

East Africa

- **Ethiopia:** Landlocked Ethiopia, which lost its access to the Red Sea nearly three decades ago, plans to build a navy as part of military reforms.

Landlocked Ethiopia, which lost its access to the Red Sea nearly three decades ago, plans to build a navy as part of military reforms. Ethiopia disbanded its navy in 1991 after its then-province Eritrea seceded following a three-decade war for independence. It does however have a maritime institute that trains seafarers. Prime Minister Ahmed was quoted as saying “we should build our naval force capacity in the future.” Ahmed’s remarks were made at a time when wealthy Gulf states are stepping up investments in seaports along the Red Sea and East Africa’s coast as they vie for influence in a strategic corridor that is vital for shipping lanes and oil routes. Saudi Arabia, Qatar and Turkey are using some of the ports for military purposes. In May, Ethiopia and Sudan agreed on a deal allowing Addis Ababa to take a stake in Sudan’s largest sea gateway port of Port Sudan to diversify outlets and reduce port fees. Ethiopia reached a similar arrangement over the Port of Djibouti, Djibouti’s main gateway for trade. For more information, read: <https://reut.rs/2xl1CIN>.

CAS Analysis: A few decades ago, Ethiopia did have access to the sea, after it had annexed Eritrea in 1962. After that, a guerrilla war broke out until Eritrea seceded in 1993, after a vote for independence. So, Ethiopia has been landlocked in the modern era since the early 1990’s, primarily dependent on Djibouti for access to the sea. I reported last week that the government of Ethiopia was negotiating with the Djibouti government for shareholding in the port of Djibouti, in exchange for shares in Ethiopian Airlines, amongst others. In other newsletters, I have also indicated negotiations with the respective governments for access to Port of Sudan (Sudan), Port of Berbera (Somaliland – negotiating for 19% shareholding) and the Port of Lamu (Kenya). With access to these ports, especially to Djibouti, providing a base for its navy should not be problematic. The question is, what would Ethiopia do with its navy? The typical role of a navy is to protect the sea borders of a country against seaward attacks, as well as to protect its territorial waters. Ethiopia has no sea border nor territorial seas, being landlocked. The article mentions the Gulf states becoming active in the region and investing in seaports along the Red Sea. Is the implication that Ethiopia would confront these forces when necessary? Is this a realistic scenario? From a naval perspective, in the case of a threat in the area, Ethiopia has neither the naval presence in the area nor any military asset to defend its strategic interests. Some say Ethiopia should have a military presence in the area to defend its national interests. Experience in the past has shown that any threat in the area automatically has serious repercussions, both economically and militarily, for Ethiopia. In addition, Ethiopia has several merchant ships to transport its exports and imports. In the event of an international maritime crisis, these ships upon the approaches at the Gulf of Aden need to be escorted. Being landlocked and only a few miles away from the seacoast, Ethiopia has to forecast its future threat to avoid unnecessary last minutes rushes to find a solution for a very serious national problem. To read more about this issue, read here: <https://bit.ly/2xQ42W5>.

- **Kenya:** Manufacturers have accused senior government officials of frustrating the sale of locally produced goods by allowing direct sourcing from overseas.

Manufacturers have accused senior government officials of frustrating the sale of locally produced goods by allowing direct sourcing from overbroad. The Kenya Association of Manufacturers (KAM) said this year portends a gloomy period for them since major consignments for big ticket projects funded by the State worth billions of shillings were being awarded to foreigners, in the process exporting jobs and much-needed revenue. As the government is the biggest customer for any business, its contribution to Kenya’s growth cannot be understated. The government paid a South African firm Sh500 million for the supply of 50 high capacity buses, which had the potential to derail the government’s Medium-Term Plan enabling manufacturers to increase their GDP contribution from 8.3% to 15% by 2022. Similar sentiments have been raised by other professional entities that feel government officials have ignored local experts and local manufacturers in procuring various goods and services towards realisation of President Uhuru Kenyatta’s Big Four development agenda. Under President Kenyatta’s plan, food security, affordable housing, universal healthcare and manufacturing are to receive 100% support from government agencies and policies as a way of improving livelihoods. For more information, read: <https://bit.ly/2xLQc72>.

