

## African Union

- **Africa:** The IMF reported that the economic growth for Africa would be dropping from 5% in 2014 to 3.75% in 2015. The economic slowdown can be attributed to a sharp decline in commodity prices and tough financing conditions in several countries. To deal with this, the IMF propagated the adoption of realistic fiscal and monetary policies and addressing the high income and gender inequalities levels. The policies could include allowing currency depreciation as a shock absorber, especially in commodity exporting economies, and striking an appropriate balance between debt sustainability considerations, on the one hand, and addressing development needs, on the other. However, growth is expected to pick up towards 4.25% in 2016. Economies that had in previous years grown rapidly due to Chinese demand for commodities (e.g. oil), such as Angola, South Africa, Sierra Leone and Zambia, had been hardest hit by the fall in commodity prices, with Nigeria expected to see its 2015 growth rate drop sharply to 4.0% from 6.3% last year. However, countries such as Ivory Coast, Ethiopia and Mozambique are still expected to grow at 7.0% this year and next. Africa's current account deficit is expected to widen to 5.7% from 4.7% in 2014. For more information, read: <http://newafricabusinessnews.com/2015/10/adjust-policies-to-fight-slow-growth-imf-tells-africa-but-ivorycoast-ethiopia-and-mozambique-looking-good/> and <https://www.is-safrica.org/iss-today/no-need-topanic-africa-is-still-rising-slowly>
- **CAS View:** There is no hiding that Africa has been hurt by the slowdown of the Chinese economy. It is clear that there are economies in Africa that will not be hurt, and it is also clear that the IMF expects the slowing growth to be a short-term phenomenon. Current investors will see an exchange rate loss with the African currencies hurt by the increase in the current account deficit of the region. Make peace with it. It is also clear that some economies will not be hurt at all, and therefore present good investment opportunities. Africa needs to diversify its economy away from raw commodity exports, and look towards economic beneficiation activities downstream in the industry value chains. It is also interesting to note that the President of the African Development Bank, Akinwumi Adesina, is propagating the industrialisation of the agricultural industry as a mechanism for economic growth and job creation, given Africa's general dependency on agriculture and the need to feed Africa. This is a strategy worth considering to reduce the impact of the Chinese effect.
- **Africa:** A recent conference in Rwanda dealt with accelerating digital innovation in Africa. Technology innovation has the power to be the disruptor for development in Africa. Government regulations supporting the youth to create innovative solutions, companies and build wealth for the continent, were seen as key. It was revealed there are more real life innovations in Africa than in America. For example, tracking people and coupling this with data on malaria incidence, resulting in a better understanding of how malaria is spread and this can be prevented. Another app was the 'Safe Moto', which is like an Uber for motorcycles. Smart cities and countries were also discussed. As part of the Kigali Smart City concept, a smart transport system will improve the current unreliable service delivery, to a new system where a passenger can request a bus and the bus drivers will know who is waiting where. Payments will be digital, reducing the need for cash currency. The conclusion? Africa does not have to copy the infrastructure and mechanisms of developed countries; Africa can think differently and accelerate its own digital innovation. A prime example is how mobile money is currently transforming the lives of people in rural areas. In Gabon, technology is used to improve the tax system, visa applications and agriculture. For more information, read <http://newafricabusinessnews.com/2015/10/accelerating-digital-disruption-inafrica/>.
- **CAS View:** Digital innovation is but one area in which Africa can leapfrog the normal industrial economy route to a new level of development. Africa does not have the infrastructure and hence needs disruptive innovation. CAS has in earlier issues referred to the role of mobile money (i.e. M-Pesa), as well as the imperative to provide

electricity by means of solar PV to more than 600 million people in Africa currently without power. Whereas Africa is becoming quite innovative in the areas indicated above and as such is becoming self-sufficient in these areas, it also presents learning opportunities for other regions. ASEAN, for instance, could look towards learning from the use of mobile money in Africa to increase the level of financial inclusion in countries such as Vietnam, Myanmar, Cambodia, the Philippines, and even Indonesia.

