

African Union

- **Africa:** The WEF at Davos heard that Africa needs a business-enabling policy framework and a strong private sector involvement.

According to a panel at the WEF in Davos, the key to boosting growth in Africa is more private investment and responsible policymaking. African politicians and business leaders want to see a stronger relationship between the public and private sector to ensure better regulation and clearer policy certainty to ultimately attract infrastructure spending. The most fundamental issue is, will there be consistency between the public and private sector. Senior business executives asked for stronger policy certainty and regulatory environment. President Kagame of Rwanda acknowledged that if governments adopted investment-friendly policies, there will be economic development. The private sector holds huge resources that could be deployed together with the government for the benefit of infrastructure, whether it is energy, transport, IT, telecoms, etc. But then government must make sure it puts in place policies that work to encourage this kind of investment and partnerships to happen. Trade is one of the areas that African countries need to work on. Substantial opportunities for further regional and global trade integration still lie ahead for the entire SSA region. For more information, read [here](#).

- **CAS View:** CAS has long been stating that 'n business-enabling policy framework is a necessity for economic growth, and that the private sector needs to become involved. This has also been the point of view of both the previous and the current president of the African Development Bank (AfDB). The private sector also requires certainty regarding the continuation of policies, as uncertainty creates an unacceptable risk environment. Unfortunately, we at times find in Africa governments that are either unwilling or unable to create a secure policy environment. We would find certain sectors in a country pleading for the nationalisation of certain sectors, for instance, while others remain silent. This does nothing to attract either local or foreign investors. Some governments seem not to understand this requirement. Often it is opposition party elements who are not afraid of grandstanding that resort to this kind of behaviour, in order to attract votes from the extreme parts of the political spectrum. This is a dangerous game and Africa should stop this practice. On the issue of regional integration, this is one of the "High 5" priorities of the AfDB. The TFTP has hardly been put to bed, and Africa has already started work on the CFTA. Whether these agreements would actually yield the envisaged results, remain to be seen. The challenges are many, but if the political will is there, hopefully Africa will pull it off. The benefits would be tremendous.
- **Africa:** Africa will bounce back in 2017. There are 4 key trends driving large-scale private sector growth.

Africa will bounce back in 2017. Private sector-led investments are starting to flourish, thanks to government-led economic and political reforms. The business landscape has been rapidly changing, due to increased regional mobility, rapid urbanisation and population growth. Four key trends are driving large-scale private sector growth. 1) Processing and value addition. Over 80% of value in the global food industry is in value-added components such as sorting, cleaning and packaging fruits and vegetables. 2) Fast-moving consumer goods for Africa by Africa. Africa has one of the world's fastest-growing populations and an exploding middle class. There is a high demand for FMCGs, such as apparel, hygiene products, food and electronics. Most of these products are still being imported. Several African entrepreneurs have started local production using locally available material. 3) 'Bottom of the pyramid' consumers. The competitive advantage of African-owned and run businesses is that, unlike their foreign counterparts, they understand the purchasing decisions of the world's more than 5 billion low-

income consumers. 4) African export market. Export-led growth has been a successful strategy for several developing economies. African governments and multilateral donors have encouraged exports, which have allowed companies to further diversify their operations and reap the financial benefits. For more information, read [here](#).

- **CAS View:** Africa has indeed been the victim of both global headwinds and its own neglect. Instead of diversifying its economies when the going was good, it sat back and enjoyed the fruits of commodity exports. Quite a few paid lip-service to the goal of value adding in the local value chains, but that is where it stayed. It is, however, also true that quite a few economies did not fall in the trap of commodity exports, purely because they had none. They focused on developing their manufacturing sectors, and worked at industrialising the important parts of their economies, such as agriculture. Above are 4 trends that can help Africa to unlock the potential inherent in the continent. Amongst others, it must look at unlocking value in the industry value chains, by identifying value adding opportunities. In addition, it must work towards linking up and integrating their industry value chains with the global value chains. This will require an educated workforce. To benefit from linking up with the global value chains, such as in the textile industry, a low cost and productive work force is essential, as is a government that will be supportive of private sector engagements by creating a business-enhancing policy framework. It is also imperative that Africa's policies are inclusive and pro-poor. It cannot afford to go the road of jobless-growth.

East Africa

- **Tanzania:** China is supporting Tanzania to drive its industrialisation efforts. This includes support with the launch of 200 factories, providing work for 200 000 people.

