated, and that the execution of policies in this regard will not be quick-fix remedies. Foreign players would create a strong sense of loyalty towards them should they play an active role in this regard, both from prospective employees and consumers. Ideally the process should have started 50 years ago. The next best time is now.

East Africa

- **Kenya:** According to its president, Uhuru Kenyatta, Kenya is transforming itself into a powerhouse of the future and has identified several growth areas to do so. In the growth area of electricity, with only 40% of Kenyans connected to electricity, there is a huge opportunity in the market. What is needed are clear policy measures that encourage people to take advantage of Kenya's geothermal and wind potential to assist it in generating power. Currently there is a big private sector investment in Marsabit in the northern part of Kenya, to put up the biggest wind farm in African. The second growth area is entrepreneurship, with access to credit still the most significant barrier to young entrepreneurs in Kenya. Kenya is trying to link them with established entrepreneurs to see how they could support the start-up companies. The third growth area is trade. Kenya still experiences challenges regarding tariffs for inter-Africa trade. However, Kenyatta stated that East Africa as a whole had made a lot of progress over the last 2 years to remove obstacles to trade and investment. Where it took 21 days 2 years ago to move a container from Mombasa to Kampala, it currently takes less than 2 to 3 days. Kenyatta acknowledged it was the governments that had to adapt by addressing the ability of their people to trade with each other. Kenyatta also showed upon the potential for foreign investment. While investors may not be attracted to the population and market base of only 40 million people, they would be much more interested when borders were opened up to 220 million people. (Manala, T. 2015. Kenya Ready, Waiting And Hungry For Energy: Kenyatta. **CNBC Africa** – www.cnbcafrica.com. 13 July.)
- **CAS View:** Kenya's president has highlighted 3 areas relevant for most, it not all, African countries. With problems in energy, economic growth and regional trade addressed, Africa's countries would prosper. The importance of a clear policy framework is clearly highlighted. Singapore serves as an important analogy in this regard. The issue of regional integration is also gaining increasing traction. As it is, the East African Community (EAC) is generally viewed as a very efficient trade block. Should the TFTA (Tripartite Free Trade Area) be ratified by 2017, the benefits would be even greater for more stakeholders in Africa. Foreign investors would be well advised to identify early opportunities to tap into.

West Africa

- **Nigeria:** According to the Central Bank of Nigeria (CBN), about \$949 million was spent on food imports over the past 5 months in Nigeria. CBN spent \$575 million on importation of wheat, \$374 million on fish and \$349 billion on electrical and electronics. Some of the items on the list could be produced in Nigeria. It also stated that with the level of unemployment in Nigeria, CBN had to ensure that the economy survived and the private sectors create jobs. The CBN said that the inclusion of some imported goods and services on the list of items not valid for foreign

exchange in the Nigerian foreign exchange markets, was aimed to boost local production in Nigeria. Should Nigeria be producing some of these imported items, there was no reason to import them. Placing items on a list of banned items for import purposes, also had the benefit of creating jobs for its youth. However, there was a concern in the business community that some of the products on the list of banned items were not defined properly and that banks were rejecting their application for foreign exchange because of it. This could lead to sections of industries being shut down, and people losing their jobs, which would run counter to what the CBN intended to bring about. (Osagie, C. 2015. Nigeria Spends about \$1bn on Food Imports in 5 Months, Says CBN. **ThisDay-Live** – www.thisdaylive.com. 14 July.)

- **CAS View:** It is good to see Nigeria addressing the issue of its current account deficit. The reasoning behind their argument cannot be faulted either. Producing locally instead of importing helps the economy to grow, increases the local standard of living as it addresses unemployment, and reduces the current account deficit, thereby strengthening its currency. The problem situation frequently arises in countries with a strong resource base, such as oil, where the revenues from the commodity exports are used to pay for imports, while at the same time ignoring local production. Frequently little local beneficiation (value added) takes place. It is therefore quite aptly referred to as the resource curse. Hopefully the recent steep drop in oil prices, which no doubt plays a major role in the more stringent import guidelines, will provide a wake-up call for Nigeria and other resource-rich countries such as them. Here Qatar can be viewed as an example of a country doing its utmost to diversify its economy to not be so dependent on its resource base.

