

African Union

- **Africa:** The article addresses B2B opportunities in Africa, as well as factors that will drive company spending in the years ahead. It is based on McKinsey's report, *Lions on the Move 2*. Small businesses are still a major factor in Africa.

McKinsey expects B2B opportunities throughout Africa to thrive, with B2B demand to grow by US\$1tr, bringing the figure to \$3.5tr by 2025. African companies spent \$2.6tr on the B2B market in 2015 – 40% of which was in SA and Nigeria. Half of that was spent on input materials, 16% on capital goods, and the remainder on services such as business and financial services, transportation, and IT and telecommunications services. McKinsey lists 3 factors that will drive company spending over the coming years: **structural changes** that have mainly to do with the formation of new businesses and intra-Africa trade; **urbanisation and business clustering** will stimulate productivity, innovation and the creation of new businesses; **changes in technology**, with pros including lower costs, automation and digitisation. Smaller companies with annual revenues of less than \$500m account for more than 60% of Africa's total B2B spending. Fragmented markets such as agribusiness and construction require a wide approach in terms of sales, due to the extensive resources required for each to function. Additionally, small businesses constitute the majority in Africa, and function on bespoke offerings, and targeted services and sales plans according to their needs. For more information, read [here](#).

- **CAS View:** McKinsey brought out its "Lions on the Move" in 2010, which created a lot of enthusiasm for the Rising Africa paradigm. Since then the slowdown of the Chinese economy and the end of the commodity super cycle have reduced the general expectations of prospective and current investors in Africa. This new research, "Lions on the Move 2", addresses Africa again and touches on the role and impact of B2B markets. It shows that the Rising Africa paradigm is by no means a historical one and that there is still life left in Africa! The problem frequently lies with the investors who have a quarterly report to think of, and not necessarily with Africa. Yes, economies such as that of Nigeria, Angola and South Africa have been hurt. But there are many other opportunities waiting to be tapped into in Africa. And although these 3 countries are hurting, they will bounce back in the not too far distant future. The patient investor that has a long-term paradigm will smile when that happens! Factors such as the increasing regionalization in Africa, to name but one, will support this growth. It does remind one of the comment by Mark Twain when told of his death by a reporter, "The reports of my death are greatly exaggerated!"
- **Africa:** Blockchain technology has been used to complete a trade finance deal in Africa by a large institutional player. Bitcoin is being used for various deals in Africa. Non-fintech applications of blockchain will also have an important role to play.

Not too long ago, companies like Beam from Ghana and Kenya's BitPesa were going to use bitcoin to make sending and receiving money faster and cheaper for everyone. It didn't work that way. Beam ditched bitcoin. BitPesa pivoted from remittances. Other companies shut up shop almost as quickly as they had opened. People didn't understand bitcoin, and didn't trust it. However, this doesn't mean it has no useful application in Africa and globally. Barclays Africa recently completed the world's first trade finance transaction (between Ireland and the Seychelles) using blockchain technology. Barclays quickly heralded a new era of trade finance. One company using bitcoin innovatively is SA's The Sun Exchange, who launched a P2P lending platform that taps into the bitcoin community and helps them fund solar energy projects in Africa. Another example is Custos Media Tech-

nologies. Custos goes a step further than most bitcoin/blockchain startups, in that it is not even focused on financial services. Instead, it is focused on tackling digital piracy. At this stage, the services built on top of bitcoin and other blockchains are still too immature to see rapid, broad adoption. Non-fintech applications of blockchain will also have an important part to play. For more information, read [here](#).

- **CAS View:** The “dark” continent strikes again! Africa hosted the first trade finance deal using blockchain technology! And the article mentions various examples of companies using bitcoin/blockchain technology. It is good to see the willingness of African institutions to “test-drive” new technology. This will put African financial institutions at the forefront of progress in the world of finance. As it is, financial institutions in SA have a stellar reputation as far as governance is concerned, if one is to believe the WEF’s global competitiveness rankings. This will stand the bitcoin/blockchain community in good stead.
- **Africa:** PE investors are becoming more prominent in Africa. Various factors support their importance. Africa, however, is still in need of major financing sources of a long-term nature as PE funds tend to be less so.

Africa remains one of the world’s most attractive growth opportunities for PE investors. Since the early 1990s, the number of PE funds active in Africa has swelled from 12 to more than 200, while funds under management have risen from US\$1bn to upwards of \$30bn. This rapid growth, combined with the recent downturn in Africa’s largest economies, has raised concerns among some analysts that a bubble is emerging. Yet most PE funds and principal investors tend to invest only in minority stakes, with the goal of better managing their risks by leveraging robust local partners. Also, they overwhelmingly focus on a limited pool of investment targets: profitable companies with annual revenue of more than \$100m and proven track records. PE funds in Africa must adapt to the rapidly evolving market and consider more flexible investment strategies. The following factors support a positive outlook for PE: 1) Penetration is low at 0.1% of GDP, compared with 1% of GDP in western countries. 2) Macroeconomic fundamentals should remain strong. 3) The pool of investment targets is growing as nearly 11,000 African companies qualify. 4) The investment environment is improving. 5) Alternative options for raising capital are scarce. For more information, read [here](#).

