

African Union

- **Africa:** The World Bank outlines 3 reasons why Africa's urban growth has only given modest returns in GDP growth, and explains why most of the jobs that African cities create are those in the informal economy. 1) Cities are crowded, but not necessarily economically dense - they are undergoing an urbanization of people, not of capital, meaning they lack formal, affordable housing. 2) Cities are developing as a collection of small, fragmented and disconnected neighbourhoods. 3) The crowding, yet disconnection, means that living costs, especially transport, is very high in urban Africa. Higher wages in urban Africa are driven by higher costs, not higher productivity. To shift urban centres in Africa from being crowded, disconnected, and costly, to become liveable, connected, and productive, will require: 1) simplifying and clarifying transfers of property rights among land market participants; 2) supporting the effective management of urban development through foresighted planning, realistic regulation, and predictable enforcement; 3) making infrastructure investments early, and coordinating them to take full advantage of scale economies in housing, transport, and services. To make African cities work, cities in Africa need better institutions. For more information, read [here](#).
- **CAS View:** Cities are (or should be) integrated systems brought about by a masterplan integrating affordable housing, energy, water, maintenance and economic development. There should also be a simple, yet efficient policy framework ensuring a fair regulatory environment. Africa unfortunately does not boast too many of these kinds of integrated and properly planned cities. Mostly, cities in Africa just happen. People move to urban areas and we suddenly have a city, or rather a collection of people. There are clear alternatives available. I have spent the whole morning travelling around in Singapore in the company of Surbana Jurong, getting an understanding of how Singapore's masterplan approach and integrated city development works. This is an approach that can work for Africa. As a matter of fact, it has already worked for Kigali! The article states that investment lags urbanisation in Africa by 9 years. This creates so many problems, which need not be the case! However, it seems we in Africa love to reinvent the wheel and learn from our own mistakes instead of learning from the experiences of others! Such a waste!
- **Africa:** To address Africa's economic downturn, many countries are creating enabling environments for other industries and sectors in an earnest way. It is clear that the long-term strategy for diversification is crucial to stabilize the economies and encourage growth across multiple sectors and population segments. African governments have started to diversify their economies through agribusiness. However, in most instances the enabling environment has not yet been put in place to support this sector as a source of real national economic growth. So far, real progress in agribusiness has only been made in a handful of countries. In Nigeria, Buhari and many State governors are showing unprecedented commitment to the agribusiness sector. In Zambia, the United Bank of Africa (UBA) recently invested over US\$25 million in the agriculture sector to support diversification programs and economic growth. As urbanization continues to expand in many African countries, the challenge is how to support economic diversification. Africa should harness the power of cities as engines of economic growth and Africa's agricultural and rural transformation must be supported by creating a destination for the labour released by the agribusiness sector as it becomes more mechanized and a market for domestically grown produce. For more information, read [here](#).
- **CAS View:** The importance of diversifying Africa's economies away from commodities has been addressed by various authors and research reports. The role of agriculture in this process has also been identified as an important one! What is also important in the above report is the need to accommodate the labour that would be released with the mechanisation of agriculture. This is an issue expressly addressed by Dr Arkebe Oqubay from

Ethiopia, amongst others. Mechanising agriculture without create jobs for the labourers that would now be unemployed, would create more problems than those being solved! CAS has reported on this frequently. The reality is that the whole agricultural value chain presents numerous opportunities for adding value. Africa cannot be caught in a commodities trap again. They must continue on the path of diversification – they have no choice!

- **Africa:** Data on Africa's growth is weak and presents a problem of undercounting. Compelling data from the international economics analysis organisation, World Economics, shows how in 4 ways: **1. No resources to count:** National statistics offices have low capacity to collect data due to insufficient resources. Data is also lost or distorted due to conflict, political instability or even corruption. The informal economy is not captured. **2. Outdated base years:** The rebasing of Nigeria's GDP catapulted it to the top position as the largest African economy. If most African countries updated their base years to 2013, the GDP uplift over 1 year would be 3.24%. Africa's GDP would rise from \$5.21 trillion to about \$6.3 trillion! Egypt would become Africa's biggest economy, pushing Nigeria into second place. Sudan would streak past Angola, while Tanzania would also just pip Kenya as East Africa's largest economy. **3. Old standards:** A System of National Accounts (SNA) guides international comparison of economic data. Approved by the U.N., there have been 3 revisions: in 1968, 1993 and 2008. 41 African countries use the 1993 version, while 5 use SNA 1968. **4. The 'shadow' economy:** Because the informal economy in Africa is such a major player, failing to capture it either accurately or at all, leaves big data chasms. In 2007, the size of the shadow economies in Africa ranged from 21.9% of GDP in Mauritius to 62.7% in Zimbabwe. In other words, Africa is far more attractive beyond what is currently thought. For more information, read [here](#).
- **CAS View:** First of all, on the negative side, we all know we get lies, bloody lies, and then statistics! With that out of the way, we must ask to what extent the trend over the past decade would change should these problem areas be addressed. I am not sure the trend would change significantly, if at all. The actual rankings would change, that much is clear. The GDPs of the countries would increase in absolute numbers, but whether the growth or decline patterns would change significantly, remains to be seen. The wild card, in my opinion, would be the impact of the informal economy. When all the speculation is put behind one, it is imperative that these issues be addressed. There is too much at stake, given the importance that investors globally attach to GDP patterns.

