

African Union

- **Africa:** Africa's recent growth tanking due to the fall in global commodity prices have been overplayed. Firstly, not all commodities were the same and global indices did not differentiate between African commodities and the whole. Secondly, only a third of Africa's recent growth has come from commodities: the bulk has been from internal consumption, supported by the growing middle class, increasing disposable income and public savings rates. Therefore, the potential for local production to increase to meet demand was high, and would only become bigger as Africa's population is expected to double to 2 billion by 2050. Rising labour costs in China make it a less competitive producer. The immediate beneficiaries of this shift may be Africa as it is urbanizing faster than any other region, and has a higher average urbanisation rate. By 2050, nearly 60% of Africa's population will live in cities, up from 40% currently. There will be a huge captive market for the low-end value production. Africa will therefore probably be the next manufacturing powerhouse. Industrialization usually acts as the draw for the growth of urban centres, but Africa has the lowest share of manufacturing as a percentage of its GDP. This means that it is the increasing population that will instead stimulate industry to meet its needs. For more information, read [here](#).
- **CAS View:** The movie line goes something like, "build it and they will come". In the industrialization environment, this equates to the development of industry that draws the people – the normal scenario. However, Africa till now has not gone this route. It has been forced to stimulate its industry to provide for its urbanising population. So the people are already here. This is problematic as cities and countries are constantly playing catch-up. Infrastructure like housing, water and energy are serious lagging the rate of urbanisation. These lags are causing political discontent in countries such as South Africa. One can also see the effect of the lack of development in Africa by looking at the large number of refugees leaving the continent in droves. Those countries with a forward-looking urbanisation strategy would have been better off. But this probably excludes most of Africa. That is the bad news. The good news (although not for Africa) is that it provides opportunities for companies with the necessary skills to sell its expertise into Africa. The newly created Surbana Jurong from Singapore comes to mind, and they have indeed targeted Africa. It is also said that Africa is in need of \$90 billion investment in its infrastructure annually. The financing of this need is another problem that Africa needs support with. Overall, eventually the growth of the industrialisation route will stimulate the economy and provide jobs, etc. Hopefully Africa will then retain its brightest people with higher levels of satisfaction.
- **Africa:** Technology has had a massive effect on Africa. The top 10 connected African countries represent half a billion internet users — but it's clear that there's still plenty to be done to make the most of the opportunities available; it can't afford to become a dumping ground for international technology players. To embrace these opportunities, Africa needs to change the way it looks at the technology and communications space. What really sets Africa apart is the size of the opportunity and the speed of change, which is mostly by the fact that large parts of Africa's population are young. It's also clear that the opportunities will primarily be mobile ones. Africa today is a big market of a billion devices. That in turn opens up other opportunities, e.g. in the video space. If Africa is to grasp these opportunities, it can't simply adopt models that have worked elsewhere and have to develop its own taxonomy, technology, and standards in the digital space. And that's where regulation can play a part in aiding innovation. The African market needs regulation that works in Africa, and they should constantly push the boundaries of the regulators. For more information, read [here](#).
- **CAS View:** Thomas Friedman stated the world is flat – technology is a leveler. Africa has already grasped this in the field of mobile money. It is also using other applications in the field of health, agriculture and finance, tapping

into mobile phones. This is a reinforcing trend, one that highlights the issue of convergence. The future is in the world of mobile: mobile banking, mobile entertainment, mobile communications, mobile agriculture, and mobile health. Companies that cannot tap into this trend, will fall by the wayside. One sees this in the way banks are coming to the party, in the way that fixed line telephone operators are struggling, in the way that e-commerce is transforming into m-commerce. Bricks and mortar stores are under pressure. In no way has this been better illustrated than in the book industry. Africa must develop its own regulations to act as an enabling framework. The need is great, amongst others in the world of banking. What Africa needs is a regulatory environment that will, amongst others, give those with the access and technology, such as mobile network operators, the opportunity to increase the level of financial inclusivity of its people. Rather than restricting, the regulatory environment should be empowering.

