African Union

- **Africa**: Technology is playing a significant role to contribute towards “Rising Africa”.

In Africa, 5 technologies can play a significant role to shape Africa’s future. Rwanda launched a **drone initiative** to deliver emergency medical supplies to hospitals. Drones can also be deployed for postal and courier services, online purchases, and surveying farmland, amongst others. **3D printing** could standardise manufacturing, limiting barriers to entry. A manufacturer can now produce almost anything, as long as the design can be fed into a computer with software that communicates to a special printer. More localised manufacturing would increasingly be possible, eliminating the need to import goods. **Renewable off-grid power solutions** are well-suited for energy problems in rural areas. Customers make a series of small monthly payments from their mobile phones. When they default, the service provider simply switches off the equipment remotely. **Quality education can now be acquired online**. With a smartphone, education technologies now enable people throughout Africa to have access to the same knowledge as advanced-economy learners. Online degrees, videos on dedicated intranet platforms, etc. are making these things possible. **Fintech enables cheaper SME lending**. Lidya is a ‘digital-only’ bank in Nigeria that targets only small- and medium-sized enterprises. It aims to provide unsecured loans of about US$500-$15,000. South Africa-based Hepstar distributes insurance services digitally, making them readily available online in a hassle-free manner. For more information, read here.

- **CAS View**: These are by no means the only examples of how technology can impact the future of Africa. They do, however, represent a dominant sample of groups of technological innovations that are impacting the lives of Africans in a meaningful way. Indeed, it may be said that technology in Africa is the real “Africa Rising.” There are so many ways that Africa’s ingenuity is being exhibited in the field of technology. Thomas Friedman is quite correct with his assertion that technology makes the world flat, with access being an equaliser. In addition to the above examples, there is the mobile money platform M-Pesa, with all its add-ons. One could also have included the myriad of agricultural, traffic, and health applications. And the opportunities still remain endless. It seems that mankind is only constrained by its imagination. Given Africa’s challenges and the tenets of technological rules, such as Moore’s Law and Metcalfe’s Law, technology can play a significant role in addressing these challenges.

- **Africa**: Africa’s economic prospects may tilt from West Africa to East Africa.

Lower commodities prices have damped growth for African exporters such as Nigeria. Adjusting to this new reality will take time for energy exporters. For those not in the oil business, lower fuel costs support growth and living standards. So fortunes are set to diverge across the continent. In fact, the narrative could change from “Africa Rising” to “Africa Tilting” as commodity exporters in West, Central, and Southern Africa struggle to find new sources of growth, while East African economies develop and integrate into a more robust—and potentially huge—regional market. Kenya’s growth has helped attract increased FDI. Deeper integration, better-functioning markets, and improved infrastructure could all bear fruit as Africa pursues other sources of growth. East Africa is leading the way. The AfDB has rated the EAC as the top-performing regional economic community in Africa. Some global manufacturers have lately been looking at opportunities in Kenya, e.g. Volkswagen. Also helping to attract interest is the East African Common Market. Connections to the DRC and Ethiopia would bring in 180 million potential customers. This would create a market with more people than the USA and in time, the EU. Once the adjustment to lower commodity prices is over, Africa’s economic centre of gravity may shift eastward as these countries grow. For more information, read here.
Friday@Noon
A weekly African news briefing for the Southeast Asian community
Editor: Johan Burger

Issue 71 28 October 2016

- **CAS View:** Globally we have seen a movement of growth and growth opportunities from West to East, and from North to South. There were specific reasons for this, amongst them the rise in commodity prices, including that of oil. We now see in Africa a “tilt” from West to East, this time due to a drop in oil prices, favouring those countries who have not built an economy based on oil and other commodities. East Africa have also succeeded in developing an economic community that is seen as being the most efficient in Africa. In all, East Africa presents a massive market, with strong potential in the field of manufacturing. I recently referred to the case of Ethiopia that has succeeded in obtaining business from the USA and Europe in the textile sector. It must, however, address its political volatility should it want this to become a sustainable development. The same can be said about Burundi, amongst others. In addition, it must enhance the entrepreneurial activities of especially its women and youth.

**East Africa**

- **Tanzania:** Tanzania’s new lucrative uranium mine bodes well for the country.

  Tanzania is expected to be among the top 5 producers of uranium in Africa after the completion of the Mkuju River Uranium Project, which is in the final stage of trial. Urenium One will start mining activities in the coming 2 years, and will boost Tanzania's economy significantly. The project started 7 years ago and has reached the implementation stage after various research studies were conducted. The project is expected to provide employment to various Tanzanians and promote various economic activities across the country. The project in Tanzania is among the world’s most promising uranium projects, and will be the first uranium mine in the country. Since establishment of the project, over US$200 million has been invested in exploration, infrastructure, and support to local communities. Upon completion, the Mkuju River Project will employ 1,600 people. For more information, read [here](#).

