

East Africa:

- **Kenya:** Microfinance bank Caritas has hit Sh1 billion (~US\$9.9 million) in assets after 2 years of operation, becoming one of the fastest growing microfinance banks in Kenya. Caritas, which is owned by the Archdiocese of Nairobi Catholic Church, has grown its loan book from Sh11 million (~US\$110,000) since its launch in April 2017 to over Sh700 million (~US\$6.9 million).

Chief Executive George Maina attributes the growth to interest rate capping that has seen SMEs – who have experienced a credit crunch since the rate caps – rush to borrow from microfinance banks, as well as use digital banking platforms. Currently, about 80% of their transactions are done on the mobile banking platform. The bank is committed to serve the “unbanked and under-banked” sectors, which account for about 25% of Kenya’s population. The bank has also embarked on agency banking to increase its footprint. Caritas has partnered with the Cooperative Bank of Kenya for ATM and point-of-sale (POS) services, enabling its customers to have nation-wide access to their accounts. Customers can make withdrawals at all Visa-branded ATMs and purchase goods and services at all Visa-branded outlets. For more information, read: <https://bit.ly/2IFwdsA>.

CAS Analysis: The banking industry in Kenya is in a bit of a turmoil. It was recently reported that Kenya was looking for strong banks that are capable of withstanding shocks to finance large infrastructure projects. The Kenyan Central Bank is quietly engaging the small lenders in merger and acquisition talks to help them voluntarily close shop. Kenya has 42 banks, including those under liquidation and receivership; 20 small lenders control only 8.7% of the banking business compared with 8 big banks that control 65% and 11 medium-sized banks with 25% of the market share. The industry is being confronted with a consolidation opportunity by the bigger players. In 2016, the Kenyan government restricted banks to a maximum lending interest rate of 4% above the Central Bank rate, and where they could not pay less interest than 2% below the Central Bank rate. These restrictions placed pressure on the returns the banks were making, forcing many to tighten their lending practices and risk policies. A small microfinance bank such as Caritas (in spite of its strong growth off a very low base) does not have the assets to really survive in tough banking conditions. One wonders to what extent the ownership structure plays a role in its survival, in addition to the interest rate cap that is driving SMEs towards microfinance banks. Will there still be space for this kind of player once the interest rate cap is removed, something which has been mooted for quite a while now? The reality is that the collapse of smaller banks would undermine the general public’s confidence in the banking sector, which cannot be allowed. Trust in the banking system (at the bottom end of the pyramid) is already an issue of concern.

- **Kenya:** The Kenyan government is set to construct 100,000 affordable housing units in line with the Big 4 agenda, following an agreement with the UN Office for Project Services (UNOPS) to finance the project.

They want to implement interventions that will ensure that developers can produce housing units at scale, home buyers can access affordable financing facilities that allow them to buy homes, and that the enabling environment facilitates innovation, embraces technology, and commercial arrangements that can bring down the cost of construction. UNOPS’ Social Impact Investment Initiative seeks to attract finance from the private sector as it de-risks infrastructure investment projects. Kenya stands at 2 million housing deficit, which grows with 200,000 units annually. The cause of the deficit is the high rural-urban migration rate. This is also influenced by the population growth rate versus the annual available housing units. For every unit built, 3 to 5 direct jobs and 8 indirect jobs will be created. For every dollar invested, up to 3 times will be realized in the greater economy. For more information, read: <https://bit.ly/2OCK3RJ>.

CAS Analysis: Housing is a major challenge in many African countries, if not all. Many people are migrating to the cities from the rural areas in the expectation of finding jobs. They frequently do not and are even less successful in finding housing. This challenge is exacerbated by the strong increase in the population of Africa, as well as the increase in the rate of urbanisation. One major challenge seems to be the financing of housing projects, and the unwillingness of the private sector to take up the risk associated with housing projects in Africa where you frequently have to work with governments. Not many African countries have a system such as Singapore’s CPF, which plays a major role in the financing of housing provided by the Housing Development Board (HDB). Hence, financing housing by prospective home owners is an issue that governments struggle to find a solution to.

- **Kenya:** Kenya's hospitality industry is on an upward growth trajectory, having been resilient and surmounting numerous challenges over the years to secure a place for itself among the top in Africa.

