

## African Union

- **Africa:** The cotton value chain in Kenya is characterised by the import of 80% of the raw material, this while Kenya is a cotton producing country itself. It is time that cotton producing countries in Africa look after the local industry.

Kenya wants to have a bigger share of the global cotton market and is focusing on support to farmers, better cotton varieties, transparent pricing and irrigation projects. The current production is at 572 kg per hectare compared to the global average of 726 kg per hectare. High input costs are making Kenya's cotton globally uncompetitive. The cotton value chain flows from production, ginning, spinning, weaving and garment-making. Currently, garment manufacturers can legally import raw and intermediate materials from other countries and carry out final processing. With 7 operational factories in the country, their machines are just utilised up to 50%, with 80% of the raw material imported. This would change through a policy shift where cotton would only be grown in Kenya so that locals benefit in the entire value chain. In Zimbabwe, cotton farmers have expressed displeasure with the poor and inadequate input package being provided. There are growing concerns that some private companies might have overstated cotton inputs they gave to farmers to obtain buying licenses during the selling season. For more information, read [here](#) and [here](#).

- **CAS View:** Kenya and Zimbabwe are not the only case studies of African countries whose industries suffer through cheaper imports. In this case, we are not talking about produced goods, but of inputs. Both Kenya and Zimbabwe are members of the WTO, which implies there are restrictions to the extent they can protect local industries against foreign imports. However, cotton is deemed to be so important that the WTO has developed specific guidelines to help developing countries protect their industries. Governments must do more than just safeguarding their local industries through tariffs and subsidies; they must also do everything possible to industrialise local industries and increase the productivity of the respective sectors. This will require professional management support, financing support, technological support and education and training support. It also needs to be done in a way that does not negatively impact employment figures. Large corporates operating in developing countries need to realise that for the future health of their investments, they need to play a stronger developmental role than what is frequently the case.
- **Africa:** Mobile telephony is to Africa that infrastructure is to the Western world.

Accessing utilities in the Western world is relatively straightforward. For the millions of unbanked people across Africa, the process is not as easy. It is staggering to see how the system for phone connectivity is the same as issues faced when looking at essential infrastructures the Western world takes for granted. In the U.K., organisations would compete to build roads, infrastructure, etc. to allow the service to be sold and delivered. In Africa, organisations are forced to find alternative solutions and drive innovation as they do so. Most are turning to the mobile networks. Therefore, businesses looking to deliver utilities in African countries are surpassing their Western world counterparts; maximising the mobile networks to deliver innovative utility services to millions. One such business is M-KOPA, which provides solar-powered light to more than 400,000 homes in East Africa. EWaterPay in West Africa is a sustainable solution that allows local water distribution schemes to become self-sustaining. By ensuring people have access to credit and services, organisations can open further access to infrastructure, increase job opportunities and deliver a boost to local and national economies. Africa is therefore at the beginning of its own industrial revolution, driven by mobile networks and innovation. For more information, read [here](#).

- **CAS View:** Many articles have been written about the numerous tech applications based on mobile telephony, such as M-Pesa, M-Kopa, M-Akiba, etc. The benefits of the applications have also been expounded upon. They have helped Africa leapfrog a number of the infrastructure requirements that developed countries have utilised. Most of these projects have the benefit that they can be scaled dramatically, in the process reducing the per capita cost of the individual product or service. In addition to these savings, the countries are also saving on the capital cost of infrastructure, frequently increased by the inhospitable terrain that characterises the rural areas of Africa. Africa's tech entrepreneurs are doing their utmost to innovate solutions to the many infrastructural challenges the continent is facing.
- **Africa:** The ultra-wealthy in Africa is growing in leaps and bounds, providing a lucrative market. In addition, these individuals are frequently keen on doing good in their societies.

