

African Union

- **Africa:** SMEs have great potential for expansion in Africa, because they are agile and flexible enough to exploit the opportunities in the continent's growing economies. Those that engage in international markets are twice as likely to succeed than those that only operate domestically.

SMEs have great potential for expansion in Africa, because they are agile and flexible enough to exploit the opportunities in the continent's growing economies. SMEs, however, need to make supply chain management part of their business plan if they want to succeed. Those that engage in international markets are twice as likely to succeed than those that only operate domestically. DHL views SMEs as the engines for growth in sub-Saharan Africa. SMEs make up a large portion of the employment for the individuals joining the workforce in Africa. Finding the right partner to help build and manage a company's supply chain is vital in an SME's growth process. SMEs need to be able to increase inventory velocity, achieve the shortest possible cycle times, continually improve their supplier performance and drive their sales and market share. Supply chain management is central to this. Additionally, utilising opportunities to take part in the global economy will speed up SMEs' growth. The participation of SMEs in international markets can result in higher growth and employment through economies of scale and in enhanced productivity and innovation through learning effects. For more information, read: <http://bit.ly/2yNdyHQ>.

CAS View: SMEs are indeed the engines of growth in Africa. They create work and employment opportunities, frequently punching above their weight in this regard. It is interesting to read that those that expand internationally are twice as likely to succeed than those who do not. This provides a powerful imperative for expansion. Potential reasons would include a greater potential market (selling more, frequently at a higher price), the opportunity to reduce costs in the new market (cheaper resources and labour, as well as tax incentives), and reducing risks inherent in the home market. Obtaining a partner in the new market is one way of reducing risks associated with international expansion. It is, however, imperative that a thorough due diligence is done, as getting the wrong partner on board can be devastating for the brand and reputation of your company. Such a partner hopefully has access to a lucrative network, has detail knowledge of the market, and understands the regulatory issues required to do business and stay on the straight and narrow. It is interesting to note that in some industries, expanding into Africa is mostly done via partnerships. Sanlam (financial services industry) has done this very successfully in its expansion strategy in Africa. In others, we find some using partnerships, while others follow a greenfield strategy. This is true of the food retail industry.

- **Africa:** Africa could be the solution for the impending food scarcity risk.

According to Akinwumi Adesina, Africa could be the solution for the impending food scarcity risk. Food scarcity is increasingly rising up risk agendas, as risk professionals recognise the additional risks to business caused by a hungry population, including risks to individual businesses and political violence risks. Adesina called for a land tax for unused agricultural land or underutilised agricultural land, to provide incentives for faster commercialisation of agriculture and unlocking its potential in Africa. Africa has 65% of the uncultivated arable land left in the world, so what Africa does with agriculture will determine the future of food in the world. In Africa, close to 300 million are malnourished. It is also the only region of the world where the proportion of the population that is food-insecure has increased. Adesina views the situation where Africa spends \$35bn annually on food imports as unacceptable. If this trend continues, Africa will spend \$110bn by 2030 on food imports. To transform its agriculture, Africa needs to develop new agrarian systems that combine smallholder farmers with a new dynamic generation of medium and large commercial farmers. A top priority must be to mechanise agriculture in Africa. For more information, read: <http://bit.ly/2h8xcEO>.

CAS View: It is interesting to read articles on food production in Africa. Over the past few years, it has become clear that Africa is not producing enough food to feed itself, in spite of the potential it has in this regard. It is importing vast amounts of food, which is set to increase 3-fold over the next 13 years. In spite of having substantial land available for agriculture, it still has close to 300 million people that are malnourished. I have frequently spoken about the fact that some countries in Africa can feed the continent on its own, yet struggle to feed their own population. Adesina's suggestions to tax those that do not use or underuse their land, is a stick approach. It might be high time that we follow this approach, as other

