

African Union

- **Africa:** Africa's banks are racing to catch up with the rapid development of its fintech industry. Both banks and fintech players can benefit from a mutually-rewarding relationship, with the customer being the ultimate winner.

Africa's banks are racing to catch up with the rapid development of its fintech industry. In Africa, traditional branch banking has failed in providing widespread access to financial services. As much as 80% of the population does not use formal or even semi-formal banking services. Improving access started with the advent of mobile money, which has been an extraordinary success. Challenges have emerged for banks in the form of even more disruptive technologies. The attitude of banks has become: if you can't beat them, partner with them. Banks are partnering with startups to avoid being disintermediated. Banks need to keep abreast of the movements in technology across the industry by either partnering with new startups, learn from them or incorporate their technology in their offerings. There are also major benefits to the startups themselves. Banks can offer such companies the financial clout and access to customers to ensure mass uptake of their solutions, a better understanding of how banks work, to fast track regulatory hurdles, to access experts in the industry, and make use of a worldwide distribution network. For more information, read [here](#).

- **CAS View:** There is clearly a change in strategy from the establishment banks. Up to now, it has been a situation of how the banks would benefit by adopting fintech, and the threats they would face should they not embrace the new technology. It is eventually to the benefit of the customer at grassroots level, and the trading environment. This article also spells out the benefits to the fintech players through an association (formal or otherwise) with the banks in the industry. The bottom line is that it is to the benefit of both types of players to cooperate to tap into the advantages of technology to best serve the interests of the customer (existing and potential).
- **Africa:** African countries were recently urged to make the most of the next upward cycle to diversify and industrialise away from over-reliance on exports of raw materials. Dr Martyn Davies also spelt out the ingredients for success.

African countries were recently urged to make the most of the next upward cycle to diversify and industrialise away from an over-reliance on exports of raw materials. Dr Martyn Davies, Deloitte MD for emerging markets and Africa, said African governments had not taken advantage of the last decade's growth spurt to diversify. Without diversification into manufacturing and services, and away from simple resource extraction, the long-term development prospects of countries were always bleak. Commodity exports, on average, accounted for 80% of total merchandise exports from Africa and 70% or more of export earnings for three-quarters of African countries. A handful of countries, such as Madagascar, Senegal, Morocco and several in East Africa, have avoided over-dependence on a single export. Several East African countries had actively promoted export diversification and showed a strong growth outlook due to this. These countries' growth prospects were supported by political stability and pragmatic pro-business policies. Some of the ingredients for successful economic diversification were: the quality and quantity of physical infrastructure investments in key sectors; effective trade and industrial policies; improving macroeconomic fundamentals through sound fiscal and monetary policies; productivity growth supported by human capital, skills and technology; a broader enabling environment for both local and international investors; and good governance. For more information, read [here](#).

- **CAS View:** Up to now, various commentators have called for the diversification of the economies of African countries, CAS included. We have also referred to the "tilting" of Africa's economic power from West to East, as Davies

rightly points out when he refers to the strong growth outlook of several East African countries. The lesson should be clear: Africa must at all costs, wherever possible, avoid an overreliance on the exports of a single commodity (or even more) for government revenues. It should also strive to add value to raw materials before exporting, in order to reap the benefits of exporting higher value products, as well as gaining the advantages of import substitution and more employment opportunities (as well as more meaningful jobs). Davies adds more value to the debate by pointing out the ingredients for successful economic diversification. It seems that governments must create a business-enabling policy framework, concentrate on improving the education sector, and develop high standards of governance.

- **Africa:** Africa must reduce its dependence on USA aid and evolve its relationship with the USA. Africa must identify its priorities, define and implement them.

Trump has indicated he wants to increase military spending, while reducing government expenditure in non-defence programmes. This reduction should be an opportunity for the relationship between the USA and Africa to evolve. Africans must identify priorities, define, and implement them. Priority 1 is job creation. Governments must create policies and implementation plans that will allow for a more competitive private sector that favours business growth, job creation, and the stimulation of African economies. Regional integration is priority 2. African governments should seek to improve regional integration initiatives, which are key to sustaining development and encouraging long-term prosperity for the entire region. Commercial engagement and trade is priority 3. The future of the African trade regime depends on what Africa will negotiate; leaders must therefore actively seek commercial and trade engagement. The West needs Africa given its reliance on natural resources, trade, economic opportunities, and long-term security issues. Encouraging a mutually beneficial pro-business approach that will create jobs in the USA and Africa could be a very successful strategy. African leaders should create the enabling environment necessary to boost local economies, attract foreign investment, negotiate transfer of technology, encourage private sector growth/competitiveness, and increase regional integration. For more information, read [here](#).

