

Africa

- **Africa:** According to the BCG, Dangote Group, Globacom, Nigerian Breweries and Jumia have been identified as part of the African companies pioneering African integration. BCG identified 150 companies (75 Africa-based and 75 MNCs) that are driving towards a more integrated Africa.

According to the BCG, Dangote Group, Globacom, Nigerian Breweries and Jumia have been identified as part of the African companies pioneering African integration. BCG identified 150 companies (75 Africa-based and 75 MNCs) that are driving towards a more integrated Africa. The African pioneers come from 18 countries, with 32 based in South Africa, 10 in Morocco; Kenya and Nigeria are each home to 6, 4 are from Egypt, and 2 from Côte d'Ivoire, Mauritius, Tanzania, and Tunisia. The MNCs are a global group, with France, the UK, and the USA most strongly represented. A dozen MNCs from China, India, Indonesia, Qatar, and the UAE are active across Africa. Economic integration in Africa is not only taking place, but also gathering speed. According to the BCG, the primary drivers come from within Africa, led by African business. The report highlights 8 factors that explain how these companies are making an impact: the active expansion of their footprint across several African countries; daring to make significant green-field investments; using M&A's to accelerate their expansion; building strong African brands; local innovation to adapt to the African consumer; investment in local talent and developing people; building local ecosystems; and connecting Africa by facilitating the movement of people, goods, data, and information. For more information, read: <https://bit.ly/2HbZlpu>.

CAS Analysis: Economic integration in Africa has been identified as of the utmost importance, by amongst others, the African Development Bank. The latter has adopted its "High 5 Priorities" and made integration one of them. It is good to see that Africa invests more in Africa, Africa trades more with Africa, and Africans travel more to Africa. A few interesting observations can be made. The article (not the report) talks about 6 African companies. Yet it then mentions quite a number of companies based in other African countries. While some of these companies are probably from abroad and are only based in these countries, there are also those that are from Africa. South African companies (the report and article mentions 32 companies) have expanded into Africa with enthusiasm. These include Shoprite, the largest African retailer, to name but one. The report makes a number of statements, including the following: 1) Africa is geographically fragmented; 2) Africa has a fragmented set of trade zones; 3) Africa is logistically fragmented; and 4) African integration is actually happening. And it is being led by African corporate entrepreneurs! Africa's 16 trade zones are a challenge to economic integration. This is why the TFTA and the CFTA are so important. The report does identify 3 Singaporean companies, i.e. Indorama, Olam and PIL. However, it does not mention Tolaram and Wilmar. Both these companies are contributing to the economic development of Africa in a meaningful way. While Tolaram does not meet the footprint requirement (at least in 10 African countries), its contribution in West Africa must be lauded. That is why Kellogg purchased 50% of Multipro, a distribution company in Nigeria with potential to expand into West Africa. Wilmar, on the other hand, does meet the footprint requirement. There are other Singaporean companies quite active in Africa as well. The report can be accessed here: <https://on.bcg.com/2GP5Dve>.

- **Africa:** Africa's economies are forecasted to grow better in 2018 than in 2017.

According to the IMF, Ghana has lost its mantle as the African economy likely to grow the quickest this year to Ethiopia, which has held the position for most of the past decade. Ghana's economy should expand 6.3% this year. That's lower than the 8.9% forecast in October 2017, and is also less than the raised 7.4% estimate for Ivory Coast and the prediction for Ethiopia, which was held at 8.5%. Commodities, including oil, gold and cocoa, are the mainstay of Ghana's \$43 billion economy, which surged 8.5% last year as the Sankofa crude field started up in May. Ethiopia, whose GDP is almost double Ghana's, has drawn investors including GE, Standard Bank Group and hundreds of Chinese companies. The IMF increased its forecast for expansion in Sub-Saharan Africa to 3.4% this year and 3.7% the next "as the challenging outlook in commodity exporters gradually improves". Nigeria will grow 2.1%, while SA will expand 1.5%. The two economies account for almost half of Africa's GDP. In January, forecasts from the World Bank and AfDB showed that Ghana would expand the fastest this year. For more information, read: <https://bit.ly/2JWNv14>.

