

African Union

- **Africa:** Rwanda produced three times as much grain in 2014 than in 2000; maize production jumped sevenfold; and cereal production tripled in Ethiopia between 2000 and 2014. The value of crops in Cameroon, Ghana and Zambia has risen by at least 50% in the past decade. Millions of African farmers have become more secure and better-fed as a result of better-managed, better-fertilised crops grown from hybrid seeds. They are demonstrating that small farmers can benefit from improved techniques. As only 4% of arable land in SSA is irrigated, local weather patterns determine what can be grown. Farmers stick with hardy but low-yielding crop varieties. Humans have added handicaps: taxes, inappropriate infrastructure, price controls, corruption; and oppressive command-and-control regimes that sap the will of workers to work. For farmers, perhaps the most potent symbol of change is hybrid seed, many of which are being developed in Africa for Africans. Land is rare, so farmers must grow more on each plot. Tariffs and barriers are gradually coming down. Peace and health is increasing productivity. Mobile phones help farmers to get price data and reduce their vulnerability to traders. Better rural roads and phones, better crop storage facilities, and better livestock are required. African agriculture is a business, and it is as a business that it will grow. For more information, read [here](#).
- **CAS View:** Africa's agricultural sector must be seen as a business, as the article rightly points out. There are many challenges in the form of insufficient water and the factors shown above. Governments must make the feeding of its people a priority. CAS has frequently shown upon the fact that various countries have the potential to feed Africa, but then still are incapable of feeding their own population. This must be stopped. In spite of the increase in productivity referred to above, Africa's food exports are still pitiful relative to some ASEAN members, such as Thailand, for example. The drive of the AfDB to industrialise agriculture must gain momentum. The article has identified various risks, but has shown how they can be mitigated. There is a positive momentum building up, and whilst still inadequate, it is worthwhile supporting to achieve a critical mass. Not only will this help to feed Africa, and even large parts of the world, but will it also increase the standard of living in Africa. This phenomenon is already clear, with the middle class growing strongly (albeit from a low base). The structure of the African economies will therefore change to become more services oriented as far as employment opportunities are concerned, but this will still take a few years (decades?) to achieve. As mentioned in previous editions, getting Africa's agricultural sector fully functioning is a stated priority of the president of the AfDB, Akinwumi Adesina. He must be supported in this endeavour.
- **Africa:** The 'Africa rising' business paradigm is under pressure due to plummeting oil prices and economic pressure globally, with many businesses shifting focus to their local operations. There is, however, still immense potential for business growth in Africa, but companies have to get it right the first time. Having a sound understanding of the needs, preferences and perceptions of consumers within a product category may not be enough to guarantee success. Companies must properly research both the market supply and market demand sides of their businesses, across many different markets and product types. Woolworths pulled out of Nigeria in 2013 due to high rental costs and duties and a complex supply chain. Shoprite managed to build a fluid and sustainable supply chain to achieve success, sourcing 76% of its products from local suppliers. This and other examples are evidence that creating the demand for goods, may not result in sales for reasons mentioned above. In Africa each region needs to be carefully researched and understood before entering a market. One of the most innovative and successful approaches is to map the supply and demand cycle in its entirety and identify where current or potential blockages exist. For more information, read [here](#).

