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A weekly African news briefing for the Southeast Asian community

Editor: Johan Burger

NANYANG TECHNOLOGICAL UNIVERSITY SINGAPORE | NTU-SBF Centre for African Studies, Nanyang Business School

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African Union

- **Africa:** Personal fortunes in Africa grew by 1,000% in just over a decade. The total private wealth in Africa is estimated at $2.6 trillion—from $1.1 trillion in 2000. Africa has 12% of the world's adults, but only 1% of its wealth. The increases in Africa's private wealth mask huge differences across individual nations. Malawi's wealth per adult shrank 53.3% to $169 from $362 in 2000. Madagascar's private wealth halved from $682 in 2000 to $340. Seychelles' wealth per adult is estimated at $58,651—by far the highest on the continent. The reduction in private wealth in Ghana from $1,098 in 2000 to $773 in 2015 is surprising, coming off a decade when it became an oil exporter. In contrast, Equatorial Guinea grew private wealth by 1,318%, from $1,160 in 2000 to $16,450. In Angola private wealth expanded 584% to the current $15,302. Eritrea grew individual private wealth by 486%, from $400 in 2000. Other countries—Liberia, Lesotho, Zimbabwe and both the Congos also grew private wealth by over 200% in that period. Seychelles grew individual fortunes by 70%, from $34,000 in 2000. The overall wealth growth in Africa masks its high inequality. Seychelles has a Gini index of 94.8, while Libya, South Africa, Botswana, Nigeria and Egypt also come in among Africa's 10 most unequal states. Africa has 126,000 people worth over a million dollars, 0.4% of the world's nearly 34 million dollar millionaires. For more information, read: http://m.mgafrica.com/article/2015-10-14-africa-is-complicatedhere-are-the-wealthnumbers-that-prove-it-including-some-major-surprises#.ViCKouiPkF4.twitter

- *CAS View:* This serves as an additional confirmation of a trend that CAS has already identified, namely that Africa and Africans are becoming wealthier. This should be seen against the backdrop of a growing population, a growing middle class, and a growing personal disposable income. Readers should also take note of the skewness in the distribution of wealth, in that although Africa as a whole has improved its position regarding personal wealth, there are quite a number of countries where this trend was actually negative. It should also be noted that even within wealthy countries, stark contrasts exists. The bottom line is that the growing wealth of Africa makes for attractive growth markets. The disparities that do exist, place a responsibility on potential investors that they should do their homework as to where the opportunities are and what the risks are. The quoted examples provide clear evidence that the opportunities are not obvious destinations, e.g. Eritrea was quite a surprise. Wealth inequality in Africa is also a phenomenon that should be managed by governments as it could lead to political instability, and as such represent poor investment prospects.

- **Africa:** At the commissioning of the 3 million metric ton per annum cement plant in Mtwara, Tanzania, Dangote announced his plans to build cement plants in 18 African countries, to include a factory in Nepal, Asia. Dangote Cement has been targeting a radical expansion plan across Africa in a bid to promote it as an export continent rather than import-dependent. According to Dangote, it is time for Africans to step up to the challenge by investing more. To make African nations less import-dependent, Dangote will launch new plants throughout Africa to reach a capacity of 62 million tons a year in the next 3 years. For the host communities, the company had given out a $500,000 grant to help fund small start-ups owned by the active poor, while schools and markets would be built in the various communities. Dangote cement has so far built and commissioned cement plants in Ghana, Ethiopia, Cameroon, Nigeria, Zambia, while that of Senegal and South Africa will be commissioned at the end of the year. For more information, read: http://venturesafrica.com/nigerias-dangote-cement-to-expand-into-asia/

- *CAS View:* What Dangote is clearly demonstrating, is that Africa is not just marketing itself as an investment destination for foreign companies, but that it is putting its money where its mouth is. By developing Africa as an export-oriented continent, Dangote is leading the way in creating jobs and growing the African economies (GDP). By stimulating the manufacturing sector, Africa is less dependent on the export of commodities, and hence less vulnerable to the volatility in global commodity prices. What is also commendable is Dangote's drive to stimulate entrepreneurship in local communities. Not only will this create much-needed jobs and economic growth, but will it also create future customers for his companies. The building of schools and markets, especially the first, will raise the education levels in Africa and thereby help to stimulate the job market and economic growth. This is a good example of the application of the triple bottom-line. Given the loyalty effect that this initiative should have, foreign cement producers in Africa can be expected to follow suite, all of it to the benefit of Africa and its inhabitants. Hats off to Mr Aliko Dangote!

