

African Union

- **Africa:** Local African companies are gaining a competitive edge over their multinational counterparts and are making inroads where overseas players once dominated. African firms' key success factors are their local positioning, better knowledge and understanding of the field, of distribution networks, consumers and the supply network. MNC's need to understand how Africa's business has shifted due to improved economic and political conditions and the adaptability of African businesses, and companies allocating resources to grow domestic operations and develop market-specific products. The multinationals have to adopt a real African strategy and can't afford to consider the African continent as being marginal. Between 2009 and 2013, MNC's saw an increase in sales, but their market share dropped. African companies have benefitted from a more educated workforce as highly skilled Africans are returning to Africa. Students still emigrate, but are more likely to come back after graduation. For more information, read [here](#).
- **CAS View:** It is good for Africa to have local players that have a meaningful footprint in their own backyard. Local knowledge of the markets has always been an important success factor. Venturing into Africa therefore requires a strategy that will address this requirement. Walmart, for instance, acquired a stake in a South African company, Massmart, to get the benefit of distribution and local knowledge. In a similar way, Kellogg acquired 50% of Multipro in Nigeria, a subsidiary of Tolaram in Singapore. Even South African companies investing in Africa heed this lesson well. Sanlam, a financial services giant in South Africa, chooses to go into partnerships in order to get the benefit of local knowledge and networks. SABMiller believes that beer is a local product and therefore plans to go into a partnership with a local player. Food retailers have chosen to not use this entry strategy, but rather to use startups and go the greenfields route. It is interesting to note, though, how they frequently struggle in countries such as Kenya and Tanzania. Having strategic partners in Africa helps to mitigate the risks new entrants face.
- **Africa:** 67% of SSA's population own mobile devices, while 86% of Kenyan households use mobile financial products. The number of smartphones in Africa is expected to grow from 67 million in 2013 to 360 million by 2025, unleashing new possibilities for consumers while easing reach to potential markets by entrepreneurs. This is redefining Africa's socio-economic landscape. This technology is empowering people socially, and providing data collection in an extremely fragmented geography. For investors, this means greater visibility to the target market through an online presence, especially on social media. Increased Internet and mobile phone penetration will revolutionise Africa's markets. Many sectors are unprepared for the onslaught of ICT disruption. Consumers generate limitless data volumes each day. Many African countries don't have the infrastructure to manage that data or leverage it for more effective governance. Africa's markets require a keen eye and a focused strategy in 3 areas to navigate these concerns: 1) **Understand and plan for huge income disparities**; 2) **Cater to the young** (65% percent of Africa's population is under 35); 3) **Focus on enhancing consumer utility** as Africa's consumption habits are predominantly utility-driven. For more information, read [here](#).
- **CAS View:** The impact of mobile technology on Africa is by now a well-published trend. The huge increase in the number of smart phones will support an increase in e-commerce. Investors and retailers wanting to access the African market need to understand the opportunities. However, there are also a few challenges. The one mentioned above is the issue of infrastructure to deal with the data that will be generated. Distribution channels for physical products are equally likely to become a challenge. CAS has reported on the potential use of drones to deliver products in rural areas of Rwanda to deal with the challenges of delivery via poorly developed road infrastructure. It is also interesting, once again, to notice the convergence of various industries. Banks, entertainment companies, and physical retail outlet owners will all have to relook their strategies to avoid being disintermediated.

Investors will ignore the advice in the article on the focus areas of these strategies at their own peril. Given the huge amounts of data and potentially huge number of transactions, cyber security will also need to be a high priority. What is also interesting to note, is the level of innovation prevalent in Africa. A lot of the applications and mobile platforms used in Africa are home grown.