CAS Analysis: Manufacturing in Kenya presents a challenge to the government. The manufacturing sector real value-added rose by 0.2% in 2017, compared to a growth of 2.7% in 2016. Output volume of the sector, however, declined by 1.1%, primarily due to lower production of food products, beverages and tobacco, leather and related products, rubber and plastics and non-metallic minerals sub sectors. The sector's performance in 2017 was negatively affected by reduced activity in agri-processing. This was particularly so in the processing of tea and coffee that recorded a significant decline during the period under review. Some activities in the manufacture of non-food products recorded marginal gains, though their proportionate contribution to the sector was significantly lower. From 2013, the manufacturing sector's contribution to GDP dropped annually from 11.05% (2013), to 10.76% (2014), 10.54% (2015), 10.22% (2016) and 9.77% (2017). It is therefore no wonder that President Kenyatta identified manufacturing as one of the Big Four priorities. Some would say it is a pity that the Kenyan government imports big ticket items from abroad while they could be procured from within the country. A contrasting argument could be that it is a situation of comparative advantage, and that although Kenya could build these buses, it should not do so and rather concentrate on producing other types of issues. However, it still is a situation of stopping the talk and starting the doing. I reported last week on President Lungu from Zambia who said that it is time his senior government executives stop talking and start doing. This kind of links with the above situation in Kenya. It is no use the government adopts policies and then ignores them to the detriment of local producers. If there are good reasons for procuring from abroad, then it might be a good idea to communicate the reasons to the respective stakeholders.

West Africa

- **West Africa:** According to the Prime Minister of Cote d'Ivoire, Amadou Gon Coulibaly, West African economies need to tap deeper into the private sector if they are to boost competitiveness and continue the region's strong growth.

According to the Prime Minister of Cote d'Ivoire, Amadou Gon Coulibaly, West African economies need to tap deeper into the private sector if they are to boost competitiveness and continue the region's strong growth. West African states in general have embarked on a strong growth dynamic since the start of the millennium with an average growth of 5% for the region during that time. Africa's share of global GDP rose from 1% to more than 4% 2001 and 2014, underpinned by economic reforms and public and private restrictions. To improve the scenario still further, the African private sector should improve productivity and its performances to make the best of opportunities on the continent. Coulibaly urged the private sector to invest in "technological innovation... and work with governments to find solutions to factors which hamper capacity to produce and export." With a rate of private investment rising 21.2% in 2015 and 22.1% in 2016, the sub-region is at the head of the global level. This reflected the increased interest of private investors in the region. For more information, read: <https://bit.ly/2LlrRqj>.

CAS Analysis: We once again see a call on the private sector to invest more and raise their productivity to the benefit of the countries they operate in. This is not a new call. The former president of the African Development Bank, Donald Kaberuka, already made that call during his term as president. This call was reiterated by the current president, Akinwumi Adesina. The reality is that private sector players require stable political and economic environments for them to be comfortable with investing and raising productivity. There is therefore an imperative on the governments of African countries to create this environment, to ensure that the policy frameworks are consistently upheld, and that there is no uncertainty about the future business environment. It seems that some of the West African governments understand this imperative. Other countries should take note and start emulating the experience in West Africa.

Southern Africa

- **Botswana:** Botswana has imposed a ban on the import of bottled natural and mineral water packed in bottles of less than 10 litres.

Botswana has imposed a ban on the import of bottled natural and mineral water packed in bottles of less than 10 litres. The implementation of the ban would promote the competitiveness and sustainability of the domestic water-bottling sector, and stimulate investment in the sector. This could lead to job creation and poverty reduction. The domestic water bottling sector is a reserved business activity for citizens. The

government also placed a ban on the import of beetroot, green pepper, butternut, watermelon, green mealies, among others, last month. Other restricted crops include tomatoes, carrots and sweet potatoes. Local farmers are producing enough for the local market, hence the decision to close borders on these vegetables. This will promote and protect local farmers. The government said it should be noted that other crops are still available locally, hence traders should continue supporting the current producers. Traders who ignore the regulations would risk losing their licences. For more information, read: <https://bit.ly/2LjczCH>.

