

Africa

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African startups are in a unique position to leverage innovation to answer some of Africa's challenges. Exciting opportunities exist in VC frontier markets like South Africa, Kenya and Nigeria. Successfully developing Africa's VC sector hinges on a number of factors, including identifying additional sources of funding for co-investment, and suitable combinations of government and corporate funding. Startups stand to benefit enormously if there is an alignment between Africa's efforts and they pool all their resources. Relationships developed at forums like the Africa Innovation Summit will go a long way to developing common objectives and pan-African networks that will benefit the investment and startup communities. Regulatory and tax reforms have the potential to give Africa's investment landscape a much-needed boost. As at the end of November 2017, there were over 60 registered S12J venture capital funds in South Africa, and investment by the VC sector is growing at an impressive 23% annually. Sharing success stories will also assist in attracting more capital to Africa. For more information, read: <https://bit.ly/2l8Am6p>.

CAS Analysis: Africa's Venture Capital (VC) and Private Equity (PE) environment has a lot of potential. A very small percentage of global VC funds go to Africa, for various reasons – some of them good, some of them due to ignorance and misperceptions. We have also seen that as little as 0.11% of registered companies in Africa are listed in stock exchanges. Access to capital is therefore a challenge. In order to boost the VC and PE environment, the industry in Southern Africa created SAVCA – the Southern African Venture Capital and Private Equity Association. They lobby on behalf of the industry and undertake various actions and initiatives to grow and market the industry. Experiencing growth of 23% per annum is significant and will hopefully continue as we go into the future.

- **Africa:** Africa has long been considered a global leader in fintech innovation and adoption. Its low penetration rates for traditional banking services, coupled with high penetration of mobile phones, makes it a rich breeding ground for fintech innovation.

Africa has long been considered a global leader in fintech innovation and adoption. Its low penetration rates for traditional banking services, coupled with high penetration of mobile phones, makes it a rich breeding ground for fintech innovation. More than 57% of all mobile money accounts globally can be found in sub-Saharan Africa, with the African fintech market set to grow from \$200 million today to \$3 billion by 2020. McKinsey recently found room for growth in meeting unmet banking needs in Africa that includes borrowing, saving, and investing across the continent. KPMG found that in Q4 2017, global investors continued to prioritise investment into fintech companies that focus on the B2B market, including payments platforms, SME lending platforms, and SaaS solutions aimed at making back-office operations more efficient. Fintech companies that help solve issues around fraud and KYC (know your customer) will also feature prominently, especially in South Africa, which has Africa's most advanced financial system, but ranks 23rd on the global cybercrime list. For more information, read: <https://bit.ly/2McCWL9>.

CAS Analysis: For a while now, Africa has experienced a significant growth in not only mobile money applications, but also the application of mobile technology to most sectors in industry. In the fields of mobile money, the now world-famous M-Pesa stands as a beacon of innovation. It has also been used as the basis for various other applications, such as M-Akiba (government bonds), M-Shwari (savings), and M-Kopa (solar energy payments). Various other mobile money applications exist, such as Paga in Nigeria. Based on mobile technology, we also find various applications in agriculture, tourism, marketing, health, and education, to name but a few. This is not only the case for business to consumer (B2C), but also business to business (B2B). I heard last week of an interesting application where clients of Asiatic Agricultural Industries Pte Ltd can use mobile phones to take a photo of the crop problem, send it to the company, and then receive information on the problem, the solution and where the remedy can be purchased. It is true that necessity is the mother of invention. We will probably soon see the application of blockchain to various fields in Africa. It has already been used in the field of banking finance.

- **Africa:** While 6 of the world's 10 fastest-growing economies are located in Africa, its economic growth has not been accompanied by a commensurate level of job creation. Africa's growth has been driven mainly by high commodity prices, rather than by manufacturing. Africa will remain at the mercy of commodity prices and trade flows until it changes the structure of its economies.

While 6 of the world's 10 fastest-growing economies are located in Africa, its economic growth has not been accompanied by a commensurate level of job creation. Africa's growth has been driven mainly by high commodity prices, rather than by manufacturing. Among other things, this explains why a region that produces about 75% of the world's cocoa, accounts for just 5% of the nearly \$100 billion annual chocolate market. Africa will remain at the mercy of commodity prices and trade flows until it changes the structure of its economies. Africa can unlock its true potential by transiting from agriculture to manufacturing. Its manufacturing sector is the weakest link in its ongoing integration into the global economy. Today, raw materials comprise 62% of Africa's total exports, the highest share in the world. Manufactured exports per capita in 2014 totalled just \$218, which is among the lowest in the world, and far below Asia (\$883). African policymakers must focus on industrial policies, infrastructure financing, and leadership. The important issue is the capacity to implement the policies they design. Ethiopia has created special economic zones, as has Rwanda, both benefitting from foreign investment in production capacity. Industrialisation, however, cannot happen without power, roads and railways, which is why infrastructure must be the key focus. For more information, read: <https://bit.ly/2MLF7pR>.