- **CAS View:** PE in Africa is high in demand, given the lack of financing for African entrepreneurs and SMEs. In addition, only about 0.11% of registered companies in Africa are listed. PE investors are known to have said they are faced with a lack of bankable projects. Others again have said that there are enough candidates for those with the right risk profile. This provision is probably the differentiating factor between the 2 schools of thought. One problem, however, is that PE investors look for exit opportunities after about 5 to 7 years. This is problematic for those who require longer-term capital. The lack of bourses on the continent complicates matters for the SMEs. This does create a situation that benefits PE investors, as they can pick and choose. In Africa, it seems they prefer to not get involved in projects where African governments are involved, for the simple reason that governments do not inspire trust! Sad but true.

West Africa

- **Nigeria:** President Buhari’s attempt at a values transformation exercise is not as successful as he would have hoped. Whereas he states, “change begins with me”, Nigerians feel he should first transform the government before targeting them.

Nigeria's President Muhammadu Buhari famously ordered people to form neat queues as part of his 1980s "War Against Indiscipline". Thirty years later, President Buhari has unveiled a new version, this time with a toned-down

name: "Change begins with me". According to the government, the programme is aimed at fighting "dishonesty, indolence, unbridled corruption and widespread impunity" so that Nigerians can "embrace daily introspection over their 'immoral' conduct". During the launch of the campaign, President Buhari said: "Virtues like honesty, integrity, hard-work, punctuality, abhorrence of corruption and patriotism, had given way to dishonesty, indolence, unbridled corruption and widespread impunity". Many Nigerians will agree with the government that indiscipline is rife in everyday life. But there are always those Nigerians that will jump the queue, and shout obscenities at anyone who challenged them. Lateness, bad driving and dumping rubbish are all normal. Toilet manners aren't much better. On the roads, people drive with impunity and ignore traffic signs. Corruption is a way of life. Mr Buhari's challenge is that he's trying to fight a system that has entrenched distrust between Nigerians and their leaders. However, many Nigerians think that he should start with his government in making the changes he wants to see in Nigerians. For more information, read [here](#).

- **CAS View:** The reality is that one cannot fault President Buhari's motivation to instil a set of values such as honesty, integrity, hard-work, punctuality, etc. They are worthwhile values to strive for in any society. They become much more valuable in a society where there are so many glaring examples of poor behaviour, in themselves the physical manifestation of destructive values. The author of the article states Nigerians are waiting for Buhari to first change his government before he changes society. It is a valid point. It is like saying, "don't do as I do, but do as I say!" Leaders striving to bring about a values transformation, need to have legitimacy or they will fail. And maybe that's where Buhari has a problem. His foreign policy actions are good, as he worked towards healing ties with the USA, his neighbours, South Africa, France and Francophone Africa. He seems to be successful in his endeavours to end the reign of terror of Boko Haram, although the Niger Delta Avengers seem to be a handful. Where he has seemingly lost the trust of the Nigerian population at large, is in his fiscal and monetary policies. These have had the end result of a naira that has devalued tremendously, and large corporates disinvesting, etc. You touch a person's purse, you touch his heart! To then ask him/her to change his/her values, in itself a difficult thing to do, is going to cause resistance to change. Had he adopted successful financial policies, maybe he would have had a better chance of succeeding. But he would still have had to change his government first. Remember that old saying: "be the change you want"? It remains true.

East Africa

- **Kenya:** A company in Kenya adopted a switchboard business model, connecting smallholder farmers and informal vendors, creating a better deal for both. Success requires an optimised operating model and scale.

Twiga Foods started in November 2013 with 2 goals: to ensure that farmers were paid more for their produce, while selling that produce to vendors at lower prices. The company has achieved these goals, using mobile technology, a strong network of farmers, and infrastructure, including storage facilities and vehicles. Twiga supplies fruit and vegetables to informal vendors through the use of mobile POS systems and m-commerce apps. Twiga has an average revenue growth of 30% every month. They supply to 1,300 small-scale vendors a week. The mobile-based supply platform through which vendors order produce, allows Twiga to collect and analyse data on market demand and prices. The company has also mapped its farmers, geocoding their addresses and capturing their supply capacity. This assists with planning in terms of storage and distribution, minimising post-harvest losses and risks, and helping to predict crop prices. Twiga has invested in additional warehousing, cold storage, collection points and depots in Nairobi. Twiga is planning to diversify their product portfolio in the coming months and also move to cities beyond Nairobi. It has also been receiving requests from FMCG businesses to distribute their products, and is looking to partner with banks to offer credit to farmers and vendors. For more information, read [here](#).

