

East Africa:

- **Ethiopia:** Ethiopia has earned over US\$28.4 million from electricity exports to Sudan and Djibouti in five months (June-October). Of the total earnings, US\$17.5 million was obtained from sales to Djibouti and the remaining from Sudan.

Ethiopia is currently working to promote regional integration through cross-border electricity interconnections. It has concluded agreements with Somaliland, Kenya, Tanzania, and South Sudan to create electricity interconnections. The exchange of electricity between Ethiopia and Kenya is expected to commence once the construction of East Africa's first high voltage direct current (HVDC) power line project is concluded in 2019. The total cost of the project is estimated to reach US\$1 billion, with funding from the AfDB. Ethiopia is endowed with a huge hydro power generation potential, which is estimated at approximately 45,000 MW. For more information, read: <https://bit.ly/2Esvv5>.

CAS Analysis: Ethiopia has developed the vision to be the primary hub for electricity generation and transmission quite a number of years ago. We now see this vision coming to fruition. It is not only Sudan, Djibouti and Kenya that have been targeted, but also the likes of Uganda and Rwanda. Ethiopia is a member of the East African Power Pool (established in 2005), as are countries such as Kenya, Egypt, DR Congo, Libya, Rwanda, Tanzania, Uganda and Sudan. The Pool seeks to provide low cost, efficient, and reliable electricity through interconnected networks in the region. Ethiopia seeks to produce enough power for domestic use and exports to the region through the pool. Given the need to boost manufacturing in Africa, and the essential role of electricity in this endeavour, Ethiopia can develop into a key regional player in the power sector. It has great hydro potential, as well as wind, geothermal, waste energy and solar potential. Feasibility studies to develop connections between Ethiopia, Sudan and Egypt have also been launched a few years ago. It is no wonder that ISS Africa found Ethiopia to be one of the Big 5 in Africa, with the others being Algeria, Egypt, Nigeria and South Africa. The country is punching above its weight, and with its recent political and economic reforms, is well-positioned to become the economic powerhouse in the region some time in the future.

- **Rwanda:** According to Rwanda's Minister of Agriculture, Gerardine Mukeshimana, Rwanda is looking for more private investments in agriculture to promote agribusiness and agro-industry sectors. Scaling up private investments in agribusiness and agro-industry sectors will lead to more employment opportunities and an increase in agriculture export revenues.

Rwanda has a lot of opportunities in agribusiness. Unfortunately, the country lacks the requisite private investments to fully exploit this potential. She believes that successful agricultural transformation in Rwanda will be achieved through strong partnerships between the public and the private sector. In 2017, Rwanda's agriculture sector contributed 31% of the country's GDP and generated US\$356.5 million from agriculture exports. The topic was recently discussed at a one-day meeting, co-hosted by the Ministry and the World Bank, to promote the commercialisation of agriculture through increased private investment. For more information, read: <https://bit.ly/2QL7Olp>.

CAS Analysis: As always, the private sector has a crucial role to play in the development of the various economic sectors in Africa. Rwanda produced over 10.5 million tons of agricultural products in 2016. That amounts to only 1.27% of the total agricultural output of Africa in 2016. The crops that accounted for most of Rwanda's production, were Cassava (33.4%) and Bananas (28.7%). Tea and coffee are the major exports, while banana, cassava, potatoes, sweet potatoes, maize and beans are the most productive crops. Rwanda exports dry beans, potatoes, maize, rice, cassava flour, maize flour, poultry and live animals within Eastern Africa. Land categorized as rural accounts for nearly 98% of the total land area, with around 49% classified as arable. The productivity of Rwanda's agricultural sector can be enhanced by increasing the quality of inputs, improving agricultural production techniques and enhancing the efficiency of farming practices. This includes improving the use of fertilizers. There are also significant opportunities in the food processing sub-sector. According to the FAO of the UN, Rwanda imports significantly more agricultural products than it exports. This shows upon clear business opportunities in Rwanda's agriculture sector.

- **Rwanda:** Alibaba co-founder Jack Ma recently visited Rwanda to sign a deal to boost its digital economy. The Alibaba Group has established an electronic world trade platform (eWTP) hub that will enable Rwandan products to be sold in the Chinese market and boost cross-border trade.

