Nanyang Technological University
Nanyang Business School

Friday@Noon

NTU-SBF Centre for African Studies

A weekly electronic African news briefing for the Southeast Asian community
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Issue 129 19 January 2018

African Union

- **Africa:** According to the AfDB, Africa's infrastructure requirements are estimated to be between $130 billion and $170 billion, far higher than the previous estimation of $93 billion a year. The AfDB's 2018 Annual Report said the new estimates left a financing gap of $108 billion.

  According to the AfDB, Africa's infrastructure requirements are estimated to be between $130 billion and $170 billion, far higher than the previous estimation of $93 billion a year. The AfDB's 2018 Annual Report said the new estimates left a financing gap of $108 billion. Given this, and urgent needs in health, education, administrative capacity, and security, Africa has to attract private capital to accelerate the building of critical infrastructure needed to unleash its potential. African countries do not need to wait until all financing gaps are filled before they transform their economic structures. They have a wide variety of options, well beyond foreign aid. Africa collects about $500 billion in tax revenue annually, $50 billion in foreign aid, $60 billion in remittances, and $60 billion in FDI inflows. To exploit the potential for infrastructure development, governments must put in place effective institutional arrangements to manage the complex tasks of project planning, design, co-ordination, implementation, and regulation. This includes a focus on the soft side of infrastructure development: policy and regulatory issues, training the teams assembling the financing packages, and conducting constant research to keep up with the knowledge frontier. For more information, read: http://bit.ly/2BbzXww.

  CAS View: Most of the article is not news. The needs in the fields of infrastructure, health, education, administrative capacity and security have been highlighted frequently over the past number of years. It needs to be highlighted frequently to ensure that political and business leaders do not move their focus from the imperative to address these needs. These needs also create opportunities for all investors interested in developing and contributing to Africa's infrastructure development. The need to involve the private sector is also not new. The previous president of the AfDB, Mr Donald Kaberuka from Rwanda, frequently made this point. Again, it bears repeating to highlight this opportunity and to convince the private sector of the need and the opportunity! The need to develop the soft side of infrastructure development is also not new, but the same principle as above is relevant. What is somewhat new, is the increasing requirement for infrastructure development and the increasing financing gap. The need is becoming increasingly difficult for Africa to meet, even with the participation of its private sector. Hence the phenomenon of Africa embracing the participation and involvement of countries such as China. It has been reported that Chinese companies involved in infrastructure development have been making very good profits. That on its own should be an incentive for private sector companies from all over to get involved. Why I said "somewhat new," is because I have previously come across articles (in September and November 2017) that stated Nigeria on its own would require infrastructure development of $100 billion per annum over the next 30 years. Either the AfDB is understating the need or Nigeria is overstating their requirements, or they are measuring differently. Whatever the case, there is a massive infrastructure development need and hence opportunity!

- **Africa:** The World Bank is forecasting good growth prospects for African countries for 2018.

  Ghana will be Africa's fastest growing economy in 2018 with a growth rate of 8% as a result of increased oil and gas production, which boosts exports and domestic electricity production. The World Bank has forecasted that growth in SSA will pick up at 3.2% in 2018. Ghana will be followed by Ethiopia and Tanzania, which are expected to grow at 7.2%. Ghana's economic growth followed the consolidation of macro-economic stability and implementation of measures to resolve the crippling power crisis. Its forecasted recovery in 2018 will depend on fiscal consolidation measures remaining on track, the quick resolution of the power crisis, two new oil wells coming on-stream, and improved cocoa harvest and gold production. Growth in non-resource intensive countries is anticipated to remain solid, supported by infrastructure investment, resilient services sectors, and the recovery of agricultural production. The bank also predicted a moderate rise in commodity prices. Growth in South Africa is expected to accelerate to 1.1% in 2018. Nigeria will grow at 2.4% in 2018, helped by a rebound in oil production. However, the bank noted that militants' attacks on oil pipelines could hold the key. For more information, read: http://bit.ly/2mM3I1I.

