

African Union

- **Africa:** A number of statistics spelling out potential opportunities for investors interested in Africa. Africa could become the next century's economic powerhouse.

By 2030, 20% of people will be African. Combine Africa's growing population with technology, improvements in infrastructure, health and education, and Africa could be the next century's economic growth powerhouse. Africa will account for 54% of the 2.4 billion global population growth in coming decades. 93% of Africans today have access to a mobile phone service, but less than 67% have access to piped water. The availability of sewerage has grown by just 8%. Less than 33% of Africans currently have access to modern wastewater systems. The top two most admired African brands are mobile-related: South Africa's MTN and Nigeria's Globacom. In 11 African countries, women hold close to one-third of parliamentary seats. Rwanda, where women have 64% of seats in the lower house, has the highest proportion of women parliamentarians worldwide. Africa also has plenty of women entrepreneurs. African women own a third of all businesses across Africa; however, the overwhelming majority are paid less than their male colleagues. Discriminatory gender policies in sub-Saharan Africa cost the region up to \$105 billion each year, or 6% of its GDP. For more information, read [here](#).

- **CAS View:** These statistics provide a lot of food for thought as to the future opportunities for Africa. A factor that is quite prominent above, is the size of the population of the continent. It is important that Africa's governments ensure that their populations are appropriately educated. Should this not happen, the future will be a disaster. It is also clear, once again, that Africa's access to mobile telephony provides an important distribution channel as far as e-commerce, banking, and e-government is concerned, to name but a few. Africa must work on providing services to its populations. Granted, rapid urbanisation is putting housing and services, as well as job provisions, under pressure. However, there is a dire need to provide these services, to meet with one of the High 5 priorities of the AfDB, namely improving the quality of life of Africans.
- **Africa:** This year's WEF conference is about unlocking regional growth in Africa, understanding its demographics and how they can work for it, and developing solid strategies to mitigate the skills gap and drive forth sustainable job creation opportunities.

According to Kunle Elebute, National Senior Partner, KPMG in Nigeria, Africa has a number of challenges, but also holds many opportunities for future growth. These opportunities can only be unlocked if they are tackled systematically and if Africa focuses on infrastructure, its people, and its ability to innovate and improve growth. Africa faces many key challenges within the infrastructure sector, including: economic hubs or nodes are geographically dispersed; there have been very few collaborative strategies, planning or development of cross-border infrastructure projects; and there are limited funds available to fund long-term development infrastructure projects, or to maintain the ones that are built. Digital transformation bodes immense opportunities to further bridge the digital divide between emerging and developed markets, and provides great opportunity to support and advance the millennial generation and entrepreneurs in Africa. This year's WEF conference is about unlocking regional growth in Africa, understanding its demographics and how they can work for it, and developing solid strategies to mitigate the skills gap and drive forth sustainable job creation opportunities. Changing the way Africa employs, educates and manages existing or potential employees is set to be a sure focus. And entrepreneurship is at the centre of this. Africa is therefore on the brink of a workforce revolution. For more information, read [here](#).

- **CAS View:** The article deals with a couple of opportunities in Africa that will boost economic growth. The main driver of it all remains a relevantly educated workforce. Time and again it boils down to this factor. This in itself presents an opportunity to educational institutions to provide in this need. Without education, Africa is going nowhere. Unfortunately, we at times find that while some countries allocate a sizeable portion of their budget to education, the output does not meet the required standards. People end up with an education that actually makes them unemployable. Africa must address this. Regional growth will not happen with an unemployable youth. As it is, its youth forms the major portion of Africa's unemployed. This is a very bad situation Africa finds itself in. The President of Uganda recently stated that it was wrong to assume that education was the solution to solving the problems of Africa. There also had to be infrastructure development to create the jobs which would accommodate the educated population. I am just concerned that this kind of statement could take the focus off the need to appropriately educate Africa's youth. Yes, infrastructure and economic development, combined with the requisite business-enabling policy frameworks, are a necessity. However, without educated people it will be difficult to put all of this in place.
- **Africa:** The ratification of the TFTA is far behind schedule (none of the 26 countries have ratified it) and a major problem. It will put pressure on the CFTA as well.

The EAC has postponed ratification of the Tripartite Free Trade Area (TFTA) from March to December 2017, after failing to agree on the contentious rules of origin and tariffs. TFTA negotiations on rules of origin, tariff offers and trade remedies form Phase 1 of the agreement, while Phase II covers trade in services and other trade-related matters. The EAC is negotiating the TFTA as a bloc, while COMESA and the SADC are pushing for individual countries' agenda. Given that there is still work to be done on rules of origin and tariff offers that are still outstanding, the EAC agreed to extend the deadline to December 2017. The other regional economic communities have not pronounced their stand on a new deadline, but it is clear that it will go beyond June 2017. Implementation of the deal is expected to start once 14 out of the 26 member states ratify the agreement. However, none of the member states have ratified the agreement and only 18 of the 26 have signed the agreement. For more information, read [here](#).

