

African Union

- **Africa:** Liberia's recent announcement that a private American firm could be taking over public education, is part of a bigger trend. Three decades after economic liberalisation began, spearheaded by the IMF, World Bank and other creditor institutions, privatisation in Africa remains controversial. It was intended to cut public sector inefficiency and waste, provide greater scope to the private sector, attract more investment, bring in new technology and revive economic growth. World Bank loans or credits were frequently partly conditional on privatising state enterprises. Such conditions provoked resentment from African governments and fed a view that privatisation is basically creditor-driven, or a form of "recolonisation." For privatisation, the clear successes have been in telecommunications, private radio and television stations. Africa's railways have also recently been extensively privatised. African countries have also attempted to privatise their ports. The result has been improved efficiency, largely because of better management and technology. Water, however, seems to be a problematic sector. 180 cities and towns in 35 countries, have all "re-municipalised" their water systems in the past decade. For more information, read [here](#).
- **CAS View:** CAS recently reported on the possible privatisation of SOEs in South Africa, where major SOEs were being run into the ground due to inefficient management by government departments. It therefore seems that merely privatising SOEs was not sufficient, but care had to be taken to whom it would be privatised to. The process has to be transparent and performance-driven criteria have to be upper-most in the criteria for the allocation of the contracts. Good governance structures must be put into place to ensure that objectives are achieved and the goods are delivered. The fact that water had to be "re-municipalised" is a clear indication that technically competent partners were not elected and that the contract most probably went to organisations where rent-seeking behaviour was the driving force. There are so many clear opportunities for corporations with the necessary competencies to add value! It is quite possible to privatise SOEs without losing local job opportunities on the one hand, and still generate good revenue and achieve the objectives on the other. CAS has been quite vocal on its views of the benefits that SOEs in Singapore can provide governments in Africa. Africa's governments can hardly do better should they approach Singapore and can definitely do worse (and have done so, it seems)!
- **Africa:** Africa's pattern of exports makes it particularly vulnerable to commodity price shocks. Manufactured goods constituted only 16% of Africa's total exports in 2010-14. In 2013, the average share of manufacturing in GDP in SSA was about 10%, half of what would be expected from the region's level of development. Manufacturing output per person was about a third of the average for all developing countries, and manufactured exports per person are about 10% of the global average for low-income countries. Solutions to overcome Africa's manufacturing deficit are not as simple as advocating structural reforms and more electrical power. The World Bank's proposal to Africa's continued vulnerability to commodities, "creating the conditions for a more competitive manufacturing sector," is short on specifics. Over the past 5 years, the AfDB and Brookings, amongst others, have sponsored research into why there is so little industry in Africa. The research found that 3 closely related drivers of firm-level productivity — exports, agglomeration, and firm capabilities — have been largely responsible for East Asia's industrial success, and their absence goes a long way toward explaining Africa's lack of industrial dynamism. Made in Africa spells out how African governments can boost manufactured exports, support industrial agglomerations, and build firm capabilities. For more information, read [here](#).
- **CAS View:** By now there is general consensus that Africa has to grow and develop its manufacturing sector. It must diversify its economy away from the commodities and oil sectors. Dr Arkebe Oqubay from Ethiopia explained

Ethiopia's approach to industrial policy in "Made in Africa: Industrial Policy in Ethiopia". John Page and his colleagues have now written "Made in Africa: Learning to Compete in Industry" as a specific framework on how to boost manufactured exports in Africa. It is interesting that the authors found that the same factors that were responsible for East Asia's industrial success are the factors that explain the lack of Africa's industrial dynamism. Care must always be taken when taking factors applicable to one area of the world and applying them elsewhere. The authors state that "more and better investments in mutually reinforcing Infrastructure and skills are essential, especially those that enhance international competitiveness. Better-designed efforts at regulatory reform have a role to play as well." The authors also suggest "mounting an export push, building capabilities, and creating clusters." Government needs to "set priorities in these areas through closer engagement with the private sector." "Made in Africa" by Page et al. promises to be an interesting read, addressing a crucial factor in Africa's future growth and development!