- **Africa:** Most of Africa's population and its poor depend on agriculture. Agriculture has the potential to become one of the growth engines of Africa, help Africa's industrialization through agro-processing and agro-business, and reduce the dependence on the services sector, currently the main driver of growth. Therefore, despite its current low production, its high poverty, and the looming threat of climate change, Africa is uniquely placed to be a rising agricultural leader. Africa accounts for 60% of the world's arable land, but most of its countries do not achieve 25% of their potential yield. Hence, the increased interest on large-scale investment in Africa's agriculture, especially by China. Africa has a major problem and is experiencing a food deficit, spending \$2 on food imports for every \$1 it earns in agricultural exports. Africa will need to improve agricultural productivity at an even higher pace if it wants to "feed China." Lessons for African policymakers and Chinese (and other foreign) investors in African agriculture: 1) Foreign investors must engage local communities and adopt corporate social responsibility practices, and assess political risk. 2) Africa must address the land issue challenges and fill the infrastructure gap, especially in rural areas. 3) Africa should learn from China's early experience in dealing with foreign investors in agriculture, spurring R&D, which led to the development of hybrid seeds and even China's current forays in the world of commodity trading. For more information, read [here](#).
- **CAS View:** Agriculture is the major employer on the African continent. Dr. Akinwumi Adesina, the president of the African Development Bank, has cautioned against sidelining agriculture in order to stimulate the manufacturing sector, as it would cause even higher unemployment. His suggestion was to industrialise the agricultural sector, which is in line with the tenets of this article. Africa needs the skills and finances to modernise its agricultural sector. China is seen as a major investor as it has recognised the opportunity. However, so have Singaporean companies such as Olam, Tolaram and Wilmar. But Africa needs many more investors in its agricultural sector. And a much higher skills level to deal with modern agricultural practices, climate change, drought resistant farming practices, and the business imperatives of farming. Urbanisation and drought, together with growing populations, are putting already scarce water resources under even greater pressure. A very fine balance needs to be developed as to priorities of water allocation. In order to stimulate agri development, countries such as Nigeria have long provided incentives for using local resources. It is only now with the commodity crunch and the scarcity of foreign exchange that these incentives are getting the necessary attention. Africa certainly has the potential to feed itself, and other countries such as China, but it needs to get its house in order, sooner rather than later. Should it succeed in doing so, its economic growth will be phenomenal, its unemployment will reduce drastically, and the pressure on its current account and balance of payment deficits will be greatly reduced.
- **Africa:** African countries (Ethiopia, Sudan, Uganda and Kenya) could be offered £1.3 billion to take back tens of thousands of failed asylum seekers from Europe. The proposals include plans for Europe to attract some of Africa's most educated people by offering visas, language training and jobs to doctors, students and entrepreneurs from Africa. EU ministers hope it will lessen the demand for peoplesmuggling, which has seen thousands risk their lives in perilous journeys across the Mediterranean. Critics said the move would encourage migrants from elsewhere to risk their lives in the belief that they would be accepted into Europe. The plan proposes 'promoting legal channels for migration and mobility from and between African countries'. It would also give skilled migrants an introduction to recruitment firms 'with a view to facilitating placements and job opportunities'. Qualifications from African institutions would also be recognised more readily, allowing migrants to practice more easily in their chosen profession, such as medicine, teaching or accountancy, without retraining. The blueprint also says visa

rules should be relaxed, administration fees abolished and relatives should be allowed to join migrants once they have reached Europe. For more information, read [here](#).

- **CAS View:** Africans leave Africa due to a lack of opportunity. Attracting well-educated and visionary Africans to Europe means less skilled people will be left behind to grow the economies of Africa and create the opportunities that will accommodate these people. This will just increase the size of the group wanting to leave Africa. It also presupposes the EU will have indefinite opportunities for Africa's skilled people, which is obviously not true. So, while this strategy might work in the short-term for the EU, it will not work for it on the long-term, and will never work for Africa. In South Africa with its 9 provinces, 2 (Gauteng and the Western Cape) have the economic growth to attract large numbers of the population in the other poorer provinces. It is government's job to redistribute the resources to create a more even spread of opportunities. If they do not do so, every province will eventually be equally poor. The problem is how will this be done for Africa? Who will play the role of the redistributor of opportunity in Africa? Europe will create a far more sustainable solution by investing more in Africa in a transparent way to develop the opportunities for the competent people of Africa to remain in Africa. Coming up with creative strategies to entice Africa's skilled people to leave Africa does not do Africa a favour and will "blow up in the EU's face". They are only delaying the inevitable, i.e. mass movement of poor Africans without hope to the "perceived land of opportunity", i.e. Europe. It has just been announced (12 Nov late afternoon) that the UK will be providing £200 million in bilateral aid to deal with the root causes of migration. Hopefully this will entail the development of Africa's opportunities for its talented people!

East Africa

- **Tanzania:** Tanzania stands tall as the immediate next lucrative gas market in the international scenario. However, only 20 'wildcat' exploration and 8 development wells have been drilled so far in a 222,000 km² area and therefore, the country could be classified as under-explored. Recently there has been a renewed interest in East Africa's oil sector, sparking jostling for exploration 'blocks' by potential investors. The attendant exploration activities have led to some new 'finds' within the region and has whetted further interest by oil companies to keep a keener eye in the region. Uganda leads the pack with a recent discovery of 4 billion barrels of oil, followed by Kenya with 600 million barrels. Tanzania on the other hand, has held sway in gas production and boasts vast deposits and could be a regional oil and gas powerhouse if the offshore gas is developed. The erratic oil prices have slowed down investments in the sector. Though it might be cheaper to produce oil/gas in East Africa, transportation to the market is a major challenge. This is because the existing producers are already supplying most of the closer markets. For more information, read [here](#).
- **CAS View:** Tanzania's gas reserves can benefit its economy to a considerable extent, provided it does not fall victim to the resource curse. Tanzania must use the revenues of its commodities to diversify its economy away from resource exports. Also, Tanzania should take care to increase the speed of decision-making now that it has a new government. It has been stated by foreign investors that getting decisions from government executives were extremely problematic. Tanzania is positioning itself as an export harbour for not only its own gas reserves, but also for the oil reserves of Uganda. This is in spite of an bilateral agreement between Kenya and Uganda that Ugandan oil would be exported via the port of Lamu towards the north of the Kenyan coast line. It is still not clear what the outcome of this "misunderstanding" will be. Nevertheless, the whole of East Africa will benefit from the gas and oil reserves of its member countries. The downstream value chains should also receive a welcome boost, as would the state coffers and employment opportunities. Tanzania should take advice from Qatar, who seems to be doing its utmost to stimulate numerous other sectors of its economy so as to not be overly dependent on its

gas reserves. Infrastructure development will be high on the priority list. Given the expected rise in per capita wealth, middle class goods and service providers are expected to become much more visible.

