THE CONTINENT

East African business news and analysis | www.thecontinentmag.com Q4 2015

HOW ZAAD CAPTURED THE SOMALI MARKET

GROW YOUR BUSINESS USING SOCIAL MEDIA

WHY BUSINESS SHOULD CARE ABOUT HIV/AIDS

DIFFERENT DEVELOPMENT: ETHIOPIA & RWANDA

TO THE TRADING FLOOR

THE REGION'S COMMODITIES GO TO MARKET

Ermias Eshutu, CEO, Ethiopian Commodities Exchange


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EDITORIAL

To vote or not to vote

TRYING TO WRITE about business in East Africa without writing about politics is like trying to get a Skype connection to Zimbabwe. Almost impossible – I've tried both. Unintentionally, much of this issue of *The Continent* centered on the debate about what kind of government is best for business – dictatorship or democracy. We see both Rwanda and Ethiopia prospering, yet the former has regular elections and the latter leadership with the intent to last. China maintains a shady human rights record, yet is pumping the region with money. America purports to champion the interests of the African people, yet from an economic standpoint it trails behind.

From a business perspective, do we really care if we have democracy? Do we care and should we care? To vote or not to vote, that is the question.

The economic benefits of democratic government are well documented. Good capitalism requires creative destruction, meaning that new labor markets and innovations change social power structures and stir up the status quo. When a person or party clings to power, they tend to set up barriers to this destruction, promoting their own interests and the interests of their supporters over entrepreneurial self-starters or business leaders who appear to compete. When power-hungry leadership is in place, the chances of growth through meritocracy are slim. The preferred way to get ahead in this situation is not through education, hard work, and creative thinking, but to ensure that the dictator for life is your best friend.

There is also the argument, however, that we need dictators. Sometimes the sentiment is that no one else can do the job. Paul Kagame is so popular, for example, that a number of Rwandans would be pleased if he stayed on past his limited two terms. And of course Burundi's Pierre Nkurunziza has somehow convinced himself he is a good enough leader to deserve a third term. The people voted for him, after all, wink-wink.

At other times dictators appear to provide the stability that business needs. "How can we talk about bringing in new leaders when we need to fight terror?" is a sentiment. "We need infrastructure more than votes," some argue. "Africans are different from westerners," others say.

China, after all, is doing fine without democratic elections. Or is it? Many analysts are skeptical about Chinese success in the long run. While infrastructure development has helped it to grow, apparently the country lacks institutions effective enough for the boom to last. Or perhaps this is merely a theory contrived by a jealous American. We do know, however, that industrial growth is slowing in China and we all recently witnessed its stock market crash.

China vs. America, Ethiopia vs. Rwanda, dictatorship vs. democracy: Which models will work? Our region is a large experiment in which the variables constantly change. What is your hypothesis? What will be the outcome? For this we will have to wait and see.

Email us and tell us your thoughts, or follow us on Twitter.

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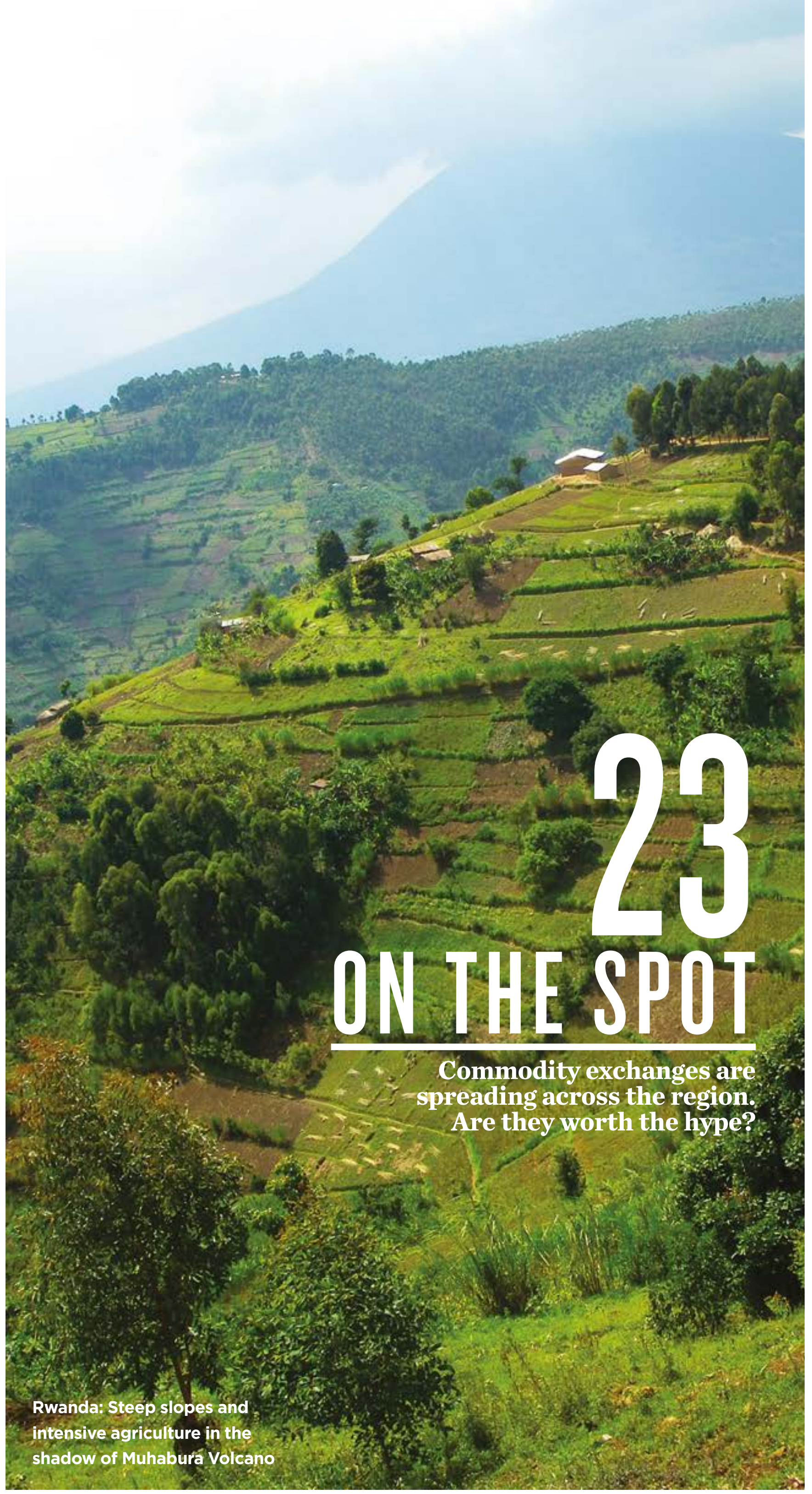

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UP FRONT

ECONOMICS

Shiny Happy People

ACCORDING TO A new survey by Pew Research, Sub-Saharan Africans are feeling positive about their current and long-term economic prospects compared with people in other regions of the world. Africans, however, still see the need for more foreign aid and are concerned about challenges such as health care and jobs.

Across the nine African nations polled, including Uganda, Tanzania, Kenya, and Ethiopia, a median of 60 percent say they expect their country's economy to improve over the next 12 months, the highest of any region or continent. Latin America follows at 44 percent, with Europeans the least optimistic at 24 percent.

A median of 56 percent of Africans believe children in their country today will be financially better off than their parents, compared to 58 percent in Latin America and 28 percent in Europe. Approximately 70 percent hold this view in Nigeria, Ethiopia, and Burkina Faso.

Still, most Africans (a median of 68 percent) say their countries require more foreign aid. Eighty-five percent hold this opinion in Uganda, 73 percent in Kenya, 67 percent in Tanzania, and 49 percent in Ethiopia. Only 26 percent of South Africans surveyed, however, believe the same.

24%

OF AFRICANS SURVEYED SAY THEY EXPECT THEIR COUNTRY'S ECONOMY TO IMPROVE OVER THE NEXT 12 MONTHS

Despite optimistic economic projections, Africans remain concerned about job opportunities, with a median of 88 percent saying lack of employment is a very big problem. They also see health care as a top priority, followed by education, government effectiveness, and food supplies. South Africa is the only country where education leads the list, outweighing health care.

Climate change is also a prime concern. A median of 81 percent of Africans say they are concerned about global climate change. In Uganda, this proportion is 92 percent, with 74 percent saying they are very concerned. Those concerned in Tanzania, Ethiopia, and Kenya range between 80 and 88 percent.

In the face of large Chinese investments on the continent, the survey found that most Africans hold a positive view of China compared to people in other regions of the world. A median of 70 percent of Africans say they view the country favorably. The U.S. is even more popular, however, with 79 percent sharing a positive view of the global power. As well, 77 percent of Africans express confidence that President Barack Obama will make the right decisions in world affairs.

NEWS IN BRIEF

Governance *-Sudan* Turkey and Sudan recently signed 20 economic cooperation agreements, according a Sudanese official. The Director of the European Department at the Sudanese Ministry of Foreign Affairs Youssef Alkordofani told Anadolu Agency that Turkey is calling upon its business community to invest in Sudan. "Turkey has already agreed to sell Sudan planes and ships to rehabilitate the transportation sector which has been damaged due to American sanctions," he said.

Governance *-Tanzania* **The World Bank has approved a development policy credit of US$80 million to support Tanzania's private sector. The aim is to promote labor intensive sectors such as agriculture, manufacturing, and tourism to encourage job creation. "We support concrete measures to simplify the life of businesses," says Andrea Dall'Olio, the World Bank Task Team Leader. "For example, we identified more than 59 fees, levies, and taxes imposed on the tourism sector by various government agencies."**

Retail *-Mozambique* Africa's largest grocery chain Shoprite is opening an outlet in Tete, Mozambique. The store will serve as the anchor tenant for a new mall development by Terrace Africa. The 5,250 square-meter mall is scheduled for completion November 2015, with other tenants including Pep, Sidestep, Standard Bank, OK Furniture, and Pharmacia.

Energy *-Kenya* **Kenyan police have arrested more than 10 people associated with producing counterfeit engine oil in Nairobi's Kariobangi Industrial Area. The joint operation with the Petroleum Institute of East Africa (PIEA) closed down two manufacturing sites producing oil under the brand names Rimula, Lacheka, Galana, and Rubia. According to PIEA, 20 percent of the market is comprised of counterfeits.**

Infrastructure *-Rwanda* Rwanda's largest cement company, CIMERWA, has opened a new production facility located in the Western province district of Rusizi. The US$170-million plant has capacity to produce 600,000 tons per year, compared to 100,000 tons

UP FRONT

40

The percentage of carbon emissions Djibouti has pledged to cut by 2030

148

The number of megawatts Zambian power company ZESCO says it will import from Mozambique

22.3

The percent rise profits the Nairobi Stock Exc saw in the first half of 2015 compared to the same half in 2014

61%

Increase in Burundi's tea export earnings in the first half of the year compared to the first half of 2014

75

The percent of tax Uganda and Rwanda say they will levy on Asian rice imports

for the pervious one. According to CIMERWA CEO Busi Legodi, demand for cement has increased by almost 20 percent in the first quarter of 2015. "We are already exporting cement to Burundi and Eastern DR Congo where the quality of the product is quite renowned," she said at the launch.