Representatives from 50 foreign companies are expected in Tanzania on Saturday this week to join China as it celebrates its New Year in Tanzania. With a theme of 'Focus on Africa', this year's Chinese New Year celebrations in Tanzania are aimed at helping Tanzania to realising its industrialisation goals. The companies will discuss various issues, including investment opportunities, trade, as well as social and cultural trends in Tanzania. China is also inviting Tanzanians from business and cultural settings to attend the event. The Chinese Foreign minister Wang Yi recently visited Tanzania to discuss in detail China's plan on assisting Tanzania to realise its industrialisation dream, as well as on other infrastructure projects that China has committed to support. Such projects include the improvement of the Tanzania-Zambia Railway Authority, the construction of Bagamoyo Port and the Central Line to a standard gauge railway standard. It was recently revealed that at least 200 factories are planned for launch in Tanzania within the next 3 years with China's support. The factories are expected to generate 200,000 jobs. For more information, read [here](#).

- **CAS View:** Another case study of China supporting an African country to industrialise its economy. This is in line with the promise made by President Xi Jinping of China at the FOCAC of 2015 to help Africa add value at source, instead of just exporting raw materials. While it is undeniably so that there are no free lunches, China are not only helping themselves, but also Africa. As it is, under President John Magufuli, Tanzania has committed to rooting out corruption and to fix its tax policies, amongst others. Developing its road and rail infrastructure will definitely help the economy of Tanzania. So will the 200 new factories, generating 200 000 new jobs! In addition to stimulating the economy by means of exports and import-substitution, creating the new jobs will also create social stability. If Magufuli can convince other investors that Tanzania is serious in its attempts to create a just and investor-friendly environment, Tanzania will have a good chance of taking over from Kenya as the dominant economy in the East African Community. It is also imperative that he does so in an acceptable manner, as the "how" is going to be just as important as the "what"! Actions that remind one of his nickname of "bulldozer", might not work in the international arena.

- **Tanzania:** Tanzania has signed an agreement with China to commercialise cassava farming and processing.

Tanzania has signed a \$1 billion partnership agreement with a Chinese firm to commercialise cassava farming and processing, raising hopes of growers struggling to access reliable markets. The Tanzania Agricultural Export Processing Zone Limited (TAEPZ) and Epoch Agriculture from China said they created an out-grower scheme that will ensure sufficient production of cassava for processing. The firm will also establish an industrial park comprising of factories to produce cassava flour, cassava starch, animal feeds, organic fertilizer and paper pulp. The next phase will include the production of industrial sugar and ethanol. Cassava as a white gold features well in the current industrialization strategy and also solves food security challenges. Current statistics indicate that Tanzania produces 5.5 million tonnes of cassava annually, while TAEPZ will consume 2.5 million tonnes of dry cassava every year. The company has secured a market of 2 million metric tonnes of dry cassava chips per annum, with an increase of 5% for subsequent years. For more information, read [here](#).

- **CAS View:** It is interesting to note that various countries are climbing seriously on the cassava bandwagon, including Nigeria, Cameroon, Rwanda, Uganda, and now Tanzania. Linking up with a Chinese company will benefit Tanzania tremendously, as it would be much easier this way to tap into the resources earmarked for the One Belt One Road initiative (OBOR). It is also clear that companies are moving up the cassava value chain into more value-added segments, such as maltose and ethanol. The size of the market is formidable. Again we find job-opportunities for the unemployed of Tanzania, as well as more highly-skilled jobs, given the more technical elements of the downstream activities in the value chain. It also seems that there are very good export opportunities. This will stand Tanzania in good stead. This kind of venture could also lead to Tanzania becoming a hub for Africa's entrepreneurs in the cassava sector, those hoping to benefit from the OBOR initiative.
- **Kenya:** Kenya is using renewable energy to connect the rural parts of the country to its electricity grid, planning to do so in just 7 years.

Kenya is working on connecting the rural parts of the country in just 7 years. Kenya added 1.3 million households to its electricity grid last year, raising the percentage of connected Kenyans to 55%, from just 27% in 2013. In another 4 years, Kenya plans to achieve "universal access" where 95% of homes will have access to electricity. Access to electricity is important for improving everything from education and agricultural productivity to employment. Across Africa, about 600 million people don't have access to electricity. Kenya would be among the first African countries to achieve universal access to electricity. Much of Kenya's energy comes from non-fossil fuel sources—more than 60% of installed capacity comes from hydro and geothermal power. Kenya opened the world's largest geothermal plant last year, while another plant is being built and expected to come online in 2 years. Kenya is also building Africa's biggest wind energy farm to generate a fifth of its power. Still, Kenya's electricity grid is not without problems and blackouts are quite common. For more information, read [here](#).

- **CAS View:** Electricity is a source of major concern in Africa, to the extent that the president of the AfDB has identified it as one of his "High 5" priorities. The fact that Kenya is obtaining more than 60% of its electricity from renewable sources, and that it is expanding on this capacity, makes this very good news. It has already developed efficient financing mechanisms for the poor of East Africa, such as the M-Kopa app that is based on the M-Pesa platform. This transforms the high upfront capital acquisition cost into a monthly operating cost, payable through M-Kopa. If we look at the rate at which neighbours, such as Ethiopia, are also tapping into renewable energy sources, Africa seems to be latching on to renewables as its major business model, in the process leapfrogging the conventional coal-fired system. The latter has become more expensive, and contributes quite negatively to global warming and climate change, something which Africa cannot afford.

