

Africa:

- **Africa:** According to the WEF, by mid-2017, 62.5% of the population of sub-Saharan Africa did not have access to reliable grid-connected electricity. This can largely be attributed to limited power infrastructure in many countries, which is further exacerbated by dispersed rural settlements. However, the region has an abundance of geothermal, hydro, wind and solar resources, which, if harnessed, can go a long way in addressing the power deficit.

According to the AfDB, Africa has the potential to generate an additional 10 TW of solar energy, 1,300 GW of wind power, and 15 GW of geothermal potential. This presents an immense opportunity for energy investors. A significant number of renewable energy deals were announced during December. Examples include: 1) Kipeto Energy (Kenya, wind farm, 100 MW); 2) Nachtigal Hydro Power Company (Cameroon, hydropower); 3) d.light (off-grid solar); 4) ZOLA Electric (Tanzania, off-grid solar); and 5) Karoshoek Solar One Project (South Africa, 100 MW). For more information, read: <https://bit.ly/2De0i1c>.

CAS Analysis: Renewable energy (especially solar) allows the opportunity to develop mini-grids, which are faster to erect and much cheaper than rolling out additional main grid infrastructure. Various commentators have therefore stated that solar is the new energy business model for Africa. With a 10 TW potential, solar is definitively an anchor technology in Africa's energy portfolio. What is interesting, is to see Ethiopia's energy mix: according to Construction Review, Ethiopia has approximately 4.3 GW of installed power generation capacity, of which 3,810 MW is in the form of hydro installations, 324 MW wind, 7 MW geothermal and 143 MW of diesel. It has launched various tenders the last 2 years to be able to develop 300 MW of solar by 2020. Quite recently it launched another tender for the development of 800 MW solar! It was reported last week that Ethiopia is in the process of finalising a contract to deliver electricity to the UAE, utilising its renewable energy sources, in this case, hydro. Given the state of global warming and climate change, evidence of which is becoming increasingly difficult to ignore or to deny, going the renewable energy route is not only becoming more efficient and effective, it is the right thing to do.

- **Africa:** Alexander Cummings, former president of Coca-Cola's Africa Group, spoke about opportunities in Africa, how to craft a strategy for doing business in Africa, and how to nurture lasting relationships with local customers.

In Africa it is important to focus and prioritise. Variables to note include per capita incomes, population, economic growth, and governance. Identify markets to focus on. It's also important to engage government to ensure they understand the proposition, what your business offers, what it does. Governments will be receptive should you create jobs and training and development for young people in Africa. The triangle—working with civil society, working with government, and working with the private sector—is the ultimate way to solve many challenges in Africa. Companies must become locally relevant: employ locally, purchase locally, and give back to communities and societies. Having local insights — people who understand Africa, who believe in Africa, who believe in themselves, who will advocate for Africa — is important. Also ensure that everybody along the supply chain makes money, and that the product is affordable. When that happens, there's a natural incentive. For more information, read: <https://bit.ly/2CEdtH1>.

CAS Analysis: The article addresses how companies should configure themselves in order to successfully tap into the numerous business opportunities that are to be found in Africa. SMEs could be forgiven were they to say that the lessons are from the perspective of a global company, i.e. Coca Cola, but the reality is that Cummings has identified principles that are universally applicable. Being relevant in Africa is crucial for success, and Cummings has, as one would expect of someone at his level, hit it spot on! It is not just about the customers, although they are definitely very important. It is also about working with governments, federal or national, state and local to, amongst others, create employment opportunities and stimulate the economy. It is also definitely about getting the buy-in of local societies – the mining world speaks of the “social license to operate.” It is also about getting the supply chain up and running, ensuring efficiencies and effectiveness. It is about getting the route to market down pat! And it is definitely about ensuring you understand the various risks and can mitigate them. The case study of Tiger Brands and its R2.6 billion loss when it bought and sold Dangote Flour is well known.

East Africa

- **Ethiopia:** Qatar Chamber First Vice-Chairman Mohamed bin Ahmed bin Towar Al Kuwari attended the “Invest in Ethiopia” forum in Qatar recently. The meeting reviewed investment opportunities available in Ethiopia and ways of strengthening trade and economic cooperation between the private sector of both countries.

