

## African Union

- **Africa:** Africa's infrastructure gap sits at \$93 billion annually, and reduces productivity by 40%. With low commodity prices, high debt levels, slowing emerging market growth and a slowdown of Chinese investment abroad, one could be forgiven for thinking that African infrastructure players are shelving their plans. This does not seem to be the case. With Africa's emerging demographic dividend, as China's workforce begins to shrink, there has never been a better — or more important — time to invest in African infrastructure. The overriding question is how to finance these projects. Given the scale and complexity of the projects, close co-operation and co-investment on the parts of governments, the private sector, and multilateral organisations are required. Development finance institutions, export credit agencies and sovereign wealth funds are more active than ever in supporting large scale infrastructure projects that have positive economic, social and environmental benefits. Investors need not abandon plans to invest in African infrastructure. Bold thinking and strategy, coupled with an understanding of how to harness domestic and international goodwill, can bring the projects underpinning Africa's future to completion. For more information, read [here](#).
- **CAS View:** The article touches upon the complexities involved with financing infrastructure in Africa. There is a massive financing need. CAS has referred in earlier newsletters to sources such as bonds, and FDI injections. CAS is highly appreciative of the sentiment expressed above that the best time to invest in African infrastructure is right now. Massive projects in for example road infrastructure, city development, energy and water are required. Institutions such as the Continental Business Network have been created as a high-level advocacy and investment platform for increased private sector participation in PIDA (Programme for Infrastructure Development in Africa) financing/investment and implementation. It also acts as a forum for addressing challenges and opportunities relating to the development of Africa's infrastructure. Africa will need this type of guidance and governance in order to deal with its infrastructure requirements. Of the recently accepted 17 Sustainable Development Goals, at least 4 (SDG 6, 7, 9 and 11) deal directly and indirectly with infrastructure. Singaporean players in infrastructure development in Africa include Surbana Jurong, Hyflux, SCE, and Pavilion Energy, to name but a few.
- **Africa:** Delegates from Kenya and Nigeria discussed the possibility of a duty-free zone for the importing and exporting of goods between the regions in the hope of opening up trade in Africa. Trade officials from Kenya and Nigeria have pledged to set up focal points in both countries where investors will access data on investment and trade opportunities. Sani Dangote, Group VP at Dangote Industries, stated the focus should be on providing some bilateral agreement between the two countries to create a kind of duty-free zone, whereby goods manufactured in Nigeria can come into Kenya duty-free, and vice versa, and not on Nigeria's ban list. President Buhari referred to the diversification of Africa's focus, prioritising agriculture, manufacturing, and infrastructure development. Kenya's President Kenyatta was "excited" to hear what Dangote had to say and stated they would see how they could come to an agreement between Kenya and Nigeria that would drive the merging of East and West. For more information, read [here](#).
- **CAS View:** Regional integration has been punted by various commentators as part of the solution to Africa's poor inter-Africa trade (currently at approximately 12%). As it is, the various regional economic communities have varying degrees of success, with the EAC seen to be the more successful amongst the current players. The TFTA, signed in June 2015 and still to be ratified, will create a 26 country free trade area. It will increase the extent of inter-Africa trade to 30%. The creation of a duty-free zone between Nigeria and Kenya, the two powerhouses in West and East Africa respectively, will create a lot of impetus to bring about the TFTA. It will obviously also

stimulate the economies of both these countries. Buhari's three priorities cannot be faulted, as it would help Nigeria to move away from a dependence on oil. They are also aligned with the priorities of the African Development Bank.