Technology *-Kenya* **Huawei is aiming to double its share in the Kenyan phone market from 10 to 20 percent by 2015, according to *telecompaper.com.* The strategy includes introducing flagship products, as well as more affordable smartphones targeting the mid- and entry-level markets.**

Technology*- Sudan* Google has announced it is extending access to free apps on Google Play to users in Sudan, following the same in Myanmar, Iran, and Cuba last year. Paid apps are still unavailable in the sanctioned country. As well, Google is targeting African countries with its Android One campaign, which provides low-cost smartphones to emerging markets. So far, target markets include Kenya, Ivory Coast, Ghana, Nigeria, Egypt, and Morocco.

Governance *-Uganda* **The Uganda National Commodities Exchange has signed a joint venture with the Ugandan government, with the private sector maintaining 80 percent of shares and the government 20 percent. According to *East African Business Week*, the collaboration involves one billion shares in total, to be made available to the public in the future.**

Resources *-Tanzania* South Africa's AngloGold Ashanti saw a decline in second-quarter earnings following depreciation at its mine in Tanzania, according to *Bloomberg*. The third largest gold producer in the world said earnings fell from US$35 million in the previous quarter to US$26 million. The price of gold has fallen 5.7 percent this year.

Transport *-Djibouti* **Air Djibouti has recently re-launched, following bankruptcy in 2002. The state-owned airline will focus on cargo – specifically high-end goods such as electronics, computers, pharmaceuticals, and spare parts – according to *Reuters*. This year, the carrier aims to start services to Sudan, Uganda, Nigeria, and Ghana, with the target of handling 1,000 tons of freight by the end of December. U.K.-based Cardiff Aviation has signed a deal to manage operations.**

Technology *-Pan Africa* According to *telecompaper.com*, LG is expanding its East African branch network with a KES 100-million (US$949,000) investment that includes 25 new retail outlets in Kenya, Uganda, Tanzania, Ethiopia, Sudan, and Zimbabwe by the end of 2015. This year, the South Korean electronics provider also opened two service centers in Nairobi and Mombasa, each of which receive approximately 3,000 claims per month.

Transport *-Pan Africa* **Low-cost airline fastjet has increased its flights from Harare to Dar es Salaam from four times a week to daily. This will open up at least 1,000 more seats per week, with one-way tickets as low as US$50.**

Infrastructure *-Kenya* After years of delays, Kenya has begun construction on the Kitale-South Sudan road. The planned road passes from Lesseru through Kitale, Marich Pass, Lodwar, and Lokichogio, ending at the border between Kenya and South Sudan at Nadapal. The government received US$500 billion in funding from the World Bank in July to build the section between Lokichar and Nadapal.

Infrastructure *-Ethiopia* **Ethiopian food processor and exporter Agro Pom and the United States Agency for International Development (USAID) have launched a new chickpea processing a cleaning facility in Ethiopia's Oromia region. The US$768,000 joint venture has the capacity to clean five metric tons per hour, achieving 99 percent purity. "We firmly believe that facilities like this will provide more access to markets and help to put more money into the pockets of Ethiopian farmers," said USAID Ethiopia Mission Director Dennis Weller at the inauguration.**

VERBATIM

"NO ONE SHOULD BE PRESIDENT FOR LIFE."

U.S. President Barack Obama in a speech to the African Union

"EVERY PENNY OF THE US$7 BILLION GOING TO AFRICA AS PER OBAMA WILL BE STOLEN – CORRUPTION IS RAMPANT!"

A tweet by U.S. Republican front-running presidential candidate Donald Trump in 2013 after hearing about President Obama's Power Africa initiative

"WE DON'T WANT TO SEE A NEW COLONIALISM IN AFRICA."

U.S. Democratic presidential candidate Hillary Clinton in 2012, in reaction to Chinese expansion on the continent

"OLD FRIEND."

Chinese President Xi Jinping referring to Sudanese President Omar Al-Bashir, who is under indictment by the International Criminal Court (ICC), upon their meeting in Beijing

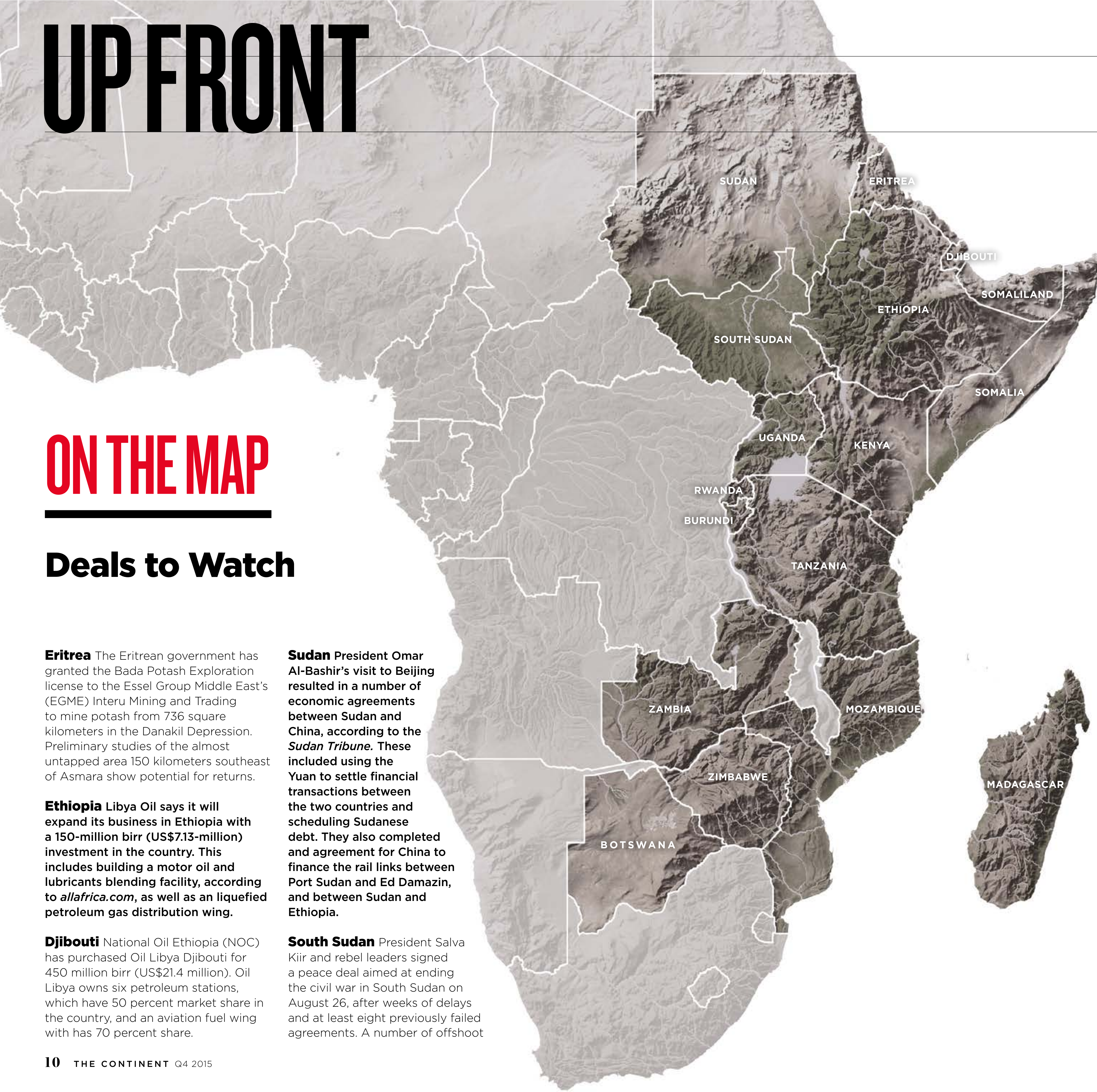
"THE ANC-LED GOVERNMENT HAS ALWAYS RESPECTED THE RULE OF LAW."

Lindiwe Zulu, South Africa's Minister for Small Business Development, speaking in Parliament in response to protests against President Jacob Zuma allowing Omar Al-Bashir to leave South Africa without arrest

"WE TALKED ABOUT MANY ISSUES, INCLUDING THE FACT THAT, AS AFRICAN COUNTRIES, WE MUST BE TOTALLY INDEPENDENT AND TAKE OUR DECISIONS ABOUT OUR DESTINY."

South African President Jacob Zuma, in February, summarizing his meeting with Sudanese President Omar Al-Bashir

UP FRONT



ON THE MAP

Deals to Watch

Eritrea The Eritrean government has granted the Bada Potash Exploration license to the Essel Group Middle East's (EGME) Interu Mining and Trading to mine potash from 736 square kilometers in the Danakil Depression. Preliminary studies of the almost untapped area 150 kilometers southeast of Asmara show potential for returns.

Ethiopia Libya Oil says it will expand its business in Ethiopia with a 150-million birr (US$7.13-million) investment in the country. This includes building a motor oil and lubricants blending facility, according to *allafrica.com*, as well as an liquefied petroleum gas distribution wing.

Djibouti National Oil Ethiopia (NOC) has purchased Oil Libya Djibouti for 450 million birr (US$21.4 million). Oil Libya owns six petroleum stations, which have 50 percent market share in the country, and an aviation fuel wing with has 70 percent share.

Sudan President Omar Al-Bashir's visit to Beijing resulted in a number of economic agreements between Sudan and China, according to the *Sudan Tribune.* These included using the Yuan to settle financial transactions between the two countries and scheduling Sudanese debt. They also completed and agreement for China to finance the rail links between Port Sudan and Ed Damazin, and between Sudan and Ethiopia.

South Sudan President Salva Kiir and rebel leaders signed a peace deal aimed at ending the civil war in South Sudan on August 26, after weeks of delays and at least eight previously failed agreements. A number of offshoot factions, however, said that they would continue to fight despite the accord.

Somaliland Syrian investors are considering leasing thousands of hectares of land in Somaliland to cultivate fruits and vegetables, according to *Somaliland Press.*

Somalia Dahabshiil Bank and telecommunications provider Somtel have partnered to launch a mobile money service in Puntland, according to Somaliland Press. The E-Dahab mobile money platform already has more than 100,000 registered customers in other Somali regions.

Uganda Uganda and Kenya have begun talks on the financing and development of a pipeline between the two countries. According to *Bloomberg*, the planned pipeline, expected to serve producers such as Tullow Oil and Total SA. CNOOC, is estimated at a cost of US$3.9 billion.

Tanzania Tanzania is seeking US$800 million in loans to boost its currency, according to *Bloomberg*. The government is already selling as much as US$10 million in foreign currency per month to support the falling shilling. So far this year, the shilling has weakened 19 percent compared to the dollar.

Rwanda Singaporean company The Apiary Ltd. has proposed a partnership with Rwandan beekeeper cooperatives worth US$3 million. The proposal aims to boost production by providing equipment and training. Rwanda has approximately 80,000 honey producers, according to *East African Business Week*, and last year produced 4,000 metric tons of honey.

Zambia Glencore's decision to halt copper production at Mopani in Zambia for 18 months, while the Swiss company builds new processing facilities, will put a stop to 26 percent of Zambia's output, according to *Bloomberg*. The facility has seen a number of miners trapped underground, including the death of at least four in August.

Zimbabwe Africa's wealthiest man Akilo Dangote says he is ready to make large investments in Zimbabwe's energy, cement, manufacturing, and coal mining sectors. The Zimbabwe Investment Authority says it is working for reforms to reduce the time and costs of such investments.

Mozambique India's Oil and Natural Gas Corporation will invest around US$24 billion with partners in natural gas production in Mozambique, according to *The Economic Times*. The overseas arm of the government-owned company maintains a 16 percent stake in Rovuma Area 1, where at least 75 trillion cubic feet have been discovered.

