

## African Union

- **Africa:** The recent fall in commodity prices appear to be the biggest ever on record. The current oil price is lower than in 1981 due to too much production. Depressed steel prices have not hit rock bottom yet as more supply is on the way. The prices of wheat, corn, oats and meat are at their lowest levels ever in real terms. The effects on emerging market economies like South Africa will be huge if the world enters a period of another 15 years of low prices for commodities. Rising unemployment in Brazil, Russia, Saudi Arabia and Africa will have significant political implications. These countries will also see ratings downgrades. Poor countries will get out of mining and other services to mining. Privatisation will make a very big comeback in Africa as budget holes enforce sales. Africa will become a friendly investment destination as countries implore companies to invest. Countries dependent on commodity exports will have to find new ways to attract wealth and to create jobs, tapping into tourism, call centres and high-end personal services. The bigger companies will take over state-owned companies and increase productivity and bring modern management methods to play. Agriculture will also go big, but there will be room for small niche farms. For more information, read [here](#).
- **CAS View:** The China effect, as CAS has been referring to the impact on African countries due to China's economic slowdown, is clearly not a thing of the past, according to this economist. Once again, the answer for the affected parties lies in diversifying their economies away from commodity exports. The reference to privatisation is an interesting one as it was this route that allowed conglomerates such as SABMiller in the 1990s to buy state-owned breweries and transform them to modern, productive and profitable entities – to the benefit of all parties, workers included. Governments in general should not run commercial entities, and the privatisation route is to be welcomed. The reference to Africa becoming an investment friendly continent, is also to be welcomed. It would need to address issues of concern such as security, political stability, perceived corruption, tax-friendly regimes, and government efficiencies. This is possible. It requires strong leadership, and we do have people such as John Magufuli, Mackay Sall, Paul Kagame, Ian Khame, and Hage Geingob to emulate, to name but a few. Africa does not have a choice. We must get our act together. The alternative is not acceptable.
- **Africa:** Developing adequate power supply for Africa is a great challenge. Renewables are the way forward and can compete at market prices. Africa can develop its energy resources without having to make investments in older forms of power generation and grids. Renewables in Africa can be developed competitively without subsidy and by mobilising resources from the private sector. Wind and solar are carbon free, low cost, scalable, easy to install, highly reliable and appropriate to today's level of technology. Solar energy is cheaper than wind on high radiation sites, which in turn is cheaper than gas, which is cheaper than new coal, which is cheaper than oil. All are cheaper than new nuclear. Over the past 5 years, the cost of wind has fallen by 55%, while solar has fallen by 80%. We are not yet at the bottom of the downward cost curve for renewable energy technologies. Africa has a clear sustainable path to its energy future, where wind and solar energy will deliver affordable and dependable electricity across the continent on large grids and micro-grids, in large cities and in small rural villages. For more information, read [here](#).
- **CAS View:** Approximately 620 million people in Africa do not have access to electricity. The electricity infrastructure is also totally inadequate to serve these people. The president of the African Development Bank has made it one of his priorities to light up Africa, given the benefits that sufficient dependable and affordable energy has for the people and economies for Africa. This article makes it clear that renewable energy can allow Africa to leapfrog the process of providing energy at affordable prices (even cheaper than fossil fuel!) without having to resort to either coal or nuclear. CAS does not believe that the different options are mutually exclusive. However, Africa's

governments should take note of these facts and develop policy frameworks that would allow the development of renewable energy infrastructure, with private sector involvement, to avoid the pollution that would inevitably ensue should Africa resort to coal-fired energy to supply in the needs of its millions of people.

