

African Union

- **Africa:** African technology solutions designed for the bottom of the pyramid is attracting the middle class as well.

The African tech scene is thriving. There are currently 300 tech hubs in 93 cities across 42 countries in Africa. Their growing number is drawing significant investment, with more than \$366 million invested in startups across Africa in 2016. Two-thirds of that investment was directed at Kenya, Nigeria and South Africa. The African tech scene could, however, use a few tweaks. Tweak #1: More venture capital is needed in Africa. Tweak #2: Focus on the middle class and bottom of the pyramid. Solutions for the bottom of the pyramid in emerging markets very often capture significant portions of the middle class. Reasons: First, applications making life easier for poorer populations can generally make life easier for wealthier populations. Secondly, poorer populations are ideal for testing the economics of an entrepreneurial idea. Third, adoption costs with bottom of the pyramid consumers can be less because proving its economic benefit is the main cost to adoption. Mobile apps to help Africans manage their health, connect with doctors, and access medicine is necessary at the bottom of the pyramid. Solve the issue of time and knowledge in the health care space on the larger continent and middle class consumers will come running with cash in hand. For more information, read: <http://bit.ly/2faE1ri>.

CAS View: Technology in Africa has been punted ad nauseam. I apologise for continuing with this trend. However, it is a truth that will allow Africa to leapfrog many of the challenges it faces in developing traditional infrastructure. It is also interesting to see the article linking up with the idea of Hamel and Prahalad that there is profit in the bottom of the pyramid. This article makes the point that not only is there profit in this sector, but that by serving the bottom of the pyramid in Africa efficiently and effectively, one can gain access to the middle class. An example that comes to mind is that of Capitec Bank in South Africa. This bank was assessed to be the best bank in the world in 2016 and 2017 by the Lafferty Group. Their primary focus at start-up was, and still is, the bottom of the pyramid. However, many middle class and even upper class consumers in South Africa have become customers of Capitec. Given the need for efficiency in Africa, it indeed presents a wonderful market for proof of concept.

East Africa

- **Kenya:** Malaysian bitcoin technology provider Belfrics Global is launching a bitcoin exchange in Kenya, allowing users and traders to transact through a variety of online and mobile services.

Malaysian bitcoin technology provider Belfrics Global is launching a bitcoin exchange in Kenya, allowing users and traders to transact through a variety of online and mobile services. Belfrics will offer digital services revolving around blockchain, and a payment gateway for merchants to accept bitcoin as payment for products and services. The company plans to expand further into Africa with bitcoin exchange launches planned in Botswana, Nigeria and Ghana. It wants to transform the financial sector of Kenya by disrupting the digital currencies space. They believe that digital currency is the future of the financial markets and Kenya has become an important market for them to start their operations in Africa. Their bitcoin exchange aims to bring down the cost of money transfers within Kenya using blockchain technology. Local rival BitPesa is already offering certain services with a 3% commission structure, compared with Belfric's 5%. With BitPesa, the minimum of bitcoin one can purchase is \$700, but Belfrics will allow people to purchase any amount they can afford. For more information, read: <http://bit.ly/2uZcr5M>.

CAS View: Africa is no stranger to cutting edge technology. For example, Bitcoin is gaining ground in Kenya and Uganda where it is used generally for money transfers. In South Africa, Standard Bank has already tested a clearing platform in bitcoins. Given the extent to which fintech has been embraced in Kenya, it makes sense reach out to this country. By reducing the minimum amount of bitcoin that can be purchased, Belfrics is in a way "democratizing" bitcoin by making it more accessible to the poorer parts of the population. Whether this is necessarily a good thing, remains to be seen. There is always risk involved, especially with something like bitcoin and its competitors. The poor will obviously be the least equipped to deal with losses in this regard. On the other hand, in Singapore a bitcoin currently costs S\$3785, approximately US\$2786. In July 2010, this cost was US\$0.08. So, if you had bought bitcoin to the value

of US\$1000 in 2010, you would have received 12500 bitcoins. That would be worth US\$34.825 million today!

- **Kenya:** Safaricom is introducing an e-commerce platform that has the potential to transform it into the Amazon or Alibaba of Africa.

Safaricom plans to introduce an e-commerce platform, targeting formal retail and informal online trading in Kenya. Masoko, Swahili for markets, will offer products ranging from electronics to beverages and cosmetics, and provide a tool for people currently buying and selling goods on social-media platforms such as Facebook. Masoko will not be holding inventory and neither will it be an anyone-can-sell arena. Safaricom is carefully screening all the merchants before giving them access to the platform. The goal was to become “a little bit more” than an African equivalent of Amazon.com’s Marketplace. Safaricom is looking for ways to build on the success of M-Pesa. Safaricom accounts for 75% of Kenya’s 40.6 million Internet users, while M-Pesa handled \$4.2 billion of mobile commerce transactions in the first quarter, more than half the total \$6.04 billion. Safaricom is mulling partnerships with logistics companies and could use GPS to make deliveries in the absence of a national addressing system. Masoko could be used by services including Jumia, Kilimall International and OLX. It will work with manufacturers and farmers looking for direct market access and reduce supply-chain inefficiencies, including transportation costs and poor infrastructure. M-Pesa will be among several payment methods. Safaricom plans to roll out Masoko by the end of March, and later expand beyond Kenya. For more information, read: <https://bloom.bg/2w9JYJe>.

