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Friday@Noon

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Africa

- **Africa:** Manufacturers based in South Africa often face unique and intricate operational challenges, i.e. labour unrest, an unstable electrical grid, water shortages, harsh conditions and asset risks.

  Manufacturers based in South Africa often face unique and intricate operational challenges, i.e. labour unrest, an unstable electrical grid, water shortages, harsh conditions and asset risks. With the right technology, however, these challenges can be overcome for a profitable, seamlessly run manufacturing plant. To achieve this, it is essential that systems are scalable and can be easily deployed to any new business units or ventures. The solutions should support the overall business strategy and promote lean, cost efficient operations. Effective software solutions deliver key business drivers, while upgrading business process management, enabling effective process standardisation and automation, removing customisations, and leveraging new ERP functionality, while enabling modern digital manufacturing principles. There are distinct challenges that continue to affect the manufacturing industry. Specific business requirements must be addressed, without complicating deployment through customisations. With the right solutions, maintenance is made easier, upgrades are simpler and standardised processes have best practice considerations and functionality built-in. For more information, read: http://bit.ly/2CPp1W2.

  CAS View: Manufacturing and industrialisation are the current buzzwords for transforming Africa's economies. In order to reduce any dependence on the extraction and sale of raw commodities, it does make sense to diversify Africa's economies. African economies do seem to struggle with growing and developing their manufacturing sectors and to increase this sector's contribution to their GDP's. In addition to the challenges stated above, we do find that cheap imports from abroad complicate the process even more. These cheap imports range from cheap steel products from China (upsetting steel manufacturing in South Africa) to cheap textile products and second-hand clothing in East Africa, upsetting the textile industry in that region. We then find that countries such as the USA threatening retaliatory action should the East African governments continue with bans against the import of second-hand clothing. In addition to the operational challenges, there is therefore the need to ensure that strategically the countries make the right decision as to where in the manufacturing value chain they decide to invest in. The world of Industry 4.0 can help Africa, but it can also help foreign competitors to a greater extent. What Africa does need is an emphasis on the relevant kind of education – it needs people that can function in a digital manufacturing world.

East Africa

- **East Africa:** SolarNow, a business providing solar energy, appliances and financing solutions in East Africa, has partnered with IoT M2M connectivity specialist Eseye to provide more and better services to SolarNow customers.

  SolarNow, a business providing solar energy, appliances and financing solutions in East Africa, has partnered with IoT M2M connectivity specialist Eseye to provide more and better services to SolarNow customers. The IoT based solution will utilise Eseye's global cellular network data through the AnyNet Secure SIM, while integrating M2M cellular connectivity and AWS Cloud within its solutions. SolarNow can remotely and securely activate, provision, authenticate and certify deployed devices over-the-air, in up to 190 countries. SolarNow's capabilities have empowered the company to become completely self-reliant in connecting and managing its growing product portfolio. By turning to cellular connectivity, SolarNow can further credit provision, mostly through better insights into client behaviour, making solar more accessible through affordable finance. Using cellular connectivity also means the performance of the solar system can be remotely monitored, ensuring a much better service for customers. For more information, read: http://bit.ly/2FePnGj.

  CAS View: By now we should all be aware of the power of renewable energy in the African context. The importance of solar energy as the energy business model of the future has been addressed numerous times in the Friday@Noon weekly newsletters. The development of new solar technology is constantly improving the efficiency of solar as technology and is reducing the cost thereof as well. In spite of this, for the poor people at the bottom of the pyramid, the capital cost associated with solar energy systems is still too high. Therefore, payment solution providers such as M-Kopa and SolarNow play a crucial role in rolling out solar systems into rural areas. The number of these solutions providers are increasing, showing upon the lucrative nature of this sector in the renewable energy industry. Given that ~630 million people in Africa do not have access to electricity, and the relative small number of solutions providers, there is a huge market for new players in Africa. With the advent of new digital technology enabling systems, such as the massive reach of mobile (and the accompanying applications), the cloud, the IoT and AI, it is becoming easier to develop systems that have a massive impact. Once again, we are only limited by our own imaginations!

- **Kenya:** To realise the potential of Kenya's extractive resources, more people with the right skills are needed.

  To realise the potential of Kenya's extractive resources, more people with the right skills are needed. This challenge is most severe for vocational skills like pipe fitting, welding, drilling and operation and repair of heavy equipment. The skills gap could inflate the cost of labour because of an over-reliance on foreign experts, and compromise energy and mining projects. One major challenge is the lack of quality vocational training. Kenya has more than 845 accredited technical and vocational education and training institutions, but the courses offered are not aligned with global standards. Other challenges include outdated training curricula, inadequate facilities to cater for the large number of students who wish to undertake the vocational programmes and a low quality of teaching staff. Kenya's situation isn't unique. Other resource-rich countries like Ghana, Tanzania and Nigeria are also grappling with a skills gap in the extractives sector. In Kenya the way forward lies with developing more, specialised training centres, with curricula, training and standards that match the sectors' market and skills demand. The quality of teachers must also be improved and technical and vocational training institutions must be equipped with modern tools and materials to ensure a shift from theoretical to practical teaching. For more information, read: http://bit.ly/2F1Aecd.