## East Africa

- **Ethiopia:** The Ethiopian Electric Utility (EEU) CEO, Gosaye Mengistie Abayneh, said Ethiopia plans to become the leading power exporter in Africa. The EEU's vision is to interconnect the entire network in the African continent and beyond. Abayneh highlighted that the power interconnection between Ethiopia and Djibouti has a big impact beyond interconnectivity. The EEU has also recently achieved an agreement with countries such as Uganda, Rwanda, Burundi and Tanzania to interconnect with infrastructure, including electric power. He also gave an update on the Ethiopia and Kenya affiliation, explaining that the development is progressing well as the highway and the transmission line are under construction. Once they finish the Ethiopia-Kenya Transmission Line, they can interconnect with Tanzania and beyond, followed by the interconnection with the Southern African Power Pool. They can also reach northern Africa through Sudan and Egypt. The Ethiopian government is planning to develop a middle-income country by the year 2025, where electricity is a major player and the driver of socio-economic development. He encouraged private investors, stating that there are good opportunities for investment in the power sector. For more information, read [here](#).
- **CAS View:** Power is a major issue in Africa. As stated numerous times by the AfDB, about 625 million people in Africa go without electricity. Quite a number of countries have problems with electricity, which is hampering the development of their industrialisation efforts. South Africa has experienced quite a number of problems in this regard, as did Zimbabwe, who recently had to request support from South Africa's Eskom. Ethiopia's vision in this regard is laudable. One has to understand the focus is on the interconnectivity and not the supply of the power. Africa is in dire need of such an integrated network, which would allow for a far more efficient transmission of power from the sources of generation. Currently high potential generation opportunities are not utilised to their full potential precisely due to this lack of an integrated transmission network. The obvious question is why the other more developed countries have not embarked upon such a mission, and is apparently leaving it to a small economy such as Ethiopia to deliver upon a project of such a magnitude? It will be interesting to see how this project will be financed, and to what extent the private sector will be allowed to become involved. It seems Ethiopia is quite willing to punch above its weight. The report by ISS that CAS referred to late last year, which identified Ethiopia as one of the the 2 main Big Five players in Africa over the next 25 years, is gaining momentum with this kind of development. This report can be accessed [here](#).
- **Rwanda:** The Fourth Industrial Revolution is likely to shape the socio-economic development of Rwanda. The Minister for Youth and ICT, Jean Philbert Nsengimana, states that the era will see development in all sectors in the country. The Smart Rwanda master plan had foreseen and factored in the impacts of the coming era, and has 3 key focus areas; business and innovation, national economic digital transformation to facilitate other sectors adopt ICT, and future planning focusing on research and development. The research and development aspect specifically focuses on 'disruptive' technology that will characterise the Fourth Industrial Revolution. Cyber security, big data analytics, 3D printing, Internet of things and creative economies all feature in the Master Plan. Rwanda had already started to make investments in infrastructure, technical and human capacities in readiness, e.g. the Kigali Innovation City project. In order to deal with the risks, the minister urged Rwandans to have the right mindset and plan properly. Nsengimana said Rwanda and the entire continent would be cushioned from negative effects by going beyond consumption of technology, as has been the trend to production. Adjustments would be made in education and skills enhancement to ensure that Rwandans were ready for the transition.

Stakeholders in the ICT sector and other sectors of the economy say that Rwanda has already laid the foundation for the new era through investments in infrastructure, regulation and an enabling environment. President Paul Kagame said rather than being afraid of the future, concern should be on how to make the most of technology to solve challenges and improve productivity. For more information, read [here](#).

- **CAS View:** Rwanda's approach to the Fourth Industrial Revolution teaches us a few lessons. They were firstly prepared for the new era by identifying the trends and planning for it. They realised the need to educate their people in order to be ready and productive for the new era. All sectors were involved and planning took an integrated approach. Overall alignment was created by means of the Smart Rwanda master plan. Fears of the risks were dealt with by identifying them and developing interventions to mitigate them. Overall they embraced the new era instead of trying to protect the country against the impact thereof. President Kagame's future orientation accepts factors over which they have no control, and adapts to them by planning for the future with technology as a major factor. The obvious question that goes begging is how many of Africa's countries are at the same state of readiness as Rwanda? How many have a Smart Rwanda master plan and an Innovation City project as the culmination of their infrastructure, technical and human capacity development approach? Indeed, that question could be asked from many countries outside of Africa as well. CAS believes Rwanda is setting an example worth emulating. President Kagame and his cabinet deserve a round of applause.

## West Africa

- **Senegal:** Kosmos Energy said Wednesday that it has made a significant gas discovery in offshore Senegal. The well encountered 331 feet of net gas pay in "two excellent quality reservoirs," with no water encountered. Kosmos added that it entered into a MoU with Senegal's Pétroles du Sénégal (Petrosen) and Mauritania's Société Mauritanienne Des Hydrocarbures et de Patrimoine Minier (SMHPM) that sets out the principles for an intergovernmental cooperation agreement for the development of the cross-border Greater Tortue resource. The MOU enables Kosmos and the two governments to work together toward early development of the field. The well confirms the presence of a world class gas resource that extends into both Senegal and Mauritania. With the support of both governments, the initial gas development is gaining momentum. For more information, read [here](#). In addition, Cairn Energy plc announced Monday that it has flowed oil from the SNE-2 appraisal well offshore Senegal. Cairn Energy CEO Simon Thomson commented: "We are delighted with the results of the SNE-2 well and in particular the well tests, which are significant in demonstrating the ability of the reservoirs to flow at commercially viable rates. We now eagerly look forward to the results of the SNE-3 well." The BEL-1 exploration well will commence operations between the first and second quarter of 2016, testing the Bellatrix prospect in the process. This appraisal well will evaluate the northern part of the SNE field. For more information, read [here](#).
- **CAS View:** Africa has been discovering oil and gas in a number of countries outside of the traditional countries such as Nigeria, Angola, and the Ivory Coast. Recently the focus has been on gas and oil discoveries in East Africa. These latest discoveries of both gas and oil on the West African coast will hopefully give Senegal's economy a welcome boost. Ideally Senegal will plan from the start to not remain a commodity exporter, but to become a beneficiator and thereby stimulate the local job market. The last thing that it needs is to be caught in a commodity trap like Nigeria and Angola. If the oil and gas findings are dealt with properly, the industrialisation of Senegal's economy will progress nicely, and its manufacturing sector draw in currently unemployed people (13.4% unemployment rate). Its GDP of US\$16 billion (Dec 2014) and its GDP per capita (PPP) of US\$2206 will increase, to the benefit of the people of Senegal and its business community. The balance of payments and current account deficits should become less of a problem. Senegal is fortunate to have President Macky Sall at the helm, to steer this ship in the right direction with excellent governance. CAS believes this country will, should it deliver the same

kind of leader, become a player in Africa worth keeping an eye on as far as investments are concerned. It should become home to more FDI projects that are currently the case.

