

African Union

- **Africa:** The annual conference of the World Economic Forum is currently taking place in Davos, Switzerland. Here are the four biggest issues they will be addressing. **1) Automation:** The theme of this year's conference is "The Fourth Industrial Revolution." Technological innovations are changing the structure of countries' economies. More workers may disappear with the arrival of mass automation. Automation increases machine productivity, and a smaller amount of capital earns a higher return. The resultant savings glut leads to a contraction in the economy. **2) China:** China's real GDP growth has slowed down to 7%, and it looks like it is taking other emerging markets with it on a downward trajectory. This will hurt domestic workers, businesspeople and investors who had all banked on faster growth. **3) Emerging Markets:** Emerging markets were slowed by a series of roadblocks in 2015. Commodity prices have slumped to a 10-year low due to China's economic slowdown. The Fed raised interest rates at the end of 2015, in turn raising the value of the dollar. Money flowed out of emerging market investments into dollar-denominated ones. **4) Brexit:** The UK is expected to vote on whether to stay or leave the EU. There is substantial uncertainty over what a Brexit would entail for the UK economy, and whether the UK would re-enter into the same trade agreements. The majority of economists surveyed by the FT believe Brexit would damage the UK's medium-term prospects. For more information, read [here](#).
- **CAS View:** Although this article in its essence deals with global issues, it is important to ask what the meaning thereof is for Africa. As for automation, whilst it is true that it will increase machine productivity and that it could bring down costs, the reality is that Africa cannot afford jobless growth. It already has high unemployment figures, where some countries have posted figures in the circa of 75% and more. More unemployment will lead to greater poverty and more social instability. It is for this reason that the president of the African Development Bank is punting for the industrialisation of agriculture where jobs will not be reduced. Automation, with the concomitant job losses, is therefore not an ideal for Africa. However, given the frequent militancy of labour in Africa, labour unions have to accept their responsibility to help with labour productivity. The impact of China's slowing growth on Africa has been debated frequently. Its reduced demand for commodities and the devaluation of the yuan has impacted those African economies that have been focusing on commodity exports as the mainstay of their economies. However, using Davos as a platform to explain its policies in a much clearer manner, China could hopefully reduce the doom and gloom that accompanies the slowing down of its economy. Thirdly, China's slow down and the impact thereof on the emerging countries is closely linked with the previous point. The Fed raising US interest rates reinforced the negatives of an already bad situation for Africa. It would be good for Africa should greater clarity on the issues be gained at Davos, and should it be accepted that Africa needs support in the form of investments to stimulate economic growth. It must be said that the Fed did give a lot of early warning about its intention to raise rates. No country therefore should have been caught off guard. Lastly, Brexit seems to be shrouded in uncertainty. Many say it will be bad for the UK and the EU, while a minority say it is not necessarily the case. It does seem the majority believe that economic growth and jobs in the UK will be the victims. Having said that, it is also pointed out that the UK could now have more freedom to engage in bilateral trade with countries with whom it currently would be problematic, given the UK's ties with the EU. It is possible that Africa could benefit from this, but mostly speaking one does get the impression that the studies on the topic have mostly concentrated on the impact thereof on the UK and the EU.
- **Africa:** The sharing economy is growing in Africa and is providing solutions to some infrastructure shortcomings, and improving access to affordable goods and services. Global on-demand brands like Airbnb and Uber are entrenching themselves across Africa. They see a goldmine of opportunity in the continent's fast growing, tech-

forward populations. Smaller local services are also catering to many niche segments. For international companies, the potential of African markets is a draw for launching services. Africa boasts a population of 1 billion, set to increase to more than 2 billion by 2050. An increasing proportion of this youthful population has disposable income, with 34% (in 2011) in the middle class bracket. There are challenges to rolling out tech-based solutions created for Western markets in African ones. Global players cite low smartphone penetration, lower connectivity rates and limited payments solutions as obstacles. Local SMEs are also riding the sharing economy wave, with many choosing to create models that serve local niche markets. The sharing economy has the potential to enhance the strengths of Africa's informal markets, but the benefits of informality must be retained. Looking forward, global and local players agree the sharing economy in Africa will have its greatest impact in the peer-to-peer space by allowing people to transact directly with each other. For more information, read [here](#).

