African Union

- **Africa:** Ecobank research has identified 8 issues Africa needs to focus on in 2017.

  Ecobank has identified 8 issues to focus on in 2017. 1) Economic growth in SSA will quicken this year to 2.8%, supported by strong population growth, large investments in infrastructure and mining, etc. 2) An expected rise in oil (and metals) prices in 2017 will bode well for oil exporters, but pose risks to net oil importers. 3) Should Donald Trump deliver on fiscal stimulus and increased infrastructure spending, the US economic recovery will strengthen further in 2017. This will bode well for FDI into SSA. A protectionist approach would have negative implications for SSA. 4) The US Federal Reserve’s monetary policy normalisation will continue to create headwinds in the capital and currency markets in emerging and frontier markets and increase financing conditions. This will weaken prospects for portfolio flows into Africa and maintain upward pressures on SSA yields. 5) The Eurozone’s economic challenges and rising political tensions alongside USD fundamental strength, will continue to undermine the EUR outlook, boding ill for SSA currencies pegged to it. 6) Improving prospects for China bode well for Africa’s export receipts, government revenue and exchange rates. 7) Heightened insecurity will persist, with continued operations from Boko Haram in West Africa, Al-Qaeda in the Maghreb, and Al-Shabaab in Kenya. 8) Elections could increase risk in a number of SSA markets, i.e. Angola, Rwanda, and Kenya. For more information, read [here](#).

- **CAS View:** It seems there is a mixed bag of issues potentially facing Africa. Africa has some control over some of them, while they have to wait and see what happens in other parts of the world as far as the rest are concerned. Whatever happens in the USA, China and the EU, will definitely have a major impact in Africa. It does seem that China is looking at an improving economy, which, together with an improved US economy, could lead to a more improved economic scene in Africa. Whether the latter happens, is also dependent on the extent to which the African economies take control over those issues they can influence directly and ensure they can benefit from the external forces they don’t control. One example is the reaction of African oil exporters to a rising oil price. These countries should use the respite offered by a slightly increasing oil price and go all-out to diversify their economies and look firstly at adding value in the total value chain, and secondly, develop other sectors in their economies to reduce their dependence on oil exports. Another area that Africa’s governments must address, is the security environment. Safety of people and infrastructure is an important issue in the minds of potential investors. It will be no use for Africa to promise good returns and economic growth, but the environment is a dangerous one. One must also bear in mind that despite looking at 2.8% economic growth for Africa as a continent, there will be quite a number of economies that will be growing at 6% plus, whilst others will be much lower. Africa therefore needs to be approached on a country basis, and not as a single homogenous continent. Do your homework first before venturing into Africa.

- **Africa:** Start-ups in Africa are in need of funding, but the total raised fell in 2016. North Africa is the scene of a start-up resurgence.

  Start-ups in Africa’s three leading tech entrepreneurship markets—South Africa, Nigeria and Kenya—raised the most funding in 2016, like the year before. But this year, the total raised in Africa fell by 30.5% to $129m. At 146, however, more African startups were funded in 2016 than in 2015. Further good news is that North Africa is making a comeback. After years of political turmoil, funding for start-ups is slowly reviving in countries like Egypt and Morocco. Fundraising for Egyptian start-ups jumped 105% to $9.7m, compared to $4.7m last year. Egypt had eight start-ups funded. Ultimately, African start-ups will need more grassroots support, both from customers and
investors. The expansion of interest by local and African diaspora angel investors, through organizations like African Business Angel Network (ABAN), is a promising sign of what’s possible. The role of local angels is vital for backing the kinds of early stage ideas that come to fruition when the entrepreneur and the angel investor speak the same language. For more information, read here.

- **CAS View:** Africa’s start-ups need all the support they can get. They create jobs and help to stimulate economic growth. It is therefore good to send the message that entrepreneurs are a special breed of people, and that they should also be supported by governments. The latter should also create a business-enabling policy framework, and the mechanisms to stimulate entrepreneurial activities. This does include the issue of financial support for start-ups and entrepreneurs. Africa’s consumers must also support these start-ups by buying locally, buying the “Made at Home” products and services offered by these start-ups. There is a strong inclination to buy global brands, to the detriment of local brands. This is unpatriotic, and does nobody in Africa a favour. It does place a responsibility on African producers to deliver the quality goods their consumers are seeking from global brands. North Africa’s resurgence in the start-up arena is good news for the region. It is a sign of stability returning.

- **Africa:** Africa is tapping into sovereign wealth funds and pensions funds to fund its infrastructure development.

