

Africa

- **Africa:** The President of the AfDB, Akinwumi Adesina, has made an urgent call to give farmers across Africa new technologies with the potential to transform agricultural production.

The challenge is a lack of supportive policies to ensure that the technologies are scaled up to reach the farmers. The AfDB is currently working with various entities to mobilize US\$1 billion to scale up agricultural technologies across Africa. This initiative aims at bringing down some of the barriers preventing farmers from accessing latest seed varieties and technologies to improve their productivity. The rapid pace of growth of the use of drones, automated tractors, artificial intelligence, robotics and block chains, will change agriculture as it is currently known. Adesina used the opportunity to advocate for African universities to adapt their curriculum to enable technology-driven farmers and to focus on agribusiness entrepreneurship for young people, emphasizing the need to rise beyond theories to application. For more information, read: <https://bit.ly/2MnM17s>.

CAS Analysis: Agriculture is an important sector within the African domain. It currently employs a significant number of Africa's labour force (some say as high as between 60% and 70%). Unfortunately, its contribution to GDP is substantially lower, and probably not higher than 25%. We also see that the average age of the farmers in Africa is at 63 years old. The youth are voting with their feet and are leaving the farms and rural areas to move to the cities in search of a job with better prospects. The industrialisation drive in the agriculture sector is aimed at increasing the productivity of the sector, given that Africa still imports a net US\$41 billion of food annually. Industrialising and commercialising of agriculture is indeed of the utmost importance, as it does not make sense for Africa to import food whilst it has the potential to feed the world. The role technology can play, as well as modern farming techniques, cannot be over-emphasized and is well-documented. The AfDB's willingness to help Africa transform its agriculture by investing US\$24 billion over the next 10 years to implement its Feed Africa Strategy, must be lauded. Part of the solution also lies in a strong political will to make agriculture succeed. Transforming education in the agriculture sector is another important strategy that currently does not receive the requisite attention. Much has also been written about the need and strategies to get the youth involved in agriculture. More needs to be done, rather than spoken and written about!

East Africa

- **East Africa:** The UAE plans to build an oil pipeline connecting Eritrea (port city of Assab) and Ethiopia (Addis Ababa).

Ethiopia began extracting crude oil in June and will need access through Eritrea in order to export it. The UAE played a role in helping Ethiopia and Eritrea end a two-decade state of war last month. According to officials, the UAE is eager to exploit investment opportunities in Ethiopia, a country of 100 million people with the fastest growing economy in Africa. The UAE is also driven by a fear that rivals such as Iran or Qatar could gain a foothold. Both Qatar and Turkey are strong supporters of Somalia's government. Earlier this year, Somalia and the UAE ended a UAE military training programme in Somalia. Abu Dhabi has a military base in Assab, which it uses in its military campaign in the war in Yemen. Eritrea's foreign minister recently arrived in Ethiopia to discuss progress on implementing the agreement they signed last month. The rapprochement holds great potential for both economies. For more information, read: <https://bit.ly/2MvLtg1>.

CAS Analysis: Djibouti is currently serving as the entrepôt for 95% of Ethiopia's imports and exports. It had a difference of opinion with the UAE's DP World after the latter had been granted a contract to develop and manage the Doraleh Port in Djibouti. It is interesting to see Dubai now facilitating exchanges between Ethiopia and Eritrea, which is opening up the port of Assab to Ethiopia. In addition, the UAE is also playing a role, together with Ethiopia, to develop the port of Berbera in Somaliland, an autonomous region within Somalia. Ethiopia has already reached out to Sudan (Port of Sudan) and Kenya (port of Lamu). All these opportunities are creating alternatives for Ethiopia, to reduce its dependence on Djibouti. A question that comes to mind is whether the UAE is helping connect Ethiopia with Assab because of the Doraleh incident, or whether the Doraleh incident occurred because the UAE was supporting Ethiopia in other areas (such as the Port of Berbera), thereby reducing Ethiopia's vulnerability to Djibouti. At a regional level, it seems that the tension between GCC states are also being played out in East Africa, with Saudi Arabia

and the UAE countering the moves of Qatar and its ally, Turkey (or vice versa?). I am not sure this is in the best interest of Africa.