Madagascar Madagascar Oil says it is search for a strategic partner to develop the Tsirmiroro oil field by the end of the first quarter of 2016. "We are making steady progress in our search to secure a potential strategic partners, despite the prevailing difficult market conditions," says CEO Robert Estill.

Burundi President Pierre Nkurunziza, who took office despite of constitutional limits prohibiting a third term, says he is open to dialogue with the opposition to end political strife. "Political dialogue is an ongoing process in Burundi," government spokesperson Gervais Abayeho told *The East African*. "We have remained open and ready to talk to whoever has a stake in this crisis."

Botswana Botswana and the World Bank are studying whether to allow private companies to invest in a US$1.5-billion water pipeline linking the country to Zambia and Zimbabwe's Zambezi River, according to *Bloomberg*. The Southern African Development Community has granted Botswana permission to retrieve 495 million cubic meters of water a year by 2023.

Kenya Private equity firm Helios is said to be bidding for France Telecom's stake in Telkom Kenya, which operates Orange Kenya. If it were to achieve a targeted 51 percent ownership of the floundering operator, the Kenyan government would retain 29 percent and France Telecom 20 percent.

Valentine Douala-Mouteng, CEO, Pan-African Business Council on HIV and Health

HEALTH

Businesses must help with the HIV/AIDS crisis

THE HIV/AIDS EPIDEMIC hinders employee productivity, increases costs, and threatens to decimate the future workforce. Many companies are taking initiative with their own wellness programs. Employing strategies to promote health makes good business sense, argues Douala-Mouteng.

1. Why should businesses in East Africa care about HIV and AIDS? How does this issue impact them?

SOME Eastern African countries have a generalized HIV epidemic, with estimated prevalence rates as high as 11 percent in Mozambique, 7 percent in Uganda, 5.9 percent in Kenya, and 4.6 percent in Tanzania. Burundi, Djibouti, Ethiopia, and Rwanda are on the lower end of the spectrum, with rates ranging from 1 percent to 2.6 percent. Eritrea, Somalia, and Madagascar all have rates below 0.4 percent.

HIV and AIDS negatively affect businesses and employees in a number of ways. Firstly, businesses face increased costs due to rising health insurance, sickness, funeral costs, and loss of intellectual capital and institutional memory. They also experience decreased productivity and challenges recruiting and training skilled workers. Overall, this results in high short- and long-term business costs, reduced consumption, as well as loss of profits, tax revenues, and investments. Overall, HIV/AIDS is an epidemic with the power to deteriorate business climates.

Additionally, East Africa is close to Southern Africa, the epicenter of the pandemic. This poses significant latent risk, as a great deal of movement, migration, and interaction takes place between the two regions. Although large companies tend to manage the risks reasonably well, the risk probability is high for small-scale industries, the informal sector and the community. It is therefore in the best interest of businesses to develop strategies to manage HIV/AIDS and prioritize it as a high risk.

Moreover, despite the fact that in many African countries new infections have declined more than 50 percent during the last decade, young people between the ages of 15 and 24 years are among the most affected by new infections. These youth represent the future workforce. The overall performance of the East Africa economy will thus depend on the response to HIV/AIDS.

2. What can businesses do to combat this epidemic?

THE role of businesses is essential to complement the efforts of the public sector and civil society. Workplace programs, for example, can provide workers with access to education and health services. Each employee has a sphere of influence including family and friends, which means a good wellness program can impact approximately 13 people for every person employed. Consequently, if every work place has a meaningful and comprehensive wellness program the impact is huge. This is amplified for large companies with intricate supply chains.

The private sector can also support HIV/AIDS policies and programs financially, for example with direct funding for wellness products and services. Companies that provide such goods and services can contribute as well by lowering costs. Research and development is also a good area of investment, and the role of pharmaceutical agencies in the research and production of antiretroviral (ARV) treatment is remarkable.

As well, company-owned health services and hospitals can increase access to health care and treatment including ARVs. Health-focused

"ETHIOPIA HAS MET THE MILLENNIUM DEVELOPMENT GOAL OF COMBATING HIV/AIDS, WITH THE PREVALENCE HAVING DROPPED FROM 3.6% IN 2001 DOWN TO 1%."

"EACH EMPLOYEE HAS A SPHERE OF INFLUENCE INCLUDING FAMILY AND FRIENDS, WHICH MEANS A GOOD WELLNESS PROGRAM CAN IMPACT APPROXIMATELY 13 PEOPLE FOR EVERY PERSON EMPLOYED."

The cemetery of Pomerini in Tanzania, where a large number of children affected by HIV, TB, or malaria are buried

corporate social responsibility is now on the agenda. Corporate social responsibility is the accountability of companies to both shareholders and stakeholders, for their use of resources, their means of production, their treatment of workers and consumers, and their impact on the social and ecological environment. Such strategies ensure that the market will be more secure when the HIV risk is reduced.

3. Do businesses care about HIV/AIDS? How has the private sector responded to your outreach efforts?

YES they do. Many companies have HIV policies and programs in place, and have dedicated staff to train as peer educators and counselors and to implement them. In Ethiopia, all the companies we contacted have responded positively. The level of commitment increases when we approach them with a focus on mitigating business risks rather than philanthropy. Business imperatives include improving employee productivity, market share, and the quality of service. Companies need to see that their contributions go beyond social responsibility and that they make good business sense.

In Somalia, the private sector has been hesitant to talk openly about HIV, but with time businesses are accepting to put in place prevention programs and open dialogue with their employees through organizations such as the Somali Business Coalition on HIV/AIDS (SBC). The conservative nature of the community and minimal interventions from other organizations present SBC with an uphill task of breaking the "ice."

4. What are your organization's main activities in East Africa?

PAN African Business Coalition on HIV and

FIVE QUESTIONS

"Welcome to the Village of Pomerini - country in the fight for the prevention of AIDS in Tanzania"

HIV/AIDS orphans in Malawi. Youth are among the most affected by new infections

Total has begun distributing condoms to truckers on the Addis Ababa - Djibouti corridor

Health (PABC) areas of activity include capacity strengthening, advocacy, and lobbying. We offer services such as technical assistance, training, research, and advocacy, as well as program implementation, monitoring and evaluation.

As a coordinating body, we partner with the National Business Coalitions on HIV and Health (NBCs) to implement the BIzAIDS programs. The NBCs are organizations of the business formed together to address the issue of HIV and AIDS. They provide a forum for companies to exchange and share information and lessons learned, pooling resources to act together.

As an illustration, in Kenya over the years, the Kenya HIV Business Council (KHBC) has assisted various companies to respond to the HIV/AIDS epidemic through advocacy, technical support for workplace programs and policy formulation, research, training, and the production of information, education, and communication materials. As well, it has incorporated a mobile voluntary counseling and testing facility linked to comprehensive care clinics for ongoing care and support for staff and dependents who test positive. Across Kenya, the National AIDS Control Council (NACC) recognizes KHBC as the national liaison for the private sector. Regionally, KHBC is the focal point within the East African Business Councils' efforts to coordinate the private sector response to HIV/AIDS within the five East African Community partner states.

In Somalia, the SBC, in partnership with Bosaso University in Puntland, has developed a program that equips graduates with knowledge of HIV/AIDS and trains them to reach out businesses. SBC produces pamphlets and handouts, keeping in constant communication with its member companies about new knowledge, facts, and developments in the field of HIV.

> "THERE IS A GRADUAL DEMYSTIFYING OF HIV AS A CURSE TO A CONTROLLABLE CONDITION, AND ACCEPTANCE OF PEOPLE LIVING WITH HIV IN THE COMMUNITY."

5. What successes have you seen in the region and across the continent?

THE achievements are notable at PABC level and NBC level. One of the most important is the increased awareness about HIV/AIDS, and HIV prevention among the workers in all countries. This is particularly true in Somalia where previously people did not know about HIV and were almost ignorant about the pandemic; but now they are well aware and they protect themselves against infection. There is a gradual demystifying of HIV as a curse to a controllable condition, and acceptance of people living with HIV in the community. Businesses, as well, have seen the importance of creating awareness to their staff.

Another achievement is increased respect of the rights of workers thanks to companies implementing policies on HIV. These policies include key principles such as confidentiality, non-discrimination, and non-stigmatization of HIV-infected workers, as well as the elimination of screening for the purpose of exclusion.

Ethiopia has met the Millennium Development Goal of combating HIV/AIDS, with the prevalence having dropped from 3.6 percent in 2001 down to 1 percent. The Ethiopian business coalition contributed to that achievement.

We have also seen success implementing BizAIDS training programs. These programs target owners of small-to-medium enterprises, particularly from the informal economy, focusing on business skills and knowledge on HIV, tuberculosis, and malaria. With a high success rate in South Africa, we have adapted training material to East and West Africa. A grant from USAID and Pact helped PABC train 1,800 owners of very small business in Swaziland and Zimbabwe. A cost-effective approach helped the program reach more than three times the number of trainees originally planned for.

As well, with financial support from Standard Bank, PABC has trained more than 1,000 business men and women in Ghana, Nigeria, Kenya, Malawi, and Zambia. Everywhere, trainees expressed their gratitude. "I have realized noticeable positive growth through good planning, preparation, and insight from your teachings in my security service firm and certainly in all other areas of life," one Kenyan told us.

Many companies have developed their own HIV programs as a result of our cooperation. The Ethiopia Business Coalition, for example, partnered with Total to develop a strategy to promote condom use and increase HIV/AIDS awareness. This included voluntary counseling and testing among truck drivers on the Addis Ababa –Djibouti corridor where 120 trucks are on the road at any one time. The journey is around 1,500 kilometers, and there are 17 towns to cross. The drivers stop for various reasons: to eat and drink, refresh themselves, stay the night, and use commercial sex workers. In the Total garages, the company provided condoms and trained employees as peer educators. Total now implements this program without any assistance.

Other example of success across Africa can be reported. The Zimbabwe Business Council on Wellness works with the Olympic Committee to promote sport values, HIV prevention, and wellness. Healthworks in Namibia is engaged in tuberculosis control and reaches out to companies from the transport, fishing, and farming sector. The South African Business Coalition on Health and Aids mobilized the private sector to test 2 million of the 15 million targeted by the government's national HIV counseling and testing campaign. NBCs in Nigeria, Swaziland, and Namibia use mobile health clinics to serve the communities. The Swaziland Business Coalition on Health and AIDS partners with International Organization for Migration to reach out to migrants. In the Democratic Republic of the Congo the coalition CIELS mobilizes the private sector through a ational HIV forum under the patronage of the head of state. The Cameroon Business Coalition CCA/SIDA has assisted small and medium-sized businesses to set up a mutual program to provide to access health care and services. In Cote d'Ivoire, the coalition CECI has developed software known as The Logitop, to collect, process, and analyze HIV/AIDS-related data. As well, the Ghana Business Coalition on Employee Wellbeing, in collaboration with Twifo Oil Palm Plantation, has worked to significantly strengthen the national health system.

> "MORE THAN 70 PERCENT OF AFRICAN WORKERS OPERATE WITHIN THE INFORMAL ECONOMY. MANY WORK IN AGRICULTURE AND LIVE IN RURAL AREAS, WHICH ARE MOSTLY UNTOUCHED BY HIV CAMPAIGNS."

6. If someone gave you a billion dollars to address HIV/AIDS in Africa, how would you spend it?

FIRST of all, I would spend the money guided by specific principles:

- The money has a lifespan and will end one day.
- Look for strategies to ending AIDS and not only improving the data.
- Stop all new infections. Privilege prevention, including primary prevention.
- Look for the strategies that are efficient, affordable, and scalable at the level of the each country, sustainable in the long run and that African countries budget and health system can bear.
- Conduct advocacy programs.
- Support research and development.