  Africa is increasingly looking towards its own sovereign investment funds to help fix its infrastructure gap. The funds, which have about $150bn between them, are offering co-investment opportunities and guarantees to attract foreign capital. Africa is still viewed in some circles as a difficult investment, hampered by corruption, war and political risk. Now African sovereign wealth funds are seeking to change this perception and kick-start projects themselves. Morocco’s $1.8bn Ithmar Capital state fund is seeking to raise $1bn-$2bn from infrastructure specialists and other sovereign wealth funds for its Africa green infrastructure fund, focusing on clean energy and water projects. In 2016, three Africa-focused infrastructure funds raised $665m — just 1% of the total $61.2bn raised by 54 infrastructure funds globally. Yet, the 15%-20% returns that are on offer in Africa are higher than the 8%-12% offered in developed markets. Fund managers say the biggest challenge may be finding investable projects. Public-private partnerships (PPPs) between government agencies and private companies are underused. Examples of sovereign funds stepping in, include Angola’s sovereign fund, FSDEA, which has just committed $180m to a new deep-sea port project using a PPP structure. Sovereign funds are also trying to tap local pension fund capital. For more information, read here.

- **CAS View:** Everyone knows Africa has a major infrastructure development gap. A figure that is bandied around, is an annual requirement of US$90bn for the next couple of years. Finding this money has been a challenge for Africa’s governments. It only makes sense to look towards every possible source. Should African sovereign wealth funds become involved, it might stimulate foreign private equity funds and venture capitalists to become involved to a greater extent that what is currently the case. If Africa itself is not prepared to invest in its infrastructure, why should external entities? The move towards tapping into pension funds, was commented upon a few newsletters ago. Africa must tap into all possible sources to address its infrastructure requirements, as poor infrastructure is definitely causing a drag on economic growth and economic activity.

- **Africa:** Africa’s innovators are generating new technology to address Africa’s needs and challenges.

  From mobile money to cargo drones and rugged portable wifi hotspots, Africa’s innovators are generating new technology to tackle consumer needs and development challenges. and international investors are taking notice. Tech start-ups in Africa raised more than $129m in 2016. Financial inclusion remains a challenge across Africa, where only a third of adults have access to any kind of basic financial services. Fintech innovations attracted the
most start-up funding in 2016 because it checks two boxes, i.e. serious potential returns, and a strong impact angle by empowering and connecting unserved Africans. New health and agriculture technology in 2016 saw strong growth. The agri-tech space saw incredible growth of 8,660% in the amount of funding received, as compared to 2015. SA was the most popular investment destination in 2016, with 64 of its start-ups taking home more than $46m. This reflects the booming support network for start-ups across SA’s urban tech scene, with numerous organisations offering everything from funded acceleration, to niche mentorship, to access to cutting-edge facilities. Clearly investors are tapping into Africa’s tech prospects, and looking more broadly at the opportunities on offer. For more information, read here.

- **CAS View:** Africa’s approach to mobile technology is one of the bright spots in the African continental scene. As indicated, the application fields span from mobile banking (peer-to-peer) to health to agriculture to transport to washing to energy, etc. The fields are too numerous to mention all of them here. The saying is “necessity is the mother of invention.” Africa is quite creative in developing these technologies, and it seems that funding for them are becoming more readily available.

- **Africa:** Africa’s agricultural sector seems to be facing challenges affecting its ability to deal with the future.

  Smallholder farmers, lack of equipment and meagre harvests: Africa’s agricultural sector is widely seen as not being ready to face the future. Modernization can help increase production, but that is easier said than done. If Africa is to be able to feed its growing population, it must increase food production by 60% in the next 15 years. Many highly qualified young Africans don’t want to work in agriculture and prefer the city to country life. Africa has an industry dominated by aging, traditionally oriented, poor smallholder farmers and the outlook for future farmers is bleak. Agriculture is one of the biggest employers and also a main area of innovation and schooling. Investments are sorely needed: around 60% of the total African population work in agriculture. But they fail to thrive. Most are smallholder farmers. 80% work the land with their bare hands. Yields are accordingly very low. Smallholders need money to acquire new technologies. But many farmers have a hard time accessing credits. Many experts are calling for smallholders to join cooperatives. This would give them more purchasing power to buy equipment. They would also be in a better position to negotiate, enabling them to sell their produce at a fair price and defend their interests. For more information, read here.

