

African Union

- **Africa:** Africa's youth can either be a demographic dividend or a demographic disaster. Relevant education linked with economic growth to provide meaningful job opportunities, seems to be the key to ensure Africa will reap the dividends.

Africa's youth represents both an opportunity and a challenge. 41% of Africa's population is below the age of 15. By 2035, more people will reach working age (15-64) in Africa than the rest of the world combined. This 'demographic dividend' is a massive opportunity for enhanced productivity and economic growth. However, it also represents challenges to societal progress and stability, as the youths that are marginalised, can place further pressure on already strained resources and become vulnerable to extremism and criminal behaviour. Cities like Lagos are currently experiencing the strains of abundant but underemployed youth, as population growth outpaces the rise in economic opportunities. Social, political and economic structures such as quality and affordable healthcare, education, skills and training, political freedoms, inclusion and information access will catalyse the transition from demographic growth to demographic benefit. Unemployment is holding back the potential of Africa's youth and requires us to look beyond expanding access to education. We must address both the quantity of our education, but also its relevance to employers. We must understand the challenges youth face when engaging in entrepreneurship, and help grow the small businesses that account for a large proportion of job creation in Africa. For more information, read [here](#).

- **CAS View:** Much has been written about the potential benefits of Africa's demographic dividend. Much has also been written about providing direction and opportunities to the youth of Africa. This article addresses these issues comprehensively. I have stated several times in previous newsletters that we will find populist demagogues that will exploit the frustration of Africa's youth to further their own political agendas. The sad thing is that it becomes difficult (even impossible) to control this wave of dissatisfaction once it develops momentum. One can look at the French Revolution in 1789 to see that revolutions tend to consume its leaders. But it destroys more than what is normally intended. Africa must create meaningful opportunities for its youth, and it must educate them with relevant training and development programmes. There is no alternative to this! Failure to do so will be the flame to the gunpowder of dissatisfaction and discontent.
- **Africa:** The AfDB has launched its Fashionomics B2B platform to build up African fashion in the global value chain.

African fashion has boomed in recent years, fuelled by the rise of Afrocentrism and changing perceptions of Africa. Today fashion designers are leveraging its rich cultures, history, and fabrics to create a name for themselves. Further up the value chain, the apparel and footwear industry is also seeing growth and is estimated to be worth US\$31bn in sub-Saharan Africa. Despite this, Africa's clothing and fashion industry is still in its infancy. The 10 largest textile exporters make up only 0.5% of worldwide textile production. While Africa's fashion industry could be worth \$15.5bn over the next 5 years, this is only a small share of the industry's global value of \$1.3tn. High operational and logistical costs, alongside little government support, are some of the major limitations facing the industry. To address this, the AfDB is launching its Fashionomics B2B platform to build up African fashion in the global value chain. The platform aims to strengthen each link of the value chain – from cotton farmers to fashion designers. The platform will link designers throughout Africa with other designers, buyers, and suppliers. It will also connect them to financial services providers and mentors to help them grow their businesses. For more information, read [here](#).

- **CAS View:** Africa's fashion industry is indeed a drop in the global bucket and any attempt to develop the scale thereof must be lauded. The AfDB's attempt to strengthen the entire value chain will hopefully bear the necessary fruit. Ideally the industry will also link up with the global value chain. As the article states, the textile industries in countries in Africa, such as Mauritius and Ethiopia, have already benefitted from actions by their governments to stimulate their economies. Until recently China was viewed as the world's textile factory. Given the increase in labour costs in China, other countries are now vying to take over this mantle. A requirement would be a labour force that is cheap, productive and well educated, with a government that is creating a policy environment that would attract foreign investors. Ethiopia has already succeeded in getting Tesco, H&M, and PVH Corp (which owns the Calvin Klein brand) to either source garments from Ethiopia or to set up a factory in the country (PVH Corp). Africa will be competing with Southeast Asian countries such as Vietnam and the Philippines, and Bangladesh, to name but a few. They would therefore need to ensure they get their act together.

East Africa

- **Kenya:** Mobius Motors are producing "made-in-Kenya" vehicles, stimulating Africa's motor vehicle industry.

