

African Union

- **Africa:** The Economist Intelligence Unit (EIU) has identified several mid-tier countries expected to continue to perform well over the medium term. They are Cote d'Ivoire, Ethiopia, Kenya, Uganda, Tanzania, Ghana and Cameroon.

The Economist Intelligence Unit (EIU) has identified several mid-tier countries expected to continue to perform well over the medium term. **1. Côte d'Ivoire** has a wealth of natural resources, competitive transport infrastructure, and a government serious about business reform. The country has unexploited opportunities in the industrial and services sectors. **2. Ethiopia's** GDP is expected to expand by more than 6% from 2017 to 2021. The government has developed industrial clusters and improved competitiveness. Manufacturing will rise given the development of industrial parks and improved energy generation. Textile, leather and agro-industries have strong growth potential. **3. Kenya's** GDP will grow by more than 5.5% over the coming five years. Consumer demand is anticipated to remain robust. **4. The Ugandan** government's focus on manufacturing and efforts to pursue its infrastructure projects will support growth over the medium term. It has opportunities in dairies, breweries and beverages. **5. Tanzania** has three factors going for it: significant infrastructure development; improved power and gas supply; and economic opportunities being a member of the EAC. There are many underserved second-tier cities experiencing rapid growth. **6. In Ghana**, short-term economic activity is buoyed by developments in the energy sector and ambitious infrastructure development plans support the medium-term agenda. The economy is expected to expand by 6% from 2017 to 2021. **7. Cameroon** has compelling prospects to boost its industrial and agricultural output. The government is ready to embrace the structural reforms needed to boost private sector investment. Agriculture represents a major business opportunity. For more information, read: <http://bit.ly/2sSnkID>.

CAS View: An interesting pick of 7 countries that differ significantly from those identified by Quantum Global a few weeks ago. They identified the following 5 countries, the most attractive stated first: Botswana, Morocco, Egypt, South Africa and Zambia. At the time, I stated that other commentators would pick other countries as their areas of interest. Personally, I am more comfortable with the selection of the EIU than with the selection of Quantum Global. I do admit that the selections differ in that the EIU's selection is about mid-tier countries, while Quantum Global was looking at investment opportunities in general. I would not really differentiate between the countries in this manner. In the above selection, I would have replaced Uganda with Senegal as a better investment destination. Given the size of their markets, I would always include South Africa (in spite of the political confusion) and Nigeria (in spite of the current economic turmoil and security challenges). To bring my selection to 10, I would include Rwanda due to its political stability and business-enhancing policy frameworks. Countries knocking on the door include Mozambique (resource potential could stimulate the economy at large), Botswana (sound economy and political stability, in spite of a very small market) and the DRC (high risk, high return, with a large market). My selection would therefore be focused on sub-Saharan Africa. Should North Africa be included, Morocco and Egypt select themselves. No doubt, there would be others punting for countries such as Gabon, etc.

East Africa

- **Kenya:** The telecoms sector is now a critical element in Kenya's economy, as it revealed strong figures relating to mobile payments for goods and services. The sector's contribution to Kenya's broader economy laid a foundation for growth in mobile money services.

According to the Communications Authority of Kenya (CA), the telecoms sector is now a critical element in Kenya's economy, as it revealed strong figures relating to mobile payments for goods and services. The sector's contribution to Kenya's broader economy laid a foundation for growth in mobile money services. Mobile financial services could be a boon for operators by helping to offset declining voice and SMS traffic. The value of payments for goods and services made on mobile money platforms hit US\$6 billion in the opening quarter of 2017, placing mobile payments comfortably ahead of cash and card payments. Mobile commerce transactions during Q1 2017 stood at 290.5 million, and the number of active mobile money transfer agents registered climbed from 161,583 in Q4 2016 to 174,018 in the recent quarter. The number of mobile money subscriptions hit 27.5 million in Q1. Just over 70% of all mobile users in Kenya are signed up to a money service. The benefits of mobile money go beyond the telecoms

sector, and the growth in wireless purchases could spur a much-needed recovery in the post and courier segment. For more information, read: <http://bit.ly/2uvX9Dk>.

CAS View: A lot has been written about the rise of M-Pesa, the well-known mobile money platform of Kenya. What is amazing, is the extent to which M-Pesa has penetrated the Kenyan economy. Some commentators have warned against the vulnerability this creates for Kenya. It has also created a threat to the banking industry, which now have the imperative to either join M-Pesa (or a similar platform) or develop their own. This has happened. Equity Bank has created their own platform (while initially partnering with M-Pesa), while the larger banking sector have created Pesalink to compete against M-Pesa. The continuing growth of subscribers is another interesting phenomenon. At some stage this growth will taper off in Kenya. This will require Safaricom to identify growth opportunities outside of Kenya and East Africa. With Vodafone incorporating Safaricom under Vodacom in South Africa, it will have the potential to boost the further growth of M-Pesa into other parts of Africa. In general, the extent to which cash is being replaced by mobile payments, shows upon the massive growth potential of mobile money in Africa. Whereas the most growth up to now has been in developing countries with poor banking infrastructure, the new growth areas will increasingly be in the more developed countries in Africa.