- **Africa:** The article deals with the question as to where the returns are to be found. The answer? Africa! During the past 10 years, the GDP of the 11 largest sub-Saharan countries increased 51%, more than twice the world's 23% and 4 times the 13% expansion of the US. This was accompanied by stabilizing inflation, with the CPI for all of Africa declining to 7.8% from more than 13% in 2008. This combination is attracting global investors, who have seen the opposite trends plague the biggest emerging-market countries (BRIC). In the past 5 years, Kenyan and Nigerian bonds had total returns of 56% and 40% respectively. By comparison, developed country debt provided a return of 2%, while emerging-market debt returned 12%. The sub-Saharan financial industry outperformed its emerging-market counterpart by 11%; consumer discretionary companies did so by 18%; consumer staples by 5% and materials by 16%. Only energy companies were losers, underperforming by 0.5%. For Nigeria, crude oil prices have crashed and its currency has failed to recover from its own collapse late last year. Yet global investors, convinced there's a lot more to Nigeria than its commodities, are driving up its bond prices anyway. It seems the same could be said of half a continent. For more information, read [here](#).
- **CAS View:** When there is a lot of emotion about a topic, it does help to surface the facts to gain clarity. The above statistics clearly spell out the returns investors in Africa have been enjoying, which is much better than elsewhere. While the age-old adage does state that one gets lies, bloody lies and then statistics, one cannot deny these figures. Let me pre-empt those who would state that high returns are an indication of high risk by stating that these risks are known risks and can be mitigated. One also has to take returns into consideration over a long period, as short-term volatilities can create a misleading picture. Therefore, the current problems Africa faces due to the China effect, could in all likelihood be of a short-term duration. The Nigerian example above does indicate this.
- **Africa:** Critics suggest that China's African projects lay the groundwork for neocolonialism and leave poor communities vulnerable to exploitation. However, more than 50% of the people in Africa do not think China's presence is a bad thing. In 2009, China surpassed the US to become Africa's largest trading partner. The benefits of the Sino-African relationship haven't been one-sided. The Export-Import Bank of China funded US\$100-million of the US\$360-million to build Kenya's Nairobi-Thika dualcarriage highway. China also financed more than 2 200 MWs of thermal energy generation in Sudan. **China's Lessons to the World: 1) Long-term strategies:** China has taken a far-reaching view of Africa, seeing beyond present volatility to the potential evolution of the investment landscape. **2) Multisectoral approaches:** Rather than focus exclusively on extractive industries, China has diversified its investments by strategizing for a variety of growth engines. **3) Sustainable investments:** China has provided low-cost, commodity-backed credit to countries like Angola for several years. But volatility in Angola's and Gabon's oil industries signals the need for more stable investment strategies. Foreign investors should look beyond natural resources for market openings that promise worthwhile, consistent returns. Downturns in Uganda's and Tanzania's oil and natural gas markets also indicate the need for caution, diversity, and sustainability in emerging areas. For more information, read [here](#).

- **CAS View:** There is an old urban legend that states that when Mao Tse-tsung was asked what his views were on the implications of the French Revolution of 1789, his response was that it was too soon to tell. It is therefore not strange to note the long-term nature of the Chinese strategy of investment in Africa. Given this long-term orientation of China, other countries with an interest in Africa should also be asking what China's true long-term objectives in Africa are. It is unlikely they are purely economic, given the geo-strategic importance of Africa. The above 3 lessons should act as guides for the prospective investor in Africa, not only for countries, but also for companies. It is also interesting to note that although China's presence in Africa is welcomed by a majority of Africa's population, there is still a considerable proportion that are not fans of China's presence. China would do well to identify the reasons for this animosity and address them sooner rather than later.
- **Africa:** Middle-class households are defined as those that spend at least half of their income on goods and services, beyond just food and basic necessities. The emergence of this "consumer class" helps to propel growth to the next level, where demand grows, businesses prosper, employment increases and economies flourish. SA's middle class had grown about 250% from 2004 to 2012, with the new "black" middle class exceeding the more traditional "white" middle class in spending power. Elsewhere in Africa, accurate measurement is difficult. The African Development Bank in 2011, having defined middle class as those living on \$2-\$20 a day, suggested that a third of Africa's population was middle class. The Pew Research Centre this year, using the more internationally accepted definition of middle class (incomes of \$10/day or more), suggested only 6% of Africa's population was middle income. A steady income is increasingly recognised as the one factor that distinguishes those living in poverty from those able to emerge as middle-income earners. The priority is to reduce volatility of growth, particularly volatility of employment. To lessen the volatility of outcomes, Africa needs more investment, consistency of capital inflows — especially countercyclical flows — more democracy, and greater progress in improving governance. For more information, read [here](#).
- **CAS View:** There are clearly differences as to what middle class in Africa means. Having said that, it cannot be denied that Africa's middle class is growing. This is essential for political stability in Africa. South Africa's growth in its middle class has been huge, but there are still far too many people who live in poverty (16 million people receive government grants). These are the people who suffer from relative deprivation, and who become the target of unscrupulous politicians who abuse them for their own selfish interests. The solution lies in growing the economies and creating jobs. For this, education is crucial, as is visionary and ethical leadership and transparent governance. Africa needs to work on this. The examples of leaders such as late President Nelson Mandela of South Africa, President Macky Sall of Senegal, and President Paul Kagame of Rwanda should be studied. In addition, consistent investments in Africa in meaningful projects would also play a meaningful role, as stated by Razia Khan, the author of the above article. Ultimately, that is what the Sustainable Development Goals are about. And like the previous and current Secretary-General of the UN have stated, if the SDG's do not work in Africa, they will not work at all.