- **CAS View:** President Paul Kagame of Rwanda recently remarked that relations and engagement between Africa and the USA should shift from an aid and humanitarian basis to mutually beneficial partnerships in aspects such as business, strategic development and security. Factors such as the strong economic growth across Africa, better governance, business friendly reforms, integration and growing intra-Africa trade portrays Africa as a continent keen on developing partnerships with mutually beneficial terms. He stated that Africa's future growth will be shaped by favourable demographics, increasing urbanisation and technological innovations. More of his comments can be read at [here](#). In this regard, Africa must ensure that its increasing youth component is adequately educated, and that urbanisation takes place in an orderly fashion. Should this not happen, no amount of technological innovation would be able to deal with the challenges brought about by an uneducated (or unemployable) youth in urban slum areas where unemployment is high and services are severely lacking. The demographic dividend will transform into a demographic disaster.
- **Africa:** The Quantum Global Group has ranked the following 5 countries as their Top 5 investment destinations: Botswana, Morocco, Egypt, South Africa and Zambia.

The Quantum Global Group has ranked Zambia the fifth most attractive investment destination in Africa due to its significant domestic investment and access to money supply. According to Quantum Global, which ranks Botswana as the top most attractive country in Africa, the top five African investment destinations attracted an overall FDI of US\$13.6 billion. Morocco ranks second based on its increasing solid economic growth, strategic geographic positioning, increased FDI, import cover ratio and overall favourable business environment. In third position is

Egypt, due to its increased FDI, real interest rates and growing urban population. The fourth country is South Africa, which scored well on the growth factor of its GDP. The Economics Association of Zambia president, Chrispin Mphuka, said Zambia's fifth ranking is good for the country's investment portfolio and that the ranking should be sustained so that the country can attain higher levels of economic growth. For more information, read [here](#).

- **CAS View:** Quantum Global is a private equity group and has a mandate to target Africa. It is interesting to note their top 5 investment destinations. No doubt, various other investment houses would have a different top 5. An interesting observation is that while Botswana has a sound economy with a stable political situation, is still has quite a small market. At number 5, Zambia also raises an eyebrow. It is politically a bit unstable, and given its overdependence on commodity exports, an uncertain choice. Surely there would be other more deserving choices for the number 5 slot? South Africa's large market and sophisticated economy does present investment opportunities, but growth is slow and political (and policy) uncertainty, as well as its junk bond status, does not bode well for the economy. Egypt also presents a number of questions, given its political volatility and uncertain security situation, but a good case can still be made for its inclusion in the top 5. Morocco is probably the one choice with the least number of questions on its inclusion. Other countries that would probably have been close to be included, would include Senegal, Cote d'Ivoire, Ethiopia, Tanzania, Kenya and Rwanda, not necessarily in this sequence. Some commentators would also have indicated Mali and the DRC, but they would probably only be for the more adventurous.

East Africa

- **Ethiopia:** The Ethiopian government is enhancing the engagement of civil society organisations in the overall development of Ethiopia, a welcome development! This has the potential to reduce tensions between the respective tribes and political affiliations.

The government of Ethiopia said it has attached great importance to enhance the engagement of civil society organizations (CSOs) in the overall development of the country. Speaker of the House of People's Representatives, Abadula Gameda, said that the government is working to improve their participation. The beginning of consultations with the CSOs would help as a springboard to the efforts of the government in building democracy. The government has announced a plan a few months ago to work closely with political parties and the civil society organizations. It is thought that CSOs can put a meaningful impact on the overall development of the nation. CSOs need to engage in rectifying faults, enhancing public participation and creating a responsible society, keeping their non-partisan stance. CSOs also have the capacity to create social capital. It was also thought that CSOs should promote rules and regulations introduced by the government to ensure good governance and deepen democracy. Conflict prevention and building patriotism among citizens are also among the major tasks of CSOs. Improving awareness of communities towards CSOs was crucial. It was also thought that CSOs could play an immense role in strengthening the democratic system and accelerate ongoing development. For more information, read [here](#).