Northern Africa

- **Egypt:** Ashburton Investments, the investment arm of First Rand from South Africa, is bullish on Egypt's prospects. This highlights the divergence between the perceptions of an investment community increasingly drawn back in by Egypt's market size and return to relative stability, and concerns about the increasingly authoritarian character of rule under General Abdel Fattah Al Sisi's regime. Egypt currently leads the race for FDI in Africa, and was identified by fDi Markets as being the most improved global destination for foreign investment by the end of 2014. Ashburton sees the Egyptian economy as recovering strongly, with the financial services sector and infrastructure development as major focus areas. Here energy, electricity and cement companies are well positioned. This assessment reflects a shift, as the worries following from the Arab Spring and the toppling of Mubarak's government, appear to be dissipating. Political risk concerns are the lowest they have been in some time, in spite of concerns regarding the nature of Sisi's rule. The IMF expects Egypt's growth to double to 4.3% towards the end of its 2015 fiscal year. Egypt is also receiving support to grow its economy. In March 2015, it received hundreds of millions in commitments from Coca Cola and BP, amongst others, as well as pledges from the GCC states and the West to help rebuild Egypt's economy. (Klasa, A. 2015. Despite crackdowns, First Rand Bank investment arm bullish on Egypt. **This is Africa** – www.thisisafricaonline.com. 24 June.)
- **CAS View:** At the end of 2010, Egypt was identified as one of the important investment destinations in Africa. This view took a serious knock with the advent of the Arab Spring and the political turbulence thereafter. It now seems that Egypt is on the comeback trail. It has very recently, according to the Institute for Futures Research, overtaken South Africa as the 2nd largest economy in Africa based on PPP GNI (0.8% versus 0.7% of % of world PPP GNI). Attracting major investments from MNC's and the support of the GCC states is a major boon! Hopefully Egypt's political climate will remain stable for its growth prospects to materialize.
- **Morocco:** The 2015 Africa Attractiveness Index produced by Ernst & Young (EY), ranked Morocco the third largest recipient of FDI in Africa, with 67 FDI projects, up 52.3% from 2013. South Africa topped the list with 121

projects (down 17.7% from 2013), and Egypt with 71 projects, up 61.4% since 2013. North Africa experienced an increase of 22% in the number of FDI projects, against the drop of 14.6% of SSA. Some of the reasons for Morocco's success: historic ties and proximity to Western Europe; a proactive FDI policy; and its availability of skilled workers at lower wage rates than those in most developed markets. The popular sectors are financial services and technology, media, and telecoms (TMT). The EY index found that Morocco was increasingly positioning itself as a gateway to the fast-growing African continent, particularly for FDI investors from the US and Europe. Morocco presents the advantages of a relatively stable business environment and support services, combined with good air links to many other African countries, with Royal Air Maroc, RAM, flying to more than 30 African cities. Continuing in this vein, the Moroccan National Port Agency recently asked for tenders for the development of recreational activities at El Jadida port, currently almost exclusively reserved for fishing and seaweed gathering. The aim is to expand the port's operations to include recreational activities and convenient conditions, as receiving tourists and pleasure boats from Morocco and abroad is expected to boost the city's standing as one of Morocco's major tourist destinations. (Allilou, A. 2015. Morocco Third Largest Recipient of Foreign Investment in Africa: Survey. **Morocco World News** - www.moroccoworldnews.com. 6 July; Anon. 2015. The National Ports Agency to Call for Tenders for El Jadida Port. **Morocco World News** - www.moroccoworldnews.com. 14 July.)

- **CAS View:** It seems that after the Arab Spring, FDI investors globally have now regained their confidence in North Africa as a region. Morocco, however, always has been a beacon of stability throughout this period of unrest. It has also consciously adopted a policy in which they would actively target SSA as a partner in foreign and economic relations. In this manner, they are also presenting themselves as another gateway into Africa, one with a considerable number of advantages in the field of politics, economics, infrastructure, etc. They are doing so quite successfully.