MORE than 70 percent of African workers, including women, operate within the informal economy. Many work in agriculture and live in rural areas, which are mostly untouched by HIV campaigns. The link between health and wealth, and between HIV and poverty, is well documented. The BizAIDS program that brings together income increase and HIV awareness has received a positive reception from many communities. It also offers incentive to participants to protect their lives against HIV by giving them a purpose in life and hope for a brighter future. It is proven to be effective in reaching out to large numbers of people, as in an average one person trained will influence at least 20 others outside of the program. With appropriate funding, the BizAIDS approach, amongst other strategies, could be adopted and implemented on a very large scale.

About PABC

The Pan-African Business Coalition (PABC) on HIV and Health is a non-profit coordinating body based in South Africa, representing 25 national business coalitions across Sub-Saharan Africa. PABC builds relationships with governments, regional bodies, and development agencies to promote the investment and mobilization of the private sector for the fight against HIV/AIDS, tuberculosis, malaria, and other health threats on the continent.

10 WAYS TO

Grow Your Business with Social Media

TECHNOLOGY

CEO of Mind Leaders Uganda **Mwebya Fred Peregrino** explains how to expand your influence with the internet

IN THE LATE 1950s, proponents of Word of Mouth Marketing began to reflect on the importance of opinion leadership and network influencers in shaping consumer behavior. Today, tools such as Twitter, Facebook, Pinterest, LinkedIn, and Google+ have perfected the role of influencers in building relationships and engaging customers. Social media conversations between consumers and brands are not simply sales pitches, but rather open, honest, and transparent interactions to help develop relationships and encourage brand loyalty in the long run.

Many companies and business leaders continue to shun the adaptation of a social media strategy, simply because they are yet to learn what the social web has to offer. If you are new to social media, you might find it difficult to believe that a few blog posts, daily status updates, and likes are going to magically grow your business. Yet countless companies have shown us that they can. And so can you. Here is how:

1. IMPROVE CUSTOMER CARE

COMPANIES need to start using social media as a means of handling customer service, which is a win-win situation for customers and companies alike. Customers want easy access to companies to seek information and clarification about services and products. Companies, on the other hand, want to position themselves strategically to solve client's problems as efficiently as possible, and to be the center of these solutions. Twitter, for example, has become a popular medium for managing comments and complaints, with countless companies embracing its simple and informal nature.

2. INEXPENSIVE & EFFECTIVE MARKETING

WHETHER you are a large business or a lone entrepreneur, social media marketing can be the most inexpensive and powerful tool in your arsenal to build trust and authority. This can help grow your business exponentially by reducing the cost of traditional marketing. Even big-budget Coca-Cola sees value in low-cost social media investments. Their Facebook ads targeting Kenyans saw an 18 percent increase in ad recall, meaning viewers were significantly more likely to remember Coca-Cola ads.

HAVING A STRONG SOCIAL MEDIA PRESENCE CREATES A UNIQUE VOICE THROUGH WHICH A COMPANY CAN ENGAGE WITH ITS AUDIENCE.

3. ORGANIZATIONAL IMPROVEMENT

SOCIAL media presents a huge opportunity for companies to listen to their audiences, including customers, partners, direct and indirect suppliers, government bodies, and established business authorities. Listening to complaints and positive feedback from these parties will help you improve your services and operations.

4. SHARING YOUR COMPANY MESSAGE

SOCIAL media provides a platform that easily enables companies to spread their message to existing and potential customers. Many organizations struggle to publish their top management monthly, quarterly or annual messages in dailies and magazines. Social media enables you to send the right message to the right people who are unswervingly connected to your business.

5. B2B IS EASIER

BEYOND reaching customers, social media provides businesses the opportunity to engage with one another, especially on platforms such as LinkedIn. Social media also facilitates the possibility of Business Processing Outsourcing, where one company partners with another domestic or foreign company to do work on behalf of the other. As well, developing a social media strategy is the new way of selling by educating your sales leads and developing trust with your prospects. It is also highly conducive to networking, allowing professionals within companies to build relationships and explore new avenues.

6. CREATE A UNIQUE VOICE

A BRAND is a crucial part of business – it creates a particular image that people bear in mind and with which they associate certain values. Having a strong social media presence creates a unique voice through which a company can engage with its audience, who will then spread the content further. As social media branding performs the inner and deeper communication with your clients, it is pertinent to keep it in their midst. With so many companies competing for clients, social media is the ideal platform for highlighting the unique qualities of your business.

7. PROMOTIONS & BRAND CAMPAIGNS

SOCIAL media promotions draw in new users and returning customers alike, providing a new outlet for sales, deals, and potential partners. Making offers exclusively available through social media drives traffic to the company's web page, which in turn generates buzz surrounding a brand. Almost everyone in society is on one platform or another – reach out and give them some value! When your customers and fans share promotions via social media, your reach grows exponentially.

Word of Mouth

Social media definitions you need to know

FORUMS: Medium where ideas and views on a particular issue can be exchanged.

MICROBLOGGING: The activity or practice of making short, frequent posts to a social web platform.

SOCIAL NETWORKING: The use of dedicated social websites and applications to interact with other users, or to find people with similar interests to one's own.

SOCIAL BOOKMARKING: Tagging pages so they are stored on the web and can be accessed from any computer.

SOCIAL CURATION: Collaborative sharing of web content organized around one or more particular themes or topic.

SEARCH ENGINE OPTIMIZATION (SEO): Techniques and strategies to increase the number of hits to a website and to improve its ranking on search engines.

8. REACH UNIQUE AUDIENCES

REACHING everyone is just about impossible, yet many companies see social media as an opportunity to do just that. Instead of trying to engage all audiences through traditional media, social media provides an opportunity to speak to the right ones. Discovering the perfect people to engage with, we know, works wonders for businesses. Today, accessing a specific group is more manageable than ever thanks to unique platforms such as WeChat, Snap Chat, Pinterest, LinkedIn, and Twitter.

9. DISCOUNTS & FREEBIES

DIFFERENT regions have different peak business seasons. Social media avails a massive opportunity to maximize sales through special deals. Here a company takes advantage of its audience on social media and offers special discounts on specified volumes, or freebies to loyal followers. This enables companies to convert fans and followers into actual customers, who later become loyal to the brand.

10. BRAND LEADERSHIP

COMPANIES that establish a strong social media presence have an opportunity to significantly shape industry and consumer behavior. This permits the company to establish itself as a brand leader from whom other companies learn. Once a business establishes and vigilantly manages its social media strategy, there is no doubt that its industry reputation and respect will upsurge. This is a dream that every company around the globe shares, but only those that operate transparently and do not shy away from social media can achieve.

For companies to effectively leverage all the opportunities social media can offer, a proper and well thought out social media strategy is a must. Businesses are always surprised of the results they experience when they begin to use social media to connect with the daily lives of their customers. A great deal of value comes from knowing who they are and what they are saying. To this end, social media is a powerful tool.

About Mind Leaders Uganda

Mind Leaders Uganda is a website dedicated to helping organizations create content and maximize SEO through blogging and social media.
www.mindleadersuganda.blogspot.com

TECHNOLOGY

WELL CONNECTED

Secrets of one of the world's most successful mobile money networks. How Telesom's ZAAD became Somaliland's preferred way to bank

APART FROM CECIL the Lion and "hotbeds of terror," East Africa's contemporary claim to fame is mobile money. With a reputation for lagging behind in other areas of business development, this is a field the region appears to lead. A recent study of 22 countries by the University of Chicago found that at least half of new platforms in developing countries either fail or grow insignificantly. Of the eight countries to experience explosive and ignited growth, six of these were in East Africa. Platforms in Kenya, Rwanda, Uganda, Tanzania, Zimbabwe, and Somaliland impress even the experts. Globally, leaders such as M-Pesa, MTN Mobile Money, Tigo Cash, Airtel Money, and Orange Money, have earned reputations for innovative and entrepreneurial spirits that have changed the way money moves in Africa and provided unprecedented monetary access to the "unbanked."

Surprisingly, attention directed at mobile money in East Africa has largely passed over Somaliland, where Telesom's ZAAD service reaches more than 450,000 users across 90 percent of the territory. ZAAD is popular with all segments of society, from the remote sheepherder who uses it to buy and sell his stock, to the Hargeisa merchant transferring money to suppliers, to the housewife who uses it to pay her bills. A large number of businesses now accept payments via ZAAD and many use it to transfer salaries. The Kaah Electric Power Company, for example, pays all of its employees through the platform, and more than 85 percent of its customers use it to pay their fees. Amoud University also makes salary transfers using ZAAD, as well as supplier payments; and has mandated it as the only method for students to pay their fees. Abdi Mohamed, the store clerk at Allore Market Place, says 80 percent of his customers use it to purchase their groceries. ZAAD is particularly notable in that it is one of the few mobile money networks that has been able to keep a large proportion of cash in its system. Rather than quickly moving money through the platform, ZAAD customers tend to use the service like a wallet – far more than customers of their well-known counterparts downs south.

Bill Gates, however, has taken notice, describing the platform in a speech as "the farthest along" of mobile money networks. "Telesom has so much going on that people hardly cash-out at all," says the founder of Microsoft. "On average, it is once per month. There is actually more going on with the digital currency then there is with the paper currency."

Telesom Managing Director Abdikarim Eid insists the popularity of ZAAD is due to the company's ability to win customer trust. "We are very thankful for our customers and the trust they have put into our system," he says. "Of course, we earned that trust through hard work and diligence, through customer service, and thanks to our staff who are exceptionally productive and exceptionally hard working individuals."

Trust, after all, is crucial in Somaliland, where formal banking in known to be weak. "The mobile money channel is now the primary way in which local money moves around for the Somali people," says Victor Owuor with One Earth Future, who estimates that at least 70 percent of Somalis have access to a mobile phone. "The mobile telephone has indeed brought the previously unbanked segment of the population into the ranks of the banked."

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THE AMOUNT TELESOM CHARGES CUSTOMERS FOR ZAAD SERVICES

Yet, when asked if Somalis trust ZAAD more than the banks, Eid is quick to react. "We are not a bank," he says. "We are a service provider."

SOMALI STYLE

AS an operator, Telesom has managed to succeed in an environment where few other businesses have. Faced with a precarious power supply, for example, Eid says Telesom is yet to stall its service. "We ensure that we do not have power cuts," he says. "It is the blood in our system. If you don't have any blood, you cannot work."

He attributes this to 14 years of experience using multiple power supplies, including dry batteries and backup generators. As well, the company added solar power into the mix five years ago, which he says has significantly reduced costs. Current solar capacity is 25 kilowatts. "We have in mind that we want to employ mega-capacities, at least a minimum of half a megawatt capacity for the small-sized villages and towns," says Eid. "We are in the early stage, but this is what we are exploring. It will materialize at the end of this year."

Unlike most other African mobile money schemes, the company has earned customer loyalty by offering its services for free. Users transfer money using their ZAAD accounts at no cost. Revenues from the platform are indirect rather, with Telesom using ZAAD to sell 70 percent of its airtime.

Telesom has also avoided the agent sales model popular with most providers, setting up ZAAD services in its own retail shops. According to the GSMA, agent commissions can eat up 40 to 80 percent of telecom companies' mobile money revenues. For M-Pesa's Safaricom, for example, agent fees are the company's single greatest direct cost.