attempts have not seem to work. We keep on talking about it, but seemingly nothing gets done. While mechanising agriculture could increase production and productivity, it has the real danger of increasing the level of unemployment. This is something Africa cannot afford. The idea is normally that those who will be out of work in the agri sector due to mechanisation, will get the opportunity to upscale to other more sophisticated levels of work. In theory, this seems to work well. The danger lies in the practical application in Africa. Whatever Africa views as imperative to address this situation, it must be practical with clearly defined strategic initiatives and outcomes, with responsible people identified and clear objectives. We seem to be good at planning, but light on implementation. It is time Africa stops talking and starts doing. And when we still talk, we need to talk about implementation steps! To do otherwise would be a waste of time. Support from abroad should also address implementation as an imperative.

- **Africa:** There are significant investment opportunities in agriculture, power, infrastructure and retail available in Africa.

This report addresses investment opportunities in 4 key sectors, namely Agriculture, Power, Infrastructure, and Retail. Africa has a global comparative advantage in **agriculture**, being home to more than half the world's agriculturally suitable and highly unused land and resources. In addition, its vast water resources have hardly been tapped. With 60% of the world's uncultivated land, Africa is only responsible for 10% of its agricultural produce. Technology is making a distinct impact on the agricultural sector. Reliable and affordable **energy** is pursued to elevate economic growth and sustain the needs of an increased urbanised population. Africa's gaps in conventional energy structures provide opportunity for low-carbon solutions, especially since it holds more than half of the world's renewable energy potential. The lack in **infrastructural development** is a problem that impacts Africa as a whole. Investment in infrastructure has stagnated over the last decade. **Retail** is a fast-growing sector in Africa, experiencing impressive growth rates, and contributing to the income distribution expansion in Africa. Nigeria, Ethiopia, and the DRC have the most favourable consumption spending growth. Countries known for strong retail markets in Africa, include Algeria, Ghana, Kenya, Morocco, and Nigeria. For more information, read: <http://bit.ly/2zH3oWN>.

CAS View: These 4 industries are by no means the full population of opportunities in Africa. Food scarcity and the need to diversify from commodities such as oil and minerals, as well as the large part of the population involved in the sector, makes agriculture an important sector for investment. The lack of productivity, with more than 60% of the population contributing less than 30% to GDP, provides another incentive for such investments. This goes hand in hand with infrastructure development, in transport (road, rail, ports and airports), energy, housing and water. At a recent seminar on Guinea's potential, the question was asked as to how Guinea would deal with rural food security. Mr Paulo Gomes, former director at the World Bank, mentioned the provision of infrastructure as one way of dealing with this. The provision of roads and rail networks would make moving food from point A to point B that much easier. The growth of retail is also influenced by the urbanisation trend, as well as the growth of the middle and luxury class. All these trends tend to be related in a systemic fashion. As for the retail industry, it seems that in some regions in Africa, retailers are struggling more than others. I spoke last week about the situation in East Africa, where local players like Nakumatt and Uchumi have been struggling. Foreign layers like Carrefour and Choppies (Botswana) have now ventured into East Africa. South African players such as Shoprite and Pick n Pay have also opted to move out of Tanzania and have decided to stay out of Kenya. Retail in East Africa is therefore not as easy as it seems. Doing your homework thoroughly is therefore imperative.

- **Africa:** Africa's power and energy sector is a critical driver of growth and development. Five key trends will impact the way that people live and work.

Africa's power and energy sector is a critical driver of growth and development. Five key trends will impact the way that people live and work. **Coal power plants and projects are becoming more difficult to finance** as there is a greater move towards investment in low-carbon technologies and green energy. There is a growing push from African countries to **move from coal as a primary feedstock to renewable energy solutions**, in which the costs have fallen significantly, making them competitive. There has been massive **investment in battery storage** and R&D in the field by leading global companies. A driver of

battery storage is the substantial drop in costs in the next 3 to 5 years. With the rise of **decentralised distributed generation**, providing electricity to the current 600 million people without, has become easier through the building of smaller power stations at specific load centres, rather than bigger, centralised stations that need to transmit power long distance. In developed markets, many countries' **grids are linked or integrated** to move power from a surplus country to a deficit country in need of power. This is not the case in Africa. This is why growth in this area will continue to be slow and developments will only be visible over the next decade. Africa will continue to be a compelling investment case. For more information, read: <http://bit.ly/2zPAVPp>.