- **Africa:** The authors picked 10 highlights linked to the continent's prospects this year. **1) China retains the key:** China's domestic rebalancing did not mean it was abandoning a long-term partner. **2) But the West designed the lock:** The US and the Euro Area remain the largest source of FDI to the continent. **3) More time for India, perhaps?** India, and not China, was actually of more FDI value to Africa. **4) Time Africa pulled itself up:** Africa would be less vulnerable if it builds investor confidence, strengthens its industrialisation drive and increases intra-regional trade. **5) Little Respite for the Big Three:** Recovery in Nigeria and South Africa will be modest, while Angola has borrowed to make ends meet. **6) Neither for East Africa:** The fall in commodity prices means that investments in extraction could encounter further delay in what is already a long process. **7) North Africa possibly on steroids:** The region has managed to stabilise, with growth in 2015 at 2.5%. It could now get carried along by the expected emergence of Iran as a major oil exporter. **8) Balancing acts will continue:** Many central banks hit the panic button, as either export revenues fell, or infrastructure drives gobbled up the cash. 2016 will be no different. **9) It's not all about Oil and Ore:** Countries such as Ivory Coast, Rwanda and Tanzania will continue to chalk up robust growth—as they have lower exposure to the commodity slowdown, and will continue to benefit from large-scale investment in infrastructure. **10) But it's all about the Electricity:** What hurt Nigeria most, was the crippling electricity deficit. South Africa's prospects also depend heavily on fixing its electricity bottlenecks, while Botswana, Ghana, the DRC and Zambia have also found the going extremely hard. For more information, read [here](#).
- **CAS View:** It was good to see the focus on the industrialisation of Africa, the need for electricity in Africa, and the continued role of China in Africa. The recognition of the more prominent sources of FDI was also refreshing, as China tends to dominate discussions whenever FDI in Africa is discussed. It was also good to see the need to diversify away from oil and commodities. Africa has control over a number of the issues identified, and would need to make a couple of hard decisions should it want to progress on the path to prosperity. These authors are mostly seeing more of the same for Africa in 2016 on some of the issues. They did not touch the political scene, where Africa will see a number of elections, with unrest bound to be seen in a number of them. They also did not touch upon the security scene, with Al Shabaab and Boko Haram bound to destabilize East Africa and West Africa respectively. We would also need to take note of the potential steps towards the ratification of the TFTA, as the signatories only have until 2017 to ratify the agreement.

## East Africa

- **Tanzania:** The growth of Tanzanian exports has come with the changing nature of the goods, with nontraditional products taking the lead from traditional exports, which are mainly cash crops exported in raw form. More needs to be done, given that imports continue to outpace exports. Moreover, minerals-- especially gold--take the largest chunk of those non-traditional exports. Tanzania's industries must be revitalised and boosted to increase the value of exports, create more jobs and increase foreign currency earnings and government revenue. The longstanding power problems that are having a profound effect on industrial production, must be dealt with. This needs a stronger political will and less political interference in the sector. Due to the latter, the power supply has continued to be poor, with load shedding every other month. This stifles manufacturing and other industrial activities. Tanzania remains a significant recipient of foreign aid, which still comprises a significant chunk of the national budget. The infrastructure is still inadequate and basic social services are still wanting. The roads and rail infrastructure

is such that some far-flung areas are still inaccessible. Water supply is such that less than 10% of the population having access to piped water. For more information, read [here](#).

- **CAS View:** The author of this article is propagating a move towards greater beneficiation of goods rather than just exporting commodities. CAS cannot disagree with this. It is also interesting to note the call for stopping political interference in the electricity sector, which has long been a bone of contention. As frequently the case in Africa, infrastructure problems also make their contribution towards stifling the Tanzanian economy. What the author did not touch upon are problems associated with the fledgling gas sector, which have been characterised by inefficiencies in decision making. We see in this article a reference to at least 3 of the 5 African Development Bank priorities for Africa, i.e. lighting up Africa, industrialising Africa and improving the quality of life of Africans. Recently elected President John Magufuli has made quite an impression with his servant leadership approach, good governance, and drive to improve government efficiencies. In order to make a lasting impact in Tanzania and the region, he has his work cut out for him and he would need to make meaningful progress in addressing the issues identified in the article. The honeymoon period is running out and it will be interesting to see how he tackles these issues. CAS wishes him all the luck he needs.
- **Kenya:** The UK government has invited contractors to generate solar power for 3 villages in Turkana County, Kenya in a new business model aimed at promoting privately operated mini-grids. The project aims at promoting use of solar power in far flung regions not connected to the national electricity grid. Contractors have been invited to apply for the funds that will be used in the purchase and installation of Solar PV Hybrid Mini-grids at Lolupe, Nadwat and Katabol villages. The aim of the project is to assist in market creation for private sector operated mini-grids in Kenya. All successful developers will be partially compensated and get an opportunity to recoup their investment through a build, own and operate model. The announcement said that mini-grid installers would install the Solar PV Mini-grids, distribute and offer retail services to consumers. For more information, read [here](#).
- **CAS View:** It is a well-known fact that 60% of Africans do not have access to electricity. The formal players clearly do not have the capacity to provide in the demand. The capital required to provide the formal infrastructure is also massive. This attempt to provide in the needs of the stated counties is a model that has been punted for a while in the renewables sector. What is heartening to see is the fact the governments are recognizing the feasibility of involving entrepreneurs to provide electricity to Africa's consumers in the rural areas. These consumers tend to be poor without access to funding to provide in their own needs. So, not only is this project providing in the electricity needs of the population, but it is also taking the pressure off the formal institutions whilst reducing the pressure on finding the large capital funding. It is good to see that the required form of energy is solar, which allows the leapfrogging of the existing de facto energy business model. Hopefully they will target entrepreneurs instead of established organisations. In this way more benefits will be created for the Kenyan society.

