

## East Africa

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Kenya and Ethiopia are reconsidering major infrastructure projects between their countries following an MoU signed 2 years ago. They announced they would focus on the development of the Lamu Port South Sudan Ethiopia Transport (Lapsset) corridor. They committed to the development of Lapsset, the Northern Corridor including road network between Isiolo, Moyale through to Addis Ababa and the railway from Addis Ababa to Nairobi. Both sides agreed to finalise the Ethiopia-Kenya interconnection transmission line and to jointly supervise and inspect the Lamu-Garissa-Isiolo-Moyale and Moyale-Hawassa-Addis Ababa road networks. The project was repeatedly delayed since 2016 due to financial constraints experienced by both countries. The seven portions of the Lapsset project require an estimated \$24.5 billion, with a \$3.1 billion bill for Lamu Port. For more information, read: <https://bit.ly/2rvPWTR>.

CAS Analysis: Infrastructure is a major challenge throughout Africa. The annual investment required amounts to between US\$130 and US\$170 billion. The Lapsset project is heavily financed by the Chinese. The new prime minister of Ethiopia has been reaching out to his neighbours, i.e. Kenya, Djibouti and Sudan. In addition to developing infrastructure, the respective country leaders discussed the stability in Somalia, and as such, the Horn of Africa. Ethiopia and Djibouti are the stable countries in this region. As can be seen below with the discussion of the article on Somalia, the region is becoming a playing field of not only a number of global and regional powers, but also the terrorist group, Al Shabaab. Having a number of countries in the region collaborating, would hopefully create a more stable region, better integrated with newer transport infrastructure and higher levels of intra-regional trade.

- **Rwanda:** The digital mobility concept, “Moving Rwanda,” will connect the production of VW cars, the share usage concept and training. Moving Rwanda is based on the idea that there are more than a billion people in Africa – of them, only about 10 million can afford a vehicle. Then there about 300 million people with up to \$3 in their pocket; getting into this market and getting them mobile creates a massive market to deal with.

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CAS Analysis: VW has moved into both Kenya and Rwanda. This is in addition to the production facilities in South Africa. Other global brands in East Africa include Kia and Toyota. The small number of people who can afford a new car in Rwanda necessitates a different business model than what is normally the case. Hence the development of “Moving Rwanda”, which has a massive potential market, not only in Rwanda, but in many other parts of Africa. Creating your own supply of second-hand cars to meet a demand currently fulfilled by foreign supply, is an added bonus. The creation of additional jobs and the benefits of import substitution (and maybe even export revenues), is the cherry on top!

- **Somalia:** President Kenyatta of Kenya recently addressed the political and economic crisis in Somalia and urged foreign powers to stop undermining the current government as this created regional instability.

President Kenyatta of Kenya recently addressed the political and economic crisis in Somalia and urged foreign powers to stop undermining the current government as this created regional instability. According

to him, the Gulf powers' approach to Somalia is highly irresponsible, short-sighted and selfish. For nearly a year now, Saudi Arabia, the UAE and Bahrain have been undermining Qatar. The problem is that the Saudi-UAE bloc has exported this rivalry by demanding the support of countries in a "you-are-either-with-us-or-against-us" approach to diplomacy. The effect in the Horn has been devastating. The Saudi bloc is waging a war in Yemen, which has ruined that country and created conditions that will feed instability for years to come. In Somalia, the Gulf powers, led by the UAE, are trying to undermine the government. They have sealed deals for port management and security training with the semi-autonomous regions of Somaliland and Puntland, while the Somali government has complained that millions of dollars are being spent to buy the support of rival political players. Somalia needs all the help it can get and stability in will mean better lives for its people and the wider region. For more information, read: <https://bit.ly/2ld65nu>.

**CAS Analysis:** Not only Somalia, but the whole of the Horn of Africa, as well as Sudan, has become the playing field of various countries. Djibouti houses military bases of various countries, with China being the latest addition. Russia has been invited to use Sudan as a gateway into Africa, and is looking at developing a military base in Somaliland at the city of Zeila. Russia is reportedly negotiating with Somaliland leaders for a naval base to support its warships and submarines to operate in the region. If realised, this would be Russia's first base in Africa since the Cold War and be a major step forward for Putin's programme to revive Russia's once proud navy. Zeila is also on the border with Djibouti - nearby the location of China's base. As the US and China both have military facilities in Djibouti, it should not be a surprise that Russia would want facilities there too. Russia is proposing that it will recognise the breakaway republic of Somaliland in return for being allowed to establish the base. It also reported that Russia will ensure security in Somaliland by training its military. Russia's presence must be seen in addition to the actions of the UAE, Qatar and Ethiopia in Somaliland. Ethiopia's joint development of a port in Berbera with the UAE, as well as Russia's increasing relations with both of these countries, point to tacit economic-strategic motivations behind its possible decision to build a base in nearby Zeila because it could achieve several objectives by strengthening Russia's ties with all three parties. Then we have Somalia rejecting UAE support, with Qatar stepping in to replace the UAE's initiatives. It is becoming a very complex situation. Foreign governments should indeed work to improve institutions and boost security in Somalia, instead of fomenting instability and using the country as the playing field in which they advance their foreign policy objectives.