- Rwanda: Rwanda's coffee industry could soon become more competitive thanks to the new Japanese-funded project that seeks to help strengthen the coffee value chain.

Rwanda's coffee industry could soon become more competitive thanks to the new Japanese-funded project that seeks to help strengthen the coffee value chain. The three-year Coffee Upgrade and Promotion in Rwanda (CUP Rwanda) project is a partnership between the Japan International Cooperation Agency (JICA) and the National Agricultural Export Board (NAEB). Japan will deploy coffee experts to equip local sector players with skills and knowledge on how best Rwanda can enhance coffee production and marketing. The new project also aims at developing a network among coffee stakeholders to strengthen trust and relationships to promote Rwanda's coffee. The project will introduce new approaches in different stages of the Rwandan coffee value chain, from the coffee plantation to the consumer to help improve the crop's marketability. The partnership is designed to increase the productivity and competitiveness of Rwanda's coffee through the creation of well-coordinated value chains and strong monitoring systems. Cooperatives will be the backbone of the project to ensure success. The project is crucial to the efforts aimed at improving quality as well as increasing coffee export receipts and household farmers' income. For more information, read: <http://bit.ly/2uQ1nVF>.

CAS View: Rwanda is slowly but surely putting in place the policies and mechanisms to stimulate its economy and create wealth for its citizens. This project is of interest as it shows upon another country from the East embedding itself in Africa. While China is the most observable investor in Africa, and India a close second, Japan has in the past few years made the decision to invest in Africa in a meaningful way. Increasing farmers' income is a welcome bonus as it will increase the level of attraction of agriculture in general, and hopefully will entice the youth to move to agriculture. As it is, it is currently the global coffee chains such as Starbucks that have the most benefit from coffee. They have succeeded in transforming a low value coffee bean into a high yielding drink such as a café late, whilst bearing the least risk. To be fair, Starbucks has tapped into Fairtrade practices to help farmers get a better price for their commodity. Transforming the coffee value chain to help the farmers increase their returns by Rwanda itself, will be a move to influence areas over which they have more control. Global coffee bean prices, as is the case with all commodities, are determined by forces over which supplying countries have little control.

- South Sudan: Despite conflict in the country, South Sudan remains open for business. Some of the unexploited business opportunities in South Sudan are elaborated upon below.

Despite conflict in the country, South Sudan remains open for business. Some of the unexploited business opportunities in South Sudan, include the following. **1. Oil industry** There are still opportunities for foreign investors to get involved, such as oil exploration and related services and equipment, such as drilling rigs. There is also a requirement to upgrade the technology currently used by the oil industry. Foreign oil companies could partner with domestic operators. **2. Logistics: Overcoming infrastructure and**

security challenges Moving goods into and within South Sudan is a slow and expensive exercise due to an under-developed road network, few border entry points and insecurity. The country's waterways are important for the transportation of large cargo. **3. Space for accommodation and offices** There is demand for office space and residential housing in Juba. The hotels segment has become saturated. Oil producers will soon require new camps, office facilities and employee housing. **4. First-mover opportunities** exist for foreign businesses to partner with South Sudanese companies in a variety of under-developed industries such as construction (building of roads), power generation (including renewable energy) and ICT (provision of internet and telecommunications services). For more information, read: <http://bit.ly/2tWZyKn>.

CAS View: South Sudan is the newest African country, created through conflict and cutting up Sudan. It has the oil reserves of the pre-split larger Sudan. However, since its creation, it has experienced continuous conflict. In spite of this, this article has identified 4 areas of opportunity for the courageous investor. It is the investor willing to face the challenges of being a first mover in a country where conditions are less than optimal, that will reap the rewards available for the courageous. It is a high risk strategy, but the risks can be identified and mitigated. Entrepreneurs in general are people who thrive on risk and rewards and therefore there will always be people willing to tap into the opportunities available in South Sudan. Hopefully for South Sudan, it will be able to manage the conflict in the country and reduce the tensions, in the process increasing the attraction of the country for foreign and local investors. If not, it will just be another failed state, increasing the negative perceptions of Africa as a dangerous area to avoid at all costs. Africa does not need this.

- **Tanzania:** Tanzania has developed an agriculture innovation centre to support and incubate agro-enterprises.

The Private Agricultural Sector Support (PASS) has introduced an agriculture innovation centre (AIC) to support and incubate agro-enterprises that have the potential to grow with a special focus on value addition. Ten companies have already joined the platform and will reach 20 after one year, and 177 in five years. Tanzania established the programme after recognising that giving guarantees and loans to SMEs was insufficient; there were factors other than capital stagnating their growth. The AIC programme is viewed as the solution to these gaps as it will address the whole value chain from raw materials to the market of the product. Entrepreneurs will be guided to acquire the right raw materials, appropriate processing technology, proper branding and packaging, as well as the markets for the finished goods. This will help SME's to produce high quality products that can easily penetrate the market. For more information, read: <http://bit.ly/2svjJdZ>.