The company has reached out to Somali women, as well, who typically manage household finances and often receive payments from husbands and children working abroad. Understanding that many female customers are uncomfortable dealing with male agents, particularly when having their photo taken to sign up for services, Telesom hired a number of females employees to manage registration. The company also launched television and radio ads depicting Somali women using ZAAD services, and sent out text messages targeting them. The results were significant: Between 2010 and 2014, Telesom's proportion of female users increased from 17 to 31 percent.

Top left: ZAAD is popular with the business sector, from Somali merchants to Bill Gates. Top right and bottom left: Allore Market Place says 80 percent of its clients use ZAAD to make purchases. Bottom right: Telesom Managing Director Abdikarim Eid

"If we consider that over 70 percent of the country's population is illiterate and 98 percent is financially excluded, ZAAD's mobile money penetration, particularly among women, remarkable," writes Elisa Minischetti with the GSMA.

Telesom has also targeted illiterate customers, by making its services available using interactive voice commands.

Recently, the company began offering ZAAD services in dual currencies to better match the market. "There are always customers who are unable to use US dollars, so we made available the option to use Somali shillings," says Eid. "We recognized that this is the local currency and the local tender."

Telesom, however, has stopped short of providing currency exchange. "There are almost 7,000 exchanges in Somaliland," says Eid. "We are protecting their interests. Otherwise, they could lose their businesses and jobs."

"As a corporate system we are here to protect the interests of our community, to protect what is good for them and what is good for us," he adds. "We have decided not to pursue that option for the time being."

70
THE PERCENT OF ITS AIRTIME TELESOM SELLS VIA ZAAD

With Somali money transfers under high scrutiny due to security concerns over funding militant groups such as Al Shabab, Telesom has taken a proactive security approach. With no e-money regulation in place in Somaliland, the company adopted the international guidelines instead. Measures include subjecting customers to identity checks, and monitoring transactions of customers deemed to be high risk.

GROWTH AHEAD

WHILE companies currently use ZAAD to accept customer payments and transfer salaries, Eid says Telesom is developing a portfolio of further services to offer to businesses. Potential sides services include merchandizing, as well as customer tracking and communications. "We want to provide our customers with whatever services they do not have so their businesses can be improved," he says. "Their growth is our growth. When our customers grow, our business grows with it."

In the long run, expanding Telesom regionally is on the agenda as well. "Hopefully, when we complete our infrastructure in Somaliland," says Eid. "We have that ambition."

On average, smallholder farmers produce between 500 and 1,000 kilograms per year

COMMODITIES

ON THE SPOT

Commodity exchanges are spreading across the region. But with major obstacles to their development, are they worth the hype?

Since the establishment of the cotton-trading Alexandria Stock Exchange in Egypt in 1861, successful commodities exchanges in Africa have been rare. The first modern exchanges arose only in 1994 in Zimbabwe and Zambia, and 1995 in South Africa. While the Johannesburg Stock Exchange stands strong without government support and the low-budget Malawi African Commodity Exchange (MACE) maintains a reputation for success, most platforms from this period crumbled to disrepair. In Zimbabwe, the government took control of grain trading, disbanding the private sector initiative in 2001. The Zambian Agricultural Commodities Exchange traded significant volumes in the 2000s, but sank as well as a result of government intervention in grain markets. Kenya's attempt to create an open outcry exchange in the late 1990s survives now only as a market information service.

Today, a second wave of commodity market development is taking place in East Africa, with a number of exchanges in the works. In Malawi, the AHCL joined MACE in the market in 2013. In July 2014, Rwanda launched the East African Exchange (EAX). The Tanzania Mercantile Exchange (TCX) says it expects to start trading by the end of this year.

Most other countries in the region have set their intention. Zimbabwe and Zambia are attempting to revive their markets. In 2012 the Kenyan government approved the development of a commodities exchange, although it has stalled the process and continues to study the matter. In Sudan, the Khartoum Stock Exchange has been discussing the possibility of a formal commodities market. Even Madagascar has set up a website for an exchange, although no signs of trading appear.

ALL EYES ON ETHIOPIA

Encouraging these intentions is the success of the government-owned Ethiopian Commodity Exchange (ECX). Since launching in 2008, the much-publicized project now serves 3.1 million local farmers, mostly smallholders producing annual volumes of 500 to 1,000 kilograms per year. Through cooperatives and unions, the farmers supply the exchange with coffee, sesame, maize, wheat, and haricot beans.

Independent reports estimate that farmers using the system currently earn 60 percent more income than when they operated off of the exchange. "Now that they know the central market price, the farmers are in a position to decide whether they want to hold the commodity for a time when the price picks up," explains ECX CEO Ermias Eshutu, who joined the organization in January. "They can decide whether they can sell today or not for what they need."

"Even when the farmers sell, they are in a position to negotiate because they know the central market price," he adds. "They can account for the transportation costs and negotiate with the brokers or the traders."

Before market regulation, approaching farmers directly gave exporters and roasters disproportionate buying power. "The exporter would go straight to the small farmer because he had the means of transportation," explains Eshutu. "Meanwhile, the farmer has carried that commodity to the market. He is tired. He is exhausted. In the glaring sun, the buyers call a price. There was no space to negotiate."

"The exporters used to sit on huge margins," he adds. "The farmer would basically give up and go home before it gets dark."

With Ethiopian law requiring farmers to trade the coffee through the exchange, exporters and their client roasters initially resisted the ECX. Not only had they experienced a cut in their margins, but the sale of coffee as a commodity at first meant a loss of traceability of up-market specialty beans.

To address the demand for unique beans, in 2009, the ECX began working with the Specialty Coffee Association of America to develop a grading system. "We are creating the awareness, the transparency, which should have been done prior to the ECX launch," admits Eshetu. "I think the drama has come to a closure to a degree."

As well, buyers with demand for coffee from a particular region can now approach cooperatives in that region directly, as long as ECX performs the grading for them.

"Traceable coffee is so important to a company like Green Mountain," says Adele Abreha, CEO of Green Coffee, the largest private exporter of Ethiopian coffee, whose clients include Starbucks. "And traceable is not just knowing the washing station, but knowing the exact location of the farm."

In response to such calls from buyers, the ECX has signed a deal for a US$2.7-million, IBM-supported traceability project. "We are going to be able to trace our coffee from its sources," says Eshutu excitedly, explaining that his team has already registered 1,300 wash stations and will use bar codes to identify individual coffee bags. "We will be able to track from the wash station to the warehouses to the trading station."

Eshutu, whose career includes stints with IBM and business intelligence provider Micro Strategy, expects full implementation of the project within six months to a year. "This is gradually going to transform the traceability of all our commodities," he says. "We are going to trace everything that we trade eventually. This is going to have huge scalability."

As well, the ECX is piloting a mobile app to connect to its farmers via smartphone. "This will eventually allow us to reach the individual farmers and identify them by name and location, so that we are able to educate them on the trading practices of ECX, and eventually to allow them to trade directly with buyers," he says.

Technology investments include the ECX's movement from an open floor system to an online trading platform in July. "Having the online trading platform is going to allow us to trade multiple commodities and give us a whole lot of scalability," says Eshutu. Over the coming few years, the ECX also plans to build trading hubs across the country, which will allow traders to connect to the online exchange.

The ECX currently manages 65 warehouses, which serve as hubs to receive shipments, sample, grade, and certify products, and offer farmers tradable receipts. The government plans to expand these sites exponentially as part of Ethiopia's National Transformation

Without access to market information and transportation, farmers traditionally experienced weak bargaining power when dealing with exporters

Left: Workers sort product in an EAX warehouse. Below: ECX CEO Ermias Eshutu on the trading floor

"WE ARE GOING TO TRACE EVERYTHING THAT WE TRADE EVENTUALLY."

ERMIAS ESHUTU

Above: The ECX estimates that farmers using the system currently earn 60 percent more income than when they operated outside of the exchange. Bottom right: Grading systems can lead to questionable quality

> "THE MENTALITY RIGHT NOW IS BUYING AT A LOWER PRICE RATHER THAN PURCHASING FOR QUALITY. IT IS A BIG CHALLENGE TO BE ABLE TO BRING THE MARKET TO THE LEVEL THAT THEY CAN CHANGE THEIR PERSPECTIVE."
>
> KADRI ALFAH

Program. The strategy, which Eshutu says will require "a lot of financing," integrates the storage facilities with more than 5,000 kilometers of new railway lines, and will help more farmers to connect to the market.

He adds that the scalability these initiatives offer will allow the ECX to introduce new commodities, with plans for red kidney beans already underway. Ambitions also exist for futures trading and even the gradual move to a full stock exchange.

"Twenty years from now we will hope the exchange will be a very prominent exchange in Africa," he says. "We hope to trade a whole range of commodities from agro and industry. We are even boldly hoping to trade energy by then."

ACROSS THE REGION

EQUALLY AMBITIOUS IS Rwanda's EAX, in its vision connect farmers to regional and pan-African markets. Still in its infancy, the EAX currently caters to 70,000 farmers working through 90 cooperatives, and 30 total buyers. Seven certified warehouses with a combined capacity of 38,000 megatons accept crops of corn, beans, and soybeans. Plans for trading coffee and tea are also underway.

Dr. Kadri Alfah, Country Manager for Rwanda, says priorities include expanding third-party storage facilities across the country and reaching out to more farmers. Mobilizing buyers, as well, is tantamount. "The mentality right now is buying at a lower price rather than purchasing for quality," he says. "It is a big challenge to be able to bring the market to the level that they can change their perspective."

Expansion plans also include developing the exchange across the region. "We have earmarked currently about three countries," says Alfah, listing Burundi, Kenya, and Uganda. "Some market development has already started in these countries."

He admits this expansion faces challenges, particularly with a lack of logistics and transport infrastructure and the complication of currency exchange. "It is very expensive to be able to buy grains from Rwanda here and sell it to Kenya in a profitable way," he explains. "We also have to ensure that we standardize practices, particularly in regards to storage and certification, so that the market has a common perspective."

As well, a number of countries the EAX has targeted are keen to set up their own commodity exchanges. "We are looking for collaboration," says Alfah. "We want to work with them to build synergies. We also want to work with these countries to ensure that we reduce our costs."

Efforts to encourage South Sudan to join the exchange, in particular, have been difficult. "We have a lot of convincing and education to do in regards to the benefits of storage and accessing the markets," says Alfah. "Farmers need to know they could also access markets outside of South Sudan."

CONTINENTAL DIVIDE

EXPECTEDLY, discussion of commodities exchanges includes the vision of a trading portal covering all of Africa. Beginning in the early 2000s, the African Union actively supported the Pan-African Commodities and Derivatives Exchange (PACDEX), a platform based in Botswana which subsequently failed to take off. More recently, Botswana regulators have issued a license to Bourse Africa to link national exchanges in a common network. Kenya's purported Africa Commodities and Futures Exchange (ACFEX) moves along slowly. Mauritius's Global Board of Trade aims to include pan-African contracts, first in currency and later in commodities.

According to Cedric Mbeng Mezui, African Development Bank Coordinator for the African Financial Markets Initiative, the development of a fully pan-African exchange is improbable without significant buy-in and investment. "Keep in mind that an exchange needs to be able to offer radical improvements to putative users, otherwise they are unlikely to change their current mode of operations," he explains. "In order to do so, the exchange has to provide a full service package, and this is expensive."

Cooperation on a regional level, however, can realistically take place in the areas of technology and traded contracts. "Technology can be shared – there is no reason to charge full technology costs of an exchange to one country alone when, through the Internet, the same platform can be operated in many countries," he argues. "In addition, contracts can envisage regional trade and regional investment flows."

DO EXCHANGES WORK?

