

East Africa:

- **East Africa:** VW recently signed an MoU with Ethiopia to establish an assembly plant and produce automotive components. Volkswagen also plans to introduce mobility concepts such as app-based car-sharing and ride-hailing, and open a training centre.

VW described Ethiopia as the ideal country to advance its development strategy in Africa given its population, ranked second on the continent. Volkswagen also intends to tap into existing expertise and strategic resources in Ethiopia to establish a thriving automotive components industry. VW also signed MoUs with Ghana and Nigeria in August last year. In June 2018, Volkswagen opened its plant in Rwanda, adding to the one in Kenya. VW also has a vehicle assembly line in Algeria. According to VW, although the African automotive market is comparatively small today, it has a bright outlook. The EAC Heads of States 20th Ordinary Summit in Arusha recently was expected to endorse the establishment of the Regional Automotive Industry Platform of East Africa, which is expected to create a single, “integrated automotive market” and serve as an incentive to attract global car manufacturers in the region for assembly and component manufacturing. Raipea will see the region save more than \$2 billion annually in car import costs. For more information, read: <https://bit.ly/2DX1YfS>.

CAS Analysis: East Africa is seemingly attempting to emulate the success of countries such as South Africa and Morocco, who have succeeded in attracting a number of large global auto manufacturers. Currently, the region does not really meet the criteria of US\$3000 per capita GDP, which is apparently a rule of thumb for the establishment of a successful auto industry. VW is therefore clearly positioning itself for the future, creating a presence in countries that either have large populations, such as Nigeria and Ethiopia, or who are adjacent to countries such as the DRC (especially the eastern part of the country). The ramping-up of the auto industry will have various benefits for the region, such as employment opportunities (specifically for the youth, many of whom are currently unemployed), skills and technology transfers, creation of a source of cars for the second-hand car market (most of which are currently imported), import substitution and the generation of export revenues. The whole value chain creates opportunities for various other manufacturers (spare parts, component parts, etc.), and the countries get the opportunity to tap into the global auto value chain. The region’s economic growth rate will subsequently get a nice boost, from levels that are already some of the more attractive rates, not only in Africa, but globally.

- **Ethiopia:** Ethiopia is set to inaugurate 4 integrated agro-processing industrial parks, built at a cost of US\$10 billion, before June this year. The industrial parks were supposed to have been inaugurated last January, but there were delays due to redesigns.

According to Ayalneh Abawa, the Advisor for Integrated Agro-processing Parks in the ministry, electric power coupled with a shortage of foreign currency remains to be a challenge for the completion of the industrial parks. The pilot agro-processing parks have been under construction since 2016. About 80-100 investors are expected to engage in each park. Of these, 80% will be local and the rest foreigners. The purpose of the IAIPs is to attract the private sector to set up food processing to add value to agricultural products, linking farmers to processing plants and creating wealth for them, as well as reducing post-harvest loss and accelerating rural economic growth in Ethiopia. For more information, read: <https://bit.ly/2MSmcdx>.

CAS Analysis: Agro-processing has become an important factor in the agricultural sector within Africa. Far too many countries export raw products and then later on import the value-added product at great cost. The negatives inherent in this strategy are well known. As one commentator said, exporting raw products is the equivalent of exporting jobs. Adding value has the obvious benefits of import substitution, job creation, export revenue generation, and boosting economic growth. Ethiopia has for a while been at the forefront of the industrialisation of the agriculture sector, and has identified sites for 17 industrial parks throughout Ethiopia. Inaugurating 4 integrated agro-processing industrial parks will provide the agriculture and manufacturing sectors with a significant boost. Potential investors will have a range of benefits at these industrial parks, which should increase Ethiopia’s value as an investment destination. The already significant economic growth will get an additional boost. Ethiopia needs this as the Prime Minister recently stated that the Ethiopian economy isn’t generating enough to pay off loans the state took to finance its ambitious infrastructure and development programs.

- **Kenya:** The Kenya National Electrification Strategy (KNES) aims to provide access to electricity to all Kenyans by 2022. By recognising the key role played by mini-grids and stand-alone solar systems complement to grid densification and extension, the KNES highlights the crucial role that decentralised renewable energy solutions play in universal connectivity.

They have a target of 35,000 connections through 121 mini-grids and 1.96 million connections as stand-alone solar home systems. From January to June 2018, 519,154 off-grid solar products were sold in Kenya, accounting for 34% of all sales in SSA. This tremendous success is attributed largely to private sector development, government leadership and the contribution of development partners, including the World Bank Group. Lighting Global, an initiative of the World Bank, began with the launch of a Lighting Africa pilot in Kenya in 2009. Lighting Africa has registered significant successes in SSA, with Kenya playing a leading role in the transformation of the off-grid solar industry. Market penetration of off-grid solar in Kenya has increased ten-fold and is currently estimated at between 25–30%. In July 2017, Kenya began its Off-grid Solar Access Project, which will support private sector participation through two financing instruments — results-based finance and debt — amounting to US\$42 million exclusively for solar system providers to increase electrification of households. For more information, read: <https://bit.ly/2HRt109>.