CAS Analysis: The manufacturing sector in Africa must be boosted in order to expand the opportunities for job creation, revenue growth, export growth and import substitution. In addition, growth in manufacturing will also provide some impetus to growth in the education sector, where we will also see a demand for higher skilled employment opportunities. Unfortunately, we see in a number of countries that the contribution to GDP of the manufacturing sector is actually declining. One example is Kenya, where it reduced from 11.05% in 2013 to 9.7% in 2017. One of the objectives of President Kenyatta's Big Four Agenda is to raise this to 15% by 2022, an ambitious target. In other East African countries, we see this figure to be as low as 5%. This figure must be raised for Africa to get rid of the shackles of an over-dependence on the export of raw materials. It requires not only the formulation and acceptance of the requisite policy environment, but a political willingness to implement these policies! The fact that Africa is in need of an investment of between US\$130 billion and US\$170 billion annually for infrastructure development (according to the AfDB), does place a constraint on the development of the manufacturing sector. Energy is a requirement, as are roads, railways, etc. These factors are not only challenges for Africa, but actually provide investment opportunities for those interested in tapping into the wealth and returns that Africa presents.

East Africa

- **Ethiopia:** The Ethiopian government recently decided that private investors would be able to buy complete or partial shares of public enterprises aimed at promoting efficiency and productivity, enhancing sustained growth and ensuring management accountability.

The Ethiopian government recently decided that private investors would be able to buy complete or partial shares of public enterprises aimed at promoting efficiency and productivity, enhancing sustained growth and ensuring management accountability. Academics believe that the partial sale of shares of public enterprises such as the lucrative telecommunications market, or the well-established Ethiopian Airlines, must be welcomed and encouraged if their shares can be sold to both domestic and foreign investors. Investors need to be effective service providers, highly competitive and make huge profits. The electricity sector is also seen as a privatisation candidate due to its low efficiencies. It is believed that privatization would not affect the affordability of the service due to the effect of competition amongst service providers. Privatization is seen as a force to increase productivity and improve service delivery. As the Ethiopian Airlines is the country's prominent figure, it needs special care and attention from the government while transferring to private firms. If the telecommunications sector could be privatized, those who need telecoms service would have a chance to select their appropriate telecoms partner for uninterrupted support and service delivery. For more information, read: <https://bit.ly/2K8C6Bp>.

CAS Analysis: Going the privatisation route is not new to Africa. Various countries have in the past sold off entities that should have been run by the private sector in the first place. We think of the privatisation

of various state-owned breweries a few decades ago, such as in Tanzania. Governments are not supposed to run businesses. They seldom (if ever) have the competencies to do so. Privatising state-owned assets provide governments with the opportunity to generate much needed capital for development purposes and bring in the required competencies to upgrade the productivity and profitability of the entity privatised. We also find that labour unions tend to oppose privatisation attempts as private sectors investors frequently reduce the headcount numbers (which tend to be bloated) as part of efficiency drives. Having the government as a partner (in the case of partial privatisation) also helps with the requisite policy framework. In the case of Ethiopia, who is currently experiencing quite a severe liquidity squeeze, selling off state assets could help the country in the precarious position it finds itself in. Ethiopian Airlines is the only profitable airline in Africa and is growing strongly. There should be various investors eager to tap into this opportunity. The adoption of the Single African Air Transport Market, to which Ethiopia is a signatory, will increase the attractiveness of investments in this airline. With a population of 100 million people, an investment in the telecoms sector has the potential to be very rewarding. African telecoms companies such as Vodacom, MTN and Safaricom are quite profitable, to put it mildly. These assets should therefore provide the Ethiopian government with a tidy sum!

- **Tanzania:** Tanzania has welcomed Russian investors to the investment opportunities and incentives available in the country.

Tanzania has welcomed Russian investors to the investment opportunities and incentives available in the country. The Deputy Minister for Foreign Affairs, Dr Susan Kolimba, said the door was open for investors to benefit from investment prospects, particularly in the manufacturing, railway and pharmaceutical industries. Investment opportunities are also available in the construction sector, real estate, agriculture and infrastructure development. She believes Tanzania and Russia can improve both the volume of trade and investment if the available opportunities would be well utilized. Tanzania has undertaken to create a conducive environment for investment, including fighting corruption and enhancing the efficiency of the courts. This entailed that the government will continue to work closely with all relevant stakeholders to enhance the business environment and reform investment policies and legislation to promote the role of the private sector in economic development. Russia reaffirmed its commitment to foster a close relationship with Tanzania. The Russian ambassador emphasised his support to Tanzania, maintaining that Russia is a reliable development partner. For more information, read: <https://bit.ly/2ln8tX>.

