

African Union

- **Africa:** Africa needs to produce its own food and save on the massive annual food import bill. It must also be transformed to create wealth, especially for the youth and the poor.

AfDB president Akinwumi Adesina recently said its investment in the agriculture sector would rise by 400% to \$24 billion over the next decade as it looks to the industry to create more jobs in the future and to unlock its full potential. With 65% of the world's uncultivated land, Africa will determine the future of food for the world. Farmers must be boldly supported. Africa produces only 10% of the global food output, despite having more than 60% of global arable land. Africa spent \$35 billion annually importing food, excluding fish. By 2025, this figure will reach \$110 billion. Adesina said the private sector, women and youth had an important role to play in transforming agriculture to create wealth in Africa. He urged more youth to engage in agriculture. He was convinced that Africa must change the narrative about its agriculture. The World Bank estimates that the agricultural industry, currently valued at about \$313 billion, would be worth \$1 trillion by 2030, and provide jobs for 70% of the poorest people in Africa. It cautioned governments, the private sector and farmers to work in unison to achieve the projected growth. For more information, read [here](#).

- **CAS View:** This article on Adesina's speech touches upon a number of issues. Firstly, the importance of agriculture in Africa to feed the continent. Africa is spending enormous amounts on food imports in spite of its potential to not only feed itself, but also the rest of the world. Freeing up these amounts by growing its own food, will create funds to spend on other important issues. Secondly, it touches upon the issue of the industrialisation of the agri sector. This is an importance issue, as it will raise the productivity levels in the agri sector. Thirdly, it touches upon the issue of job creation in the agri sector. Currently, on average, approximately 70% of Africa's population is employed in the agri sector. Fourthly, it touches upon the issue of keeping the youth in the agri sector, as well as providing them with jobs. This point is crucial as the unemployment levels amongst Africa's youth is a major source of concern. It also touches upon employment opportunities for women. Fifthly, it touches upon the need to approach agriculture as a business. Adhering to sound business principles is essential for sustainable success, as is access to working capital. Agriculture must not be seen as a poor man's domain, but must be attractive enough to attract especially the youth. This will also help to curb the denuding of the rural areas. Lastly, agriculture is a systemic phenomenon in which all the factors must be aligned, i.e. the ethos of the system, the environment, the aims (vision, mission, business model, strategies, and plans), the operating model, structure, resources and governance. If one of or more of these co-producing factors are not in alignment, failure will eventually be inevitable.
- **Africa:** India and Japan have launched the AAGC as an alternative to the OBOR. Africa plays a much more prominent role in the AAGC relative to the OBOR.

In November last year, the Indian and Japanese Prime Ministers, Narendra Modi and Shinzo Abe, conceptualised the idea of an **Asia Africa Growth Corridor (AAGC)**. It's an undertaking to connect the financial and technological resources of Japan with India to spearhead a chain of economic development projects in Africa, with the clear buy-in of the nations involved. The sectors identified are health, agriculture, disaster management and skill enhancement. Economic growth will be driven by linking the economies of Asia and Africa through the development of supporting infrastructure (port, airport, industrial park, telecommunication, information technology), capacities for planning and execution of projects, trade facilitation, human resource development and technology improvement. In the first phase, the bilateral partnership will likely focus on 7 countries on the eastern coast of Africa, i.e.

Ethiopia, Somalia, Kenya, Uganda, Tanzania, Mozambique and South Africa. Island countries in the western Indian Ocean - Madagascar, Mauritius, Seychelles and the Comoros - will also be offered priority in the India-Japan cooperation. In the next stage, three countries from West Africa, i.e. Cote d'Ivoire, Ghana and Gambia, will become the priority areas for reaching out to the hinterland and nations behind them. For more information, read [here](#).