Southern Africa

- **South Africa:** 2016 has been a tough year for South Africa, but 2017 has the potential to be a turning point.

The year 2016 was difficult for many countries. For South Africa, 2017 may mark a turning point. Growth is expected to strengthen to 1.1% in 2017. A modest recovery in commodity prices is one reason for this, as is the improved supply of electricity and smoother labour relations. Inflation is expected to decelerate in 2017. This is good news for households. The rand continues to trade at relatively weak levels. While this makes imports more expensive, it presents an opportunity for South African businesses: exports will benefit from the weak rand, and import-substitution is a real opportunity. Yet South Africa turning the corner in 2017 should not be taken for granted. First, the population will continue to outgrow the economy, meaning that GDP per capita would fall for a fourth year in a row – and South Africans would become poorer on average. Thus, 2017 will need to be a year of decisive policy action to raise the productive capacity of South Africa, and ensure that all South Africans have an opportunity to make a decent living for themselves. The foremost challenge is the reduction in unemployment. Implementing key infrastructure projects remains crucial to unlock potential output and growth. Education is also crucial. For more information, read [here](#).

- **CAS View:** The price increase of some commodities did help South Africa during most of 2016. This led to, amongst others, Anglo's share price increasing by 300%. However, the price of coking coal took a steep nosedive towards the end of 2016 when China eased restrictions on the production of the material used to make steel. The Rand is currently quite stable against the dollar. How long this will last, is anybody's guess. Should the Fed in the USA raise interest rates, the Rand will take a hit. As for the other factors mentioned, youth unemployment must be addressed as a matter of priority. As stated in the article, improving the education system of South Africa is going to be crucial. And then, the most difficult factor would probably be getting the politicians in South Africa to play ball – to think before they speak, and to not fire the current minister of finance. It is not as if he is untouchable, but given the circumstances of the threats of him being arrested by the Hawks in South Africa, and the dubious grounds for his arrest, it would be a disaster for the Rand. At the recent meeting of the National Executive Committee of the ANC, a group of ministers threatened to resign should Jacob Zuma remain as president. They are still in his cabinet, and it is not unlikely that he will reshuffle his cabinet to get rid of them. In this case, it would be an opportunity for him to also get rid of Gordhan as finance minister as well. Should all of this happen, which is not impossible, it would probably trigger the ratings agencies to down-grade South Africa's foreign debt to junk bond status. This would make all the potential good news stories above irrelevant. Let's hope none of this happens and that sanity prevails.
- **South Africa:** Naspers is seeking a JV with MNOs in Africa to boost its video-on-demand business and compete against Netflix.

Naspers is seeking partnerships with mobile-phone operators in Africa to boost its video-on-demand business and help compete with US giant Netflix. Africa's biggest pay-TV provider is planning to build on a JV agreed last year with Safaricom in Kenya, to roll out online service Showmax at more affordable data prices. Safaricom is 40% owned by Vodafone. According to Bob Van Dijk, Naspers CEO, they will be targeting the whole of SSA for mobile partnerships. Working together with telcos will be a big part of what they do. Naspers' satellite pay-TV business was hurt last year by falling currencies against the dollar and new competitors such as Netflix and Econet of Zimbabwe. Naspers is seeking to maintain its market-leading position with online products like Showmax, which offers movies and TV shows. The video-on-demand business will have to be a mobile play through affordable

data. Naspers plans to harness artificial intelligence to enable growth across its businesses, by building their AI capacity internally rather than investing in an AI business. For more information, read [here](#).

- **CAS View:** I mentioned in earlier newsletters the potential for a JV between mobile network operators (MNOs) and content providers, such as Naspers' pay-TV provider, Multichoice. However, I saw this as a move from the MNOs to bring the other parties on board, to get access to content. The reality is that voice is mature, and that the price of data was under pressure. Value-added services were seen to be the opportunity of the future. (For more information, read <http://bit.ly/2jcukpC>). It now seems content providers keen on developing a market opportunity in Africa, did not want to wait to be approached, as they had to prevent the Netflix's of the world from securing a foothold in Africa. As smartphones were expanding in Africa at a phenomenal rate, and the cost of both smartphones and broadband was coming down in Africa, it made a lot of sense for Naspers to go this route. The next move could be to actually either obtain their own mobile telephony license, or to acquire an MNO. This would enable them to also get involved in mobile money in Africa, which, together with mobile telephony, seems to be quiet a lucrative business. Vodacom's annualized return on equity (ROE) for the quarter that ended in September 2016 was 57.32%. During the past 13 years, Vodacom's highest ROE was 75.01%. The lowest was 30.24%, with the median at 57.83%. These are excellent returns in anyone's language!