## **West Africa**

- **Cote d'Ivoire:** Multiple projects financed by the Korean government and implemented by the Cote D'Ivoire government agency specializing in rural development are improving the lives of the people in the rural areas.

Multiple projects financed by the Korean government and implemented by the Cote D'Ivoire government agency specializing in rural development are improving the lives of the people in the rural areas. In addition to agriculture, the projects include the construction of infrastructure and providing training in agriculture. Due to the projects, communities have developed a spirit of community and are working as one in cooperatives. The financing of the projects come from the Korean-Africa Economic Cooperation programme. The projects aim to enhance the equitable distribution of income, increase agricultural production, and improve the environment and local infrastructure using a community-based and participative approach. Other projects include supporting business ventures of women engaged in cassava production, processing and marketing. It also attempts to use some of the waste products in the process for the production of biogas, which will also be used for cooking the cassava. The project has also built classrooms, providing kindergarten education for 87 children. The communities are actively involved in the implementation, ownership and sustaining of these projects. With consolidation, project beneficiaries are actively converting their smallholder farming activities into successful agribusinesses. For more information, read: <https://bit.ly/2ry8Vwh>.

**CAS Analysis:** This kind of project has the potential to make a considerable impact on rural communities. The idea is to develop self-sustaining communities, using biogas and other forms of renewable energy, to complement the development of food producing initiatives in various sub-sectors. Boosting the livelihoods of women and the youth is an additional benefit. Some agricultural sectors are creating fair trade projects to enhance the living and employment conditions of labourers, as well as developing facilities for the children of these labourers and smallholder farmers. This includes pre-school facilities,

and primary schools in remote areas. It also includes providing facilities to upgrade the computer skills of the youth (and even their parents), as well as clinics to address the health issues of the community members. The community members themselves decide on the spending priorities of the funds generated. The challenge is to get these projects to become self-sustaining from a revenue generation perspective, to prevent a life-long dependency on foreign funds.

## Southern Africa

- **Zimbabwe:** Zimbabwean Movement for Democratic Change Alliance leader Nelson Chamisa has vowed to expel Chinese investors if he wins the upcoming elections. He claimed that the Chinese were involved in shady deals with the Mnangagwa administration, and that most of the deals Mnangagwa agreed with the Chinese companies were characterised by corruption, looting and the stripping of Zimbabwe's assets.

Zimbabwean Movement for Democratic Change Alliance leader Nelson Chamisa has vowed to expel Chinese investors if he wins the upcoming elections. He claimed that the Chinese were involved in shady deals with the Mnangagwa administration, and that most of the deals Mnangagwa agreed with the Chinese companies were characterised by corruption, looting and the stripping of Zimbabwe's assets. He said the deals were not about the country, but were deals benefitting individuals. Zimbabwe and China had signed several deals running into billions of dollars, spanning from energy and roads to general infrastructure development. The projects included the extension of the Kariba South Hydro Power Station, which added 300MW to the national grid. Zimbabwe adopted the so-called "Look East policy" when former president Robert Mugabe fell out with the West. The policy saw China becoming the country's major investor. Mnangagwa's new administration has continued with the policy, with the president claiming to have reached deals worth billions of dollars with Beijing following the ouster of Mugabe in November. For more information, read: <https://bit.ly/2IyDPiC>.

**CAS Analysis:** There is an old saying, "talk is cheap, but money buys the whiskey." Promising to expel the Chinese is easy to do, but much more complex to bring about in practice. It is not as if many countries in the past queued to support Zimbabwe after its previous president fell out with the West. President Mnangagwa recently visited China and met with President Xi Jinping. Amongst others, they discussed Zimbabwe's participation in the Belt and Road Initiative. This does create tremendous potential for the country moving forward. While one could certainly entertain the notion that China's strategy in Africa has not always been the most optimal one as far as African countries are concerned, to apply a blanket charge that China is the corrupt and guilty partner, is to underestimate the corruption inherent in regimes such as that of ex-president Mugabe. African countries must upgrade their level of governance as a general approach to doing business with anyone. On Transparency International's Corruption Perception Index, Zimbabwe ranks at 42<sup>nd</sup> in Africa and 157<sup>th</sup> out of 180 countries globally. The country's index score stayed very much constant since 2012, moving from a 20 in 2012, to 22 in 2017. They have a lot of work to do. As for other trade partners, Russia recently in March 2018 visited Zimbabwe to firm up relations. This does provide alternatives as far as trade partners are concerned. How this will impact perceptions of corruption, however, are anyone's guess.