  CAS View: Education is a challenge that Africa must address as a source of serious concern. I have in the past indicated the need for vocational training. Yet we still see massive needs in this field. It has become a status symbol to go to university. The result is that we have people studying in directions that Africa currently has no need for. While this article focuses upon the extractives sector, we see a need for technical skills in various other industries. Tapping into expatriates for the required skills is not a viable long-term solution, not while many African countries have high levels of unemployment. During the Africa Singapore Business Forum of 2016, Mr Tharman Shanmugaratnam, Deputy Prime Minister & Coordinating Minister for Economic and Social Policies, Singapore, made the point that Africa (and Singapore) should avoid over-academising education. This must be a key priority in both Africa and Asia. Both Africa and Singapore must focus on skills development, especially technical skills. Given the lack thereof in Africa, this does create opportunities for organisations abroad that can support Africa in this regard. This is such a huge challenge in Africa that it will take a tremendous effort to develop sufficiently skilled people to fulfil Africa's technical education needs.

West Africa

- **Ghana:** President Akufo-Addo says Africa must build value-added, industrialised economies with modernised agriculture, which takes full advantage of the digital revolution if it is to create wealth and prosperity for its people.

  President Akufo-Addo says Africa must build value-added, industrialised economies with modernised agriculture, which takes full advantage of the digital revolution if it is to create wealth and prosperity for its people. To do so, he identified 4 priorities. The first priority must be to **change the structures of the economies in Africa**, built on the export of raw materials and unrefined goods, to value-added economies that provide jobs, to build strong middle-class societies and lift the masses of its people out of dire poverty. The second priority should be **to increase trade and investment co-operation**, and not aid, as it is one of the ways healthy economic relations can be developed between Africa and Germany, and, indeed, with the rest of the world. Thirdly, he urged for **co-operation between Germany and Africa** in ensuring the promotion of transparent, and inclusive policy and decision-making processes at local, national, regional, continental and global levels. Fourthly, in order to build an Africa that meets the aspirations of the African peoples and opens up opportunities for all, especially its youth, Africans must also **prioritise their**

budgetary arrangements to ensure that funds are available to strengthen key institutions of state. For more information, read: http://bit.ly/2F164FS.

CAS View: The first priority is an aspect that is frequently spoken about. As a matter of act, the article on Africa above and the accompanied comment addresses exactly that point. Trade and investment cooperation is another factor that is frequently addressed. This topic underlies the drive behind the Belt and Road Initiative and the Asia-Africa growth Corridor. Regional economic integration is also punted as imperative, with the TFTA and CFTA seen as instruments to boost intra-African trade from its current low levels of 15% by more than 50%. Cooperation between Africa and Germany lies at the heart of the German Marshall Plan for Africa. The Marshall Plan creates awareness of Africa's challenges and steps towards solutions. What is lacking are actual goals and time frames towards the achievement of the plan. However, the Marshall Plan gives a clear indication of Germany's approach towards Africa's development based on cooperation in areas including fair trade, investment, job creation and youth employment. Funding is a severe impediment for the growth and development of not only the key institutions of state, but for Africa's development in general, including the important field of infrastructure development (transport, energy, water, housing, etc.).

- **Ghana:** The CEO of Universal Merchant Bank, John Awuah, has stated Ghana's banking sector must determine the best ways of supporting the development of Ghana's tourism industry to make it attractive.

  The CEO of Universal Merchant Bank, John Awuah, has stated Ghana's banking sector must determine the best ways of supporting the development of Ghana's tourism industry to make it attractive. The commercial banking system does not make special provisions for tourism projects and their lack of knowledge of the economics of the industry serves as a big hurdle to finance the industry. Awuah called for the designation of tourism development zones/areas, pursuing flagship development opportunities, preparing a full product portfolio and investment plan, drawing up a marketing and promotion strategy to support the tourism product developments and implementing a programme of marketing communications. A public private investment model should be exploited to develop the industry, as it has become a popular model for financing tourism infrastructure. He touched on the lack of enabling infrastructure - land/location for hotel/resort development, roads, airports, connectivity, water, electricity, sanitation - which makes it daunting for financing location specific projects. Other operational issues such as the unavailability of local operational skills in destinations, quality assurance and standards, safety and security issues etc. are a few of the issues that hinder financing of the sector. For more information, read: http://bit.ly/2FevOOo.

