

African Union

- **Africa:** Africa saw FDI fall by a third to \$38 billion in 2015, while global flows of FDI rose by 36%, with developed economies such as the USA and the EU showing a sharp increase. Things could've been worse for Africa but for a rebound in North Africa helped by Egypt's return as an investment attraction. Egypt saw FDI jump from \$4.3 billion in 2014 to \$6.7 billion in 2015. The overall decrease demonstrates soured investor sentiment towards Africa over the past year. The global decline in demand for commodities has hit Africa hard, as it was a significant source of FDI inflows for a lot of African countries. This has given international investors a pause, shelving expansion plans at a time of weak prices. Nigeria, South Africa and Angola, who make up 67% of Africa's economy, have not fared well. Nigeria saw its FDI drop to \$3.4 billion, a decline of 27% from 2014, due to a steep decline in oil prices. In South Africa, FDI was down by 74% to US\$1.5 billion. However, 2015 was not all gloomy. Crossborder mergers and acquisitions were up significantly, from \$5 billion in 2014 to \$20 billion this year. Interest in growth areas for the continent's economies, such as telecommunications, consumer goods and financial services, is rising. Private equity investment grew by 51% last year, with companies looking to tap into these growing areas of Africa's economies. For more information, read [here](#).
- **CAS View:** The article is accurate in that it shows that FDI to Africa has slowed down, due to the drop in commodity prices. That cannot be denied. The article spends 80% of its content on this phenomenon. And it is sad that up till now, Africa has been slack in the development of sectors that would reduce its dependence on commodity exports. Again, that cannot be denied. What actually is also sad, is that the article uses the last 2 small paragraphs to highlight the good news, i.e. cross-border M&A that increased by 300%, heightened interest in powerful growth sectors in Africa, and a very strong growth in private equity investment into Africa of 51%. The negatives of the article overshadow the positives, which is unfortunate. But then, good news seldom sells. The discerning investor, however, will definitely see the opportunities that present themselves and act accordingly. If the FDI flows (not stock) has been reduced due to lower commodity prices, Africa can hardly be blamed for that. The article refers to a souring of sentiment towards Africa. Yet the good news hidden at the bottom does go a long way to refute this statement. As it rightly should. Africa, in spite of all the bad news, still presents good opportunities. In any case, FDI tends to be cyclical and bad years are followed by good investment years.
- **Africa:** Innovation in Africa has been largely fueled by the equalizing nature of technology and mobile telephony. Africa has the highest rates of urbanisation; its poor infrastructure is now a catalyst for innovation. The mobile phone has become a game-changer for Africa. People are able to connect, get news, trade, get access to healthcare and even transfer money. One of the biggest innovations to come out of Africa is mobile money transfers, which has disrupted traditional financial models. The technology behind it has now been exported to the West. Africa is starting to see the rise of e-healthcare solutions and online education solutions, two of its biggest challenges. Africa is now seeing a trend of being technology generators rather than just adopters, and innovators from the west are moving to Africa due to an easier regulatory environment, which enables greater experimentation in the market with few competitors. Under the Africa rising narrative, in the coming years we will witness how technology can transform the way Africa works and revolutionise the continent. For more information, read [here](#).
- **CAS View:** Africa has long been seen as the adopter of foreign technology and innovations. It is good to see examples of African home-grown solutions and innovations not only serving Africa's needs, but actually having the potential to be exported to benefit non-African countries as well. CAS has referred to this phenomenon in its article in the Business Times of Singapore (read [here](#)). It is also a well known fact the Microsoft has targeted Africa with a number of projects to tap into the human capital available in a number of African countries, notably

Kenya, South Africa, and Egypt, to name but a few. Africa has indeed been compelled by its challenges to be innovative in a number of areas, and seems to be stepping up to the challenge. The agricultural sector has also benefitted with mobile applications, such as M-Farm. Fishermen in Africa also use mobile phone applications to decide where the demand is and hence where to offload their catch of the day.

