

African Union

- **Africa:** Africa's agricultural sector can play a vital role in addressing its growth problems, but it is in need of funding. The article addresses suggestions in this regard.

Agriculture is a vital part of Africa's economies. It employs most of the labour force and contributes to 25% of GDP, with smallholder farmers producing up to 80% of the food in SSA. However, the sector's potential remains mostly unrealised, largely due to farmers' lack of access to financing. While commercial bank lending for agriculture amounts to US\$660m per year, there is still considerable untapped capacity. Many smallholder farmers remain unbanked and do not possess the assets needed for traditional financing collateral. A warehouse receipt system can provide a solution to the lack of assets that limits small and rural farmers from accessing traditional capital. This system allows farmers to store goods in return for a receipt, and farmers can collateralise their warehoused commodities to cover credit from financial institutions. The system reduces the pressure on the farmer to sell the commodity immediately after harvest, when prices are normally low. Microfinancing remains vital for farmers. However, African microfinance institutions are still unable to fund larger and long-term loans required for effective agricultural value chain development, and their interest rates remain unaffordable to farmers. However, mobile banking and payments facilitate access to financial services, while crowdfunding has potential in agriculture and agribusiness. Other platforms, such as Kenya's M-Changa and SA's Thundafund, have also popped up. For more information, read [here](#).

- **CAS View:** Financing smallholder farmers is a serious issue for Africa's agricultural sector. Many of the farmers farm on a piece of land not much larger than 1 hectare, and hence have very low income levels and very little collateral. In addition, they need working capital to buy seeds and fertiliser. Given the lack of collateral, banks are not keen to finance them. This is where the platforms such as M-Changa play a role. M-Changa is a fundraising application, allowing farmers to tap into people and institutions worldwide. The article refers to the use of a warehouse receipt system, which could work well. Then there are organisations such as Olam that fund their smallholder farmers to finance their working capital requirements, as well as household expenses. Given the lack of collateral, this is a leap of faith by Olam. However, this practice does create loyalty towards Olam, even though the non-performing loans are said to be in the region of 10%. The alternative is that smallholder farmers struggle on their own, which will impact negatively on both them and the continent's people. Africa should look beyond enabling smallholder farmers to survive. Unless it devises processes and systems that would enable these smallholder farmers to actually become wealthy in some or other form, the youth will not remain on the farms as they have no appetite for a career which will keep them poor. Hence they will move to the cities in search of a job somewhere. The drive to industrialise Africa's agricultural sector must take this situation in consideration.
- **Africa:** Africa has launched a campaign to transform its agricultural sector. This is important as 70% of its population depend on farming for food and income, yet frequently face poverty and poor nutrition.

The collective pledges at the Sixth African Green Revolution Forum in Kenya represent the largest package of financial commitment to the agricultural sector in Africa to date. The historic investments represent the first wave of support for the new 'Seize the Moment' campaign backed by the AU Commission, NEPAD, the AfDB, the Alliance for a Green Revolution in Africa (AGRA), key NGOs, companies and donor countries. The 'Seize the Moment' campaign is an acknowledgement that much more is needed for African countries to achieve inclusive economic development and ultimately realise the UN's SDGs. The campaign is a decisive push for the political,

policy and financial commitments essential to transform Africa's agricultural sector. The goal: A new era of business opportunities for the 70% of Africa's population that depend on farming for food and income, yet too often face poverty and poor nutrition. Kenya's President Uhuru Kenyatta announced his government will invest USD 200 million so that at least 150,000 young farmers and young agricultural entrepreneurs can gain access to markets, finance and insurance. He called on his fellow leaders across Africa to step up and invest aggressively over the 5 years in agriculture related endeavours. For more information, read [here](#).

- **CAS View:** The first article above addressed the issue of financial needs of smallholder farmers. This article goes further and addresses the need for creating the right business-enabling policy framework and financial commitments to help young farmers and entrepreneurs to become successful. Access to markets, drought-resistant seed, affordable fertiliser and insurance are all essential. Should more countries emulate Kenya's actions of investing USD 200 million, this will create a large pool of budding entrepreneurs that will not only contribute towards establishing food security, but will create jobs, keep the youth in agriculture, reduce pressure on urbanisation, and reduce the imports of food. Part of the solution must entail the education and training of these agri-entrepreneurs in best practices in the agri sector. This might require that the road infrastructure challenges also be addressed, as the food needs to be transported to the optimal markets.
- **Africa:** This article provides advice to those Africans wanting to raise capital.

