

African Union

- **Africa:** Small-scale renewable energy systems are being pushed as a solution to Africa's energy problems.

Access to energy is essential for the reduction of poverty and promotion of economic growth, as it is the basis for a modern society. There is massive opportunity in Africa for growth and development through greater access to electricity. Small-scale renewable energy production is especially important in remote, rural locations for several reasons. It is incredibly expensive and time-consuming to lay large-scale grid connections and build large, central power stations. Smaller systems are faster and cheaper to set up and can also be tailored to the needs of a particular location. They are scalable and adaptable as needs change and don't require a massive transmission network. Local renewable energy projects can create opportunities for construction jobs. There are also secondary jobs through licensing deals, selling of "airtime" to access the power, installation of pre-manufactured kits and more. Smaller players are also able to enter the market to provide more energy, and the financial sector is in favour of this model. Tech is cheaper and becoming smaller and easier to implement and manage. Given the massive opportunities for innovation, the potential for SMMEs is large to manufacture the products in Africa, cutting the length of the supply chain and creating more jobs in the manufacturing sector. For more information, read [here](#).

- **CAS View:** We all know by now that more than 600 million people do not have access to electricity in Africa. The generation, transmission and distribution infrastructure networks are wholly inadequate to fulfil the needs of Africans. It is good to see how renewable energy is being harnessed to address this situation. As the article states, they lend themselves to being customised, scaled, and adapted, as well as being cost-friendly. Mini-grids based on renewable energy, probably predominantly solar, will become more visible throughout Africa, with applications such as M-Kopa supporting payment from users. M-Kopa has the benefit of changing high upfront capital costs into affordable monthly operational costs. It is also good to see the potential for creating job opportunities, and that the scene would be open for SMMEs to become involved and create value.
- **Africa:** Smart cities require smart officials, and have the potential to address the challenges associated with urbanisation.

By 2025, more than 70% of Africa's population is projected to be living in cities. The rapid growth is driving the African phenomenon of the megacity (at least 10 million residents). While these African megacities have various economic benefits, they struggle to combat challenges like inadequate physical infrastructure, low-quality social services, congested slums, high unemployment, etc. Urban planners are excited to create the smart African city. Entrepreneurs use mobile services to address traffic problems. Making agriculture more efficient and productive begins with technology. SMEs require access to bank capital and private investor capital such as venture capital and growth capital. Entrepreneurs remain the central vehicles to changing the outlook for local communities. Ensuring the delivery of energy and other related resources, such as water to smaller cities, is key. Smart grids and transmission are central to this process. Mini-grids are necessary to aid remote locations on the continent and may help with dispersing energy demand throughout African countries. An efficient energy system, growing broadband connection and the mobile phone will underscore the physical infrastructure of the African smart city. This system will require officials and citizens being smarter. For more information, read [here](#).

- **CAS View:** The concept of smart cities is more than just hype. Given the challenges of urbanisation and the problems such as slums, unemployment, poor service delivery, inadequate infrastructure, transportation problems, inadequate energy provision, weak security, the smart city concept is embracing technology to deal with these issues. This is where broadband connectivity has the potential to play a major role. An important ingredient in the process of developing smart cities is the requirement for smart officials. Africa is going to need large numbers of well-educated and experienced officials to develop the requisite policy frameworks and implement them in order to create these smart cities. Currently this is a serious concern, and African governments would do well to send their officials for education and training in countries such as Singapore, where they have successfully dealt with similar challenges.

East Africa

- **Ethiopia:** Ethiopia is going to construct 17 Integrated Agro Industrial Parks (IAIPs) to help it speed up its economic transformation.

Ethiopia plans to construct 17 Integrated Agro Industrial Parks (IAIPs) that will be built in all states. The parks will help the country speed up its economic transformation from farming to being industrial-led. Ethiopia aimed at fostering rapid industrialization through nurturing manufacturing and agro-processing industries, thereby accelerating economic transformation and attracting domestic investments and FDI. The government has given top priority for the development of industrial parks: large, medium and light scale parks on the one hand, and IAIPs on the other hand, as they are believed to be the epicentre for its economic transformation. It has recently started laying cornerstones to commence the construction of 4 pilot IAIPs in Amhara, Oromia, SNNPS and Tigray states. Each are expected to create over 600,000 job opportunities, create conducive conditions to attract investors, build globally competitive capacity, export value-added agricultural products and enhance economic transformation, amongst others. The Burie Park alone will produce 558,000 tons of agricultural yields and will generate US\$618 million annually. Industrialization has become a national priority for Ethiopia as it is an agrarian economy. Consequently, it needs to process the agricultural raw materials and sell the processed products on the global market. For more information, read [here](#).