  CAS View: The good news here is the view of the World Bank that Nigeria and South Africa will be growing their economies at better rates than in 2016 and 2017. Given their massive contribution to the economy

of Africa, their increasing growth will boost that of the continent as a whole. The caveat from the World Bank that militants' attacks on oil pipelines in Nigeria could hold the key, is an important one. The Niger Delta Avengers have recently promised to increase their attacks on oil pipelines in Nigeria. In 2016, they cut down production from 2.2 million bpd to 1.4 million bpd in the space of 2 months. Nigeria cannot afford this, and should this be repeated in 2018, it would severely dent growth expectations of the Nigerian economy. In South Africa, former business tycoon Cyril Ramaphosa has been elected as the president of the ANC. This should boost the country's economy as local and foreign investors would feel that there is more certainty of a better business environment and would feel more inclined to invest. We can already see a strengthening of the South African Rand as a result. The expectation of a moderate increase in commodity prices will be good news, not only for countries such as Nigeria and South Africa, but also for the likes of Angola, Mozambique, Zambia and Zimbabwe, all of which who could benefit from such an increase. Hopefully they will continue with any attempts they might have embarked upon to diversify their economies to reduce their overall dependence on commodity exports for revenue.

East Africa

- **Ethiopia:** The Ethiopian government has successfully embarked upon a policy to attract FDI to the country in a meaningful way.

  Policy factors driving FDI include openness, product-market regulation, labour market arrangements, corporate tax rates, trade barriers, human development and infrastructure. Non-policy factors include market size, distance/transport costs, and political and economic stability. With an educational system that plans to make education accessible to most of the people, Ethiopia produces enough skilled manpower to satisfy the demands of foreign investors. Attention towards radically changing the state of infrastructure also serves well in drawing FDI. The availability of energy, water, roads and other forms of infrastructure has shot up in the last couple of decades due to the pro-poor nature of Ethiopia's development schemes and the key role foreign investment is expected to play in them. The tax and land incentives provided to foreign investors in Ethiopia are also very generous. The result of the meshing of all these variables is a sustained fast growth in foreign investment coming into the country. FDI flow has reached US$4.17 billion this year and created 16,000 jobs. That is a five-fold increase on FDI flows a decade ago. Manufacturing, agriculture, construction, hotel and real estate services and horticulture are the sectors foreign investors have invested in. Investors from China, India and the Netherlands are at the forefront in their engagement in industrial parks, textile manufacturing and horticulture. For more information, read: http://bit.ly/2mJu700.

  CAS View: Ethiopia is a case study of a country with the political will to develop and implement the requisite policies to attract and keep FDI. We have seen political instability and violence towards foreign investors at the end of 2016. However, the government went out of its way to address this as a matter of urgency. With the five-fold increment in FDI inflows in the past decade, Ethiopia has demonstrated its capacity to serve as a positive influence not only in the Horn of Africa, but in East Africa in general. Ethiopia is also doing its utmost to position itself as a strong player in the game of becoming the factory of Africa, in the process attracting manufacturing projects from China, amongst others. As indicated in the article above on economic growth in Africa, the World Bank is of the opinion that Ethiopia will register the second highest growth in Africa this year at a rate of 7.2%. The country has consistently been growing at high rates for more than a decade and has been attracting a lot of foreign investment, not only from private sector companies, but also from governments. It has also succeeded in positioning itself as the diplomatic head office of Africa, with many supra-national entities having their head offices in Addis Ababa. This obviously helps with the overall image of Ethiopia as a safe haven for investment.

- **Kenya:** With Kenya's improved transport system and largely unexplored potential in agriculture, local and regional trade has unlimited potential to blossom.

  With Kenya's improved transport system and largely unexplored potential in agriculture, local and regional trade has unlimited potential to blossom. Agriculture contributes 26% of the GDP and another 27% indirectly through linkages with sectors such as manufacturing, transportation, tourism and education, as well as over half of export earnings. Consequently, there is a need to establish a trading system to ensure these commodities reach the market in sufficient quantities and at competitive prices. As the government

renews its commitment to industrialisation through manufacturing, trade will take an increasingly crucial role. Kenya also needs to take advantage of the continuously improving infrastructure, which includes expansion of railway lines, airports and upgrade of airstrips. To avoid duplication or wastage, Kenya needs to map out the strength of every county in terms of its main produce, linking the production areas with potential markets. This will create economies of scale and make goods competitive. Digital technology, particularly mobile telephony and data, can also greatly enhance trade, linking producers with markets. Kenyans have all it takes; all that is needed is the political goodwill, hard work and commitment. For more information, read: http://bit.ly/2Dqk4r1.