- **Kenya:** Helios Investment Partners, a London-based PE firm which focuses on African investments, has bought out Orange's 70% stake in the Kenyan mobile operator Telkom. Telkom has about 4 million mobile subscribers and registered \$85 million in revenue in 2014, a 5% jump from the year before. But Helios is not buying Telkom because they want to dislodge Safaricom in the mobile business. The area of growth in Kenya and Africa is data. Helios already owns a stake in Wananchi, a broadband cable provider that distributes data and content in the region; by acquiring Telkom, Helios could position itself as a leading Internet infrastructure and content distributor in Kenya. Telkom comes with significant stakes in 2 fiber optic cables that connects Kenya to the global Internet superhighway. Additionally, as Telkom manages the national fiber optic network running across Kenya, operators seeking access to it have to go through Telkom, giving it significant leverage in the growing Internet market in Kenya. Therefore, acquiring Telkom could turn it into a leader in the mobile content distribution market in Kenya as well. For more information, read [here](#).
- **CAS View:** In Africa, and elsewhere as well, voice has become a mature sector, and the future lies in value-added services such as entertainment (content). Data is under a bit of pressure due to pricing battles amongst competitors. Helios has succeeded in hedging its existing investments in data and content by expanding into the industry value chain and acquiring infrastructure. Some of the Mobile Network Operators (MNOs) have actually chosen to rid themselves of infrastructure and to transform into Mobile Virtual Network Operators (MVNOs). Both of these MNOs and MVNOs now also have to compete against Over the Top players (OTT), such as Facebook, Google, Apple and Amazon. These OTT players do not put their own infrastructure in place, which is a criticism and complaint leveled against them by MNOs in Africa, such as Vodacom in South Africa. It will be interesting to see to what extent Helios will be able to leverage their now dominant position in the industry value chain to protect themselves against the OTT players and survive in a quite competitive environment. Telkom has 11% market share in Kenya, whilst its 2 major competitors Airtel and Safaricom have 20% and 67% respectively. These 2 players also need to be dealt with. Helios therefore needs to plan for some interesting times ahead!

West Africa

- **Nigeria:** The development and growth of the manufacturing sector is seen as the best way to diversify the Nigerian economy as the sector is essential to job creation, sustained growth and development of other key sectors such as agriculture and solid minerals, amongst others. To stimulate discussions, the mPAD (Manufacturing Partnerships for African Development) roundtable will be hosted in March 2016 in Nigeria. Nigeria is focusing on expanding the manufacturing sector by implementing the Nigerian Industrial Revolution Plan, which is facilitating investment and growth within the sector. It is addressing concerns such as energy shortages, high interest rates and transport issues. The manufacturing sector is seen as key to attaining government's objectives to create job opportunities for the youth. Economic growth is not possible without diversifying the economy through the agriculture value chain, mining, oil and gas and the likes, but the missing link is the manufacturing sector. The roundtable discussions during mPAD are aimed at supporting the NIRP and job creation, and addressing challenges such as increasing Nigeria's local production, factory financing mechanisms, technical workforce training, infrastructure and energy security, and ultimately stimulating the growth and diversification of the Nigeria economy for self-reliance and export of non-oil and gas products. For more information, read [here](#).
- **CAS View:** Developing the manufacturing sector as a strategy to reduce the dependence on commodity exports, is something CAS has been punting for months. Ethiopia has also been actively pursuing this avenue for a few

years already. As the saying goes, the best time to have planted a tree is decades ago. The next best time is now. Nigeria is heavily dependent on oil exports for its export revenue. It is therefore vulnerable to volatile oil prices and falling global demand. Its economy has been hurting in a major way since the decline of oil prices from over \$100 to \$50. This strategy of developing its manufacturing sector must therefore be actively encouraged, for all the reasons mentioned above. It simply does not make sense to export crude oil and then to import the refined products. It is clear that the challenges are many, and they could be daunting. However, the process of diversification itself will develop many investment opportunities. Pres Buhari's drive to free Nigeria from the grips of corruption has come none too soon, as the diversification strategy cannot work in a corrupt environment. Setting up the infrastructure, developing the required skills sets, developing local and foreign markets, and developing the transport and distribution channels will not only take time, but will require focused and dedicated attention and a lot of investment. Doing it, however, will increase the quality of life of Nigeria's 170 million people, grow its consumer market, and create export opportunities (and increasing import-substitution), amongst other things.