- **Africa:** There is an urgent need for Africa to industrialize and it faces an imperative for structural transformation. The paradox of a rich continent with poor citizens must be addressed by urgently creating sustainable jobs that will improve the well-being of the people of Africa, especially women and youth. Africa's structural transformation agenda must be supported, in line with Agenda 2063, and there is an imperative of diversifying away from commodities-based economies. There are two critical initiatives central to ensuring that the AU's trade and Industry agenda will play a catalytic role in Africa's transformation agenda. These are initiatives related to the Africa Mining Vision as well as the Boosting Intra African Trade and fast tracking the Continental Free Trade Area. The CFTA that will create a single market for goods and services in Africa for over a billion people and a GDP of over \$3 trillion, provides a good reason to invest and partner in Africa. It could increase intra-African trade by as much as \$35 billion per year by 2022. For more information, read [here](#).
- **CAS View:** It is heartening to see that there is general consensus on what is required for Africa to deal with its challenges. The AU's understanding and priorities are aligned with those of the AfDB. A common understanding will facilitate the development of a common strategy. By developing an Africanwide approach to the mining and selling of commodities, Africa will enhance its negotiating powers – very much like OPEC. The development of the CFTA will probably take quite a bit longer to bring about. In the meantime, the regional economic communities such as the EAC, COMESA, ECOWAS and SADC are increasing regional integration, as will the TFTA, which has to be ratified by 2017. Such economic integration will go a long way towards the eventual creation of an African Union along the lines of an European Union. Any further integration beyond the status quo will provide a boost to the very low level of inter-Africa trade of 12% of total trade, which is unacceptably low. Hopefully all Africa's countries will come to realise that in economic matters, either they stick together or they will hang separately!

East Africa

- **Ethiopia:** Currently, conference tourism is regarded as an essential part of tourism that brings significant returns. Ethiopia, like the rest of world, is making an effort to develop a conference industry. Although Africa's global market share in the meeting industry stands at a little over 3%, more countries in Africa are continuing to attract major international meetings. Ethiopia is currently preparing to host MICE (Meetings, Incentives, Conference and Exhibition), which organized prominent groups and stakeholders around the globe. More than 500 international event organizers, travel agents, and destination management companies, hosted buyers, airlines, conferences and hotels, international booking operators, professional conference organizers are expected to participate in the MICE Expo and Forum. Corporate and event planners, loyalty program innovators, government support authorities, travel and event planners and MICE business professionals will also come to the three-day forum starting March 17, 2016. Currently MICE generates over a billion dollar annually. Most such international meetings are held in Addis Ababa; however, efforts are underway to expand conference tourism to regional towns. Conference participants stay in Ethiopia for 6 days and spend US\$121 daily on average for accommodation, shopping and other services. In 2011, Ethiopia earned over US\$39 million from conference tourism. For more information, read [here](#).

- **CAS View:** The importance of tourism to a country's economy is undeniable. Tourism creates jobs in the tertiary sector, and also encourages growth in the primary and secondary sectors of industry. This is known as the multiplier effect. Ethiopia already has one of the most, if not the most, efficient airlines in Africa that brings in tourists. It has also engaged with several global upper class hotel groups to develop hotels in Ethiopia. Ethiopia does not have the commodities of other countries such as Angola or Nigeria, or even Kenya, Uganda and Tanzania. It has embarked upon the development of its manufacturing sector, without ignoring the need to industrialise its agricultural sector. This drive to develop its tertiary sector by tapping into the benefits of tourism, will benefit the whole economy through the creation of jobs and business opportunities both upstream and downstream in the value chain.
- **Tanzania:** In East Africa, \$411.372 million has been earmarked for biogas plants by the governments of Tanzania, Netherlands and Norway. The funds are for the implementation of a two-year Tanzania Domestic Biogas Project (TDBP) aimed at rural communities across the country. TDBP is targeting to design, build and install 10,000 biogas plants by the end of 2017. TDBP has since 2009 built over 12,000 biogas plants across the country, benefitting 70,000 people. The biogas technology could have a radical improvement on the economic lives of rural inhabitants. Cow dung provides energy for house lighting and cooking, as well as repellents for mosquitoes and other harmful insects. Once processed in the biogas plant, cow dung can be used to feed other domesticated animals. Rural communities were encouraged to buy the plant at \$110 through a facilitated discount. A Biogas Credit Revolving Fund (BCRF) will offer soft loans for dairy farmers in the region to acquire biogas plants. By launching the BCRF, the dairy farmers in the region will have a double advantage. It gives a perfect development financing model for disadvantaged farmers and peasants in the country. For more information, read [here](#).
- **CAS View:** CAS is delighted to see this development on this scale. In South Africa at the Sustainability Institute associated with the University of Stellenbosch, they have built a small village based on the principle of sustainability, and where they use biogas from human refuse for cooking. It demonstrates the principle and attracts quite a number of visitors. This project in Tanzania is on a scale that is really impressive and goes a long way to serve in the needs of the rural inhabitants. It is the likes of cattle farmers (actually all people who own cattle) who will benefit the most from this model with its very low operating costs. Ideally it should be run out in all areas of Africa where there are sizeable cattle herds. It should also be adapted to use human refuse, as is the case in South Africa. Not only do people now get access to energy in a cheap and sustainable manner, but it reduces the need for coal-fired electricity, which has other benefits for the climate as well. It also reduces the need to chop down trees for firewood for cooking purposes, with all the benefits associated with that. More information on the Sustainability Institute in South Africa, can be found at this link [here](#).

