African Union

**Africa:** This article addresses the best of the good news about Africa. In Burkina Faso, General Gilbert Diendéré, who had seized power for himself, found himself in detention due to popular protests, firm regional diplomatic protests and an army loyal to the citizens. For the first time in their history, the Burkinabe got to choose their leader for themselves. In Tanzania, John Magafuli showed quickly that he meant business. His focus on government efficiency, humane attitude, extraordinary cost-cutting measures, and cancellation of Independence Day celebrations, is changing the norms around what citizens can expect from their president. Both Liberia and Sierra Leone declared themselves free from Ebola, the deadly virus that devastated their populations and destroyed their fragile economies last year. In Nigeria, the election was peaceful. Goodluck Jonathan opted not to stick around – averting serious unrest and bloodshed in the process. While the third-term debate might belong under bad news, none of these power grabs are passing without comment or censure. The AU is creating a new norm, i.e. that constitutions are sacrosanct and leaders must leave when they’re supposed to. For more information, read [here](#).

**CAS View:** This article is self-explanatory. Slowly but surely Africa is redefining itself as a continent where the rule of law is paramount, and where good news can prevail. The Economist started the new century with a picture of a mercenary, indicating that Africa was about doom and gloom. It has twice changed that picture with pictures depicting hope and high aspirations. We should always remember that Africa consists of 54 countries and that there is not one story that covers the whole continent. Here are a few stories that stand out. However, there are many others where there are stories about continuous improvement, such as in Ethiopia, Rwanda, Mozambique, to name but a few. On the economic front, Nigeria also presents good news with a new president going about his job in quite a strategic manner. There are numerous examples of innovation in the field of mobile money platforms. We have large MNC’s targeting Africa, with the latest being Kellogg buying 50% of Multipro for US$450 million. The launch of the Tripartite Free Trade Area, creating an economic zone consisting of 26 countries, 58% of Africa’s GDP, and more than 600 million consumers, also belongs under good news. As does the creation of the Continental Business Network, a grouping of business executives to advise African governments on infrastructure development and financing. The bottom line is that Africa is indeed presenting a picture of greater stability.

**Africa:** This article represents the worst about Africa for 2015. In South Sudan, the government and the rebels remain locked in a mutually destructive death choke, neither strong enough to win decisively. The humanitarian crisis gets worse by the day. In Burundi, President Pierre Nkurunziza forced a third term, over the protests of civil society, opposition parties and even the AU. Hundreds have died, hundreds have been imprisoned, and hundreds of thousands have been forced to flee to safety in neighbouring countries. In Somalia, bases of the AU Mission in Somalia have been overrun by Al Shabaab fighters on at least 2 occasions. It also seems that Kenya’s military intervention in Somalia is a little more than state-sponsored organised crime, in collusion with Al Shabaab. In Zimbabwe, the killing of Cecil the Lion became the biggest African news story of 2015. That the death of one African animal is still considered more interesting than the lives of countless African people, is shameful. Africa requested at the UN Financing for Development conference, that instead of giving aid, the world should stop tax evasion and avoidance, as the extra tax collected would be worth more than aid and far more reliable. The USA and the UK shut down all discussion of serious tax reform, choosing to protect the profits of the multinationals. In Angola in April, hundreds of peaceful worshippers were killed as the army attacked a church camp on Mount Sumi. This particular sect was growing too powerful for Angola’s rulers to countenance, and they paid the price for their presumed defiance. For more information, read [here](#).
**CAS View:** Again, this article is self-explanatory. The bad news will also be there. One could add to this the bad news of Boko Haram in Nigeria, the shooting down of the Russian plane in Egypt, the continued instability in the east of the DRC, the continued instability of energy networks in Africa and that 600 million Africans live without electricity, the drought in East and Southern Africa and the concomitant cases of famine, the mass migration of Africans to Europe, the slowdown of economic growth due to the slowdown of the Chinese economy and the dropping of commodity prices, the implosion of the South African tourism industry due to new visa regulations, etc. However, many of these “bad news” items actually constitute investment opportunities for the innovative business people amongst us. Solar power is becoming big business in Africa in various countries. Africa is also being forced to diversify its economies and develop its manufacturing sector. So one can go on. It eventually boils down to the state of one’s mindset as to how you view Africa. Whatever your point of view, it is crucial to have a balanced point of view.

