

## Africa:

- **Africa:** A public-private sector initiative, the LHoFT Foundation, believes that financial technology is crucial to advancing financial inclusion. As such, the foundation has launched the CATAPULT: Inclusion Africa – taking place between 5 and 9 November at the LHoFT, Luxembourg.

It is a one week programme of Fintech start-up development, targeting Fintech companies from South Africa, Uganda, Nigeria, Senegal, Tanzania and others that are focused on financial inclusion and keen to build. CATAPULT: Inclusion Africa is leveraging Luxembourg's Inclusive Finance and Fintech ecosystems, as well as LHoFT partners, to support the 14 selected firms in developing their businesses and achieving their inclusion goals, creating synergies between them, partners, sponsors, investors, Microfinance institutions and Public Financial Institutions. It will provide a tailor-made programme with intensive mentoring, coaching, peer-to-peer learning and dedicated workshops for the 14 selected Fintech start-ups. For more information, read: <https://bit.ly/2JNpl7g>.

CAS Analysis: The LHoFT Foundation's belief that financial technology is crucial to advancing financial inclusion, is no longer just a belief, or it should not be. By now, it should be referred to as a fact. Tongue in the cheek, one wonders where such institutions have been the past few years that they only now proclaim this belief. I wrote last week of a large global banking corporation that have now also expressed this belief in the "new" phenomenon of fintech and its implications for financial inclusion. I wrote the first time about this phenomenon in 2015, and even then I was definitely not the first commentator to do so. I made the point then, and it is still true, that those banks that do not wake up and either create their own fintech applications or partner with the likes of a Safaricom (parent of M-Pesa), run the real danger of being disintermediated. Supporting new fintech start-ups is admirable. The fact is that there are already quite a number of bigger players (M-Pesa, Paga, Ecocash, Airtel Money, and Pesalink, to name but a few), with either banks or mobile telephony players as parents, that serve the growing market. A number of them are active in a number of countries. One is concerned that small start-ups could fail and create negative conditions for the industry as a whole. Central banks in Africa will definitely be keeping a sharp lookout to ensure that the public is not ripped off. And let's be honest, Kenya was doing mobile money at a national scale with its M-Pesa long before the rest of the world knew about it. If I wanted to know about mobile money and how to do it in Africa, I would ask M-Pesa. Few, if any, have their experience and insights.

- **Africa:** African governments could soon get access to more Chinese debt. A Chinese banking conglomerate wants to buy African infrastructure debts from the government starting next year, repackage them into securities and then sell them to investors.

The new proposal could be problematic as it could put African countries in more debt. For Chinese financiers, developers and multilateral development financial institutions, this will offer further opportunities to make money from Africa. Mortgage insurer Hong Kong Mortgage Corporation will buy a diverse basket of infrastructure loans next year and explore the idea of "securitising", allowing it extra liquidity that it can use to finance more infrastructure projects. This will help 'recycle' commercial banks' capital to be redeployed into other greenfield infrastructure projects, besides enabling wider capital markets participation in infrastructure development under the BRI. This will benefit infrastructure financiers as it will release illiquid assets back into the market, offering fresh capital injections for newer projects, which could allow for more funding opportunities for African countries. African economies owed China and its institutions more than US\$29.42 billion as at April 2018 in infrastructure loans. This securitisation plan comes at a time when many African governments are seeking to either restructure their debts with China or get friendlier terms. For more information, read: <https://bit.ly/2SXJvoG>.

CAS Analysis: When I read this article, I felt a certain kind of déjà vu. Was this 2008/09 all over again? With an eventual total capital investment of between US\$4 and US\$8 trillion for the BRI, should such a securitisation exercise go wrong, it will have a far more devastating impact on the global economy than the 2008/09 financial crisis. While it will have the benefit of releasing more funds for infrastructure and other development in Africa, it does run the real danger of exacerbating the debt levels of many African countries, to an eventual extent that it becomes unsustainable. This is already the case for some. It has already been discussed whether country governments should play the role of a banker in deciding whether to grant loans to other governments, taking into account the current debt levels and ability to repay the capital and interest. Sometimes it seems that this is not done. There should be no doubt that

banks must take this into account. It cannot be denied that there will be potential investors who would want to tap into the available returns in the infrastructure development sector, and to whom the securitised assets will be attractive. The challenge will be when the ultimate borrower, i.e. African governments, defaults due to too high debt burdens and inability to repay.

## East Africa:

- **East Africa:** East Africa will benefit from a US\$60 billion fund created to increase the USA's influence in Africa and rival the growing influence of China in Africa. The International Development Finance Corporation (IDFC) will spearhead the financing of infrastructure projects and open avenues for US companies to increase investments in Africa.