CAS View: This article provides a good summary of the main trends in the energy sector. It provides clear indications that renewable energy, such as solar, wind and hydro, are becoming cheaper and easier to install. It is especially at the small-scale village level that renewable energy mini-grids are more efficient, faster to implement, and cheaper. It is especially solar that has been punted as the energy business model of the future. This will allow Africa to leapfrog the industrial era system of massive generation, transmission and distribution infrastructure. The new era energy resources provide many opportunities for investment in the various parts of the energy value chain. This ranges from original equipment manufacturers (batteries and solar panels – in the solar industry), to developing mini-grids, etc. It is imperative that the issue of electricity provision in Africa is addressed, as there are more than 600 million people in Africa living without electricity. The lack of electricity also places constraints on the industrialisation efforts and the development of the manufacturing sector in Africa.

- **Africa:** The AfDB has called for global support for Africa's young farmers and "agripreneurs", highlighting how agribusiness is the answer to Africa's youth employment.

The AfDB has called for global support for Africa's young farmers and "agripreneurs", highlighting how agribusiness is the answer to Africa's youth employment. ENABLE Youth is about investing in small agribusinesses today so that they can grow into large enterprises tomorrow. "By empowering youth at each stage of the agribusiness value chain, we enable them to establish viable and profitable agribusinesses, jobs and better incomes for themselves and their communities." Africa has 420 million youth aged 15-35, which are expected to double to 840 million by 2040. Attracting a new cadre of young, energetic and talented agripreneurs is an urgent priority. Studies indicate there are expanding opportunities for youth employment and entrepreneurship throughout high-potential value chains, where consumer demand is increasing, including horticulture, dairy, oilseeds, poultry and aquaculture. In addition, there are huge opportunities for engaging African youth in services and logistical sectors in key off-farm activities such as transportation, packaging, ICT and other technology development and light infrastructure – that add value to on-farm productivity and efficiency. The whole idea of connecting farms to markets, particularly rising urban and regional markets, is where Africa needs to plug in this bulging youth population. For more information, read: <http://bit.ly/2zBR769>.

CAS View: This article is in line with the recommendations of former Nigeria president, Olusegun Obasanjo, who I reported on last year during his visit to Singapore. We need to get the youth interested in agriculture. Currently they see a career in agriculture as a perpetuation of the poverty their parents have had to endure. They see a move to the cities as a strategy to escape this perceived poverty trap – wrongly so. We must develop practical and implementable steps to get the youth involved in the various steps of the agri value chain. As Adesina has been reported to say, we must start seeing the agri sector as a business venture and not as a lifestyle. And we need to up the productivity levels of the agri sector throughout the continent! Africa must prioritise the development of meaningful jobs for its youth, sooner rather than later. This will require the development of relevant education programmes to upskill Africa's youth, including developing supply chain management skills. Africa's problem regarding road infrastructure is another challenge that has to be addressed to improve the chances of success of the agriculture sector.

West Africa

- **Mauritania:** The IMF has urged Mauritania to strengthen its economy through a more transparent and user-friendly banking system, among a series of measures.

The IMF has urged Mauritania to strengthen its economy through a more transparent and user-friendly banking system, among a series of measures. Mauritania continues to face a challenging external environment, with low and volatile metal prices. A steep decline in iron ore prices in 2014–2015 reduced exports by half, widened the fiscal deficit, put pressure on reserves and exposed bank vulnerabilities. This also increased financial stability risks. In response, the authorities are strengthening bank supervision and are preparing a national strategy for accelerated and inclusive growth covering 2016–2030, including structural reforms and large-scale, foreign-financed infrastructure investment programmes to support jobs, growth and diversification. Growth prospects have improved along with planned public investment and structural reforms and some recovery in metal prices. However, large external imbalances remain. A recently discovered offshore gas field could be a game-changer, starting in 2021. The main challenge now is to support growth, reduce poverty and unemployment, diversify the economy and meet infrastructure needs while, at the same time, strengthening macroeconomic stability, the external position and debt sustainability. For more information, read: <http://bit.ly/2gACKr7>.

