

Africa

- **Africa:** Africa's agricultural sector is dominated by 250 million small family farmers, who cultivate small areas with poor farming techniques, yet produce 80% of the food consumed in Africa. They have limited access to inputs, financial services or technology and mainly practice subsistence agriculture because of their difficulties in accessing the market.

The transformation of the smallholder farming sector is hampered by the lack of access to information, best agricultural practices, inputs, mechanization, market opportunities and financial services. The transformation of the sector and the increase in production must be inclusive and the private sector's role is crucial. When farmers are integrated into global value chains, both sides benefit. However, integration remains a challenge. Most of these challenges can be solved by connecting the different actors in the agricultural value chain through digital marketplaces that manage the supply from smallholder farmers, manage the stocks and manage the commercialization of agricultural products and their transport. The viability of these marketplaces can be guaranteed if they are operated by private companies and financed by fees levied on the commercial transactions they allow. This private model does not exclude state control and regulation to avoid the creation of monopolies. SAP has developed a dedicated solution to connect smallholder farmers to agricultural value chains. For more information, read: <https://bit.ly/2AR9p5s>.

CAS Analysis: SAP has developed an interesting solution to help smallholder farmers in Africa to connect to regional and global value chains. In the end, it is all about sharing information about the sector itself and the market place and its needs. According to SAP, their solution (SAP Rural Sourcing Management) is designed to capture, maintain and share individual data of smallholder farmers such as crop types, geographical location of fields, farm size, harvest prospects, farmers' production sales transactions, and more. It also connects smallholder farmers to information providers and various other stakeholders in the broader agricultural value chain, including financial services, buyers and suppliers of inputs. SAP's solution can be seen as the "big daddy" of the likes of FarmCrowdy in Nigeria and FarmDrive in Kenya. FarmCrowdy connects investors with farmers and ensures there is a market. All 3 of the stakeholders, i.e. investor, farmer and FarmCrowdy, share in the returns. FarmDrive gathers information of the smallholder farmers in a format that is acceptable to the banks in Kenya, utilising a switchboard model by connecting suppliers with clients. This is typical of the original Charles Schwab model. A major challenge of the banks in Africa who deal with the small family farmers (250 million of them) is the lack of data/information on the farmers. The SAP's of the world and its fintech/mobile tech competitors are becoming valuable contributors to the agriculture sector in Africa.

- **Africa:** Nielsen Africa's seventh [Africa Prospects Indicator \(APi\)](#) report shows that all eight countries in the overall country ranking shuffled position at the mid-year mark, the first time this has occurred in nearly four years. The overall APi indicator ranking is created from macro, business, consumer and retail indicators, to create an overall indicator to determine the relative indicators for each of the individual dimensions.

In Q2 2019, the top 8 countries are as follows: Kenya, Cote d'Ivoire, Tanzania, Ghana, Nigeria, South Africa, Uganda and Cameroon. Kenya's top spot is due to an improvement in its economic and business conditions, matching the growing consumer optimism after the long election period of 2017. Tanzania returns to third place after a quarter in fifth place, reaffirming it as one of Africa's steadiest prospects over time. Ghana and South Africa have regularly changed positions, but the longer-term trend points to stronger positions for both, now in fourth and sixth place, respectively. South Africa has slipped with two consecutive quarters of GDP contraction, a severe drought and fading 'Ramaphoria', all of which have had an adverse effect on consumer confidence and spending. Overall, the outlook for growth in Africa remains firm, but businesses have had to refine their focus on fewer countries. For more information, read: <https://bit.ly/2UnpXuC>.

CAS Analysis: Nielsen's annual API reports address the level of attractiveness in various countries in Sub-Saharan Africa. The report addresses macro issues (social, political and economic), business issues (e.g. business sentiment, uncertainties), consumer prospects and retail prospects. They are clearly different from the Ease of Doing Business rankings of the World Bank, and the Global Competitiveness Rankings of the World Economic Forum. Comparing the top 8 of each, yields quite different countries. Of the Top 8 countries in the 3 rankings, the only countries that appear on all 3, are Kenya (1st, 3rd, and 5th)

and South Africa (6th, 4th and 2nd) on, respectively, Nielsen's Africa Prospects Indicator, The World Bank's Ease of Doing Business rankings (2019) and the World Economic Forum's Global Competitiveness Rankings (2018). Comparing Nielsen with the Ease of Doing Business, except for the already mentioned Kenya and South Africa, there are no other overlaps. Comparing Nielsen with the Global Competitiveness Rankings, Ghana appears on both rankings (4th and 7th respectively). Comparing the Ease of Doing Business rankings with the Global Competitiveness Rankings, the following countries appear on both: Mauritius (1st and 1st), Rwanda (2nd and 8th), Botswana (5th and 4th), and the Seychelles (7th and 3rd). It would be very interesting to see how these rankings correlate with some indicators of performance, such as GDP or GDP Growth.

