

## Africa:

- **Africa:** China's new shift to consumption-led growth will have mixed credit implications for African sovereigns, flattening the trade volumes of oil and ferrous metal exporters, while benefitting some exporters and tourist destinations.

As commodity demand softens and international competition increases, Africa's oil and ferrous metal exporters are likely to see trade volumes level off. However, growing Chinese investment in Africa is likely to narrow Africa's infrastructure gap and help to boost potential growth in some cases. However, competition from other international commodity producers like the USA, Australia and Brazil is likely to intensify and erode market share for African exporters. Although the recovery in oil prices could lead to strong growth in value terms, the price effect would likely diminish based on Moody's medium-term oil price estimates. As a result, Angola, Republic of Congo and Nigeria are likely to face slower demand for their exports to China. By contrast, Moody's expects Chinese demand for commodities like copper, cobalt and aluminium to remain strong. The DRC and Zambia are likely to benefit most. Rising food exports to China will benefit agricultural exporting countries such as Senegal and Ethiopia. China's rising income levels could also lead to a rise in tourism to Africa. For more information, read: <https://bit.ly/2zywgp0>.

**CAS Analysis:** China is portrayed as the saving grace of Africa. While Africa would suffer a slowdown in demand in some areas, it would experience an increase in demand in others, all thanks to rising demand in China. Even the growing middle class in China is portrayed as good news for Africa, with more people now in possession of more disposable income to visit Africa as tourists. We have also seen China actively participating in developing infrastructure and manufacturing initiatives in various parts of Africa. China has actually encouraged its own manufacturing companies to relocate to African countries such as Ethiopia and Kenya to tap into the benefits presented by these countries in their industrial parks. China has also announced that its Belt and Road Initiative would be open to all countries in Africa, and not just the initial 3 countries of Kenya, Djibouti and Egypt. This makes China an increasingly important player in Africa. This does create a problem for Africa. Its dependence on China for economic development leaves it vulnerable to China's economic wellbeing. We have already seen the negative impact 2 years ago of the slowdown of China's growth on Africa. However, it is easy to say that Africa should reduce its exposure to China. It is more difficult to do so in practice. What countries have the economic clout (and the willingness to not add a number of preconditions to trading and supporting Africa) to replace China as an investment partner? It's not as if there are 5 large economies to choose from. A partnership of smaller countries could, however, in theory, contribute to make a difference in Africa without increasing its vulnerability to a single trade and investment partner. While it would probably be easier to go with the single big player, in the long time it has a lot of downside potential.

## East Africa

- **East Africa:** Kenyan officials have announced the end of the long-running trade dispute with Tanzania following a bilateral meeting between the two states.

Kenya-made goods such as textiles, which had been denied preferential access, will now get to the Tanzanian market with much ease. The two partner states have called for the effective and timely implementation of agreements made during bilateral meetings to ease the flow of goods and services. Kenya's textile products had been denied preferential access to the Tanzanian market with Dar arguing that the textiles are manufactured at the EPZs and are not subjected to duty, hence cannot compete favourably with local products. Tanzania also argued that Nairobi allowing manufacturers at the EPZs to offload their final textile products in the local market, had hindered similar goods from Tanzania from being competitive in the Kenyan market. According to the statement, immigration chiefs from the two sides will also meet to resolve border issues. For more information, read: <https://bit.ly/2KOEgrl>.

**CAS Analysis:** The East African Community (EAC) has frequently been described as the most efficient of the major regional economic communities in Africa. The trade disputes between Tanzania and Kenya the past few years have undermined the efficiency of the EAC. We saw various actions that clearly showed the two countries were struggling to subordinate national interest to regional interest. In the process, we also saw Uganda becoming involved, frequently supporting Tanzania's position in the "trade wars" between Kenya and Tanzania. The above examples are just a small number of the incidents between these

two countries. There was also a spillover into the region as, with the exception of Kenya, they all (with Tanzania seemingly taking the lead) refused to sign the EU's EPA. We also saw Tanzania moving its concerns beyond trade into tourism, when it decided not to participate in the regional visa scheme, which would allow tourists to obtain a single visa for touring the whole EAC region. The end of the trade dispute and the improvement of relations between these two countries will be great for East Africa as a whole.

- **Djibouti:** The Djibouti International Free Trade Zone could play a key part in the US and China's struggles over the country and its strategic location. The \$3.5 billion SEZ will be the biggest in Africa. This is but the latest venture designed to position Djibouti as a regional logistics and shipping hub.

