

African Union

- **Africa:** Africa rising simply meant that its GDP had been growing faster than elsewhere in the world. But GDP says nothing about the health of an economy, its sustainability and the overall impact on human welfare. Rather than obsessing over whether African economies are rising or not, the focus should be on how to make African people thrive.

Africa rising simply meant that its GDP had been growing faster than elsewhere in the world. But GDP says nothing about the health of an economy, its sustainability and the overall impact on human welfare. Rather than obsessing over whether African economies are rising or not, the focus should be on how to make African people thrive. The problem with Africa's current model of industrial growth is that it privileges the formal at the expense of the informal, big corporations at the expense of small businesses, large centralized infrastructure at the expense of decentralization. This leads to more inequality and environmental destruction. Rather than big business districts, African countries need labour intensive economies. As the only continent that will experience exponential population growth in the next decades, Africa will soon be faced with a major unemployment problem. This can only be addressed through widespread networks of small businesses, the real creator of good jobs, and doing away with the dominance of a few corporate giants, which are shedding jobs and are increasingly reliant upon automation. A new economy founded on networks of small businesses, a post-industrial form of artisanship and integrated smallholder farming is the best chance for Africa to develop sustainably and generate meaningful jobs. For more information, read: <http://bit.ly/2zvtqj7>.

CAS View: The article cries out for a systemic understanding and holistic approach to Africa and its challenges. We must understand how all the different stakeholders interact to eventually add value. Emphasising one group of stakeholders to the exclusion of others, is not a systemic solution and will create unintended consequences. Hence the need to also address SMEs. Given the large numbers of unemployed people in Africa, labour intensive initiatives are crucial. Hence the emphasis on the role of agriculture. Having said that, agriculture must be industrialised to become more productive and lucrative. It must be experienced as a value-adding sector for especially the youth. However, Africa must move towards educating its people in relevant directions. Technical education is being side-lined in favour of academic education, to Africa's detriment. Africa needs electricians, plumbers, mechanics, millwrights, etc. Also, to assume that the article requires us to do away with large corporates, would be wrong; there is a place for them. However, we must mobilise entrepreneurs and SMEs for their employment-creating abilities. Africa's formal economy and large corporates cannot accommodate the hundreds of millions of people looking for meaningful employment.

- **Africa:** Industry 4.0 is about the next wave of industrialisation and advanced manufacturing that will encompass the latest cutting edge and disruptive technologies. In the near future, manufacturing will no longer be about making products in bulk by a large pool of cheap labour. It will be about the deployment of collaborative robots (cobots) that will collaborate and interface easily with other cobots and human beings.

The world is moving at an increasingly faster pace, especially with the digital economy. Industrialisation has barely taken root in Africa and it is already facing imminent threats from the robots. Industry 4.0 is about the next wave of industrialisation and advanced manufacturing that will encompass the latest cutting edge and disruptive technologies. In the near future, manufacturing will no longer be about making products in bulk by a large pool of cheap labour. It will be about the deployment of collaborative robots (cobots) that will collaborate and interface easily with other cobots and human beings. The future of manufacturing will not only be for those African countries with highly skilled labour, but will also require them to develop the necessary competencies among its labour force. Africa remains at the lowest level of the manufacturing value chain. The imminent threat is that the competitive advantages of Africa with its large and inexpensive labour force will be eroded and eventually vanish, as other countries with a strong manufacturing base retool their factories with the latest technologies. Higher valued added manufacturing will mainly require highly skilled workers. For more information, read: <http://bit.ly/2zuNy2s>.

