

## African Union

- **Africa:** The article addresses reasons for hope that Africa is on the path to greater electrification.

More than 600 million Africans are not connected to an electrical network. African businesses cite electricity amongst the two most severe constraints on their operations. Twenty-five of the 54 countries in Africa deal with frequent power crises. There are 3 reasons for hope that Africa is on the path to greater electrification. First, solid investment fundamentals are encouraging the building of new electrical production capacity. Growing demand for electricity across Africa, along with a more conducive environment for PPPs, are raising developers' interest. Electricity demand is currently growing at 6% per year, and will likely exceed GDP growth until 2040. This has spurred private investment. Second, several African countries are laying out big investment plans in power generation, with a special focus on rural electrification. Third, in addition to national plans, international initiatives are funding new projects to foster access to electricity in Africa by 2025. Nine such initiatives are ongoing, with most them focusing partly or mainly on renewable energy and solar power. Ultimately, if all 3 of these areas are to make a sustainable difference in meeting Africa's electricity demands, policy makers must pay particular attention to two factors: grid maintenance and pricing policies. For more information, read: <http://bit.ly/2i86bEH>.

CAS View: Electricity in Africa is a source of concern for its governments and institutions such as the AfDB. Many governments are turning towards renewable energy sources to address the shortage in supply. However, the high cost of putting in place the required infrastructure, makes the process a long-term one. Fortunately, we are seeing initiatives in countries such as Kenya and Zambia where we find the likes of M-Kopa (Kenya) and Fenix (Zambia) reverting to mini-grids to provide access to electricity for the poorer communities of Africa. While Africa requires approximately \$93 billion of investment in infrastructure, approximately \$36 billion of that is required for its energy infrastructure. Given the focus on industrialisation and on developing the manufacturing sectors in Africa, there is an added requirement for additional electricity capacity to support these initiatives. This whole scenario creates an investment potential of significant proportions. However, given the size of the investments typically required, there is unfortunately always the potential of corruption in such deals. To ensure that this situation is minimised, transparency and good governance are further characteristics required from policy makers to entice investors into Africa.

- **Africa:** While Africa provides great opportunities, it does also present challenges. This article deals with steps MNCs can take to deal with these challenges.

According to the BCG, sub-Saharan Africa's annual growth rate of 7% from 2005 to 2015 is expected to rise to an impressive 12% per annum until 2035. The report also reveals that in Africa's eight biggest economies, private consumption is anticipated to grow at 5% a year to US \$1.25 trillion in 2025. New channels include shopping malls, supermarkets, and the burgeoning e-commerce, while traditional trade is mainly dominated by open-air markets such as vendors, kiosks, and cantinas. MNCs in Africa can take several steps to deal with the challenges in Africa. 1) Study the market and understand critical factors like its size and drivers of consumer behaviour. 2) Decide where to play by assessing factors such as your company's willingness to invest and how local operations match your global strategy. Consider your channel strategy (modern trade, traditional trade, or a combination of both). 3) Establish the right structure and distribution; decide how to structure your value chain - which parts to outsource or keep in-house, and how many distributors to use. 4) Choose the right partners, particularly for distribution. 5) Design a route to retailers and support in-store execution. Routes can significantly affect your distribution costs, so it's important to work with your distributors to establish the amount of time it takes to service each selected outlet. For more information, read: <http://bit.ly/2u1YfLC>.

CAS View: The BCG is quite bullish about Africa. Their message is that you must do your homework before entering Africa. Of the five steps indicated in the article, choosing the right partner is crucial, as this is where you leave yourself open to reputational risk. This is also where you give away control. Distribution in Africa is also very important, which is why Kellogg paid \$450 million for a 50% stake in Multipro, essentially a distribution company. While this article addresses steps for MNCs, the principles underlying the steps are equally relevant for SMEs as well. An additional step that is equally important, is to understand the local regulatory environment. Running afoul of the local rules and regulations can be

disastrous, probably more so for the SME than for the MNC, as the latter has more resources to deal with this kind challenge.