CAS Analysis: Another African country is taking steps to stimulate the local economy by banning the import of selected products from abroad. The normal arguments in favour of import substitution are all valid. Importing these products come down to the exporting of jobs, etc. Boosting the productivity of these sectors has the potential to improve their profitability and, in the process, make the sector more attractive for stakeholders such as the youth and women. An increasing number of countries in Africa are reverting to such actions, including Ghana, Nigeria, Rwanda and Tanzania, to name but a few. It will be interesting to see how these prohibitions will be dealt with when the AfCFTA gets implemented.

- **Zambia:** Only 14% of Zambia's 42 million hectares of land suitable for agriculture production is being utilized.

Only 14% of Zambia's 42 million hectares of land suitable for agriculture production is being utilized. According to the 2018 World Bank document, Zambia has enormous agricultural growth potential. Less than 30% of the land potentially suitable for irrigation has been developed. Zambia also has sufficient water resources (ground, rain, and surface) available to support rain-fed and irrigated agriculture. Combined, these natural endowments uniquely position Zambia to be the bread basket of the southern and central African regions. For more information, read: <https://bit.ly/2HjY3Z2>.

CAS Analysis: I have frequently stated that Africa can feed the world, yet it struggles to feed itself. Here is a perfect example of the sub-optimal use of agricultural land. This is why there is a necessity to adopt priorities such as feeding Africa (AfDB's High 5 Priorities) or Zero hunger (UN's SDGs). Zambia is not the only country with a massive agriculture potential. Others include Angola, the DRC, and Zimbabwe, to name but a few. It has always been said that the DRC has the potential to feed Africa, but struggles to feed itself. This situation creates a massive opportunity for foreign investment!

- **Zambia:** Zambian startup eMsika is helping farmers find, buy and receive agricultural inputs in a fast, trustworthy and convenient way, as well as access markets for their produce. eMsika is an e-commerce store for farmers, listing over 300 different products in 10 different categories of agricultural input, including poultry, crop protection chemicals and seeds.

Zambian startup eMsika is helping farmers find, buy and receive agricultural inputs in a fast, trustworthy and convenient way, as well as access markets for their produce. eMsika is an e-commerce store for farmers, listing over 300 different products in 10 different categories of agricultural input, including poultry, crop protection chemicals and seeds. They enable their clients to source inputs and even contact suppliers in their local language. They also serve areas in Zimbabwe, the DRC, Namibia and Mozambique, with plans to eventually spread across Africa. They have 6 suppliers across different agricultural sectors, including livestock, poultry and horticulture, plus a database of 500 farmers and 200,000 from affiliates. Helping these suppliers access bigger markets, is the start-up's main goal. Farmers and agri-dealers have to travel long distances, losing valuable time and money while being exposed to accidents and theft. The solution helps farmers sell their own produce. They also introduced a call centre for farmers who want to know more about certain products before buying them. Those in remote areas now have the same opportunity as those in urban areas to get any farm inputs from suppliers of their choice. For more information, read: <https://bit.ly/2HkmgwQ>.

CAS Analysis: eMsika reminds one of an adapted FarmCrowdy, Nigeria's initiative in this regard. eMsika does help the various stakeholders in the agri value chain to optimise their operations by getting easier access to inputs and markets, as well as product information. An increasing number of these initiatives in the agri sector are becoming available. For example, in Kenya we have FarmDrive that provides info on

smallholder farmers to banks, to facilitate the granting of bank loans to farmers. Whereas FarmCrowdy and FarmDrive are country bound, eMsika seems to be expanding into the continent, which gives it the benefit of scale. Technology is making it easier to get involved in the various sub-sectors of the agriculture industry, as an investor, a supplier, a farmer and as the market.