

## East Africa

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Ethiopia's foreign minister has said there are no security concerns in the country, despite a state of emergency imposed by the government last week. Ethiopia has seen recurring and sometimes violent anti-government demonstrations since 2014, driven by demands for increased power sharing among the country's parties and ethnic groups. The government declared the state of emergency because it "could not control the unrest through the regular law enforcement mechanisms." Ambassadors from the EU, the Netherlands, and the USA, voiced concern about the declaration. Two opposition parties, the All Ethiopia Unity Organization (AEUO) and the Blue Party, have called on the government in Addis Ababa to lift the state of emergency immediately. They said the declaration will allow the ruling Ethiopian People's Revolutionary Democratic Front, or EPRDF, to violate the public's right with impunity. For more information, read: <http://bit.ly/2CC3mQU>.

CAS View: CAS has recognised the very good economic growth Ethiopia has been experiencing the past decade or so. One source of concern has been the prevalence of political stability, something which was always lurking in the background. The resignation of the prime minister last week and the renewal of the state of emergency, amidst political unrest in the country, created fears in a number of sectors. Firstly, Ethiopia, together with Djibouti, has been a source of stability in the Horn of Africa, in spite of spates of unrest. What happens to the region when Ethiopia falls apart politically? Secondly, Ethiopian Airlines is a bright star in the skies of Africa. Will this remain to be the case should Ethiopia not be capable of developing a political solution? Thirdly, conference tourism is a sector that is developing well. Many global hotel chains are looking at building hotels in Addis Ababa. Tourism requires political stability and peace. Fourthly, Ethiopia has positioned itself as Africa's factory, with 17 industrial parks with a multitude of services and benefits, including a low cost and appropriately trained labour force. This kind of development requires political stability. As it is, the World Bank has ranked Ethiopia at 2<sup>nd</sup> place globally for economic growth in 2018 at 8% GDP growth. This will remain a dream should the country not obtain a political solution. There are therefore strong drivers that make it imperative that Ethiopians do find a political dispensation acceptable to all. This country has wonderful opportunities, waiting to be tapped into.

- **Ethiopia:** Machinery manufacturing and importing companies from Ethiopia and Turkey held a consultative forum in Addis Ababa recently, attracting more than 60 local and 15 Turkish companies. The forum aims at creating a platform in which companies from the two countries engaging in exporting and importing agricultural machineries, are to be networked to promote trade and investment relations.

Machinery manufacturing and importing companies from Ethiopia and Turkey held a consultative forum in Addis Ababa recently, attracting more than 60 local and 15 Turkish companies. The forum aims at creating a platform in which companies from the two countries engaging in exporting and importing agricultural machineries, are to be networked to promote trade and investment relations. The event will help the Turkish companies to identify the business and investment potential in Ethiopia. Moreover, it will help to encourage technology transfer in machinery and balance the trade volume between Ethiopia and Turkey. Ethiopia imports US\$3.6 billion of metals, electronics, machinery and technologies from Turkey, while exporting only US\$433 million of agricultural products, such as coffee and sesame. On the forum, business to business meetings were arranged between 11 Turkish companies representing the machinery sector and 60 Ethiopian private companies from various sectors. For more information, read: <http://bit.ly/2EVfXUG>.

CAS View: When one talks about countries investing in Africa, the common perception is always one that it is China. It is good to see Turkey reaching out to Africa. The fact that they are looking at the manufacturing sector, is added good news. Africa needs to diversify its economies away from an over-emphasis on commodity exports. Industrialising agriculture needs more machines and higher skilled people that see agriculture as a business. Ethiopia must attempt to address the trade imbalance, however. A source of concern is the current political unrest referred to above.

- **Kenya:** Kenya' cut-flower industry is targeting the USA market to boost the current growth of the sector.

Kenya's cut-flower industry has blossomed since the 1980s, and now holds the biggest market share for exports to Europe. Kenya's flower producers are hoping direct flights, set to open between Nairobi and New York City, could help them develop a new market – the USA. Kenya is the world's fourth-largest exporter of cut flowers, with most of the exports going to Europe, Australia and Japan. While Kenya's floriculture saw good growth of up to 10% up to 2008, it has since then stabilised at about 2%. This rate could be boosted with direct flights opening in October to the USA. Kenya wants to diversify their markets to the American market. They don't want to compete with the South Americans, the main suppliers of flowers for North America, but compliment their product. While a small fraction of Kenya's flowers currently end up in the USA, the air freight stopover in Europe is a costly barrier to greater market access. There are 100,000 workers directly employed in Kenya's flower industry, but indirect services and products account for another 400,000 jobs, providing livelihoods for around 2 million people. The hope is that, with better access to the US consumer market, Kenya's flower industry – and the number of people it supports – can only grow. For more information, read: <http://bit.ly/2sJfFvf>.

CAS View: This is an amazing success story. Kenya has the soil and climate conditions for the successful growing of flowers for foreign markets. This creates many jobs at home and generates a lot of foreign revenues. Expanding into the USA market will grow the number of direct and indirect jobs supported by the industry. It will also reduce the dependence of Kenya's cut-flower industry on Europe. It will also give a renewed lease of life as far as the industry's contribution to Kenya's GDP is concerned.

- **Kenya:** In Kenya, tech-savvy Kenyan youth are not only turning to farming, they are bringing their digital skills with them to rural areas. They are driven by poor job prospects and low pay in cities.