- **Africa:** The challenges facing Africa are real, but not insurmountable and only part of the picture. Technology is revolutionising Africa's economies, paving the way for gender and income equality, improved environmental conservation, and greater quality of life — all driving increased private consumption. Here are three reasons for optimism: **1. Comparatively Stable Political Environments** Election cycles in 2015 and early 2016 have largely debunked the myth that Africa lacks the capacity for peaceful elections and stable transitions of power. The new era of peace and relative prosperity heralds an exciting phase for investment in Africa. **2. Deepening Capital Markets and Growing Financial Centres** African governments stepped up their efforts to grow and develop their capital markets in the past 5 years. This will raise Africa's investment profile in the coming decade by easing access to capital for African companies and making it substantively easier for international investors to participate in the African capital markets. **3. New Resource Findings** Resources still have a role to play. Countries such as Uganda, Kenya, and Tanzania are discovering resources that will tap new growth engines for the next several decades. Investors should take note of these salient opportunities, despite the global economy's short-term challenges. Africa's markets possess vast untapped opportunities that have only begun to reveal themselves, and these will soon be key drivers of investment for the foreseeable future. For more information, read [here](#).
- **CAS View:** Once again we find that in spite of the various negative influences on the African continent, there are still a number of reasons for optimism. This by no means negates the seriousness of the challenges facing Africa, but does provide context. This is but one view amidst various other views addressing positive aspects of a future for Africa. All 3 these trends are valid reasons, but care should be taken that the new resource findings do not lead to a deviation from the important lesson learnt from the current crisis Africa finds itself in, namely that it should diversify its economy away from an overreliance on commodity exports! Africa must continue on a path of developing its manufacturing sector and industrialising the various sectors of its economies. Value-adding at source will always remain important for Africa.

East Africa

- **Uganda:** High population growth in urban centres in Uganda between 2002 and 2014 has put pressure on providers of electricity, water and telecom services, even as costs of land put off local investors. This growth is attributed to massive rural-urban migration by the youth, driven by the search for jobs and more comfortable lifestyles. This has created challenges for different sectors. Telecommunication firms have had to increase investments in new capacity sites, but many consumers still suffer problems of poor network quality, dominated by frequent dropped calls. Mobile money transfer services are focused on expanding their footprint in urban areas because they offer higher revenues than rural areas. Strong urban population growth has equally exerted pressure on utility companies to increase new connections, minimise loadshedding and cut power losses. The National

Water and Sewerage Corporation remains bogged down by substantial fee arrears accumulated by government agencies. Some local investors are disgruntled about low quality labour offered by rural-urban migration trends and scarcity of good infrastructure in many rural areas. Poor infrastructure has discouraged the setting up of new plants in upcountry locations, while the rising cost of land in urban centres has proved a headache to those planning new investment ventures. The urbanisation trend could also present enforcement challenges for the taxman as the fast growing human activity in urban centres has not been matched by growth in service centres. For more information, read [here](#).

- **CAS View:** Although this trend is described for Kampala, Uganda, it is relevant to most cities in Africa. The reason for this is twofold. Firstly, urbanisation frequently (mostly) takes place without any pro-active guidance or strategy from national government. This leads to unplanned movements into cities, which seldom, if ever, have the infrastructure in place for water, sewerage, electricity, housing, and even employment. The end result are squatter camps, or informal settlements, as they are also known, as well as massive unemployment in these informal settlements. Even where provision is made, usually reactively, for housing of some sorts, employment opportunities are seldom created. One therefore finds very high levels of unemployment in these areas, which creates its own social and political instability! Secondly, and strongly linked to the first point, cities are seldom planned in a pro-active manner. They just “happen”! That is why we do find large numbers of these informal settlements. To be fair towards local governments, they do not have the resources available to deal with this massive urbanization trend Africa is experiencing. However, CAS has in the past referred to the role that successful entities in Singapore can play in helping Africa to deal with this issue. Organisations such as Surbana Jurong, Hyflux, Singapore Cooperation Enterprise, to name but a few, can make a massive contribution to Africa in various ways
- **Ethiopia:** Ethiopia is keen to be a model in cooperation between Africa and China. Ethiopia and China recently discussed ways to boost Chinese investment. The cooperation between the 2 countries has brought development in infrastructure, industrialization, and social development in Ethiopia. Chinese companies operating in Ethiopia are implementing a lot of projects and are seen as partners. Ethiopia is keen to further strengthen its economic cooperation with China and to be a model in implementing cooperation plans unveiled in a summit between China and Africa held in South Africa last December. Several mega projects have been built or are being carried out in Ethiopia by Chinese firms. They include the standard gauge railway linking the Ethiopian capital of Addis Ababa to Djibouti, the Addis Ababa light rail, the Addis Ababa-Adama expressway, and the largest wind farm in Eastern Africa. There was also a need to further promote trade and investment between the two sides, and in particular industrial capacity cooperation. For more information, read [here](#).
- **CAS View:** This participation by China is by no means restricted to Ethiopia. A small scale project in which China is also involved in Addis Ababa, includes the Reppi Waste-to-Energy Plant (WTE), which will generate 55MW of electricity from 1500 tons of waste in Addis Ababa. There are many such opportunities throughout Africa, waiting to be exploited. CAS recently referred to the city of Johannesburg that generates 5000 tons of waste daily, and where its 7 landfill sites are running out of capacity. Surely this provides additional opportunities for WTE plants? This kind of involvement means that China is quite welcome in Africa, in spite of a lot of criticism against their presence in Africa. They have recently obtained permission from the government of Djibouti to build a military base in this strategically important area of Africa, much to the chagrin of the USA. The government official from Djibouti actually referred to the kind of Chinese economic involvement in Africa above as motivation why China is welcome in Djibouti. The same could be said for other African countries. The USA and other investor countries should take note of this phenomenon. The fact that there are seldom, if any, strings attached to Chinese involvement in Africa, obviously counts in their favour as well. One still needs to be aware, however, there are no free lunches. Somewhere there will be a price to be paid.