This article provides advice to those Africans coming to London to raise capital (or any other mature startup investment ecosystem). Understand some investment basics to talk to an investor. Realise that if you are asking an investor for money, that your business must make them money first, and you second. Be ambitious in your growth. Always consider the investor's point of view, and run the calculations as they will. Look at the risk as they will. Consider what it will take for an investor to exit. Consider how and to whom they will exit. Treat them as long-term partners, as you would any other business partner, because they are. Know that you won't leave your first visit with a cheque — this is all about relationship building. Be honest about your progress and your numbers because they will find out soon enough, and it's best to start the relationship with openness. Overselling yourself means you'll face heavier scrutiny that you're not prepared for, and the investor will simply walk. Align yourself to the stages and tiers investors are used to. They won't be a direct match to your needs, but starting there and explaining the difference helps investors understand where you're coming from. Be very short and to the point with email communications. For more information, read [here](#).

- **CAS View:** Good advice for Africans on the lookout for investors. A lot of it is common sense, but then frequently common sense is not that common. Africa's entrepreneurs are in dire need of financial support and will really benefit from this advice. Given the perceived high risk profile of Africa as an investment destination, the last thing an entrepreneur needs, is to scare away potential investors through bad communication and inadequate information.

West Africa

- **Nigeria:** Nigeria's consumers are under pressure. However, the retail sector is an attractive prospect over the longer term.

The recent sharp decline in the international oil prices is expected to have more of an impact on the rich than the poor. The recent devaluations of the naira will increase the cost of imports and weigh on consumers' purchasing power. Moreover, tighter monetary policy due to capital flight and a weaker currency has also impeded access to

credit. Despite these problems, the Nigerian wholesale and retail industry (16.4% of GDP) remains a lucrative investment opportunity on the back of a large and rising population and an increased rate of urbanisation. Retail space in the country has grown considerably, as did the geographical spread. Nigeria has also seen the development of a market for luxury goods. However, in 2010 about 46% of Nigerians lived on \$2 or less a day. The e-commerce trend also shows no abatement. Certain challenges make investment difficult, e.g. high financing costs, high construction prices, infrastructure gaps, and security concerns. The Nigerian consumer is under pressure over the next few years as low oil prices put pressure on the naira and government infrastructure spending plans. However, the retail sector remains an attractive prospect over the longer term. Informal retail channels will continue to dominate. The low-income consumer by far dominates the Nigerian retail scene, which will provide a lot of opportunities for FMCG companies. For more information, read [here](#).

- **CAS View:** Nigeria really seems to be a country of contrasts. While there are super rich people in Nigeria, one also finds that about 46% of Nigerians live on \$2 or less a day! This will force any investor to choose his /her segment carefully. While there are currently about 180 million Nigerians, this figure is forecast to increase to about 440 million by 2050, with the next most populated African country being Ethiopia at an estimated population of about 190 million. With 440 million people, of which a sizeable junk will be urbanised, and a growing number will be middle class (or consumer class), retail opportunities will be in abundance. While the number of supermarkets and malls are set to increase, it is clear the informal retail channels will still be around, mostly serving the large number of poor (those living on \$2 a day or less). E-commerce platforms will gain prominence as consumers become more connected. What Nigeria now needs is for its currency to strengthen and be less volatile, the oil price to increase, the security concerns in the northeast (Boko Haram) and Niger Delta (NDA) to stabilise, and for a diversification of its economy, with a focus on an industrialised agriculture and an improvement of its infrastructure.

Southern Africa

- **South Africa:** The article provides suggestions as to how SA could address its socio-economic challenges

To create jobs and lift its economy, SA must change some of its socio-economic policies, such as ensuring that foreign investors are forced to partner with local companies. Key worries included that foreign investors were allowed to do business without stipulations to benefit local companies, the rich did not reinvest in the economy as in other parts of the world, and investment in workers was not happening fast enough. There is also insufficient investment in agriculture and manufacturing, and SA's middle to upper class account for the lowest share of national income in the world. Therefore, minimum wage jobs were not created and this group could not afford to pay for services. In SA, the top 10% of the population put back a third of what they make from doing business in the country back into the economy. This compares badly with Asia, where the rich reinvest between 70 and 90% into their economies. On FDI, it is important to involve domestic partners. Another concern was that SA's economy was not diversified enough and it was unable to level up its primary industries. If SA invested 3% of GDP in social security programmes, this could lift the entire population above the poverty line, laying the foundation for economic and social inclusion. For more information, read [here](#).