## North Africa

- **Egypt:** Africa's leading online shopping platform, Jumia, wants to make Egypt its biggest market on the continent, and it's turning to Egypt's vast network of unlicensed vendors for help.

Africa's leading online shopping platform, Jumia, wants to make Egypt its biggest market on the continent, and it's turning to Egypt's vast network of unlicensed vendors for help. Jumia wants a 10-fold growth in revenue from Egypt and a 6-fold growth in the number of products offered on its platform by 2021. To achieve that, Jumia is urging the government to regulate informal retailers by offering them tax incentives and cheap loans that would allow them to market their goods online. Only 5 to 8% of Egyptian internet users have made a purchase online, mostly in cash. The informal economy accounts for at least 37% of Egypt's GDP, and informal retailers don't pay taxes or face quality controls, which means their products are off-bounds for Jumia. The allure of online retailers such as Jumia for consumers has been that it allows them to pay for the goods in cash upon delivery. Jumia's sales in Egypt grew 190% in 2017 from

the previous year as consumers looked for cheaper products and retailers turned to Jumia to reach bigger audiences. For more information, read: <https://bit.ly/2loTG3k>.

**CAS Analysis:** Egypt has a population of approximately 96 million. The low number of internet users that have made a purchase online (5% - 8%), creates a massive potential market as the current market is far from saturation. Internet penetration stands at 37.8%, implying one of the largest populations of prospective online shoppers in the Arabic-speaking world. The large contribution of the informal sector to Egypt's GDP, in turn creates a large pool of potential suppliers that could be integrated into the formal sector. This has all the benefits stated above, such as paying taxes. A 2015 figure put the potential 2020 e-commerce market at US\$2.7 billion. The latest Egyptian strategy (2018) aims to double the footprint of businesses selling products and services online in the country by 2020. So, Jumia in Egypt has all the makings of benefitting from growing its supply base to meet the demands of a growing consumer base. As to who are potential shoppers, Egypt's ICT Ministry found that the age group of 15–29 years comprised more than 50% of total online shoppers, while 30% of online shoppers were in the age group of 33–44 years.

- **Sudan:** Saudi Arabia will supply Sudan with millions of tons of oil for the next 5 years to help it tackle a growing energy crisis. Sudan has been hit with an acute fuel crisis for weeks now, sending black market prices surging in Khartoum as residents queued outside fuel stations for hours.

Saudi Arabia will supply Sudan with millions of tons of oil for the next 5 years to help it tackle a growing energy crisis. Sudan has been hit with an acute fuel crisis for weeks now, sending black market prices surging in Khartoum as residents queued outside fuel stations for hours. Sudan will receive 1.8 million tonnes of oil in the first year. After that each year the quantity will be raised by 7%. The financing of the deal is to be facilitated by the Saudi Development Bank. Residents in Khartoum have been queueing for hours outside fuel stations since supplies began dwindling in early April, with officials blaming maintenance delays at a key refinery, although foreign currency shortages have also played a role. The crisis has since escalated despite official pledges to resolve it. Most fuel stations were receiving less than their allotted quotas of petrol and diesel, with attendants often keeping the outlets shut once they sold their stock. Farmers too complained they were unable to transport their products to market as hundreds of trucks had been grounded. The crisis comes amid surging inflation that has triggered sporadic anti-government protests in Khartoum and other cities. For more information, read: <https://bit.ly/2jEKnhF>.

**CAS Analysis:** Sudan is stepping out after the USA lifted sanctions against it. During the period of sanctions, the south of Sudan seceded, together with 75% of the oil reserves of the former Sudan. This placed severe constraints on Sudan. To aggravate the situation, Sudan has severe liquidity challenges, to such an extent that on 2 May 2018, President al-Bashir ordered the closure of 13 diplomatic missions and most of Sudan's trade offices abroad, in a bid to cut government spending amid serious economic challenges. Bashir also ordered the foreign ministry to implement a foreign representation restructuring plan. On the oil side, while Chinese companies control 75% of foreign investment in Sudan's oil sector, they may now face fierce competition. Executives at oil companies in the UAE say they are surveying oil-rich areas in the south of the country for potential business, assessing political stability and security concerns. On the other hand, Sudan invited Russian companies (Rosneft, Gazprom, Lukoil, and Tatneft) to take part in the development of its oil industry, offering them several oil sites, including both producing and untapped ones, as well as fields that are currently being developed by other foreign companies, whom the Russian players would help to increase production. While these actions will hopefully contribute to the alleviation of the fuel situation on the long-term, the short-term situation is critical. Saudi support is therefore very timely. Sudan must do more to deal with its liquidity challenges; these will not solve themselves.