COMMODITIES markets, according to Mbeng Mezui, can operate in less than perfect economic and political environments, as long as they have freedom from specific constraints. "Commodities exchanges require certain minimum conditions in order to reach critical mass," he explains. "These include physical market structure, product quality and standardization, traceability and efficient trade for bulk commodities, price transparency, liquidity and banks' participation in the commodity sector."

As well, government intervention must achieve the correct balance. "It is impossible for the private sector to move ahead if the government is hostile to the idea of a commodity exchange," he says. "However, it is also a problem if there is too much government interest, to the extent that government entities wish to take the lead in setting up commodity exchanges."

Once effective, commodity markets may even present drawbacks. According to Dr. Nicolas Depetris Chauvin with Haute Ecole de Gestion de Genève, whose research focuses on African agricultural markets, a shortage of capital and lack of contract enforcement mean that competition among processors can sometimes adversely affect smallholder farmers. "Imagine a farmer needs to borrow inputs and working capital to produce his crop," he explains. "Often he will borrow from someone who would later buy the crops. If the farmer faces many potential buyers, he could default on the loan and sell the crop to someone else. The buyer, knowing this risk, avoids lending money to the farmer and therefore production collapses."

As well, grading systems can lead to questionable quality. "Grades don't tell you origin, so farmers cannot fully capture the premium and therefore do not have the incentive to upgrade quality," he says. "ECX provides a solution to this by allowing cooperatives to export high quality coffee directly bypassing the ECX."

He adds that cooperatives in Ethiopia have produced mixed results, with some areas selling higher quality beans than others. "While more research is needed, the lack of financing resources and poor management practices seem to be the main hindrances," he says.

Ermias Eshutu

CEO, Ethiopia Commodity Exchange

Eshutu has a software engineering and business intelligence background, including roles with IBM, Alcatel, Orange, and MicroStrategy. Before joining the ECX in January, he served as Vice President for Marketing and Corporate services at Ethiopia's Zemen Bank.

Kadri Alfah

Managing Director – Rwanda, East African Exchange

Alfah previously served as CEO and Technical Director of the Ghana Grains Council, where he oversaw the implementation of Ghana's first warehouse receipt system. He has an MBA and a PhD in Corporate Finance, both from Middlesex University in the UK.

ECONOMY

A TALE OF TWO COUNTRIES

Ethiopia and Rwanda have opposite development models, yet both are growing fast. Guest author Jacques Nel with NKC African Economics sizes them up

Kigali (left) and Addis Ababa (right) are fast becoming business hubs

THE EAST AFRICA REGION encompasses some of the fastest growing economies on the continent. Two of its most prominent success stories are Ethiopia and Rwanda. Ethiopia, once considered the epitome of famine-ridden Africa, has become one of the continent's foremost investment destinations, with ambitions of becoming a regional energy powerhouse and manufacturing hub. In turn, Rwanda has made admirable progress since the genocide ravaged the country in 1994, now boasting the third most accommodative business environment in Africa as well as the continent's third most competitive economy, according to the World Bank and the World Economic Forum. However, the disparity between the two countries' populations and geographic sizes is comparable to the dissimilarity in their development strategies. Whereas the East African giant Ethiopia has adopted a state-driven growth model with colossal industrial ambitions, the regional minnow Rwanda has paved the way for the private sector to develop a services industry that punches far above its weight going forward.

THE CONTROLLING GIANT

ETHIOPIA has been one of the world's fastest growing economies over the past decade. Supported by an abundance of natural resources, favorable demographics, and an ambitious public infrastructure investment program, the country continues to record commendable real GDP growth, estimated to have reached 10.3 percent last year. The Ethiopian government plays a central role in the country's development strategy, not only by supporting economic growth, but by acting as its primary driver.

Ethiopia implements its development strategy through a succession of five-year national plans. The current fiscal year, which started July 8, marks the first year of the second phase of the Growth and Transformation Plan (GTP2, 2015/16 - 2020/21). The GTP's strategy is to effectively build the country out of poverty, with a key focus on large infrastructure investment projects. This hands-on development strategy allows for coordination on a massive scale, with substantial state resources directed towards specific goals. Of these goals, the most prominent include the becoming the center of a regional energy-trade network, as well as establishing Ethiopia as a global manufacturing hub.

AN OMNIPRESENT PUBLIC SECTOR

THE East African giant of Ethiopia intends to take advantage of its wealth of natural resources to export renewable energy to other countries in the region. Ethiopia already exports power to parts of Kenya, Sudan and Djibouti, while agreements have been signed to send power to Tanzania, Rwanda, and South Sudan. Electricity exports could become one of the country's largest sources of foreign currency, and by providing the region with power, Ethiopia will also be able to benefit from regional development more generally. The government aims to reach 15,000 megawatts of electrical generating capacity by the end of GTP2. Total installed capacity at the moment is around 2,300 megawatts, which means significant investment is still required. This investment will primarily take the form of massive public projects in hydropower – most notably the Grand Ethiopian Renaissance Dam (GERD), which is expected to generate 6,000 megawatts at full capacity sometime in 2017, making it the largest hydroelectric plant in Africa – as well as solar and geothermal energy. It could be argued that such investment would not be possible without pervasive government involvement, due to the scale of the projects, the timeframes involved, and the required coordination. Energy exports could provide the catalyst for more widespread integration into the East African Community (EAC), while an increase in the availability of energy would also enhance the investment potential of the region.

IT COULD BE ARGUED THAT IN ETHIOPIA INVESTMENT WOULD NOT BE POSSIBLE WITHOUT PERVASIVE GOVERNMENT INVOLVEMENT, DUE TO THE SCALE OF THE PROJECTS, THE TIMEFRAMES INVOLVED, AND THE REQUIRED COORDINATION.

In addition to driving the country's infrastructure investment program, state-owned enterprises dominate numerous sectors, including banking, transport, insurance, construction, telecommunications, and wholesale trade, while the government is also present in numerous other sectors including the salient coffee industry, tourism, and mining. The government's involvement in the economy does have historic roots. In the 1970s, the Derg, a military regime with communist ideology, nationalized much of the economy. Following the fall of the regime in the late 1980s, the government has undertaken a privatization program, selling around 370 public enterprises since 1995. However, most of these companies were small operations in the services and trade sectors, and in many cases the government prefers to engage in joint ventures with private companies rather than selling an entire entity. Consequently, the government, and more specifically the ruling Ethiopian People's Revolutionary Democratic Front (EPRDF), is very involved in the wider economy and its development.

THE ACCOMMODATIVE MINNOW

RWANDA has recorded strong real GDP growth in recent years, averaging around 7.2 percent year between 2008 and 2014. They have achieved this through a highly strategic approach to development that has galvanized domestic and external resources around nationally defined goals, with particular focus on developing a thriving private sector. In addition to strong GDP growth, the country has witnessed a significant decline in poverty, a reduction in inequality, and progress in nearly all developmental outcomes.

Economic policy in Rwanda currently follows the second phase of the Economic Development and Poverty Reduction Strategy (EDPRS2). This follows the highly successful first phase of the EDPRS (2008-2012), which lifted one million Rwandans out of poverty by supporting strong GDP growth and by ensuring equitable access to basic services including health, education, and basic infrastructure. The EDPRS2 (2013 to 2018) is a five-year strategy with the objective of improving the quality of life for all Rwandans, and in doing so, moving towards the Vision 2020 goal of becoming a middle-income country by 2020.

GOVERNMENT STEPS ASIDE

WHILE the government still plays a critical role in the economy as both an employer and driver behind infrastructure investment, Rwanda's growth and economic diversification is less dependent on government than many of its African peers. Authorities have made significant progress in this regard, with Rwanda labelled as one of the most economically competitive economies in Africa, boasting one of the most accommodative business environments on the continent. The Rwandan economy recorded an estimated real GDP growth rate of 7 percent in 2014, showing a strong recovery from the 4.6 percent expansion in 2013. The economic slump in 2013 is indicative of the important role that the government still plays in the economy, with suspended donor aid in late 2012 and early 2013 having a detrimental effect on the fiscal capacity of the government. This resulted in tighter monetary conditions as well as a reduction in public spending, both of which had negative effects on domestic demand and investment.

The country's accommodative economic policies, openness to foreign participation in the economy, and general developmental needs create substantial opportunities for investment in most sectors. Rwanda's small domestic market is supplemented by the country's integration into the larger EAC, which increases the potential market size substantially. In addition, the country is in the process of establishing itself as a regional services hub, able to reach the wider EAC market. Furthermore, the fact that the government has prioritized the development of public-private partnerships in order to relieve some of the fiscal burden while leveraging private sector

POPULATION (MILLION)

RWANDA **12.3**

ETHIOPIA **96.6**

LAND AREA ('000 KM)

RWANDA **26**

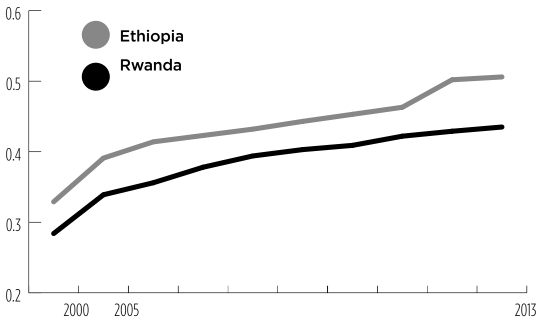
ETHIOPIA **1,104**

NOMINAL GDP (US$BN)

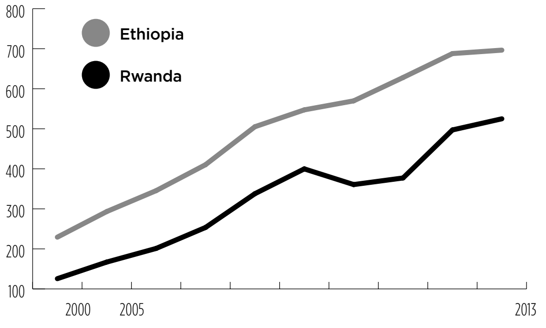
RWANDA **8**

ETHIOPIA **52.3**

Human Development Index (HDI)



GDP per capita (US$)



knowledge could also encourage larger multinational organisations to enter the economy, particularly in capital intensive sectors such as energy and transport. Still, numerous investment hurdles remain, including high transport costs, limited access to affordable financing, inadequate infrastructure, and an under-skilled workforce.

NOT ENOUGH ROOM FOR A PRIVATE SECTOR

IN state-controlled Ethiopia, however, local and foreign investors alike complain about patronage networks and de facto preferences shown to businesses owned by the government or associates of the ruling party, including preferential access to bank credit, foreign exchange, land, procurement contracts, and favourable import duties. In addition, severe restrictions exist on any foreign participation in media, banking, insurance, telecommunications, and a wide range of small retail and wholesale enterprises. As well, several other industries, such as air transport, face limits on the amount of foreign investment they are permitted to receive. The government has noted that most of these industries are still too weak to withstand external competition, while some government-dominated sectors remain important sources of public revenue. Encouragingly, the government has embraced foreign participation in the manufac-

Ethiopia is building the largest dam in Africa. The aim of the Grand Ethiopian Renaissance Dam is to generate 6,000 megawatts of hydro-electric power, equivalent to at least six nuclear power plants. Right: Rwanda is using fiscal policy to minimize risks from external shocks such as adverse weather and droughts

turing sector, providing numerous incentives and developing infrastructure in dedicated development zones.

