

Africa:

- **Africa:** The European Commission President Jean-Claude Juncker has proposed a new alliance with Africa to deepen economic relations and boost investment and jobs. The proposal could help create up to 10 million jobs in Africa in the next 5 years.

A "continent-to-continent" free-trade agreement is part of the EU plan to deepen ties with Africa to counter the growing influence of China. EU leaders are concerned by the challenge of uncontrolled immigration and its political consequences. Hence the call for 10,000 more guards to prevent Africans, and other migrants, from crossing Europe's borders. And with more guards, more aid money to support weak and impoverished African states and to encourage their citizens to stay at home. However, Europe is increasingly emulating China's approach to Africa - focusing on trade and partnerships - not conflicts and charity. EU proposals entail the following: 1) Facilitate African students to study at European universities; 2) Help Africa to improve the climate for business and increased financial assistance; and 3) Provide a total of US\$46 billion in grants over the 7 years from 2021. So there is enormous opportunity for growth, and job creation. For more information, read: <https://bbc.in/2Mpg5eZ>.

CAS Analysis: Over the past few years, European countries such as Germany have launched various initiatives to stem the tide of migrants into Europe. These initiatives include the likes of Germany's "Marshall Plan" for Africa. This plan basically had 3 broad pillars, i.e. economic activity, trade and employment; peace and security; and democracy and the rule of law. Each pillar includes recommendations for African country governments, the German government and the larger international community. The plan emphasizes improving the investment climate and floats the idea of using ODA funds to secure private investments. The plan would support programs that promote peace, security and anti-corruption efforts and would look to boost job and vocational training initiatives to prepare young people for the workforce. The EU plan seems to build on this with the intention to ramp up job creation and trade relations. Developing Africa would definitely play a role to reduce the flow of migrants into Europe, and would also help to act as a counter to the growing Chinese influence on the continent. Economic development in Africa would also grow the size of the segment with disposable income, and the EU would therefore actually help to grow a market for itself.

- **Africa:** The value of data, coupled with connected infrastructure and industrial ecosystems, offers Africa a remarkable opportunity to create smart factories of the future. Data will be at the heart of reinvigorating Africa's industrial prowess, creating new industries and an entirely new set of jobs that previously did not exist.

Digitalization will tip the scales of Africa's economic outlook more towards exports emanating from the manufacturing sector, with the textile vertical being a good example. Developing factories of the future will boost Africa's GDP and catapult its international competitiveness by merging both the physical and virtual worlds. The future will now be defined by how Africa harnesses its manufacturing potential and how it moves the industrial revolution forward. The combination of smart hardware and intelligent software could help position Johannesburg, Nairobi or Lagos as the next design capital of the world. The economic output from the apparel industry in Africa has not been grand in the last few years. However, through digitalization, Africa's dynamic fashion sense could become a global hit. Now is the time for manufacturers to relook rising production costs and determine how to safeguard their competitiveness. For more information, read: <https://bit.ly/2xdKt6e>.

CAS Analysis: African governments must look at all the possible avenues to develop its manufacturing sector, with the concomitant benefits such as growth of jobs, import substitution, export revenues and the other benefits of value addition at source and economic diversification. The Fourth Industrial Revolution is a reality in the global world of today. However, Africa needs to develop its population to prepare them for a digital world, something which they are currently not ready for. The suggestions above are fine in principle, but much more needs to be done practically. Developing and investing in the necessary technology, as well as knowledge and skills transfer, will be a necessity. The overall situation does, however, create a number of investment opportunities for investors with the requisite risk appetite. They just need to do their homework first.

East Africa

- **Rwanda:** A group of local and international players in the housing sector is set to spend US\$200 million on the construction of affordable housing units to address the shortage of accommodation in Kigali. This would benefit nearly 50,000 people in terms of employment and business opportunities.