- **CAS View:** Ethiopia has been demonstrating sound economic growth. I have always been concerned about the frequent outbreaks of violence from predominantly the Oromo and Amhara tribes who felt excluded from the political decision making processes and the economic benefits of the country. This is the one challenge with the potential to destroy the Ethiopian economic fairy tale. This development of engaging civil society organisations is a major step forward in normalising relationships in Ethiopia and must be supported. Creating a platform for groups to deal with problems and prevent conflict is a necessity. This will create more trust in the government and iron

out misunderstandings before they escalate to violent demonstrations. It has the potential to elevate Ethiopia to even greater heights and position it as a leader in East Africa.

- **Ethiopia:** Ethiopia is developing as a manufacturing hub for the global textile market, with 124 foreign investors expressing an interest in Ethiopia's textile and clothing sector over the past 3 months, including China and India. In addition to lucrative production incentives, these countries now also get duty-free access to the USA and European markets, a benefit otherwise not available to them.

Ethiopia is developing as a manufacturing hub for the global textile market, with 124 foreign investors expressing an interest in Ethiopia's textile and clothing sector over the past 3 months. Chinese and Indian companies will be significant future players. Reasons for relocating to Ethiopia include moving closer to their raw material base, abundant cheap labour (10% of the cost in China), using Africa as a gateway to emerging markets in Africa and to the European market, and tapping into favourable benefit packages from the Ethiopian government. Incentives include preferential trade deals and land policies, and duty free imports of machinery, equipment and construction materials. All exports of products made in Ethiopia to the USA are duty- and quota free under AGOA. The same benefits are available for exports to the EU under its "Everything but Arms" trade access for least developed countries. Furthermore, Ethiopia offers extremely cheap electricity at US\$0.04 cents per KWh. Labour and land has also become quite expensive in China. Ethiopia has a labour pool that is easily trainable to fit the requirements of the garment and textile industry and investors are putting money into training the local workforce to help raise manufacturing standards. For more information, read [here](#).

- **CAS View:** I wrote last week about the Chinese ambassador to Ethiopia talking about the need for Ethiopia to position itself to receive a number of Chinese manufacturers who are finding it too expensive to remain in China. This new article clearly shows it is not just China, but also India and a few others who are interested in Ethiopia as a manufacturing base for their textile companies. Of the 124 companies, more than 70 are Chinese, while about 30 are from India. An important factor is the very low labour cost in Ethiopia and all the other incentives, but definitely also Ethiopia's duty free access to the USA and the EU, given AGOA and the "Everything but Arms" deal for least developed countries. Neither China nor India have the benefit of utilising the advantages of either of these 2 agreements. It seems China, India and the others have a double benefit when selecting Ethiopia as a base: cheap production, a large local market (100 million people), and duty-free access to the lucrative and large markets of the USA and EU. What a bargain! Ethiopia must ensure that it reaps the requisite returns from this partnership. In addition, given the idiosyncrasies of the current USA president, it is not inconceivable that Trump stops this "loophole" sooner or later.
- **Rwanda:** The private sector in Rwanda has called for the professionalization of the agriculture sector and for enhanced mechanisation and technology application to improve the sector and help create more jobs along the agriculture value chain.

The private sector has called for the professionalization of the agriculture sector and for enhanced mechanisation and technology application to improve the sector and help create more jobs along the agriculture value chain. They are also advocating for market-oriented farming to boost incomes and avoid losses. Mechanisation and commercial farming are essential to improve agro-production and ensure quality along the value chain. Increasing access to inputs like improved seeds or animal breeds, pesticides and insecticides is key, while adapting information and communication technologies (ICTs) will ease market access. Rwanda needs professional, market-targeted farming in their next five-year strategy, and have to embrace mechanisation to boost efficiency and production. The agriculture sector is the country's biggest employer, with over 72% of the population engaged in

farming. The sector contributes a third of the national GDP. By embracing modern farming techniques and ICTs, among others, the sector will be able to register targeted growth, create more off-farm jobs and improve household incomes. The goal is to mechanise 25% of farm activities by 2017. For more information, read [here](#).

- **CAS View:** A good case for the industrialisation of the agricultural sector and for developing a market orientation to farming. The professionalization of the agricultural sector requires relevantly educated people. Agriculture is a major player in Africa, but with the rider that it must be industrialised. The mechanisation of agriculture must go hand-in-hand with the development of the whole value chain in order to take up the employees that would be otherwise unemployed with the mechanisation drive. Africa cannot afford more unemployment. On the other hand, it cannot ignore the benefits of mechanisation. The development of the total industry value chain, and linking it to global value chains, is therefore essential. Rwanda is making great strides in various fields of its economy and has become a beacon of hope in not only East Africa, but in Africa in general.