CAS View: The advice from the IMF to the government of Mauritania is valid for quite a number of countries throughout Africa. It seems like a common recipe. This is by no means an attempt to trivialise the advice from the IMF. It just that it seems many African countries face the same challenges and find themselves in the same predicament. Mauritania ranked 133 out of 137 in the 2017/18 Global Competitiveness Rankings. Its 4 top challenges include access to financing, corruption, tax and inflation. On the Ease of Doing Business, the country ranks 160 out of 190 globally, and 30 out of 48 African countries. The country therefore has a lot to do to improve its position. To provide a comparison, its neighbour to its south, Senegal, ranks 106 out of 137 on the Global Competitiveness Rankings, and 147 out of 190 globally and 21 out of 48 on the Ease of Doing Business in Africa. The good news is that Mauritania has improved 5 positions since 2016. In 2015, its Ease of Doing Business was a poor 176 out of 189! Its Global Competitiveness Ranking in 2015 was 138 out of 140. It is clearly on a positive trend. As far as corruption is concerned, Transparency International ranked it at number 142 out of 179 countries in 2016, better off than Kenya, that came in at 145, and Uganda, that came in at 151. Kenya has been attracting a lot of investment in spite of this poor perception of corruption within its borders. However, Mauritania needs to address this as a matter of urgency, as the corruption perception index in 2015 was at 112! Hopefully as it implements the advice from the IMF, we will see a continued trend in the right direction! It will be good for the region of West Africa should we have another bright star in the region, together with Cote d'Ivoire, Ghana and Senegal, that attracts foreign direct investment. This will only happen when the country demonstrates a stable political, economic and social environment, with good prospects for returns. It seems to be embarking on this journey.

- **Nigeria:** Jumia, Africa's first start-up unicorn, has expanded its online small business loan program to more markets across Africa. It is providing small-scale loans to merchants in all of the African countries in which it operates.

Jumia, Africa's first start-up unicorn, has expanded its online small business loan program to more markets across Africa. It is providing small-scale loans to merchants in all of the African countries in which it operates. Jumia partnered with San Francisco-based mobile lender Branch to provide the loans to vendors, with the program proving successful in Kenya since May. Jumia and Branch use the sales history and future performance projections of online merchants to determine whether they qualify for loans of up to \$290, offering a 6-month term on the loans at 1.2% interest rates. The loans are made available immediately on the Branch mobile app, and these are paid to vendors through M-Pesa. Through the small business loans offering, Jumia is disrupting the financial sector by exploring products that will allow consumers and small businesses access to banking services that they otherwise would not have access to. This programme is seen as a means to provide much needed funding for vendors. Jumia currently serves 20 countries in Africa, with Nigeria remaining the biggest of those markets thanks to around 15,000 vendors present in the country. For more information, read: <http://bit.ly/2i5yMau>.

CAS View: Jumia is doing what companies such as Olam and Tolaram are doing, i.e. helping the players in the industry value chain with working capital. In this way, it creates goodwill from the vendors towards Jumia. This is part and parcel of Jumia's business model. It is interesting to note the author of the article referring to the danger of banks being disintermediated by the likes of Jumia. This is the same way M-Pesa has created the potential for disintermediation of the banks in Kenya and East Africa. The banks in East Africa have responded with their version, i.e. PesaLink. The support for this application, however, is

insignificant relative to that of M-Pesa, a case of too little too late by the banks. Jumia is creating the same conditions for the banks in the countries it operates in. Life is seemingly becoming tough for the banks in Africa!