

East Africa:

- **Ethiopia:** Japan's ambassador to Ethiopia, HE Shimizu, was recently interviewed. Africa is becoming a very important continent, also for Japan. The size of its population is important, as is its growing economy.

The relationship between Japan and the AU or the African states is growing deeper every year. By establishing a new mission to the AU, Japan intends to tackle economic, political and social challenges on both sides. There are many global issues that need cooperation between Japan and Africa. Japan knows that the AU has been putting in a lot of effort to reform its continental organizations and the AU Commission (AUC), which Japan is keen to support. Four major topics were to be discussed at the recent TICAD meeting: trends and changes in Africa and its cooperation with Japan; economic transformation for inclusive growth; creating a healthy, sustainable and stable society; and strengthening connectivity in Africa and beyond. TICAD has offered Africa and Ethiopia the following: social stability to ensure shared prosperity and structural economic transformation through economic diversification and industrialization. African countries also need the requisite human resource. To support this gap, Japan has provided training for more than 48,000 Africans since 2013. For more information, read: <https://bit.ly/2ywevD7>.

CAS Analysis: Japan has been moving into Africa at a slow pace. In a conference in September 2015 in Ethiopia, the Japanese foreign minister stated that Japan takes its time to decide whether to invest, but once the decision has been taken, they are in for the long haul. This is what Africa needs – partners who have made a long-term decision to remain invested. Japan has a strong technological knowledge base to offer Ethiopia and Africa. This is exactly what its contribution is stated to be in its partnership with India in the Asia-Africa Growth Corridor. Contributing towards a stable and inclusive economy and society will go a long way to help African governments deal with their socio-economic challenges. Africa is also in dire need of technically trained people. This kind of contribution will help Africa a lot.

- **Rwanda:** Rwanda is seeking more companies to invest in the timber production and other related industries to boost forestry and timber business locally. The key to its the successful economic growth is the "Made in Rwanda" initiative since it promotes locally made products and creates jobs in the process.

The wood sector consists of two main subsectors - manufacture of wood products for construction and furniture manufacture. Rwanda's wood sector is predominant in the latter, while the former is not yet developed and most of the wood products are imported. Powerful investors in Rwanda are taking advantage of a new opportunities for investing in timber production. Forestry has become an attractive investment because of the rising value of timber and the allure of carbon credits. The industries could bring in US\$450 million per annum and therefore reduce the country's negative trade balance. Up to US\$206 million would be invested in the construction materials industry, including the manufacturing of timber for construction products, paints, varnishes, etc. and another US\$124 million could prompt the investment of factories that manufacture ancillary and wooden packaging materials, wooden furniture, insecticides, etc. For more information, read: <https://bit.ly/2Epcq27>.

CAS Analysis: Rwanda is ranked second on both the World Bank's Ease of Doing Business and the World Economic Forum's Global Competitiveness Rankings. It ranked 9th on the Ibrahim Institute of African Governance (IIAG) in 2016. It is also viewed as one of the safest countries in Africa, and indeed in the world. The Rwanda Development Board has adopted practices to reduce the time to register a company to a few hours (providing a one-stop shop), while institutions, such as the National Industrial Research & Development Agency, headed up by a very competent Ms Kampeta Sayinzoga, support industry at large with various initiatives. The UN is also actively supporting Rwanda's industrialisation with its UN Industrial Development Organisation (UNIDO). With this kind of environment, tapping into very interesting investment opportunities in the country listed above, should be a no-brainer.

West Africa

- **Ghana:** Companies in the coffee industry have asked the government to invest in coffee to boost the economy. According to the experts, coffee, apart from having the potential to rake in more revenue to shore up the \$2 billion that cocoa generates annually, could also create more than 500,000 jobs for the youth.

Ghana cannot continue to rely on cocoa production to develop its economy. Given that Ghana has the potential to be ranked as one of the world's leading producers of coffee, it is sad that coffee's share of Ghana's GDP stood at a paltry 0.12 in 2015. It is also sad that Ghana's youth remain unemployed despite the great potential coffee provides. It is equally sad that Ghana's economy continues to be overly dependent on Ghana's age-old cash crop, i.e. cocoa, when coffee can boost the economy just as cocoa has done over the years. Farmers are lamenting that many of their cocoa trees are over 60 years old, with some being as old as 100 years. For more information, read: <https://bit.ly/2ybnxWQ>.