- **CAS View:** Over the last decade, Tanzania has been the beneficiary of first gas finds, and now uranium. These projects will stand Tanzania in good stead. In addition to the revenue for the country and the boost in the economic growth rate, which already looks good, jobs have been and will be created. These will need to be highly skilled jobs, which acts as an incentive for the youth of Tanzania to develop the required skills/competencies. As it is, President John Magufuli is a powerful driving force behind the indigenization project in Tanzania. Hopefully these projects will help him to achieve his objectives in this regard. It is also imperative that Tanzania not go the path of commodity exports, but that as much value add as possible takes place within Tanzania. If not, they will run the real danger of ending up like Nigeria and Angola, who smile when commodity prices are high, but struggle in a low price environment. The development of a strong manufacturing sector remains an imperative!

- **Uganda:** Uganda is tapping into various sources to stimulate job opportunities for its youth. In this instance, the coffee industry is the target.

  The second annual coffee festival on 4 November aims to place youth as key drivers of the growth of coffee consumption and exports, which have recently dropped. Joseph Nkandu, the executive director of Nucafe, said the festival could also reduce the high percentage of youth unemployment. The youth should embrace coffee agribusiness right from primary production through value addition and marketing, because the coffee subsector has a huge potential to create businesses run by the youth, stimulate wealth, create jobs and add momentum to government’s effort of boosting coffee production and exports. Government plans to have a strong coffee industry by increasing the annual coffee production significantly by 2018. The country also plans to boost annual output to 20 million bags by 2020 by planting 900 million trees in 3 years through June 2019. Samuele Rizzo, the chief of
party for Skilling Youth for Employment in Agribusiness project, said more emphasis must be focused on empowering the youth with practical agribusiness skills that can help them compete for both local and international jobs to bridge the unemployment gap. For more information, read here.

- **CAS View:** CAS has many times referred to the need to develop and provide job opportunities for the youth of Africa. Commentators frequently refer to the demographic dividend awaiting Africa, given its large population and the prospects of the youth developing into skilled employees and middle class consumers. This has always been dependent on having a skilled youth who have meaningful job opportunities. Should this not happen, chaos and mayhem will result, and the demographic dividend will degenerate into a demographic liability. It is therefore good to see active interventions in Africa addressing the aspirations of the youth. We currently see mayhem and chaos in South Africa, where the youth have taken it upon themselves to bring about free tertiary education, which is only available in very few developed countries in the world. In the process, however, they have brought about a climate of violence and thuggery, showing how countries can degenerate when the aspirations of significant parts of the population are not addressed. The absence of inspirational leadership in South Africa does not help either. It also frequently seems there are elements bent on exploiting the situation for criminal and party political purposes. However, this does not detract from the central idea that we need to address the aspirations of our youth in Africa. Failure to do so will bring about severe penalties. Current decision makers need to bear in mind that the youth of today are the decision-makers of tomorrow. They need to be groomed, mentored and directed.

**West Africa**

- **Nigeria:** The currency woes of Nigeria are hurting the economy of Nigeria.

Nigeria's economy has been hammered by the global crash in oil prices and ongoing rebel attacks on oil infrastructure in the southern swamplands. But the response to the naira's slump has made matters worse. In February 2015, the central bank fixed the naira at 197-199 per dollar in an attempt to stop its rapid plunge. To protect its foreign reserves, Nigeria banned the importation of many goods. Propping up the naira proved costly for the import-dependent country. Facing the imminent depletion of its foreign reserves and double-digit inflation, Nigeria was forced to abandon the peg in June this year. Yet the country is still suffering the consequences of the peg as it wrestles to overcome an enduring currency scarcity. A wave of multinational firms, including Sun International and various airlines, have left Nigeria, citing forex concerns. Recently, Nigerian billionaire Dangote reduced staff because of “operational costs”. It appears the naira is again being held at an artificially high rate. Officially Nigeria's naira is 305 to the dollar, but it is trading up to 460 on the black market, where most businesses get their cash to bring in raw materials and supplies. A flexible exchange rate regime will encourage inflows. Analysts say it's only a matter of time before the naira is devalued again. For more information, read here.

