

African Union

- **Africa:** Africa is still a lucrative commercial market with enormous investment potential. However, its companies should adopt the “Creating Shared Value” concept to focus on the intersection of economic gain and social impact.

Africa is (still) a lucrative commercial market with enormous investment potential. The performance of economies such as Ivory Coast, Tanzania, Rwanda and Mozambique keeps hopes of a growth explosion alive. However, Africa remains one of the world’s least developed regions, where sovereign debt-levels remain high and food insecurity threatens. Opportunity exists for the private sector to accelerate progress to realise the aspirations of consumers by creating a synergy between social progress and economic efficiency. Improving access and equity in areas of health, education, employment, energy creation and water requires a rethinking of how business is done, as increasingly businesses’ relationship with broader society becomes vital in determining its value. Companies can no longer focus on profit-only strategies and optimising short-term financial performance. Creating Shared Value (CSV) focuses on the intersection of economic gain and social impact. The CSV concept is based on three pillars: 1. Re-imagining products and services, creatively meeting the needs of under- or unserved customers. 2. Redefining productivity in the value chain. 3. Enabling local cluster development, by strengthening the local business environment, collaborating with governments within their existing and cross-sector networks, and supporting suppliers and partners that affect business and those upon which business depends. An example of Shared Value at work includes M-Pesa. For more information, read [here](#).

- **CAS View:** A century ago, and even more recent, the bottom-line was everything. Workers got hired and fired to drive for more profit, and assembly lines were designed to minimise time wasted and maximise productivity. This cannot be and is no longer the prevailing mindset. In the mining sector, for example, companies not only need a mining license, but also a social license to operate (SLO). If the community is not on your side, life will be miserable for the company, with strikes, violence, and crime a regular occurrence. What is needed is inclusive growth, with a focus on the triple bottom line (people, planet and profit). Business schools in South Africa, amongst others, have started teaching courses on “Business in Society.” From a perspective of business model and strategy development, companies in Africa have no choice but to also develop strategies to address Shared Value. If society at large is not better off than before the company started its operations, questions should be asked as to the *raison d’être* of the company. Companies moving into Africa would do well to keep this requirement in mind.
- **Africa:** China’s trade with Africa has grown significantly in the first quarter from a year earlier. This is good news in the short-term, but Africa must reduce its reliance on one major player as its trade partner. It increases its vulnerability.

China's trade with Africa rose nearly 20% in the first quarter from a year earlier, while its direct investment jumped 64%. Trade cooperation between China and Africa is "off to a flying start" in 2017. President Xi Jinping announced plans to plough \$60 billion into African development projects at FOCAC in 2015, saying it would boost agriculture, build roads, ports and railways and cancel some debt. China's total trade with Africa rose 16.8% to \$38.8 billion in the first quarter, its first quarterly increase on a yearly basis since 2015. That's mainly thanks to a 46% year-on-year jump in imports from Africa in the first quarter, with agricultural imports rising 18%, while Chinese exports fell 1% per cent from a year earlier. China's non-FDI to Africa also jumped 64% in the quarter, as countries such as Djibouti, Senegal and South Africa all saw a more than 100% rise in the quarter. China's growing investments have been buoyed by its Belt and Road Initiative, which appeared to be gaining traction recently, particularly in parts of East Africa where major infrastructure and defence projects are being built. Africans broadly see China

as a counterbalance to Western influence, but as ties mature, there are growing calls from policymakers and economists for more balanced trade relations. For more information, read [here](#).