Mobius Motors has started producing low-cost vehicles for Africa's off-road and rough terrain. It plans to increase production of a newer, more advanced model next year after an optimistic reception of its pioneer model. It anticipates the new Mobius II, which will be a more enhanced version of its pioneer model, will have advanced features such as a better interior and exterior appearance, power steering, sealed side windows and a much higher ground clearance. Mobius expects that the enhanced model will gain an even better reception in the East African market. The simplistic design and absence of key features such as power steering, air conditioning and glass windows in the original Mobius was compensated by the relatively low price of approximately \$9,500. In a race to create an identity for themselves as automakers, African nations are rising in this respect. Both Uganda and Ghana are also manufacturing home-grown cars. Since its launch, Mobius has attracted attention from local and international investors. In November 2014, Kenyan-based Chandaria Industries acquired an undisclosed stake in the low-cost motor maker. For more information, read [here](#).

- **CAS View:** Africa seems to be adamant to develop a home-grown vehicle industry that would meet the needs of its consumers. Africa needs vehicles that can deal with the frequent bad conditions of the road infrastructure. Given the relative low levels of income, it needs these vehicles at a low price as well. It is good to see several countries tapping into this opportunity. Not only will this stimulate economic growth, but it will also lead to import substitution. In addition, it will create meaningful jobs for well-qualified Africans, up and down the value chain. This newly developing industry will stimulate the development of new qualifications in Africa for the various skills required, and provide opportunities for Africa's youth, an important development. This could also put brakes on Africa's brain drain.
- **Kenya:** M-Pesa's pervasive influence in Kenya can be risky for the Kenyan economy. Risk-mitigation measures would need to ensure the economy can deal with systemic failures, without losing out on the flexibility provided by M-Pesa.

Few could have conceived M-Pesa would be as ubiquitous and deeply entrenched in the lives of Kenyans as it is today. A sizable portion of Kenya's economy is now deeply ingrained in the platform to levels that are starting to concern officials on the economic consequences in the event of system-wide collapse or compromise. Treasury thinks mobile money should be regarded as a "plausible fiscal risk" to the country given the growing inter-linkages with different sectors of the economy. At least 25 million Kenyans use the Safaricom-owned service through which

they transacted \$28 billion in 2015, equivalent to 44% of Kenya's GDP of \$63.4 billion. In the first three quarters of 2016, it transacted \$25 billion. Back when Kenya's central bank received an application from Safaricom seeking authorization of M-Pesa as a mobile money transfer service, it felt that approval would mean having to navigate attendant risks posed to the financial system. By side-stepping an overly prescriptive regulatory regime, the central bank fortified the mobile money innovation, enabling its extraordinary growth in the last decade. Mobile money providers have implemented policies to manage operational risk, safeguard and ring-fence users' funds, protect consumer interests and plan for business continuity. For more information, read [here](#).

- **CAS View:** M-Pesa has developed to such a level that it could hurt the economy of Kenya should it pick up problems. Anecdotal evidence has shown that the Kenyan authorities were not hesitant to contact Vodacom directly when their systems went down, as it directly impacted the economy of Kenya. Given the prevalence of M-Pesa and the degree to which it has been entrenched in the Kenyan economy, one would expect Kenyan authorities to put safeguards in place to prevent M-Pesa from crashing and thereby hurting the Kenyan economy. M-Pesa would also need to ensure it does all it can to ensure its integrity to forestall actions by the Kenyan authorities that would lead them to treating M-Pesa like a regular bank. This could lead to a loss of flexibility on the part of M-Pesa, which is the last thing they need. However, given the apparent vulnerability of the Kenyan economy to a systemic crash on the part of M-Pesa, it seems inevitable that more stringent control and risk-mitigation measures would need to be put in place.
- **Rwanda:** VW plans to open an auto assembly plant and pilot a ride-hailing and car sharing service in Kigali.

