African Union

- **Africa**: What impact will the election of either Hillary Clinton or Donald Trump have on Africa?

  The next president in the USA will have to make choices on trade, aid and security that will affect millions of lives. There is certainly more scope for drastic change under Trump. Preferential trade arrangements, such as AGOA, face an uncertain future. African leaders will be reassured by Clinton’s frequent praise for the legislation, and concerned by Trump’s pledge to scrap trade deals that hurt American manufacturers. Trump is more likely to slash aid, while it is hard to foresee a fundamental shift under Clinton’s presidency. Trump's desire to flaunt his toughness in combating terrorists could have dangerous consequences for Africa. Clinton is clearly more able to make informed judgements than Trump on the trade, aid and security issues that affect Africa. She visited 24 African countries as secretary of state. In contrast, Trump's engagement with the continent is limited to a handful of posts on Twitter. While Clinton’s diplomatic experience will help her forge bonds with African leaders, Trump’s habit of making racially insensitive comments will be problematic. Under Clinton, aid will continue to flow, African presidents will still be invited to Washington, and the US will carry on providing security assistance. However, the pressures of domestic politics will affect the choices Clinton can make on Africa. For more information, read [here](#).

- **CAS View**: There is an old truism in political science that states that countries have interests, they do not have friends. The reality is that Africa can at times be seen as being at the periphery of what is important. As for the difference in perceptions of whether Africa is important or not, it does seem that under Trump, Africa could be relegated to the side lines of global politics to an even greater extent than is currently the case. It also seems that under Trump the nature of the relationship between the USA and African countries would be somewhat adversarial, due to his character, or lack thereof. To be truthful, the man does come across as an infantile egotistical megalomaniac, who is also a racist and sexist! Africa does definitely not need such a person at the helm of the USA. As a matter of fact, no country needs such a person at its helm!

- **Africa**: As far as technology in Africa is concerned, both the public and private sectors must learn to adapt, or risk becoming irrelevant. Trust remains a fundamental issue. Technology is greatly reducing the high cost of doing business in Africa.

  What makes African tech exciting, is the growing bouquet of content being developed by locals to suit local needs. But global players like Facebook and Google are taking notice of Africa too. Google reckons there could be 500 million African internet users by 2020, 40% of an expected population of 1.3 billion. Regulators are having a hard time catching up. With technologies advancing so fast, it is expensive to keep training regulators. Many of the problems African governments are trying to solve, could be fixed with technology. However, some disruptions, such as social media, have not been beneficial for government. The fundamental issue with technological innovations, especially in Africa, is trust. Many customers, in Nigeria at least, still prefer to pay for their packages only when they receive them at the door. Investors looking to leverage African tech might want to start with internet speed. African private sector actors are not waiting. The relatively high costs of doing business in Africa can be – and are already being – greatly reduced using technology. Advertising on social media and other online outlets is not as expensive as traditional media. Both the public and private sectors must learn to adapt, or risk becoming irrelevant. For more information, read [here](#).

- **CAS View**: With exciting new and fast-changing technologies, regulators always find it difficult to keep up with the pace. The same goes for the large group of people who are slow adopters. They tend to wait until a large group
of users have proven that the technology can be trusted before they get on the bandwagon. This can be stressful for those who require a critical scale of users in order to be profitable. This situation will become worse in future, as Moore’s Law itself is undergoing an ever-increasing speed of change. A situation is already arising where companies and users ask themselves whether being a first mover is critical for success, or whether a fast second approach would be sufficient. In Africa, technology can be a game changer and help to leapfrog the development curve. This does not necessarily require being a first mover, although this approach does have its benefits, as is seen in the mobile money environment.

**East Africa**

- **East Africa:** EAC partner states must benchmark themselves against the best in the world if they are to grow. People development is a major factor in the growth story of Africa.