- **CAS View:** China rebalancing its economy the past 2 years had the effect of slowing down economic growth of many African countries, especially those who exported raw commodities to China. It is good to see the growth in trade between African and China. What is better, is to see the impressive increase of China's total trade with Africa of 16.8% and the massive jump of exports to China of 46%. China's Belt and Road initiative has major potential to boost Africa's economies, especially in East Africa, where Kenya and Djibouti, together with Egypt, are reportedly the main players. However, China has been quite clear that the initiative will be inclusive. It has entered into several agreements with African countries to boost their infrastructure. Several sectors of their economies will be benefitted by this Belt and Road Initiative, such as construction, tourism, trade and agriculture, ICT, human capital and resources exchange, and banking. With the TPP (USA and Trans-Pacific region) and the TTIP (EU and USA) both faltering, China seems to be taking up the slack, with the RECP and Belt and Road Initiative becoming more prominent. China seems to not only be a counterbalance to the USA and the West in Africa, but it also has the potential of playing that role in Europe to balance out the USA influence. On a more sobering note, Africa cannot place its hope for its future survival on a single country such as China. To reduce its vulnerability to economic volatility in China, it is important for Africa to diversify its "clients."
- **Africa:** Africa's power sector is undergoing a revolution, with a strong growth in renewable energy, and with the private sector playing a much more prominent role. It will become cheaper, easier and faster to put in place electricity infrastructure using, amongst others, mini-grids.

Africa's power sector is undergoing a revolution. Recently, African stakeholders explored new opportunities and innovative models to facilitate finance and investment in infrastructure in Africa. Privately developed and financed projects are fulfilling a role traditionally filled by state-owned utilities and companies. The onset of cost competitive solar PV and wind power provides many new options to achieve electrification. Renewable power projects are of a more manageable scale, quick to deploy and meet the urgent electrification needs in Africa. The latest figures show Africa installed 4.1GW of new renewable energy capacity in 2016 – twice as much as it brought online in 2015. Innovative mechanisms are bringing ideas, expertise and finance together. For example, Access Power uses crowd sourcing in its Access Co-Development Facility (ACF). Entrepreneurs across Africa submit their projects to the ACF, where they are judged by experts, including the Netherlands FMO, the IFC and the US' Power Africa. The best projects receive finance to complete their projects and advice and access to a growing global network. While the private sector cannot solve poverty and economic inequality, it can unlock ideas and resources, and work in partnership to ensure an outcome that favours companies, governments and communities. For more information, read [here](#).

- **CAS View:** Much has been written about the benefits of the revolution in energy generation, with renewable energy becoming quite prominent. Solar has been punted as the next business model for energy in Africa. It has the benefit of not requiring massive infrastructure. Solar mini-grids can provide electricity on a decentralised basis, at a much lower capital and operating cost, in much less time. We also see a change in the importance of some stakeholders. In the days of massive electricity infrastructure development, governments and state-owned enterprises (SOEs) were the main players, are still are in many developed countries. The nature of renewable energy technology has opened the door for non-state actors in the private sector to become involved in the provision of electricity to Africans, on a commercial basis, whilst still being cost-efficient. There are many of these opportunities, given that more than 600 million people are still without electricity in Africa. In addition, to industrialise Africa and grow its manufacturing sectors, consistent and cheap energy is a prerequisite. Renewable energy provided

by Independent Power Providers (IPPs) can play a meaningful role in this capacity in Africa. We will see more of them as time goes by.

East Africa

- **Ethiopia:** Singapore is increasing its levels of economic cooperation with Ethiopia.

Deputy Prime Minister of Singapore, Teo Chee Hean, said Singapore is keen to diversify new areas of economic cooperation with Ethiopia. On a visit to Ethiopia, he met with Prime Minister Hailemariam Desalegn and held discussions on various bilateral issues with Deputy Prime Minister Demeke Mekonnen. Both deputy premiers expressed interest to boost ties between the two countries. The two countries had already begun implementing earlier agreements in education, information technology, industrial development and trade sectors. Ethiopia and Singapore signed avoidance of double taxation during the Ethio-Singapore business forum in Addis Ababa last year. According to Mr Teo, the economic ties between the two countries have been growing, expressing hope that the direct flight scheduled to start from Addis Ababa to Singapore by the Ethiopian Airlines next month, would further cement the ties. Singapore is keen to boost its corporation with Ethiopia, especially in the areas of tourism, agro-processing, industry and human resource development. DPM Mekonnen said Ethiopia's relations with Southeast Asian countries, such as Malaysia, Indonesia and Singapore, have been improving. He added that Ethiopia wants to work in the areas of trade, tourism and technology with Singapore, and wanted to attract more investment from Singapore. For more information, read [here](#).