## West Africa

- **Nigeria:** Faced with a lack of access to dollars, a ban on dozens of imports, and a deepening liquidity crunch, Nigeria's SMEs are among the hardest hit by policies intended to prop up the naira. These measures stem from pressure on foreign reserves due to falling oil prices. Policymakers are attempting to protect Nigeria's reserves by limiting access to foreign currency and restricting the import of dozens of goods and services. While these measures have kept the value of the naira artificially high, they come at a cost. Due to shortages caused by import restrictions, the prices of those goods and services go up, as does inflation. While SMEs contribute less than 10% to GDP, they comprise 96% of the country's businesses and 90% of the manufacturing and industrial sectors. With limited access to foreign exchange and imports, they are inconvenienced and their business models are

under pressure. Lending to Nigeria's SMEs has also dropped in the past decades. To bridge the gap and assuage the effects of currency and import restrictions, the government plans to expand financing to SMEs. However, naira denominated financing will not provide access to key inputs and dollars, which remain a fundamental component of the SME business landscape. For more information, read [here](#).

- **CAS View:** The need for the actions by the Nigerian government stems from an over-reliance on exporting crude oil and living off the proceeds as if there would be no tomorrow. With the low oil price, Nigeria's reserves are under pressure, as is its currency. The Nigerian government has until now refused to devalue the naira, even resisting pressure from the IMF to do so. While imports would be that much more expensive with a weaker naira, the oil exports (sold in US\$) would earn it that much more naira! This would provide the Nigerian government with a bit more flexibility in its spending projects. It was also recently reported that the 2016 Nigerian budget was based on an oil price of US\$38 per barrel. Currently the oil price is testing the US\$30 level. And it is generally stated that the oil price will remain at these low levels for the immediate future, given Iran returning to the oil scene, China having a lower growth scenario, and the USA pumping oil without abate. So it seems that Nigeria's woes are due to stay with them for a while. It also seems that it is the smaller entities that will be paying for the sins of the past. Hopefully the budget's focus on diversifying the Nigerian economy will bear fruit. Now is probably the time to invest in Nigeria as one would be able to pick up good deals, should one be prepared to wait for the repatriation of profits.
- **Nigeria:** Nigeria has about 12 malls to serve its population of 180 million. While malls may be struggling in the USA, in Nigeria they are just taking off. The emergence of malls and mall culture in Nigeria reflects broad trends on the continent, including a growing middle class with spending power and the rapid expansion of cities like Warri that are little known outside the region. As in America, malls in Nigeria have quickly become hangouts for the young and destinations for families. Their rarity also imbues a sense of exclusivity. Even older Nigerians who were sceptical about paying premium prices over traditional markets, saw the mall's value as a family outing. The malls provide visible confirmation that, despite the country's many problems, life has become materially better for many in recent years. Besides shops, the malls have brought leisure activities, like going to the movies and dining at food courts. Nigeria's population, which is growing and urbanizing at one of the fastest rates in the world, is expected to increase to 400 million from 180 million by 2050. However, some upper-class people still go to the market and buy their fish from the old woman on the road. The market's prices are cheaper. To some businessmen, the future lies in the mall as middle-class customers are increasing. For more information, read [here](#).
- **CAS View:** Malls in Africa have become an indication of growing prosperity. They still are a rarity in most countries. Retail companies preparing to move into Africa, need to take this into consideration. Distribution channels are crucial to get access to the consumer, and those organisations that have succeeded to develop successful routes-to-market, are in the pound seats. That is why Kellogg was prepared to pay US\$450 million for a 50% stake in Multipro (a Tolaram subsidiary), who was successful in building an extensive chain of outlets in Nigeria and the surrounding countries. In spite of the above growth in mall numbers, most retailers still have to take the "market" into consideration, as well as the size of purchases. The poor, who constitute most of Africa, for example do not buy washing powder by the kilogram, as they tend to live off US\$1.50 a day. Ignoring this and other features of the bottom of the pyramid population, are guaranteed to cause failure. But Africa is changing, slowly but surely. Its middle class is growing rapidly, albeit off a low base, as is its upper class. Therefore, malls and other signs of middle class trappings are bound to become more visible.