- **Eritrea:** Eritrea plans to launch two solar hybrid power systems that will provide grid quality electricity to 40,000 people and businesses in the towns of Areza and Maidma. Currently, these agricultural towns have no access to the national grid and depend on small diesel generators, which are environmentally damaging and provide limited and intermittent power supply.

To support Eritrea in bringing power to those without grid connections, the EU, UNDP, and the government of Eritrea launched the project last year. The solar hybrid programme, which is being undertaken by the UK firm Solarcentury, is to be completed this year. It is hoped the project will be replicated to mitigate the adverse effects of climate change in Eritrea and provide access to reliable power. The US\$6.56 million project is primarily financed by the EU through the ACP EU Energy Facility, while the UNDP and Eritrea are contributing a little under US\$2.3 million each. The two mini-grid hybrid solar systems will be powered by solar PV and lithium-ion batteries. Both projects were scheduled to be completed early in 2018 and will be managed by the Eritrean Ministry of Energy and Mines. For more information, read: <https://bit.ly/2MITmex>.

CAS Analysis: For many years Eritrea was an unknown entity, except for reports on the various human rights abuses. Finding articles other than on this topic, was difficult. Since the acceptance of the peace agreement between the two countries by Ethiopia, Eritrea has kind of “stepped out.” This does not mean it is now the first time international companies are moving into the country, as can be seen by the fact that Solarcentury from the UK has been there for a while. It does not mean either that suddenly there will be a large influx of foreign investors. We will probably see a greater outreach between Eritrea and Ethiopia, with the latter using the port of Assab, as is indicated by the article above. Given the improvement of relations between Ethiopia and Eritrea, hopefully there will be much less emphasis on maintaining a large military force in Eritrea and that the country will return to “normal.” Moving its focus from security to commerce, can only be good for the country. The boosting of electricity in Eritrea will drive the development of both the agricultural sector, as indicated above, as well as the manufacturing sector. The development of the oil pipeline between Addis Ababa and Assab will create jobs within Eritrea and the use of the port by Ethiopia will do the same. I think the whole region (maybe not Djibouti?) is hoping to see the further normalisation of relations between Eritrea and its neighbours.

- **Kenya:** Kenya’s food imports crossed the ~US\$1 billion mark in the six months through June for the first time, underscoring its growing reliance on foreign markets. This is a 12.55% rise over ~US\$952 million in the same period last year. Kenya’s dependence on foreign markets to feed its people has nearly doubled in the review period compared with ~US\$553 million at the same time in 2015.

Kenya’s major food imports include maize, un-milled wheat and wheat flour, rice and sugar. Increased purchases of food such as staple maize from abroad saw Kenya run a ~US\$41 million trade deficit against Uganda in 5 months through May for the first time ever. Food accounted for 11.77% of Kenya’s ~US\$9.2 billion total import bill between January and June. Food security is one of the 4 pillars of President Kenyatta’s ambitious “Big Four” plan, which runs to 2022. Achieving this will require enhancing large-scale production by placing an additional 700,000 acres of land through PPP and by promoting investments in post-harvest handling, as well as adopting contract farming and other commercial arrangements, including supporting the development of agro parks or hubs to serve as a link to farmers and markets. For more information, read: <https://bit.ly/2w9GZkC>.

CAS Analysis: A country such as Kenya should not be importing food as it has the potential to produce its own supply, and still have enough left to export. Commercialising and modernising agriculture will go a long way to address this problem. As a matter of fact, very few African countries should be importing food. In Kenya, there are businesses that do export food, such as Vegpro in Nairobi, who export vegetables to as far as China and Singapore. Hopefully President Kenyatta’s Big Four strategy will give food security a welcome boost and help to ramp up food production. According to KenInvest, there are various opportunities available for impact investors in various agricultural produce value chains and to commercialise smallholder and rural farming. They refer to, amongst others, food processing hubs such as at

Galana-Kulalu and a rice irrigation scheme with the Tana Athi River Development Authority (TARDA). Whereas the total GDP growth of Kenya over the last five years amounts to 22%, the agricultural sector's growth amounted to only ~14%. This was mostly due to climate change and slow progress on irrigation. Kenya must address this as a matter of urgency.