- **Africa:** South Africa recently announced its decision to withdraw from the International Criminal Court(ICC), claiming the ICC shows "contempt for the continent" by targeting African leaders while ignoring human rights violations by countries like the USA and Israel. This was in reaction to a court order to prevent Sudan's President, Omar Al-Bashir from leaving South Africa in June after an AU meeting in Johannesburg. However, Al-Bashir was allowed to leave the country. Since 2002, 23 cases across 9 countries have been brought before the ICC; 8 of which are African countries. African countries had in the past accused the ICC of being biased against African nations. In 2008, Rwanda's President Paul Kagame called the ICC 'a fraudulent institution' that was made for 'Africans and poor countries'. Though South Africa was legally obliged to detain Al-Bashir, doing that when other African leaders were also in South Africa during the AU Summit, would have made them lose face among their peers, undermine their position on the continent, and has questioned whether the ICC had any respect for the AU. This shows one of the weaknesses of the ICC; its inability to enforce its own authority in non-member states and even member states. The implication of South Africa's move is that other African nations could also withdraw from the ICC, having already threatened to do so in 2013. For more information, read:http://venturesafrica.com/south-africas-withdrawal-from-the-icc-and-what-it-means-for-other-africancountries/

- *CAS View:* The ICC is facing a severe legitimacy test in Africa. After the decision by South Africa's government to not detain Al-Bashir, it was criticized by a host of countries in the West. The reality is that some of these critics are members of the ICC that have not ratified the statute, such as the USA. Other important global stakeholders include Russia and large parts of Eastern Europe, while China and India have not even signed the ICC Statute. In the case in point, South Africa provided diplomatic immunity to all the heads of state attending the ICC. Once this was done, South Africa was faced with the dilemma of either complying with the ICC warrant, or upholding the immunity it had granted the heads of state. Should any mistake have been made, it would have been the granting of immunity without taking into consideration the ICC warrant. On the other hand, what would that have said about the autonomy of the AU, consisting of a number of countries that are not signatories of the ICC Statute? As stated in the article, South Africa would have lost all the legitimacy it had should it have gone back and rescinded the immunity. On the charge by Africa that the ICC is biased against it, with the 23 charges coming from 8 African countries and 1 non-African country, there are possibly some grounds to merit an investigation. Looking at what's happening in a number of Middle Eastern countries, and some in Asia, it is difficult to comprehend that Africa is, with the exception of 1 country, the only continent where so-called crimes against humanity are perpetrated.

East Africa

- **East Africa:** Business and political leaders in Kenya and Rwanda recently welcomed the launch of mobile money services between them. MTN Rwanda announced it had opened a corridor with Safaricom in Kenya that would see MTN Mobile Money and M-Pesa users sending and receiving money seamlessly and affordably between the neighbouring East African countries. According to the Kenyan High Commissioner to Rwanda, John Mwangemi, regional remittance was another important milestone towards the regional integration agenda, and that this regional mobile transfer would go a long way in promoting trade within the East Africa region. Richard Kabonero, the Ugandan High Commissioner in Rwanda, stated that regional remittance would greatly reduce the cost of doing business across their borders as well as ease other challenges, including sending money to students in Uganda. He expressed the hope that the development would be implemented across the five East African Community partner states. Dennis Karera, chairman of the East African Business Council, stated that by providing time- and cost-efficient ways of transferring money, ways of doing business were facilitated. He called upon telecoms operators in the region that are not yet involved to get on board and help lower the cost of doing business. For more information, read: http://beta.iol.co.za/business/companies/money-route-opensbetween-kenya-and-rwanda-1930654