CAS View: They say it is not their intention, but it does seem that Safaricom is becoming the Amazon of Africa. They have morphed from a mobile telecoms company to a financial services provider, with M-Pesa, and now to an e-commerce platform targeting both formal retail and informal online trading in Kenya. With the scale of current customers using M-Pesa (approximately 30 million) and the extent to which they use M-Pesa (transactions to the tune of US\$4.2 billion in the first quarter – 70% of the total), the base is a sound one. The risk of unwanted stock for Amazon has been negated by not carrying any stock, while distribution costs will be borne by the customer. The total risks of this exercise for Amazon, (apologies, I meant Safaricom!) at first glance therefore seems to be negligible. The main element of success will be to ensure they provide access to products in demand with their target population. Payment solutions will be a breeze. A challenge that is always prevalent in Africa is that of distribution, especially in areas where addresses are problematic, and in remote rural areas. However, this in turn creates a business opportunity for an entrepreneur with vision. This space promises to become very interesting. Should Safaricom be successful with this venture, and it expands into the rest of Africa (which it plans to do), it could realistically become the biggest financial services player in Africa and a massive online player – maybe even the Alibaba of Africa. With a population of 1.2 billion people, growing to 2 billion by 2050 and 4 billion by 2100, the sky’s the limit!

- **Tanzania:** Tanzania has asked Acacia Mining to pay US\$190 billion in revised taxes, interest and fines. This is 4 times the Tanzanian GDP of 2016, i.e. US\$47.43 billion.

The Tanzanian government has asked Acacia Mining to pay US\$190 billion in revised taxes, interest and fines. With previous policy, low taxes and generous licence terms were sweetened by further tax breaks and exemptions. Three new laws will squeeze the mining companies for revenue, i.e. shareholding entitlements, higher royalty rates and further tax rises. Mining companies must train Tanzanians, give preference to local suppliers and source from JVs between domestic and foreign firms if domestic suppliers cannot be found. This means additional costs for miners. Magufuli’s decision to scrap development agreements and to prohibit international arbitration sent a message: companies didn’t have a lot of choice. It now looks as though he wants new mining companies. All the proven and probable gold in Acacia’s mines is worth just over US\$10 billion at today’s prices. Acacia can never make enough to pay US\$190 billion in taxes. Possible reasons for the tax demand include: a further bargaining ploy, a plea for attention, a failure of coordination or a strategic miscalculation. The most likely explanation is that it’s part of a campaign to drive the miners out of Tanzania altogether and give the mines to Tanzanians. For more information, read: <http://bit.ly/2u6SqEq>.

CAS View: John Magufuli started his presidency with a bang. He starting to root out corruption and stop government inefficiencies with enthusiasm and energy. Actually, he made his colleagues in Africa look bad. In Tanzania, when confronted with a situation, people would ask “What would Magufuli do?” Some did complain about his “bulldozer” approach; others lauded his no-nonsense style. Early on in his presidency, foreign corporates stated that they had no problem with his intentions to rid Tanzania of corruption, etc., but that his methods were not deemed to be optimal. With the US\$190 billion invoice issued to Acacia, and by refusing to speak to Acacia Mining itself and demanding to speak to their corporate parent, Canadian company Barrick Gold, Magufuli is sending a message. In addition to the possible reasons stated above, he is clearly stating that he is not going to take any nonsense from anybody. The one ministerial investigation found that Acacia had been under-declaring the ore content of containers by a major factor, apparently in cahoots with corrupt government officials who have subsequently been fired. Although Acacia has denied any wrongdoing, it has not stopped Magufuli to act, and act he did! There is no doubt that the US\$190 billion is out of proportion to the alleged misdoing. In all probability, this will be reduced significantly, like the initial US\$5 billion fine MTN picked up in Nigeria was reduced to US\$1.1 billion. It is doubtful that Magufuli would take away the mines and give them to Tanzanians; this would lead to an outflow of foreign capital in droves, severely denting the country’s economic growth prospects, which is the last thing Tanzania needs nor wants. It makes both nationalisation and mine closures more likely. Whatever Magufuli’s intentions, one can bet on it that foreign companies are taking notice and are getting their houses in order.

West Africa

- **Nigeria:** Former Nigerian President, Olusegun Obasanjo, recently said the state of Lagos will become Africa’s third largest economy in a very short time. He also identified weak leadership as the primary factor curtailing progress in Africa.