CAS Analysis: Diversifying the economy is an imperative for all the countries on the African continent. As it is, the Top 5 dominant industries in Ghana excludes coffee, with services being the dominant contributor to GDP, followed by agriculture (coffee not mentioned as a meaningful factor), mining, construction, and manufacturing (in that sequence). It is well known that many of the youth are leaving the agriculture sector in Africa, due to the fact that it is a struggling industry. The average age of the African farmer is ~63 years old. Therefore, to just invest in coffee plantations is not going to get the youth involved. Uganda is a prime example of a country that has invested in coffee and still sits with the problem of aging farmers and unemployed youth in cities. Ghana and other agriculture producers must rethink their business models and start developing value added opportunities for their products. The article is quite correct that it is sad that Ghana's agriculture (and economy at large) is still dependent on cocoa. With very little value added, the cocoa farmers in Ghana (and in West Africa, for that matter) remain price takers and vulnerable to whatever happens on global markets. As it is, the cocoa producers in West Africa only receive about 4% of the total value added in the cocoa value chain. This cannot be a sustainable situation.

- **Sierra Leone:** The new Sierra Leone government has stopped the project to build a new airport. The Mamamah airport construction was going to cost US\$400 million, through a loan agreement between the former government and China. The Chinese were also contracted to build, manage and maintain the airport.

Critics of the project had questioned the cost-benefit of a new international airport, especially as the existing airport at Lungi is struggling to achieve its full capacity, because of fewer international passengers every year. The existing Lungi International Airport has recently been redeveloped with over US\$200 million funding from the World Bank. Stopping the Mamamah project makes economic sense for a country that is struggling to pay for the delivery of healthcare, education, and access to water and electricity. Sierra Leone must do more to develop its tourism industry, if it is to attract greater numbers of tourists; a new international airport is not the answer. The government is planning to develop Lungi as a commercial and tourist hub, including the construction of an international conference centre, new road infrastructure, and an improved supply of water and electricity and is looking for private sector partners for collaboration in the various projects mentioned. For more information, read: <https://bit.ly/2PoWayZ>.

CAS Analysis: China has frequently been accused of lending too much money to African governments, in the process putting them in debt distress. Examples in Africa recently mentioned include Djibouti and Zambia. At the latest FOAC meeting in China, President Xi Jinping made it clear to African government leaders that they should refrain from spending money on "vanity projects." This new airport can 100% be seen as one that falls within the scope of the definition of "vanity projects." The decision by the new government to scrap the project of US\$400 million must therefore be lauded, more so given that the existing airport had been upgraded at a cost of US\$200 million, and that the tourist numbers are dwindling. Spending more on education and business development in the sectors of tourism and infrastructure (roads, water and electricity) makes much more sense! The government is looking for private sector partners, opening up doors for investors from all over.

Southern Africa

- **South Africa:** President Cyril Ramaphosa recently accepted the resignation of Nhlanhla Nene as Finance Minister, and appointed Tito Mboweni in his place. It appears Ramaphosa has managed to provide the markets with the experience and belief in economic orthodoxy they crave at this particular moment.

This is the first time in SA's democratic history that a person resigned from the Cabinet for ethical reasons. The most pressing consideration for accepting Nene's resignation, was probably that the Medium-Term Budget Policy Statement will be delivered in the next 2 weeks. Mboweni was the Minister of Labour, and

then Governor of the Reserve Bank for 2 terms. He became a pillar of economic orthodoxy, someone who would always remind people of the importance of inflation targeting. Investors couldn't hope for better. Mboweni is someone who is not part of any ANC faction or other grouping. However, Ramaphosa did not use the opportunity to make more changes to his Cabinet. Nene has gone because he lied, while Malusi Gigaba is still the Minister of Home Affairs, despite a judicial finding that he lied under oath. There are, of course, other people in Cabinet who also have major questions marks against them. For more information, read: <https://bit.ly/2QGSyZy>.

CAS Analysis: Tito Mboweni's appointment way back as Governor of the Reserve Bank drew a lot of criticism. Many queried how a Minister of Labour, a former trade unionist, could be put into such a position where technical expertise was an obvious requirement. He proved all the doomsayers very wrong! As it is, he can be seen as one of the best governors of South Africa's Central Bank in a very long time. With the advent of the Zuma administration, he left the scene. Being available now for President Ramaphosa to appoint him as the Finance Minister, is a massive stroke of good luck coming South Africa's way. Let's be honest; the Zuma years have not been good to South Africa, with the one disaster after the other being unearthed – the latest being the VBS Bank! For those not in the know, former Finance Minister Nhlanhla Nene offered his resignation after it came out he had visited the Guptas (who, together with former president Jacob Zuma, apparently defrauded the country of billions) and not declared it. It is sad that something like this had to happen to Nene, but him doing the right thing and resigning, is setting a great precedent. Hopefully others will start doing the same when they are shamed. These others include the current Minister of Home Affairs, Malusi Gigaba, who was a former Minister of Finance, before which he was the Minister of Home Affairs, where he really made a mess of things. Ramaphosa needs more people with competence and integrity such as Tito Mboweni. The younger generation in South Africa should also start coming to the fore.