- *CAS View:* CAS has previously shown upon the trend of convergence of mobile telephony and banking, with products such as M-Pesa, M-Akiba, and M-Farm. What we see above is further evidence thereof. While banks, such as Equity Bank in Kenya, have concluded cooperation agreements with M-Pesa, it still seems that the mobile telephony players are the leaders in mobile money. It is also interesting to note that the Chairman of the East African Business Council did not ask the banking sector to participate and innovate, but the telecoms operators. What does this say about the general perception people in the region have about the role of banks? CAS is of the opinion that unless banks wake up and start innovating instead of riding on the backs of the telecoms operators, it is only a matter of time before they will be disintermediated in some sectors of the economy. As previously stated, it is not too farfetched to anticipate a merger (or a JV) between a telecoms player and a bank. Some banks have already become a mobile virtual network operator (MVNOs), e.g. FNB in SA. A realistic worst-case scenario for banks would be that they become irrelevant as economic role players in the retail bank sector, with clients in this sector opting for products developed by telecoms players. Banks could respond by tying their services in this sector to products, such as house bonds and motor vehicle leasing, that are typically not provided by telecoms players, yet. Even the last idea needs to be approached with caution, as M-Pesa is being using to convert capital costs into operating costs, which can be seen as a form of leasing. Overall, it does seem that mobile money has become a major player, not only in East Africa, but also in Southern Africa and West Africa.

- **Kenya:** Kenya's coffee shop franchise, Java House, with 36 shops across Kenya and Kampala, recently revealed plans to open outlets across Africa. The project will extend to Nigeria, Ghana, Zambia and Tanzania. The demand for coffee has improved significantly this last decade. Ethiopia leads Africa in domestic coffee consumption with 3.6 million bags in 2013/14, representing 71.6% of the total domestic consumption of Africa and 8% of all exporting countries. Cameroon, Côte d'Ivoire, Kenya and Uganda have recently recorded a boost in domestic consumption, followed closely by the Central African Republic. The expansion of Java House to other parts of Africa suggests 2 things. First, cafe culture is becoming more common around key cities, which underscores that café culture is more than welcome around Africa's cities. Coffee consumption per se does not suggest that the demand is there. Java House expansion could also mean stiff competition with its peers in Africa. The question is whether this competition would impede the growth of the coffee market, or aid in the development of coffee shop franchises in Africa. Competition within the landscape should encourage the franchises to develop more innovative and creative solutions to building a customer base, which is good for both Africans and the business climate throughout Africa. For more information, read: http://venturesafrica.com/kenyas-javahouse-is-expanding-across-africa-heres-why-competition-is-good-for-the-market-and-consumers/

- *CAS View:* The typical coffee drinking culture that one would find in Italy and other Western cultures is not that well established in Africa. Part of the reason lies in the cost involved for a cuppuccino, espresso or café late.

When large parts of the population live on less than $2 a day, coffee is low on the priority list. The growth in coffee consumption via coffee shop franchises can therefore be attributed to the rise of the middle class and personal disposable income. In addition, entrepreneurs are also trying to boost the coffee-drinking culture in townships in Africa to fulfill this need. Frequently this necessitates creating awareness of coffee as a beverage, as most Africans tend to drink instant coffee with milk and a lot of sugar, and they do not envisage paying for this. Be that as it may, this trend indicates that the more luxurious habits of the Western hemisphere are finding their way into Africa. SMEs in the luxury goods market should take note of this.