- **CAS View:** The TFTA was kicked off with a lot of fanfare in June 2015. It consists of 26 countries, more than 600 million people, with a massive combined GDP of 58% of Africa's GDP. The problem is that it has not been ratified, and the chances thereof seem slim. The TFTA is an important undertaking, because in addition to the benefits it would bring to Africa, it is also seen as a lead for the Continental Free Trade Area (CFTA). Were the TFTA to fail, the chances of the CFTA to succeed are non-existent. It is not as if Africa is not used to free trade areas; there are many. Cross-membership of these FTAs create their own problems. Mistrust amongst members and national interests overriding regional interests are major stumbling blocks. The problems we see in East Africa is a good example of this issue. In order for the TFTA and CFTA to succeed, a lot of bridge-building and stakeholder networking will be required. As it is, Africa is the least economically integrated region in the world. This creates a lot of developmental challenges. The CFTA will increase intra-African trade by more than 50%. This is a worthwhile aspiration to strive towards.

East Africa

- **Ethiopia:** Ethiopia is pursuing the extensive development of industrial parks to boost the industrialisation of its economy.

The Ethiopian government has pursued the extensive development of industrial parks that can serve various sectors. As Ethiopia bids to be the leading manufacturing hub in Africa, some high-profile multinational brands and corporations like Calvin Klein, Tommy Hilfiger, H&M and PVH Corp are settling in Ethiopia. The Ethiopian government has invested heavily in infrastructural development to ensure the flourishing of private investment. This includes the road infrastructure, as they are instrumental in boosting trade and economic integration in the Horn. State investments in railway lines, road networks, dry ports, airline cargo, and industrial parks, among others, are significantly heightening private sector investment, thereby transforming Ethiopia's foreign trade. The abundance of competitive labour, repatriation of investment and profit, temporary income tax exemptions for investments in selected sectors, duty-free imports of capital goods, an excellent national airline, fast growing infrastructures, competitive energy costs and the untapped consumer markets are key elements for attracting FDI to Ethiopia. Renewable energy, construction, health-care, tourism, textile and apparel, leather products, telecommunication infrastructure and value-added services, and aviation support services and products are some of the key sectors targeted. For more information, read [here](#).

- **CAS View:** I have in a previous newsletter referred to Ethiopia's Integrated Agro-Industrial Parks. The other version of these parks is the industrial parks referred to above. Ethiopia is using these parks to foster rapid industrialisation. It is also putting in place all the necessary building blocks to entice the private sector, locally and from abroad, to invest in Ethiopia in a broad range of sectors. It provides a business enabling policy framework that supports its objectives in this regard. As such, Ethiopia provides a benchmark for industrialisation.

West Africa

- **Nigeria:** The banking sector in Nigeria provides some interesting investing opportunities, with a lot of value to be unlocked.

The article discusses the value of the banking sector in Nigeria. The potential for GDP growth is huge. The Nigerian banking sector is well developed and far more consolidated than 10 years ago. The quality of lending and oversight has vastly improved from pre-2008. However, investors dislike Nigerian banks for many reasons. It is difficult to get money out of Nigeria, their balance sheets are distrusted, their non-performing loans seem to be understated, and some sit with an acute funding squeeze. However, some of the banks have a very low advances to equity ratio. The large Nigerian banks are also very profitable. The founders own around 9% of both Zenith and Access Bank, which means they care more about long-term sustainability than managers would. The tough times in Nigeria are culling some of the weaker banks, leading to a better, more consolidated industry. The 10 largest banks in Nigeria have a market capitalisation of US\$6.5bn. These banks have value for a few reasons: they hold US\$50bn in customer deposits; they have significant infrastructure and provide banking services to Africa's largest economy with a population of 175 million and they generated US\$1.5 billion in profits over the past 12 months. In 2008, investors thought these 10 banks were worth US\$35 billion when they were much smaller, inferior businesses. This makes the banks a very cheap buying opportunity. For more information, read [here](#).