Kenya has the highest rate of youth unemployment in East Africa, with nearly 20% not finding jobs. Poor job prospects and low pay in cities are pushing thousands of unemployed young people to return home and take up farming. Tech-savvy Kenyan youth are not only turning to farming, they are bringing their digital skills with them to rural areas. For example, they are very good at using mobile apps that tell them when to plant or what fertilisers to use. Some join WhatsApp groups to learn about issues like growing conditions, fertilisers, and market conditions. They also use their mobiles to keep a record of costs, fertilisers and profit, and to market their produce on WhatsApp groups. The Kenyan government is trying to promote entrepreneurship among young people by improving their access to credit. The Uwezo fund, for example, provides youth with grants and interest-free loans of up to about \$5,000 to set up their own business. But more investment is needed to make farming attractive to a wider range of young people. Many youth still see returning home as a failure and farming as a lowly affair. Some regret making the switch to farming. For more information, read: <http://bit.ly/2EEID0R>.

CAS View: Finding jobs for Africa's unemployed youth is by now a common message, frequently repeated. We now see a move from some of Kenya's youth that can be seen as a trend reversal – they are moving back to the rural areas, and moving back into agriculture. They are using their experience and knowledge of mobile technology to facilitate their agri efforts. The move from urban to rural requires more investment to make it more sustainable. As it is, a number of those that have embarked upon the journey from city to village/farm feel that they have made a mistake. This cannot be tolerated. Disillusioned people are never good advocates for a particular cause. By supporting this move from city to farm, it reduces the pressure on amenities and services in the cities, provides jobs to the youth in the rural areas, and hopefully also increases the productivity of agriculture. Africa imports about \$35 billion of food annually, this while they have the potential to feed the world!

- **Tanzania:** Tanzania wants to take more of the profits from its vast mineral resources by overhauling the fiscal and regulatory regime of its mining sector.

Tanzania wants to take more of the profits from its vast mineral resources by overhauling the fiscal and regulatory regime of its mining sector. Under new regulations, Tanzania will now make it compulsory for foreign-owned mining groups to offer shares to the government and local companies. A contractor, sub-

contractor, mining company or other allied entity must maintain a bank account with an indigenous Tanzanian bank and transact business through banks in the country. The insurable mining risks in the country must be insured through an indigenous brokerage firm or an indigenous re-insurance broker. The local content rules are among up to 9 separate mining regulations issued by the mining ministry last month, but are yet to be publicly released. The new rules also require "indigenous Tanzanian companies" to have at least 5% shareholding in a mining company, in addition to a 16% government free carried interest. There are fines of at least \$5 million for mining companies that fail to implement the new requirements. The regulations also require the government to prioritise indigenous Tanzanian companies in granting mining licences. For more information, read: <http://bit.ly/2FklrGn>.

**CAS View:** When President John Magufuli took over as president of Tanzania in November 2015, the future looked bright for the country. However, over the past 2 years, it seems some of his actions have not created good vibes in the business sector. Some view the new regulations as onerous and extreme; they represent the current environment of economic nationalism with strong socialist overtures in Tanzania. There is also a belief that the Government machine is churning out fake information to justify policies. Some companies have reduced their output; customers also have difficulty sourcing trucks as many trucks have moved out of Tanzania into better growth areas such as Kenya, Zambia, etc. Consequently, there are apparently increasing levels of business failures and a scarcity of cash. The gas and mining industries are also seen to be suffering under the current regime. It is also frequently an issue not about what the government does, but how it does it. We have seen Barrick Gold (parent of Acacia Mining) being slapped with a \$190 billion fine for taxes, etc. They ended up paying \$300 million, with a few other concessions. Actions such as these also create uncertainty as to what one could expect from the government. It can also deter future investments from abroad. This is a tragedy as the country has a lot of potential.

## West Africa

- **Ghana:** President Akufo-Addo has assured Ghanaians that government will not neglect agriculture because it is vital to the development of the economy. For him, Ghana needs to raise agriculture to a higher plane to improve on the quality of life of its people.

President Akufo-Addo has assured Ghanaians that government will not neglect agriculture because it is vital to the development of the economy. For him, Ghana needs to raise agriculture to a higher plane to improve on the quality of life of its people. The diversification of agriculture is part of the vision to develop Ghanaian agriculture and the Ghanaian economy. He has also highlighted the importance of cashew production to the Ghanaian economy. This, together with other programmes of other selected export crops, will drive industrialisation in rural Ghana, diversify agricultural products and provide jobs for the unemployed youth of Ghana. The plan will take into account government support for the country's cashew industry and the required infrastructure for the sector. It also seeks to improve research methods, introduce appropriate production and processing technologies, as well as develop marketing strategies along the value chain. He urged industry players to capitalise on the opportunities in the value chain of the crop and make it beneficial to farmers. He assured the public of government's commitment to the implementation of the plan in addition to other programmes to propel the growth of the cashew industry. For more information, read: <http://bit.ly/2EKerFP>.

**CAS View:** CAS has frequently referred to the views of important stakeholders such as former Nigerian president, Olusegun Obasanjo, on the importance of agriculture. The sector is the largest employer in Africa, although its contribution to GDP is a lot smaller. Governments have been encouraged to industrialise the agriculture sector and to enhance how lucrative the sector is perceived to be. President Akufo-Addo's government has succeeded in turning around Ghana's economy from 2016 (3.6% GDP growth) to the end of 2017 (7.9% GDP growth), with a projection for 2018 at 8.2% - the fastest projected growth globally for 2018 (World Bank). Boosting the agriculture sector is a good start for the continuation of Ghana's economic growth journey. While the article reflects on the cashew industry, another sector with good growth potential (with many diversification and beneficiation opportunities) is the cocoa sector. The sector would do well to consistently innovate the prevalent business models in Ghana.