More generally, both Ethiopia's growth strategy and economic policies are not particularly supportive of private sector development beyond the manufacturing and agricultural sectors. Indeed, the government's growth strategy has received some criticism for crowding out private investment, and consequently hampering development of the private sector. The omnipresent role that the Ethiopian government plays in the country's economy means that economic development is highly dependent on government efficiency and the effectiveness of public financial management. Government capacity issues might hamper or deter more widespread development, and public sector involvement in the economy to such an extent also creates significant scope for rent-seeking and corruption.

While the growth model bears inherent risks, it has succeeded in supporting considerable development for an extended period of time. The country desperately needs the infrastructure investment being undertaken by government, but the focus on large investments, while disregarding the development of a vibrant private sector, blemishes the success of the growth model. Still, economic growth is expected to remain strong going forward, and Ethiopia has the potential to play a central role in the development of the East Africa region more generally.

RWANDA'S SMALL DOMESTIC MARKET IS SUPPLEMENTED BY THE COUNTRY'S INTEGRATION INTO THE LARGER EAC, WHICH INCREASES THE POTENTIAL MARKET SIZE SUBSTANTIALLY.

LEADING FROM BEHIND

IN turn, Rwanda's current economic strategy has the clear priority of removing impediments to private sector development and making the economy more attractive for potential investors. Rwanda has distinguished itself from its African frontier market peers by adopting a general policy framework to foster a vibrant private sector, with the government only playing a supportive role in the economy. This development model has resulted in largely balanced economic development, negating sector or commodity dependence. In addition, the development of an economically inclusive and politically accountable institutional environment has been the foundation of Rwanda's elevation to a model for other African countries to imitate. There are neither statutory limits on foreign ownership or control, nor any official economic or industrial strategies that discriminates against foreign investors. However, the government continues to own significant and sometimes controlling interests in telecommunications, insurance, hotels, and food production entities, and some reports do suggest that these firms receive preferential treatment with regard to access to credit and tax compliance enforcement.

While Rwanda's fiscal policy is also centred on the provision of infrastructure with its own ambitious investment program, the government's regulatory and economic policies more broadly aim to support the development of a sophisticated private sector. Similar to most countries in the East Africa region, Rwanda's budget for the next fiscal year will have a distinct focus on infrastructure development, but unlike its neighbours, it will avoid a large increase in total expenditure. Instead, a key objective of Rwanda's fiscal strategy is the transition away from donor dependence towards fiscal autonomy. The government will pursue this by increasing revenue mobilization while adopting a prudent stance with regard to expenditure prioritisation. While it could be argued that the country is forgoing stronger economic growth due to this prudence, the current strategy bodes well for long-term sustainability. Although Rwanda remains vulnerable to numerous exogenous shocks, including disruptions in foreign resource inflows (aid and investment), changes in commodity prices (agricultural and mining exports, and energy imports), and adverse weather conditions (particularly droughts), it is attempting to minimize the risks stemming from its own fiscal policy.

COMMON GROUND

IN addition to the commendable economic performances by both Ethiopia and Rwanda, the countries also have other, not-so-laudable similarities. There are parallels with regard to the authoritarian tendencies of the ruling political parties. Both the Rwandan Patriotic Front (RPF), headed by strong-man President Paul Kagame, and the edifice which is the Ethiopian People's Revolutionary Democratic Front (EPRDF) maintain tight control over their respective political spheres. In the most recent Human Rights Watch World Report 2015, the report notes: "[T]he Ethiopian authorities continue to severely restrict the rights to freedom of expression, association, and peaceful assembly, using repressive laws to constrain civil society and independent media, and target individuals with politically motivated prosecutions." With regard to Rwanda, the report notes that: "The country continued to make impressive progress in the delivery of public services, such as health care, but freedom of expression and association remain tightly controlled. The government obstructed opposition parties and independent civil society organisations, and threatened its critics." In addition, neither of these countries are proponents of political plurality: the RPF won parliamentary elections in September with more than 76 percent of the vote. The only other parties that presented candidates were those broadly supporting the RPF. In turn, in the recent elections the EPRDF and its allies won all of the House of People's Representatives' 547 seats. While economic development strategies may differ, both countries lack a dimension of democracy that is generally considered critical for long-term stability, which may have economic consequences for stability and economic growth going forward.

BOTH THE RWANDAN PATRIOTIC FRONT, HEADED BY STRONG-MAN PRESIDENT PAUL KAGAME, AND THE EDIFICE WHICH IS THE ETHIOPIAN PEOPLE'S REVOLUTIONARY DEMOCRATIC FRONT MAINTAIN TIGHT CONTROL OVER THEIR RESPECTIVE POLITICAL SPHERES.

LOOKING AHEAD

NEO-CLASSICAL economic theory would suggest that Rwanda has adopted the more sustainable growth model, but the rapid emergence of China and some other Asian countries has caused some cracks in the foundation of this school of thought. It remains to be seen for what duration and how successful Ethiopia's self-proclaimed "democratic developmentalism" will be, and whether the country can imitate pioneering developmental states such as Taiwan and South Korea. For now, the country is speeding towards its development goals, with the government assuming the role of driver of this colossal economic train. In turn, Rwanda's economy remains relatively unsophisticated and underdeveloped, but the private-sector incubator which the government is attempting to establish should provide an environment conducive to strong development in the longer term. The Rwandan private sector has not yet reached puberty, and it remains to be seen how long it will take the parental government to facilitate the transition towards graduation.

CHINA VS USA

One gives aid and promotes human rights, the other invests and boosts economic growth. Which power do you prefer?

THE WORLD KNOWS Obama came and went. In his second visit to East Africa, he met with Presidents Uhuru Kenyatta and Haile Desalegne, and gave a speech to the African Union. Throughout the trip, he spoke of democracy and transparency, promoted entrepreneurship, and brought along American companies to encourage trade.

Not everyone knows, however, that Omar Al-Bashir recently went to Beijing. The Sudanese president, whom the International Criminal Court has indicted for war crimes, met with President Xi Jingping, who welcomed him as an "old friend." South African President Jacob Zuma also showed up in China, where he and Al-Bashir hung out as a follow up to the Sudanese leader's controversial visit to Johannesburg in June.

While the Obama trip outweighed Al-Bashir's in terms of media attention, the Sudanese President's visit to Beijing was arguably more significant. China is, after all, the most powerful player on the continent. In 2009, it surpassed the U.S. as Africa's largest trading partner, with more than US$200 billion in annual volumes – twice that of trade with the U.S. During his visit to the African Union in 2014, Chinese Premier Li Keqiang announced that his country expects this trade to increase to US$400 billion by 2020, with direct investment increasing to US$100 billion. At the U.S.-Africa Summit last year, Obama was only able to pull together US$14 billion in commitments from U.S. investors. At least 2,000 Chinese firms have put money into Africa, while their American counterparts are mostly likely in the hundreds. More than one million Chinese nationals reside on the continent. Americans, on the other hand, are more difficult to spot.

WHILE THE OBAMA TRIP OUTWEIGHED AL-BASHIR'S IN TERMS OF MEDIA ATTENTION, THE SUDANESE PRESIDENT'S VISIT TO BEIJING WAS ARGUABLY MORE SIGNIFICANT

The U.S. is, however, more generous with aid. According to Congress, the country gave more than US$6.6 billion to Africa in 2014. China keeps its numbers private, but aid flows are estimated to be half of this or less. Much of Chinese support is in the form of concessional long-term loans, often tied to contracts for Chinese labor, products, and management.

Abdourahmane Baldé, a peace and democracy advocate based in Conakry, says he was thrilled about Obama's visit to the continent. "We are inspired, nous nous inspirons," he says with emphasis in two languages. "Obama will create a foundation for Africa to inspire young Africans to establish democracy in Africa."

He says American historical characters offer particular inspiration to youth. He, himself, is known as "Martin Luther King Jr. in Guinea." He also knows of a "Mrs. Columbus" and an "African President Lincoln" working actively for causes inspired by the U.S.

Democracy, he insists is crucial to developing African economies. He offers the example of gender empowerment, which encourages women to enter into business. "Freedom is democracy," he says. "Women are freer in Africa than before. Now we have many female entrepreneurs."

Growing Chinese presence, however, makes him uncomfortable. "I do not feel good about it," he says. "I am not sure about China's power. They are not democratic. They cannot inspire Africans positively. They have corruption. They do not respect human rights in their work. They do not respect workers rights."

"WE ARE INSPIRED, NOUS NOUS INSPIRONS. OBAMA WILL CREATE A FOUNDATION FOR AFRICA TO INSPIRE YOUNG AFRICANS TO ESTABLISH DEMOCRACY IN AFRICA." PEACE ACTIVIST ABDOURAHMANE BALDÉ

Baldé is one of many speaking against Chinese activities in Africa. Enough complaints have emerged for the United Nations High Commission for Human Rights to launch an investigation of Chinese-funded projects. Over the years, protests have erupted over wages, safety, and working conditions, such as those against a Chinese-owned coal mine in Zambia in 2012. As well, countries such as Chad and Gabon have lamented environmental laxity on the part of Chinese oil companies. Local businesses resent when Chinese firms underbid them; and workers when they hire Chinese labor, as demonstrated by Kenyan uproar against a Chinese rail project last year. Outside of the continent, international powers fear the sale of weapons to states such as Zimbabwe and Sudan.

According to Yun Sun with the Brookings Institute, observers have been quick to assert moral judgment on Chinese business in Africa: "China's activities are either 'evil' because they represent China's selfish quest for natural resources and damage Africa's fragile efforts to improve governance and build a sustainable future; or they are 'virtuous' because they contribute to a foundation for long-term economic development, through infrastructure projects and revenue creation."

The benefit of Chinese investment and aid, she says, is that they fulfill the need for large investments and long-term loans that other international donors are unable or unwilling to provide.

China in Africa, according to Sun, is neither evil nor virtuous – it is benign. "China does not seek to use aid to influence the domestic politics of African countries or dictate policies," she says. "Instead, it truly hopes to help Africa achieve better development while avoiding meddling with the internal affairs of African countries through conditional aid."

CHINA IN AFRICA, ACCORDING TO YUN SUN WITH THE BROOKINGS INSTITUTE, IS NEITHER EVIL NOR VIRTUOUS – IT IS BENIGN... ON THE OTHER HAND, SHE ADDS, "CHINA IS NOT HELPING AFRICA IN EXCHANGE FOR NOTHING."

On the other hand, she adds, "China is not helping Africa in exchange for nothing."

Even American intentions can be questionable at times. Advocacy groups such as ActionAid, for example, have turned on Obama's 2012 New Alliance for Food Security and Nutrition initiative for its reliance on corporate investment. Concerns are that the program allows companies to increase their own production for exports, without feeding local populations or benefiting smallholder farmers. Critics also express dismay over the alliance's lack of monitoring and accountability, as well as colonial-style requirements that governments promote business by changing policies and laws.

The possibility also exists that concerns over Chinese influence are a product of western cultural bias, and that the real threat is nothing to fear. In the Pew Global Attitudes survey for 2015, African respondents held a significantly more positive view of China than other countries and regions. In Ethiopia, for example, 75 percent surveyed viewed China favorably, as well as 74 percent in Tanzania, 70 percent in Kenya, and 65 percent in Uganda. In the U.S., only 38 percent maintained a positive view of China, and in Europe the numbers remained at 50 percent and below.

In 2014, Hongxiang Huang founded China House, a Nairobi-based non-profit aimed at helping Chinese businesses operate responsibly in Africa. According to Huang, Chinese decision-makers are not in lack of good intentions but rather familiarity with sustainability and working in the African context. "A lot of Chinese companies and individuals do not have enough knowledge, experience, skills or even interest in understanding and integrating into local society and therefore we see more and more environmental, social conflicts and misunderstanding between each other," he explains.

