

African Union

- **Africa:** India has increased its investments and support in Africa quite substantially over the last decade or so. Various initiatives are being planned by Indian authorities in collaboration with the African Development Bank.

In 2015, Indian Prime Minister Modi announced very substantial credits and grant assistance, which benefitted their relationship with Africa. In addition to an India-Africa Development Fund, an India-Africa Health Fund and 50,000 scholarships for African students in India were established. India's bilateral trade with Africa has risen five-fold in the last decade to \$56.7 billion in 2015-16. It is expected to reach \$100 billion by 2018. This is attributed largely to initiatives by India's private sector. The private sector will be the critical element in Africa's transformation. India is the fifth largest country investing in Africa, with investments over the past 20 years amounting to \$54 billion. Infrastructure is of extreme importance, with power and electricity the priority. Africa needs \$43-\$55 billion per year until the 2030s, compared to current energy investments of about \$8-\$9.2 billion. To attract significant investment by institutional investors, infrastructure should become an asset class. The AfDB has launched Africa50, capitalized by African countries at over \$865 million, to help accelerate infrastructure project development and project finance. Later this year, the AfDB will be launching the 'Africa Investment Forum' to leverage African and global pension and sovereign wealth funds into investments in Africa. For more information, read [here](#).

- **CAS View:** India has long been involved in Africa, with its private sector being the primary lead. Its government's involvement followed. India, China, Japan and South Korea, to name but a few from Asia, have realised that Africa is the last investment frontier. They are subsequently serious in their endeavours to position themselves favourably in Africa. It is clear from the statistics provided, that India is not busy with window-dressing, but are undertaking serious programmes. Their focus, together with the AfDB, on infrastructure, is to be welcomed. The \$90 billion annual investment requirement for infrastructure, is a steep hill for Africa to climb on its own. This support from India, in addition to Chinese and Japanese support, is quite welcome. The massive gap in current investment in power infrastructure and the required investment, is above Africa's means to fill. Getting the private sector involved in PPPs, is the way to go. Also positioning investment in Africa's infrastructure as a business opportunity, and an opportunity for pension and sovereign wealth funds, will hopefully serve to increase the interest from these entities.

East Africa

- **East Africa:** East Africa is the global leader in mobile payments. The number of players is growing steadily, and some form of consolidation is inevitable.

East Africa has established itself as a global leader in mobile remittances. It is not just Kenya, but also Tanzania, Uganda and Rwanda have competitive markets. TerraPay is the latest mobile payments platform to enter the crowded space with its launch in Tanzania. There are good reasons why companies are flocking to the region. Many people live and work abroad and send money home for investment and family support. Intra-Africa businesses also require money transfers from one African country to another. Africa has a relatively high mobile penetration rate and a developed mobile money service platform that supports the growth of the mobile remittance sector. Tanzania, Zambia and Zimbabwe are challenging Kenyan operators for dominance of the sector. Many players are entering the mobile remittances space, with Tigo launching an international remittance service and SA company Mama Money expanding to Tanzania. Making different mobile transfer services interoperable in different countries is a vital next step for the development of the market. Interoperability is expected to overcome challenges to scale and facilitate micro-transfers across borders, a necessity for Africa's low-income population.

The challenge lies in navigating the regulatory hurdles between countries. Some consolidation in the market is possible given how many different companies have entered the space. For more information, read [here](#).

- **CAS View:** East Africa is indeed a world leader in mobile finance. A large population without access to the formal banking system has been the driver for this phenomenon. As the saying goes, necessity is the mother of invention. The level of innovation in East Africa (actually, across the whole of Africa) is amazing. The strong competition developing in the region will hopefully help to keep the players honest and customer-oriented. What is clear from the article is that, as is always the case, when an industry appears to be very attractive with high growth, it attracts many new entrants, which eventually leads to a consolidation phase as the smaller players are closed down or acquired. It will be interesting to see what effect this will have on Kenya's banking sector, as they already have a situation of over-supply with many small banks cluttering the environment. There is already a consolidation phase of sorts taking place. With the ever-growing suppliers of mobile finances, these smaller banks will inevitably pick up financial problems. We are therefore bound to see consolidation activities in both these sectors, and sooner than expected as well.

- **Ethiopia:** Ethiopia and Sudan are in talks to implement a multimodal transport system via Port Sudan.

Ethiopia and Sudan are in talks to implement a multimodal transport system via Port Sudan. The Ethiopian Maritime Affairs Authority (EMAA) said it is waiting for a response from Sudan for the documents it had submitted to use the Port. Port Sudan, which went operational 3 years ago, was expected to handle up to 15% of Ethiopia's import-export trade. However, it handled only 1.2% of the plan during the past 3 years as only a few of the government institutions used the route because of various reasons, including lack of capacity. The arrangement is seen as beneficial for both countries. Preparations are also underway to opening an Ethiopian office at the port and establishing a dry port at in south Gondar zone. For more information, read [here](#).