- **CAS View:** The envisaged IAIPs seems to have a lot of potential to stimulate the economy of Ethiopia by industrialising the agricultural sector and transforming the economy to be less dependent on agriculture. The fact that these IAIPs will be spread throughout Ethiopia and be built in all the states, is very good news. The job creation associated with them is sorely needed. On a political level, hopefully it would allay fears that the Tigran-led government is hoarding all the benefits of economic development for the Tigran tribe, and that this would engender greater political stability in the country. It also seems a priority of the IAIPs to add value to commodity products before exports. This can only be to the benefit of the country.
- **Kenya:** Kenyan banks are taking on M-Pesa in the battle for the wallet of the consumers.

Kenyan banks have now launched PesaLink, a mobile and electronic money transaction service. At least 40 banks, who were amongst the first players to strike partnerships with M-Pesa, used M-Pesa to grow their deposits, issue out loans and facilitate bills payments, serving over 3.1 million customers every month. In 2012, the banks estimated they were losing up to \$22 million annually in commissions to mobile money providers such as M-Pesa and Airtel. While M-Pesa limits daily money transfer amounts to \$1,400, banks have set the limit at up to \$10,000. PesaLink transactions can also be initiated from the mobile phone, branches, ATMs, at agency banking outlets or via the Internet. PesaLink is seen as a “complementary tool” to existing financial products, including mobile

money. Users don't have to rely on M-Pesa or other mobile money services and can simply transfer money from one bank account to another in real time using the banking sector platform. A crucial competitive advantage with M-Pesa is its ubiquity and the ease with which it has helped millions of people access financial services. Given M-Pesa's brand image, it will be difficult for the banks to significantly disrupt this relationship. Currently, M-Pesa controls 85% of person-to-person money transfer valued at over \$7 billion in the first half of 2016. For more information, read [here](#).

- **CAS View:** M-Pesa has had a long run of success in various East African countries. We have also seen many other applications being developed with M-Pesa as the basis, including M-Kopa, M-Akiba and M-Shwari, to name but a few. We have also seen banks such as Equity Bank initially cooperating with M-Pesa, and later on developing their own unique application. I have frequently stated the last 18 months that banks would either have to start cooperating with M-Pesa or develop their own mobile money applications to avoid being disintermediated. It seems that banks have finally succeeded in joining together to fight the influence of M-Pesa. However, it might be a case of too little too late. M-Pesa has developed a very strong brand image in the market, and their customers have mostly been people outside of the formal banking sector. They have been largely responsible for increasing the level of financial inclusivity from 40% about 6 years ago to more than 75% at the end of 2015. This has created some powerful brand equity for them. It will be an interesting period ahead viewing the battle between M-Pesa and the banks for the mind (and wallet) of the consumer!
- **Kenya:** Kenya is planning to build large-scale solar storage batteries to link their solar systems to the national grid.

Xago Africa in Nairobi plans to build Kenya's first large-scale solar energy storage battery to be linked to the national power grid. The 40 MW solar park is expected to cost \$70 million. The back-up storage technology is fairly welcomed and places Kenya as a regional solar energy hub. The development places Kenya among nations currently exploring a variety of technologies for solar power storage on a mass scale, more than just smaller solar-powered batteries for cars and homes. The back-up batteries are intended to guarantee reliable supply of electricity to the grid even during the absence of sunlight. Kenya's total installed power capacity stands at around 2,400 MW, with solar power accounting for less than 1%. It presents a vast market for investors as Kenya shifts its focus to green energy sources. Investors last year applied to develop Kenya's largest solar energy plants, stressing the growing interest of companies in building sun-powered power stations. For more information, read [here](#).

- **CAS View:** Another important step towards developing a viable solar energy system for Africa. With the development and availability of storage batteries, consumers would be able to use electricity at night and not only when the sun shines. Although the current planning seems to be for supplying energy to the national grid in the absence of sunlight, this development would provide the opportunity for cheaper batteries to the individual home users. It would also boost the development and spread of mini-grids, addressed in the first article of this newsletter. The general approach towards solar energy must be lauded, as solar is definitely the next business model for Africa. The costs of solar are coming down and the technologies to improve the productivity of solar systems are improving constantly. It has become important that the costs of batteries, currently a major item in a solar system for continuous power, are brought down to affordable levels for the poor consumers of African rural areas. This would enhance the levels of use of solar systems throughout Africa and not just Kenya. Kenya's current level of use at 1% is very low, and does indeed show upon an opportunity for interested investors. Given the high availability of sunlight, the country should punt the use of solar to much higher levels. Kenya is not alone in pursuing solar energy as an alternative. Ethiopia is another country that is looking at various forms of renewable energy.