- **CAS View:** OBOR is a strategy that involves many stakeholders, including countries in Asia, Europe, the Middle East and Africa. Large financial institutions are involved, such as the ADB and the BRICS Bank, as OBOR will require huge funding (>\$1 trillion). Nonetheless, OBOR has great potential to provide an array of benefits to the participating countries, including, but not limited to, infrastructure and industrial development, increased trade and investment, greater cultural and human capital exchanges, etc. India and Japan, however, have lately been opposing OBOR for various reasons. Over the past year, the relationship between India and China cooled down due to China's unwillingness to support India's entry into the Nuclear Suppliers' Group and to allow Masood Azhar of Jaish-e-Mohammed to be placed on the United Nations Security Council's terror list. India also underestimated the growing importance of Pakistan to China. It was therefore no big surprise to see the emergence of the AAGC. Spokespeople of the AAGC have been quick to point out that the AAGC is not meant as a replacement for OBOR, and that it is different because it recognises the autonomy of the members. However, a cursory overview of the AAGC suggests quite a number of principled similarities. It does differ in one major aspect though, and that is its emphasis on Africa as a major focus of the initiative. In OBOR, Africa seems more like an incidental beneficiary, with only Kenya, Djibouti and Egypt as the 3 African countries mostly mentioned as the African members. This is in spite of the principle of inclusivity of OBOR, which other African countries are basing their hope on. Even in Southeast Asia, some countries seem to have been side-lined by China due to real or perceived slights/grievances. This was clear in the nature of the invitations sent out for attendance of the recent OBOR conference in China. These countries would in all probability be approached to support the AAGC. It now seems that Africa has been provided with a choice of the initiative it could align itself with. It would be good for them to seriously investigate these two initiatives before they make pledges to support either. Others would say that Africa could tap into both. I am not sure that a player such as China would be so understanding and supportive of African countries exercising their right to tap into the benefits of both. Once the Vision Document of the AAGC becomes available for general consumption, more information will be available to analyse the situation facing Africa. What is clear, is that the future will be quite interesting. Japan and India are but two of the major players from the East with strong bilateral ties in Africa. It will also be interesting to see where countries such as South Korea will align themselves. OBOR's funding mechanisms might give it an advantage, as does China's already large-scale involvement in infrastructure development in Africa; it has a kind of first-mover advantage.

East Africa

- **Djibouti:** Djibouti has developed its port, in the process increasing competition for regional maritime business. Landlocked countries in East Africa will soon have a number of ports to choose from, i.e. Port Sudan, Djibouti, Lamu, Mombasa, Dar es Salaam and Bagamoyo.

Djibouti has formally inaugurated its 690-hectare Doraleh Multipurpose Port, heightening competition with Kenya for regional maritime business. The Djibouti port is the main point of entry for goods from Asia, and also serves landlocked Ethiopia, which recently opened the Chinese funded 752 kilometre Addis Ababa-Djibouti railway. Kenya had in 2012 signed a joint pact with Ethiopia and South Sudan to build a corridor linking their economies

to the 32-berth port being built at Lamu. Kenya's Mombasa port and Tanzania's Dar es Salaam port are traditional competitors, but the Kenyan government plans a huge new port at Lamu, while Tanzania is developing Bagamoyo port. Tanzanian authorities expect Bagamoyo port to handle 20 million containers a year, 25 times more than Dar es Salaam port. Kenya's planned Lamu port is expected to be just as big. Apart from serving their own domestic markets, the Tanzanian and Kenyan ports will also be competing for business from the landlocked countries of East Africa. They will handle containers destined for Uganda, Rwanda, Burundi, South Sudan, Ethiopia, eastern Democratic Republic of Congo and parts of Zambia. For more information, read [here](#).

- **CAS View:** Djibouti is already the hub for Ethiopian imports and exports. It is competition for Dar es Salaam, Bagamoyo, Mombasa and Lamu, not only for Ethiopia's business, but also for the countries mentioned above. These other ports are not the only competition for Djibouti. I recently reported about Ethiopia entering negotiations with Sudan to use the harbour facilities at Port Sudan. All this competition amongst these ports will be to the benefit of the respective landlocked countries, and provides them with flexibility and negotiation power. These ports will need modern port management systems, and will attract bids from port management companies from all over the world.
- **Ethiopia:** Ethiopia has opened its first engine manufacturing plant in Tigray State. It will boost the manufacturing sector in the country.