- **CAS View:** Ethiopia's main access route to a harbour, is through the port of Djibouti. This route has recently been upgraded with an electrical train system, that has significantly cut the time it took to travel from Addis Ababa to Djibouti (from 2 days to 10 hours). The initiative to link Ethiopia to Port Sudan instinctively does not make sense. Whereas Djibouti is quiet stable, Sudan is anything but. In addition, the distance from Addis Ababa to Port Sudan is considerably further than the route between Addis and Djibouti. However, opening up the route to Port Sudan does provide Ethiopia with an alternative. It never pays to lock yourself into a single option. It leaves you vulnerable.

- **Ethiopia:** Ethiopia is transforming its coffee industry to export more and increase the revenue generated. It also wants to close down the thriving domestic black market in coffee.

Ethiopia, the world's fifth largest coffee producer and home of arabica, has overhauled the way it markets the commodity to increase export earnings and clamp down on a thriving domestic black market. The reforms, centring on improving the traceability of beans and stimulating higher quality production, could transform the global speciality coffee market because of the expected increased supply from Ethiopia. Dr. Arkebe Oqubay, the minister overseeing the reform, expects Ethiopia's annual coffee exports to soar from US\$1 billion to US\$5 billion. Their aim is to improve traceability and encourage farmers to increase productivity and expand coffee farms. Ethiopia produced about 400,000 tonnes of coffee in 2016, and exported 50%. Previously, the vast majority of coffee was mixed and then auctioned at the Ethiopian Commodity Exchange, resulting in it losing much of its value because its origin was untraceable, a key requirement in the speciality industry. Now all coffee will be kept separate until auctioned, enabling full traceability. Foreign companies will be allowed to plant coffee and export it directly. All

coffee-related government activity will be brought under one roof to reduce bureaucracy. The reforms are expected to weaken the black market and farmers now have an incentive to produce high-quality coffee, which will make it harder for the local market to take it. For more information, read [here](#).

- **CAS View:** The above initiative is about Ethiopia industrialising and optimising its coffee industry. The country is truly a benchmark for its compatriots in Africa. Streamlining the policy environment is another bonus for producers, especially those from abroad. Given the investment they will be making, one can expect many job opportunities, more export earnings, and a growing economy. Dr Oqubay has been the brains behind the industrialisation drive of Ethiopia, and it seems he is doing a sterling job. Hopefully the recent political initiative to reach out to civil society organisations (CSOs) will have the desired effect of a more stable society at large. One a side note, it is amazing what the coffee industry has done to add value to a low value coffee bean. By creating a demand for high quality coffee bean, coffee lovers the world over have no problem paying as much as \$6 for a cup of coffee. Coffee chains, such as Starbucks, have transformed a basic commodity into an experience, one which coffee lovers gladly pay for.
- **Kenya:** Farm Capital Africa has been created as a cooperative to support smallholder farmers with the financing of their operations.

Millions of small-scale farmers are locked out of Kenya's formal economy. In 2014, Alex Muriu created Farm Capital Africa with the goal of generating wealth through investing in profitable business ventures in the underfunded agricultural sector. Farm Capital Africa uses the internet to raise funds and mobile money to disburse to agripreneurs (small-scale farmers between ages 25 and 35 — mostly youth and women). The aim is to connect them with investment groups that can help them access funds to scale up their agricultural ventures. Through its investor networks, Farm Capital Africa participates in a profit- and loss-sharing arrangement between the agripreneur and the investor. The company provides input financing to small-scale farmers by partnering with local agrovet (places where farmers can buy agricultural and veterinary products). On joining the programme, they can pick inputs from the agrovet on credit and pay upon harvest. Startup challenges included losing substantial amounts of money through bad debts in the process of devising a working financing model. Getting the right talent in the agri-space was also challenging. For more information, read [here](#).

- **CAS View:** What Alex Muriu has done, is create an agri-cooperative. Basically the cooperative finances the operations of the farmer, and gets paid at harvest time. The farmer's land typically serves as collateral for the credit he/she gets from the agrovet. This is somewhat similar to the FarmCrowdy initiative in Nigeria I reported on in the recent past. Given that the initiative is financing the working capital cycle of the farmer, which can be up to a year, it must be financed from somewhere. Given the long operating cycle, the margins must be sufficiently generous to finance this cash cycle gap. In South Africa, the cooperatives were owned by the farmers themselves, and they kept the margins low. In this instance in Kenya, the investors want a return on their investment. Elsewhere in Africa, we have also seen corporates such as Olam helping its small-scale farmers with their working capital requirements, interest-free. This is one way of locking in your suppliers, and locking out competitors as far as supply is concerned.