- **CAS View:** It is great news to see the Singaporean government reaching out to Africa to a greater extent than before. At the Africa Singapore Business Forum of 2016, the then Deputy Prime Minister, Mr. Tharman Shanmugaratnam, made the point that Singapore had to diversify its international exposure to include reaching out to Africa in order to increase its resilience. Africa has a lot of potential to offer. It is undeniably so that ASEAN offers its members a lot of regional opportunity as well, as does the RCEP (ASEAN plus Australia, China, India, Japan, New Zealand and South Korea). However, the untapped growth potential in Africa is unsurpassable. Given the forecast population growth in Africa, it provides a massive market that cannot be ignored. Coupled with the growing middle class in Africa, it would be foolish to ignore this trend. It will be interesting to see what the impact of the OBOR will be on ASEAN's ties with Africa.
- **Kenya:** Kenya has adopted a law that provides for banks to receive household goods, crops, live animals and intellectual property as collateral for loans.

President Uhuru Kenyatta has signed into law a Bill allowing borrowers to use household goods, crops, live animals and even intellectual property to secure commercial loans in a move aimed at boosting access to credit. The Act paves the way for the formation of a centralised electronic registry for mobile assets that financial institutions can use to verify the security offered. The new law is meant to help bank customers without common and costly forms of collateral such as motor vehicles or land to access credit. The new law will be used to establish an Office of Registrar and the appointment of a registrar to "receive, store and make accessible to the public information on registered notices with respect to security rights." Banks have traditionally not accepted movable assets as loan collaterals because of a lack of a central database they could use to make a claim on an asset attached to a loan. Countries such as Mexico and Ghana have reported an increase in SME lending following the setting up of similar registries. The absence of this law has meant that banks could not advance credit to people presenting mobile

assets as collateral. The new law also allows borrowers to use a single asset to access credit from different lenders. For more information, read [here](#).

- **CAS View:** This is a very interesting development in the banking sector in Kenya. Recently it was reported that Kenya's banking sector reported abnormally high returns. According to Jacques Nel from NKC African Economics, IMF figures show the estimated return on assets in the Kenyan banking sector was around 6.6% in 2015, which is notably higher than that of regional peers such as Rwanda (2.8%), Tanzania (2.9%), and Uganda (3.6%), as well as those of other more developed banking sectors such as South Africa (1.5%) and Mauritius (1.2%). These strong returns have in part been driven by considerable spreads between lending and deposit rates, reaching over 11% in some cases. To address this situation, the President of Kenya signed a law capping the maximum lending rate at 4% above the central bank rate. This attempt to ease access to capital for SMEs boomeranged. Banks subsequently tightened up their lending criteria to deal with the increased risk of lending out money at wrongly-priced rates, making it more difficult for SMEs to obtain credit. This latest attempt at making it easier to provide collateral for lenders in Kenya, seems to have worked in Mexico and Ghana. Will it have the desired effect in Kenya? It is definitely a creative solution. Will it be a sustainable one? Time will tell. Questions that come to mind, include ones such as what happens when my cow dies? What happens when my chicken gets caught by an eagle or jackal? Or it gets stolen? How will banks deal with this? The future of the Kenyan banking sector seems to be an interesting one.

Southern Africa

- **Malawi:** Malawi is positioning itself as a strategic centre in Africa for potential investors, as well as country with a lot of potential.