- **CAS View:** A few months ago, I reported about a friend from Nigeria who stated that if he had the finances, he would buy a portfolio of shares on the Nigerian stock exchange at bargain-basement prices and see the growth over time. I remarked that the Nigerian economy at that stage was close to bottoming out, and that even if it still had value to lose, it would not be a lot. This example of the Nigerian banks bears out the point of view of my Nigerian friend. Granted, being from Nigeria, he was bound to be a bit bullish. The author of the article, however, is from South Africa and is analysing the banking sector in Nigeria clinically. A drop in value from US\$35 billion to US\$6.5 billion over about 10 years is a significant drop. With a banking sector that is much more attractive now

relative to then, there is clearly value to be unlocked. There are surely other sectors where this same phenomenon could be observed. Now would be a good time to explore the stock exchange in Nigeria for bargains

- **Nigeria:** Nigeria is growing its renewable energy sector and aims to cover 30% of total energy capacity through renewables by 2030.

The U.S. Trade and Development Agency has awarded a grant to Dangote Industries and African infrastructure investor BlackRhino, to carry out the viability study for a 100 MW solar plant in Nigeria. The plant would be built in Kano State, where the two companies are also preparing to put up a 1 GW coal power plant. The two companies are planning to mutually invest up to \$10 billion in renewable energy and grid infrastructure projects in the Kano State and across south-east Nigeria. In Kano State, Dangote Industries and BlackRhino are also scheduling the construction of a gas pipeline project. In the southern part of Nigeria, BlackRhino is working on a gas-fired power plant, one of the lowest-cost baseload power plants in Nigeria, and a linked transmission line. Nigeria's Ministry of Power has just signed two put/call option contracts with local solar developers Afrinergia Nigeria Limited and CT Cosmos Nigeria Limited, to make their individual PV projects move forward. The contracts were part of the finalization of the power purchase agreements which the Federal Government signed with 14 Solar Power developers in 2016. Nigeria aims to cover 30% of total energy capacity through renewables by 2030. For more information, read [here](#).

- **CAS View:** Nigeria is somewhat notorious for its unreliable electricity supply. Many home and business owners have a diesel generator available in case of stoppages, which tends to happen on a daily basis. The expansion of energy plants described above is a welcome phenomenon, particularly the expansion of the renewable energy plants. Energy is a prerequisite for economic growth. Given Nigeria's move to diversify its economy away from the export of raw commodities (especially oil), enough cheap and consistent electricity is a necessity.

Southern Africa

- **South Africa:** South Africa is utilising SEZs to create opportunities for manufacturing and boost economic growth. In addition, this strategy will hopefully create more jobs.

An SEZ was recently launched at the Maluti-A-Phofung Local Municipality in Harrismith, eastern Free State, to create opportunities for manufacturing, as well as a regional and international trade environment, with an added value chain within the Municipality. The social and economic benefits, as well as regional development, will be key and will be enhanced by creating a prosperous trade city and functional trade ecosystem, which will enable the beneficiation of mineral and natural resources and attract FDI. The priority sectors for the SEZ are automotive, agro-processing, logistics, ICT, pharmaceuticals and general processing. SA's SEZ Programme is aimed at accelerating economic growth and development in designated regions of SA and are growth engines towards government's strategic objectives of industrialisation, regional development and employment creation. The World Bank has urged South Africa to consider taking more SEZs to metropolitan areas to unlock economic value and to boost job creation prospects. The success of the SEZs depends on greater policy co-ordination to maximise the integration of SEZs in local economies. Several incentives and benefits are available to ensure SEZs' growth, revenue generation, job creation, attraction of FDI and international competitiveness. These include a preferential 15% corporate tax, building allowance, and customs controlled area. For more information, read [here](#) and [here](#).

- **CAS View:** SEZs are increasingly being used in Africa as an instrument to attract FDI, stimulate economic growth, create jobs and support industrialisation. On a side note, it is interesting to note that the 5 current SEZs in South

Africa are all on the coast. This SEZ in Harrismith is the first in the interior. The envisaged SEZs in the far north province of Limpopo will also be far from the coast. The benefits provided to prospective investors are clear. However, whether they will be sufficient to negate the poor political conditions in South Africa, remains to be seen. The downgrade of SA to junk status by both S&P and Fitch, will have a negative effect on the willingness of foreign investors to target South Africa. Rising inflation rates, rising interest rates and tough economic conditions will deter investors. The uncertainty prevalent in South Africa due to the shenanigans of President Zuma, and his possible replacement as president of the ANC by his former wife, could drag the economy down and reduce the attraction of South Africa for foreign investors. The article emphasises the need for policy coordination at all 3 levels (national, provincial and local). This requires competent and well-educated administrators at all levels. Given the poor audit reports by the auditor-general of local governments, this is somewhat of a mild concern. In addition, the Free State, the province in which Harrismith falls, was one of the worst 3 provinces as per the auditor-general's report for 2016. South Africa needs firm leadership to get the economy back on course.