- **Africa:** Indian Prime Minister Narendra Modi on Thursday promised Africa to back a "partnership of prosperity" and pitched a broad alliance for global reform. Modi pledged to raise the level of Indian support for Africa's vision of a prosperous, integrated and united Africa that is a major partner for the world. India and Africa have 70% of the world's poor, but are among the fastest-growing economies. Mr Modi promised \$10bn in new credit, in addition to \$7.4bn in soft loans and \$1.2bn in aid provided since the first India-Africa summit in 2008. India will also offer grant aid of \$600m. Of that, \$100m would go towards a new India-Africa Development Fund and \$10m to an India-Africa Health Fund. Mr Modi urged India and Africa to speak with one voice on global affairs, including reform of the UN. He appealed for African support on trade, saying a WTO ministerial meeting in December in Nairobi should ensure that free trade talks serve both regions' goals. Mr Modi also appealed to African nations to join an alliance of "solar-rich" countries at the forthcoming UN climate summit in Paris to promote clean and affordable energy. For more information, read [http://www.bdlive.co.za/world/asia/2015/10/29/modi-calls-forpartnership-of-prosperitywith-africa?cx\\_tag=bcuf#cxrecs\\_s](http://www.bdlive.co.za/world/asia/2015/10/29/modi-calls-forpartnership-of-prosperitywith-africa?cx_tag=bcuf#cxrecs_s) and <http://qz.com/533049/in-the-race-forafrica-india-and-china-arent-all-that-different/>.
- **CAS View:** It is heartening to note that India's government has now also joined the governments of China and Japan to take a clear stance on support for Africa's development. Until recently, China was seen as an example of a government leading the business sector in expanding into Africa, while India was seen as an example of the business sector taking the lead. Indian government support will pave the way for even more Indian companies to venture into Africa. This does spread the risk of overdependence on a single country dominating relations in Africa, such as has been the case with China. It is also interesting to note that there are no free lunches and that India is seeking Africa's support at the UN, WTO and the UN climate summit in Paris. Having said that, Africa could benefit from supporting India's stance at these 3 "events".
- **Africa:** Innovative startups frequently find it difficult to attract capital as they have a minimal track record and no collateral to secure capital from a local bank. Local banks and traditional financiers too often do not appreciate the dynamics of the entrepreneur's specific business and therefore cannot add necessary value beyond capital. A series of 4 conferences attended by 250 African and international angel investors identified the following key learnings. **1) Angel investing in Africa is just starting:** It is a new phenomenon and individual investors and (newly formed) angel networks are looking for further education and guidance. **2) Investing is hard. Working together helps:** Nothing can replace an in-depth understanding of the local market and having access to the right people locally. However, 56% of the participants of the recent events are not part of an angel network. **3) Need for a platform to connect and exchange best practices:** Most of the participants at the various local sessions knew of each other, but had never met in person. **4) Mentor Capital – more than money:** Business angels bring 3 types of capital to a venture; financial capital (cash); social capital (a network of high-level contacts) and human capital (knowledge and experience). **5) Government role foreseen to remain marginal:** Investors do not have high expectations of the role governments will play in the foreseeable future. **6) Balancing the gender equality:** A diversity of business angels is needed for a diversity of start-ups. **7) Long-term perspective:** Angel investing can take up to 10 years to build a sustainable and successful venture and usually requires a lot more investment

than initially planned for. For more information, read: [http://ventureburn.com/2015/10/learned-building-pan-african-network-an-gels/?utm\\_source=feedburner&utm\\_medium=email&utm\\_campaign=Feed%3A+memeburn-com+%28m](http://ventureburn.com/2015/10/learned-building-pan-african-network-an-gels/?utm_source=feedburner&utm_medium=email&utm_campaign=Feed%3A+memeburn-com+%28m)

- **CAS View:** Africa has a high need for investment capital in general, and for startup capital specifically. Investors in general are cautious of moving into Africa; this is more so the case for angel investors. Africa does not have a strong culture of business angel investing. It does seem that the above 7 lessons can mitigate the risk of angel investors, as well as give them direction and support in their endeavour to invest in Africa's startups. Supporting Africa's startups will help grow the economy of Africa and provide employment opportunities, which in a circular loop will reduce the risks of angel investors. Someone needs to take the first step. The actions of the 250 angel investors to provide direction to others in the industry must therefore be lauded by all. It is interesting to note that the 7 lessons can also be seen as direction for any startup, not only for Africa, but for any place in the world.

## West Africa

- **Nigeria:** Nigeria's telecommunications regulator this week fined MTN, Africa's biggest mobile-phone operator, \$5.2 billion for failing to disconnect customers with unregistered SIM cards and having incomplete data. This fine constitutes more than 20% of MTN's market value. Some analysts believe it risks foreign investment in an economy struggling to cope with sliding oil prices, currency restrictions and no finance minister. Nigeria is MTN's biggest market, where it had 62 million customers by September. The Nigerian Communications Commission stated in response that investors have to respect the laws of the land where they are operating. Yinka David-West at Lagos Business School said the stricter rules on registration were aimed at improving security, as kidnapping for ransom is rife and the government is struggling to end an insurgency by Boko Haram militants in the northeast. It's not just about having a database of names and numbers, but it's a tool that is supposed to help fight terrorism, kidnapping, money laundering and all sorts of issues. For more information, read: <http://m.mgafrica.com/article/2015-10-28-nigeria-risks-hurting-investment-with-brazen-52-billion-mtn-fine-in-a-struggling-economy> and <http://m.mgafrica.com/article/2015-10-26-buharis-nigeria-record-fine-for-south-africas-mtn-sends-shares-to-a-17-year-low>
- **CAS View:** This kind of regulation that MTN contravened in Nigeria is also applicable in South Africa, MTN's home base. MTN can therefore not state that it did not know about the importance thereof. It does seem that it is the quantum of the fine that is at issue. In that sense, potential and even existing investors could be deterred from investing in Nigeria, and even Africa for that matter. Losing 20% of the market value of one's company is not an easy thing to explain to one's shareholders. The question is whether the urgency of the matter could not have been brought across by means of a much smaller fine. Or has the much vaunted empty Nigerian state coffers played a role in the size of the fine? Interesting, there are players in Nigeria that are on record stating that the regulatory environment in Nigeria is clear and that you need to abide by the rules. This fine MTN has picked up is surely emphasizing the need to do just that!