- **CAS View:** The global trends are indeed becoming relevant for Africa as well. Africa has a culture of Ubuntu, which is about the health and wealth of the group. So sharing is nothing new for Africa. Given the differences in disposable income on the one hand, and availability of assets on the other, it is understandable why Africa is a bit behind the specific trend referred to above. But it seems that Africa is picking up on the backlog. It does have a lot to offer. Given the uptake of mobile money, Africa could tap into this technology to use for peer-to-peer transactions. This should give the uptake of sharing business models a boost. The growth in smartphone penetration and higher connectivity rates will also contribute towards the growth in the sharing economy. This all creates immense opportunities for entrepreneurs willing to get to understand Africa and tap into the market for shared opportunities.
- **Africa:** Consumer spending by a fast-growing middle class is as important a growth driver for Africa as mineral and resource demand. Industry executives rank South Africa, Nigeria, Kenya and Ghana as the most promising markets in SSA. Poor infrastructure, lack of power generation and corruption continue to pose the most risk to African economies. Despite recent growth and surging foreign investment, SSA remains a challenging frontier for many. Only 21.2% of logistics industry executives surveyed said their companies have operations there, while 12.7% said they are in the planning stages to enter African markets and more than 43% said they have no plans to set up in Africa. **The results show a serious disconnect between the perception of the market and actual opportunities.** These are some of the world's fastest-growing economies. Africa's requirement for logistics services and supply chain expertise is huge and growing every day. At the same time, many of the companies that need logistics to enter the market, don't know how to get started in Africa or aren't willing to take the risk. **The market is open for first movers who can navigate risk and nurture African talent.** For more information, read [here](#).
- **CAS View:** This survey of 1100 executives is interesting as it identifies the challenges and the opportunities for those interested in investing in Africa. What is also interesting is the assertion by the organisation that developed the index, i.e. Agility, that there was a serious disconnect between the perception of the market and actual opportunities, and that the market was open for first movers who can navigate risk and nurture African talent. This is a message CAS has been propagating consistently the past 8 months. That there are risks in Africa, cannot be denied. But the very nature and presence of the risks create opportunities in themselves. Having said that, perception is fact for the one having them. What needs to be done is to highlight the opportunities in Africa on a consistent basis in a balanced manner. Only in this way will perceptions change over time. So, Agility is doing Africa a favour by showing upon the disconnect from its perspective, and highlighting the opportunities it sees.
- **Africa:** Many macro trends affect both retailers and brand manufacturers in the consumer goods space. The success of the players in the industry is driven by its ability to understand and capitalise on these macro trends.

Global trends include health, sustainability, and an aging population. Macro trends influencing Africa retail: The biggest is the overall population growth (2 billion by 2050), with a surge in youth, an emerging middle class, and increased urbanisation. Consumers are becoming more discerning about what they buy; with information readily available, they make more informed decisions. There is increasing concern in Africa for products that are more relevant and made locally. The need for convenience such as ready-made meals, quick snacks, etc. will continue to be a key trend in the upper middleclass for many years to come. Connectivity is a huge trend impacting Africa, (word of mouth and sharing in particular). For more information, read [here](#).

- **CAS View:** As the trends of urbanisation and the growth in the middle and luxury classes continue, the need for better retail offerings increase as well. Consumers in Africa constitute a large market, frequently grouped together through the phenomena of economic trade communities, such as the EAC, SADC and ECOWAS. However, when one looks at the number of providers in this space, it is clear that Africa is underserved. Currently it is mostly South African companies such as Shoprite, Woolworths, Pick n Pay, Spar and Massmart in the food retail space that have targeted Africa beyond their own borders, whilst clothing and footwear companies such as Edcon and The Fochini Group have also moved beyond their borders. Global MNCs such as Walmart and Carrefour have also now decided to move into Africa, and they are using different strategies. Some of these moves by all the players are more successful than others. For example, it does seem that foreign groups moving into the Kenyan retail space, tend to struggle with a greenfield strategy. Multipro in Nigeria have used a franchise approach to get and support local entrepreneurs to grow the brand, which has been a very successful strategy for this Tolaram subsidiary. Taking note of the retail trends identified above is essential for any group wanting to be successful. The issue of “buying local” is to be lauded, as it helps local entrepreneurs and creates jobs for the local economy. As stated, the consumers are becoming more discerning in what they buy, and they know what they want. The prevalence of technology in all its forms, including social media, has made the world a small place.

East Africa

- **Tanzania:** The Tanzanian government has assured foreign investors of maximum cooperation and said it is committed to continue with the improvement of the business climate. It was keen to support investors in the various sectors as it regarded them as catalysts for growth and development. The government wanted to promote investments in processing and manufacturing sectors to provide a market for its abundant raw materials and boost earnings to farmers. The government supported industrial development as a key driver for sustainable economic growth. The government has stated it welcomes all investments from India and any part of the world that will add value to the locally available raw materials by setting up processing industries. The government would continue to secure favourable markets at national, regional, continental and multilateral level. India’s high commissioner to Tanzania, Mr Sandeep Arya, said Tanzania is a good place to conduct developmental projects as it has a supportive environment and policies for both internal and foreign investors. For more information, read [here](#).
- **CAS View:** Tanzania has a new president, i.e. John Magufuli. Up to now he has been seen to address wastage and general slackness in the Tanzanian government. He has been setting a good example as someone who leads from the front, and has been praised by all. Before his election, foreign investors are known to have to wait for ages to get anything done. Let us hope that these statements referred to above goes further than just window-dressing. The proof of the pudding always lies in the eating. Mr. Magufuli will be experiencing pressure to start delivering on more than just cost-cutting. He needs to start delivering on making the whole government machinery more effective. Foreign and internal investors need to feel the benefits of his rule in a tangible manner. Only then will more money start flowing into the country. Only then will the manufacturing and processing sectors be able to proceed with local beneficiation. So, Tanzania needs speed of decision making and a transparent and effective

