

African Union

- **Africa:** Those African countries that have invested early in their agricultural sectors, are benefitting more than those who have not. It seems that there is still a lot to do in this sector though.

African countries that invested early in agriculture have enjoyed higher economic growth and a bigger drop in malnutrition. Much of Africa has enjoyed sustained agricultural productivity growth since 2005, which has helped push down poverty rates in places like Ghana, Rwanda, Ethiopia and Burkina Faso. Countries that adopted the policies promoted by the Comprehensive Africa Agriculture Development Programme saw productivity on existing farmlands rise by 5.9 to 6.7% per year. That helped spur a 4.3% average annual increase in GDP. Those that did not saw farm productivity rise by less than 3% pa and GDP by only 2.2%. Growth in agriculture is more effective at cutting poverty than growth in other sectors in SSA because farming is a main source of income for more than 60% of the labour force, and will continue to be a major employer in most countries for a decade or more. Agriculture in Africa is still threatened by low productivity due to limited use of inputs like improved seeds and fertilisers, rising water stress, and climate-related disasters such as floods and droughts that are affecting crop, livestock and fish production. Further agricultural progress in the region would require political will, the right policies and technology transfer to improve productivity and reduce post-harvest losses. Linking small-scale farmers to markets and giving them access to finance are also key. For more information, read [here](#).

- **CAS View:** Various authoritative figures in Africa have emphasized the need to industrialise agriculture in Africa. These include former President Obasanjo from Nigeria, the current president of the African Development Bank, Akinwumi Adesina, and Dr Arkebe Oqubay from Ethiopia, author of Made in Africa. The challenges still facing agriculture in Africa are by no means trivial. Linking small-scale farmers to markets should not be too problematic as Africa itself is in dire need of food itself. 65% of the world's arable agriculture land is in Africa, and Africa is not capable of feeding itself. However, modern farming methods and inputs are high on the priority list, as is funding. Companies from abroad that have been able to meet in this need of Africa, have done well for themselves and for Africa. Much more needs to be done for Africa to raise its agricultural productivity to levels that would not only enable it to feed itself, but also to export food and earn foreign currency. Africa also needs to balance the current levels of nonfood production with the need for greater food production. There are far too many people who live below the poverty line and who are vulnerable as far as food security is concerned.
- **Africa:** The recent G20 summit seems to not have addressed Africa's challenges that does have an impact on them, such as Africa's migrant problem. On the other hand, Germany realises it has to focus on Africa to a greater extent than it has done so far.

At the recent G20 summit in Hangzhou, China, German Chancellor Angela Merkel said there was an urgent need for direct investment in Africa because this cannot be shouldered by official development aid alone. Robert Kappel from the Global Institute of Global and Area Studies, said that the EU's investment in Africa is really strong but in recent years, China is getting much more important and so are other countries. Europe was hesitant on investing in Africa because of civil unrest, fragility and wars. Germany was a little behind, but needs a bigger market in Africa and needs resources from Africa for its own development. Merkel realizes that Germany as an exporting nation cannot avoid the African continent. Africa needed money from industrialized countries and Germany as a major power in Europe could be one of the main actors in Africa. As for Africa's significance at the G20 summit, the G20 summit was very disappointing. The summit has not tackled the problems of sustainable development, it has no ideas on how to solve the refugee crisis in Africa and of moderating the problems of climate change and

it has no ideas on how to support Africa's structural transformation. All the measures taken at the G20 summit were just oriented towards the development of the G20 nations, the OECD countries and some other countries. For more information, read [here](#).

- **CAS View:** It seems the G20 summit had good news and bad news for Africa. On the good news side, Germany's realisation that it needed to increase the levels of its investment in Africa will definitely have a number of African countries smiling. In addition, the fact that Germany saw Africa as a source of resources for its own economy, will help to increase jobs and Africa's economic prosperity. The bad news is that Africa's problems in general did not really make the agenda in a meaningful way. According to Kappel, the refugee crisis, climate change and Africa's structural transformation were not addressed at all. It is time the wealthy countries of the world realise that due to the systemic nature of the globalized economy, what is bad for Africa, will sooner or later impact negatively on the whole world in some or other way. Either the G20 helps Africa to address its challenges or it will go down with Africa later.
- **Africa:** Africa and Asia share certain common challenges. Singapore can play a pivotal role in the relationship between Asia and Africa, and should increase its resilience by diversifying into Africa.