- **CAS View:** Various commentators have made the point that although the “Africa Rising” paradigm was under pressure, it by no means meant that the opportunities have dried up. This article goes a bit further by actually providing a strategy to deal with the issues companies in Africa are confronted with. Given the state of the road and rail infrastructure, as well as problems at some of the ports (all which are business opportunities in their own right), it makes sense to plan for a more efficient supply side. The example of two South African retailers in Nigeria, the one being successful and the other not, clearly demonstrates this. Kellogg, it seems, also understands this principle quite well. In order to get access to the demand side of the market, they had to have an efficient supply chain. This is why they paid good money to Tolaram to get access to West and Central Africa. So there is a caveat in dealing with Africa: do your homework, understand the market, and get your supply chains up and running in as an efficient way as possible. And do it right the first time! Distribution is the name of the game!
- **Africa:** According to PwC, Africa’s long-term outlook as a consumer market remains positive. GDP growth, population growth and urbanisation represent a “compelling case” for retail and consumer companies to continue to expand and look for opportunities in SSA. PwC analysed 10 African economies offering appealing opportunities for retail and consumer businesses looking to expand in Angola, Cameroon, Ethiopia, Ghana, Cote d’Ivoire, Kenya, Nigeria, South Africa, Tanzania and Zambia. Encouraging economic growth rates are predicted for 2016 and beyond. A growing middle class is on the rise and with it, internet usage, private health care, formal retail and car and property ownership. Standard Bank research says that 15-million households have a consumption base of about \$5,500 a year in 2014, which will grow to over 40-million people in SSA by 2030. Improvements in democracy, in governance and reduction of red tape make it easier to work across borders. However, governments need to increase social expenditure and wages in the public sector. Africa retailers will need to focus their efforts on operational efficiency and manage the effect on their operations of volatile currencies. EY Africa said the African opportunity is real and there remains a window to act. For more information, read [here](#).
- **CAS View:** Here are 2 articles by different commentators and research houses making the same basic point: Africa still provides a lot of opportunity! In spite of the oil price implosion, the severe drop in the prices of commodities, and the slowdown in China’s economy, with all the concomitant negative implications for Africa, CAS has always been clear that there still are a number of good opportunities for investors in Africa. This view is supported by PwC and EY Africa in the article above. They have also been quite clear as to possible areas of opportunity. This by no means wants to convey that there are no risks! Cost consciousness and a very clear picture of the nature of demand and the supply chain requirements are essential ingredients of a successful recipe for success in Africa. CAS also supports the position of EY as to the existence of a window of opportunity. Earlier issues of Friday@Noon have indicated the increase of merger and acquisition and PE activity in Africa. Potential investors might find the window closed should they take too long to act!
- **Africa:** Chinese telecommunications giant Huawei plans to develop more national broadband networks and sell more smartphones across Africa. More than 70% of the several dozen available commercial 4G networks in Africa are built by Huawei. Huawei employs about 10,000 people across its Africa operations, with an emphasis on local hires. It has also established several training centres in South Africa, Egypt, Tunisia and Angola among others, focused on technology development. The company’s influence on connectivity in Africa is already substantial. For Huawei, building out broadband capacity is as fundamental to improving the business environment in Africa as better roads. Increasing broadband penetration directly contributes to creating better business opportunities for start-ups and companies all over Africa. Across Africa, smartphone sales are expected to rise to 120 million annually by 2020. While Huawei has been in Africa for nearly two decades, the company’s global profile as a

smartphone manufacturer is a recent phenomenon. Huawei sees Africa as a key destination for its latest consumer technology. Huawei sees every country as different, and they work together with local partners to ensure that they adapt to each country's circumstance. For more information, read [here](#).

- **CAS View:** Huawei has been making serious inroads in Africa's market for cheaper mobile phones. Given the use of mobile phones to gain access to the Internet, and to get access to financial services, mobile phones have become an important piece of equipment in the world of business. This is equally true for access to broadband, as without this, there will be no e-commerce, etc. Huawei's infrastructure development, employment creation and training interventions show they are in Africa for the long haul. Their strategy to work with local partners must be seen in a positive light, as local partners understand the market needs and wants and the routes to market, as well as the regulatory framework. Given the potential for reputation risk and compliance risk when you work with partners, it will pay investors well to do proper due diligences on their prospective partners. Failure to do so could become a costly exercise.
- **Africa:** Africa is home to a growing number of its own animators. This nascent industry is proving to be popular across Africa and is beginning to make global inroads. Triggerfish Animation Studios is one of Africa's pioneering animation outfits. It has made headway in bringing African animation to global audiences. Two films produced by them have been distributed in more than 150 countries and dubbed into more than 27 languages, demonstrating the global appeal of South African animated features. Africa's animation space can boom and achieve popularity worldwide because the medium has a unique ability to transcend cultural and linguistic barriers. In East Africa, Tanzania's Ubongo Kids uses animation to promote mathematics and science learning for children, with significant success. The concept can be expanded to other subjects such as civic engagement and health awareness programmes. There are challenges hindering the growth of Africa's animation industry, such as insufficient funding, very little commissioning or co-production of content by TV stations, insufficient training, insufficient resources for the necessary materials and equipment, and difficulties in marketing successfully created content. For more information, read [here](#).
- **CAS View:** The movie industry is not that well developed in Africa, in spite of Nollywood (Nigeria) being the second largest movie industry in the world. Whilst the popularity of animation is still limited, and the challenges plentiful, in itself these challenges provide opportunities. One must be careful not to see an opportunity in every challenge, but the nature of these specific challenges are such that they do indeed pose opportunities. Funding, training and marketing skills are easily dealt with for those who have this capacity. It is somewhat shameful that local TV stations tend to be reticent when it comes to commissioning local productions. The fact that animation is being used for educational purposes should provide a stimulus for government departments in Africa to support this fledgling industry. In addition to better educated students and scholars, the economy as a whole will eventually benefit from such support.