Djibouti will retain 60% ownership of the project. The government is keen to position Djibouti as a logistics and trade hub between Africa, Asia and Europe. They also want to promote Djibouti as a key country for the China-led BRI, which seeks to link the Far East with Europe through large-scale infrastructure investment. Three Chinese companies are the main partners in the zone. So far, 21 companies have already signed on to operate in the free zone, which offers zero tax incentives to investors. Port activities and related maritime and transshipment sectors currently account for some 70% of Djibouti's GDP. China and the US both have key military bases in the country, as do France, the UK, Japan and Saudi Arabia. US lawmakers are growing increasingly concerned about Chinese influence in Djibouti. For more information, read: <https://bit.ly/2zubneL>.

**CAS Analysis:** Djibouti has done well to position itself as the primary entrepôt in the Horn of Africa. Providing port facilities to Ethiopia and military bases for countries such as the USA, China, France, Japan and the UK, generated substantial revenue for the country. The development of the huge SEZ will create an additional revenue stream and increase the importance of Djibouti for the Horn of Africa and East Africa in general. It needs to do something special as Ethiopia has been developing relationships with the ports of Port Sudan (Sudan), Port of Berbera (Somalia) and now also with the port in Eritrea. This reduces Ethiopia's dependence on Djibouti and increases Djibouti's vulnerability vis-à-vis Ethiopia. It is interesting to see China's prominent economic activity in Djibouti. It is no wonder that generals from the USA military have hinted that they have somewhat of a disadvantage when dealing in Africa, given China's economic contribution to Africa.

- **Tanzania:** President John Magufuli's popularity rating has plummeted by 16% from 71% in 2017 to 55% this year.

According to the report, Tanzanians' approval of the president's performance has decreased by 41% since 2016 when the rating stood at 96%. Elderly citizens (71%) are content with the performance of Magufuli, but only 46% of the citizens aged between 18 and 29 are happy with his performance. Women (57%) are content with the president's performance compared to men, while those without formal or primary education (57-58%) approve the president unlike those with secondary education or above (47%). According to findings, the citizens' approval in rural areas has sharply declined to 52% as compared to 72% in 2017. The findings also show that urban approval rate has also declined from 70% in 2017 to 59%. The report noted that the popularity of MPs and councillors has also declined significantly. For more information, read: <https://bit.ly/2KMDESZ>.

**CAS Analysis:** President Magufuli took over as president in November 2015. He immediately started cleaning up the government, addressed the significant corruption in government departments and jacked up the efficiency levels. People raved about him. Sayings developed such as "What would Magufuli do?" However, before long, he was accused of displaying autocratic tendencies, refusing to tolerate dissent against him and his policies. The media was curtailed, as were the creators of social media content. He also acted against foreign companies, slapping a US\$190 billion fine on Acacia Mining. This fine was later reduced to US\$300 million. It is therefore no wonder that his popularity ratings have plummeted. The question is whether he is in a popularity contest or saddled with the difficult task of ridding his country's government from corruption and inefficiencies. Another question is whether the end justifies the means? We are already seeing some opinion formers, using countries such as Tanzania, Rwanda and Ethiopia, stating that democracy is overrated. The deputy president of Kenya actually stated at the end of last year that what Kenya then needed was a benevolent dictator. These are dangerous trends. More so when one

views the results of surveys by Afrobarometer that indicate that many Africans would give up their democratic rights to get efficient government, no corruption, much less crime, and good economic growth and development. Getting back to Tanzania, it is most likely that Magufuli's heart is in the right place. Corruption was rampant in Tanzania. Very few companies paid tax as it was easy to bribe officials. Local and foreign companies apparently freely participated in this practice. On the other hand, it does seem Magufuli is very sensitive to criticism. He would need to do something about the way he does things.

## West Africa

- **Ghana:** According to The World Bank, mobile money has been Ghana's backbone in financial inclusion and has spurred increases in account ownership to other financial services.

While the current African leaders of mobile money account ownership are Kenya at 73%, Uganda at 51%, and Zimbabwe at 49%, mobile money activity in Ghana has led to an increase in financial inclusion. Ghana is now one of the fastest growing mobile money markets in SSA. In 2009, Ghana had just 350,000 active mobile money accounts, yet now 39% of adults have accounts. Ghana has had an increase of 11 million active mobile money accounts, 30 times more than 2012. Regulatory revisions drove the increase in mobile money activity in Ghana, as did the EMI guidelines introduced by the bank of Ghana. There are 151,000 active mobile money agents (25 times more than 2012). The number of transactions stand at 82 million average per month and 7.2 average on a monthly basis per user. The rise in mobile money accounts has greatly changed how people make and receive payments. For more information, read: <https://bit.ly/2N99B4B>.

