

African Union

- **Africa:** The digital world is becoming pervasive in Egypt, Kenya and South Africa.

African consumers use their smartphone more than any other device and they have a positive attitude towards digitalisation and its impact on society. In Kenya, the preference for mobile payments remains very high at 87%, with 95% of Kenyans using their smartphone as their primary device. 86% of Kenyans believe that digital tools will be used more often by people. They also believe that digital innovation will be fundamental for public transport, healthcare and education in the future. For South Africans, 95% of its citizens use their smartphone more than any other device. 73% of those surveyed were ready to pay with their mobile phone. In Egypt, two-thirds of those surveyed would use their mobile device to make payments over the use of a traditional card payment. 70% of respondents said they would prefer to pay using their mobile phone. All 3 countries displayed an appetite for digital in all areas of life. While enthusiastic about innovation, it was evident that all markets want security, especially when it comes to making payments. For more information, read [here](#).

- **CAS View:** The 3 countries surveyed, i.e. South Africa, Kenya and Egypt, are probably not the typical African country as far as the use of smartphones are concerned. A large number of the other African countries do exhibit a trend of the use of mobile phones as the primary access method to the Internet. However, smartphones per se are not that abundant. Still, the above information does show upon a future use of smartphones. As cheaper smartphones do become more common, and they are, slowly but surely, their use in the fields of public transport, healthcare, education, agriculture and financial services will become more common as well. This is the future for Africa, in spite of detractors that cast doubt on the pervasiveness of smartphones and the use thereof and mobile phones in the field of e-business.
- **Africa:** Africa's agricultural sector is boosting economic growth, lowering poverty rates, and increasing levels of nutrition, amongst others. However, challenges remain.

Africa's agriculture is powering economic transformation in the region, with benefits such as stronger economic growth, declining poverty rates, better nutritional status and a more rapid shift of the labour force out of farming. Not all the signs are good. Africa remains the world's most food-insecure continent, with relatively low levels of agricultural productivity, low rural incomes, high rates of malnutrition, and a worsening food trade balance. Africa's agricultural performance has tapered off somewhat in the past couple years. Other trends point to opportunities for progress: 1) Public investment in agriculture has risen appreciably, but only 13 African countries have met their pledge to invest at least 10% of public funds in agriculture. 2) Agricultural growth for broad-based benefits: Farming will be a major source of employment in Africa for another decade or more. 3) Bridging yield gaps: On 65% of Africa's arable land, farmers lack the necessary inputs and ability to restore and maintain soil fertility. 4) Town and country: Urban consumers are driving a lucrative market for food products that could be worth \$1 trillion by 2030. 5) Tight money: Only about 10% of rural households in Africa are linked to any formal financial institution. 6) Unleashing the power of youth. Much depends on strong political leadership, backed by solid commitments from donor countries. For more information, read [here](#).

- **CAS View:** It is by now common knowledge that agriculture can play a dominant role in transforming the economies of Africa. Industrialisation must play an important role in modernising agriculture, but in such a way as to not create more unemployment. The complete value chain of the agriculture sector must be addressed. Taking the above trends into consideration, will identify opportunities for investment to improve the returns and output of

farmers. Employing the youth in the agri sector is important, but it should happen in a way as to create wealth for those involved in agriculture. This is important should we want to retain the youth in this sector. Financing is also important, as smallholder farmers are not priority targets for banks.

- **Africa:** How mobile applications can help Africa solve its challenges.

Leapfrogging has become prominent in Africa. Mobile phone networks are a classic example, as most African countries have skipped the wired era and embraced wireless. Improving urban-dwellers' access to data and social networks, and building applications on top of that, could help address some of Africa's major issues. 1) Data collection for social change: Open-source software for information collection, visualization and interactive mapping can play a positive role and trigger social change. 2) Mobility issues and traffic congestion: The explosive demographic situation in many African cities has led to serious mobility issues. 3) Innovation anywhere: In the "innovation everywhere" world we live in, Africa cannot but benefit from the reinforcement of its startup ecosystems. 4) Infrastructural shortage: In several parts of Africa, you can see an increasing gap between population growth and infrastructure. 5) Ethical energy: One of the most radical drivers of cultural development is electricity. 6) Technologies for farmers: Small-scale dairy farmers often living in remote areas don't have access to valuable information about their cows' health and milk costs. iCow is an app that works on the type of basic mobile phones farmers own, empowering them to improve their own lives through accessing critical information. For more information, read [here](#).

