

## African Union

- **Africa:** Kofi Annan recently referred to climate change as a threat to life, water and food supplies, health, security, prosperity and stability. Africa is suffering from some of the earliest and most damaging effects of climate change, in spite of being the least of offenders. The opportunity exists for all stakeholders to develop and deploy low-carbon technologies, to drive sustainable growth. Africa can lead the global renewables revolution, with countries such as Ethiopia, Kenya, and South Africa being among the world's pioneers in climate-resilient, low-carbon development. Unlocking clean energy can drive equitable growth and create jobs, but requires a scaled-up approach to agricultural transformation. Africa's population is expected to double by 2050, and triple by 2100. Feeding this growing population represents a huge market opportunity. Success on climate-smart solutions requires speed on 3 fronts: 1) Encourage and assist Africa towards an inclusive, low-carbon energy future; 2) Recognize and invest in Africa's farmers and agricultural potential; 3) Secure a global consensus on emissions control. For further detail, read: <http://www.africaprogresspanel.org/seizing-africas-energy-agriculture-and-climateopportunities-address-by-kofi-annan-in-berlin>.
- **CAS View:** Energy is a prerequisite for economic growth. With access to unlimited energy, countries can generate their own water supply from, amongst other sources, the sea. Africa clearly has a problem in this regard. Not only does it not have access to unlimited cheap energy, but it also has water problems. However, it has the potential to tap into renewable energy sources, of which solar, wind and hydro sources are the most prominent. CAS has a number of times referred to Africa's need to leapfrog the process of energy supply to arrive at a energy business model based on solar. It is interesting that Annan also refers to the need to develop the capacity and capability of the agricultural sector in Africa in order to feed its strongly growing population. Without food there will be no stability on the continent. However, something must be done to deal with further pollution. Reaching and implementing a global accord will go a long way to put a stop to this. Singapore is generating energy to address its water problems. However, it does not have the agricultural potential to feed itself. Supporting Africa in its endeavours to generate clean energy, and investing in its agricultural potential, will also benefit Singapore and others like it. Waste-to-Energy plants (Hyflux will soon engage in building Singapore's 6th plant) also have vast potential in Africa. Ethiopia is building its first WTE plant, and the potential for many more exist. Africa's famers are also in dire need of support in the form of knowledge and access to finance and markets. Businesses worldwide can tap into these opportunities to their own benefit. In Singapore, Olam, Tolaram and Wilmar are all involved in the agricultural sector of Africa. The potential exists for many more to become involved in Africa. Kofi Annan's message is clear: Africa represents a number of opportunities in its struggle against climate change. It need not be seen as the end of the continent. However, something needs to be done, and it needs to be done with urgency. Nature is a self-sustaining system when left alone. A systemic approach is therefore required to deal with the negative effects, often unintended, of mankind's interventions.
- **Africa:** Africa has the world's most unbanked people; 500 million people without a bank account and as few as 5 to 10% use a credit or debit card. Alternative sources of capital are required. This is a significant market opportunity. But despite limited competition and high margins, almost all big banks have shown little appetite for banking the remittance sector as they deem these financial models 'unprofitable'. The importance of remittances is seen in the \$37.5 billion that is sent annually to Africa by its diaspora, which is 50% more than net official development assistance. Benefits to the economy: boosting domestic savings, increasing incoming money transfers from the diaspora, and lowering the cost of doing business for financial institutions and the private sector by reducing the number of financially excluded households and enterprises in Africa. A deeper pool of consumers with access to

finance enable financial institutions to reduce their cost-per-customer while the wider economy benefits from increased liquidity. For financial inclusion to become a driver of sustainable and inclusive growth in Africa, banks and regulators need to improve their knowledge and work as partners. Remittance services currently represent the single largest available source of capital to unbanked people across Africa. It is a collective challenge posed to governments, regulators, banks and remittance providers to help these flows along. For further detail, read: <http://www.thisisafricaonline.com/Analysis/Getting-remittances-right-for-Africa-s-unbanked>.