CAS Analysis: Mobile telephony has played a significant role in Africa to advance financial inclusion. In Kenya, it drove the figure up from 40% in 2010 to 75% in 2014. Ghana seems to be the new playing field with a massive potential for those interested in getting involved in mobile money. The growth that has taken place, plus the potential still available, makes Ghana an exciting case study. To get to the same level of penetration as Kenya, who has 73% of its people with mobile money accounts, Ghana has to double its current level of people with mobile money accounts. This makes it a very attractive market.

- **Nigeria:** Over the last decade, Africa's infrastructure needs remain huge with an annual financing gap between US\$130 and US\$170 billion. To close this gap, the AfDB is working with leading global development finance institutions to set up a mutualized co-guarantee platform to de-risk investments and facilitate projects that have the capacity of transforming Africa under the Africa Investment Forum (AIF).

The AfDB is positioning the AIF as a platform to improve the ease of doing business in Africa by advancing and promoting investment-friendly regulations, whilst championing ethical business practices. According to the Nigerian President's Special Advisor, Folarin Ayalande, Nigeria was ready for investment, but lack of affordable and long-term finance remain a major constraint. According to Ayalande, they will collaborate with the private sector and the AIF by targeting opportunity-driven entrepreneurs by upgrading skills, and developing business clusters and economic corridors. The AfDB stressed the need to change the current funding mix and create partnerships to finance infrastructure and other projects in Africa. Nigeria's infrastructure cumulative financing needs are estimated to reach US\$ 3 trillion by 2044 or about US\$100 billion annually. For more information, read: <https://bit.ly/2JdLWh2>.

CAS Analysis: Nigeria reported last year that they had an investment requirement to address their infrastructure need of US\$100 billion annually for the next 30 years. They, and Africa for that matter, will need all the support they can get. It seems that the stakeholders view the AIF as "a platform with convening power to bring different players together to explore investment opportunities for the transformation of the African continent." Africa's inability to implement, in spite of adopting many policies, is a source of serious concern. Hopefully this initiative will streamline the process of obtaining investors and enabling them to get things done. As the one stakeholder said, "it is time Africa stops talking and starts doing!" It is not the first initiative to support African decisionmakers with this objective. A few years ago, the AfDB created the Programme for Infrastructure Development in Africa (PIDA) to develop a vision and strategic framework for the development of regional and continental infrastructure (Energy, Transport, Information and Communication Technologies (ICT) and Trans-boundary Water Resources). The PIDA initiative is being led

by the African Union Commission (AUC), the NEPAD Secretariat and the AfDB. Hopefully there are clear role definitions so that no confusion is created.

## Southern Africa

- **Mozambique:** At Mozambique's Mount Gorongosa, farmers are encouraged to grow coffee in the shade of hardwood trees, to improve their own lot and to restore the forest.

Visitors are told not to go beyond a certain point due to base camps of Mozambique's main opposition force sitting on the mountain. This was the scene of military incursions and civilian flight in the last few years. With a lull in tension, they are pushing ahead with plans to plant more coffee and trees. The thinking is that the poor people around the park's edges must become stakeholders in their natural heritage rather than remain spectators to the occasional tourist influx. Farmers are encouraged to cultivate bananas, pineapples and other crops amid coffee plantations, providing fertilizer for the coffee from falling foliage. Designed to help hundreds of families on and around Mount Gorongosa, the coffee project is supported by various international entities and a large number of countries. For more information, read: <https://abcn.ws/2L9wuUQ>.

**CAS Analysis:** Mount Gorongosa is in central Mozambique. The project combining the restoration of the forest and the development of a commercial enterprise is a strategy that has a lot of potential, not only in Mozambique, but also in the rest of Africa. Sustainable agriculture is a must, as in this case it promotes inclusive growth by incorporating the poor of the region in a revenue-generating project. It does seem that Frelimo and Renamo are working out a relationship that bodes well for the future of Mozambique, as well as for the specific region of Mount Gorongosa. What now needs to be addressed is the phenomenon of religious extremists in the northeast of the country, who have been expanding their operations southwards. Mozambique does not need this. It has a lot of potential – not only the gas and coal, but also in agriculture and tourism. Political and social stability, however, as always, remain a prerequisite to entice foreign investors.