The deal is part of the World Bank Group's move to encourage commercial investment in the housing sector through its recently created International Development Association. They intend to reduce risk and increase investment in the sector. The deal will also offer alternative financing to homeowners who often rely on expensive commercial bank loans to construct houses. They hope the development can spur the emergence of a viable housing industry in the country. The deal will address challenges that have previously hindered entrance into markets such as Rwanda, as it reduces the risks inherent in the sector and provides cheaper capital. Some developers seek to introduce a cheaper technology in housing, precast concrete manufacturing and construction. The project will develop 1750 housing units in the first phase. The investment is against an estimated demand of 31,000 housing units annually, to ensure city dwellers have access to quality shelter. For more information, read: <https://bit.ly/2oXFT8G>.

CAS Analysis: The housing sector is a challenge in various African countries, not just in Rwanda. Many venture capital and private equity funds have in the past looked at the housing sectors in African countries, but have been deterred by the lack of a clear revenue model – how would they get their money back and how would the individual buyer be able to afford his/her home. Some were also hesitant to work with governments in Africa, given the prevalence of corruption in some countries. This move by the World Bank is therefore a welcome initiative to serve a need that is huge in Africa. Only in Kigali we see an annual demand of 31,000 houses. Rest assured there is a massive demand in other cities of Africa, which will grow as the rate of urbanization increases. We currently have in Africa a population that is growing. With a projected population size of 2.4 billion people by 2050, and with 50% of the population being urbanized by 2030 and 60% by 2050 (according to the AfDB), the pressure on the provision of housing is just going to increase. All forms of technological innovation will need to be investigated to support African governments in their endeavours to meet the housing needs of their populations.

- **Uganda:** Beekeeping and honey production have the potential to unlock the resurgent economy if policy makers give it the attention it deserves.

Despite the large economic potential for Uganda's organic honey, it is still difficult to produce and market the honey both within and beyond the borders. As a result, the contribution of honey to the economy has not generated the kind of buzz that commodities such as coffee, tea and tobacco has produced. Uganda currently harvests only 1% of a potential 500,000 tonnes of honey per year. Despite being only one of 5 countries in sub-Saharan Africa licensed to export honey to the EU, Uganda has failed to meet home-grown demands for honey, and export to this potential market. This is so because value chain actors have not received the kind of help and intervention that sectors such as agriculture receive in terms of free inputs and tax waivers. With the necessary attention, the sub-sector can address unemployment, boost the country's economy and generate foreign exchange. People have not embraced beekeeping and production because it is still being thought of as a wild or risky adventure with stinging bees. The current shortage is also limiting production of honey and by-products for which there is considerable potential. For more information, read: <https://bit.ly/2x5jmuO>.

CAS Analysis: No industry is too small or too insignificant to play a role in growing economies and boosting job creation. This is definitely the case in the honey industry in Uganda, where the country has a market in Europe, but only produces 5,000 tons of a potential 500,000 tons. Given the lack of jobs and the need to support entrepreneurs, one would hope that the Ugandan government would go out of its way to incentivise the development of this industry. This is not the first time the past 3 years that I have come across articles highlighting the need for investment in this particular industry. This is exactly the kind of industry that could play a role in supporting women and the youth to contribute towards their own welfare. In the process, the governments would be contributing towards the UN's SDGs, the AU's Agenda 2063 and the AfDB's High 5 Priorities.

North Africa

- **Sudan:** Turkey and Sudan have signed a US\$100 million oil exploration deal and an agreement allocating 780,500 hectares of Sudanese agricultural land for investment by Turkish companies.

This would provide food security for Turkey, Sudan and other countries. The two countries have strengthened ties and agreed to increase trade to US\$10 billion a year. The Turkish Petroleum Corporation (TPAO) and Sudan's Ministry of Petroleum and Gas also signed an oil field development agreement, which would initially lead to an investment of up to US\$100 million. Turkey's Ziraat Participation Bank will also open a branch in Khartoum to strengthen financial ties, and customs procedures for machines and equipment imported from Turkey to Sudan will be eased. A year ago, the USA lifted a trade embargo and other penalties that had cut Sudan off from much of the global financial system. However, Sudan's economy is in crisis, with a liquidity squeeze and a shortage of basic food. Turkey plans to rebuild a ruined Ottoman port city on Sudan's Red Sea coast and construct a naval dock to maintain civilian and military vessels under an agreement reached between the two sides during Erdogan's visit to Khartoum. For more information, read: <https://bit.ly/2x6GVDB>.