At the recent ASBF 2016 meeting, the Deputy Prime Minister of Singapore, Mr. Tharman Shanmugaratnam, and Mr. Bonang Mohale, Chairman & Vice President, Shell Downstream South Africa (Pty) Limited, exchanged ideas on Africa. Asia and Africa share communalities in the challenges they face, i.e. urbanisation, demographic dividend, and agriculture and commodities. Africa must use its resources as a source of sustainable competitive advantage. Africa must increase its food production and its footprint in the services industries. Africa is not investing time, energy and money on harnessing nature to generate electricity. Regional integration can be good for Africa as it cannot afford the infrastructure required to catapult them into the 21st century. Africa should also pool its resources. Africa must emulate Singapore by focusing on skills and capabilities, integrated housing neighbourhoods, successful urbanisation, and inclusive economic growth. Singapore can also be useful in integrating Africa with Asia. Africa must embrace business as a national asset and a force for good, focus on nation building and protect its institutions, and Africa must learn from Singapore's success with PPP's. Singapore can play a role with China to support initiatives in Africa. Singapore has no strong links with Africa. It must develop resilience in its economy by having a diversification strategy. For more information, read [here](#).

- **CAS View:** From this panel discussion at the ASBF, it was clear that there are things Africa has to do for itself. This includes dealing with its rapid urbanisation, dealing with its growing population, especially its youth, and then dealing with its preponderance on agriculture and commodities. The first factor requires Africa to plan its cities and not just to let them "happen", something which CAS has propagated for quite a while. In addition, economic activity needs to be planned for as well, because allowing people to move to cities to end up sitting in squalor was a recipe for disaster. This will help to address the issue of demographic dividend. Africa's youth is not trained or not trained appropriately. Africa has to ensure that its youth gets trained in technical fields as it is an area where there is a great demand, with very little supply. And it's not that Africa does not have the talent. To give an example, in both Tanzania and Togo, talented innovators developed 3D-printers from e-waste. In Ethiopia, young talented people are educated in robotics! In Ghana, Nigeria and Uganda, the motor industries have developed a "Made in Africa" car, designed and produced in Africa! This phenomenon is creating a demand for appropriately skilled individuals. Generating and growing an industry to produce renewable energy would not only help to generate highly needed electricity, but also create jobs for Africa's large unemployed sector. All of this would help with the third factor, namely diversifying Africa's economies away from basic agriculture and exporting commodities. Africa must industrialise and start creating value at source. Regional integration will help Africa in trading with itself and

to pool its scarce resources to, amongst others, develop its infrastructure. These are all issues that were not new, but they must be addressed! What was refreshing was the DPM's acknowledgement that Singapore could play an important role in helping Africa integrate its economic ties with Asia, and that Singapore could grow its current weak links with Africa to increase its own resilience by diversifying into Africa.

- **Africa:** Africa must deal with the unemployment of its youth, and develop its talent. There is a need for 18 million new jobs per annum to accommodate the growing youth population. Currently only 3 million of the 12 million entering the economy annually can be accommodated in the formal economy. This presents an urgent need for the development of entrepreneurship!