VW is expanding in Africa, hoping to open an auto assembly plant in Rwanda (to produce at least 5000 cars per year) and pilot ride-hailing and car sharing services in Kigali. VW is counting on new revenue sources such as pay-per-use transportation to increase business in countries with poor transport infrastructure — especially countries where Uber does not yet have a presence. VW's move into "app-based integrated mobility" in Rwanda is significant for 2 reasons. It's happening in a city in Africa and it's a new business model for future urban mobility. With the integrated mobility concept, VW intends to provide a new impetus for the development of individual mobility. Emerging markets with poor transportation links have become a battleground for establishing new mobility services. Rwanda is a good market for VW because there is little competition there. Africa is the final frontier for the global automotive industry with enormous growth potential; vehicle sales are expected to grow by 40% within the next 5 years in Africa. Africa has a large need for mobility, but in certain regions cannot afford full ownership of a vehicle. For more information, read [here](#).

- **CAS View:** Given the low levels of disposable income in Africa, global companies do need to redesign their business models. Transportation is problematic, and innovative ways of providing in this service is essential. The global vehicle brands also need to take the newly developing home brands into consideration. In various parts of the world, companies have come to realise that consumers in the developed world do not necessarily want to own cars, but they do require mobility. Various innovative companies have responded to this with unique value offerings. It is good to see VW responding in a similar manner in Rwanda. Hopefully this will expand into the major cities of all African countries.
- **Tanzania:** The Hadzabe tribe in Tanzania is tapping into the carbon credit market to generate revenue.

The Hadzabe people have been hunter gatherers in Tanzania for millennia, and they're one of the world's last remaining tribes engaged in this activity. However, they're having to turn to modern technology to protect the shrinking woodland habitat on which they've depended for 40,000 years. They are using carbon trading to save

their forests in the Yaeda Valley in Tanzania. Carbon trading is the process of buying and selling permits and credits to emit carbon dioxide. It is now illegal to cut down trees in land traditionally used by the Hadzabe in Yaeda Valley. Carbon Tanzania is a social enterprise to help the Hadzabe benefit from reducing emissions from deforestation and forest degradation. In 2011, the Hadzabe signed a 20-year contract with Carbon Tanzania to sell forest carbon offsets on their behalf. Local and international companies that wanted to reduce their carbon footprint were approached and sold carbon offsets. Revenue from their sales protects the forests. Carbon Tanzania pays Hadzabe villagers a monthly salary to patrol the forests and make sure there have been no trees felled or new settlements. For more information, read [here](#).

- **CAS View:** This is an interesting case study of tapping into new developments such as carbon trading. Here we have a tribe living in the forests of the Yaeda Valley getting a benefit from the sale of carbon credits to global companies. In an ideal world, these global companies would not buy carbon credits, but would design their operations to be as carbon-neutral as possible. But then we don't live in an ideal world, which provides the Hadzabe with an opportunity to generate revenue.
- **Ethiopia:** Ethiopia is developing its renewable energy sector with the aim of becoming the region's leader in the provision of electricity.

Ethiopia's renewable energy sector continues to make rapid progress. It has enjoyed a decade of strong growth, giving rise to profitable industries, new infrastructure, and showpiece summits. To sustain this momentum, Ethiopia's government is pressing ahead with ambitious development plans, and clean energy is core to the mission. The next target is to become the wind power capital of Africa. Wind accounted for just 324 MW of Ethiopia's total output of 4,180 MW at the end of 2015, with the clear majority coming from hydropower. The government has plans for at least 5 further wind farms, aiming to deliver up to 5,200 megawatts from wind power within 4 years. Three factors are driving Ethiopia's shift to wind: the devastating droughts that have diminished the value of hydropower energy, the falling cost of wind power technology, and evidence that Ethiopia is blessed with ideal sites for harvesting wind. Wind power is also expected to deliver wider benefits for struggling communities through training and job opportunities around the new sites. Further, the plants are likely to strengthen Ethiopia's position in the region through trade. It already exports energy to neighbours such as Sudan and Kenya, and wind power will offer new options. They can use wind to feed their local grid and export from their hydropower resources. For more information, read [here](#).