**Africa:** Trade ministers across the world have come to Nairobi, Kenya to attend the 10th Ministerial Summit by the WTO to negotiate issues of multilateral trade relationships. African trade ministers are afraid their issues of concern will not be addressed and that the summit will not reaffirm rich countries’ commitment to the Doha Development Agenda (DDA). Fourteen years ago, it was agreed in Doha, Qatar, to include economic development of poor countries in trade talks, giving a particular emphasis to agriculture. No concluding outcome has been achieved on this issue since then. Now African trade negotiators are worried the world has come to Nairobi to bury this agenda, before any agreeable solution to their plights. Africa should focus in modernizing its agriculture; and its ambitions to advance industrial strategy based on value addition should not be compromised by WTO ministerial declaration, warned a Trade Minister of Rwanda. The South African Trade Minister wants to see tangible deliverables from the Summit this week in the form of inclusion of a Least Developed Countries (LDC) Package, particularly with loud pronouncement on agriculture. Failure by trade negotiators from advanced economies to listen to calls from their counterparts in the developing world will have consequences, warned African ministers. For more information, read here.

**CAS View:** The president of the African Development Bank has targeted the industrialisation of agriculture sector, due to the importance of agriculture on the African continent. Africa needs to feed itself. Although it has the potential to feed the world, it cannot feed itself. Agriculture also employs the largest component of Africa’s population. Africa needs the industrialisation of its agriculture not only feed itself, but also to grow its exports and in the process give its economies a jumpstart. Any agreement, therefore, to emphasize agriculture in economic agreements, should be welcomed and delivered upon. Africa is the source of thousands of migrants who target Europe as the destination of a new beginning. Europe itself is busy with discussions with African governments to keep the migrants in Africa. Here they (and the other developed world countries) have the perfect opportunity to stimulate Africa’s economies by delivering on the DDA, and through that, to not only create opportunities for Africa’s workers to stay in Africa, but also to create a source of food for the world. Yet it seems, should one believe Africa’s negotiators, they are dragging their feet. Why? It defies believe. Should Africa’s agricultural sector, its total economy as a matter of fact, not be developed, its workers will vote with their feet and Europe’s “walls” will come tumbling down. The Europeans have a choice: either they play in Africa and help develop the continent (through investments), or they play in their own backyard, where they have far less degrees of freedom. In this last scenario, no one ends up winning. In the first scenario, however, all end up winners! Not a difficult choice, is it?

**Africa:** Africa carries 24% of the world’s disease burden, but represent only 1% of health expenditures and 3% of the world’s health workers. Traditional infrastructure and the healthcare system lags far behind. Health workers face long distances, poorly maintained shelters, inconstant medical supply chains, and weak surveillance tools for the latest data on how best to treat their patients. A large sensor network for mobile technologies lower the
cost of quality accessible healthcare and is spreading throughout the region. Mobile devices and mobile health technology (mHealth) can extend and manage care operations more efficiently than existing methods. mHealth solutions can be as simple as text-based reminders to patients needing follow-up care. Mobile finance payment methods are used to improve the scalability of distributing subsidies for health costs like insurance premiums and care vouchers. Drawbacks include impermanent financial incentives, while questions regarding varied regulatory structures, standards of technological interoperability, and vendor interest remain. Familiarizing a region with the shifting parameters of a new paradigm requires trust built through time, cooperation, knowledge, and empowerment. For more information, read [here](#).

**CAS View:** CAS has previously mentioned the extent to which Africa is tapping into the world of mobile technology to address the problems it faces in various fields of society. mHealth links up with mobile money to address problems in the field of providing health care solutions. In this it joins with mFarm, MKopa, M-Akiba, etc, all of them solutions to Africa’s problems. Most of them share common technology platforms. In this regard, Africa has a lot to offer to other emerging countries who also struggle with infrastructure problems.

**West Africa**

- **Nigeria:** Africa is seen as the last automotive frontier, with a very large unmotorised population. Vehicle ownership is estimated at less than 50 per 1,000 people, compared with about 800 in the US. Demand for passenger cars in particular is growing in SSA, as road conditions and fuel quality improve and young populations with disposable income seek mobility. The only SSA country with any real automotive production is SA. Nigeria is hoping to emulate that success, and is now seeking to revitalize the industry to diversify the economy away from oil. There are at least 36 vehicle makers with production licences in Nigeria, with Volkswagen, Nissan and Ford already making vehicles with local partners. The country is seeking to join SA as a manufacturing base for the car industry in sub-Saharan Africa, with countries from Ethiopia to Uganda hoping to follow suit. While car makers in Nigeria have started final assembly of light vehicles including Ford’s Ranger from imported kits, it is still a long way to manufacturing. What is needed is regional integration, appropriate policies in the auto sector, and the upgrading of infrastructure and skills. For more information, read [here](#).