- **South Africa:** The Presidential Jobs Summit has delivered a landmark Framework Agreement consisting of high-impact actions to drive job creation, job retention and economic growth. The agreement is an enabler for the creation of an estimated 275,000 jobs annually.

NEDLAC constituencies have signed the historic Framework Agreement, which includes practical actions such as: 1) Investing R100 billion (over 5 years) in black enterprises and firms in the industrial sector; 2) A Youth Empowerment Programme to equip young people with entrepreneurial skills and actual business opportunities; 3) Commitments to support local procurement of goods and services to boost employment and job retention; 4) Youth employment and SMME funding to provide training for unemployed youth; 5) R1.5 billion for a new Smallholder Support Fund and R1.5 billion for the Township Enterprise Fund; 6) Various interventions to create career pathways for the youth through programmes at TVET Colleges, the Installation Repair and Maintenance Initiative, and in the fields of health and, travel and tourism; 7) Expansion of a Hub Model and incubators for SMME development; 8) Building of 48 catalytic human settlement projects which will provide 635,000 housing opportunities by 2019; 9) Establishment of 9 Agri-parks to promote agriculture and agro-processing and value chain; 10) Acceleration of productive land reform; and quite a lot more. For more information, read: <https://bit.ly/2Ee9cyc>.

CAS Analysis: South Africa has a very high unemployment rate, with far too many of these falling into the youth category. Its economy has also been trading water for quite a while, and has officially entered a technical recession with the country's real GDP decreasing by 0.7% in the second quarter of the year. The first quarter's GDP contraction has now also been revised upward to -2.6%. Every initiative to improve upon this, must therefore be eagerly embraced, with the provision that it is actually implemented. Many practical actions were accepted, not just the 10 listed above. The trick is now to implement them. Unfortunately, we too frequently see wonderful plans published, with nothing happening thereafter. One such a strategy that has not produced much fruit, is the National Development Plan that was accepted in 2012. The failure to meaningfully implement the NDP must be ascribed to the Zuma administration becoming more focused on self-enrichment. South Africa is in dire need of inclusive developmental initiatives that will grow the economy and increase employment opportunities. Hopefully President Ramaphosa will succeed in putting initiatives to work that will kickstart the economy, and hopefully the Framework Agreement will become a practical reality. It does need a strong political will. It can be done.

- **Zimbabwe:** Zimbabwe has threatened to withdraw the licences of businesses that increase prices or shut down shop as it tries to stop an economic meltdown triggered by recent fiscal reforms.

President Emmerson Mnangagwa's government last week unveiled a 2 cents tax on electronic transactions above \$10 and introduced foreign currency accounts to deal with a ballooning budget deficit. The austerity measures led to shortages of fuel and other basic commodities. A number of businesses announced that they were suspending trading until the situation improved, but the government insisted there was no need to panic. Some supermarkets and individuals started selling commodities at exorbitant prices, while others engaged in speculative buying to create artificial shortages. The government warned them to stop this malpractice. The measures announced by Finance Minister Mthuli Ncube last week will see government cutting down on its expenditure by retrenching civil servants, reducing foreign missions and scrapping subsidies. Loss-making state enterprises will be privatised, and government borrowings curtailed. However, the measures have angered trade unions who were threatening protests to demand their immediate reversal. Mnangagwa has vowed not to reverse the reforms, saying they were necessary to reverse 2 decades of economic decline under Robert Mugabe. For more information, read: <https://bit.ly/2CCvurA>.

CAS Analysis: Zimbabwe has survived the administration of Robert Mugabe. It does not have the luxury of tolerating party political strife. It is time the country comes together, government, business and society, to develop plans and implement them for the sake of the survival of the country. Everyone will have to contribute. And as the systems thinkers tend to say, it will probably become worse before it gets better. According to early indicators, a not insignificant amount of FDI entered Zimbabwe after Mnangagwa took over. For more to come into the country, there must be a conducive investment climate. This includes incumbent companies playing ball. Trying to make a fast buck while the country is in dire straits, is not the most patriotic thing to do, putting it mildly! Granted, Zimbabwe has a number of challenges to deal with, and some (many?) of them will not be solved on the short term. However, Zimbabwe has a lot to offer. If it requires accepting austerity measures, then that is what needs to be done. Developing a short-term orientation now for immediate and short-term relief, is not the way to go. The problem is how to convince a population that has been struggling for 2 decades (if not more) that to be patient is the right thing to do! At least we are seeing potential positive strategies such as the privatisation of loss-making SOE's and the reduction of government borrowings.

Interested in subscribing to this weekly newsletter? Subscribe by clicking here: <https://ntusbfcas.com/african-business-insights/friday-noon>.