According to bin Towar, Qatari businessmen are interested in exploring the many investment opportunities available in Africa in general and in Ethiopia in particular. He saw Ethiopia as a gateway to many neighbouring countries such as Sudan, Eritrea, Kenya and Djibouti. The Ethiopian ambassador to Qatar, Metasebia Tadesse Woldegiorgis, noted that Qatar and Ethiopia enjoyed good relations in all fields. A Qatari-Ethiopian Business Forum will be held next year to further enhance cooperation ties. He stated that Ethiopia had achieved a high growth rate during the past few years due to government-provided incentives and facilities, such as tax exemption. Ethiopia has a developed transport infrastructure of roads, rail, shipping and communication. Qataris were invited to invest in various sectors, including agriculture, manufacturing, services, pharmaceuticals and building materials. For more information, read: <https://bit.ly/2Sa2grO>.

CAS Analysis: The GCC states have clearly identified the Horn of Africa region, amongst others, as an investment destination. Last week I reported on the UAE contracting with Ethiopia for energy from their hydro plants. Now we see Qatar also wooing the Ethiopians. For Qatar it is important to develop businesses in areas from where they can import food and other products. Two reasons come to mind. Firstly, and hopefully only in the short-term, the embargo and sanctions raised against Qatar by its GCC partners. This actually requires Qatar to have some level of self-sufficiency as far as especially food is concerned. Secondly, the Qataris have long been busy with investing abroad as they realise that their gas reserves will not last forever. Their sovereign wealth fund is quite active, and has a sizeable stake in Porsche, amongst many others. The Qatar Investment Authority is apparently the world’s 10th largest sovereign wealth fund, with assets of US\$320 billion. For a small country with only about 313,000 Qataris (total population of 2.6 million, including foreign workers), this is remarkable.

- **Rwanda:** According to its GM, Emile Nsanzabaganwa, Kinazi Cassava plant plans to double its flour exports from 658 tons. His optimism is based upon the recently renewed certificate of registration by the US Food and Drug Administration (US FDA). This means that Kinazi can trade its products in the USA, as well as anywhere in the world, without constraints.

Kinazi is targeting the US, Europe and African countries. The factory has the capacity to produce 30 tons of flour daily. To grow the local market, Kinazi will embark on a campaign to encourage the use of cassava in making pizzas, bread, biscuits and chapattis as the flour can be blended with wheat flour to make healthy products. These practices are carried out in Nigeria and in many other parts of the world. Cassava can be transformed into many products, and Kinazi is exploring plans to produce other cassava products that can be used in pharmaceutical and textile industries, colour production, the construction sector, ethanol that can replace cooking gas, alcohol, and animal feed, among others. For more information, read: <https://bit.ly/2RBsjsa>.

CAS Analysis: Cassava is currently still an underrated agricultural product, but it is increasingly reaching the news headlines in various African countries. Nigeria, for example, is Africa’s largest producer and exporter of cassava, mainly to China. Other countries reaching the news include the likes of Tanzania and Mozambique, and now Rwanda. The trend is also for organisations to go down the value chain, towards the more value-adding part. Instead of just using cassava for basic food, we see them produce flour, starch, maltose, glucose and even ethanol. The food, pharmaceutical, textile, construction and the beer industries are all industries that can benefit from cassava. The construction industry is a new one for me. Apparently, there are at least three ways the cassava industry can benefit the construction industry. Firstly, residual starch can be recovered and used as a rheology modifier for concrete and building materials. Secondly, residual peels can be used as fuel, for example for firing bricks. Eventually, the ash from the combustion process can be used as a sustainable supplementary cementitious material. As usual, as far as Rwanda is concerned, we see this small country again on the lookout for new ways of adding value to industry and society. In the process they create jobs and add value to various industries from a product that would normally only be used to make quite basic foodstuff.

- **Uganda:** Joyce Kayongo, an entrepreneur who started many small businesses, decided eventually to venture into fish farming. Her business initially lost a lot of money due to poor management. In 2012, Kayongo re-invested into fish farming given the demand in the market. Today, she is the director of African Aquaponics Community Fish Farmers Cooperative Society.

Kayongo's company runs a catfish hatchery that is worth Shs100 million (US\$985,000), and which sells young fish to hatcheries. There is a strong demand for her fish; whatever fish hatches, is sold immediately. She is currently operating below the market demand because of limited working space. Challenges include power cuts, expensive fish feeds, and limited funds and equipment. Lack of information is one of the biggest reasons why commercial fish farming fails in Uganda. Kayongo also earns income from agritourism and training other fish farmers; the same farmers provide a market for her company. Her profit margin is about 50%, which is very high. The company now targets the production of biogas and fertilisers from the waste generated by the fish system. For more information, read: <https://bit.ly/2FISmrb>.