policy environment. As it is, Tanzania has vast gas reserves that need to be managed in a way that will not lead to the resource curse we see in Angola and Nigeria. For that to happen, Magufuli needs to ensure that a business-enabling policy framework is created and implemented efficiently. The cards have been dealt. He now needs to play them! The time for symbolic gestures has passed. It is now the time for put up or shut up! The world is watching in anticipation.

West Africa

- **Nigeria**: Petrol shortages are common in Nigeria, which imports the majority of its refined fuel. Poor maintenance, corruption and mismanagement have left Nigeria's four state-owned refineries working at 5% of their capacity of 445 000 barrels of crude a day. The situation has created investment opportunities for others, including Aliko Dangote, who is building an oil refinery and petrochemical plant with capacity of 650 000 barrels a day in Lagos, scheduled for completion by early 2018. The facility, with capacity to produce 55.2 million litres of petrol daily, will produce other fuels as well as fertiliser and polymers. According to Dangote, they can produce the entire gasoline requirements of Nigeria, and also export refined products. On completion the refinery would be the fifth-biggest in the world after plants in Venezuela, South Korea and India. It would also be the world's largest single-train refinery. The Dangote refinery could earn foreign income of \$6bn a year, helping ease exchange-rate pressures. For more information, read [here](#).
- **CAS View**: Building a new privately-owned refinery of the capacity mentioned will enable Nigeria to reduce the pressure on imports of refined fuel products. This will relieve some of the pressure on its currency, create jobs, and earn foreign currency with the export of refined products. Having 4 stateowned refineries producing at 5% of capacity, is sinful. If Dangote's refinery could serve the needs of Nigeria, what will happen to the additional output should the government-owned refineries get back to full production? They will be able to export these to earn additional foreign currency. The jobs would be an added benefit, as would the increase in the general living standards of the population of Nigeria. In summary, it would enable Nigeria to escape the features of the "resource curse." The much-reduced income from oil due to the current low oil price is a source of concern though.
- **Senegal**: Senegal's leader Macky Sall, submitted a proposal to the constitutional council to limit presidents to two consecutive terms. This has put him at odds with several fellow African heads of state criticised for clinging to power. Sall, who was elected in February 2012 for a 7-year term and pledged to reduce his mandate to 5 years, has expressed his intention to submit the reform to a referendum in May 2016, which will determine whether the next presidential election will be held in 2017 or 2019. In March 2015, Sall said reducing his own mandate would set an example, making good on his election campaign pledge. "We have to understand, in Africa too, that we are able to offer an example, and that power is not an end in itself," he said. African nations where laws have been changed to the benefit of their incumbent leaders include Algeria, Angola, Chad, Djibouti and Uganda. Paul Kagame's intention to run for a third term in Rwanda following a constitutional amendment, has been criticised by both the US and EU. Burundi has experienced violence and volatility since April last year when Pierre Nkurunziza announced his intention to run for a controversial third term.. For more information, read [here](#).
- **CAS View**: CAS has in previous issues referred to this phenomenon. I have also stated that it is unfair to group Kagame and Nkurunziza together as if they represent the same traits. The reality is that although Kagame is criticized for his change in the constitution, it was done democratically. Rwanda also is a model of development relative to Burundi. Having said that, accepting such changes (to the extent that it matters as countries are sovereign) does create a precedent that it is fine to bring about such changes. Sall's statement that power is not an end in itself, is a powerful statement. It is one that quite a number of heads of state in Africa should take notice

of. Again, there are quite a number of leaders that do set examples that can be emulated. However, there are quite a number that do not. Africa is beset by so many problems. The priorities of the African Development Bank address these problem areas. What Africa needs in the implementation phase of these good plans, is leadership. We need transformational leadership! We need leaders that are servant leaders in the ilk of the great Nelson Mandela. Whilst it is so that I write regularly about this topic, it is a topic well worth writing a lot about. After all that has been said and done, whilst it is IQ that will allow for the development of good strategies, it is EQ (and the leadership that goes with it) that is desperately needed for the implementation of strategies and the governance that Africa so sorely needs!