

Africa:

- **Africa:** The 7th summit of the Forum on China-Africa Cooperation (FOCAC) is taking place in Beijing during next week. A couple of issues will probably be dealt with.

China will probably pledge even higher contributions to African countries this year. The BRI will likely be discussed at FOCAC. In addition to Kenya, Djibouti and Egypt, the scope of the initiative is expanding to include others such as Ethiopia and Tanzania. Many projects in Africa have benefitted from China's construction capacity and financial contributions. China is also involved in the construction of industrial parks and SEZ's in Africa. In addition, industrialisation is a priority for many African countries. During the FOCAC summit, China will make official pledges of financial and technical assistance to the manufacturing sector. It may also announce manufacturing investment deals, especially at the bilateral level, on the side. Competition with China can push the US and the UK, as well as other countries, to diversify their investment in Africa – to the benefit of African countries. Finally, the issue of debt sustainability is unlikely to appear at the forefront of the FOCAC agenda – but will be at the back of everyone's minds, especially in light of recent concerns about Africa's public debt. For more information, read: <https://bit.ly/2BZwLJQ>.

CAS Analysis: During the 2015 summit in Johannesburg, President Xi Jinping pledged to build or upgrade industrial parks, provide technical assistance and build capacity for manufacturing in Africa, and to set up a China-Africa Industrial Cooperation Fund. This was to support value add at the source, to help Africa to not just export raw materials, but to expand its participation in other elements of the regional and global value chains. This would also help with job creation and import substitution, and reduce the vulnerability of African raw material exporters to global commodity price shifts. Hopefully FOCAC 2018 will give a boost to this idea. As for Africa's participation in the BRI, it is not just the East African countries that are readying themselves to get involved, but the whole of Africa. Earlier this year, the presidents of Namibia and Zimbabwe visited China, where they discussed participation in the BRI with President Xi Jinping. Later on, President Xi stated that the whole of Africa was welcome to participate. The competition between the above-mentioned countries can indeed only be to Africa's benefit. We have seen this week the prime minister of the UK, Theresa May, visiting various African countries for trade relations post-Brexit. As far as FDI stock was concerned, a 2017 UNCTAD World Investment Report showed that in 2015, the USA was the largest FDI investor in Africa with US\$64 billion, the UK second at US\$58 billion, France third at US\$54 billion and China fourth at US\$35 billion. Interestingly, the fifth largest FDI investor in Africa was South Africa with US\$22 billion. This would probably be due to the expansion of South African food retail companies into the rest of Africa, as well as mining, financial services and logistics companies.

- **Africa:** The AfDB and the UN FAO have agreed to boost joint efforts aimed at catalysing agriculture sector investments in Africa to end hunger and malnutrition and increase prosperity throughout the continent.

They have committed to raise up to US\$100 million over 5 years, to support joint partnership activities. They seek to enhance the quality and impact of investment in food security, nutrition, social protection, agriculture, forestry, fisheries and rural development, helping to achieve the SDGs. Leveraging investments in agriculture, including from the private sector, is important to lift millions of people from hunger and poverty in Africa and to ensure that enough food is produced and that enough rural jobs are created for Africa's growing population. The agreement signals their joint commitment to accelerate the delivery of high-quality programmes and increased investment for PPPs in Africa's agriculture sector. This will help to achieve the vision of making agriculture a business. The aim is to improve agricultural policies, markets, infrastructure and institutions to ensure that agricultural value chains are well developed and that improved technologies are made available to reach several million farmers. For more information, read: <https://bit.ly/2PNmGm6>.

CAS Analysis: Feeding Africa and ending hunger and poverty in not only Africa, but globally, is deeply entrenched in the UN's Sustainable Development Goals, the AU's Agenda 2063 and the AfDB's High 5 Priorities. Individual countries, such as Kenya, have also adopted country strategies to deal with feeding their people. In Kenya's case, we have seen President Kenyatta adopt his Big Four Strategy. Various of these institutions have pleaded for greater participation by the private sector in the form of PPP's, as governments do not seem to have either the resources or the knowledge to adequately address the challenges facing them. Given that Africa is a net importer of food to the tune of US\$41 billion annually, and

that many Africans live under the poverty line, it is crucial that this matter be addressed as soon as possible. As said so many times before, with Africa's potential to feed the world, it borders on criminality for its people to go hungry.

East Africa

- **Ethiopia:** Since becoming prime minister, Abiy Ahmed has overseen drastic changes that have reshaped Ethiopia's socio-economic and political trajectory.