CAS View: The AIC is about industrialising the Tanzanian agricultural sector. Tapping into the whole agri value chain has been punted as a value adding strategy by various commentators, amongst them a former president of Nigeria, Olusegun Obasanjo. Helping entrepreneurs to get to grips with the intricacies of modern farming practices has become essential for economies in Africa. Currently Tanzania is competing with Ethiopia and Kenya to be the largest economy in East Africa, with Ethiopia the current leader. This kind of initiative will be required to stimulate the economy and grow the number of meaningful employment opportunities. Seen in conjunction with all the other initiatives launched by the Tanzanian president, it is not inconceivable for Tanzania to develop into the leading East African economic entity. It will face stiff competition from Ethiopia and Kenya though.

West Africa

- **Ghana:** Government and policy makers have been charged to pay critical attention to the manufacturing sector by giving it the necessary support for growth.

Government and policy makers have been charged to pay critical attention to the manufacturing sector by giving it the necessary support for growth. The manufacturing sector plays a vital role such as employment generation, using local raw materials and contributing significantly in the payment of duties and taxes. This was stated at a rewards ceremony of the cement industry. Cement manufacturing companies have an installed capacity of 9 million tonnes compared to an average national consumption of 5 million tonnes. With this huge excess in supply, there is no need to continue the importation of bagged

cement into the country which has no added value in terms of industrial competence, employment, direct investment, local sub-contracting and the use of local raw materials. For more information, read: <http://bit.ly/2uQ2kgl>.

CAS View: Industrialisation and developing their manufacturing sectors are strategies that have been punted by various commentators as the solution for Africa's economies. This is also the case (maybe especially?) for those countries reliant on commodities for the most part of government revenue. A point that needs to be raised, is the areas in which countries must develop. Growing the manufacturing sector without careful consideration can backfire in several ways. An example is the development of steel in South Africa. It has the iron ore and decided to develop what was previously called Saldanha Steel (now ArcelorMittal Saldanha). However, it now needs to compete with steel manufactured in the East at a much lower cost. It is under severe pressure to reduce costs. It has also had the threat of being shut down the last few years. What we learn from this, is that developing countries must be careful with the choice in which areas manufacturing will be stimulated. Doing something locally because you can, without regard of the global picture, will be dangerous. Stating this is obvious, is not true, as this example clearly shows. As attractive as the option to grow the manufacturing sector may appear to be, doing so in the "wrong" industry with the "wrong" product can be counter-productive.

Southern Africa

- **Botswana:** Botswana is an attractive investment destination in Southern Africa, given its political and economic stability.

Botswana's main industries are diamond mining and tourism. It is one of the very few countries in Africa that has a fiscal surplus and continues to be one of continent's best managed countries. However, the government is not seen to be investing enough in developing infrastructure to boost growth and diversifying the economy. Botswana has pegged 45% of its currency to the South African rand. The other 55% is pegged to the SDR (special drawing rights), which is a basket of five major currencies (US dollar, euro, renminbi, yen and the British pound). This helps to keep inflation in check and relatively stable. Botswana is one of the least densely populated countries in the world. The government has consistently increased taxes and introduced restrictions on the sale of alcohol. The economic outlook for Botswana is improving. Above normal rainfall means that agricultural output should improve. The power situation will also improve as more hydro power will be available. Expected improving global growth should help keep diamond prices firmer. While Botswana companies are not expected to report the highest earnings growth in Africa, these holdings generally bring some earnings stability to the portfolio. For more information, read: <http://bit.ly/2tw3azY>.

CAS View: Botswana is a country that is seen as one of Africa's economic miracles. It has a sound and stable political environment and, as suggested, great tourism potential in addition to its diamonds. Its exposure to diamonds does increase its vulnerability and therefore I do agree with the criticism that the government is not doing enough to diversify its economy. Another aspect of the country that reduces its overall attraction is that it has a very small market, with only about 2.35 million people. Its largest city and capital, Gaborone, only has about 250 000 people. With the rest spread out over the country, it makes it difficult to target areas optimally with goods and services at high returns. However, an average GDP per capita of approximately US\$6400 does provide attraction. Government debt to GDP is also at a low 23%. In addition, it scores high on the World Bank's Ease of Doing Business ranking, as well as on the WEF's Global Competitiveness Ranking. So, while there are clear areas of opportunity and attraction, Botswana's government must address the diversity of its economy and reduce its dependence on diamonds, a commodity with a clear correlation with global economic wellbeing. On a personal note, I have found the northern parts of the country, in the Chobe area, phenomenal as far as tourism is concerned.