- **CAS View:** Access to capital has been identified as a major constraint in Africa's growth path. Similarly, financial inclusion has also been identified as a problem in the uplifting of Africa's poor. This is where mobile telecoms companies have been positioning themselves as mobile money providers. In countries such as Kenya, Uganda and Nigeria, a lot of support for mobile money has been voiced, and calls for the relaxation of tight regulations have been made to empower these non-bank players to serve the bottom of the pyramid. Ironically, in Uganda mobile telecoms companies have been taken to court to prevent them from providing these services. This can be interpreted as the bigger banks trying to protect their turf. Irrespective, the bottom of the pyramid market requires innovative solutions to their problems. Big banks either need to step up and provide in their needs, or get out of the way of smaller innovative solution providers to serve this market segment. Solutions such as mPesa serve Kenya well, and Vodacom is doing its utmost to roll this service out to other parts of Africa. The benefits of financial inclusion for Africa and its economies are clear. The existence of opportunities for innovative players is equally clear.
- **Africa:** A year ago, Africa was the flavour of the month. Two decades of record growth, a rapidly urbanizing population of 1.1 billion, rising incomes and vast untapped mineral reserves would lead to the creation of a broad middle class. Now a slowdown in China, a commodity price rout and a power shortfall are impacting a number of countries very negatively. The message? Africa is not a country. Individual forces are at work within each of the 54 countries that make up Africa. Bright spots and investment opportunities remain: the DRC should grow by 9.2%, followed by Ethiopia with 8%. Investors looking for risk-adjusted returns will continue to look at the continent, but they'll have to temper their expectations. Mark Mobius of Franklin Templeton Investments remains optimistic and considers the growth scenario to remain excellent. Although he states the problems are here to stay, they pale beside the opportunities. Christo Wiese, chairman of SA retail company Shoprite, who is well entrenched in Africa, says: "Taking a medium-term view, you ignore Africa at your peril." For further detail, read: <http://www.bdlive.co.za/africa/africanbusiness/2015/09/16/african-growth-dims-but-bright-spots-remain>.
- **CAS View:** External investors would make a mistake to get out of Africa or not get invested. Africa has always represented a whole range of risk profiles. It has always required investors to make sure they knew what they were letting themselves in for, to understand the risks they were exposing themselves to, and to develop proper risk mitigation strategies. Angola, for example, has always presented a country heavily dependent on commodity exports and good prices. Investors should and must investigate their portfolio of investments in Africa. There is an old North American saying, "If your horse is dead, the best strategy is to dismount and get a new horse." Evaluate your portfolio and get rid of the dead horses. But do not get out of the horse business. In the world of corporate finance, the rule has also always been, "high risk, high return." In this same world of corporate finance, there are those investors that say that the best time to get invested is at the bottom of the curve. Now is a good time to properly understand Africa's countries, the opportunities presented, and to invest in the potential that is still there. Kofi Annan stated that Africa is not poor – it has great resources. But they need to be developed. The wise investors will seek out these opportunities and make great returns in the process. Shoprite has reaped high returns in the food retail market and Africa has contributed a significant portion of its revenues. Franklin Templeton

remains optimistic about Africa. These players have made it their job to understand Africa. They are reaping the rewards because of it.