East Africa:

- **Rwanda:** Rwanda's recent focus on the Chinese market for tourism is largely based on the growth in consumption by China's citizens in global tourism. In 2017 alone, there were about 131 million outbound Chinese tourists, with each estimated to have spent an average of US\$726 per person on retail shopping while non-Chinese tourists spent an average of US\$486 per person. Total tourism expenditure from China stood at US\$261 billion in 2016.

These are some of the reasons behind Rwanda's move to launch an online platform to ease the booking of packages by China's citizens. Chinese tourists can now directly book tour packages to Rwanda, following the launch of the 'Visit Rwanda' online pavilion on Fliggy, Alibaba's travel platform that is accessed by over 500 million users in China. China is the largest source of the global outbound tourist traffic, as well as expenditure across the world. Despite the high volumes of consumption by the Chinese, there was little of it coming to Africa (only 2%), hence the launch of a target platform. Tourism stakeholders are upbeat they will earn more profits as intermediaries will be bypassed and commissions reduced. For more information, read: <https://bit.ly/2BT3PBk>.

CAS Analysis: China's tourists are in high demand, given the numbers and their spending patterns. Governments globally are trying to make it as easy as possible to entice these tourists to visit their countries. Rwanda is a relatively small landlocked country with a lot to offer, and have been going out of their way to be an attractive tourism destination. In addition to gorilla tourism, Rwanda's tourism authorities recently pushed cycling and power gliding (also referred to as paramotoring) as other attractions. Accommodation in the rural areas has also received attention. The fact that the country is one of the safest countries to visit, not only in Africa but globally, increases its attraction. Modern upmarket hotels in Kigali and an easy entry into the country through the recently renovated airport adds to the experience. The absence of litter in the streets of Kigali also needs a mention. Rwanda also features a variety of other attractions that include several genocide memorial sites in Kigali, chimpanzee adventures in Nyungwe Forest National Park, wilderness experiences with big game in Akagera National Park, cultural experiences with the traditional dances and performances by the cultural Troupe Intore, and visits to Iby'iwacu cultural village in Musanze where live dances are performed for visitors.

West Africa

- **Nigeria:** HSBC and UBS have recently closed their local representative offices in Nigeria. There are also tensions between Nigeria's central bank and MTN. Analysts are concerned that the Nigerian government's attitude towards these companies may erode the confidence of foreign direct investors.

As it is, FDI in Nigeria fell to US\$1 billion in H1 2018, from US\$1.48 billion in H1 2017. How can Nigeria attract and keep the right kind of investment? The government must play fair. Foreign and domestic businesses should be treated equally. There should be open, transparent and dependable conditions for all firms. Infrastructure needs attention, e.g. ports and energy. Good institutions also promote FDI. The government should encourage partnerships between foreign and local businesses. It's also critical that Nigeria gets its regional governments involved. Nigeria should also tap into its huge diaspora. Foreign firms also have a role to play. If they stay and follow a learning curve, foreign firms will better understand the local business context, gain credibility among ordinary people and possibly get more customers and support that way. Foreign businesses should create local solutions that meet ordinary people's needs. Foreign firms must also work closely with credible and strategic local firms, and be willing to enter into

dialogue with the Nigerian government where necessary. For more information, read: <https://bit.ly/2UhtwCV>.

CAS Analysis: A few thoughts come to mind reading the above article. African governments should be careful not to be seen as targeting MNC's for revenue top-ups. In addition to the Nigerian example above, we recently saw Chad issuing a US\$74 billion fine to Exxon for unpaid royalties. This is 7 times Chad's GDP. Exxon apparently owed Chad US\$808 million in unpaid royalties. The fine is therefore more than 90 times the actual alleged unpaid royalties. In Tanzania we saw the government issue a fine of US\$192 billion, which was later reduced to US\$300 million, which still has not been paid. The article addresses various strategies to attract and keep foreign investors, and they all make good sense. Eventually it boils down to good governance, transparency, a business-enabling policy framework and certainties about the future. Nobody wants to invest billions of dollars in a country just to face an unexpected policy change that endangers the investment. Foreign companies should also abide by the rules of the game.

Southern Africa

- **Botswana:** The Ministry of Youth Empowerment, Sport and Culture Development and Local Enterprise Authority (LEA) have signed a MoU to boost the success rate of youth-owned businesses, through enhanced mentorship and training.

The goal is to increase the survival rates among youth start-ups, particularly those funded by the Youth Development Fund. The Fund offers successful applicants up to P100,000 (~US\$9400) comprising both a grant and an interest-free loan. However, the Fund has been the victim of high non-repayments and defaults as businesses established have performed poorly and failed. LEA allows entrepreneurs to use their incubation centres to conduct business and that helps in the sustaining of youth businesses. Mentoring youth businesses would help instil the entrepreneurial skills required to build sustainable entities. Botswana's annual import bill could be reduced through successful youth enterprises. The development of Small, Medium and Micro Enterprises is one of the three apexes of the Ministry of Investment. LEA and the Youth Ministry's partnership will also address sharing of research and information for the success of youth businesses. For more information, read: <https://bit.ly/2SrcyAa>.