The travel and hospitality sector has contributed immensely to the economy by driving tourism earnings, providing foreign exchange and creating employment for many Kenyans. Last year, the sector overcame election uncertainties and travel advisories to post increased earnings — Sh119.9 billion (~US\$1.2 billion), 20.3% higher than the Sh99.7 billion (~US\$988 billion) recorded in 2016. The rise was achieved on the back of an 8.1% increase in international visitor arrival numbers. In the next 5 years, Kenya is expected to open 13 new hotels, adding 2,400 rooms and increasing hotel capacity by 13%. Kenya's hospitality sector is expected to grow by more than 8% this year. By 2022, the growth in the occupancy rate will be 58.1%, up from 47.3% in 2017. Kenya is honoured to have high-calibre international hotel investors, which will connect business leaders from both the international and local markets in the hotel industry. It is through such meetings that the country will drive investment in tourism projects, infrastructure and hotel development. For more information, read: <https://bit.ly/2RreTv3>.

CAS Analysis: Tourism, as stated before, is an important driver of revenue for many stakeholders in every country. It also has a significant leverage effect, with a number of direct and indirect job opportunities being created for every tourist visiting. The large global hotel chains have identified the significance of tourism, including conference tourism, and are investing in Africa in significant numbers. This is the case for East, West, North and Southern Africa. Recent numbers (October 2018) on hotel expansion in East Africa have indicated that 31 hotels are being erected in Ethiopia, which will add 5,747 rooms. This same research puts Kenya at second place with new hotels numbering 20, adding 3,444 rooms, Tanzania at third with 15 hotels and 1,494 rooms, Uganda at fourth with 9 hotels (1,238 rooms) and Rwanda with 7 new hotels and 655 rooms. This investment in tourism will go a long way to generate jobs and foreign income.

- **Rwanda:** Government has adopted digital technologies in the power distribution system as it increasingly looks for ways of how to efficiently respond to the country's power demands. Rwanda has started embracing smart grid technology in the energy sector – an electricity supply network that uses digital communication technology to detect and react to local changes in usage.

It makes it possible to monitor electricity use in real time and make automatic changes that reduce energy waste. This has enabled Rwanda to consistently monitor outage durations and frequency levels. Rwanda's energy sector continues to face several challenges as many people still don't have access. More than 50% of the population have no access to electricity, but Rwanda has an ambitious target to achieve 100% coverage by 2024. Even those that are connected to the grid, often face power outages due to the fact that utility companies run systems that sometimes don't have the ability to detect how power is efficiently distributed. Power lost through the distribution lines in Rwanda is estimated to be well below 20%. Experts believe that integrating smart grid technologies could help countries like Rwanda achieve efficiency in the energy sector, reduce power outages, and reduce energy waste. For more information, read: <https://bit.ly/2PaKsl7>.

CAS Analysis: Technology is increasingly playing an important role in many African countries in various industries. This article mentions smart grid technology in the energy sector. With Rwanda doing its best to ramp up its manufacturing sector, the availability of abundant low-cost electricity is essential. This is in addition to improving the lives of many of its population who have no access to electricity. Rwanda is slightly better off than the average of the continent, where it is said that 60% of the population do not have access to electricity. Getting the other 50% to also gain access to energy by 2024 (6 years from now), is indeed a very ambitious target. However, Rwanda has the political will and drive to make it work. The country's development since 1994 is testament to this. I have recently met young executives in the government sector that are clearly very competent and energetic. These people are the political future of Rwanda, and with them around, it seems the future will be a bright one.

- **Tanzania:** Tanzania has made a major shift in trading in the first 9 months of 2018, with decreasing trade values among its major traditional partners, while witnessing the emergence of new trade partners. The share of Tanzania's exports to the EU, Japan, the Middle East & North Africa (MENA), India and China have continued to shrink. On the other hand, Zambia, Kenya and Turkey are emerging as

Tanzania's major export destinations. The EU's imports from Tanzania dropped significantly, as did Tanzania's share of exports to China and India. Major Tanzanian exports include ores and minerals, manufactured products, foods, mineral fuels and commercial crops such as cashew nuts, coffee, tea, cotton and tobacco. Tanzania is nurturing new trading partners such as Turkey, which is becoming recognised as a serious trading partner. The emergence of Zambia, Kenya and South Africa – whose trade volumes with Tanzania increased significantly during the first three quarters of this year – has contributed to the overall growth of Tanzanian trade with both the SADC and EAC. They have also decided to source some of the products they were importing from outside Africa to within African to boost intra-regional trade. The major decrease in Tanzania's imports was experienced by China, followed by the MENA countries. Food imports fell from 7.6% of all imports by Tanzania to 6.9%. For more information, read: <https://bit.ly/2OXRuA0>.