## East Africa

- **East Africa:** Western investors with an eye to Africa need to take heed of a Chinese proverb – "Pluck flowers as they bloom. Wait, and you will have only twigs" – as Beijing battles to keep its economy on track. China enjoys its role as Africa's primary trading partner, with exchanges between the two having reached more than \$200bn in 2013, twice the level of Africa's trade with the United States (US) and around two thirds of the value of trade with Europe. However, China's July stock market crash and sudden dramatic devaluation of its currency in August sparked fears that its woes could spill over into its investment and trade with Africa. This could be seen as the moment for the West to live up to its repeated pledges to boost its economic engagement in Africa. News in July that the European Union joined the US-backed Power Africa initiative to boost electricity provision came as a positive sign, as did the announcement in May that the New York State Common Retirement Fund, one of the largest in the US, plans to invest up to 5% of its \$180bn in funds in Africa. Talk, however, is cheap, and it is still not clear whether the West intends to match its rhetoric with action. Read it on the web: <http://www.theafricareport.com/East-Horn-Africa/trade-opportunity-blooms-for-western-investors.html>.
- **CAS View:** Although the article refers to China, readers should not forget that India is also well entrenched in Africa, as are a couple of other countries (Brazil, etc). At a recent conference in Ethiopia, the government of Japan also made it quite clear that they were targeting Africa and were here to stay. This was in addition to quite a number of media statements in the past 2 years in which it was clear that Japan was intending to move into Africa. The playing field is therefore soon to become a bit congested. Countries and companies that wait too long could find it difficult to enter Africa in a meaningful capacity. Africa, however, should not sit back and wait for other countries to take over China's role. Quite a number of analysts are bearish on commodities and China itself. Should any other takers step forward, Africa should use the respite thus provided to diversify its economies away from an over-dependence on commodity exports. Ethiopia's industrialisation approach and development of its manufacturing sector should serve as an example to others. The reality, however, is that Africa does not have the capacity to stand on its own should China's malaise continue. Meaningful investment into Africa will therefore be to its advantage.

## West Africa

- **Nigeria:** President Muhammadu Buhari is meeting French President Hollande in France to strengthen Nigeria and its neighbours' hand to fight back against Boko Haram. He will also hold talks with Defence Minister Jean-Yves Le Drian, Foreign Minister Laurent Fabius, and other senior government figures. They will discuss the further strengthening and consolidation of ongoing bilateral co-operation between Nigeria and France in the areas of defence, security, trade and investments. Meetings with the heads of French oil major Total and concrete manufacturer Lafarge, both of which have operations in Nigeria, are also planned, as is a meeting with African ambassadors in Paris. For further detail, read: <http://www.news24.com/Africa/News/Nigerias-Buhari-heads-to-France-20150913-4>.
- **CAS View:** Buhari is proving himself to be a strategist of note. He has earlier on visited the USA to improve the ties with the USA, which has become a bit frazzled under the government of President Goodluck Jonathan. At the same time, he has had visits to and discussions with the heads of his neighbours, i.e. Benin, Cameroon, Chad and Niger. Nigeria has had somewhat acrimonious relations with some of them. However, Buhari is doing his best

to restore healthy relations with his neighbouring countries. His visit to France could also be seen as an attempt to bring the Francophone countries in Africa on board in a relationship that could be beneficial for Nigeria, not only economically, but also politically. This would be in addition to tapping into the improvement of trade and investment, security and defence through a relationship with France directly. It is well known that France would like to expand its influence in Africa, and has actually extended invitations to non-African countries to enter Africa under the French flag, in a manner of speaking. Once all of these multi-lateral and bi-lateral arrangements have been solidified, Nigeria would be in an excellent position to isolate and neutralize Boko Haram, while also improving the economic situation of Nigeria. He is clearly managing the big picture, the sign of a true strategist.