According to the Malawi High Commissioner to the UK, British businesses need to invest in Malawi to benefit from a wide range of free trade zones that Malawi has with all major markets. HC Kena Mphonda said by opening manufacturing plants and investing in agro-processing, infrastructure, tourism and ICT sectors, businesses in England could grow quickly into African markets. Other businesses from the East are already investing in petroleum exploration and there are UK-listed companies in mining. Malawi has huge potential in agro-processing, horticulture, cotton, infrastructure development and tourism, among others. British investors could benefit from the 360 million population of COMESA, over 100 million in SADC, and specific trade agreements that can see products exported from Malawi enter other markets. Malawi is therefore positioning itself as a strategic centre, with an English-speaking population, politically stable, a strong legal system, and with market access in Africa, China, the EU and even the USA through AGOA. Malawi farmers can supply agro-produce such as legumes, rice and coffee. The Commonwealth Enterprise and Investment Council CEO, Richard Burge, said Malawi offers good value for investors as they could easily expand their products and services in other Commonwealth countries. For more information, read [here](#).

- **CAS View:** Malawi is a very poor landlocked country in the south-eastern part of Africa. It has a GDP of US\$ 6.4 billion, GDP growth of 2.9% and a GDP per capita (on a PPP basis) of US\$ 1112 (2015 figures). With a population of 17.2 million, it has an unemployment rate of 6.6%. Malawi's main export is tobacco, which accounts for 55% of total exports. Others include uranium, sugar, tea and coffee. Malawi's main export partner is the European Union (50% of exports). Others include Zambia, Zimbabwe, South Africa and United States. Currently, when looking at the nature of its export products, the vast majority (80%+) are from the agricultural sector. The industrialisation of this sector will therefore be to Malawi's benefit. It appears to be a politically stable country with a lot of potential. Its tourism potential is very good. On the Ease of Doing Business index, it has improved its standing from 171 in

2013 to 133 in 2016. With its offer to provide access to the EU and USA through mechanisms such as AGOA, it will be attractive for countries in the East, such as China.

- **South Africa:** South Africa's poultry industry has no meaningful export programme, which creates serious problems for the industry in the face of cheap poultry imports from abroad.

The South African poultry industry has faced many challenges in the past 18 months, which have been exacerbated by severe drought and culminated in several thousand South Africans losing their jobs. The local industry has an opportunity to grow and expand, depending on their ability to develop a serious export programme. While the South African Poultry Association (SAPA) has been boasting that it is the world's fifth most competitive producer, they export close to nothing. The need for a credible export programme is a great and urgent one. While SAPA has continuously claimed that South African-produced chicken are blocked from important markets such as the EU, the industry has never made an application for access to the EU, a market with very large potential. There seems to be no appetite for a meaningful export programme by the local poultry industry. Instead they continue to cite dumping as the real reason for their woes. Local poultry has an opportunity to grow the sector to its previous state, create thousands of new jobs and take the industry to new heights. For more information, read [here](#).

- **CAS View:** South Africa's poultry farmers have been complaining for quite a while about the threat of poultry imports from countries such as the USA and Brazil. Spokespeople for the South African poultry industry have made the point that the industry will lose many jobs should there be no action on the import of chicken from abroad. As recently as in 2015, South Africa nearly lost its access to the USA markets under AGOA due to it dragging its feet with dealing with concerns regarding the import of chicken from the USA. It is sad to see the statement that there has been no meaningful export strategy for South African poultry. If the South African industry is indeed the 5th most competitive producer globally, there must be markets available to it somewhere in the world. Having said all of the above, the reality is that free trade does hold threats for developing countries, where agricultural subsidies are not possible, making it difficult to compete against products from countries such as the USA. It is also difficult to compete against countries where labour is dirt cheap, and from where cheap mass-produced imported products run the danger of killing off local industries. We have seen this happening to the textile industry in South Africa. A relatively expensive and militant labour force did not make it any easier. Industry bodies must ensure that they align all the factors to the benefit of not only the industry members, but also consumers at large. Sectors that get this right, will be successful. Elsewhere in this newsletter, I referred to the concept of Creating Shared Value. The poultry sector should study this concept and apply the principles. We are seeing elements thereof in countries such as Ethiopia.