The growth in ultra-wealthy populations in Africa will outpace that of Europe and North America over the next decade, according to the 2017 edition of The Wealth Report. Africa's number of ultra-high-net-worth individuals will grow by 33%. Hotspots for growth include Ghana, Mauritius, Ethiopia, Tanzania, Uganda, Kenya, and Rwanda. Given the uncertainty that prevails, wealthy investors are becoming increasingly concerned about their short-term wealth prospects. It is imperative for African countries to position themselves for attracting new business and investment to boost economic growth and improve financial inclusion. Therefore, while the ultra-wealthy in Africa only grew by 13% between 2006 and 2016, growth could be more than double that rate over the next decade as policy and regulatory frameworks make countries more conducive for doing business and creating prosperity. The ultra-wealthy in Africa are also increasingly interested in leaving a legacy and providing more for society at large through philanthropic activities. There is a definite move in Africa to give back to society due to the limited resources available to the poor. For more information, read [here](#).

- **CAS View:** Africa's ultra-wealthy presents a market for the luxury goods producers of the world. The two countries with the largest numbers of ultra-wealthy, are South Africa and Nigeria, respectively, with South Africa hosting by far the largest numbers. It is true that these individuals are increasingly interested in philanthropic activities. A splendid example is Mo Ibrahim, the founder of the Mo Ibrahim Foundation. This foundation strives to increase good governance in Africa. The Ibrahim Index of African Governance annually assesses the quality of governance in African countries. It also awards an annual prize to deserving African government leaders that meet the requirements of the prize. That the prize has only been awarded 5 times the past decade since its inception, is a serious indictment of leadership in Africa! Another example is Tony Elumelu, the founder of the Tony Elumelu Foundation that supports entrepreneurs in Africa. There are more ultra-wealthy individuals that can emulate this example. Africa has been good to them; it is time they reciprocate the good Africa has brought to them.

## East Africa

- **Uganda:** Uganda needs to seriously increase the productivity of its coffee producers. About 40 years ago, it was more productive than Vietnam. Today it seriously lags Vietnam in productivity.

In the 1980s, Uganda was one of the largest exporters of coffee, responsible for about 2% of the world's coffee supplies. It was producing 2.1 million bags compared to Vietnam's 77,000 bags. Today, Vietnam is one of the world's top coffee exporters, accounting for over 18% of global coffee exports, while Uganda's has stagnated to between 2% and 3%. Vietnam has far outperformed Uganda due to its levels of productivity, caused using agricultural inputs for production, particularly the quality and quantity of fertiliser and machinery. The low yields of the large number of smallholder farmers, coupled with relatively high transportation and processing costs, are the

main reasons that Uganda's coffee production has stagnated. Vietnam actively addressed productivity levels. This resulted in Vietnam's agricultural production being far more capital and input intensive than Uganda's, resulting in higher yields per hectare. Ugandan productivity has been poor. Other reasons include that Vietnam has a more conducive environment for setting up businesses than Uganda. The Vietnamese government's assistance to the agricultural sector has also been more supportive than has been the case in Uganda. For Uganda, it's imperative to improve productivity via increased and improved agricultural inputs, fostering a supportive business environment and adopting newer technologies for smallholder farmers. For more information, read [here](#).

- **CAS View:** This case study once again shows upon the importance of one of the oft quoted strategies of the African Development Bank, i.e. the industrialisation of Africa. Over the next 10 years, the AfDB will invest US\$ 3.5 billion per year through direct financing and leveraging to implement 6 flagship industrialisation programmes in areas where the AfDB can best leverage its experience, capabilities and finances. The Ugandan government must buy into this strategy, and create the requisite business-enabling policy framework to increase the productivity of the Ugandan coffee industry. This disparate development path of countries in Africa relative to countries in Southeast Asia, seems to be not restricted to Uganda and Vietnam. Another example is Kenya and Singapore, who 50 odd years ago were on a similar level of development. Now they are about 50 years apart, with Kenya needing to do a lot of catching up. Part of the answer lies in a strong focus on doing the right thing for a prosperous future, driven by an implementation focus based on a strong regimen of good governance and leadership. Education and technology are part of the solution. Africa must take heed and learn from the best.

## West Africa

- **Mauritania:** Mauritania has become a credible investment choice, with low tax rates and zero royalty payments offered to corporate investors.