CAS Analysis: The fish industry has been identified in various countries as a target for the development of entrepreneurs. This includes Tanzania and Ethiopia. Not only does the development of this industry help to address food shortages, but it also creates jobs. Putting herself on the tourism route in Uganda was a stroke of genius, as this then becomes a money spinner with very little, if any, cost. These are the kind of entrepreneurs that governments and financial institutions - local, national and regional, if not global - should be supporting. With profit margins of 50%, it should be a very attractive target for investors. Link that to an underserved market, which is surely not only the case in Uganda, and you have a great business opportunity. Tanzania in 2016 had a demand of 730,000 tons of fish, while supply in 2017 was only about 360,000 tons. Commercial fish farming therefore also has strong potential in this country. Ethiopia also is only able to meet in 40% of the demand. These three countries are by no means the only with such a need. Inland commercial fish farming is therefore quite a viable business proposition in Africa. This is something impact investors could also have a look at.

West Africa

- **Nigeria:** According to China's Ambassador to Nigeria, Amb. Zhou Pingjian, China plans to increase its strategic partnership with Nigeria this year. He said the partnership between both countries would be enhanced to a mutually beneficial level.

According to him, China and Nigeria's partnership would thus receive a boost this year as Nigeria is preparing to join the Chinese BRI. China stands to work with Nigeria to elevate their strategic partnership to a new level that would bring greater benefits to both countries. China and Nigeria have signed a governmental Memorandum of Understanding (MoU). Cooperation between both countries in 2018 had resulted in the inauguration of the Abuja Light Railway, the new airport terminal in Port Harcourt, commencement of work on the Abuja-Keffi-Lafia-Makurdi road, as well as the Lagos-Ibadan Railway. For more information, read: <https://bit.ly/2sJtQD>.

CAS Analysis: Nigeria has now for a number of years been reaching out towards China. In earlier years, their outreach was more towards the West. For various reasons, such as financing of infrastructure and exporting of products such as oil and even cassava, China has become much more important to Nigeria. Given the size of the Nigerian economy (the largest in Africa at US\$375 billion in 2017) and the size of its population (~190 million in 2017 – also the largest in Africa), Nigeria is no doubt also important to China (for resources and as a market for Chinese products and investments). We now see Nigeria joining the ranks of quite a few other African countries that have leapt onto the BRI bandwagon. This proves quite clearly that it is not just Kenya, Djibouti and Egypt that are BRI players in Africa. It is this kind of phenomenon, no doubt also influenced by China's military base in Djibouti, that has led the USA to create a US\$60 billion fund for use by US companies in emerging markets in order to enhance the USA's influence. They have a bit of catching up to do, it seems.

- **Nigeria:** The Dangote Industries Group has disclosed that its fertilizer plant would be ready for operations in May 2019. The Group also revealed that plans are in place to start selling petrol, diesel and aviation fuel by early 2020 on completion of the huge refinery being constructed in Lekki.

The Governor of CBN, Godwin Emefiele, assured that Nigeria will not only be self-sufficient in the production of refined petroleum products, but will also join the countries exporting petroleum products once the refinery becomes operational. Currently, the foreign exchange used for importing petroleum products is at least one-third of the total foreign exchange that the CBN spends to import items into Nigeria. The US\$9 billion project is funded not only by Nigerian banks, but also by foreign banks, with the CBN itself contributing about N75 billion (~US\$207 million) in support of the project. The CEO of the Dangote Group, Aliko Dangote, revealed that Nigeria would be the largest exporter of fertilizer and petrochemical products alongside refined petroleum products in Africa once the plants are completed. Dangote further noted that the projects will have a multiplier effect on the nation's economy in terms of job creation and the generation of foreign exchange. For more information, read: <https://bit.ly/2S1uVzc>.

CAS Analysis: The CBN's contribution to this quite important project is 2.3%. This is but a drop in the bucket. Given that the existing government refineries operate at a productivity level of approximately 5%, and that it is seemingly impossible to upgrade these refineries to an acceptable level, one would expect greater support. It is an indictment against the Nigerian government that it has been unable to improve the productivity of its refineries. It has been suggested a number of times that the refineries should be privatised. Having said that, with the Dangote refinery coming on board, at least the country would not have to import refined petroleum products and would now also be able to export these as well. The economic benefits for the country are obvious: more jobs, less imports, more exports of value-added products, less pressure on foreign exchange, less vulnerability to global events impacting the oil industry. It will be interesting to see whether the government refineries will be privatised, and if so, when. These now run the risk of becoming obsolete.

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