  CAS View: Tourism has been identified as an important field of development in various African countries. One example is in Ethiopia, where conference tourism has attracted various large hotel groups to develop the requisite infrastructure. The leverage effect of tourism is one of the important reasons for its attraction to African governments. However, as Awuah correctly points out, the lack of enabling infrastructure is a serious impediment to growing the tourism numbers. Once again we see a call for public private partnerships as a solution to funding requirements. However, political stability, safety and security are serious requirements for both infrastructure investors and tourists. Africa must work towards realising these conditions as a matter of urgency. It will not only improve the tourism industry, but will increase foreign investment in Africa. This will be in addition to improving the quality of life of Africans in general.

Southern Africa

- **South Africa:** Eskom has had its credit rating cut by S&P Global Ratings into the first tier of the C-band, lowering its junk status from "highly speculative" to "substantial risks".

  Eskom has had its credit rating cut by S&P Global Ratings into the first tier of the C-band, lowering its junk status from "highly speculative" to "substantial risks". Under S&P's and Fitch's nomenclature, the only ratings worse than those that start with C are D ratings — given to corporations that have defaulted on debt repayments. S&P said it was downgrading Eskom to CCC+ from B-because of "ongoing liquidity concerns and insufficient government support". The ratings agency maintained a negative outlook, meaning Eskom may be heading towards a "default imminent with little prospect for recovery" rating if it falls below CCC. Eskom remains at risk of facing a distressed exchange situation or default in the next 6 months despite securing R30 billion in short-term funding from local and international funders so far this year. The negative outlook points to uncertainty regarding the extent and timeliness of government support for Eskom over the coming 6 months, considering the magnitude of the utility's funding deficit and refinancing risks. For more information, read: http://bit.ly/2t0J8AW.

CAS View: The degradation of Eskom over a period of time is a sad case study. In 1996, Eskom's experts told Government that there would be a deficit in energy provision within a decade. As Government had other priorities, it chose to ignore this early warning. Lo and behold, a decade later, Eskom had severe challenges in providing sufficient energy for South Africa's needs. Since the Zuma administration took over, we saw corruption on a grand scale involving Eskom and, amongst others, the Gupta family. However, in spite of this ratings downgrade, which is based on the status quo, the future is not all that bleak. The new president of South Africa, Cyril Ramaphosa, has appointed probably the most efficient of his ministers, i.e. Pravin Gordhan, as Minister of Public Enterprises. It will be his job to get the state-owned enterprises, of which Eskom is one, back on to the straight and narrow. If anybody can do that, it will be Pravin Gordhan. His appointment should also create comfort with the international ratings agencies within the short-term. His reputation as an honest fixer is unblemished.

- **South Africa:** Parliament on Tuesday passed a motion to carry out land expropriation without compensation.

  Parliament on Tuesday passed a motion to carry out land expropriation without compensation. Julius Malema, leader of the EFF, stated they had to ensure that they restore the dignity of their people without compensating the criminals who stole their land. The ANC supported the motion, stating that the current policy instruments, including the willing-buyer willing-seller policy and other provisions of Section 25 of the Constitution may be hindering effective land reform. Ramaphosa said expropriation of land without compensation should be done in a way that increases agricultural production and improves food security. The plans caused widespread anxiety with the Rand falling due to concerns over property investments. Financial institutions are substantially invested in the sector and expropriation without compensation will impact negatively on the banking sector. Such a step could lead to a situation where institutions will no longer make production loans to farmers. Without these, farmers cannot purchase seed, fertiliser, feed or implements and will be unable to produce. This may lead to food shortages, price increases, food related riots and social instability. The High-Level Panel on Key Legislation, appointed by Parliament, found that the property clause and the requirement that compensation be paid on expropriation, were not impediments to land reform. Instead, an insufficient budget, lack of political will, poor implementation and corruption were impediments. For more information, read: http://bit.ly/2EV9WYW and http://bit.ly/2GSBTgs.

  CAS View: This step by the ANC and EFF in South Africa has created a lot of concern, both domestically and internationally. The Rand weakened considerably after news of this was made public, from a high of ~R11.50/US$ to the current R11.86/US$. Various issues need to be taken into consideration. Africa is a net importer of food, and productivity of the agriculture sector is a source of concern throughout Africa. When Ramaphosa states that expropriation without compensation should be done in a way that increases agricultural production and improves food security, whose land will be taken away and to whom will it be given? Those farmers that have used bank loans to finance the purchase of land and operations, have a big challenge in this regard. Will their debt be written off by the banks? Who will stand in for the losses of the banks should the farmers have their debt forgiven? The banking industry is therefore in a somewhat precarious position. Foreign investors will also be hesitant to move into South Africa given the uncertainty associated with this issue of land expropriation. What is important, is that there should be clarity about the issue, the sooner the better.