West Africa

- **Guinea:** The fourth, technology-driven industrial revolution offers huge opportunities to developing countries. The speed of change in innovation allows them to confront some of their biggest problems faster and more efficient than before. Things western countries take for granted, like street lighting or power, are too often luxuries in developing countries. Rapidly changing technology also means emerging nations can make better choices about how they develop. They don't need to repeat the mistakes of previous industrial revolutions, but can leapfrog older technologies to bring about real change. Guinea is introducing clean energy technologies into their main cities and countryside to bring light to streets and homes, and power schools and local health centres throughout Guinea. So technology presents enormous opportunities for change. But, with huge possibilities come huge expectations – particularly from the young. Africa's leaders must ensure the hopes this technology inspires, can bring benefits to all its people, not just the few. For more information, read [here](#).

- **CAS View:** In spite of the danger the Fourth Industrial Revolution presents to countries with high unemployment due to the potential of automation and the job losses that accompanies it, the President of Guinea spells out how developing countries with current inadequate infrastructure can benefit from this technology-driven revolution. The lives of millions of people on the African continent can be improved upon. Their electricity needs can be met through clean energy such as solar and hydro energy. What is important to note is that the aspirations of the youth must not be dashed. They will want more than just tokens of development. As it is, Africa is currently losing thousands of its people as migrants to Europe, amongst others. Frequently it is the people who have the skills to make a living elsewhere that leave, people Africa would not want to lose. What is also good to note, is President Conde's remarks that they will not repeat the mistakes of the West in the previous industrial revolutions, but will leapfrog older technologies. Africa needs a lot of change, and it seems that Africa's leaders realise this. Their willingness to embrace new technology and apply it within the African context brings hope for the future of Africa.

Southern Africa

- **South Africa:** Mining companies have been in survival mode, given the slump in commodity prices and demand. Adding to the price pressure is the slowdown of China's economy. The commodities slump has hit SA particularly hard, with the impact exacerbated by local factors such as government's interventions in the mining sector, labour instability and erratic power supply. This precarious environment is set to see distressed miners emerge, not only in SA, but globally, paving the way for an uptick in mergers and acquisitions (M&A) activity. 2015 was a record-breaking year for deal flow. Some companies are in significant distress and that will drive the M&A activity. Glencore has suffered more than most, with its shares losing a third of their value in September. Glencore's counterparts have fared only marginally better, given that the market values of Anglo-American, BHP Billiton and Rio Tinto have also suffered steep declines. Mining companies (those in a better financial position) looking to pick up assets, might rate the timing as good and take a long-term view for their investments. Players tipped to conclude deals are largely private equity funds, and Chinese and Middle Eastern sovereign entities. For more information, read [here](#).
- **CAS View:** The phenomenon of smaller companies being acquired during bad times is not restricted to the mining industry, but happens whenever the supply exceeds demand and profitability takes a knock. This frequently happens when too many players clutter the industry, which is the case whenever industry conditions change, or too many players think there is a lot of money to be made in the industry. South Africa's mining industry has indeed been hit hard by not only the drop in commodity prices, but also by local factors such as labour unrest and statements by politicians (not the government) on issues such as nationalisation. The situation does lend itself to larger players acquiring smaller ones, as well as external parties deciding to move into the mining industry. It is sad to see the extent to which Anglo has fallen by the wayside the past 2 decades. It is looking now of ridding itself of about two thirds of its employees, and a considerable number of its subsidiaries. Its market capitalization has decreased to such an extent it is actually a bit humiliating. Anglo sold off Mondi a few years ago. Currently Mondi's market cap on the LSE is GBP5.6 billion, against the market cap of Anglo of GBP3.56 billion. As recently as 18 February 2015, Anglo traded at 1259p on the LSE against 253.75p on 27 January 2016. Glencore has been hit as hard. It does therefore seem that the mining giants of yesteryear are in some trouble, and bargains could be had for those with a long-term vision associated with growth in the mining sector.