Northern Africa

- **Egypt:** An increasing number of Chinese tourists are visiting Egypt following President Xi Jinping's recent visit, reviving Egypt's tourism industry. Tourism in Egypt was dealt a heavy blow following the Russian airplane crash in North Sinai last October. Egypt also suffered a sharp decline in tourism due to 3 years of political turmoil, forcing several countries to ban their citizens from visiting Egypt for safety reasons. However, the industry has recently improved as hundreds of Chinese tourists visit Luxor daily. Egypt, with its rich culture, now pins immense hope on China and is eager to tap into China's tourism market. Egypt received 35% additional tourists from China immediately following president Xi's visit to Egypt. The number of Chinese tourists could rise from 135,000 in 2015 to between half a million and a million shortly, once flights from China to Egypt increase. To encourage tourists, Egypt exempted Chinese tourists from visa requirements, allowing for visas-upon-arrival. As Egypt is much cheaper than neighboring countries, it is more attractive to Chinese tourists. In spite of fears regarding Egypt's political and security situation, Chinese tourists were encouraged following the Chinese president's visit earlier this year. For more information, read [here](#).
- **CAS View:** This article is interesting for various reasons. Firstly, we see here the important role a country's leader, who has credibility, can play to provide direction to that country's population. If the president can go and says it is fine, the population will follow. Secondly, we see how perceptions of local security conditions can play havoc with an industry such as tourism. The tourism tap can be closed off immediately, but takes months, and frequently years, to turn on again. Governments therefore need to ensure that security is maintained at all times. But at times the press is to be blamed as well, as they can exaggerate local conditions to sell newspapers. Thirdly, comparing the Egyptian visa requirements to the previous South African visa requirements (thankfully for South Africa they have been changed), shows how important it is to ensure that red-tape does not hamstring your tourist industry. Fourthly, tourists do not like to over-pay, to put it mildly. They know when they are taken for a ride, and will vote with their feet! The reality is that tourism is an important sector within Africa, and that tourists are spoilt for choice. Countries need to ensure that they roll out the red carpet to draw as many tourists as possible, given their multiplier effect and impact on several upstream and downstream value chains! CAS is delighted to see Egypt being able to draw in tourists again.

Southern Africa

- **South Africa:** While the lower oil price has knocked oil production companies, the downstream oil industry in South Africa has fared better. There are exciting opportunities in the Gas to Power programme in South Africa, which would act as a catalyst in the industry, while on the downstream side, the competitive landscape may change. Refining margins have been good and, with the drop in the crude oil price, procurement at lower prices have been possible. However, with a flat economy, volumes are not growing and consumers are more careful with their money. Afric Oil is using this challenge to look at new ways of growing its market share, such as buying up smaller regional players and consolidating them. It also plans to boost its exports to Zimbabwe, Zambia, the DRC and Mozambique. The gas industry is also starting to elicit more interest, with an eye on providing more timely, affordable and reliable electricity. Government's commitment to the Gas to Power plan is likely to centre around three main ports: Saldanha Bay, Richards Bay and Coega and is an initiative aimed at kickstarting and developing a gas market in South Africa, which has been very limited until now. For more information, read [here](#).
- **CAS View:** It is generally believed that the oil and gas industry is currently not a good space to be in. Various companies are downsizing personnel and scaling down operations. However, there are clearly still opportunities in the industry value chain, and in ancillary value chains, for entrepreneurial minded organisations to create value

for their shareholders. As in various other industries, there are frequently too many players, which necessitates a consolidation of the industry. It seems the oil and gas industry, in certain sectors of the value chain in any case, is no stranger to this phenomenon. Branching out into new sectors, such as gas, is potentially creating new value propositions for existing players. The bottom line is that players in any industry always need to be on the lookout to innovate their business models. It seems that it is no longer about a competition between products and services, but a competition between business models! A lack of innovation of business models leads to obsolescence, such as what happened to Nokia and Blackberry. Even an industry such as the oil and gas industry, which is far less volatile in essence than the mobile telephony industry, cannot escape this general truth! Gas in South Africa is quite undeveloped as a source of energy within households and industry at large. Maybe it is time that someone starts with the serious development of this opportunity!