East Africa

- **Kenya:** Technology plays a vital role in the development and advancement of African economies at large. The origin of Africa's tech movement can be traced back to Kenya, which is now known to all as the Silicon Savannah. The following 3 intertwined factors have positioned and transformed Nairobi as the Silicon Savannah: 1) the Kenyan government has been at the forefront of technology development by luring investors to Nairobi; 2) the birth of the M-Pesa revolution by Vodafone in 2003 and subsequent launch by Safaricom in 2007, inspiring many to be tech entrepreneurs and to launch start-ups; and 3) the launch of iHub in 2010 positioned Nairobi as the future of start-ups, technology and innovation. What to expect from Africa's technology future? 1) Silicon Savannah is used as a template by other developing countries on the continent to advance ITC plans and infrastructure and to actively tap technology as an economic drive of GDP growth, advancement, value addition and job creation. 2) Africa will continue to utilise technology as a panacea to solve long-standing socioeconomic problems, while also disrupting the environment. 3) Utilising Africa's technology solutions with global application, developing local solutions and positioning them on a global competitive scale. 4) Positioning the continent's tech start-ups for commercial large-scale rewards. Africa is on the right path. For more information, read [here](#).

- **CAS View:** One seldom equates Africa with being a tech savvy continent. There are many good reasons to not do so, amongst others the low availability and high cost of broadband, and the general absence of enough disposable income to afford the more sophisticated mobile devices. However, this article, which should be compulsory reading for anyone with an interest in either technology or business in Africa, clearly shows the tremendous advances made in Africa in general, and in Kenya specifically, in the field of technology! It would be great to see African countries using the Silicon Savannah template to emulate the Kenyan experience in their own economies! In addition to economic growth and general development, the benefits include a need for educated Africans, and jobs for them as well. Africa seems to be poised to leapfrog the industrial development route and get right into the e-world. This does create many opportunities for entrepreneurs, both in Africa and from abroad!

West Africa

- **Nigeria:** President Buhari returned from China with a \$6 billion loan, several infrastructure agreements and a currency swap deal. China had extended additional investment in Nigeria, exceeding \$6 billion covering several sectors, including power, solid minerals, agriculture, housing and rail transportation. It is a credit that is on the table as soon as Nigeria identifies the projects. Two Chinese energy companies signed an agreement to construct a 300MW solar power plant in Niger State, while Aliko Dangote sealed a \$2 billion deal to construct 2 more cement factories in Nigeria. Another \$1 billion will be invested in the development of a Greenfield expressway for Abuja-Ibadan-Lagos under an agreement reached by the Infrastructure Bank and Sinohydro Corporation Limited. A \$2.5 billion agreement for the development of the Lagos Metro Rail Transit Red Line project was also signed. Other agreements include \$1 billion for the establishment of a Hi-tech industrial park in Ogun State. The Ogun-Guangdong Free Trade Zone and CNG (Nigeria) Investment Limited also signed an agreement valued at \$200 million for the construction of two 500MT/day float gas facilities. The Industrial and Commercial Bank of China and the Central Bank of Nigeria signed an agreement on Yuan transactions. This means that the Yuan is free to flow among different banks in Nigeria and has been included in the foreign exchange reserves of Nigeria. For more information, read [here](#).
- **CAS View:** Buhari's critics are quick to point out that his failure to allow the devaluation of the naira is causing a lot of harm to the Nigerian economy. Others are also quick to point out that amongst his close confidants and ministers, there are still some who are deemed to be corrupt. If this is true, it is a pity, but I am willing to concede these points. However, I have been a fan of Buhari's strategic approach, and if my "hero" has feet of clay, I will be quite disappointed. But when one analyses his achievements in his first year as president by drawing up a balance sheet, we would find a surplus on the asset side! CAS has indicated in past newsletters some of the following assets: fixing ties with the USA, fixing ties with Nigeria's neighbours, fixing ties with France and francophone Africa, fixing ties with South Africa, attempting to rid Nigeria of corruption in government circles (NNPC, cabinet, military, etc.), attempting (and having much more success than his predecessor) to put an end to Boko Haram's activities, and diversifying the Nigerian economy away from an over-reliance on oil. Buhari inherited state coffers that were quite empty and an economy that was hurting big time due to the low oil price. The agreements with China will go a long way to help get the Nigerian economy back on track. If the Nigerians do not appreciate Buhari, let them look at some other African countries where the president is a lame duck and as corrupt as they come! But Buhari is hardly just a better alternative to an extremely rotten apple. His strategic approach to governing his country is equaled by few, not only in Africa, but in large parts of the world!