He emphasizes the need to reexamine stereotypes such as "most Chinese buy ivory" and "most Chinese companies do not want to employ locals." "The biggest challenge for the world to understand Chinese in Africa is a lack of access," he says. "In my experience, a lot of western journalists and even scholars who write on such topics have never had a chance to talk with some of the real Chinese people in Africa."

As well, Huang resists the common idea that America and China need to compete. "There are a lot of areas where these two countries' strengths do not collide at all," he says, noting that Chinese companies tend to focus on the low-end of the market, while American businesses target the high-end.

"I have seen some cooperation between Chinese and U.S. companies," he adds, offering the example of solar energy projects. "I do not think this is a zero-sum game."

Q&A

Growing a Garden

HOSPITALITY

Michael Cooper, Vice President of Development, Africa for Hilton Worldwide, tells *The Continent* how Hilton Garden Inn plans to launch a hotel in every major city in Africa

THE NEW HILTON Garden Inn in Nairobi will be located close to Jomo Kenyatta International Airport, and you are also developing a hotel at Nigeria's Abuja Airport. How does the development of an airport hotel differ from that of a resort or a standard city facility?

THE fast-paced growth of Hilton Garden Inn across Africa has seen our development pipeline expand to some 11 destinations – including airport locations in Nairobi and Abuja, both of which are expected to open in December 2016 and August 2017 respectively.

A global brand in more than 639 locations, Hilton Garden Inn hotels have all the necessary amenities to ensure transient travellers have everything they need to be the most productive on the road - to sleep deep, stay fit, eat well, and work smart during their stay.

For example, guests staying at Hilton Garden Inn can enjoy a healthy snack 24/7 with access to the Pavilion Pantry, making it an ideal choice for travellers either arriving or departing from the airport at any time of the day or night.

In other parts of the region, Hilton Garden Inn already enjoys a presence at London's Heathrow Airport, Istanbul's Ataturk Airport and at Germany's Frankfurt airport amongst others. The mid-scale brand is well suited to the hustle and bustle of modern day life; and with consideration of higher noise levels we ensure sound proofing, guaranteeing our guests an undisturbed night's sleep.

From a development perspective, the introduction of our Hilton Garden Inn brand marks an exciting opportunity for the continent's hotel industry. Last year we introduced a new construction solution allowing for owners and investors to develop a Hilton Garden Inn swiftly and efficiently thanks to modular construction and shipping to Africa.

"IN THE LONG RUN WE ARE VERY OPTIMISTIC ABOUT THE KENYAN HOTEL MARKET AND WILL CONTINUE WORKING WITH OUR EXISTING AND NEW PARTNERS IN SEARCHING FOR THE RIGHT HOTEL DEVELOPMENTS."

What does your target market look like in Kenya? Who are your ideal customers and how will you reach out to them?

HILTON has had a presence in Kenya for 46 years, first opening Hilton Nairobi in 1969 offering upscale accommodation and world renowned service hospitality to both corporate and leisure visitors to the region.

Regarded as the transport hub to East Africa, Nairobi attracts travellers visiting the Kenya capital for many different reasons. Many leisure tourists pass through the city to visit the region's famous wildlife reserves, and as the capital of East Africa's largest economy, Nairobi also attracts a large number of business travellers, with a wide range of multinational corporations establishing their regional offices for African expansion in the city.

Hilton's reach is far and wide, with more than 46 million HHonors members globally – and perks that see those that book directly having access to benefits including free standard Wi-Fi, as well as digital amenities that are available exclusively through the industry-leading Hilton HHonors mobile app, where HHonors members can check-in, choose their room, and access their room using a digital key.

As a global hospitality company we have a strong advantage to tap into our significant sales and marketing resources across the continent, therefore enabling us to build the connections with future customers whilst they are still "shopping" for their next hotel stay, or vacation.

A number of new hotels are opening in Nairobi. How will you differentiate yourselves from the competition?

GUESTS are looking for something unique, different, they are looking for experiences rather than just a place to sleep, but they want to do that in the confidence and security of a brand and a company that they know and trust.

We are consistently working towards creating experiences that resonate with our guests. In December 2014, we completed the rollout of digital check-in globally, including more than 50 hotels across Middle East and Africa, giving guests the option to check-in and choose their room from a digital floor plan or list directly from a mobile device, tablet or computer. The service also allows our guests to further customize their stay by purchasing a space-available-room upgrade and requesting specific amenities to be delivered to their room before arrival.

As an innovator in hospitality technology, on the back of this launch, we have seen our HHonors loyalty program membership increase to more than 46 million members and to date more than 4 million HHonors members have selected their room, purchased upgrades or made special requests for items to be delivered to their room prior to their stay on their mobile devices, tablets, and computers.

In Nairobi, and East Africa more widely, we see opportunity to grow our presence across our portfolio of brands – with our mid-market Hilton Garden Inn brand of hotels, which we recently announced for the Kenyatta International Airport, offering unique characteristics such as a 24-hour pavilion pantry as a uniquely different proposition to our upscale Hilton Nairobi, which is located in the heart of the city and offers guests a full-service experience.

Analysts have noted that security concerns and the threat of Ebola have contributed to a decline in the Kenyan hotel market. Several hotels have closed. What prompted you to continue with your development? Have you had to scale back your expectations or plans in any way?

HILTON is a long term player in the African hotel market and a strong track record of operating in Kenya where we opened Hilton Nairobi in 1969.

Readymade

Hilton Worldwide has signed on with Chinese manufacturer CIMC to provide modular construction for its Hilton Garden Inn developments across Africa. Modular construction involves pre-building rooms and structures in a factory setting to be delivered and assembled on site. Particularly popular for student and low-cost housing, modular construction is gaining favor with investors in Africa as a solution to a perceived lack of skilled workers and shortages in local building materials.

We believe that it is about nurturing the strong relationships we have established from our 46-year presence in Nairobi, and leveraging our experience of providing our internationally renowned hospitality to visitors of the city.

We believe that there is clear potential to grow our presence in Africa and see that new, quality accommodation opening in Kenya will support increasing interest in visiting from both a business and leisure perspective. This is reflected across the whole continent, where clear demand for international branded quality hotels is clear and on the increase; we are growing faster than ever before in Africa, continuing to outperform the market.

The progress we've made in growing our portfolio over the last five years underscores the positive momentum we are seeing in Africa. With the introduction of solutions such as modular-build projects for Hilton Garden Inn, innovation is leading the way to ensure that challenges are overcome and growth continues at a strong pace.

For these reasons, in the long run we are very optimistic about the Kenyan hotel market and will continue working with our existing and new partners in searching for the right hotel developments.

Any plans for other Hilton Garden Inns in East Africa? What is your strategy for the region?

WITH 11 properties in the pipeline, Hilton Garden Inn is our fastest growing brand across Africa – with locations such as Nairobi, Accra, Windhoek, Gaborone, and Abuja welcoming Hilton Garden Inn hotels in the future.

Our aim is to establish at least one Hilton Garden Inn in every key city in Africa; once established in the capital cities we will look to develop also in the secondary markets. To further assist with our development ambitions we have formed a partnership with CIMC on a modular room design concept for which we see significant demand within the African continent.

How have you adapted your global strategies and processes to the particularities of the Kenyan and African settings? Any examples of efforts to this end?

WHILST a global company attention to local and regional specifics is always considered – we feature management offices in Johannesburg and Cape Town; working directly with our regional teams based in London and Dubai.

East, West, and Southern Africa all provide opportunities for us to leverage our global strength through sales and marketing clustering whilst not losing sight of the need to promote and present each Hilton property "locally."

It is noteworthy that the international and very long established Hilton hotels in Addis Ababa and Nairobi are viewed locally as "the favored local hotel" for social, political and business gatherings of all types.

LASTWORD

Closing the Gap

Eileen Laskar, CEO of the Coach Development Institute of Africa gives her opinion on how to manage the continent's next generation

IT IS COMMON for managers to complain about hiring youth, especially the so-called Generation Y and now the millennials who are now entering the job market. "They show up late." "They think they know everything." "They have no respect for authority". "They don't want to follow instructions". "They spend too much time on social media". "They want to be managers of the first day." "They move on quickly as soon as they find higher pay." I've heard it all.

The issue is actually not Gen Y or the millennials; the challenge is to embrace generational diversity and appreciate that we are living in an era where we have multiple generations in the workplace. These different generations have different work orientations and definitely different career values.

While generalizations regarding Gen Y and millennials are not always valid, one thing is certain: they are here to stay, and indeed are the next generation of global leaders. Forty percent of Africa's population is under the age of 15. By 2020, 50 percent of the global workforce is expected to be under the age of 31.

Smart businesses will make efforts to understand these generations and design business strategies to adapt. Here is where to start:

1. OFFER FLEXIBILITY

DESPITE popular belief, many youth can complete tasks without a set nine-to-five shift. According to PWC, this generation wants flexible work schedules. Once mutual trust is in place, managers can set deadlines and offer clear instructions and targets, then let employees decide when and where to work. As long as the tasks are complete, does it really matter if they occur in a coffee shop in the middle of the night?

2. PROVIDE FEEDBACK

THIS is the "me" generation. In the same way they like to take selfies, youth need to hear how they are doing. Regular meetings with managers and scheduled performance reviews can solve this problem. Offering feedback lets millennials know you value their work.

3. ALLOW ROOM FOR GROWTH

IT is true that the younger generation expects to move up quickly. Often when they fail to see room to progress in a company, they move on. Offering clear progression plans for your employees can help build this vision. At the same time, managing expectations is important. Tell youth exactly what they need to do to get where they want to be, then step back and allow them to succeed.

4. MENTORSHIP & COACHING

NO matter his or her age, an employee rarely joins a company fully equipped. Formal mentoring and coaching programs can help fill this gap and significantly improve business culture and performance. Train millennials, as well, to serve as coaches and mentors.

THIS GENERATION ARE MORE LIKELY TO APPRECIATE THE OPPORTUNITY TO COACH AND MENTOR AS A FORM OF LEADERSHIP THAN ANY OF THEIR GLOBAL COUNTERPARTS. THE COACHING AND MENTORING APPROACH STRETCHES AND CHALLENGES THEM TO BRING THEIR INGENUITY TO THE ORGANIZATION.

A survey by Universum found that Africans of this generation are more likely to appreciate the opportunity to coach and mentor as a form of leadership than any of their global counterparts. The coaching and mentoring approach stretches and challenges them to bring their ingenuity to the organization.

5. BEHAVE RESPONSIBLY

HAVING a solid corporate social responsibility strategy and agenda in place is known to attract and retain youth. While they still want to make money, they also want to save the world! According to Universum, this desire is particularly strong in Africa, where 36 percent of millennials hope to work for the betterment of society, compared to 22 percent in the rest of the world.

Despite the challenges of the generation gap, hiring and managing youth brings plenty of benefits. With no place to hide from the digital age, their tech savvy can offer your business a competitive edge. Millennials are also full of ideas and solutions to market problems, so make sure you listen well. Finally, appropriate incentive schemes can help channel young ambitions to ensure that your business moves with this next generation to the top.

And remember, youth can be equally frustrated with the older generation. Senior management often appears to be short on innovation, creativity, and forward thinking. When you complain about other generations, keep in mind they may also be complaining about you. Seek to understand them and help them to understand you, and you will reach a mutually beneficial middle ground for a win-win outcome.

Eileen Laskar is an ICF-credentialed Professional Certified Coach and a Certified Executive Coach. She is the Founder and CEO of the Coach Development Institute of Africa based in Nairobi.