CAS Analysis: Renewable energy generation is increasing its attractiveness on a continuous basis. Once again, we see the impact of solar power, both as mini-grids and as stand-alone solar home systems. The extent to which Kenya has adopted solar energy (34% of all sales in SSA) is impressive. Kenya is not the only country in East Africa adopting solar and other forms of renewable energy – in Kenya’s case, it also has geo-thermal energy. Further north Ethiopia has been doing the same and has adopted wind, hydro and solar. The US\$42 million from the Kenya Off-grid Solar Access Project will no doubt act as a boost for solar to be adopted in Kenya.

- **Rwanda:** The IFC is seeking to increase its investment in Rwanda in a number of sectors such as agriculture, real estate and SME development. According to the IFC, the local private sector has a big role to play in Rwanda. With the government having made very significant efforts to improve the investment climate, there is space for the private sector to grow.

In addition, countries that have been able to lift people out of poverty, have successfully developed their local capital markets. The IFC in Rwanda have been helping the development of capital markets so that they could have an influence as the market develops. That will create sources of funding for private sector companies to create jobs and have a bigger role in the economy. If one looks at Rwanda, employment for women is important and you need SMEs to develop that. They need access to finance, skills and technology, etc. The IFC supports this through partnerships with financial institutions where they provide financing that will go to SMEs and share the risk with the banks, as well as providing advisory services and better-targeted services with SMEs to help them grow and develop. In a country like Rwanda, where a large population is rural and work in agriculture, interventions are needed to help them access finance, technology. For more information, read: <https://bit.ly/2GoPcs0>.

CAS Analysis: Rwanda’s government has been creating a business-friendly policy environment, and has implemented major reforms the past few years, to the extent that it is currently 2nd on the rankings of the Ease of Doing Business in Africa. The private sector therefore has few, if any, reasons to withhold their investments. It was recently shown that of the top five investments into the country in 2018, four were local projects, demonstrating that the local private sector is headed for maturity. According to the latest statistics from the Rwanda Development Board, local investments levelled up against Foreign Direct Investments with a 49% share of the total investments. That the IFC is prepared to commit to supporting the SME’s in Rwanda, is an indication of the trust this arm of the World Bank has in the government of Rwanda. Supporting agriculture in rural areas will also help to ease the pressure on urbanisation in Rwanda (and on jobs in cities), and hopefully improve the attractiveness of agriculture as a career for the youth of Rwanda.

West Africa

- **Nigeria:** The federal government has expressed its resolve to ban the importation of tomato products by 2021. The continued importation of tomato paste had resulted in massive job losses to foreign countries, a situation which had further impoverished local farmers.

The Governor of the Central Bank of Nigeria (CBN), Mr. Godwin Emefiele, has also supported the need to ban tomato importation, as well as various other products, adding that the importation of milk into the country could also be banned in the near future. Nigeria would apparently soon achieve self-sufficiency in tomato production, and even export and earn foreign exchange. The CBN has been pushing the agriculture programme with direct support by funding through programmes in the Ministry of Agriculture. The CBN Governor called on other investors to emulate the Dangote and Gino farms to invest massively in tomato production in order to export and attract foreign exchange into the country. He called upon investors to produce tomatoes for local consumption and export. For more information, read: <https://bit.ly/2ULAM9g>.

CAS Analysis: Nigeria has various agricultural products that it is currently importing, but which could be produced locally and exported. In addition, they have the potential to increase the production of locally produced products for export purposes, as well as local consumption. These include the likes of rice, eggs and poultry, cashew and groundnuts, cassava and oil palm, to mention but a few. As mentioned above in the article under Ethiopia, adding value and growing local crops for local consumption has many benefits. In Nigeria, there is always the temptation to depend on oil exports to finance consumer goods imports. However, the oil price slump of a few years ago has shown upon the dangers of this strategy. The diversification of its industry to place less emphasis, relatively, on the extractive industries and more on agriculture and manufacturing, is a sound approach. It constitutes a massive business opportunity for anyone interested in Nigeria.

North Africa

- **Egypt:** According to a recent speech by Egypt's Minister of Transport, Hisham Arafat, Egypt is looking forward to developing joint projects with African countries, including a land road between Cairo and Cape Town. The Pan-African Highway would be 10 300 km long, starting from Alexandria, then Cairo, Sudan, Southern Sudan, Ethiopia, Kenya, Tanzania, Zambia and finally South Africa.

Part of the road has been completed and is ready for operation - from Egypt to the borders with Sudan. Security challenges facing Africa, will, according to the minister, require further expansion of the road network. Egypt has achieved a quantum leap where road quality and efficiency is concerned, moving up from the 115th position in 2014 to the 74th last year. The minister also pointed to a river connection project between Alexandria and Lake Victoria, which should make Egypt a gate of river transport to Central Africa through the Nile River. He talked about other projects to link railways with Africa at a total length of 8,715 kilometres. The railway sector in Egypt is tangibly improving, Arafat said, pointing to projects to upgrade train crossings, as well as carriages and tractors. For more information, read: <https://bit.ly/2BIENu4>.