Southern Africa

- **South Africa:** Pick n Pay is entering Nigeria through a JV with AG Levintis, a listed company on the Nigerian Stock Exchange, with nearly 90 years of trading experience in Nigeria. Pick n Pay CE Richard Brasher said there was a dearth of formal players in Nigeria, which represented an opportunity for Pick n Pay. He saw Nigeria as a market which Pick n Pay cannot ignore in its quest for long-term sustainable growth. With the largest population in Africa, Nigeria has for a while been touted as the holy grail within the Africa Rising narrative. However, penetrating the market has proven to be tough for South African entrants, with some cutting their losses and exiting the market. These include Woolworths, Tiger Brands and Telkom. Mr Brasher said he had set three preconditions for success in the Nigerian market, namely: a need to understand the local consumer needs; entering a joint venture with a local partner; and achieving growth in a deliberate, planned and unhurried way. Pick n Pay will hold 51% of the joint venture. Apart from SA, Pick n Pay currently operates in Namibia, Botswana, Zambia, Mozambique, Mauritius, Swaziland and Lesotho. The group also owns a 49% share of a Zimbabwean supermarket business, TM Supermarkets. For more information, read [here](#).
- **CAS View:** Africa has for quite a while been a target market for South African companies. Woolworths actually went into and left Nigeria twice. Tiger Brands took a R2.7 billion knock when it sold back a Dangote subsidiary to Dangote for \$1! What is interesting is that the article ignores the performance of a Pick n Pay competitor in Nigeria, i.e. Shoprite. The Shoprite has been very successful in Nigeria. What is also interesting is the difference in strategy by these 2 competitors. Shoprite has chosen to move into Africa by means of a greenfields strategy, while Pick n Pay has chosen a partnership strategy. The latter has the benefit that its JV partner already understands the market and has its supply chain strategy worked out. Walmart has also chosen to follow this approach. Shoprite's strategic approach, whilst working in Nigeria, has not worked for it in Kenya and Tanzania! It would be interesting to research why Shoprite's strategy did not work for it in East Africa, whilst being successful in Nigeria.
- **South Africa:** Over 10 000 millionaires from the rest of Africa are expected to move to SA over the next decade. By June 2015, there were about 163 000 dollar millionaires living in Africa with a combined wealth of \$670bn. Over 1 500 millionaires from the rest of Africa have moved to SA since 2007, attracted by good private schools for their children, luxury residential estates, good private healthcare, exclusive shopping centres, good transport infrastructure, English as dominant language, and very little religious violence. However, 2015 was a bad year for SA millionaires. The number of HNWIs in SA declined by 18% (950) during 2015, mainly due to poor economic conditions. Of these, 36% went to the UK, 15% to Australia, 11% to the US, 8% to Canada, 5% to Mauritius and 4% to Israel. Research in 2015 also found that nearly 42% of all dollar millionaires in Africa were living in South Africa's top four cities. Paarl, Franschhoek and Stellenbosch in the Western Cape are, however, the areas with the fastest growing numbers (38%) of dollar millionaires in South Africa. By June 2015, Cairo in Egypt had the second most millionaires in Africa, followed by Lagos in Nigeria. For more information, read [here](#).
- **CAS View:** In spite of SA's economic growth problems, and the volatility of its currency relative to the developed world, it seems that it is still a bastion of hope for Africa. In this case, we are finding that Africa's rich are voting with their feet. At the same time, SA's rich seem to have a different opinion and are exercising their right to leave the country. It does seem to be a case of relativity. There is an old saying, "familiarity breeds contempt." A question that arises is to what extent this happens to be for true for South Africans? Another question is how many of these 950 millionaires were people that moved into SA between 2007 and 2015? Overall, the numbers do tell one that SA should still be a target market for luxury products, followed by Egypt and Nigeria. And that Cape Town and its immediate adjacent regions (Stellenbosch, Paarl and Franschhoek) have found favour with people who understand business! Being from Cape Town, I can hardly fault the intelligence and insight that led to this choice!