West Africa

- **Nigeria:** A brownfield refinery with a production capacity of 100,000 barrels per day and formerly owned by BP is expected to be relocated from Turkey to Nigeria and co-located alongside the Port Harcourt Refinery.

The relocation of the refinery is part of the refinery co-location initiative designed by the federal government to boost local refining capacity. This is an effort by the NNPC to help Nigeria end its reliance on imported petroleum products. The co-location initiative, aimed at getting private sector investors to bring in brownfield refineries so that they can share facilities, is also yielding results. A similar plan to establish a brownfield refinery near the Warri Refinery is also on the cards. The drive at the NNPC is to expand Nigeria's local refining capacity and make it a global refining hub. For more information, read: <https://bit.ly/2P6CkZs>.

CAS Analysis: Nigeria currently has 4 state oil refineries, that unfortunately run at a very low level of production. Some commentators have ventured a figure as low as 5%. We have also seen Aliko Dangote in the process of building a US\$12 billion private refinery to make up for the low productivity of the state-owned refineries. Some figures range up to US\$14 billion. This refinery is set to be near full production by mid-2020. Here we see another attempt at involving the private sector by relocating 2 refineries from elsewhere to Nigeria. The main question remains, what is going to be done about the existing state-owned refineries? Would it not make more sense to privatise the 4 state-owned refineries and raise their production levels than to ship in new refineries from outside? Apparently, the output of the existing refineries plus the Dangote refinery is not enough to deal with the demand. By 2020, there will be a shortfall of 1.5 billion litres of fuel. Therefore, it appears that the acquisition of the additional refineries does make sense. It still requires the state-owned refineries to increase their production significantly to full capacity. This will probably not be that easy, if possible at all. Privatising them might just be the way to go; by handing them over to private sector players with the requisite skills, it may just be possible to get these refineries back to full production. To make Nigeria a global refining hub, it will have to.

- **Nigeria:** Chinese low-cost retailer and variety store chain, Miniso, has disclosed plans to increase its retail stores in Nigeria by 200 new stores before the end of 2019.

The store's growing chain, according to MD Key Yang, would create jobs for over 8,000 Nigerians. By 2020, the company would start procuring most of its raw materials locally. Miniso is a franchise company and specialises in household and consumer goods, with its product focus mainly in leisure lifestyle, which includes creative homeware, health and beauty, fashion accessories, digital accessories, stationery and gifts, unique toys series, seasonal products, kitchenware, etc. So far, since Miniso launched its operations in Lekki, Lagos, it has since opened eleven stores across the country. For more information, read: <https://bit.ly/2MMTnhJ>.

CAS Analysis: First of all, with a current population of about 190 million people, projected to grow significantly over the next few decades, as well as an overall strong urbanisation trend, strengthened by a growing middle class, Nigeria presents a great opportunity to food retailers and general merchandisers. According to Trendtype, Nigeria is by far the largest grocery retail market in Africa, with more than 20 significant urban population centres. McKinsey estimated that between 2008 and 2020, there was a US\$40 billion growth opportunity in food and consumer goods in Nigeria alone. The reality is that, like in many other African countries, Nigeria's retail sector is somewhat underdeveloped. Some commentators have stated that up to 80% of shopping is still done with street vendors, corner shops, mom-and-pop stores, etc. This is also the case in Kenya. This level of underdevelopment presents many opportunities to investors, foreign and local alike. It must be said the formal retailers in Kenya, such as Nakumatt and Uchumi are struggling, amongst others due to this shopping pattern where consumers still use informal stores and street markets. Miniso appears to be the only major Chinese retail chain in Nigeria. This is in

addition to the many Chinese traders, not only in Nigeria, but in Africa. It will be interesting to see how this chain, with its expanded footprint, will be disrupting the existing competition in Nigeria. There are approximately 30 retail chain groups in Nigeria, all in danger of finding their operating environment disrupted by Miniso. Then there are the many informal traders, all serving Nigerians. The retail environment in Nigeria is going to become an interesting sector in the next few years. It does seem, though, that the envisaged growth in population, the growth in the middle class and the urbanisation trend, will act as driving forces to the retail sector growth and opportunities.

