**Friday@Noon**
A weekly electronic African news briefing for the Southeast Asian community
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**African Union**

- **Africa:** A number of factors have the potential to become strong threats for Africa. These factors must be addressed. As such they also create investment opportunities for foreign investors.

  Certain factors, like youth unemployment, have the potential to become strong threats for Africa. Young rural Africans dream of leaving their villages and aspire to modernity. Many quickly find themselves caught up in a very precarious situation, often due to poorly controlled urban development. About 440 million young Africans aged between 15 to 35 will enter the labour market by 2030, 67% coming from rural areas. To address these challenges, the agricultural sector, which currently employs 60% of the African workforce and contributes up to 25% of its GDP, will have to transform. To prosper in a sustainable manner and maintain its food sovereignty, Africa must produce what it consumes whilst reducing its imports of processed products. Sector-tailored financing must be addressed if Africa wants to achieve sustainable growth. Innovative financing tools help increase productivity and agricultural development by catalysing private investment and addressing market failures. The growth of mobile phones in Africa offers many opportunities to improve rural development financing. The private sector is ultimately the driving force behind rural development activity and growth. Promoting sustainable agricultural growth through innovative financing and private sector participation will increase incomes and improve the overall living conditions of many Africans! For more information, read: [http://bit.ly/2gsW5Lg](http://bit.ly/2gsW5Lg).

  **CAS View:** There are a couple of points that come to mind. The youth of Africa must be a high priority as far as policy development is concerned. Relevant education and meaningful work has become crucial. Addressing rural development is another priority. Unplanned urbanisation does Africa no favours, and actually creates conditions ripe for exploitation, i.e. slums conditions, unemployment, and lack of services. The industrialisation of the agriculture sector, and repositioning it as a business, is a third important factor. The gap between the numbers of Africans employed by the sector, and the contribution of the sector to the GDP of many countries, must be addressed as well. In addition, the trend of importing food must be addressed. African has the potential to feed the world, but cannot feed itself. A fourth takeaway is the need for financing in Africa. This is not just the case for the agriculture industry, but also in many other sectors. Investing in transport infrastructure and in energy infrastructure, which will both also benefit the agriculture sector, requires massive amounts. A fifth point of interest is the innovative use of mobile telephony to deal with many of Africa’s challenges, in this case, in agriculture. The mobile app, M-Kopa, is a well-known case study. A sixth point is the need for private sector participation in Africa’s development. This is not a new realisation, but one must remember that the private sector conducts business in search of returns for its shareholders. Governments therefore need to ensure that the environment is conducive for private sector investment. These 6 factors are not mutually exclusive, but must be seen as strands of an integrated system.

- **Africa:** There are a number of key barriers that constrain innovation in Africa.

  The article addressed four key barriers that hinder innovation in Africa. Firstly, there is a growing gap in understanding between what young innovators want, when they want it, and what support structures are actually providing. In addition, the ‘hungry’, risk-taker attitude of entrepreneurs today doesn’t gel well with the banking sector’s risk adversity. Secondly, by focusing on improving efficiency in the business environment, Africa can improve the ease of doing business and combat corruption. Regulation reforms are also very important. It is partly the government’s duty to build a strong private sector. Thirdly, as Africa is driven by informal markets, the cost of financing and the taxes for future start-ups must come down. Government must provide opportunity and capital for start-ups to grow, and innovators and entrepreneurs must be supported through the construction of infrastructure and the provision of financing. Some see a problem with entitlement from start-ups, which is the reason so many fail. Financing is erroneously seen as automatic once you have an idea or product. Fourthly, Africa needs a framework that offers entrepreneurs and innovators protection for their IP – like trademarks, copyrights, and patents. For more information, read: [http://bit.ly/2g9hwnR](http://bit.ly/2g9hwnR).

  **CAS View:** Innovation is crucial for every country in the world, not just in Africa. These factors constraining innovation must be addressed as a matter of urgency. As it is, from the 137 countries included in the WEF’s Global Competitiveness Rankings, quite a number of African countries figure reasonably
prominently in Pillar 12: Innovation. The following countries are the Top 10 in Africa (in sequence), with global ranking indicated: Kenya (37), South Africa (39), Rwanda (44), Guinea (48), Senegal (51), Ghana (57), Mauritius (63), Uganda (74), Cameroon (77) and Namibia (78). On the overall rankings, Kenya disappears to 91st place, with South Africa falling to 61. Mauritius, on the other hand, rises to 45th position, the top position in Africa. In Kenya’s case for innovation, the entrepreneurs have developed very innovative products/services such as M-Pesa, M-Akiba, and M-Kopa, to name but a few. It does seem the motivation for innovation in Africa is needs-based. As the saying goes, necessity is the mother of invention.

- **Africa**: Africa has abundant uncultivated arable land, tropical climates that permit long growing seasons; a young labour force; and an expanding population that provides a readily available market. However, African countries are yet to harness these opportunities to ensure sustainable food security and food production.