American firms have often cited the challenge of securing financing and mitigating risk as constraints in competing with the Chinese for projects in Africa. The IDFC will oversee the funding of infrastructure projects like roads, ports, energy, railways and dams in Africa. The IDFC's US\$60 billion is available for investing in both equity and debt in infrastructure projects across emerging markets. It's a sign the USA acknowledges that Africa is demographically destined to be a focal point for global commercial competition, given its population of 1.2 billion, growing economies and political stability. Bechtel Corporation, for instance, has been awarded a major contract to build the US\$2.1 billion Mombasa-Nairobi expressway under the PPP-model. While the US remains Africa's largest donor, committing US\$12.2 billion in 2017 for health, education and agriculture, China and its agencies dominated in infrastructure projects (US\$75 billion). In September, China committed an extra US\$60 billion in development finance. For more information, read: <https://bit.ly/2F7qpK7>.

**CAS Analysis:** At the 2015 FOCAC, China promised US\$60 billion for infrastructure and other development in Africa. It made another US\$60 billion available at the FOCAC of 2018. Japan has promised US\$30 billion for investment. India's total investment in Africa is ~US\$40 billion. Russia is also coming to the party, albeit at still low levels. Whereas there always have been a number of USA corporations invested in Africa, the USA has recently been lagging in the race for Africa's goodwill. Some of the USA's generals in Africa have made the point that they cannot compete with the likes of China, given the support the latter was giving to its allies in Africa. When the Djibouti government gave China the green light to build a military base in the country, and the USA objected, the response was that should the USA invest commercially to the same extent that China does, their point of view would be taken seriously. The creation of the US\$60 billion fund to oversee the funding of infrastructure projects like roads, ports, energy, railways and dams in emerging countries, is therefore a very timely initiative, although long overdue. USA companies can now get the financial support for investing in both equity and debt in infrastructure projects across emerging markets. Not all US\$60 billion will be for Africa though. Still, a giant leap forward for USA companies interested in investing in Africa's infrastructure projects.

## West Africa

- **Cameroon:** The AfDB has extended a loan of €84 million to Cameroon to support livestock and fish production. The loan will support the modernization of beef, pork and fish production, with significant improvements to food and nutrition in the country.

Both the Bank and the Government of Cameroon are implementing strategic policies aimed at improving food and nutritional security, reducing poverty and improving production infrastructure in rural areas. The project will specifically target raising standards and competitiveness in such key livestock value chains as genetics improvement, feeding, slaughter, processing, conservation and transportation. For fish production, the focus will be on rearing, conservation, storage, and processing. Key beneficiaries of the project will be stockbreeders and their cooperatives who constitute 45% of the pastoral sector labour force; fish farmers, input producers and sellers, traders, women wholesale fishmongers and processing operators. In addition, up to 350 higher education graduates will be trained and settled as business leaders. The project's total cost is estimated at €99.27 million. Government will contribute €15.27 million. For more information, read: <https://bit.ly/2PfQo6J>.

**CAS Analysis:** The agriculture sector in Africa needs all the support it can get. Industrialising and commercialising agriculture is punted as one of the strategies to achieve one of the High 5 Priorities of

the AfDB, namely Feeding Africa. While Africa has tremendous agriculture potential, it is still importing food to the tune of US\$41 billion annually, which is set to increase to US\$110 billion by 2025 should nothing change. This kind of project will not only help Africa meet its own demand, but will enable it to produce enough for export purposes. It will also help to raise the profile of agriculture as a lucrative business opportunity for Africa's youth, a crucial initiative to reduce the levels of unemployment. With the average age of Africa's farmers at 63 years, getting more of the youth involved is a matter of urgency. This message has been delivered many times. We need to deliver it continuously until such time that food production and youth unemployment stop being a major problem, and Africa's farmers are no longer just a group of old men.

## Southern Africa

- **South Africa:** Former USA President Bill Clinton had four words for SA: "Don't screw this up." Clinton stated that SA had pulled itself back from the brink of self-destruction and was given another chance at redemption following the almost wasted decade of the Zuma administration.

Everyone in SA, on average, is poorer in real terms today than at the start of the Zuma years. Discovery CEO Adrian Gore showed that if SA's growth had just mirrored global growth over the past decade, its economy could have been 17% bigger than now. It would have been 38% bigger had it emulated the growth in emerging markets. It could have had 2.5 million additional jobs, which would have had a real impact on poverty levels in SA. Conference delegates were optimistic that the tide had turned. This time last year SA moved close to a point of no return as state capture gathered steam and state resources were plundered for the sole benefit of a well-placed elite. Ramaphosa paid tribute to the role business can play to help turn around the country's precarious economy. He believed in the goodwill of the majority of South Africans and their desire to share in a more prosperous future. Hillary Clinton said Ramaphosa needed to change SA's story. Bill Clinton cautioned against creating a sense of false hope. Don't tell people they are going to get land if it's not going to happen. For more information, read: <https://bit.ly/2z1bfk5>.