- **Nigeria:** In Edo state, the current leadership is driving up its industrialisation programme, working towards attracting investors, building local capacity and creating wealth for the state and its people. The Edo Automotive Industry Investment Forum is part of efforts by the state to link the vast economic opportunities in the global auto industry with the state's economic diversification strategy, in addition to the US\$500 million auto assembly plant deal between Edo state government and Chinese investors.

Nigeria has a large automotive industry that is worth exploring and has the potential for at least 2 million cars annually. That will multiply the jobs on the continent. The auto industry plays an extensive role in driving the growth and development of Small, Medium and Micro-Enterprises with respect to automotive parts, components and services and the attendant job creation. In South Africa, the auto industry alone contributes 7% of GDP and is considered critical for the economy where it generates 350,000 jobs, making it the second largest employer. The industry also has of a market of 600,000 new cars with zero importation, with 12% of exports. In Egypt, it employs directly and indirectly, 600,000 people and has attracted an investment of over US\$5 billion. For more information, read: <https://bit.ly/2w3MMs8>.

CAS Analysis: The auto industry has provided quite a boost to many African countries, in some countries more so than in others. In South Africa, the market can accommodate many more cars than in the rest of the continent. However, this is slowly being changed as the markets north of South Africa are being developed. Countries such as Nigeria, Ghana, Kenya, Uganda and Rwanda, to name but a few South of the Sahara, are seeing positive developments in their auto sectors. The most obvious benefit is that of the creation of jobs, as well as import substitution. In addition, as was made clear in the case of Rwanda, but not restricted to it, these countries can now reduce the number of second-hand cars being imported as it can create its own source of second-hand cars. Some of these countries have actually embarked upon the development of a home-made car brand, such as in Ghana and Uganda. In Uganda, some students and their professors have developed electric and hybrid cars and buses, some of which are now being financed by the government. It will still be a long time before the other African countries can challenge South Africa as the primary producer of cars, but it is good to see the development of this industry, given its benefits.

Southern Africa

- **Mozambique:** The sustainable management of natural resources will determine the kind of country Mozambique will be. The development of the gas sector will transform the country's economy in the next decade.

The most important measures the government could implement to boost Mozambique's economic growth, include the sustainable management of natural resources, ensuring greater transparency in the management of revenue, greater productivity in the application of public spending and more investment in human resources and labour force qualifications. Mozambique has faced turmoil since 2016 when it was revealed it had secretly taken out loans, which led the IMF to suspend funding to it. The AfDB's strategy paper for the next five years addresses the debt-ridden country's economic and financial challenges, especially in rural areas, as well as improving its general business environment through investments and infrastructure. For more information, read: <https://bit.ly/2w7tbr5>.

CAS Analysis: Mozambique has excellent potential due to its gas sector. In addition, its agricultural sector, should it be commercialized and industrialised, can make an equally impressive contribution to the economy of the country, increasing the level of employment substantially. The previous Country Strategy Paper by the AfDB focused on Infrastructure and Governance. The new CSP 2018-22 pillars are: (1) Development of infrastructure to enable transformative inclusive growth and job creation; and (2) Support to

agricultural transformation and value chain development. According to the CSP 2018-2022, it will address Mozambique's development challenge of pervasive poverty and inequality, notably in the rural areas where most of the population live, dependent on subsistence agriculture and disconnected from the centres of growth. For this to happen, the country needs extensive foreign investment. It also needs to clean up its image that got somewhat tarnished in 2016 after the revelations of the secret loans. An additional concern that needs to be addressed, is that of the emerging security challenges in the northeast of Mozambique, close to its gas fields. Inclusive growth and the alleviation of poverty, which is crucial for Mozambique and which could help with the limitation of security challenges, is actually an Africa-wide goal. They are included in the AfDB's "High 5 Priorities", the AU's Agenda 2063, and the UN's SDGs.

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