- **CAS View:** Ethiopia is developing a diverse set of energy sources, i.e. hydro and wind. In spite of a 6-month period of state of emergency, Ethiopia is still focusing on developing its economy. I have earlier written about Ethiopia's intention to be a dominant player in the energy sector in the East African region. Their projects are in renewable energy, which shows what can be done in the absence of fossil fuel resources, should there be the political will. It is essential that the political volatility in Ethiopia is dealt with appropriately to enable Ethiopia to develop even further as a case study of economic development.

West Africa

- **West Africa:** Senegal is developing the eCFA as a digital currency that will operate alongside the CFA in West Africa.

Senegal will soon begin using a digital currency in 2017. It's another opportunity for fintech to help emerging markets leapfrog traditional banking systems and bring financial inclusion to more people. If the Senegal roll-out

is successful, the currency will be used in most of Francophone West Africa and Lusophone Guinea Bissau. Known as the eCFA, it is designed to operate alongside the CFA, the West African Franc. The eCFA has been designed to work with existing mobile money platforms like M-Pesa. The physical technology behind the currency is a digital currency production engine. Each central bank will have their own engine, locked in a vault and kept offline, only to be operational when the central bank wants to use it. Tunisia became the first African nation to use blockchain technology to digitize its currency, launching the eDinar earlier this year. Digital currencies are difficult to regulate, and until now had no links to sovereign currencies. A digital currency issued by central banks allows national treasuries to make use of all the technological advantages of cryptocurrencies, without relinquishing control to decentralized organizations like Bitcoin. For more information, read [here](#).

- **CAS View:** Africa is viewed negatively by a lot of foreigners, who see it as backwards as far as technology, human rights, and various other issues are concerned. There are also quite a number of Africans themselves who are negative towards Africa. It is therefore refreshing to see this kind of development in new technology such as blockchain. Linking digital currencies with sovereign currencies will go a long way to exercise better control over these digital currencies. Some banks have also started using blockchain technology to design products for their clients in Africa. It is not surprising that it is Senegal that is leading in this field, as its president is a dynamic and innovative individual.
- **Senegal:** Senegal has dropped the price of its electricity by 10%, saving consumers a lot of money and increasing its attractiveness as a manufacturing base in West Africa.

President Macky Sall has announced a 10% drop in the price of electricity “from the first semester of 2017” after Senegal saw a marked improvement in the supply of electricity, thanks to the commissioning of solar power plants. This reduction represents a gain of more than 45.7 million euros in favour of consumers and it is based on “several achievements. The supply of electricity has improved significantly from 912 hours in 2011, while the average annual cut-off time has been reduced to 73 hours in 2016. The national electricity company, Senelec, which had cumulative losses of several million euros, has posted a profit for the third consecutive year since 2014. In 2016, Sénélec put into service an additional 270 MW, more than half of its cumulative capacity in 2015 of 510 MW. This made it possible to improve the quality of the service and give thousands of Senegalese access to electricity. He also recalled the recent commissioning of solar power plants in Bokhol and Malicounda, and “6 other solar and wind projects” which are to be “completed by 2018”. Sall also spoke of recent gas and oil discoveries in Senegal, which offered the country “new opportunities” for its “energy independence”. For more information, read [here](#).

- **CAS View:** This is what happens when we have good governance and good planning in the electricity sector in a country. In a period when prices are consistently rising, bringing down prices are surprising and refreshing. It is not conceivable that other leaders would have kept the prices the same to build up a war chest for expansion. Some would say it is a political ploy to buy votes, but then we know Macky Sall has publicly stated and shown his intentions to not outstay his welcome as president. Bringing down the price of electricity will not only save the private consumers money, but will also stimulate the economy and hopefully attract foreign investors to tap into the benefits of cheap electricity and good political leadership. The fact that Senegal is tapping into renewable energy sources of solar and wind, makes this an even better story to tell. I look forward to seeing how Senegal will manage the gas and oil it has recently discovered. Given what we have seen of Sall so far, the expectations are that it will be dealt with in a sustainable manner and that value will be added before exports. Tapping into the entire value chain and refining the oil will stimulate the economy and create jobs, in addition to import substitution. Senegal’s economic growth, already at a healthy 6%+, will be an interesting variable to watch in the next few years!