CAS View: This article addresses various points of importance. One is the continuing importance of agriculture in Africa. Two aspects that have also been raised for Africa as a whole, are the issues of industrialisation and manufacturing. Kenya needs to focus more attention on the manufacturing sector. The contribution of the manufacturing sector to Kenya's GDP has been constant, but at a low rate of between 10 and 11% (Reuters, 2017). The World Bank has shown that the performance of the timber-furniture, textile-apparel, and leather and leather products value chains in Kenya are important for employment and growth in the country. It has also shown that In the footwear subsector, where the competition is largely domestic and based on price, Kenya's market share has been eroded by imports of new low-cost leather footwear (mainly from China and India), and donated, second-hand footwear (*mitumba*). Kenya does not need this. The challenge is how to protect local industries against an influx of cheap imports (using tariffs and subsidies), without angering local consumers, who want the low prices, yet balancing the need to develop the local industry. It remains an intricate balancing act.

- **Rwanda:** Rwanda is developing its floriculture sector, exporting to Europe and earning foreign exchange.

  Rwanda's flagship floriculture project, Bella Flowers, is looking to increase export earnings threefold on the back of increased acreage. Bella Flowers is targeting to produce an average of 100,000 stems of cut roses per day for the local and export markets. Last year, the firm exported 13 million flower stems to Europe through the Netherlands, the world's largest flower market. Bella sold 5.15 million stems of cut roses on the local market and projects to increase this figure by about 20% this year. The company is working to promote a flower-buying culture in Rwanda to drive sales. The flower sub-sector fetched over $2.39 million from exports in the first 11 months of 2017. Floriculture is one of the sectors identified by the government to help drive Rwanda's foreign exchange earnings in the medium-term. The sector and the firm, however, still face many challenges that have affected its growth, including logistics, access to chemicals and fertilisers. Bella Flowers say they need to be in the market everyday, but RwandAir ferries their flower shipments to Europe only three times a week. For more information, read: http://bit.ly/2mK1uja.

  CAS View: Rwanda is following in the footsteps of Kenya in its endeavours to develop its floriculture sector. Kenya is the largest contributor to the Dutch flower market (69% of all the Kenyan flower exports go through Dutch auctions), flying flowers into the Netherlands on a daily basis. Kenya is also the largest supplier to the EU, representing 31% of their imports. Another country that has jumped on the flower wagon is Ethiopia. This sector is becoming an important employer and foreign exchange earner for African countries. The countries involved would do well to support their flower industries in matters such as logistics (transport). This sector is a testament to the level of entrepreneurship of the East African businessmen and women!

Southern Africa

- **South Africa:** It seems that Chevron will be selling its assets in SA and Botswana to China's state-owned Sinopec.

  SA will stick with China's Sinopec Corp as the preferred contender to buy Chevron's assets in SA and Botswana after it made a fresh commitment to future investments in the country. State-owned Sinopec is competing for the assets with commodities trader and miner Glencore, who last October made a $973 million bid. Sinopec has engaged in discussions with the Economic Development Department to ensure that its strategy in South Africa is aligned with the EDD's policy on industrial and economic development. The assets include a 100,000 barrel-per-day oil refinery in Cape Town, a lubricants plant in Durban and

820 petrol stations and other oil storage facilities. It also includes 220 convenience stores across South Africa and Botswana. Sinopec has given additional commitments to the government, including investments over 5 years post acquisition to upgrade the Cape Town refinery into a world-class plant. It also pledged to develop the fuel marketing business by introducing small and black-owned business as fuel retailers. Sinopec said it will also establish a development fund targeted at small and black-owned businesses, thereby increasing the level of local procurement of goods and services. For more information, read: http://bit.ly/2DL1Eil.

CAS View: China is becoming more visible in South Africa. It has invested in various sectors, such as mining, wine, urban development and now the petrochemical industry. This is in addition to the many small Chinese trading stores all over the country. It is interesting to note the withdrawal of a US company and it being replaced by a Chinese state-owned company. In a certain way, one could conclude that this is a trend becoming more visible in Africa. It also reflects a general move from the West to the East, with Africa increasingly turning away from the West towards countries such as China. There is also the question of the sway China has over African governments, given the level of investment in Africa by China's government. What is also interesting above is the commitment of Sinopec to develop the industry to the benefit of small and black-owned businesses in SA. This is an important imperative to rebalance the level of ownership in the South African economy, giving the black middle and upper class a greater stake in the economy.