East African Community partner states have been challenged to benchmark themselves with the world’s most advanced economies if they are to grow. This was said by former EAC Secretary General, Mr Amanya Mushega, who stated EAC needs to revisit and do away with the standard way of judging itself by Sub-Saharan African standards. India, Singapore and South Africa refused to treat themselves that way. They aimed high, looked at the way the USA, Japan, Germany, UK and the USSR developed their human resources, and copied them with the view to competing with them. Mr Mushega called for heavy investment in human resource development, and urged the Community to compare the number and quality of local skills with advanced economies. For EAC to develop, exploit its resources, build industries, maintain roads, railways, airports and dams, and compete in local and world markets, it must put maximum effort on the quality of the education and skills of its population. The challenge for the EAC, as for other fast growing countries in Sub-Saharan Africa, is how to sustain growth over the medium term, and how to ensure that scaled-up public investment and borrowing translates into durable growth. For more information, read [here](#).

- **CAS View:** Mr Mushega must be applauded for his insights. But this is not just true for the EAC. Africa in general must benchmark itself against the leaders in the world and then strive to emulate those countries. Education and human resource development is going to play a major role in this process. Benchmarking against similar profile countries will not do Africa any good. Some African countries have referred to how they compared against Singapore in 1965, when they compared favourably. Today they are massively different, and they do ask as to what had happened to explain the difference. Singapore did benchmark against the best, and they did place a very strong emphasis on the development and education of its people. They have a future focus, they plan properly and they implement resolutely. The results are clear for everyone to see.

- **Tanzania:** Magufuli has taken various steps to obtain the leadership position for Tanzania in the East African Community. He has recently visited Kenya for the first time since his election. Hopefully this will smooth some of the ruffled feathers.

President John Magufuli’s first visit to Kenya is seen as an attempt to reaffirm Tanzania’s place within the EAC, and to reset bilateral relations with Kenya, which have been lukewarm. Early in Magufuli’s term he convinced Uganda to re-route its planned oil pipeline through Tanzania after Kenya appeared to have secured it. During negotiations to finalise a trade deal between the EU and the EAC, Kenya signed the final agreement, but Tanzania refused, citing national interest. Magufuli convinced both Rwanda and Uganda to drop earlier plans of a joint railway with Kenya connecting them to Mombasa, to rather work with Tanzania on a railway line connecting to Dar as Salaam. Uganda also opted to pump its oil exports to Tanga, north of Dar es Salaam, instead of to Lamu.
in Kenya. Kenya has also regularly complained about non-tariff barriers on its exports to Tanzania, and also accused Tanzanian officials of being complicit in the mistreatment of Kenyan business owners through punitive measures such as cancellation of work permits. In return, Kenya has at times reciprocated with debilitating consequences. Magufuli’s grand posturing has positioned Tanzania as an alternative regional economic powerhouse. This has been seen by some in Kenya as a threat to Kenya’s traditional geostrategic advantage as the gateway to the region. For more information, read here.

- **CAS View:** CAS has written about this a few months ago. For information on this newsletter, read here. The potential outcome of such endeavours is a destabilised EAC, which is in nobody’s best interest, including those of Tanzania. Hopefully the leadership aspirations of these two countries will not be to the detriment of the region. To be truthful, Kenya is currently the larger economy, although for how long nobody knows. Comparing the statistics, Kenya’s GDP is at US$63 billion, against the US$45 billion of Tanzania. However, its economic growth rate is at 6.2% against the 7.9% of Tanzania. Its unemployment figure is at 40%, against the 10.3% of Tanzania, while it has a population of 44.4 million against the 48.8 million of Tanzania (figures from Trade Economics). Whereas Kenya is complaining about the scourge of corruption (even Kenyatta is vociferous about this), Tanzania’s Magufuli is seen to be taking active steps against corruption. Given these figures, it is not inconceivable that Tanzania could indeed take over as the regional leader and become the gateway into East Africa. With the identified projects in the article above, it is quite possible that Tanzania’s economy could receive the necessary boost to take over from Kenya. The exploitation of Tanzania’s gas reserves has not fully kicked in at all, and could bring about a major turnaround in its economy. The same goes for the exploitation of its newly developed uranium mine. The future looks bright for Tanzania!

**West Africa**

- **Nigeria:** Tony Elumelu has initiated a comprehensive long-term programme to develop 1,000 entrepreneurs over a period of 10 years. This goes far beyond just financial support, and includes mentorship and education initiatives.