## Southern Africa

- **South Africa:** Pres. Zuma's about-turn about paying back some of the R250 million for the "security" upgrades at his Nkandla homestead, should boost investor confidence, says prof. Steven Friedman, director of the Institute for Democracy. The Public Protector (PP) found that save for five features, Zuma did not benefit personally from the upgrades. He has so far refused to pay anything. In reaction, the DA and EFF challenged Zuma's actions in the Constitutional Court as being unconstitutional parallel processes to that contained in the PP's report. This case will be heard on February 9. Friedman said Zuma most likely got advice from his legal team that his chances of winning the case were slim – hence he tried to settle. Zuma is definitely on the back foot, but he is not acting on his own, and is part of a faction within the ANC. This faction got a bloody nose in December when Zuma fired former finance minister Nene, appointed Des van Rooyen in his place, and was forced to replace Van Rooyen with trusted former finance minister Gordhan. Investors at the time misread the situation, Friedman says. "It is not about what it means for Zuma's future, but about the system. It shows the system works", he says. Zuma has been forced to pay back the money after previously saying publicly that he won't. It should give investors comfort that a politician cannot do whatever he wants. For more information, read [here](#).
- **CAS View:** The Nkandla case has been a sad story for South Africa. It has reached the press all over the world. I remember an article in a British newspaper questioning why the UK was providing aid to the tune of GBP17 million for HIV/Aids when the president of South Africa was having a GBP19 million upgrade to his private homestead on taxpayers' money. It was equally sad when a cabinet minister felt it OK to tell the world and the South African taxpayers and poor people that the pool was not a swimming pool, but actually a fire pool, expecting adults to believe this. CAS agrees with Friedman that Zuma had no other option but to offer to pay. This after probably millions in legal fees over the duration of the case. When the quantum of the "security upgrades" and the legal fees are taken into consideration, the question goes begging as to how much poverty alleviation could have been brought about with this amount! It is, however, also good to hear Friedman's perspective that the system has prevailed and has shown that politicians cannot do as they want in South Africa, and that this is good news for investors – the rule of law shall prevail. His advice to the EFF is also sound, i.e. that disruptions in Parliament will not bring about the change they want, but that the use of legal remedies is the way to go. Overall it does appear that Zuma's power is on the wane. South Africa can only hope for a leader in the ilk of a John Magufuli and others like him. Make no mistake; there are leaders like that in South Africa!
- **South Africa:** Since 2008, SA's economy has slowed down to a crawl. McKinsey recommends reigniting the country's economic progress by focusing on 5 opportunities, which could by 2030 increase GDP growth by a total of 1.1% per year, adding \$87 billion to annual GDP and creating 3.4 million new jobs. **1) Advanced manufacturing.** SA must develop a globally competitive manufacturing hub focused on high-value-added categories such as automotive, industrial machinery and equipment, and chemicals. **2) Infrastructure productivity.** A partnership between the public and private sectors could make infrastructure spending up to 40% more productive. **3) Natural gas.** SA's electricity shortage has constrained growth, with another shortfall projected between 2025 and 2030. Natural-gas plants can diversify the power supply and provide up to 20 gigawatts by 2030. **4) Service exports.** SA's service businesses must ramp up exports to increase its current market share of 2% of SSA's market for service imports (\$38 billion). Government can help by promoting regional trade deals. **5) Raw and processed agricultural exports.** With consumption rising in markets in SSA and Asia, SA could triple its agricultural exports by 2030. This will require a bold national agriculture plan to ramp up production, productivity, and agro-processing.

To become more globally competitive, SA will require business and government to come together in a new partnership characterized by shared vision, collaboration, and trust. For more information, read [here](#).

- **CAS View:** South Africa's economy is in dire need of an injection of some sorts to get it up and running. The partnership between government and business referred to by McKinsey is a crucial part, as is policy certainty. The lack of skilled labour is a constraint that needs to be dealt with as a point of urgency, as are the aggressive and politicized labour unions. The reality is that while SA still represents the most sophisticated economy in Africa, it is slipping in the rankings. Egypt's economy is growing much faster than that of South Africa. The next year or 2 will be a crucial period for South Africa. McKinsey's suggestions above do have the potential to ignite the flame of South Africa's economic recovery. However, whilst it is easy to develop plans such as above, getting countries to implement them in a coherent and purposeful manner is much more difficult. For that to happen, there needs to be alignment between the goals of government and business. Somehow South Africa seems to be struggling with that. With an economy forecast to grow at 0.9%, however, South Africa does not have the luxury of sitting back and waiting for better days. Business confidence is waning, which is curtailing investment, and subsequently economic growth. Someone somewhere needs to get off his/her butt and do something meaningful. The ingredients are there. All that is required is the right chef!