Southern Africa

- **South Africa:** The South African agricultural sector is currently worth about R360 billion. Agriculture is a highly challenging industry, but growth and opportunities are clear. With real momentum in the emerging farming industry picking up in 2012, Harvest Time Investment was created to accommodate enterprise development involving classroom training followed by practical demonstrations on the farm. Mentors assist the farmer with his business, coupled with technical advice by an agronomist who guides the farmer through the farming cycle with good farming practices. Access to funding is facilitated through a set of mechanisms put in place to mitigate risks. The most critical challenges that emerging farmers, include a lack of skills, technical guidance and access to funding. The developing farmer sector is important as it can get the majority of the people involved in the mainstream economy, creating employment opportunities and building new businesses. An increasing number of farmers are growing as business people, extending their production, and also employing more and more people in the farming sector. They are moving from being developing farmers to becoming commercial farmers. PPP's can promote better co-ordination and collaboration between all the stakeholders in the value chain to overcome the challenges faced by the commercial farmer of the future. For more information, read:http://beta.iol.co.za/business/news/agriculture-must-grow-to-feed-sa-1931165

- *CAS View:* Although written for South Africa, the underlying principles are valid for Africa as well. Africa has more than 60% of the world's uncultivated agricultural land available, but has to import food. Farming should be seen as a commercial activity, and management skills have become crucial for success. The initiative explained above has had good results, but many more of them are needed. Africa should look globally for the skills and for new crops to plant. Although not indigenous to Africa, rice crops are doing well in countries such as Nigeria. This is a specialized crop for which expert knowledge and management skills are required. Financing agricultural activities are frequently problematic, and while the initiatives explained in the article are good, many more are needed. The job creating potential of agriculture is good for countries with low skills levels, but some of them are migrating towards the manufacturing sector, such as Ethiopia.

- **South Africa:** The recent Airlines Association of Southern Africa AGM in George, South Africa, discussed issues such as a domestic aviation industry in crisis, a catastrophic plunge in inbound tourist numbers, international airlines eating the locals' lunch, lack of political will to open up African skies, and inconsistent government policies culminating in the new and disastrous visa regulations. The SA government was implored to end the interdepartmental standoff on visa regulations that are having a negative effect on tourism. SA ought to be cashing in on the weak rand and the bargain it represents as a business and tourism destination. However, last year, China and India showed the biggest falls of 24% and 9% respectively, while Chinese and Indian tourists to Australia leapt 10% and 15% each. Chinese visitors to Mauritius were up 67%, while statistics to June 2015 show a drop of 30% to SA. International airlines are carrying 82% of the traffic to and from Africa, while African airlines carry only 18%. High infrastructure charges, taxes, too many small state-owned and unprofitable airlines and a lack of cooperation among African states all contribute, but the core problem is low passenger volumes and a high cost per seat.

Deregulating air services in 12 key African markets would create 155,000 jobs, $1.3bn in annual GDP and potentially 5-million new passengers a year. For SA, this would mean 14,500 jobs and $284m in GDP. For more information, read: http://www.bdlive.co.za/opinion/2015/10/19/openskies-the-key-to-african-growth

- *CAS View:* African airlines, with the exception of Ethiopian Airlines, are struggling with profitability. In SA, the national airline, SAA, has gone through various boards and management teams the past 2 decades. The recent fiasco with the new visa regulations strongly reduced the number of incoming tourists, adding to the woes of SAA. Africa must get its act together. With its beautiful natural environment and animal kingdom, it should be drawing far more tourists that it currently is. In addition, Africa should also be flying in these tourists with its own airlines. This is unfortunately not the case. Airlines such as Emirates and Qatar Airlines are major players not only in SA, but also in the rest of Africa. The above article reflects the stats. A country that is trying to actively manage its tourism situation is Ethiopia. They are engaging with foreign hotel groups to develop accommodation, and their airline is the only profitable one in Africa. The irony is that the rectification of the situation SA finds itself in does not require major long-term strategies. Changing the visa situation would be instantaneous. While that would not solve all the problems, it would go a long way to bring back tourists to SA. SAA also needs to develop a professional management team to take it forward. There are also not enough direct flights to major destinations in Africa. Given the economic benefits of tourism, the identified issues should be addressed as a matter of urgency. There are countries that are managing its tourism sector and airlines quite well. Africa should not try and reinvent the wheel, but endeavour to learn from global best practices that are readily available.