Ma called Rwanda “a great country that walks the talk.” He was impressed by its safety, cleanliness and by its power to embrace change. He believed that if every country in Africa was like Rwanda, Africa would be very powerful. What impressed him is not only the products of Rwanda, but also the government’s efficiency. The eWTP partnership covers tourism, capacity-building and e-payments as the primary areas of cooperation. It ultimately aims to enhance the capabilities of SMEs to produce and export quality, globally-competitive products while supporting the development of the digital economy in Rwanda. Products sold on the platform will initially be handicrafts and coffee, which is Rwanda’s third biggest foreign exchange earner after mining and tourism. The deal will also attract high-spending Chinese tourists. Players in Rwanda’s business community, especially in the trade and tourism sector, call the deal unprecedented and overdue. For more information, read: <https://bit.ly/2C9nY6k>.

CAS Analysis: Jack Ma is not the only supporter of Rwanda, and is also not the only one thoroughly impressed by the safety, cleanliness and willingness to embrace change. The eWTP is a great idea to give Rwandan SMEs direct access to the huge Chinese market. This includes gaining access to the 500 million Chinese users of Fliggy, Alibaba’s travel platform. China is the largest source of the global outbound tourist traffic, as well as expenditure across the world. Increasing numbers of Chinese are also using online purchasing, which bodes well for this initiative. According to Hein Koegelenberg of South Africa (La Motte and Leopard’s Leap), China is the leader in e-commerce. Of the foreign wines sold last year, 49% was sold through the internet. It will be interesting to see this initiative (eWTP) develop over time.

West Africa

- **West Africa:** Pan-African bank Banque Centrale Populaire (BCP) acquired a majority stake in Senegal-based mobile money provider Wizall, to increase its presence within the West African mobile banking sector.

According to BCP’s international development director, Kamal Mokdad, Wizall’s mobile money transfer and payment systems would be combined with another of its financial services companies, ATPS, to drive its mobile banking operations in the region. Wizall provides mobile payment and cash transfer to consumers in Senegal, with plans in place to expand the service to Cote d’Ivoire, Mali and Burkina Faso. After the acquisition, BCP will strive to expand mobile banking services to other member states in the West African Economic and Monetary Union, which include Benin, Guinea-Bissau and Niger. For more information, read: <https://bit.ly/2BebtEJ>.

CAS Analysis: Over the past few weeks I have referred to articles written by senior executives of Standard Chartered in which they state that banks in Africa should embrace mobile money. The above article provides us with yet another example of a bank that has realized that this phenomenon is here to stay and that ignoring it can be detrimental to the financial health of the banks of Africa. I made the point in 2015 that banks should either partner with mobile money players or develop their own application. The benefit of partnering is that you get access to clients that most probably were not in your list of clients. This provides you with the opportunity to cross-sell, and to bypass the issue of lack of trust most African consumers that are not formally banked, have in banks. According to McKinsey, “banks are finding that the start-ups they once considered threats can be valuable strategic and operational allies. Many are moving aggressively to widen collaboration with fintech companies rather than develop solutions in-house, gaining access to innovative technologies and business models that are more efficient and offer customers greater convenience. Other advantages associated with such partnerships include new customers, lower costs, and, perhaps more critically, exposure to an innovative culture that might help banks reinvent themselves.”

- **Nigeria:** Paga, a leading mobile money company in Nigeria, has announced signing as the exclusive payment partner to Orange Mall, an e-commerce solution-making global shopping platform for over 250 international retailers available for easy purchase and shipment to Nigeria.

Paga's partnership with Mall for Africa, to provide payment services on Orange Mall, emphasises its commitment to enable Nigerians to shop globally and pay locally, increasing the utility of their Paga Wallets. With this partnership, Paga can guarantee better pricing and painless payments for all Orange Mall customers. Paga recently announced it aims to expand its business portfolio by partnering with relevant institutions to create financial ease for the local and global markets. Orange Mall would be supported by Mall for Africa to handle operations, customer care, and logistics, while Paga would process all payments made through its secure wallet. Customers can link their wallets to their bank cards and accounts, or fund their wallets directly with cash. For more information, read: <https://bit.ly/2Gqo2Tx>.

CAS Analysis: Mobile money players are not only partnering with banks to provide financial services to the unbanked population in Africa, but also with e-commerce platforms. These platforms embrace mobile money platforms as it gives them access to a group of consumers that normally do not have banking facilities. Africa has many of them. Other e-commerce players that have seen the value of mobile money applications, include Alibaba, which developed Alipay. Alipay is a third-party mobile and online payment platform. Paga has its origins in Nigeria and has more than 11 million users. Given that Nigeria has a population close to 200 million, there is a lot of room for growth. M-Pesa in Kenya has about 30 million users in East Africa.