African countries are yet to harness these opportunities to ensure sustainable food security and food production. The average age of farmers is ~60 years, while 60% of the population is under 24 years. Farmers are also less educated and younger, more educated Africans are leaving rural areas and moving to cities. Some of these youngsters are discouraged by the difficulties of accessing funds or land, the reliance on manual technology in smallholder agriculture, and the low and volatile profits. Governments should change their outlook on agriculture from a subsistence, daily activity into a commercial enterprise. Focusing on the entire value chain of the process—land tenure, farming technology, markets, and pricing—will help transform food systems. Positioning farming “as a business and entrepreneurial endeavour” will also help draw younger people into the sector, and make them see it as a “career option.” Productivity within the farms must be boosted and the link between the farms and other economic segments must be bolstered. Land tenure privileges, technology and mobile phones, mechanization, and the role of women must be addressed to drive agricultural transformation in Africa. For more information, read: [http://bit.ly/2yWlz9E](http://bit.ly/2yWlz9E).

**CAS View**: The African Centre for Economic Transformation is emphasizing what prominent politicians and business executives have already stated. However, it is always good when such a think-tank confirms what other stakeholders have been propagating. Once again, when 70% of a continent’s population work in an industry, and that industry only contributes between 25% and 30% to the continent’s GDP, productivity is an issue. Akinwumi Adesina, president of the AfDB, has stated frequently that agriculture is not a lifestyle anymore, but that it must be viewed as a business. The industrialisation of this industry has become a priority. It must be transformed as well, as many of the youth are leaving the sector to go to the cities looking for non-existent jobs. They need to be convinced that the agriculture sector can offer lucrative jobs. It is only then that they will stay on the farms. As it is, the average age of the African farmer is ~60 years old. They must be replaced by a younger generation. This does not seem to be happening under the prevailing conditions. Transformation is therefore imperative.

**East Africa**

- **East Africa**: Despite robust economic growth, a rising middle class and increased purchasing power, East Africa’s retailers are still struggling, with two of its biggest players, Nakumatt and Uchumi, battling huge debts.

Despite robust economic growth, a rising middle class and increased purchasing power, East Africa’s retailers are still struggling, with two of its biggest players, Nakumatt and Uchumi, battling huge debts. In April 2017, macro, business, consumer and retail indicators showed that reduced spending, rising cost of living and high interest rate regimes are making it difficult for retailers to operate in the region. Consumers in Uganda, Tanzania and Kenya have become increasingly risk-averse, basing their decisions on affordability, familiarity, trust and brand loyalty. This is expected to put pressure on the retailers’ revenues. Some of the middle class visit the malls and retail chains, but they only buy on a need-to-basis. The losses posted by some retailers have been blamed on pilferage and shoplifting (~$50 million p.a.). Kenyan consumers shop mainly on a weekly basis, with the most preferred products being food and lifestyle...
products. Some have attributed the troubles of the two big retailers to average sales, rising cost of operations, staffing, rent and warehousing costs. Most of the struggling retailers have a weak balance sheet and a strong cost base, despite their cost line only being staff and rent. The retail business does not have high margins. For more information, read: [http://bit.ly/2yA4ZRU](http://bit.ly/2yA4ZRU).

**CAS View:** I recently referred to the struggle food retailers were having in East Africa. We have seen South African retailers such as Pick n Pay and Shoprite both struggling to achieve their objectives, just to eventually withdraw from the region. This article identifies some of the driving factors for this phenomenon. Yes, it does seem that Africa’s middle class is growing, but it is clear that while they visit malls, as such registering an identifiable footprint, they are not buying. I initially thought that it was a case of foreign companies not knowing their target market well enough. Now it seems that there are other factors at play, as some of the companies struggling are local, i.e. Nakumatt and Uchumi. Given the low margins that are typical of the food retail industry, the industry does require numbers. With the low numbers, adding to that a rather severe shoplifting scenario, as well as a risk-averse consumer base, food retailers are bound to struggle. One would then expect to see the informal traders doing brisk business.

- **Kenya:** The leader of Nasa, Raila Odinga, has withdrawn from the October 26 repeat presidential election. He and his team believe that all will be best served by Nasa vacating its presidential candidature in the election.

  The leader of Nasa, Raila Odinga, has withdrawn from the October 26 repeat presidential election. He and his team believe that all will be best served by Nasa vacating its presidential candidature in the election. Nasa has concluded that there is no intention from the IEBC to ensure that the irregularities and illegalities witnessed before do not happen again. He accused the IEBC of “stonewalling” deliberations to have a credible repeat election. He stated that all indications are that the election scheduled for 26 October will be worse than the previous one. He also blamed Kenyatta’s administration for proposing amendments to the electoral law that he said was against international best practice - one cannot change the rules in the middle of an election. Odinga’s team claims its withdrawal requires the IEBC to cancel the election and conduct fresh nominations, which should take place at least 90 days before a general election. The IEBC released a statement that they would meet with their legal team and will communicate the way forward. But that way forward is becoming more and more murky for Kenyans, as they can only guess what will happen next. For more information, read: [http://bit.ly/2zbwZs3](http://bit.ly/2zbwZs3) and [http://bit.ly/2q7i5ya](http://bit.ly/2q7i5ya).