CAS Analysis: This kind of intervention is becoming increasingly important. I am of the opinion that the unemployed youth has become the single greatest security challenge of the present day and of the future. Developing and supporting their entrepreneurial ventures will not only address the security issues inherent in this challenge, but will also help to stimulate the economy, leading to, amongst others, import substitution and even export revenue.

- **South Africa:** Will SA get left behind in terms of international investment if it doesn't improve its financial situation, and how can it avoid this? The government recently announced an Inclusive Growth Action Plan, amongst a number of other economic policies. Together with land expropriation issues, it has slowed incoming investment. An inflation rate between 4-6% and rising transport, fuel and food prices, will not encourage external investors.

Yet there are many opportunities, given Africa's large and young population, rapid urbanisation and increasing consumer spending. Exploiting these depends on how quickly SA can turn around its own financial issues. South African shares are performing well, due to the recovery of the mining industry, finance, real estate and business services. Still, the cost of living is increasing for everyday South Africans. With SA's economy being severely troubled, with rising unemployment, inequality issues, and poor productivity from key sectors like agriculture, on top of a legacy of a government that wasn't pro-business, the situation looks a bit grim. While a weaker rand will help increase tourism, it's scant consolation if SA cannot fund its SOE's. In the long term, SA is going to struggle to attract the type of investment needed to get itself back on its feet as the number one economy in Africa. For more information, read: <https://bit.ly/2QFMSCo>.

CAS Analysis: South Africa's economy has become (actually has been) the goose that lays the golden eggs. In this regard, the Zuma years have not been good for South Africa. Most, if not all the large SOEs are in financial trouble due to blatant mismanagement and even corruption. Earlier in the week, Eskom, the national electricity provider, stated that it was introducing rolling black outs due to the lack of sufficient

generating capacity. This has severe negative consequences for the whole industry. Fortunately for South Africa, it has a Minister of Public Enterprises in the person of Pravin Gordhan who is focused on fixing Eskom. One of the immediate steps taken was to cancel the leave of senior managers in order to for them to embark on a roadshow to determine the actual reasons for the failure of power stations. Although this process will take a while before it delivers results, it demonstrates a political will to address the challenge. Given the importance of energy for production, it is crucial to fix Eskom. Something similar needs to be done for SAA, which is in need of billions of rands to keep the airline in the air. This is in spite of the R5 billion bailout it received recently from the Minister of Finance. Some stakeholders are of the opinion that the failure of SAA would reflect very negatively on SA. There's a concern that SAA's default would expose SA to other state enterprise debts, estimated at R300 billion (US\$23 billion), as many of SA's SOEs have cross-default clauses. The reality is that SA does not have this kind of money readily available.

- **South Africa:** A decade ago Fikile Khiva and four of his peers established a trading entity to create jobs, alleviate poverty and have the village of Nkangeni Park serve as a model for a self-sustained rural community. Today the Varhoyi and Mgodleni Co-op has grown to over 40 members and, with the support of Checkers, is running a thriving food garden.

The co-op uses the land owned by the community to grow produce. Every 10% of the yield goes to the owner of the plot as "rental", who can then either consume or sell the stock back to the project. In this way, every stakeholder benefits. In addition, all the people working and earning stipends as a result of the project are from the community. Food and Trees for Africa, Checkers' implementation partner, assisted by offering workshops covering gardening methods and modules in business administration. Infrastructure developments like the pack shed, mini-truck, tractor and implements were a game-changer for the co-op, which recently participated in one of the successful Market Days hosted at selected Checkers stores nationwide. Support from Checkers has developed hope, pride, and self-belief in the community. It has inspired many other communities in the surrounding areas. For more information, read: <https://bit.ly/2UhFL28>.

CAS Analysis: The large food retail chains in SA can play a meaningful role to support such entrepreneurial ventures, not only in SA, but also in the rest of Africa. As it is, Shoprite is in about 17 countries in the rest of Africa. Massmart, Pick n Pay, Spar and Woolworths are other players that have expanded beyond the South African borders. They can (and some have) all reach out to support local smallholder suppliers. The leverage effect on the local communities is huge. I had the chance to meet and advise an entrepreneur in the Cape Town metropolitan area that bakes bread and other products using spinach. This product is so good that should it be given the chance, it has the potential to be distributed nationally. Why one or more of the large retail chains have not reached out to support this enterprise, is beyond me. Supporting these ventures will go a long way to boost the growth of SME's, creating jobs and increasing the disposable income of the entrepreneurs and other participants. They are not asking for handouts, but for a chance to create a future for themselves and their families.

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