- **CAS View:** Mobile phones have become an important driver of change in Africa. It definitely has become one of the prominent enablers, or at the very least, the platform upon which change in the digital world will take place. As Moore's Law, as well as Metcalfe's Law, plays out, we see more and more sectors in which technology is changing how we transact, when we transact, and how we pay. The way we obtain data has also changed significantly. Bottom line is that the world, both commercial and societal, has changed dramatically and those institutions that have not kept track of these changes, have become outdated, the modern version of the dinosaur. And it is sometimes a small change that can have a major impact. An example is how Nokia ignored the technological implications of the iPhone. In Africa, technology might be behind the rest of the developed world in some instances, whilst still leading in others (mobile money), but technology is definitely helping it to give access to and linking its populations with the rest of the world.

East Africa

- **East Africa:** East Africa is set to become the world's factory.

Challenges in China are putting pressure on wages and on shortage of labour. In Bangladesh, investment by the government and manufacturing base is lacking to really bring that industry further forward. America's Phillips-Van Heusen Corporation, which owns the Tommy Hilfiger and Calvin Klein brands, believe they can increase their global production in Africa over the next 5 years from 5% to over 25% due to the partnership between the industry, government and the donor base to invest in the training of workers and to ensure the facilities are set up appropriately, from a CSR point of view. Companies such as H&M and Tesco are sourcing garments there. Labour is abundant, well educated, and cheap, while work-permit visas for foreigners are relatively cheap, and electricity prices are low. The governments are willing to make investments in infrastructure. Ethiopia and Kenya benefit from duty free access to the U.S. market under AGOA. East Africa should invest in infrastructure, support local entrepreneurs, diversify free-trade agreements and build market-oriented educational institutions if it wants to see sustainable growth in garment manufacturing. Suppliers need to upgrade their facilities and enter into long-term

partnerships with buyers. Buyers need to evaluate the region as a true strategic option rather than just a testing ground. For more information, read [here](#).

- **CAS View:** Over the last few years, one frequently heard that Africa must position itself to become the factory of the world when labour prices in China become too high, relatively. At that stage, China was the world's factory. Now we have a situation that China is rebalancing its economy from being investment and export-driven to being consumption-led. The middle class has grown sharply and labour prices have increased significantly. Other cheap labour countries in Asia seem to have their own challenges that deter CSR-oriented companies from the West from investing there. We now have a situation where we can say Africa is starting to become a major player in the manufacturing industry of the world. As for the USA market, one should not underestimate the benefits Africa are enjoying due to AGOA! The article provides good advice for Africa should it want to capitalise on this opportunity and develop it into sustainable growth. It is an opportunity Africa cannot afford to ignore. If one looks at how countries such as Singapore and South Korea have developed their manufacturing base over the 5 decades of their economic development, it is clear that Africa needs to embark on the same path. Educating and training their workers and providing the requisite infrastructure will not only speed up the process, but are essential for progress. The resultant job opportunities will stand Africa in good stead!
- **Ethiopia:** Kia Motors will start assembling cars in Ethiopia, its only other assembly plant outside Nigeria.

South Korea's Kia Motors signed a deal with a local company last week to start assembling cars in Ethiopia and is thinking of similar operations elsewhere in Africa. It is important for them to penetrate the African market, and they are also looking at the prospects of opening similar plants in Algeria and other countries. Kia and Belayab Motors PLC, with whom it signed the agreement, said the plant in the town of Adama south of the capital Addis Ababa, will produce its first vehicle in January 2017. Kia plans to produce 3,000 vehicles of three models every year and the number could rise to 9,000 if extra shifts are added. Kia, whose only plant in Africa is based in Nigeria, said the move would enable it to establish a foothold in East Africa. Ethiopia produces about 8,000 commercial and other vehicles a year for the home market, about a quarter of which are cars. Though a minnow in the continental market, the government wants to turn the industry into one of the biggest in Africa through incentives such as cheap labour and tax breaks. For more information, read [here](#).

- **CAS View:** Africa is becoming more attractive as a source of assembled cars. Some have actually started developing its own cars, such as Ghana, Nigeria and Uganda. The latter developed 3 models of eco-friendly cars. We see here South Korea making a serious investment in the darling of East Africa, i.e. Ethiopia. This will create jobs and stimulate the already rapidly growing Ethiopian economy. Given that this will be the first plant outside of Nigeria for Kia, East Africa as a region will henceforth be supplied from Ethiopia, quite a large market with overall stability in the EAC. Cheap labour and developing road and rail infrastructure will give this initiative from Kia a welcome boost. South Korea's actions in Africa might not be at the level of those of China, Japan and India, but they seem to be serious in targeting Africa. They have various initiatives from several government departments that support activities in Africa. Other countries in Asia should take a leaf from South Korea's book and seriously consider Africa!