CAS Analysis: Just a reminder of Russia's expansion into Africa. This is not only in military affairs, but also in the economic sector. Russia is now involved in various countries, from Egypt and Sudan in the north, to Mozambique, Angola, Namibia and Zimbabwe in the south, to the Central African Republic in Central Africa, to Nigeria in West Africa and to Ethiopia, Tanzania and Uganda in East Africa. One specific focus area of Russian investment is the development of nuclear power plants in Africa. Given the critical shortage of electricity in Africa, there are various countries quite keen to take up Russia on this opportunity. Currently China is still by far the largest contributor to investments in infrastructure development in Africa. It will be interesting to see to what extent Russia will grow its involvement in the continent.

West Africa

- **Nigeria:** The CEO of Jumia Nigeria, Juliet Anammah, has revealed that Jumia's integrated and interconnected ecosystem across its 23 markets in Africa has helped to build a solid foundation for the company in Nigeria and across Africa.

The CEO of Jumia Nigeria, Juliet Anammah, has revealed that Jumia's integrated and interconnected ecosystem across its 23 markets in Africa has helped to build a solid foundation for the company in Nigeria and across Africa. This ecosystem captures most of the simple needs that people could perform on the same platform, rather than multiple platforms. This helps in scaling the business, building one brand across the continent and building the same experience for consumers across Africa. Rather than just focusing on shopping, they included other things people would normally do: order food, and book flights and hotels. The deficiency of the logistics infrastructure should be seen as an opportunity, rather than a challenge. It allows for the aggregation of multiple third-party logistics players in the market because although there are many people who have some logistics capacity, they haven't operated in an

eCommerce environment. Jumia is also creating a marketplace where they can use assets like tricycles and small vans to deliver in different parts of Nigeria. Through its different platforms and services, the company is fostering the digital shift of the entire African economy. More than 60,000 local African companies and individuals do business on Jumia. For more information, read: <https://bit.ly/2trLw0J>.

CAS Analysis: Jumia has taken Africa by storm and is the largest e-commerce platform in Africa. There is a huge market in Africa, and many Africans are taking to e-commerce like a duck to water. Jumia's strategy of not only concentrating on selling products on its platform, but also to incorporate numerous services, has transformed its business model to a platform model, such as developed by Amazon and Alibaba, to name but two. As the article points out, distribution is a major challenge. While it does represent an opportunity to third party logistics providers, Africa is massive and addresses are frequently a major problem. Road infrastructure can also be problematic. Resorting to drones to deliver smaller packages could be a solution. Rwanda is already using drones to deliver blood to remote parts of the country.

Southern Africa

- **South Africa:** While small, medium-sized and micro-enterprises (SMMEs) in South Africa do not contribute the equivalent proportion to employment or GDP as those in developed countries, there are various initiatives that are helping to draw SMMEs into the formal sector and into larger supply chains. The private sector can significantly boost SMME development through local procurement.

While small, medium-sized and micro-enterprises (SMMEs) in South Africa do not contribute the equivalent proportion to employment or GDP as those in developed countries, there are various initiatives that are helping to draw SMMEs into the formal sector and into larger supply chains. The private sector can significantly boost SMME development through local procurement. However, the quality of the products or materials must remain high and within the specifications of the companies and within the various regulations. The Proudly South African database of suppliers acts to ensure compliance and high quality. Similarly, they also try to ensure that procurement managers know about local companies producing items or materials that they need. Small businesses generally battle to attract customers and maintain profitability, which hinges on access to markets. This is why stimulating the inclusion of smaller businesses in supply chains provides significant opportunities to ensure that the value addition is done locally. Small businesses provide employment for about 90% of people in developed economies, which make them key to solving the inequality, unemployment and poverty challenges in South Africa. Government could contribute to the growth of SMMEs by eliminating middlemen and procuring directly from South African producers. For more information, read: <https://bit.ly/2vtyBkt>.

CAS Analysis: The quality of service and products delivered by SMMEs is crucial. Quality standards are therefore a necessity. Helping SMMEs with their development is also important. Unfortunately, South Africa is sliding on the rankings of the East of Doing Business. A digital competence is seen as a driver of change; these SMMEs frequently need some training and support in this regard. Boosting these players will help to grow employment opportunities. Government should also put in place policies and procedures to ensure that all businesses get paid as soon as possible after service delivery. Given their size and nature, they frequently are in dire need of working capital. Getting the basics right would provide a boost to their development and growth. As manufacturing is a key sector that presents significant benefits, supporting these SMMEs could contribute to the growth of this sector.