- **Africa:** Countries of the Gulf Cooperation Council (GCC) have expanded their engagement in Africa at varying intensities. With GCC members also belonging to the Organisation of Islamic Cooperation (OIC), there is a clear and significant pattern of new trade growth emerging with African members of the OIC.

Member states of the OIC have been discovering and unlocking new opportunities. Countries of the GCC have expanded their engagement in Africa at varying intensities. With GCC members also belonging to the OIC, there is a clear and significant pattern of new trade growth emerging with African members of the OIC. Total trade between the regions surged to US\$56 billion by end-2014, a CAGR of 25% since 2010. It appears a symbiotic partnership between Africa and the GCC is taking shape, with the Gulf opening itself up as a strategic gateway attracting the kind of talent, ideas and capital that will propel the next chapter of Africa's economic growth. From 2005 to 2014, over \$9.3 billion worth of FDI have flowed into Africa, while trade has increased from \$16 billion to \$56 billion per year. Meanwhile, African trading companies and multinationals are taking advantage of the Gulf's world-class infrastructure and global reach as a springboard for accessing more distant markets. The GCC could be an important hub for facilitating interaction and cooperation between Asia and Africa, especially as African economies become more integrated into Asia Pacific's supply chain. Unlike the rest of the GCC, Qatar and Oman have witnessed greater trade growth among nations outside of Africa's OIC community. The OIC is likely to play an ever more important role in encouraging cooperation between the GCC and members in Africa, particularly as Islamic influence gains strength across sub-Saharan Africa. For more information, read: <http://bit.ly/2vKccuc>.

**CAS View:** This article summarises a research report on the scope and scale of trade and investment between the GCC members and the African members of the OIC. It is clear that the scale has been picking up considerably the last decade. We have seen various government delegations from the GCC states recently visiting Africa. One of the most recent visits was that of the Emir of Qatar to South Africa in April 2017. It will be interesting to see how the very recent sanctions of the GCC against Qatar will affect this country's investment drive into Africa. Given that a number of the GCC states have a single strategic resource asset in the form of oil, which has a finite lifetime, it makes strategic sense for these countries to invest in other countries globally. It also reduces their exposure to price fluctuations over which they have no control. This report is available from the NTU-SBF Centre for African Studies.

- **Africa:** The Japanese government is set to scale up private investment in Africa as it readies to shift its intervention approach in Africa from ODA to private investment.

The Japanese government is set to scale up private investment in Africa as it readies to shift its intervention approach in Africa from ODA to private investment. This approach is aimed at making best use of its competitive edge, infrastructure investment and human resource development through Japan's African Business Education Initiative for Youth. The measures seek to develop infrastructure, build resilient health systems and lay the foundations of peace and stability, amounting to \$30 billion under public-private partnership (PPP). These goals will be achieved by utilising the excellent science, technologies and innovation of Japan. There have been talks between TICAD officials and the private sector in Japan to open business in Africa and the governments of the member countries are working with the Japanese officials to bring about a good business climate. Africa's development presents an opportunity for Japan to have more investment opportunities. The overall goal is to address the root cause of social instability, natural disasters, climate change, as well as man-made disasters like extremism, and terrorism, together with the international community. For more information, read: <http://bit.ly/2uSc8r7>.

**CAS View:** The Japanese government's involvement in Africa dates back to 1993. Over the course of more than 20 years since TICAD I in 1993, it has been improving social and economic conditions in Africa, mainly through grant aids and technical assistance. In the five years since 2008, the government of Japan built 1,321 elementary and middle schools, improved 4,778 healthcare and medical facilities, and provided safe water to an additional 10.79 million people. Last year, TICAD VI was hosted in Nairobi. It was during this event that Japan promised \$30 billion for investment in Africa, centering on developing