CAS Analysis: Forecasts are useful in that they tell us what we could expect. There are no certainties. Ghana, for instance, recorded economic growth of 8.5% for 2017, this while the World Bank forecasted

growth of 6.1%. The World Bank forecasted growth of 8.3% for Ghana for 2018, which is quite different from the 6.3% forecasted by the IMF. We should therefore always approach forecasts as possibilities given certain assumptions. The bottom line is that Africa is looking at a better 2018 than a 2017. The role of Nigeria and South Africa is important. Given the size of their economies, when their economies grow, Africa is better off. Unfortunately, the reverse is also true. South Africa's growth could actually be better than that forecasted. President Ramaphosa, the new president of South Africa, is taking active steps to stimulate economic growth in the country. Amongst these is the appointment of 4 'investment ambassadors', who have been tasked to generate investments of US\$100 billion over the next 5 years. It will be interesting to see to what extent they achieve this goal.

East Africa

- **Ethiopia:** Prime Minister Abij Ahmed recently said Government and the private sector should collaborate to address problems in the private business environment and maintain the continuity of growth in Ethiopia. Both the Government and private sector should address these challenges, including corruption.

Prime Minister Abij Ahmed recently said Government and the private sector should collaborate to address problems in the private business environment and maintain the continuity of growth in Ethiopia. Both the Government and private sector should address these challenges, including corruption. Given the current shortage of foreign currency that may continue over the coming 20 years, he asked the business community to retrieve their money from foreign countries and encouraged the flow of remittances. The government would address the weak project management skills and enhance the productivity and market competitiveness of agricultural products. Although domestic investors should be encouraged, foreign investors should be incentivised for they will facilitate economic growth, create global market access, reduce unemployment and set the platform for the transfer of technology. He also urged the business community to consider themselves as ambassadors despite any differences they may have with the ruling party. The government would soon disclose new schemes to empower women and unleash their untapped potential. Structural reforms will be undertaken in the agriculture, education and justice sectors. For more information, read: <https://bit.ly/2qGWf64>.

CAS Analysis: It is good to see the new prime minister of Ethiopia reaching out in a meaningful way to the business community of the country. Ethiopia is on a growth path that has earned the admiration of all people knowledgeable about Africa. Its political instability has, however, always been a source of concern for the sustainability of this growth. With the new prime minister coming from the Oromo tribe, the largest ethnic grouping in Ethiopia, it is possible that he could convince the Ethiopians to work together to a better future. Prime minister Ahmed named a new cabinet yesterday, appointing 10 new ministers, but retaining the ministers of finance and foreign affairs. He also replaced the minister of defence, which is seen as a good move given the role of the military in repressing the unrest of the past. In addition, in a break with past practices, he named 4 civilians to the positions of national security advisor, federal police commissioner, director general of the Information Network Security Agency, which oversees cybersecurity, and a new director general of METEC, a military-industrial conglomerate. In the past, such posts have been held by men from the security branches. This move could indicate a less militaristic approach to the challenges within Ethiopia. His basic message to his new cabinet was to address corruption and poor administration, as these were factors that were a source of concern. Given that the prime minister himself is young, hopefully he will be able to address the challenges of the youth. Their primary complaint was that they were marginalized economically and politically, this while the economy was growing at about 10% over the past decade. Involving the youth in the economic growth of the country is a challenge for Africa as a whole, and the prime minister would do well to address their plight. The world is focused on the developments in Ethiopia and his willingness to make serious changes to his cabinet, creates the perception that he has sufficient support within the party to bring about meaningful change. The current state of emergency is, however, still in place, indicating that all is still not well. Ethiopia must deal with this as soon as possible, but the prime minister should be given the time to bring about this change. It will not be easy and it will not be fast.

- **Tanzania:** Tanzania has been ranked as a highly attractive investment destination in Africa. This has been attributed to President Magufuli's crackdown on corruption, which created a favourable investment environment. There are still challenges, however.