The AfDB president, Akinwumi Adesina, has addressed the challenge of creating jobs for Africa's youth, while outlining a number of initiatives the Bank is undertaking to stop the unemployment crisis from complicating Africa's current security challenges. The AfDB has recently undertaken a number of initiatives to create jobs and end the potentially dangerous consequences of youth unemployment, including the uncontrolled migration, radicalisation of the youth, and the loss of Africa's growth esteem. Adesina said Africa's youthful population requires job training and building up of skilled workers to empower the youth to take advantage of a rapidly globalised world. This demographic dividend can be powerful if it can unleash a generation of well-educated, skilled and productive workforce. The AfDB estimates 10-12 million young Africans enter the job market every year, but only three million of them secure employment in the formal sector. To cope with the burgeoning youth population, Africa will need to create 18 million jobs annually. Youth unemployment in Africa is a ticking time bomb and is a source of social fragility. Africa needs to empower the youth with technological skills, innovation in drought-resistant seeds, and policies focused on the commercialisation of innovation. The AfDB's Africa Small and Medium Enterprises (SME) Program provides financial and technical assistance to several SMEs across Africa. For more information, read [here](#).

- **CAS View:** As one studies Africa, it becomes clear that inclusive growth that also addresses the training and development needs of its youth, is a sine qua non for further growth and economic development, as well as for political and social stability. CAS has stated this various times, and it cannot be said enough. It is scary to not that of the 10-12 million young Africans entering the market, only 3 million will secure employment in the formal economy. The rest will need to be accommodated in the world of entrepreneurs and informal economy. Africa must therefore support and encourage its entrepreneurs. The need for 18 million new jobs annually is equally scary! Where will they come from? It is not only necessary to educate Africa's youth, but as the Deputy Prime Minister of Singapore has stated at the recent ASBF 2016 in Singapore, we must avoid over-academising education. Africa needs technically competent people, i.e. engineers, electricians, fitters and turners, millwrights, plumbers, mechanics, etc. if we do not address this challenge, Africa will not benefit from a demographic dividend, but will be the victim of its own neglect. It will not be a spring, but a winter of discontent of monumental proportions. Africa MUST deal with this challenge and do so sooner rather than later.

East Africa

- **East Africa:** East Africa is growing at a much higher rate than various other countries, while the giants of Africa, i.e. Nigeria and South Africa, are pulling down the average growth rates. For investors, East Africa, as well as Cote d'Ivoire and Senegal, represent low hanging fruit.

East Africa is increasingly driving growth in Africa as they benefit from cheap oil, slowing inflation and lower interest rates. The economies of Kenya, Rwanda, Tanzania and Uganda are all set to expand more than 5% this

year. Nigeria, struggling with weak crude prices, power outages and currency mismanagement, faces a 1.8% contraction. South Africa is set to stagnate due to political and labour turmoil and lackluster demand for its minerals. East Africa has done well at developing its agriculture and manufacturing industries. Low prices of energy and other inputs have helped contain inflation and interest rates, in turn shoring up consumer spending. The region is also reaping the benefits of an improved regulatory regime and increased investment in transport links and telecommunications. They made tough decisions and tough economic reforms earlier and are now reaping the benefits. With Nigeria and South Africa accounting for about half of SSA's output, the boom in East Africa and a handful of small West African economies like Ivory Coast and Senegal won't be enough to fully offset flagging growth for the region. If the enthusiasm for the bigger economies has gone, it becomes difficult for the smaller economies, even if they are doing well. However, Africa is still huge, has a growing population and massive natural resources. For more information, read [here](#).

- **CAS View:** East Africa's economies are indeed a source of inspiration and economic growth, as are the economies of Cote d'Ivoire and Senegal. CAS has been bullish about these two sets of economies for some time. However, as stated by Razia Khan, given their relative small sizes, they are unable to counter the poor economic performances of the giants in Africa, i.e. Nigeria and South Africa. Because many tend to see SSA as a unit, if the big players in the unit do poorly, the whole unit gets tainted. Discerning investors will note the discrepancy and pick the opportunities to tap into the growing population and middle class, the potential presented by benefiting its massive natural resources, and the need for infrastructural growth. Africa must do its utmost to ensure it lays the foundations to benefit from restructuring its economies, indeed create the primer thereof, by ensuring it has the requisite pool of talented people available. Without this, Africa is going nowhere. Without this foundation, Africa will degenerate into a quagmire of violence, dissatisfaction, poverty and political volatility. I would like to reiterate, Africa MUST develop its people!
- **Kenya:** Kenya has capped interest rates at 4% above the Central Bank Rate. While this move could have had good intentions, Kenyatta should remember that the road to hell is paved with good intentions. It might just be that the move distorts the business environment more than it helps it. It also seems that the banking sector could have been the architects of its own problems.