**CAS Analysis:** Should one track the initiatives of the Zuma administration the past 9 years to "capture the state" for the benefit of a selected elite, it paints a scary picture. The involvement of the Gupta family cannot be denied. The involvement of a number of global corporations cannot be denied. The involvement of a number of high profile politicians and administrators, some of whom are still employed, cannot be denied. Hopefully SA caught the rot in time. Hopefully President Ramaphosa will in time be able to get rid of and incarcerate all the guilty parties. Given what the country has gone through since the release of the likes of Nelson Mandela and others in 1990, Bill Clinton's comment is quite valid – SA should not screw this up. The positive message from people like Cyril Ramaphosa and Adrian Gore should serve as an inspiration to all South Africans. We unfortunately still see a number hell bent on preserving their ill-gotten gains and doing their utmost to deflect the attention from themselves. Also, thinking about the non-creation of 2.5 million jobs and the impact these jobs could have had in South Africa, makes one sad. It will take a while to determine the full extent of the negative impact of the Zuma years. If the recent fracas in the South African Parliament is anything to go by, this impact is not just economic, but socially as well, with a clearly visible deterioration of race relations.

- **Zimbabwe:** During a recent visit to Surface Wilmar in Harare, Zimbabwe's Minister of Finance, Prof Mthuli Ncube, remarked that the futuristic robotic systems-controlled factory floors at Surface Wilmar are testimony that Zimbabwe can become the gateway to investment into Africa.

There are many reasons for this. First, Zimbabwe has a highly educated population with the requisite skills to service an offshore centre. Second, Zimbabwe has a strong regulatory environment in the form of the Reserve Bank of Zimbabwe, tax regulator, securities regulators, etc. Third, the multi-currency regime positions Zimbabwe as an ideal place for foreign investors to preserve their value in hard currency. Fourth, locally the Offshore Investment Centre (OIC) could also help stem any unnecessary capital outflows out of Zimbabwe, as Zimbabwe would be as good as any centre in the world for offshore investments. Fifth, while there is need to invest more in Zimbabwe's infrastructure, the current infrastructure is very good by standards on the African continent, outside South Africa. Sixth, one of the benefits to be offered by the OIC is a special low tax environment for any company that invests through

it. Finally, Zimbabwe banks have the capacity to offer world class custodial services and administrators can offer administrative services, where they are required by foreign investors. For more information, read: <https://bit.ly/2Own1rF>.

CAS Analysis: This is an ambitious vision that the Minister of Finance of Zimbabwe has created. Zimbabwe's economy is currently struggling under tremendous pressure, with a severe liquidity squeeze and a collapsing local currency. When President Mnangagwa was elected as president, he made a number of promises. He is struggling to fulfil them, not necessarily due to challenges of his own personal making. The point is that Zimbabwe still has major investment potential. Maybe it is time that all sanctions against the country are lifted and the government is allowed to get its economy back on track. Maybe the current government is not the best it could have, but that is the case for many other countries globally. Also, the current government is the government of the day and should be allowed to address the internal challenges without foreign governments placing hurdles in its place.

- Zimbabwe: Zimbabwe will in 2 weeks announce the successful bidders for assets owned by state-owned mining company Zimbabwe Mining and Development Corporation (ZMDC), including gold mines. The ZMDC will put on sale its remaining 20 assets by the end of November.

Selling struggling state-owned companies is part of President Mnangagwa's wider reforms to cut government expenditure. Most of the mines are either operating below capacity or are under care and maintenance. London-listed Caledonia Mining, which already operates Blanket mine in southern Zimbabwe, is among the bidders for two gold mines already on sale. Gold is Zimbabwe's single largest mineral export. Big gold miners say their operations are being hampered by US\$ shortages, which in October forced RioZim to temporarily shut its mines. For more information, read: <https://bit.ly/2D7nK0o>.

CAS Analysis: Governments are never good managers of private sector entities. A number of African countries have privatised their state-owned enterprises more than 3 decades ago. This has allowed them to gain from the capital received, and remain as minority partners to gain from the operating income of these entities, which have been well managed by their private sector owners. True, some of the privatisation exercises were unsuccessful. This was true for sectors such as water and electricity. However, governments have no place running mines, etc. Hopefully the mines sold will be managed to their full potential. Zimbabwe is in dire need of capital and well-functioning entities. It is also in need of foreign currency (US\$). The points made in the above article are valid for this article as well. IMF support should be sought, and maybe it is time the government takes steps to get back the large sums of money that the political elite under Mugabe reportedly sent out of the country.

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