Prime Minister Ahmed has ended an internet blackout, dismissed charges against diaspora-based media outlets, released prisoners and government critics, engaged exiled opposition groups, and mended relations with Eritrea. Following these reforms, the World Bank is set to give Ethiopia US\$1 billion in direct budgetary support, the first time since 2005, when donors suspended budgetary support after disputed elections. His recent visible engagement with journalists heralded a departure from how previous administrations dealt with the media. Ahmed also promised that the elections of 2020 won't be delayed. He purged military favouritism and government control over key sectors and cancelled the state-run Metals and Engineering Corporation's (METEC) contract to supply hydraulic pipes for the multi-billion-dollar Grand Renaissance Dam. He also addressed tensions with Egypt due to the dam's impact on the Nile's water supply to Egypt. Prime Minister Ahmed also recently met with the community and religious leaders from the Somali Regional State to discuss the chaos and violence in the region. For more information, read: <https://bit.ly/2LzXjB8>.

CAS Analysis: Prime Minister Abiy is seemingly a breath of fresh air in a region that has until recently been characterised by conflict and violence. His energy and drive have been remarkable. He has visited various of his neighbours to open up avenues for his country. One of the major coups is the restoration of peaceful relations with Eritrea. Internally, he has reduced the influence of the military and is seemingly creating a business-enabling policy framework for the private sector. Discussions with Djibouti regarding the exchange of shareholding between Ethiopian Airlines and the port of Djibouti are ongoing. He has also opened up the telecommunications sector for private sector and foreign involvement. A recent attempt on his life does indicate that not everyone in Ethiopia is comfortable with his initiatives. On another note, his predecessor, Hailemariam Desalegn, must get credit for his willingness to step down and clear the path for someone younger and with better credentials to take the reins. It does not happen frequently in Africa in authoritarian countries. It is probably why Hailemariam was invited to serve on the Advisory Board of the respected think tank, the Brenthurst Foundation.

- **Ethiopia:** Addis Ababa has struggled with solid waste management for decades. Addis Ababa recently launched Africa's first waste-to-energy plant, Reppie, a US\$120 million project.

With about 1,680 tonnes of waste added every day, Koshe, the landfill site, has ballooned into a mammoth site, posing a health and security risk. Reppie is expected to process 1,400 tonnes of solid waste every day to produce 185GWhr of electricity annually, sufficient to power 25% of Addis Ababa's households. Ethiopia has invested extensively in hydropower, geothermal, wind, solar energy and now biomass to boost manufacturing with a supply of clean, renewable energy. Between 2012 and 2014, Ethiopia inaugurated 3 wind farms with a capacity of about 320MW, before signing a US\$4 billion deal to develop 2 geothermal power plants with a capacity of 1,000MW in December 2017. Construction of the US\$4.8 billion Grand Ethiopian Renaissance Dam, which will generate 6,000MW of electricity, is also nearing completion as the country looks to increase its electricity generation capacity from the current 4,206MW to about 17,300MW by 2020 using hydro, wind, geothermal, biomass and solar energy. A lack of investments in waste management infrastructure has seen most African cities choking in filth. For more information, read: <https://bit.ly/2P9d6Jb>.

CAS Analysis: Until now, I have always referred to Reppie as a project in process. Now, after a number of years, the plant has been completed and will start to deliver on the expectations. Hopefully many African city managers and private sector entrepreneurs will travel to Addis Ababa to inspect the plant and see for themselves as to what can be done to rid their cities of the challenge of waste and finding landfill sites. The addition of electricity is an added bonus – 185GWhr of electricity annually cannot be ignored! The figures above show that Ethiopia is addressing renewable or climate-friendly energy in a serious way.

It has stated a number of years ago it wants to position itself as a major regional player for energy provision. Increasing its capacity fourfold will go a long way towards achieving this vision. It will also help to reduce the already low price of electricity in Ethiopia, boosting the manufacturing sector even further.

- **Kenya:** The AfDB is supporting the people of Kenya with a small-scale horticulture development project (worth US\$27 million), to reduce poverty and improve food security.

Through this project, about 3,173 ha of land have been irrigated. The project achieved most of its objectives on schedule. With support to farmers in production and marketing of their products and services, more than 100 farmers' groups became engaged in horticultural production, irrigation, and marketing activities. More than 100 women's groups were helped to successfully conduct various food processing activities, while 9 storage sheds and market sheds were built. In addition, many farmers received training in the production and marketing of horticultural crops. Farmers were also put in contact with different financial institutions in order to access credit facilities and purchase inputs. Kenya has immense areas of arable land with relatively abundant rainfall and a dense river system. Agriculture accounts for more than 35% of GDP and employs more than 60% of the country's active population. For more information, read: <https://bit.ly/2POskof>.

CAS Analysis: Increasing the yields of agricultural crops requires the commercialisation of the sector, which also requires boosting the knowledge of the farmers and setting up the appropriate infrastructure. Kenya's horticulture sector is alive and well, with especially the flower sub-sector being well-known for its high quality and volumes in regions such as Western Europe. Kenya is also a significant exporter of vegetables to various regions abroad, amongst them Singapore. Supporting farmers with financing of their operations is another powerful support mechanism, as most of them struggle to convince banks of their credit-worthiness. The lack of data has been a frequent challenge for banks in making lending decisions. This is where we have seen an entrepreneurial start-up, FarmDrive, providing banks with the data upon which to base their decisions whether to provide credit or not.