CAS View: This article links up with the first article. Up to now there has been calls for Africa to industrialise its economies and grow and develop its manufacturing sectors. This has been punted as the answer to the vulnerability of Africa given its fixation on commodity exports. In this regard, Ethiopia has been held

up as an example of what can be done when there was the requisite political will. We have seen China encouraging its manufacturing companies at the bottom end of value addition to rather move towards countries where the labour was cheap and plentiful. They also encouraged the governments of those countries to create a productive environment, for example, lower taxes, industrial parks, free trade areas, educated and low wage labour, etc. This article creates a potential future that could be devastating for Africa, should it not respond timeously and appropriately. With the advent of Industry 4.0, countries such as China no longer have to “export” their low value-added companies to the emerging and frontier markets. Digital production can enable a China to still produce in its own country, at very low costs, and export to the rest of the world. With Africa, amongst others, looking forward to becoming the factory of the world for low cost goods, this can be a devastating outcome. To escape this “trap”, Africa has no alternative but to focus on developing the requisite education policies and educate its people in the appropriate fields. Whilst education has been frequently help up as the answer to Africa’s woes, it has been talked about a lot with not a lot of focus on implementation. It has, however, now become a crucial survival strategy. Africa must wake up to the challenges that Industry 4.0 presents and do something about it. The time for talking has run out!

East Africa

- **Ethiopia:** Ethiopia can achieve and sustain the accelerated industrialization, growth and economic transformation if only it consolidates the successes achieved and builds on comparative advantages. The expansion of the industrial sector through diversification and the introduction of new industries, industrial parks and clusters development is pivotal to the country’s vision of becoming a manufacturing hub of light industries in Africa by 2025. The manufacturing sector is expected to grow at an average of 22% and contribute 18% of the GDP, and 40% of the national export earnings in the country by 2025. Japan is supporting the growing economy of Ethiopia through sharing the Asian industrial development experience and system of their economic transformation to an industrialized country. For more information, read: <http://bit.ly/2m4vMjE>.

CAS View: This is the kind of information and strategy that links up with the pre-digital era. To grow from an economy where commodity exports and an emphasis on subsistence farming (and where agriculture employs close to 70% of the people and contributes as little as 25% to GDP), have been the focus, the steps taken by the Ethiopian government makes a lot of sense, especially in the short term. Until such a time that the developed countries of the world develop their digital economies and production lines, these strategies will produce better outcomes for the likes of Ethiopia. However, they must use this time to ensure they have the skills and means to develop their own digital production sector. In the same way Africa has been leap-frogging landlines in the telephony sector to move to mobile telephony, and in the same way it is leapfrogging the industrial era way of electricity generation, transmission and distribution by moving to renewables, Africa should be looking at leapfrogging industrial era manufacturing. This is not a nice to have approach – it has become crucial. The good news is that there are early indications of a developing digital economy in Africa. It must develop impetus, however, and be on the radar of governments, industry and education authorities. By all means, do what Ethiopia has been doing to grow its manufacturing sector. But see that as a relative short first phase in a more comprehensive strategic approach to become and remain relevant in the digital world of tomorrow. Given the tremendous population figures indicated for Africa in 2050 and 2100, to do nothing about the digital economy will be tantamount to suicide.

- **Kenya:** Gulf African Bank and Safaricom are set to launch a Sharia-compliant banking service through M-Pesa to allow customers to open and operate M-Sharia bank accounts.

Gulf African Bank and Safaricom are set to launch a Sharia-compliant banking service through M-Pesa to allow customers to open and operate M-Sharia bank accounts. The M-Sharia platform to be rolled out by next March targets the bank’s retail and merchant segments. Gulf said the platform being developed by the two parties will be guided by the Sharia principles — not an interest-based financing, but profit sharing. They are targeting the market which has been financially excluded due to interest rate capping law or ethical aspects. If you borrow from these other platforms like M-Shwari, interest rate and compounding interest rates are very exorbitant, and a lot of people are shying away. They are providing a solution to that segment, both for Muslims and non-Muslims. Retail customers will be able to borrow

cash through their mobile phones from as little as ~US\$1, while merchants will have a chance to buy stocks by borrowing through that platform from ~US\$500 to ~US\$5000. For more information, read: <http://bit.ly/2yIB4cp>.