Tanzania has been ranked as a highly attractive investment destination in Africa. This has been attributed to President Magufuli's crackdown on corruption, which created a favourable investment environment. Public servants now serving businesses without bias, attracts further investment. The continued opening up of Tanzania's capital market has paved the way for portfolio investment, particularly for EAC investors. However, the new laws that increase the state's share of mining profits are likely to cap future capital flows into Tanzania's mining sector. The new mining laws raise royalties' tax for selected mineral exports to 6% from 4%. They also give the government the right to tear up and renegotiate contracts for natural resources and remove the right to international arbitration. However, some suggested that the tax burden to investors be reduced, regulatory bodies harmonised, and PPPs strengthened. President John Magufuli recently reassured businesses that PPPs would be promoted, and the government would continue to provide a conducive environment for investments to make Tanzania the best place to invest in Africa. For more information, read: <https://bit.ly/2qrpysY>.

CAS Analysis: Tanzania has a lot of potential. Its recently discovered gas resources and its mineral wealth serve as sources of revenue that will stand the country in good stead. Government corruption and inefficiencies have been attacked with a vigour unknown to many countries in Africa. However, President Magufuli's authoritarian approach to international investors, as well as the internal stakeholders, have created a concern. He needs to tone down his approach. He must also ensure that his policies do not create uncertainty within the business community. When governments adopt policies that give it the right to tear up agreements and renegotiate contracts at will, investors get scared. Magufuli started his presidency with a bang. He must not tarnish his international reputation by adopting ad hoc policies and measures with the potential to drive away investors.

Southern Africa

- **Mozambique:** President Filipe Nyusi recently invited Botswanan businesses to invest in Mozambique and make use of the potential and countless opportunities it offered. He identified investment projects in Mozambique, "particularly the development transport corridors, the generation and transmission of electricity, transport and communications, tourism, and agriculture and livestock."

President Filipe Nyusi recently invited Botswanan businesses to invest in Mozambique and make use of the potential and countless opportunities it offered. He identified investment projects in Mozambique, "particularly the development transport corridors, the generation and transmission of electricity, transport and communications, tourism, and agriculture and livestock." The projects would constitute added value for the socio-economic development of the two countries and for encouraging regional and continental integration. He urged unity between the business sectors of the two countries in order to participate actively in investment projects. President Masisi of Botswana declared Mozambique a "strategic partner" of Botswana. One area that the delegations also discussed was a deep water mineral port at Ponto Techobanine, in the southernmost district of Mozambique, that would be linked to Botswana with a new railway running across southern Zimbabwe. They encouraged the collaboration of the private sector, without which this project could not be completed. For more information, read: <https://bit.ly/2vnmcgk>.

CAS Analysis: Mozambique is a poor country, but it has a lot of potential. Its gas and coal reserves provide it with a solid resource base. President Nyusi's invitation to Botswana businesses identified quite a number of investment opportunities in the country. These all have the potential to stimulate economic integration in Southern Africa, linking up Botswana, Mozambique and Zimbabwe. Botswana has been a stable economy with a stable government. Zimbabwe has a new president who has promised to "fix" the Zimbabwean economy. Mozambique has been working on its stability since President Nyusi became president. Hopefully these 3 countries will be successful in their endeavours to create value for themselves. It is interesting to see Botswana and Mozambique deciding to go around South Africa and not through it. This can be to reduce any dependence on South Africa's transport system. On the one hand it is an indictment against the SA system (run by Transnet) and its challenges. On the other hand, it is a strategic move to never be too dependent on a single option. We also see, as countless times before, the call upon the private sector to collaborate with government in the development of infrastructure. They have the capital and the expertise to add significant value to the PPPs required to make a success of these infrastructure projects.

- **South Africa:** President Cyril Ramaphosa recently announced that SA would host a major investment conference in August or September 2018, which would aim to raise over R1 trillion (US\$100 billion) in new investments over 5 years. Ramaphosa also unveiled the names of four 'special envoys on investment', who would spend the next few months engaging both domestic and foreign investors around economic opportunities in SA.