Mauritania has shed its negative reputation as the ultimate safe-haven to al-Qaeda in the Islamic Maghreb. Algerian and Moroccan investors accordingly are bidding their way into the country to make investments. Oil and Gas, plus mining, are hot sectors for the country. Mauritania requires no royalty payments, which is not the norm. Mauritania's corporate income tax rate is low at 25% and other investment incentives are major positives in a region where the tax and fiscal systems can change any investor's outlook on risk and reward. Regarding infrastructure and power, the profit may be in Mauritania's ability to build the infrastructure to export power to Senegal and Mali. Foreign investors and consultants worry that the bigger projects could challenge the policy and management apparatus of the Mauritanian government. The biggest concern in implementation is their ability to find the best operators and contractors to satisfy foreign investors and local banks. Agriculture and herding support more than 40% of Mauritania's labour force. Yet they account for just 25% of GDP. The challenge is improving farming efficiency, capacity and production. Greater technical ability and capacity and education will drive development in this sector. For more information, read [here](#).

- **CAS View:** It is good to see a country outside of the normal circle of suspects that present investment opportunities. Mauritania possesses large reserves of commodities, which has led to foreign investors courting the government to obtain licenses. It will have to develop the infrastructure to support the development of the respective sectors. What Mauritania also needs to ensure, is that they develop a value-adding approach to their mining activities to avoid falling into the trap of the resource curse. In spite of many examples of the negatives of such a situation, it seems that countries with newly discovered resources or still-to-be-activated mining sectors, still stumble before the attractions of making a quick buck. Hopefully the foreign advisors and investors will be able to convince the government of Mauritania to do the right thing.

## Southern Africa

- **South Africa:** South Africa's president is proposing the expropriation of land without compensation. This could have disastrous consequences for the agricultural sector.

The ANC in KwaZulu-Natal will soon lobby its supporters and members of the public to apply pressure on the national government to take the issue of expropriation of land without compensation to a referendum, said ANC provincial chairperson Sihle Zikalala. Zikalala believed it was only through a referendum that South Africans would have a view on how the debate on land should be resolved. The ANC in KZN feel the land should be given back to the people and that should be done with immediate effect. His call for a referendum received support from the Democratic Alliance, which said public participation would bring an amicable solution to the matter. But various other parties rejected the proposal. Zikalala said President Jacob Zuma's call for a more radical approach to the issue of land reform was encouraging. Zikalala felt the issue could no longer be left to be resolved by parliamentarians alone. For more information, read [here](#).

- **CAS View:** Very recently the president of South Africa, Jacob Zuma, has publicly announced that land in South Africa must be expropriated without compensation, stating that the principle of willing buyer, willing seller, is not working. The fact that this principle is enshrined in the Constitution, does not seem to concern him. He received support from the Economic Freedom Fighters (EFF). The ANC Parliament, however, in the same time frame stated that changing the Constitution to enable expropriation of land was not going to happen. What is more concerning, is what will happen to the production of food in South Africa. If the example of Zimbabwe is anything to go by, a disaster awaits South Africa. As it is, various cases of productive farms provided to previously disadvantaged people (non-white people) have shown to be utter failures. One of the reasons include a lack of support from government. Another concern is what this will do to the attitude of prospective foreign investors. Internally, once the land has been expropriated without compensation, what will happen to the bonds of those farmers whose land has been taken? Will government take over the bonds? Or will the banks bear the brunt of the loss, in the process ruining the banking sector? There are so many negatives that it boggles the mind that the president should publically announce his interest in such an approach. Or should we see this as an attempt at playing the masses, given that the ANC under his leadership is losing the middle class to other parties? We are also seeing the EFF stealing votes from the ANC. Whatever his intentions, Jacob Zuma is playing a dangerous game. We are already seeing an inordinate number of farmers being brutally killed. Destroying the agricultural sector in order to win the popular vote, is a dangerous strategy and will certainly backfire. The destruction of the agricultural sector will definitely lead to a downgrading of South African debt to junk bond status, and therefore the destruction of the South African economy at large. Should sanity not prevail, South Africa is on its way to becoming a second Zimbabwe. But then, with Jacob Zuma nothing is simple and obvious. Time will tell what he truly seeks to achieve.