- **CAS View:** Africa must address the industrialisation of its agricultural sector as a matter of urgency. The youth are literally voting with their feet, by leaving the smallholder farms in the rural areas and moving towards cities, in the misguided belief they will find jobs there. Better techniques and equipment, better developed marketing and distribution channels, and better financing models will hopefully contribute towards an agriculture sector that generates more wealth for the farmers. The youth will not remain in the sector should it not be more profitable for them. And the reality is that the urban areas in Africa do not have the jobs they think there are. So they end up in cities, unemployed and without support. This is a recipe for social disaster. Africa must look at the whole value chain and tap into all value-adding opportunities. Globally, developed countries must also look at ways and means of supporting agriculture in developing countries. This includes relooking subsidies to farmers, and dumping agriculture products in Africa to the detriment of local producers. The developed world cannot wash their hands on Africa in this regard. The tragedy is that Africa has the potential to feed the world, but it cannot currently feed itself! It has become a net importer of food, which is not sustainable!

**East Africa**
• **Rwanda:** Fresh graduates in Rwanda lack the skills required by the market. This is an African phenomenon, and must be addressed as an issue of priority.

Many employers in Rwanda say fresh graduates lack skills required by the market, while young professionals accuse firms of ‘shutting them out’. This situation has left many young professionals frustrated and disoriented. Such challenges faced by both employers and prospective employees could soon be history for energy sector professionals in Rwanda and Africa, thanks to a new initiative by Africa Internship Academy where young graduates will have an opportunity to hone their skills through targeted internships. The programme is one of the efforts geared at enabling Africa’s young professionals in the energy sector to gain skills demanded by the labour market and help reduce unemployment. The lack of requisite skills is a major contributing factor to youth unemployment. The long-term benefits of internships are more for the employer, because staff who are former interns at a company, are most likely to stay with that employer. For more information, read here.

• **CAS View:** This is a problem that is not confined to either Rwanda or Africa. Tertiary institutions must look at preparing graduates for the job market, which requires a stronger relationship between universities and industry. Various institutions have advisory councils that provide advice as to what these tertiary institutions should be doing to better prepare their graduates. In Africa, amongst others, it seems to not be working. Compulsory internships are a feature in various universities in Europe. Africa should adopt this feature, and ensure that it becomes part and parcel of the tertiary scene in Africa. There needs to be proper mechanisms in place to ensure that the internships are meaningful and not just a period of “rest and recreation” for the students. In this way, by combining advisory councils and industry internships, graduates would be better prepared for the market they enter.

• **Rwanda:** Rwanda wants to achieve 11.5% growth p.a. by 2018 and propel itself into a middle-economy status by 2020. It has various challenges to address to achieve this goal. PPPs can play a significant role in dealing with these challenges.

Rwanda’s government wants to achieve 11.5% growth p.a. by 2018 to help propel Rwanda into a middle-economy status by 2020. To help support the realisation of this goal, experts are calling for increased investment and more PPPs. Rwanda needs to strengthen economic integration with other African countries and the rest of the world as this will improve its balance of trade position. Rwanda also needs to create alternative sources of income for farmers through product diversification, and institute measures that help cut public spending and emphasise production to achieve key economic goals and make them sustainable. Strong PPPs are seen to help attract new investments, create more jobs, and help make the economy competitive. Rwanda’s structural transformation was still limited and the production far lower than expected. Challenges include a lack of an entrepreneurial culture, a skills gap, a lack of technologies, managerial and planning skills, as well as a lack of access to information. Hence the need to focus on transforming the manufacturing, services and agriculture sectors as they have the potential to provide jobs for large numbers of Rwandans. Rwanda needs to transform the structure of its economy to modern and market and export-oriented activities, including agro-processing, industry, manufacturing and services. For more information, read here.

• **CAS View:** The article focuses on Rwanda transforming its agricultural and manufacturing sectors to achieve its goal of becoming a middle-economy country by 2020. We see once again the importance of manufacturing and agriculture, not only in Rwanda, but also in Africa. Industrialisation in Africa is a major issue, supported by the African Development Bank, amongst others. Private sector participation is an important element in the drive to grow Africa’s economies. The previous president of the African Development Bank, Donald Kaberuka, was quite vocal in his views on the role the private sector had to play in Africa’s development. It is also clear that developing
the skills and competencies of Africa’s working population is going to be crucial in the path to economic development. The previous article addresses this issue in detail. From this, it is clear that Africa is in need of a systemic (and hence integrated) approach to solving its development challenges. The jump from its current 6.3% in 2016 to 11.5% by 2018, is going to require Rwanda to change the way they work – more of the same will not cut it! It will be interesting to see how Rwanda achieves this “big, hairy, audacious goal”!