- **CAS View:** Twiga has targeted the smallholder farmer on the supply side and the informal vendor on the demand side as its partners in its business. Paying farmers more and selling to the vendors at a lower price, while still making a decent profit, requires two things, i.e. scale and a very lean operating model. It seems that Twiga has managed to do this, using technology to reduce costs and optimise productivity in all the elements of the value chain it has decided to play in. It seems it will go even a step further to get financial institutions to offer credit to the farmers and vendors. This will surely create a situation of customer and supplier lock-in! It is good to read about this kind of business in Africa. Modern management techniques and technology is creating a win-win for all the players! From this it is an easy step to realise that those with sound management knowledge and technological expertise can make a fortune in Africa!
- **Uganda:** Adversity drove this entrepreneur to redesign his business, showing that smallholder farmers can become successful. Innovative thinking can create various value propositions from the same product.

When Charles Mulema, who grows pumpkins on 4 acres, took a truck of pumpkins to an agricultural exhibition for the first time, he was denied entry due to limited space. This denied him a chance to exhibit and sell his produce in a bigger market. He subsequently incurred triple losses: hiring a vehicle, missing the exhibition and selling pumpkins at a throwaway price. Before the following season began, he conducted research on how to process flour from pumpkins. The pumpkin flour is mixed with maize and soya flour, which allows one to also make porridge from it. The costs he incurred in hiring a truck to transport pumpkins to the market or booking space at exhibitions have been reduced from Shs600,000 to just Shs50,000. He now spends on transporting a 50kg sack of pumpkin flour to Kampala where he sells each kilo at Shs10,000. Mulema states that farmers who venture into pumpkin growing get returns within days after planting. The crop is valuable in that its leaves, seeds and the fruit are all utilised. Mulema currently employs six people, including his wife. For more information, click [here](#).

- **CAS View:** The lesson here is not about the mechanics of planting and processing pumpkin, but rather that it does not take a lot to turn unemployed people into successful smallholder farmers. In addition, helping them to fully understand how they can tap optimally in every aspect of the product they are working with, creates so many additional versions of the customer value proposition than just the obvious. This helps them to innovate the revenue models of their business model. One also again sees the valuable role of entrepreneurs in creating jobs for more people than just him/herself. African governments must inspire and motivate the unemployed youths and women to not only become entrepreneurs, but to become wealthy in the process. To not do so, will not attract the youth to go into agriculture as a career. They mostly grow up in this sector, and have seen how their parents struggle to make a living. Hence they are adamant to not remain in agriculture. In addition, the more successful smallholder farmers become, the more Africa can become food-secure, an important outcome in its own right!

Southern Africa

- **South Africa:** South Africa is looking for a new president as Zuma's 2 terms will be ending in 2019. Whilst Dlamini-Zuma and Ramaphosa are the current obvious contenders, Zweli Mkhize appears to be a credible alternative.

For some years there were two main candidates for the post of ANC leader after Zuma. The first was Nkosazana Dlamini-Zuma, seen as the candidate of what is now known as the "premier league. But her candidacy appears to be running into trouble. Then there's Cyril Ramaphosa, who last week raised his voice and condemned what is happening with the Hawks around Finance Minister Gordhan. But it is possibly too little, too late. Then there's Zweli Mkhize. He has spoken his mind firmly, and seems unafraid to do so. All in all, this gives the impression that not only is Mkhize prepared to speak out when necessary, but he has the necessary integrity to do so. He is

able to confront difficult issues head on, and appears to provide direction. Mkhize has strong political weight, is prepared to use it, and is someone business and the markets would welcome. He is acceptable to both major factions in the ANC. It appears there are few, if any, strong allegations of corruption against him. Mkhize also understands the economic and political issues SA faces. He could well be the “better” leader that SA, and the ANC, now needs. For more information, read [here](#).

- **CAS View:** CAS has previously referred to the need SA has for a president that can unite SA and provide direction. Given its dominant position, the ANC owes it to the country to develop a leadership bench strength that will deliver the quality of leaders this country needs. Zuma has not been good for SA. That is an understatement. I never thought I would live to see the day when prominent ANC leaders criticise their party. Dlamini-Zuma has not covered herself in glory at the AU, and this is also an understatement. However, she is seen as someone who would go easy on her ex-husband, and would not see him put in jail. Ramaphosa has been very quiet until very recently. One of his most critical statements, which clearly angered Zuma, was when he said the government was at war with itself. When there are two strong contenders for a position, there is always the risk that the party could split. Should this happen, it is not inconceivable that the ANC could lose the elections in 2019. In such a case, a compromise candidate stands a good chance. In this case, this compromise candidate, i.e. Zweli Mkhize, could actually be an ideal choice, not just as a compromise, but as someone who would be able to do a good job, as someone who would be the best person for the job! Given the motivation to have Dlamini-Zuma elected, one wonders about the merits of her case. Ramaphosa might be tainted by the Marikana incident and his wealth, which would be unfair towards him, but politics is not necessarily about fairness. Cosatu, the umbrella labour union federation, is also not stepping up in any major way to endorse him. Mkhize might just be elected on the basis of his competencies and lack of baggage.