## Southern Africa

- **Southern Africa:** According to the Food and Agriculture Organization (FAO) of the UN, rising food insecurity due to poor harvests in Southern Africa is a concern. It is expected there will be an estimated 27.4 million food-insecure people in the region during the next 6 months. Southern Africa has to contend with global warming, changing weather patterns, and the El Niño weather phenomenon. Food insecure countries also have to cope with high levels of chronic malnutrition in children and of HIV prevalence in adults. The poor harvest experienced by farmers

across the region will negatively impact the capacity of vulnerable farmers to purchase seeds, fertilizer and other necessities for the current planting season. Malawi, Zimbabwe and Madagascar are countries most at risk for food insecurity, as they all suffered severe crop failure due to extended dry spells. The UN's World Food Programme (WFP) planned to provide assistance to 2.4 million food-insecure people during the height of the lean season, the period prior to the next harvest when domestic food stocks become depleted. The response plan in Malawi would include provision of inputs, with an emphasis on drought-tolerant crops such as cassava, sweet potatoes, sorghum and millet and on supplementary irrigation in order to cope with potential prolonged dry spells. In Zimbabwe, the FAO is supporting resilience-building approaches among vulnerable groups, which include 34 irrigation schemes in drought prone districts that are being rehabilitated. As many as 127 000 smallholder farmers are receiving support to adopt climate smart technologies and increase their access to rural finance. For more information, read: <http://beta.iol.co.za/news/africa/foodinsecurity-rising-in-southern-africa-1932431>.

- **CAS View:** As stated elsewhere in this issue, the president of the African Development Bank is a strong proponent of the industrialisation of the agricultural sector. Not only will this increase Africa's employment prospects, but will it also increase Africa's ability to feed itself. No one controls the weather, but planting drought resistance crops can mitigate the risk of such a drought. Climate smart technology is expensive, but it will pay for itself in the years when droughts do disrupt the normal harvesting patterns. From the general gist of the activities undertaken by both the FAO and WFP, it is clear that knowledge, access to finance and support will be crucial for Africa to feed itself. Linking this to the availability of water in general, Africa should apply its mind as to how it will manage a future in which water is increasingly becoming scarce. CAS visited a grape and wheat farmer in the Western Cape yesterday, and was told that the Berg River, one of a few major rivers in the Western Cape, was not flowing, a first-time occurrence for this 37-year old farmer. This is after the winter rainfall season. Southern Africa has a severe problem to solve, and needs to do so sooner rather than later.
- **Zimbabwe:** MoneyGram, a global provider of money transfer services, and Econet Wireless, the leading mobile operator in Zimbabwe, recently announced the launch of a new service that enables customers from more than 200 countries and territories worldwide to transfer funds via EcoCash, a mobile money transfer solution in Zimbabwe. With this, more than 4.9 million EcoCash subscribers and MoneyGram customers can receive funds across the EcoCash network at any time and from any place. MoneyGram's services can be accessed at more than 20,000 EcoCash locations in Zimbabwe, or at any one of MoneyGram's agent locations worldwide. Consumers, many in remote areas of Zimbabwe, now have access to a fast and safe method of transferring money to purchase life essentials and daily expenses. EcoCash is the second fastest growing mobile money solution in Africa, with a strong presence in Zimbabwe's digital environment. In-wallet remittances are becoming more topical, not only in driving access to international remittances for the previously unbanked, but also to drive further financial inclusion as the diaspora and Zimbabwe are linked. For more information, read: <http://www.moneygram.africa-news-room.com/press/moneygram-announces-collaboration-with-econetwireless?lang=en>
- **CAS View:** Mobile money has become a major trend in Africa. Whilst the more well-known M-Pesa dominates the mindspace of the world, other solutions such as Paga in Nigeria and EcoCash in Zimbabwe also contribute towards increasing the financial inclusivity of Africa's population. Whereas the urban population tend to not be as negatively affected by poor infrastructure, these digital mobile money solutions help the rural unbanked and thereby stimulate economic activity. CAS has frequently referred to this phenomenon, and the implications thereof for banks playing in the retail space. Elsewhere in this issue, CAS also states that the rest of the emerging world with large unbanked populations can learn from the African experience.