At the end of August, President Kenyatta signed into law a bill that pegs commercial lending rates at 4% above the benchmark Central Bank Rate (CBR), and set interest granted on deposits at a minimum 70% of the CBR. The Central Bank of Kenya (CBK) stated that these changes will create inefficiencies in the credit market, induce credit rationing, promote the use of informal lending channels and undermine the effectiveness of monetary policy transmission. The high return on assets in the Kenyan banking sector, relative to regional peers, is seen by the government as being at the expense of consumers and businesses. The new legislation appears positive from a consumer and business perspective, but, because returns are less likely to warrant the risks, banks could be forced to remove high-risk borrowers from their loan books. It's possible the high cost of credit has sustained an over-populated banking sector, with smaller banks dependent on these considerable interest spreads. Some potentially positive consequences of the new law include the development of stronger credit information to assess credit risk, and increased competition in the banking sector, which encourages innovation and perhaps leads to some consolidation in the sector. Negative ramifications include distorted credit markets, scope for rent-seeking, and a flow of capital away from private lending and towards safer government securities. For more information, click [here](#).

- **CAS View:** In the world of financial markets, you get rewarded for bearing risk. No risk, no return. By capping the returns, President Kenyatta has basically made it impossible for the banks to take on riskier clients. These clients

will now need to find alternative sources of funding, which could mean they turn towards loan sharks and other informal lenders, which leaves them vulnerable to exploitation. Having said that, it does seem strange that the banking sector in Kenya has such a high average return on assets relative to its neighbouring countries! It would be interesting to see a study on the reasons for this phenomenon. Looking at the components of the ratio, it would be a function of revenues, costs and asset base. Why the Kenyan banking sector would be that much more lucrative than the others, defies logic. It therefore does seem that the Kenyan government could be justified that the high returns come at the expense of consumers and businesses.

Southern Africa

- **South Africa:** Shopping mall developments in South Africa are slowing down.

The on-going shopping mall developments and others in the planning phase is increasingly driving concerns about an oversaturated retail market. Shopping mall developments are in for tough times. Growthpoint Properties is seeing increased competition at some of its shopping malls due to the development of new malls in their catchment area. Growthpoint's more affluent shopping malls recorded trading density growth of 7.1% for the year to June 30, against an historical growth of nearly 10%. The low growth in trading densities is a function of the turnover split between its shopping malls and the new ones coming on stream. These developments are happening at a time when consumers battle with sustained rising costs, unemployment and high interest rates – which is expected to limit their spending power. Reasons behind the mall boom include an insatiable demand for space by retailers looking to expand their footprint at shopping centres to be more competitive, rapid urbanisation and investors looking to amass attractive returns. Retailers' appetite for shopping space is starting to decline. Due to the retail market being oversupplied, Hyprop is rather focusing on sprucing up its existing malls by adding more retail space rather than embarking on new developments. For more information, read [here](#).

- **CAS View:** Having an oversupply and ongoing development of new malls at the same time demand is stalling, is a recipe for disaster. Some developed countries, such as the USA, are experiencing a strong decline in malls. However, till now in South Africa we have seen a strong mall culture developing, where consumers not only go for shopping, but for lifestyle excursions. The supply, however, seems to have caught up with the demand. It is interesting to note that a considerable portion of the investors in some of these malls are large South African pension funds. Up till now their investments have delivered good returns. It remains to be seen whether the South African experience will emulate that of the USA and go into a decline, or whether it will keep on growing. It does seem that there is potential for growth of malls in Africa, as the growing middle class appreciates the comfort of a concentrated middle class shopping experience. For the developers, going north of South Africa's borders might just be the remedy to deal with the maturing South Africa market. The food and clothing retailers in South Africa have already ventured north given the saturated South African market, and some seem to be doing quite well.