CAS View: Whenever I read an article on new developments with the M-Pesa platform, I cannot but help to admire the decision-makers of Safaricom. They started off with the basic platform of peer-to-peer payments and then added so many functionalities. These include M-Akiba, M-Shwari, M-Kopa (which actually is a separate company that uses M-Pesa as platform), etc. To expand into the Sharia environment will increase the attraction of M-Pesa in a very significant way, not only for consumers and clients in African countries with a significant Muslim population, but also elsewhere. Safaricom is probably close to being the largest “bank” on the African continent. Banks initially ignored the threat posed by Safaricom, but after a while realised they were doing so at their own peril. Now we see banks either coming up with their digital platforms (PesaLink – far from as successful as M-Pesa), or collaborating with Safaricom. Whichever way it goes, Safaricom and its M-Pesa platform is growing its visibility and clout!

- **Kenya:** Kenya’s retail sector is still among the most attractive for long-term investors in sub-Saharan Africa despite cash flow challenges that have left giant Nakumatt Holdings on the brink of collapse.

Kenya’s retail sector is still among the most attractive for long-term investors in sub-Saharan Africa despite cash flow challenges that have left giant Nakumatt Holdings on the brink of collapse. The interest is largely fuelled by the sector’s growth. It has outperformed the economy in the last five years due to rising households’ disposable income. With a formal retail penetration estimated at 30%, ahead of peer economies such as Nigeria and Tanzania, the Kenyan market is uniquely positioned to offer investors strategic access to the growing spend not only in Kenya, but also the wider eastern Africa. The market has in recent years attracted global supermarkets, including France-owned Carrefour, and South African Massmart, which operates under the Game brand. The existing international retailers are looking for opportunities to expand, while others, such as South Africa’s Shoprite, are closely monitoring the developments. Carrefour is reportedly keen to add to its two stores in Kenya by taking advantage of the void being created by Nakumatt. Analysts still believe the retail segment of Kenya’s economy offers great promise for long-term investors. For more information, read: <http://bit.ly/2iWwVsx>.

CAS View: I have written the past few weeks of the retail situation in East Africa. Some foreign players, such as Shoprite and Pick n Pay have struggled and eventually left Tanzania. Shoprite itself never went into Kenya. Last week we saw Nakumatt and Uchumi struggling in Kenya, to such an extent that Nakumatt has asked for bankruptcy protection. One of the reasons mentioned was that the middle class were visiting the malls, but were not buying there. However, here we see analysts saying that the retail sector in Kenya is still very attractive for long-term investors, despite cash flow problems. It does create a confusing scenario. The typical food retail companies have a short operating cycle (stock period plus accounts receivable period – they sell on cash terms), while their accounts payable periods are on average quite long. Any food retail company that is managed half-way decently therefore has a negative working capital requirement – you have other people’s (your suppliers) money for a long period before you have to pay them. The only way you can get into trouble is when your suppliers squeeze you and do not give you credit terms (which for national suppliers is seldom the case, especially if you have decent scale), or you give credit (which food retailers tend not to do), or you sit with stock that nobody is buying (in which case you deserve to go under), or you are “buying” turnover by offering too low prices. Food retailers know this – it is the common business model for the sector. Therefore, understanding the demise of the likes of Nakumatt, and the extraction of Shoprite and Pick n Pay from Tanzania, will require a more in-depth study. It will be interesting to see what happens to Carrefour, Game, and Choppies – will we see a repeat of Nakumatt’s experience or will they be able to pull it off? As for the excitement of the analysts, it reminds me of a “Dirty Harry” movie, made famous by Clint Eastwood. Dirty Harry had been roughing up a crook, who after a while said that he had a mean friend and that when he arrives, Harry would be sorry. Low and behold, the crook’s friend did arrive, but made the mistake to go for his handgun. Harry duly took out his own gun and killed the crook’s friend. As he lay dead in the corner, bleeding all over the carpet, Dirty Harry turned towards the crook and asked, ‘If he is so bloody good, why is he so bloody dead?’ I am not saying that there is no potential for retailers in Kenya – far from it! However, there are a number of challenges that need to be understood and addressed before one can achieve success.