**CAS View:** In Issue 11 of 21 August, CAS reported on Ford’s move to assemble Rangers in Nigeria to tap into this lucrative market. Nigeria’s attempt to start with manufacturing instead of only assembling, will be good for Nigeria and will represent a much needed step towards greater diversification of Nigeria’s economy. All the benefits of import-substitution, export growth and backing up the Naira are there for the picking. In addition, there is also the opportunity for upstream and downstream value chain development for component manufacturers and marketers. CAS did refer to the need for a severe reduction in corruption and an increase in security. President Buhari seems to be delivering on this, as well as actively trying to diversify the economy and propping up the Naira. At the same time, Nigeria is not the only West African country with aspirations in this regard. The Kantanka Group in Ghana is actively pushing this strategy with the support of the Ghanaian government. Ghana has a rich basis of commodities and this diversification will reduce the likelihood of falling into the resource trap like Nigeria and Angola have previously done. The obvious needs will be plants and skills, which currently are in short supply. Overall, the market is there and it makes sense for African countries to develop and manufacture their own vehicles instead of importing from abroad.

- **Nigeria:** Olam International Limited has announced that its grains platform plans to expand into animal feed and related businesses in Nigeria. The expansion involves investments in setting up poultry and fish feed mills, as well as hatcheries to produce day-old-chicks. These investments are consistent with Olam’s strategy to selectively
invest in prioritised platforms, which includes the grains platform. The global animal feed industry is a large and growing part of the agri-commodity complex with attractive returns and a strong growth outlook, particularly in emerging markets. Following a detailed study of the sector, the company has chosen Nigeria as its preferred entry market as it ranks favourably on the country-selection criteria. Such criteria include meat consumption per capita, degree of fragmentation, extent of vertical integration and of commercial feed penetration, scalability potential as well as supply and demand factors impacting the feed raw material trade.

- **CAS View**: Singapore-based Olam has given an additional vote of confidence in Nigeria as a basis for further investment. Agriculture is an important sector for Africa and Singapore companies such as Olam, Tolaram and Wilmar have been consistent investors in this sector. This diversification by Olam will not only be to the benefit of Olam, but will also create new job opportunities for Nigerians and grow the Nigerian economy. Companies such as Olam keep on investing in Nigeria, and do well. This contrasts starkly against the Tiger Brands experience, where Tiger destroyed value to the tune of R2.7 billion. It would be interesting to compare the investment decision-making process and criteria!

- **Southern Africa**

  - **South Africa**: Tiger Brands will divest its 65.7% stake in Tiger Branded Consumer Goods in Nigeria — previously Dangote Flour Mills — to Dangote Industries for a nominal $1. The group bought a majority stake (65%) in the business for R1.6bn ($200m) in 2012, but has since written down R2.7bn in the subsidiary. It is selling it back, pending regulatory approvals. Dangote Industries will provide the entity with an immediate cash injection of R700m. In return, Tiger will write off its shareholder loans to the business to the tune of about R700m, and settle debt of R400m. The market took some joy from the news that Tiger Brands would rid itself of this millstone, with the share gaining 6.16% at the close on the JSE on Monday. The due diligence process in relation to the Nigerian venture, including by the auditors, has to be questioned. South Africans have “shown themselves to be totally naive in negotiating outside their own borders and have been taken for a ride.” For more information, read here.

  - **CAS View**: Reading this article, CAS could not help but to think of the old saying that states that “fools rush in where angels fear to tread!” As a strategy lecturer, this editor has seen countless examples of companies entering into agreements with the motivation that so much value will be unlocked, just to have a disastrous outcome a few years later. The irony is that in most cases, the facts were available during the due diligence! So serious questions have to be raised about the parties that do these due diligences! What this specific example does is to cast aspersions on Africa as an investment destination. After all, value has been destroyed to the tune of R2.7bn! The conclusion? Africa does have risks, but this is clearly a case of poor process and a very weak due diligence. It would be grossly unfair to this continent to blame it for what seems to be a case of utter stupidity. In the airline industry, this “accident” would have been attributed to pilot error! Bottom line is that anyone wanting to invest in Africa, must ensure that they do their homework well. It is not enough to do a due diligence; you must ensure that you appoint competent people to do it!