The Tony Elumelu Entrepreneurship Programme aims to identify, train, mentor and seed 1,000 entrepreneurs in a decade-long $100 million commitment. Tony Elumelu promised to empower entrepreneurs, and to tackle the fundamental economic challenges confronting Africa. The programme provides a platform for entrepreneurs to build connections, and they are taught to build their businesses in a sustainable way. Elumelu challenged all stakeholders from the public and private sectors to join hands with the Foundation to support the wider African entrepreneurial community. He also announced partnerships with regional institutions like the AfDB, ECOWAS, and others, including Coca Cola, the International Trade Centre, Nigerian Ministry of Information, Culture and Tourism and Côte d’Ivoire Ministry of Entrepreneurship. Attendees benefited from masterclasses on traditional and alternative means of financing, sales and marketing, as well as sector specific workshops and an in-depth session on Africapitalism - Elumelu’s economic philosophy that identifies the leading role of Africa’s private sector, including its entrepreneurs, in Africa’s transformation. The programme also featured a high-level panel dedicated to identifying policies to strengthen the enabling environment for entrepreneurs. Former President Olusegun Obasanjo called on the Nigerian government to implement policies that encourage investors and entrepreneurs to do business in Nigeria. For more information, read here.

- **CAS View:** Africa is in dire need of this kind of intervention to address the development and support of entrepreneurs. This includes developing an entrepreneurship-enabling policy framework. This is not just about a once-off training intervention, but entails a decade-long mentorship and development process. This is what will bring about the difference between failure and success. Various stakeholders from all walks of business and society must be
brought together should Africa want to really empower its entrepreneurs. It is heartening to see the likes of successful business people such as Tony Elumelu giving back to society. Surely there are other very rich people in Africa that can emulate Elumelu's initiative? He himself does not feature on the Forbes list of the 22 dollar billionaires in Africa for 2016. Yet this did not stop him from launching the above initiative. Others should take note and also give back!

**Southern Africa**

- **Mozambique:** Frelimo and Renamo are at it again, destabilising the country and creating negative perceptions on the political stability of Mozambique. In the process, GDP growth is deteriorating and foreign investors are leaving.

  The escalating conflict between Frelimo and Renamo is weighing on Mozambique's economic growth as anti-government fighters target key transport routes linked to the mining sector. Renamo refuses to accept the results of Mozambique's 2014 election and wants to take power in 6 of the country's 11 provinces. Throughout 2016, attacks by Renamo have increasingly disrupted Mozambique's commodity exports, increasing costs for companies and scaring away foreign investment, ultimately leading to a sovereign default. The IMF suspended its programme in Mozambique in April when it emerged that the government had hidden loans worth $1.4bn while finalising a bailout package. By its own rules, the IMF will not be able to intervene until the government takes steps to rectify its debt distress. The IMF said that it expects growth to be 3.7% in 2016, down from 6.6% in 2015. The disruption to Mozambique's mining sector is also limiting the country's access to foreign currency at a time when it needs to bolster reserves in order to service dollar-denominated debt and fund imports. The outlook for political stability over the coming months is bleak, with recent events casting a shadow over planned negotiations between Frelimo and Renamo. For more information, read [here](#).

- **CAS View:** Mozambique seems adamant to score an own goal. When Felipe Nyusi took over as president of Mozambique after the last election, it seemed as if he would be able to strike an accord with the leader of Renamo. I did refer to this in an earlier newsletter, when it was mentioned that negotiations were underway to share power, with Frelimo sharing governorships with Renamo. However, it seems that grandstanding and power plays are getting in the way of a meaningful peace accord. Given the negatives of Mozambique’s debt situation, the last thing the country needs is a reduction in revenues from its commodity exports, a rapidly devaluing currency, and an economic growth rate that is half of what it was in 2015. The old saying of “either they stick together or they will hang separately”, comes to mind. Renamo appears to be at peace with this, as they believe that to reduce the pressure on Frelimo would prevent changes to their benefit. It really is a pity as the country has such a lot of potential.

- **South Africa:** South Africa's levels of support for entrepreneurs are far behind that of Africa in general. Not only must financial and other support be jacked up, but it needs to create a policy environment that will support and encourage entrepreneurs.