West Africa

- **Nigeria:** After having just paid a massive fine in Nigeria for infringing telecoms regulations, MTN is accused of illegally moving US\$14 billion out of Nigeria.

MTN, Africa's largest mobile provider, is facing allegations that it has illegally moved US\$14 billion out of Nigeria. Nigeria's senate have accused MTN of moving money out of Nigeria since 2006 to avoid paying tax. Nigerian lawmaker Dino Melaye alleges that 4 banks helped MTN move the money: Citigroup, Standard Chartered, and Nigerian lenders Stanbic IBTC Holdings and Diamond Bank. The senate confirmed in a tweet that it would be investigating the matter. According to MTN Nigeria CEO, Ferdi Moolman, the allegations are completely unfounded and without any merit. MTN's share price dropped by 3.4% the previous day. Citigroup declined to comment, and Standard Chartered said that it would cooperate with any queries from regulators, but would not give any further comment. Various institutions have over the past year alleged that MTN had shifted funds abroad. The allegations come months after MTN settled a US\$1.7 billion fine with Nigerian communications regulators over unregistered sim cards. For more information, read [here](#).

- **CAS View:** When MTN was fined for the unregistered sim cards, quite a few voices were raised that the US\$5.1 billion fine was to fill the empty government coffers. MTN ended up paying a much reduced US\$1.7 billion fine. We also saw significant changes in the executive of MTN. This new accusation again raises the comment that Nigeria is looking for more funds, given the implosion of the oil price and the challenges in oil supplies due to the Niger Delta Avengers. Given that the 4 banks are prominent banks with good governance records, there is a certain amount of support for the view that this is a type of shaking down. However, the various investigations that have found that MTN and the banks had transgressed Nigeria's laws, do provide a cloud of impropriety. Having said that, we are all innocent until proven guilty. Should there be substance to the accusations, this will be disastrous for MTN. The current executive would probably escape sanction as they have only recently come to power. The share price would take a tumble and one could only speculate on the size of the fine. The banks involved would also be the target of some sizeable fines. All in all, this could be a lucrative opportunity for the Nigerian government as far as fines are concerned. If this situation proves to be a storm in a tea cup, however, Nigeria's reputation as an investment destination would get a severe beating!
- **Nigeria:** The African Development Bank (AfDB) is bullish about Nigeria and will increase its portfolio in Nigeria by more than 100% over the next 3 years.

Akinwumi Adesina, President of the AfDB, stressed the need for Nigeria to put in place the right incentives to boost private investment and revive growth. He also reassured authorities of the Bank's unwavering support during these difficult times. Nigeria is in recession. "Diversification is not the problem," Adesina said. The problem is that the rest of the economy is not able to generate enough revenues for the Government and foreign exchange earnings. To reap the "dividends of the Naira devaluation", Nigeria needs to incentivize the rest of the economy: incentives for FDI to go into the critical sectors, especially agriculture and agro-industrial sectors, solid minerals; to small and medium enterprises (SMEs), an important job creator; and to the manufacturing and industrial sectors to do import substitution. The Government will get more resources from better performing manufacturing and industrial sectors and SMEs. Unemployment will decline substantially. Adesina confirmed the Bank's support to Nigeria. The Bank is finalizing a US\$ 1 billion budget support operation. The Bank will also provide US\$ 300 million for youth employment in agribusiness, through the ENABLE Youth programme. The Bank's portfolio in Nigeria is projected to increase from the current US\$ 4.6 billion to US\$ 10 billion by 2019. For more information, click [here](#).

- **CAS View:** To bring about structural changes to a country's economy, does not happen overnight. Given the current situation Nigeria finds itself in, it is perceivable that Nigeria will have a few problem situations on the short-to medium-term to deal with. However, it is clear the AfDB is of the opinion that Nigeria is worth the risk of increasing its exposure to this country by more than 100% over the next 3 years. As it is arguably Africa's largest

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economy, there are bound to be investment opportunities. Is the naira really as weak as its levels against the US\$ indicate? Whether you look at the official rate or the rate in the parallel market, some are saying it is undervalued. They are also saying that had they had the cash, they would move into Nigeria and invest in stocks and wait for the market to restore to health. We all know that when the oil price eventually bounces back to US\$100 a barrel and more, Nigeria will be smiling. The bad news is that it is not going to happen soon. The good news is that in the meantime Nigeria presents a buying opportunity – provided you do your homework.