quality infrastructure, promoting resilient health systems and laying the foundations for peace and stability. With the Japanese government creating the policy environment, its private sector can reach out to Africa using PPPs as the investment vehicles. As it is, a PPP approach has the potential to mitigate the overruns and schedule delays that plague traditional infrastructure project delivery by clearly delineating governance, allocating shared risk, integrating resources, applying best practices, and establishing a life cycle—long perspective of costs and accountability. For more information on this aspect of PPPs, read the [McKinsey Report](#) on the topic. Getting the private sector involved in Africa to address its developmental requirements has also long been an objective of institutions such as the AfDB. In the geostrategic context, given its collaboration with India in the Asia-Africa Growth Corridor, it will be interesting to see to what extent both Japan and India will expand their initiatives in Africa. It will also be interesting to see to what extent the potential initiatives surrounding the AAGC are personality-driven and whether they will fade away when Prime Ministers Modi and Abe are no longer in power. Given that the TICAD has been around since 1993, it is unlikely that any ventures sprouting forth from it will be stopped. It is possible that TICAD will be drawn into the AAGC initiative to form part and parcel of Japan's contribution towards the AAGC. This would provide a greater sense of permanence to the AAGC, with Africa the ultimate winner.

## East Africa

- **Sudan:** Sudan, currently the focus of economic sanctions imposed on it by the USA, presents numerous business investment opportunities. This is also the case for American investors should the USA revoke the sanctions in the short-term.

By the end of 2016, Sudan was Africa's seventh-largest economy, with its GDP advancing by 4.9% and 3.1% in 2015 and 2016 respectively. Growth is expected to be driven by the continued expansion of agriculture, gold production, and services. To stimulate the manufacturing sector, the government is promoting investment in its 2 free trade zones (to be increased to 6). Sudan offers investment and business opportunities in a variety of areas, with the government specifically encouraging increasing exports and import substitution. Sudan has large deposits of gold, silver, chrome, iron, zinc and tin, in addition to its oil and gas reserves. Agriculture is the biggest sector in Sudan, contributing just over 30% to GDP. Major agricultural exports are gum arabic, sorghum, oil seeds, cotton and sugar. Sudan also has significant animal resources that are used for meat and leather exports. Other opportunities include horticultural irrigation schemes, irrigation products and services, and improved seeds and fertilisers. The government is seeking investors in primary infrastructure projects that will serve as a foundation for future development, e.g. electricity production and distribution. Other focus areas include the construction of roads and bridges, provision of rural and urban drinking water, and the development of housing and commercial real estate. Sudan has a handful of tourist sites that investors in this sector can leverage for new tourism ventures. For more information, read: <http://bit.ly/2x6qjJT>.

**CAS View:** Hearing the name of Sudan conjures images of war and strife, authoritarian leaders and misery amongst side-lined ethnic groups. Darfur comes to mind. Its president, Omar al-Bashir, has been charged by the ICC for genocide. The US imposed comprehensive economic, trade, and financial sanctions against the country in 1997. These sanctions have a good chance to be revoked in the short-term. Reading about the business opportunities the country presents, makes it clear that the country is in dire need of investments. It has a unique tourism potential as they claim to have more pyramids than Egypt. During a 2-week visit to Khartoum a couple of years ago, in addition to visiting the confluence of the Blue and White Nile, I had the privilege to listen to a quintet of violinists from Italy playing Vivaldi and Mozart with one of these pyramids in the background, out in the desert two hours north of Khartoum. The sun was setting in the west, while a full moon was rising in the east. Definitely a bucket list event. Khartoum has the country's only golf course, privately owned at the time; probably still is. There are various Sudanese corporations in mainly Khartoum, such as the DAL group. DAL is a diversified corporation covering numerous industries, ranging from construction, to food, and to luxury motor vehicles. Although they are doing well, they clearly are not filling the demand. The bottom line is that there are many opportunities for the adventurous investor who has the requisite appetite for risk. The returns could be phenomenal.

- **Uganda:** Uganda will be supplying electricity to the DRC in a deal where the project is mostly financed by the DRC. The latter is a country with the potential to provide not only in its own needs, but also to export electricity to most of its neighbours, even so far south as South Africa.