- **Senegal:** Senegal is developing a new city near the town of Diamniadio that's meant to ease congestion in Dakar. President Macky Sall has pledged to double growth by 2020, and has developed a policy of attracting foreign investment to reduce the country's dependence on fishing, agriculture and tourism and make Senegal a hub for French-speaking West Africa. Diamniadio, a town of about 30,000 people, is expected to expand tenfold by 2018. The idea is to ease the urbanization pressure on Dakar. China's CGC Overseas Construction Group is building the industrial park, and Chinese companies may set up operations in the area. Senegal has strong economic ties with China, with trade reaching \$633 million in 2013. With Senegal's economy forecast by the IMF to expand at least 5% this year, up from 4.5% last year, the pressure on Dakar is only expected to intensify. Senegal's first highway connecting Diamniadio to Dakar opened last year. Next up is a \$400 million regional express train that will connect Dakar to a new international airport that's being built in Diass, near Diamniadio, and will be finished at the end of next year. For further detail, read: <http://www.bloomberg.com/news/articles/2015-09-16/senegalplans-city-to-ease-capital-gridlock-woo-china-investors>.
- **CAS View:** Few countries have the experience Singapore has with Surbana and Hyflux, to name but 2 institutions, to develop cities and housing projects. Its ability to develop and maintain transportation systems is equally impressive. The same goes for water and energy supply. The question CAS has is why did Senegal (and others like it) choose China as a partner? Is the provision of financing by China the discerning factor? Or does the aggressive stance of the Chinese government in targeting Africa also have a role to play? CAS has referred to the stance by the Japanese government in respect of its investment drive into Africa. Equally, the governments of India and Brazil, to name but 2 others, have also taken conscious policy decisions to move into Africa. Irrespective of the answers, Singapore has the potential to play a much stronger role in the African continent than it is currently doing. Singapore also does not carry with it the negative perceptions that Chinese support at times do. Africa would do well to understand the actual price they will end up paying for Chinese support and investment in the long-term. As it is, the future is uncertain with the cooling off of the Chinese economy to the extent that has been noticed. They should also understand they have alternatives. And foreign countries with the capacity to get involved in Africa in the manner described in Senegal, should communicate these choices in a clear and unambiguous manner.

## Southern Africa

- **South Africa:** Smile Telecoms is deploying its LTE or 4G wireless network into Africa, where It wants to become the broadband provider of choice for super-fast data in each of its markets — Tanzania, Uganda, Nigeria, and soon the DRC. There is a huge opportunity as more than 60-million Internet users in its three-country market have access to 3G networks, and would want to upgrade to 4G. While Smile competes with mobile network operators such as Vodacom in Tanzania, and MTN in Uganda and Nigeria, it has positioned itself as complementary to existing operators and avoids head-on competition. It is negotiating with content providers to add value and have an impact across Africa. It is expected that LTE users will grow to 318 million by 2019 from 3 million. Smile has

also set its sight on SA where the government has set a target of creating 5-million jobs and reducing unemployment from 25% to 15% by 2020. Broadband has the potential to bring significant benefits across the whole economy. The lack of access to spectrum hurts operators' ability to reduce the costs of communication, which would encourage access to information and knowledge networks for personal, community and national growth. For further detail, read: <http://www.bdlive.co.za/business/technology/2015/09/14/plenty-to-smile-about-over-superfast-inroads-into-african-markets>.

- **CAS View:** Broadband is held as a driver of economic growth in Africa. The higher the broadband speed, the higher the per capita GDP. This expansion therefore of companies such as Smile and the mentioned telecoms providers can only be to the benefit of Africa. In countries such as Kenya and Ghana, higher broadband speed will enhance the already positive impact of telecoms and the Internet. It has benefits for the mobile money players, which is of great importance to these countries. The problem for single providers such as Smile is that the big players such as Vodacom (Vodaphone), MTN, Orange, and Bharti Airtel have the benefit of scale. Smile's attempt to position itself as complementary to existing players and to avoid head-on competition, will therefore not necessarily be a sustainable strategy should they want to become a meaningful player. The big players are all looking at value added products (entertainment, financial services, health, agriculture, etc.), given that voice is mature, data is becoming cheap, and spectrum has always been problematic. The cutting of mobile termination rates in South Africa (MTR), have cost companies such as Vodacom R1 billion in revenue. They need to recoup this somehow. They will not tolerate small players eating up their lunch. The small players will therefore have to find a true niche, and avoid competing on price, as the big payers will outcompete them. The reality, however, is that Africa is in need of this high-speed Internet, irrespective of who supplies it.