East Africa

- **Ethiopia:** Despite indications that China's economy is slowing down, Ethiopia remains unfazed as they believe that Chinese investors still consider Ethiopia a "target country" for manufacturing operations overseas. They expect even more FDI from China, due to that its wages are about a quarter of China's and one half of Vietnam's. Ethiopia also benefits from duty-free access to the US market through AGOA. Ethiopia's strategy to turn itself into a hub for light manufacturing is beginning to bear fruit: manufacturing grew by 21.2% in 2013/14, and now accounts for 14% of GDP. Ethiopia plans to continue putting money behind its industrialisation bid. A programme of massive infrastructure construction and special economic zone (SEZ) building (currently 1 with 3 in the pipeline)

will put the parts in place in order to attract these investments, believing they have a strong commitment from the Chinese government and from Chinese companies. Analysts believe Ethiopia's optimism is not misplaced. Major retailers are taking note. H&M announced in August that it would begin sourcing products from Ethiopian factories, following initiatives by the likes of Tesco and Walmart. For more information, read [here](#).

- **CAS View:** Ethiopia is a clear case study of a country that has been planning and executing a coherent strategy of industrialisation over a long period of time. One of the masterminds behind this strategy is Dr Arkebe Oqubay, whose book, "Made in Africa", explains the path Ethiopia had embarked upon since the mid-1990's. Ethiopia's Growth and Transformation Plan aims to make it a lower middle income country by 2025. Its dedication to this objective has to be lauded. In the process it has also significantly reduced the proportion of poor people in Ethiopia. Ethiopia's benefit relative to its commodity-exporting neighbours in Africa, is precisely that they do not have commodities to export, and have been diversifying its economy. What is interesting to note is the take-up of SEZ's as an attraction in East Africa. Kenya has also adopted this strategy. In addition, the entry of players such as H&M, Tesco and Walmart in the Ethiopian arena, can only be to the benefit of Ethiopia. Their manufacturing strategy is set to benefit them in a big way! It seems like, "build it and they (external clients) will come!"

South Africa

- **Mozambique:** The results of Mozambique's gas licensing round announced last month have temporarily dispelled fears of political favouritism in the hydrocarbons sector. Mozambique's new Petroleum Law of 2014 granted preferential rights to international companies associated with Mozambican ones when granting concessions. MNCs seemed cautious about the integrity of local counterparts, and none were included by any of the consortia competing in the hydrocarbon licensing round, which closed at the end of July 2015. This led to speculation that the government was seeking to impose partners with strong links to the ruling Frelimo party. Two newly established indigenous companies with strong ties to former Frelimo generals submitted bids as 'non-operators'. Despite their political connections, their bids were unsuccessful, with established MNCs winning instead. This indicates that the business elite remains less entangled in politics than in Angola. Mozambique's political climate is somewhat reassuring when compared with Angola's, mainly due to a strong opposition and a new president without political baggage. For more information, read [here](#).
- **CAS View:** It seems that Mozambique is serious in its intention to be transparent in the governance of its gas sector and to escape the Angolan experience of cronyism and corruption. The above signal is a welcoming one, and a clear indication that competence and skills will be the driving factor when allocating contracts. Hopefully this phenomenon will continue into the future, without President Nyusi's power base being eroded. It will also create confidence amongst international investors who are eager to see good governance practices before and when they invest. This will increase the level on investment with all overall benefits for the economy of the country and its population alike. Set to become the third largest LNG producer in the world, Mozambique should also do its best to diversify its economy and develop its manufacturing sector. Qatar is the second largest gas producer and is doing just that, fully realising that when the gas wells run dry, there had better be strong alternatives that were developed during the "good" times.