West Africa

- **Cote d'Ivoire:** Cote d'Ivoire has inaugurated a US \$572m hydroelectric power station. The Chinese-built Soubre hydroelectric power station is the largest of its kind in Cote d'Ivoire.

Cote d'Ivoire has inaugurated a US \$572m hydroelectric power station. The Chinese-built Soubre hydroelectric power station is the largest of its kind in Cote d'Ivoire. The 4.5-km-long hydropower dam at Naoua Falls on the Sassandra River has an installed capacity of 275MW. It will increase hydro power in Cote d'Ivoire's energy mix, as well as cement the country's status as a key power producer and supplier in West Africa. The Soubre project stayed dormant for several decades due to lack of funding. Wang Jun, Charge d'affaires of the Chinese Embassy in Cote d'Ivoire, noted that the hydro station has helped deepen the bilateral economic and trade cooperation between the 2 countries. France's Tractebel Engineering is the company in charge with quality supervision of the dam's construction. According to Tractebel Engineering, Soubre dam is of high quality. The Export-Import Bank of China financed 85% of the project and Cote d'Ivoire the remaining 15%. Soubre dam puts the country on course to meet the target of 4,000MW by 2020. For more information, read: <http://bit.ly/2ztBXAQ>.

CAS View: A couple of points are of interest here. Firstly, we see Cote d'Ivoire joining a growing number of African countries that are turning towards renewables for their energy requirements. This will support the growth of their manufacturing sectors, which tend to be heavy on electricity usage. Secondly, we see China yet again involved in supporting an African country in its efforts to develop its energy infrastructure. Not only did a Chinese company build the hydroelectric power station, but the Export-Import Bank of China financed 85% of the project. Thirdly, while China's activities in East Africa has gotten a lot of focus, it is clearly expanding its influence in West Africa as well. Fourthly, while it has become fashion to label Chinese-built infrastructure as low quality, here we see a French company proclaiming that the Soubre dam is of high quality. China is indeed becoming a continent-wide phenomenon!

Southern Africa

- **Botswana:** Retail giant Choppies continues to expand its footprint in South Africa with the recent R100 million acquisition of 8 Arizona Wholesales and Butcheries.

Retail giant Choppies continues to expand its footprint in South Africa with the recent R100 million acquisition of 8 Arizona Wholesales and Butcheries. This resulted in its number of stores rising to 82 in that country. According to Choppies CEO Ramachandran Ottapathu, Arizona Wholesales and Butcheries' footprint in Kwazulu-Natal complements their existing presence in the area, adding that it will contribute to its South African operations reaching profitability over the medium term. In addition, Ottapathu noted that the business fits well with the Choppies strategy of being a strong relevant provider of consumer goods at affordable prices, serving urban, semi-urban and rural areas with products that offer value for money. The business has built a considerable footprint in traditionally underserved areas in Kwazulu-Natal and employ more than 300 people. The group plans to add 40 new stores to the 217 stores that they already have across the region. For more information, read: <http://bit.ly/2yi5KLn>.

CAS View: Choppies is a Botswana-based retailer that has outgrown the confines of its home country. It has expanded into other countries, such as Kenya, South Africa, Tanzania, and Zimbabwe, amongst others. In the same way Shoprite, a South Africa-based retail company, has expanded into Africa due to the mature stage of the industry in South Africa, Choppies is doing the same. This growth of African retailers in Africa will be good for the consumers of Africa. The increased numbers of the retailers will provide greater access for the consumers, as well as employment opportunities for prospective employees. In addition, the greater number of retailers will create more competition and therefore lower prices, all to the benefit of the African consumer. In South Africa, Shoprite has had the lower end of the market all sown up. Their success in serving this market is evident in its high share price. It will be interesting to see to what extent Choppies can steal customers from Shoprite in this giant's own backyard. To be fair, Shoprite is doing the same in Botswana where it has 39 stores.