- **CAS View:** The piecemeal fashion in which the naira is devalued is not creating trust in the currency, not when the parallel market clearly shows that the currency is over-valued. As the article states, a fully flexible exchange rate regime will encourage inflows, and create a bit more trust in the Nigerian economy. It seems from anecdotal evidence that it is possible to purchase dollars from one of the small number of institutions accredited to do so, at 300 naira per dollar, and then sell that same dollar at more than 460 naira on the parallel market. This kind of arbitrage cannot be good for Nigeria. Having multinational firms leaving the country due to a lack of foreign currency, is also not good for the image and economic health of the country. It is this situation that will eventually define the presidency of President Muhammadu Buhari, and history will not be kind to him. It is a pity as he started off quite well at a macro and strategic level, with his foreign policy initiatives promising so much!
Southern Africa

- **South Africa**: Anglo American is bouncing back on the back of rising commodity prices. The mining sector in general seems to be a good bet.

Anglo American Plc, the UK’s best-performing blue-chip stock this year, was reeling in February from a broad slump in commodities that sent its shares to an all-time low and compounded a mountain of debt. To stanch the bleeding, the company proposed selling more than half its assets, including coal and iron ore mines that had plunged in value. Almost as soon as the plan was announced, prices began recovering, so much so that investors urged executives to reconsider. For now, the company remains committed to selling assets even as the business benefits from the jump in prices. Anglo still expects longer term pressures from too much supply. Anglo’s strategy is to exit commodities such as iron ore, coal and nickel to focus on diamonds, copper and platinum. Coking coal more than tripled this year, while thermal coal, favoured by power plants, jumped 93%. Iron ore, used to make steel, advanced 42%. Anglo shares are surging. They’re up 300% since the end of January and 272% for the year, by far the biggest advance on the FTSE 100 Index. Along with the commodity rally, production costs per unit dropped by more than 20% at Anglo’s diamond and platinum businesses in the first half. For more information, read here.

- **CAS View**: At the beginning of 2016, it was easy to make fun of Anglo, as its market capitalisation had dropped to embarrassing levels. They were also struggling to find buyers for some of their coal mines. They couldn’t sell others because they had overpaid in earlier years and would lose too much should they get rid of it. It now seems this was a blessing in disguise. It also seems that those analysts still negative about Africa due to the end of the commodity super cycle, may not have taken cognisance of the rise in commodity prices. This will be very good news, and probably already is, for countries such as Zambia, South Africa and Mozambique, to name but a few. This might be such good news that they again choose to not actively diversify their economies away from a preponderance on the extraction sector. Let’s hope this will not be the case, and if this proves to be the start of a period of improved commodity prices, that Africa will use the respite to develop the other sectors of their economies.

- **South Africa**: Renewable energy in South Africa has become significantly cheaper than coal-fired stations. This presents the country, and Africa, with flexible solutions to its electricity needs.

The cost of wind and solar energy has fallen so dramatically that wind and solar plants can now be built in South Africa at nearly half the cost of new coal, according to the CSIR. Their analysis shows that solar and wind are on par on pricing, and are more than 40% cheaper than new base load coal plants. Solar and wind are at R0.62 per kWh with coal at R1.03 per kWh. It’s a standout result for South Africa, which unlike developed economies, has a shortage of power rather than a surplus, so it needs to build new capacity to meet the demands of its growing population and economy. A request for proposals for 9.6GW of nuclear power has been put off indefinitely, possibly as the result of an assessment of the technology costs. The push into nuclear has been a major controversy in South Africa because of the high costs and the nature of the contracts with the Russian builders. South Africa has also brought down the cost of solar and wind dramatically in 5 years since it began competitive tenders for largescale projects. For more information, read here.

- **CAS View**: A decade ago the argument against renewable energy was always one of cost. This is no longer the case, with a credible institution such as South Africa’s CSIR showing that wind and solar plants can be built at half the cost of new coal plants. Wind and solar also have the benefit that individual house owners can develop...
their own “mini plants” at low cost, and can even take themselves off the national grid in totality. It does require a somewhat high initial capital cost, but the benefits are multiple! It also will be interesting to see how SA’s attempt to get nuclear plants from Russia will proceed. This project has been mired in controversy right from the start, given how the Minister of Energy dealt with it. Whereas one of the many objections within SA was the high cost (which it was said would beggar SA), the minister and the CEO subsequently stated that the money for the project would not come from Treasury, but that Eskom itself would fund it. This only means that the energy user would eventually end up paying an exorbitant fee for his/her energy. There is also a good chance that Treasury would need to step in should Eskom develop problems in funding the project. Given how poorly SOEs in SA are managed, this is always a possibility. This in itself would act as a powerful incentive to take oneself off the national grid. Not all would be this fortunate though. Let’s hope that sanity will prevail, for the sake of all South Africans.