- **Nigeria:** Nigeria's economy has had to navigate a major crisis that started with the collapse of oil prices in 2014 and was aggravated by the volatility in the oil-rich Niger Delta region. The crisis confirms the vulnerability of Nigeria's economy to oil-related shocks and emphasises the need for Nigeria to diversify its export base away from oil.

Oil accounts for 90% or more of Nigerian merchandise exports. For long-term growth and development, Nigeria needs rapid growth in non-oil exports. Nigerian policymakers have two options: Increase exports or reduce imports. As increasing exports is effectively impossible in the short-term, Nigeria has to reduce import volumes to levels consistent with its reduced purchasing power. Without more exports, there cannot be more imports of efficient machines, tools, and other technologies critical for growth. The only way Nigeria can avoid this situation, is if it increases non-oil exports, developing export-quality products at globally competitive prices and the networks to market them abroad. Initial options include agricultural products and the provision of regional services, e.g. developing Lagos as an airline-hub and shipping centre. Given its large domestic market and its large labour force, Nigeria should also develop longer-term strategies to attract FDI into manufacturing sectors as the first step to compete in global markets. For more information, read: <https://bit.ly/2rzPfZG>.

CAS Analysis: The oil price crisis of 2014 and beyond has clearly indicated the danger of basing an economy on the export of oil. Since then, many commentators have made the case for the diversification of the economies of Africa's 54 countries. Two sectors have been identified, i.e. agriculture and manufacturing. This is not just an imperative for Nigeria, but for many African countries. It is also not only to escape being dependent on oil exports, but also to avoid the negatives associated with the export of raw materials/products in agriculture and mining. Processing agricultural products, for example, has the benefit of import substitution, creating jobs and growing the economy. Africa's manufacturing sector is also under-developed. Its contribution to GDP is way too low, leaving Africa to lose out on job creation, unexploited export revenues and with high import bills. Hopefully Africa will learn from the crisis and focus on developing its manufacturing sector, as well as tapping into the full value chain of the various sectors, nationally, regionally and globally.

North Africa

- **Egypt:** Egypt seeks to put the AfCFTA agreement into force during its presidency of the AU in 2019 to develop trade exchange among African countries and increase investment opportunities. Investments should achieve the SDGs and the AU's Agenda 2063, which aims for a peaceful, integrated and prosperous continent by 2063.

It is therefore necessary to ensure stability in Africa and combat terrorist organizations restricting Africa's ability to attract more investments. The AfCFTA aims to ease the trade between the countries, bringing together 1.2 billion people with a combined GDP of more than US\$2 trillion. This will lead to the establishment of the African Customs Union and the application of a unified tariff to the African countries'

imports from outside the continent. Egypt can double its exports to African countries through this agreement. Egypt's exports to African countries are currently worth ~\$4 billion. Domestic trade in Africa reached 20% and is expected to accelerate by the activation of the AfCFTA. For more information, read: <https://bit.ly/2PzcxBC>.

CAS Analysis: Egypt has been developing strongly since the Arab Spring of 2011 and the political volatility that eventually gave rise to stability with the election of President el-Sisi in 2014. Egypt has also increased its investments in Africa by US\$1.2 billion to US\$10.2 billion in 2018. The country has received praise for implementing the structural reforms it had agreed with the IMF in 2016. Its economy grew by 5.3% in the 2017-18 fiscal year and growth is forecast to surpass 5% again in 2018-19. Generally speaking, Egypt has been identified as the best prospect for foreign investment on the African continent by, amongst others, Rand Merchant Bank in South Africa. As for the low levels of intra-African trade mentioned in the article, this can be ascribed to problems such as armed conflicts, political rivalry and a lack of logistical and transport connections between states (poor road and rail infrastructure). Hopefully the AfCFTA and the Chinese-driven BRI will help to improve the transport infrastructure in Africa. The adoption of the Single African Air Transport Market (SAATM) should also play a role. The SAATM should enhance connectivity in Africa and boost the development of the aviation sector, tourism and trade. As such, it is expected to contribute to the objectives of the AfCFTA.

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