Southern Africa

- **Angola:** Recently, Angola revised its Private Investment Law, which supports Angola's diversification efforts in job opportunities and trade. In the past, the Private Investment Law had required foreign investors to partner with Angolan citizens, public capital companies, or Angolan companies, and hold at least a 35% stake in the share capital of the companies. The revision removes this requirement.

Under the new bill, private investors must employ Angolan workers and provide them with favourable training, salaries, and social conditions, without discrimination. This is a great step in providing concrete opportunities for Angola residents and building upon other investment opportunities with high manufacturing intensity. The priority trade sectors are: food and agriculture; forest resources; textile, clothing and footwear; hotel business, tourism and leisure; construction; public works; telecommunications and information technology infrastructure; energy and water; and education, training and investigation respectively. All of these elements can greatly contribute to the growth of businesses, research, and trade. The continued investment in Angola's infrastructure and technology, and maintaining positive relationships with Africa's close trade partners, are all key in further driving this growth. For more information, read: <https://bit.ly/2N3QIU7>.

CAS Analysis: Angola seems to be another African country that has unexpectedly embarked upon a journey to clean up its act and reach out to foreign investors. Improving the country's ease of doing business and its global competitiveness have become important initiatives for all of Africa's governments. Angola has not featured on the Global Competitiveness rankings report of the World Economic Forum for the past few years as there was not sufficient information available. However, in the 2017 Ease of Doing Business Report of the World Bank, Angola has improved to 175 from a low of 183 in 2014. Given the above reforms, it is quite likely that the country's standing will improve significantly in the next report, due to be released soon. The current president of Angola, President Joao Lourenco, has brought about significant changes in the government of the country, reducing the influence of the dos Santos family. The changes brought about has the potential to ramp up the Angolan economy, creating investment opportunities in the mentioned sectors.

- **South Africa:** A large number of clients with bonded properties at SA banks have turned to the banks for answers should land expropriation without compensation (EWC) be pushed through by government. President Ramaphosa recently announced that the ANC would continue to push for Section 25 of the Constitution to be amended to make the policy legal. The announcement unsettled the market, creating uncertainty amongst investors, while public reaction raised questions on how, when and where expropriation would take place, and what could happen to their properties. President Ramaphosa has since come out with a better explanation for what land EWC would entail. All SA's major banks have pointed out that the land debate is still ongoing, and that they are taking part in it. Nedbank has called for patience while the various political and legal processes play out. Any proposed changes of Section 25 will need to be fully debated and will have to pass constitutional and legal muster on multiple fronts. Nedbank was participating in the current Parliamentary process and debate and has made a submission. They did not support a change to Section 25 of the Constitution, as it already provides for EWC in cases where a court holds this to be just and equitable or it is in the national interest. For more information, read: <https://bit.ly/2PPWnMb>.

CAS Analysis: It seems the South African government had opened up a can of worms when it decided to amend Section 25 of the Constitution as far as expropriation of land without compensation (EWC) is concerned. As stated by Nedbank, the Section already provides for EWC under certain circumstances, where a South African court will decide whether it was just and equitable or it was in the national interest. By not stating initially exactly what would be done, the ANC government created a lot of uncertainty, which is never good in cases such as these. Foreign investors hate uncertainty and are hesitant to invest. We have seen responses in both the UK and Australia, where the media (UK) and state governments (NSW, Australia) have discussed the issue of EWC in South Africa. The most interesting response was by the president of the USA, Donald Trump, who tweeted that he had given his Secretary of State instruction to look into the matter. Trump tweeted as if EWC had already taken place. These incidences had the fortunate result that President Cyril Ramaphosa spelt out exactly what the issues were. These are as follows: 1) There will be no land grabs. 2) It's about strengthening all rights. 3) This is not Zimbabwe 2.0. 4) Changing the Constitution is for clarity. 5) Private land is not the target. 6) The plans are long-term. 7) This is a moral and social imperative. More details about these 7 points can be obtained here: <https://bit.ly/2ooUY2F>. It will be important for the South African government to be seen to uphold President Ramaphosa's 7 points. In addition to this statement by the president, Agri SA (body representing agriculture in SA) met with senior officials of the ANC. During this meeting, the following was agreed upon: 1) No land grabs would be allowed. 2) The protection of productive agricultural land would remain a priority. 3) Fallow land would be optimised for use in rural areas. 4) Property rights would remain a key priority in agrarian development. 5) Government was finalising an audit of state land for transfer to black farmers. 6) Initiate production on 4,000 farms currently in government possession to unlock commercial value and create farming opportunities. The Agri SA Deputy Executive Director, Christo van der Rhee, stated that Agri SA had also committed to assist with the roll-out of a pragmatic plan to grow the sector and assist black farmers. It is this kind of rapprochement between the various stakeholders that will take the country forward. The alternative is violence, the absence of the rule of law, and massive disinvestment by the foreign investment community. South Africa does not need this. Southern Africa does not need this.

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