CAS Analysis: Egypt has been reaching out to Africa south of the Sahara, and has announced projects in countries such as Tanzania and Zambia. Egypt's own economy has been growing steadily the past few years, with its inflation rate reducing as well (from 33% in 2016/2017 to 15.7% in November 2018). Investing in road infrastructure will definitely support the ideal of a Pan-African economic union, and facilitate intra-African trade. Egypt has been developing and positioning itself as another gateway into Africa. It is a member of COMESA, which is focused on East and Southern Africa, and also links up with regional economic agreements and countries such as GAFTA, EU Egypt, QIZ, Aghadir, EFTA, Mercosur and Turkey. This will enable investors interested in Egypt with the potential to export and trade with the countries involved in these unions. In order to facilitate investment, Egypt has created various incentives and has adopted legislation that provides for the establishment of investment zones, private free zones, as well as technology and specialized economic zones by Cabinet decree. Some of the incentives include a tax deduction from 30% to 50% of the investment costs over 7 years; strategic activities in the fields of industry, education, electricity in coordination with the relevant ministries; investments in Technological hubs are granted a 50% tax deduction; sales tax on equipment and machines used for production is trimmed to 2%; corporate tax is a flat rate of 22.5%; full customs exemptions for free zones; foreigners

are allowed to own 100% of projects and own land and real estate; they provide a quick and transparent mechanism for the disposal of land and real estate allocated for investment in various fields of investment (agricultural - industrial - tourism - service - real estate etc.); and access to state-owned land and property free of charge in designated areas.

Southern Africa

- **South Africa:** President Cyril Ramaphosa tackled major industry concerns about Eskom and the security of investments and land tenure, to soothe fears and encourage capital inflows.

He assured a packed room of delegates at the Africa Mining Indaba in Cape Town that Eskom would be fixed as restoring energy security for SA is an absolute imperative. Eskom expects to report a net loss of R20 billion for the financial year to end-March, up from the R11 billion it had told the market to expect, while it cannot service its R419 billion of debt from cash flows. Turning to the government's intended land reform programme, which is likely to entail land expropriation without compensation and has raised concern among investors, the president said the idea was to foster economic growth and that investors shouldn't be scared their investments and assets would be taken away from them. He singled out mining companies that had offered parts of their land holdings for housing, farming and commercial development. At the same time, a number of commissions of inquiry are revealing the extent of the rot in the government, its ministers and companies dealing with the state. Ramaphosa committed his government and the state's law enforcement agencies to act on these disclosures, which have yet to yield arrests or prosecutions. For more information, read: <https://bit.ly/2HToQJ6>.

CAS Analysis: These 3 issues are indeed crucial aspects for the future wellbeing of the country. Eskom has been turned into a disaster in the making during the Zuma regime. As far as SOE's are concerned, it is not the only one that is a source of concern, as SAA, the airline of SA, and Transnet, road and rail agency, are both on the brink of disaster as well. Eskom has the future economic wellbeing of the country in its hands, as electricity is a primary input in the manufacturing and mining industries. The expropriation of land without compensation is perceived by many as a policy to primarily undercut the EFF in the run-up to the 2019 elections later this year. It has evoked a lot of emotion in SA, and has scarred off investors, locally and abroad. Farmers are hesitant to invest given the uncertainty of continued future ownership. Given that the parameters of the intended legislation to allow for the appropriation is not clear, and never has been, the uncertainty has been problematic as far as prospective investors are concerned. As for corruption in SA, the tempo at which cases of corruption are unearthed, has been startling, to say the least! President Ramaphosa's undertaking to deal with corruption in a committed manner is to be welcomed. As it is, the diplomatic representatives of the United States of America, the United Kingdom, the Netherlands, Germany and Switzerland dispatched a letter to Ramaphosa voicing their concern about corruption and other crimes. SA must work towards greater political stability, greater economic stability and much less crime and corruption. The country has great potential and must put in the effort to realise this potential! If the current trends continue, the end result will be a spectacular disastrous implosion! At the State of the Nation Address on the evening of 7 February 2019, President Ramaphosa committed his government to combatting crime and corruption. In addition, he announced the breaking up of Eskom into 3 entities, i.e. generation, transmission and distribution. He also announced 5 tasks for collective action: "We must accelerate inclusive economic growth and create jobs. Secondly, our history demands that we should improve the education system and develop the skills that we need now and into the future. Thirdly, we are duty-bound to improve the conditions of life for all South Africans, especially the poor. Fourthly, we have no choice but to step up the fight against corruption and State Capture. Fifthly, we need to strengthen the capacity of the state to address the needs of the people." President Ramaphosa at the helm of the South African society does instill a sense of trust in the future of the country, and he needs the support of all loyal South Africans.

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