CAS Analysis: John Magufuli, the Tanzanian president, has been “disrupting” both his country and the region with his attempts to grow and develop Tanzania. From the evidence posted above, he is once again putting national interest as first priority and is expanding (and reprioritising, it seems) the “pool” of trading partners. It is interesting to once again see Turkey being mentioned prominently! What is also interesting, is the significant decrease in both the exports and imports to and from China. One would not have expected this. It is refreshing to see Tanzania prioritising intra-African trade. An increasing number of African heads of state are calling for local procurement (as in African procurement), instead of importing from outside Africa. What is also refreshing to see, is the drop in food imports. Hopefully this is due to an actual drop in importing food and not just a relative decline.

West Africa

- **West Africa:** Declaring that unemployment is the main problem confronting Africa, Ghana's president Addo Akufo-Addo has called for collaboration between Nigeria and Ghana to lead the industrial revolution in Africa.

The biggest challenge is the inability to transform Africa's abundant natural resources into opportunities for creating jobs and wealth. Africa has young, determined and highly educated people across all sectors and yet has been unable to get the right mix of policies to fully unearth and develop the rich entrepreneurial talents in Nigeria and Africa. Akufo-Addo said that governments in Africa must use the procurement muscle of the state to support industrialisation in their respective countries. These procurement policies must favour local production to support the social sectors such as schools, hospitals, police, army, prisons, etc. Due to corruption, such policies favour the procurement of cheap goods from other countries, which support those countries' industrialisation process instead of Africa. Akufo-Addo explained that Africa could create the champions of entrepreneurs and business giants who could stand shoulder to shoulder with foreign businesses. For more information, read: <https://bit.ly/2NkbXxa>.

CAS Analysis: Most governments in Africa are sizeable with a significant budget. Should they all focus on procuring locally developed goods and local services, it would provide a boost to these local businesses. The jobs created would be considerable, as would the benefits of import substitution. Why it is not done, is not clear. Can it really be just due to corruption? If it is, given the negative effect thereof in Africa, Africa's governments should then consider making corruption a crime against Africa's humanity! Political will is unfortunately a challenge as well. Recently, an African country propagated the importance of stimulating manufacturing within its borders, just to go and order products from another country in Africa, products that it could have ordered from within its borders. Due to an outcry from the manufacturers in that country, the decision was soon reversed. But it still shows the inclination to go abroad. Africa must become its best buyer and its best supplier! It is as simple as that. Should a foreign product be on the shopping list, there should be a sound justification for either not buying a product in-country (first priority) or in-continent (second priority). This could force foreign exporters to Africa to actually put up shop in Africa.

- **Nigeria:** The development potential of Nigerian mini-grids is valued at up to US\$20 billion. The development of off-grid systems, including mini-grids and solar home systems, could save individuals and businesses US\$6 billion per year. In addition, by scaling up the mini-grid market to 10,000 sites, each with a 1-KW capacity, the sector can electrify an estimated 14% of the population and generate annual returns of US\$3 billion by 2023. At

present, there are 30 solar-powered mini-grids in Nigeria serving around 6000 customers. Just 36% of the rural population is estimated to have consistent access to a centralized power supply, and use diesel and oil generators, which cost around \$0.0019 per KWh compared to \$0.0016 for a mini-grid connection. As the market expands, costs could fall by 60% by 2020. The expansion of off-grid systems could also help the energy sector circumvent distribution shortfalls affecting the transmission network. To fully leverage future generation capacity, the network will require US\$4 billion in private spending from local distribution companies by 2021. The government, supported by the World Bank, has launched a 5-year, \$350 million Nigeria Electrification Project to help finance electrification solutions for rural populations. The plan will develop the mini-grid market and incentivize private sector firms to build 1200 mini-grids nationwide, electrifying 200,000 households and 50,000 local businesses through subsidies and technical assistance. For more information, read: <https://bit.ly/2NeOugO>.

CAS Analysis: Much has been said in the Centre's newsletters on the benefits of renewable energy for Africa. Mini-grids are fast, relative cheap and easy to install. Getting the industrial era type of generation, transmission and distribution requires massive investments and takes a lot of time. Given the impact on the climate and global warming, the strategy of using coal-fired generation stations are becoming increasingly unpopular. Mini-grids can be a lot cheaper. Solar is punted by many as the energy business model for Africa. Connecting the 64% of the Nigerian population that currently do not have consistent access to a centralised power supply, is going to require innovative solutions. Renewable energy increasingly seems to be the resource that provides flexibility to the energy regulators in Africa.

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