Ethiopia's first engine manufacturing plant, Mekelle Engine Production Factory, found in Tigray State, is set to be operational. The state-owned company is under the Metal and Engineering Corporation (MeTEC). The factory is said to have an annual production capacity of 20,000 engines and will manufacture 3 types of engines; small, medium and heavy engines. The engines will serve for various purposes such as vehicles, water pumps and power generators. The small engines are manufactured for three wheelers, pumps, power generators and walking tractors. Medium engines are for buses and trucks, while heavy engines are for construction machineries. The enterprise aims to get 60% of its input from companies operating under the Ethiopia Power Engineering Industry (EPEI). The company targets vehicle assemblers operating in Ethiopia. Mekelle is expected to supply its engines to other enterprises that are under MeTEC. The product will help to increase the rate of value addition on the vehicles they are assembling. In 2016, Ethiopia's import for engines, engine spare parts and accessories reached US\$515.2 million. The import for the same products during the first 4 months of 2017 has only reached US\$101 million. For more information, read [here](#).

- **CAS View:** I recently attended a workshop where a comment was made about the lack of growth in the manufacturing sectors in African countries. When I read articles such as these, I am reminded of countless other cases I have come across. In Ethiopia itself, I have found examples of pharmaceutical companies starting to produce generic medication, as well as a strong increase in the manufacturing of textile products for foreign markets and the start of assembling cars for Kia. This is by no means the exception. In Ghana, we have also found the production of pharmaceutical products and cars. Cars are also assembled in Nigeria, Kenya and Uganda, while Volkswagen has negotiated contracts with Rwanda. Kenya has also started the production of solar batteries to support the distribution of solar energy when the sun does not shine. GE will start to assemble gas turbines in Nigeria in 2018. Even mobile phones and shoes are being produced in Ethiopia and exported to other African countries. The bottom line is that the manufacturing sector in Africa is slowly but surely growing. While the current growth is slow, one day soon it will reach a tipping point, where after growth will be exponential.
- **Tanzania:** Magufuli fired his Minister of Energy and Minerals when a presidential committee found that Canadian mining company Acacia Mining, majority-owned by Barrick Gold, had been grossly under-declaring the value of

their exports. This kind of fraudulent behaviour by foreign companies is not good for the image of foreign companies in general.

Last week, President Magufuli fired the Minister of Energy and Minerals, the Energy Ministry Permanent Secretary and the Tanzania Minerals Audit Agency (TMAA) Chief Executive – in addition to dissolving the agency's board of directors. A presidential committee found that mining companies had been under-declaring the value of their exports. The investigation found an average of 1,400 grams of gold per ton of mineral sand in containers, but the TMAA had only indicated an average of 200 grams. Acacia Mining had apparently declared 1.1 ton of gold in the containers, while the committee's analysis had shown there was as much as 15 tons in them. Discrepancies between recorded copper and silver ratios and actual amounts were found, while royalties on compounds like iron, sulphur, rhodium, iridium and lithium were not being paid, despite them forming part of the concentrate. The committee recommended that the ban on exports of metallic and mineral concentrates, in effect since March 2, should remain in place. Last year the government made it compulsory for holders of special mining licenses to sell 30% of their companies via an IPO within 2 years. In March, the Ministry of Energy and Minerals banned the export of concentrates to force companies to process them in Tanzania by setting up gold smelters. Investors will be rattled by Magufuli's confrontational approach, but they may appreciate him getting Tanzania's house in order. For more information, read [here](#).

- **CAS View:** Magufuli was initially highly regarded for his actions to cut corruption and inefficiencies in Tanzania's government. Then we started to see complaints about his style when addressing problems with foreign companies operating in Tanzania. Amongst these complaints were issues on his approaches to tax evasion and on indigenising the employment environment. Then he started to implement earlier legislation from his predecessor's era, which again created an outcry about his authoritarian style. It seems people wanted him to be nice about them transgressing the law in Tanzania. Being hard on breaking the law was not just cricket, old chap! Now we find this issue of, should we believe the findings of the committee, a case of blatant corruption. There is a major difference between 1,400 grams and 200 grams, and between 1.1 tons and 15 tons. The illegal expatriation of money out of Africa is a major problem, the extent of which was identified by the Mbeki report. This is an example of what Africa needs to put up with, which is totally unacceptable. This behaviour by foreign companies is unacceptable, and must be fought tooth and nail. It gives all foreign companies in Africa a bad name.