West Africa

- **West Africa:** Cote d'Ivoire and Ghana are expanding their activities in the chocolate value chain to include producing their own chocolate for local consumption.

Africa consumes fewer than 4% of chocolate sold globally, but its consumption patterns may soon change due to the rising middle class, for whom chocolate presents an affordable and accessible form of luxury. Handmade, artisanal chocolate brands in both cities are now emerging to cater to this growing market with 100% Ghanaian and Ivorian chocolate. The small chocolatier, Instant Chocolat, went from selling 3.5 tons of chocolate in 2015 to averaging 50 tons a month in 2016. It sells a range of “Made in Ivory Coast” products to individuals and corporate clients. In Ghana, new brands like '57 Chocolate aim to challenge the status quo of luxury chocolate being only a product of Europe. Both countries have accelerated efforts to support local grinders and producers of finished products. Both hope to make their chocolate just as iconic as their cocoa. New policies and initiatives aimed at local entrepreneurs may help them move up the value chain. The governments have both launched initiatives to guarantee increased levels of local processing and finished products. By 2020, Ivory Coast aims to process at least half of its raw cocoa locally—up from a third currently. In 2015, Olam International opened a \$75 million factory in San Pedro. With a production capacity of 75,000 tons, the factory has helped catapult Ivory Coast to the top as the world’s leading processor. For more information, read [here](#).

- **CAS View:** I recently spoke about the phenomenon that although Africa is the main provider of cocoa, only 2% of global chocolate revenues come back to Africa. It is therefore great to see the startup of chocolate-producing entities. By integrating forward and creating value-addition at source, Ghana and Cote d’Ivoire are both creating many more revenue-generating opportunities, in addition to job creation, and import substitution. Exporting African made chocolate is not excluded. Although it would be difficult to take on the iconic chocolate brands in Europe and elsewhere, there is no reason why Ghana and Cote d’Ivoire cannot start providing the local market and progressively move into the rest of the world. By supplying global airlines, they are already exposing the global flyers to African chocolate. This is exactly what the doctor ordered for Africa’s challenges as far as exporting raw commodities are concerned. Other industries should take note and emulate this example.

Southern Africa

- **South Africa:** Vodacom is taking a 35% stake in Safaricom previously held by its parent, Vodafone. This will turn Vodacom into Africa’s biggest financial services player.

Vodacom is taking a 35% stake in Safaricom, which will turn Vodacom into a major financial services player in Africa (if not the biggest) as Safaricom has the world’s biggest mobile money user base. While M-Pesa has been a huge success in Kenya, it has previously flopped in SA. Vodacom CEO Shameel Joosub said that if Vodacom applied for and won the local SASSA contract, this alone could revive and awaken M-Pesa in SA. Safaricom is seen as a prize asset, it’s a high growth market, with high value. With their new stake in Safaricom, Vodacom thinks it could revive M-Pesa in SA. It will look at the services that they provide through M-Pesa and will ‘cherry pick’ some of those services to offer in the South African context. Why did M-Pesa originally fail in South Africa? Firstly, regulation is much tougher. Secondly, the banking infrastructure is more pervasive. Thirdly, social grants are paid into a debit card, so millions of people already have a banking solution in place. If the SASSA tender came up, it’s certainly something that Vodacom has all the capability to do. For more information, read [here](#).

- **CAS View:** Vodacom has twice launched M-Pesa in South Africa, without success. The reasons provided above are quite valid. Should Vodacom, however, be successful in obtaining the social services grant payout tender, they would have an immediate market of between 16 and 17 million additional customers for M-Pesa. With the massive market of Safaricom on board, this would make Vodacom far bigger than they already will be, given the transfer of the 35% stake in Safaricom to them. It would be interesting to see how the banking regulatory authorities in South Africa would view this. Would they give Vodacom the same kind of freedom Safaricom has enjoyed,

courtesy of the Kenyan Central Bank? Or would they have to apply for a banking license? As it is, the addition of Vodafone's 35% stake in Safaricom to Vodacom, should have a generous impact on Vodacom's value. Should Vodacom obtain the SASSA contract, this would have an even more substantial impact on its value. The obvious question is, will they? What is clear about the SASSA contract and operations, is that nothing is clear. In any self-respecting democracy with clear governance guidelines, the minister would have either resigned, or been fired. But then, self-respect and clear governance are not terms one nowadays equate with the South African government. Hopefully a new president will "fix" this situation after the elections of 2019.