Southern Africa

- **South Africa:** South Africa is facing various risks. The good news is that its key institutions have remained resilient.

Increasing corruption is the top South African risk and the fifth highest industry level risk for 2017. Water crises and structurally high unemployment/underemployment are the second and third highest national level risks for 2017. Increasing strike action is the highest industry level risk. Exchange rate fluctuations was the second highest industry level risk for 2017, with lack of innovation the third highest. Recent uncertainties that have compromised the country's international reputation, ranged from another finance minister debacle, the #FeesMustFall student protests and the fight against corruption and state capture, to the worst drought to hit the country in decades and narrowly averting a credit rating downgrade. The future remains worrisome as most of the risks in SA's risk profile have a lengthy anticipated duration, and are expected to become even more of a concern in the next decade. The good news is that although the political climate remains volatile, key institutions have remained resilient. However, if risk management is properly embedded and a strong risk management culture adopted, more organisations will be able to maintain stability during times of difficulty and take the opportunities that come their way to prosper. For more information, read [here](#).

- **CAS View:** South Africa has become the scene and topic of many discussions on corruption. These discussions involved views on "state capture", due to perceived attempts by the Gupta family to get their cronies in positions of power. It involved the president's use of tax money to upgrade his personal home. It involved attempts to get access to the keys of the Treasury, in order to facilitate the pillage of the country. It involved fears that the international ratings agencies would downgrade South African debt to junk status, which will have devastating results for the country. The bottom line is that there are many challenges facing South Africa, and the South Africans are quite vocal about it. This in itself is a good sign as it shows that democracy and free speech is alive and well. Another good sign is that the institutions referred to above are still resilient. Here we refer to the courts in South Africa, the Treasury, the Auditor General, and currently still the Public Protector, to name but a few. How long this will remain to be the case, is open for debate. What is imperative is that South Africans must jealously guard this resilience, as these institutions are the bastions against anarchy and an implosion of the South African system. When they go, we will see chaos and the destruction of a beautiful and still prosperous country.
- **South Africa:** In spite of the risks facing South Africa, investors are still quite interested in South Africa, showing upon good underlying value.

Investors are developing thick skins when it comes to political risk in SA. The currency is among the world's 10 best performers this year, despite speculation that President Zuma may fire Finance Minister Gordhan, and despite the violence during Zuma's annual state of the nation address in Parliament last week. Investors are more concerned about faster-than-expected rate increases in the US and President Donald Trump's trade policies. This is coupled with general positive sentiment across commodities as companies benefit from rising pricing across the sector. If there's another political blowout in SA, there would probably be a sell-off in the Rand, but that could be a signal for investors to buy the currency. This week, the Rand was on its longest winning streak since September, breaking through key barriers. It seems idiosyncratic risks are taking a back seat to the broader appetite for carry trades, when investors borrow where rates are low and invest in higher yielding assets. The Rand is one of those currencies that has very little political Donald-Trump-tweet-exposure, so it makes it one of those ideal currencies. For more information, read [here](#).

- **CAS View:** This article is closely aligned with the previous one. The author shows clearly that despite all the shenanigans on the political scene, investors are bullish about the South African Rand. The Rand has been on a long run of improvement against the US\$. The investors apparently see real value in the South African economy. It is highly unlikely that this would still be the case should the ratings agencies downgrade South African bonds to junk status. According to the article, it is unlikely that Zuma will get rid of Pravin Gordhan as finance minister. However, one of Zuma's henchmen, Brian Molefe, was sworn in as member of Parliament on Thursday 23 February 2017. There is wide speculation that Molefe will replace Gordhan as finance minister. Molefe very recently resigned as CEO of state utility company, Eskom, and an enquiry into the state of affairs at Eskom does cast some doubt over his management abilities. Given that he is viewed as a Zuma crony, should he become the next finance minister, the market will see this as Zuma getting access to the Treasury, one of the institutions that has resisted his attempts at raiding the state coffers. It is then highly likely that the Rand will take a tumble and the ratings agencies will show no mercy. Let's hope that sanity prevails in the president's office!