West Africa

- **Ghana:** Ghana's president stated it is in Ghana's best interest for West African economic integration to succeed.

President Nana Akufo-Addo stated it's in Ghana's economic interest for West African integration to succeed. According to him, his programme for Ghana's social and economic transformation should make Ghanaian businesses competitive, creating a need for bigger markets. West Africa has a market of 350 million, which will expand to 500 million people in 20 years. A genuine regional market would therefore be in Ghana's economic interest, presenting immense opportunities. Everyone must therefore support a functioning, common regional market in ECOWAS. The non-implementation of policies such as the introduction of a common currency, a Common Agricultural Policy, the West African Power Pool, and a Common Tariff regime are examples of good policies which are yet to be implemented. Akufo-Addo was confident that West Africa is finally beginning to find its feet again, thanks to the emergence of new leaders determined to free their people from a mindset of dependence, aid,

charity and hand-outs; bent on mobilizing Africa's own resources to resolve Africa's problems; and recognise the connectedness of their people and economies to those of their neighbours. For more information, read [here](#).

- **CAS View:** Regionalisation has been widely touted as a driver of growth in Africa, as well as growth in intra-African trade. Together with this, industrialisation and growing the manufacturing sector are other drivers of importance. What is interesting in this article, is that President Akufo-Addo did not tout regionalisation as a lead driver of success in Ghana, but that local national policies would create successful Ghanaian companies that would thereafter require a greater market for sustainable success. This places an important role on political leaders as they have to ensure national success before they can tap into regional markets and regional success. One of the challenges facing regional economic communities, even those as big as the TFTA and CFTA, is the vast differences in economic development of the member states. The MD of Quantum Global, Franck Behiblo, is of the opinion that these differences need to be addressed and eradicated before RECs (and hence regional integration) would be successful. This is literally a case of charity begins at home, with a twist to read, "Success begins at Home."

Southern Africa

- **Marutius:** Mauritian banks are becoming beacons of growth and stability in sub-Saharan Africa, as they have been bolstered by a fast-growing economy. Mauritius benefits from favourable business policies and political stability. Mauritius passed a law this month to promote cross-border trade and remove licensing bottlenecks, which may spur demand for credit and help soak up excess cash held by banks.

Mauritian banks are becoming beacons of growth and stability in sub-Saharan Africa, as they have been bolstered by a fast-growing economy. Mauritius benefits from favourable business policies and political stability. Already the easiest place to do business in Africa, Mauritius passed a law this month to promote cross-border trade and remove licensing bottlenecks, which may spur demand for credit and help soak up excess cash held by banks. In contrast, Nigerian banks are recovering from a dollar shortage and low oil prices that caused soured loans to soar. In Kenya, banks are hamstrung by interest-rate caps that stifled lending and cut profit. Peers in South Africa are contending with a credit downgrade in the debt ratings to junk while fending off political attacks. It's not all sunshine in Mauritius. In 2016, activity in the construction industry fell, the Mauritian rupee weakened, Brexit threatened to disrupt exports, Bramer Banking collapsed in 2015, and the renegotiated double-taxation avoidance agreement with India might be problematic. To counter these difficulties, Mauritius' biggest banks have expanded to and in other African countries and increased cross-border lending. A drop in external debt, an increase in tourist arrivals and low interest rates may also help lenders. For more information, read [here](#).

- **CAS View:** Mauritius is not only No 1 in sub-Saharan Africa on the Ease of Doing Business rankings, but also No 1 on the Global Competitiveness Rankings. Positioning and empowering their banks to tap into regional business, will definitely be a driver of revenue. This will also attract foreign companies in need of financing for their subsidiaries in Africa. We frequently see banks in the home countries unwilling to finance acquisitions and operations in Africa. This is part of the business banks in Mauritius should target.