President Cyril Ramaphosa recently announced that SA would host a major investment conference in August or September 2018, which would aim to raise over R1 trillion (US\$100 billion) in new investments over 5 years. The investment conference is not intended merely as a forum to discuss the investment climate, but is expected to report on actual investment deals that have been concluded and to provide a platform for would-be investors to seek out opportunities in the SA market. Ramaphosa also unveiled the names of four 'special envoys on investment', who he said would spend the next few months engaging both domestic and foreign investors around economic opportunities in SA. They are former minister of finance Trevor Manuel, former deputy minister of finance Mcebisi Jonas, executive chair of the Afropulse Group Phumzile Langeni, and chair of the Liberty Group and former Standard Bank head Jacko Maree. They will be visiting major financial centres in Asia, Middle East, Europe, the Americas and other parts of Africa to meet with potential investors. For more information, read: <https://bit.ly/2qDeR6Z>.

CAS Analysis: South Africa's economy grew 1.3% in 2017, which is lower than its potential and far lower than what is needed to create the necessary employment opportunities. Much more needs to be done to stimulate this country's economy, which was neglected and abused under the Zuma administration. While the Ramaphosa factor will definitely play a role to attract investment, more is needed. Appointing high profile and credible business executives (Langeni and Maree) and previous cabinet members with solid reputations (Manuel and Jonas), to act as investment ambassadors is a clever move. The business executives will carry the message that the new government can be trusted to create and sustain a business-enabling environment. The previous cabinet ministers know what the investment community wants to hear and what the policy environment will be like going forward. The one issue they will need to address is the issue of land expropriation without compensation. While it is an undeniable truth that the land issue must be addressed, it is the how that is going to be important. President Ramaphosa did say that it will be done within the letter of the law and in a responsible manner. The sooner this matter gets laid to rest, the better for the country as a whole.

- **Zimbabwe:** According to its Finance Minister, Zimbabwe has plans to privatise and merge its ailing parastatals.

According to its Finance Minister, Zimbabwe has plans to privatise and merge its ailing parastatals. SOEs have performed poorly in recent years, most are struggling to service their debt, and they have faced allegations of entrenched corruption and poor levels of corporate governance. The government expects a critical contribution from parastatals to help the revival of Zimbabwe's economy. Larger parastatals and manufacturers, including vehicle assembler Willowvale Mazda Motor Industries, Chemplex Corporation and Deven Engineering, are set for partial privatisation. The Civil Aviation Authority of Zimbabwe is to be "unbundled into a regulatory and airports authority", while the current recapitalisation program for the National Railways of Zimbabwe is expected to continue. Parastatals such as Agribank and Allied Timbers are seeking strategic partners. The Infrastructure Development Bank of Zimbabwe, Zimpost and the People's Own Savings Bank will be partially privatised. State telecom companies NetOne, Telecel Zimbabwe and fixed phone operator, TelOne, will be partially privatised. Zimbabwe is also set to merge state-owned internet service providers such as Africom, Powertel and Zarnet, while the Posts and Telecommunications Regulatory Authority of Zimbabwe will be merged together with the Broadcasting Authority of Zimbabwe. For more information, read: <https://bit.ly/2vp7LIY>.

CAS Analysis: It appears that the government of Zimbabwe has the political will to do something politically very sensitive, namely rationalizing SOEs. Given that the government will be giving away some, if not all, control over the SOEs to the private sector and that the chances are good that jobs will initially be lost, trade unions normally tend to object strenuously to these measures. However, privatisation is frequently the right strategy to follow in the circumstances described above. Strangely enough, its southern neighbour, South Africa, also brought out a report during the Zuma administration that it should follow the same process. The active opposition by Cosatu, the umbrella trade union federation in South Africa, amongst

others, have caused this strategy to fizzle out to nothing. With a new minister in charge of public enterprises in South Africa and a new president, they will hopefully see better managed SOEs, if not privatized ones. Getting back to Zimbabwe, the process does provide opportunities for foreign investment. This has frequently been the case in Africa. I recently referred to the privatisation of the beer industry in Tanzania, giving SABMiller the opportunity to buy into that country's state brewery and providing sorely needed management skills and technical expertise, in addition to the capital injections. Zimbabwe's economy will be well off with the envisaged investment, management skills and technical expertise.