  The World Bank suggests that (formal) small and medium enterprises contribute up to 45% of total employment and a third of national income in emerging economies. However, in South Africa, only 7% of South Africa's adult population is involved in running their own business. This is low even when compared to other sub-Saharan African countries, where the rate of entrepreneurial activity is nearly four times higher. Aside from confronting these issues, South Africa also needs to address the current low perception of opportunities to start a business.
The availability of technical and industry-specific training is as important in generating higher levels of entrepreneurship, as is access to financing. Incorporating a higher level of entrepreneurship education at school stage could further encourage entrepreneurial intentions, which rank poorly in South Africa, relative to other emerging markets. Studies have shown that increased levels of entrepreneurship tend to lead the business cycle through boosting economic activity and giving rise to new job opportunities. Reducing the burden of overregulation currently stifling entrepreneurship, and providing incentives for research and development, can create a more enabling environment for small businesses to contribute to job creation. For more information, read here.

**CAS View:** With a formal unemployment figure in the region of 26%, and a figure of 36% when you look at the broad definition, it is abundantly clear that South Africa is in dire need of a programme that encourages and supports entrepreneurs. The country is currently supporting 16 million people with government grants. It is obviously not sustainable, but without the grants people would go hungry and the result would be violence of an unknown scale. In various other countries in Africa, such as Tanzania, Ethiopia and Rwanda, to name but a few, entrepreneurship is actively encouraged. While the South African government pays lip service to the ideal of entrepreneurship, interviews with struggling entrepreneurs in townships quickly puts an end to notions that there is an effective government approach as far as entrepreneurship is concerned. It is not as if government cannot afford it. It just has to stop the current crazy trend of corruption at the highest government levels. The country was recently identified as the most corrupt country in the world by the UN. It is estimated that corruption cost SA US$50 billion since 1994, although there is no generally accepted accurate figure. What a shame for the lofty ideals of stalwarts such as Nelson Mandela, Walter Sizulu, Govan Mbeki, and Oliver Tambo, to name but a few.

**South Africa:** South Africa is potentially facing a downgrade to junk status by ratings agencies in December. There is good news, but there is definitely also bad news. The president seems to be the cornerstone of the latter.

Consumer and business confidence in SA remains deeply depressed. Against the current backdrop of a groundswell of discontent from civic, religious, opposition, union and ANC stalwart groups regarding the current political regime, alleged political interference in key SA institutions continues to threaten the country's chances of keeping its sovereign rating above junk status. This is according to Old Mutual Investment Group chief economist, Rian le Roux. S&P warned that political interference that could weaken key institutions, and expressed concerns over cohesion at the executive branch. Confidence took a turn for the worse when the National Prosecuting Agency announced on 11 October that Minister Gordhan would be charged with fraud. “Now that the case against the Finance Minister has been dropped, the question is whether the downgrade risk has lifted materially,” says Le Roux. The Public Protector's state capture report released on Wednesday has led to the rand strengthening significantly against the dollar. Le Roux says it's too soon to tell what kind of political and economic impact the contents of the report will have. With various pieces of good news, the dark cloud remains the relatively poor performance of the economy and lack of any real meaningful confidence-boosting policy measures being announced over the past few months. For more information, read here.

**CAS View:** The downgrade of SA’s sovereign rating to junk status will have a devastating impact on SA. While business leaders and the Treasury clearly understand this and are working to prevent this, it seems the president of the country and his cronies are hell-bent on enriching themselves, come what may. This is the view of a growing group of South Africans, most of whom feel that either the president will have no choice but to resign after the release of the Public Protector's report on State Capture, or that the ANC will recall him. To be truthful, if this had happened in a country such as Singapore, Zuma would never have been considered for the presidency in the first place, as convicts cannot become president. However, this is not happening in Singapore, and if wishes were horses, beggars would ride! It remains to be seen whether Zuma would be recalled. I am not of the opinion that...
he will resign, and I am also of the opinion that the ANC will not recall him, in spite of all the requests by business and ANC stalwarts for this to happen. Those who speculate that the release of the report spells the end of Zuma, should remember the quote by Mark Twain, “The report of my death was an exaggeration.” Zuma is a political street fighter of note, and understands that should he leave office now, prison is a real possibility. He has surrounded himself with enough sycophants to support him, incompetent people beholden to him for their positions. I am afraid SA will sit with Jacob Zuma for still quite a while. Having said that, I sincerely hope I am wrong! But…