East Africa

- **East Africa:** A joint real-time transit cargo monitoring scheme by Kenya, Uganda and Rwanda will kick off by June to help curb dumping and theft of goods. The Electronic Cargo Tracking System (ECTS) comprises satellites, a monitoring centre and special electronic seals fitted on cargo containers and trucks, which give the precise location of goods in real time. The system triggers an alarm whenever there is diversion from the designated route, an unusually long stopover or when someone attempts to open a container. The implication is that goods cannot disappear in anyone's territory. Rapid response teams will intervene swiftly. Besides curbing theft of cargo,

the system also helps to seal loopholes that cause the states losses in revenue through suspected under-declaration of the value of exports. The three northern corridor countries will use one system and one platform, with seamless visibility from Mombasa to Kigali and eventually Juba. South Sudan is also expected to come on board soon. All importers, exporters, clearing agents and transporters conveying goods under customs control are required to install the ECTS, phasing out tamper-prone seals. For more information, read [here](#).

- **CAS View:** Africa has been prone to difficulties in managing supply chains. Companies that have been successful in supply chain management have been few and far between. Elsewhere in this issue, CAS has commented on the need for improved supply management and problems in this regard. It is therefore heartening to see East African countries utilising technology to monitor the movement of cargo, and also addressing the issue of dumping at prices below fair market value. This provides peace of mind for large retailers that have expanded their footprint in Africa, as well as for governments that have been losing out on duties and tariffs due to dumping practices. Obviously the latter also benefits local producers, which has a ripple effect throughout the economy with eventually local consumers getting to support local producers without having to pay higher prices.

West Africa

- **Gabon:** The president of Gabon addressed diversifying Gabon's economy away from oil and gas to other sectors such as mining and manufacturing, partly to reduce Gabon's import dependence. In Gabon, this dependence is higher than most. Currently 85% of food consumed by the population of 1.8 million is imported. To remedy this, president Bongo points to agribusiness schemes his government is pushing, which includes a plan to develop 200,00 hectares of agricultural land in the next 5 years to supply domestic demand. Gabon has partnered with Singapore-based Olam to develop rubber plantations in a \$400m investment. Timber exports are also projected to reach around \$500m by 2017. A new mining code was put in place in 2015 to attract foreign investors. While experts agree that diversification has gained some traction, Gabon remains vulnerable to external shocks, such as the fall in world prices for commodity exports. Oil constitutes more than half of Gabon's revenues and around 80% of its exports. Gabon, the fifth largest African oil producer, has weathered the storm relatively well compared to others in the region. Others are sceptical of the sincerity of the Bongo administration's economic diversification agenda as most Gabonese still live below the poverty line. When pressed as to why development has not trickled down, the president states they are reducing it [corruption] by increasing possibilities for people to invest and to create more jobs. For more information, read [here](#).
- **CAS View:** Gabon is one of Africa's richest countries on a population size basis. It has a GDP per capita PPP of US\$17912 (Dec 2014). It also has a positive Current Account to GDP ratio of 12.23%, and a relatively low Government Debt to GDP of 27.7%. However, it ranks number 99 on the global corruption index. This explains the statement in the article that "most Gabonese still live below the poverty line." Given its wealth and its small population, all its people should be relatively wealthy. Hopefully the investment by foreign companies will increase the standard of living of the workers of Gabon, as well as increase the number of employed (Dec 2014 unemployment rate is 16%).