- **CAS View:** The article identifies the issues that SA needs to address to boost its economy. It is interesting to note that conditional FDI was suggested for SA, which was not only done in Asia, but also the Middle East. How this would be seen by potential and existing investors, is open for debate. Given that this practice until now has been foreign to SA, the chances are good that they would not like it. Also, the suggestion that SA's middle class were not earning enough was interesting. The suggestion that SA has to diversify its economy is not new. What was

equally interesting was that SA had to invest 3% of GDP in social security programmes to reduce poverty. Currently SA's government is paying grants to more than 16 million of the population. Most economists are ad idem that this is not sustainable. The reality is that SA cannot afford to not pay these grants, as life would be unbearable for those who currently are recipients of these grants. So it seems that while SA cannot afford the payment thereof, it had no option but to do so. An alternative is to develop and adopt inclusive and pro-poor economic growth policies that would address this issue in a meaningful manner. This would take time, however, and must be seen as a path to be taken immediately whilst only expecting results on the medium- to long-term. In the meantime, grants would remain a necessity.

- **South Africa:** SA is currently facing a possible ratings downgrade by global credit rating agencies. The privatisation of SOEs are suggested as a remedy to prevent such a calamity.

SA is facing a possible sovereign downgrade by global credit rating agencies, which will bring unnecessary economic costs. The health of SA's SOEs are a key factor in determining credit ratings, because their management has an impact on the fiscus. SOEs can serve SA's development state ambitions. But sound policies and governance practices are needed to ensure they stand as value creators and do not become financial burdens. The key consideration currently is to prevent the abuse of these enterprises by corrupt politicians and their cronies. President Jacob Zuma's move to take control of the special committee that oversees SOEs has raised eyebrows. The private sector is beginning to show concern. This is reflected in a decision by Futuregrowth to suspend funding to SOEs. Other banks and lenders may follow suit. This doesn't mean the SOEs are in imminent danger. But it does appear that their future financial viability is in question. This requires more encouragement and flexibility for the private sector. Why not partially privatise the commercially oriented SOEs and make them more efficient and competitive? For more information, click [here](#).

- **CAS View:** A recent study into SA's more than 700 SOEs suggested that quite a number of them be privatised. Many were being poorly managed, and required government guarantees given the losses they were making. Governance was clearly an issue, as this article also suggests. Bonang Mohale, Chairman & Vice President, Shell Downstream South Africa (Pty) Limited, recently stated at the Africa Singapore Business Forum 2016 that SA's political leaders have to accept that SOE's in SA have been hugely under capitalised, a lot of them are not focusing on preventative and planned maintenance; and they could focus much better on good governance. This means the government must appoint a board they can trust and then get out of the way; the board must appoint a CEO that can execute on this compact with the shareholder and then get out of the way; if you are the CEO, put a team together that can help you deliver on this mandate. In Africa, governments do not only want to appoint the board, but also the CEOs and CFO's so that their uncles, nieces and nephews can also have some part in all of this. It is because of this trend that SOEs are poorly managed. Other commentators are quite adamant that government cannot run private enterprises, and they refer to the likes of SAA and Alexkor. Finance Minister Pravin Gordhan recently confirmed SAA now had R19bn in state guarantees after the R4.7bn guarantee recently approved by Treasury to ensure it remained a going concern. He said SAA had made a R4.7bn loss in 2014-15 and a R1.8bn loss in 2015-16. Without the guarantees SAA would be technically insolvent. The guarantee would allow SAA to borrow. It places a massive strain on government's resources, which is why credit rating agencies are watching SA's actions towards its SOEs like hawks! However, as stated previously by CAS, it is highly probable that SA's powerful labour unions would do their utmost to prevent such a privatisation drive. So the government of Jacob Zuma is soon going to have to make a very difficult decision in this regard.