Uganda has signed a deal to start supplying electricity to the DRC in the next 3 years. More specifically, Uganda will supply electricity to the eastern DRC. Once Karuma, Isimba and other small power dams are completed, Uganda will have excess power, which will be exported. Efforts are also underway to connect power to 80% of Ugandan households. The Ugandan government is trying to reduce the cost of power as a first step towards easing access by all. Karuma and Isimba dams combined will generate 783MW. Uganda currently generates 825MW. The financing of the project will be about \$150 million. Of that amount, Uganda will contribute about \$22 million and the rest will be the responsibility of the DRC government. Once that funding is secured, it will take 2 years to complete the project. The money will be borrowed from the African Development Bank. This is part of the regional countries' efforts to interlink their infrastructure, which initiative will also be extended to South Sudan. For more information, read: <http://bit.ly/2uEVorl> and <http://bit.ly/2uQWZ9G>.

**CAS View:** This is a great opportunity for Uganda. With its renewable energy capacity, it can not only provide electricity to its own people, but also supply the eastern DRC. The 2 dams Karuma and Isimba will literally double Uganda's current generation capacity. Getting the DRC government to pay for 85% of the cost of the project, makes the deal even sweeter. Looking at the DRC, one cannot help but to raise questions. The DRC has significant potential in energy production, ranging from hydroelectricity, hydrocarbons and biofuels to solar, wind, geothermal and even nuclear power, although the latter was shut down in 2004. The Grand Inga project aims to produce up to 40 GW. There are a number of other smaller hydro projects that will provide an additional 450MW. The other energy sources have a more limited capacity. While it has the capacity to provide many of its neighbours with electricity from its hydro plants, it is now working with its neighbours to ensure the provision of a certain level of electricity for itself. It does not always make sense. This is frequently the cost a country pays for the internal instability and political upheavals we do see in the DRC.

## Southern Africa

- **Botswana:** There are various industries where impact investors can possibly improve socio-economic indicators in Botswana. The country is one of Africa's most stable democracies and economies.

"Social impact" investing has gained momentum in the developed world and is slowly spreading towards SSA. There are various industries where impact investors can possibly improve socio-economic indicators in Botswana. It is estimated that 34% of all corporate giants invested in agriculture, invest in SSA. Botswana continues to hold vast underdeveloped natural resources like land and surface water bodies. Labour is highly available and cheap, but severely underutilised. In terms of impact investing, the focus is on the use of environmentally friendly equipment. Botswana had the second highest HIV/AIDS prevalence rates in the world in 2011 at 23.4%, just behind Swaziland at 26%. This is another potential impact investment vehicle for investors. The social impact investment areas are non-exhaustible and include investments in clean energy in solar power, fluorescent paint for Africa's roads and electric intra-city train systems. They include investments in the arts, which are proving to be a growing industry with huge potential for profit. With more focus on climate change by governments, social impact investing will surely grow in the coming decade. For more information, read: <http://bit.ly/2wSa8R7>.

**CAS View:** Botswana is one of the better performing economies in Africa and is politically stable. It has sound leadership in the figure of President Ian Khama, who has not been afraid to speak out against the blatant crimes of some of his neighbours. While this has not endeared him to them, it does send a clear message to potential investors that good governance is a characteristic of Botswana. The country has a GDP of \$15 billion and a population of 2.25 million. It has a healthy government debt to GDP ratio of close to 23%. Its GDP per capita (PPP) of \$15 513 is the 5<sup>th</sup> highest in Africa. But there is still a lot to do. Its considerable potential in the agricultural sector must be unlocked, and it must address its health challenges. As for education, there is a lot of opportunity as well. It also has considerable potential in solar energy. Given its ample exposure to sunlight, this is one area that can be of serious value to Botswana. In the field of social impact investing, this is a sector crying to be tapped into and exploited. As it is, Botswana is mostly dependent on South Africa for its electricity. This need not be the case. In

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addition, going the renewable energy route has the added benefit that it is the green thing to do. Botswana's eco-tourism potential is another area where jobs can be created and value can be unlocked.