  CAS View: Kenya, elections and violence are starting to become an issue. The 2007 election and the violence in its aftermath, during which more than 1100 Kenyans were killed, is still fresh in our minds. The election thereafter in 2012 was fortunately much more peaceful, with the defeated Raila Odinga turning to the courts to deal with his issues. This year the table was set for an interesting election, with an electronic voting system. The first sign of problems to come was the kidnapping and murder of a senior executive of the IEBC, with indications that he was tortured. The assumption was that his kidnappers obtained the passwords for the electronic system. The High Court of Kenya agreed with Odinga that there were severe irregularities with the election counting process and annulled the results, ordering a re-election within 60 days. With Odinga withdrawing from this re-election, we have 2 options. Firstly, the IEBC can cancel the re-election and call out a new election from scratch. Secondly, they can ignore Odinga’s withdrawal and go ahead with the re-election. Kenyatta’s stance is currently one aligned with the second option. Should this happen, and given Odinga’s strong support base, the chances of violence in Kenya escalates considerably. There are many that state that the IEBC is under Kenyatta’s control. This perception increases the likelihood of violence in the case of the second option materialising. With all its investment and growth potential, Kenya must deal with this challenge in an appropriate manner and concentrate on developing the country to the benefit of all its people.

- **Rwanda:** With effect from 2018, the Government will not buy soya seeds from outside the country and will, by the end of 2018, completely halt importing wheat.

  With effect from 2018, the Government will not buy soya seeds from outside the country and will, by the end of 2018, completely halt importing wheat. The Government was focusing on developing local seed production as a long-term measure. They are focusing on self-sufficiency and hope that by 2021, they
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should be having locally generated seeds, mainly for maize, wheat and soya. With wheat, they should be ready to stop importing by the end of 2018, but for soya, they may not be importing any next year. To phase out the import of maize seeds – which make up the bulk of the imports – the Government was investing heavily in local seed producers. An estimated 18% of the hybrid maize seeds is imported. Rwanda now have their own 10 hybrids from their own research laboratory. A research strategy is in place to boost the capacity of almost 200 researchers. The Government has also committed Rfw1.8 billion for upgrading research infrastructure, including laboratories and seed stores, but reasonable investment has also been put into capacity building. For more information, read: http://bit.ly/2i1JW3r.

CAS View: I reported last week on Rwanda banning the export of unprocessed milk. The Rwandan government was pushing for the increase of productivity in the dairy industry as well. This week we see the government focusing on developing the local seed industry to become self-sufficient. Africa as a whole should be focusing on these kinds of initiatives, as it is this kind of action that will support the industrialisation of Africa’s agriculture sector.

West Africa

- **Ghana**: Ghana is developing a three-year Business Regulations Strategy (BRS) to eliminate constraints and modernise the systems to promote faster growth, job-creation and economic prosperity in its corporate sector. The strategy will change how the government designs and implements business regulations in future.

Ghana is developing a three-year Business Regulations Strategy (BRS) to eliminate constraints and modernise the systems to promote faster growth, job-creation and economic prosperity in its corporate sector. The BRS aims to promote economic development, deepen and broaden current reform efforts in to establish a national regulatory environment that sustainably reduces red-tape and barriers, and better promotes private sector activity and job-creation. The goal is to build the most business-friendly and people-friendly economy in Africa, which will create jobs and prosperity for all Ghanaians. They want to ensure that growth is socially responsible, diversified, spreads geographically, comes from genuine value addition, is environmentally sensitive, and fair to all participants in the economy. Government’s goal is to achieve double-digit GDP growth annually for the next 4 years, as it works to reduce the cost of doing business, maintain fiscal discipline, reduce borrowing and reduce interest rates to spur private sector investment. The economic programme will further enhance agricultural production and productivity, along with a transformation of the economy through value-addition to raw materials in a process of rapid industrialisation. For more information, read: http://bit.ly/2ydS8Dz.

CAS View: Other countries have cottoned on to the importance of institutional reforms and cutting red-tape. Ghana has competition for investment, and needs to do more to attract it. On the World Bank’s Ease of Doing Business Rankings, Ghana improved overall from ranking 111 to ranking 108. However, there are quite a number of issues in which it had deteriorated. Ghana will have to pay attention to these factors, such as Starting a Business and Dealing with Construction Permits, to name but 2. In the World Economic Forum’s Global Competitiveness Rankings, Ghana ranked 111 out of 137 countries in the 2017/18 Rankings released at the end of September 2017. It ranked 119 in 2015/16 and 114 in 2016/17 rankings. Although it is improving its ranking, at 111 there is still a lot of work to do. Adopting the BRS is therefore a very opportune initiative. Ghana is one of Africa’s success stories and the BRS seems to have the purpose of keeping it a success story. The industrialisation of the agricultural sector and the transformation of the economy by means of a beneficiation process has widely been punted as part of the remedy for Africa’s developmental challenges. Hopefully the BRS will kick-start this process for Ghana in a meaningful way.