Former Nigerian President, Olusegun Obasanjo, recently said the state of Lagos will become Africa’s third largest economy in a very short time. The Lagos State government was working towards making the state an economic hub and the third largest economy in Africa. He also said that Africa is not a poor continent. He enjoined Africans to focus on wealth creation and job opportunities, saying the continent should complain less about poverty. He said that Africa was poorly managed, and that it was poor by choice; it would also get out of that poverty by choice. The former president said the real problem bedevilling Nigeria and the African continent was not the shortage of policies and economic roadmaps, but a ‘leadership problem’ - leadership to understand, to do the right reform, to show integrity, to make the right choices - and continuity According to Obasanjo, Africa’s leadership must define its priorities properly. For more information, read: <http://bit.ly/2un6dJA> and <http://bit.ly/2vkJhPv>.

CAS View: Nigeria, with its massive resource potential, including oil and gas and agriculture, and its massive population, is bound to have states that figure very prominently in the list of largest economies in Africa. As a matter of fact, it will probably not be long before the city of Lagos will be very prominent in this list. The city of Johannesburg in South Africa, for example, was much larger than most of the economies in Africa. Obasanjo’s views on leadership being the primary problem facing Africa, cannot be faulted either. One must be careful to not paint with a broad brush, but many of the countries facing challenges can indeed start with their elected leadership. There are countries with courageous and ethical leaders, but then we also have those where the leadership sees the assets of the country as theirs to loot and pillage. We know who they are. Unfortunately, they are the people who taint Africa, who cause it to be seen as a basket case. This is unfair to Africa.

- **Nigeria:** Dangote recently identified some of the international expansion hurdles his company had to overcome.

Dangote recently identified some of the international expansion hurdles his company had to overcome. One has been legal action by local cement companies who were unhappy with a foreign competitor. Political risk is another major hurdle for frontier-market investors, especially uncertainties about whether an incoming government will continue with existing policies. Dangote said he doesn’t get involved in politics, and aims to work with whichever party is in power. However, there have been challenges such as finding out that the “minister of finance himself is the chairman of the competition.” Dangote advises

foreign investors to decline concessions or incentives not available to others in their sector. This means they cannot be singled out when a new government introduces policy changes – the entire sector would be impacted. Africans are used to new governments and will not wait for any election outcome; they will continue to invest. They will also not wait to see whether the new government was stable. To reduce costs, Dangote produces its own power for their businesses, which costs the company three times less than had they bought it from the national grid. For more information, read: <http://bit.ly/2u3jOqb>.

CAS View: It is good to see the how Africa's richest man has dealt with hurdles in growing his company across Africa, and his advice in dealing with challenges typical of Africa. His comment that Africans are used to new governments, that they will not wait for any election outcome before they invest, and that they will not wait to see whether the government was stable, has become well-quoted by various publications. This is a strong vote of confidence in the underlying value in Africa, irrespective of the government in power. In spite of this, there are obviously countries where you need to be a bit more circumspect than just exhibiting a blind faith in the value to be found. It boils down to what I have been saying consistently: there is a lot of value in Africa, but you must do your homework.

Southern Africa

- **Zambia:** Cotton in Zambia has the potential to increase rural smallholder incomes, improve household food security for farmers and contribute to the country's textile industry.

Cotton in Zambia has the potential to increase rural smallholder incomes, improve household food security for farmers and contribute to the country's textile industry. Government identified the textile and garment sectors as priority for Zambia's industrialisation and economic development, and is supporting programs aimed at harnessing the potential in the leather and textile value chains. The Cotton Association of Zambia (CAZ) has trained over 350 cotton farmers in spinning and weaving from last year to to-date. The development of the cotton value chain can create additional employment, especially for the women and youth. The project has enhanced collaboration with local tailors and designers who make bedspreads, shirts and bags. Farmers were getting double income from the sales of cotton and from the products after value addition such as yarn and woven materials. They have formed a co-operative for harmonised training in agriculture. Given expensive inputs, they created the village banking concept to raise funds for members. Growing cotton has become profitable because one can make profit at every stage of the value chain, as such contributing significantly to farmer income and the national economy. For more information, read: <http://bit.ly/2w90k4N>.

CAS View: Zambia has recently frequently reached the news due to the perceived autocratic stance of the President, Edgar Lungu and a state of emergency. This kind of "bad news" is not welcome in any country, especially not when the end of the commodity price super cycle has caused your economy to slump. Concentrating on a "good news" development such as the above initiatives in the cotton industry, is therefore a welcome break in a string of bad news. Industrialisation and value adding in the agricultural sector has long been punted as the way to go, amongst others by a former president of Nigeria, Olusegun Obasanjo, who is an avid supporter of agriculture. For the farmers to expand their involvement in more elements of the value chain makes perfect sense, as it increases their participation in higher margin and higher value adding activities. They do have to focus ruthlessly on cost management as they will be competing against other low cost textile environments such as Ethiopia and even in Bangladesh. An increasing number of countries in Africa have resorted to banning the import of second hand clothing in order to support their local textile industries.