CAS Analysis: I have in other newsletters highlighted Turkey's expansion into Africa. They are not the only investors in Sudan, with businesses from China, Russia, Qatar, the UK and the USA, amongst others, all showing an interest in getting involved in an economy that has a significant size in spite of the trade embargo and other sanctions against it the past decade or 2. The current liquidity squeeze it is experiencing, is an inconvenience for those investors interested in repatriating profits, but there are numerous investment opportunities for the patient investor. An example not mentioned above, is the massive cattle herds in Sudan, with significant potential both upstream and downstream of the value chain. As for participation in the oil industry, Sudan has also invited companies from both China and Russia to become involved. It will be interesting to see how this situation develops.

Southern Africa

- **Zambia:** The International Trade Centre (ITC) has pledged support of Zambia's programme of enhancing production and processing of its cassava crop for both local and export market. The ITC is interested in helping to uplift the welfare of women involved in small-scale business enterprises such as adding value to the production of cotton and cassava. Zambian Breweries is one of the major partners. For more information, read: <https://bit.ly/2NDq05f>.

CAS Analysis: The cassava industry has many opportunities, given the wide-spread field of utilisation. In addition to cassava flour, which is gluten-free, the product can also be used to produce starch, glucose and dextrose. It can also be used in various non-food industries, as well as for the production of alcohol. The fresh roots contain about 30% starch and 5% sugars, and the dried roots contain about 80% fermentable substances that are equivalent to rice as a source of alcohol. Although there are a number of entrepreneurs in Africa, for example in Nigeria, that are tapping into the opportunities in this sector, there are still many opportunities for interested investors.

- **Zimbabwe:** Zimbabwe recently held its first post-Robert Mugabe era presidential election. It is now time for the Mnangagwa administration to deliver to the promises made by the president.

The ZANU-PF won 69% of the 210 seats in parliament. In the presidential vote, Emmerson Mnangagwa, won 50.8% of the vote. The SADC largely considered the election successful. Zimbabwe has attracted an estimated US\$16 billion in investments since Mnangagwa took over in November 2017. The Indian government will provide a US\$310 million soft loan for the rehabilitation of the Hwange Thermal Power station and the CDC and Standard Chartered will provide US\$100 million in lending to new businesses. Despite these advancements, there is still a lot to do to bring the country back to sustainable development. Zimbabwe needs to resolve the chronic cash shortage in the short-term, and create its own currency in the long-term. Zimbabwe desperately needs an influx of foreign cash to resolve the currency crises and spur economic growth. For more information, read: <https://bit.ly/2QkqnQJ>.

CAS Analysis: Zimbabwe barely survived Robert Mugabe's crazy administration. When he came to power in November 2017, President Mnangagwa made all the right noises, more so at the WEF's annual meeting at Davos. He survived the election in Zimbabwe at the end of July 2018, in spite of various claims of election fraud by the opposition. It is now over to the Mnangagwa administration to deliver on all those promises. The 3 obvious areas of investment are the mining sector, the tourism sector and the agriculture sector. Zimbabwe does need to get its currency woes sorted out as well, the sooner the better. Currently it is working with bond notes, which it introduced in November 2016 in a bid to address its acute shortage of cash. It has recently been reported that the new Minister of Finance will be scrapping the bond notes. The Minister has mentioned 3 possible replacements of the bond notes: the South African Rand, the US \$, or the Zimbabwean \$. Whichever route he follows, it needs to be done quickly and efficiently.

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