

Africa

- **Africa:** Consumer-focused companies in Africa tend to focus on a handful of national capitals or major cities. Outside of these first-tier cities, there are significant opportunities, particularly for companies looking to claim first-mover advantage for their specific product or service, i.e. the fast-growing consumer potential of Africa's secondary cities.

A secondary city is a city with a population that is 10 to 50% of the nation's biggest city – with between 500,000 to 3 million inhabitants – and is largely unknown outside of its country's borders. Everyone is familiar with Lagos, but are they aware of Aba, in the southeast of Nigeria? This commercial centre is home to one of Africa's top 50 concentrations of moneyed consumers, with the disposable income to purchase premium products. As of 2017, there were 2,400 second-tier or intermediate cities worldwide, with nearly two-thirds in Africa and Asia. Why this matters for business is that these urban centres, not their more famous counterparts, are expanding massively in population and economic production, increasingly absorbing the urbanising masses who desire a better quality of life than they could potentially find in their capitals. For more information, read: <https://bit.ly/2U7JTKE>.

CAS Analysis: This approach is sound advice for those companies interested in expanding into foreign countries, but who are deterred by the intensity of competitive rivalry in the main cities of the target country. Sanlam, a financial services company in South Africa, targeted the second-tier cities in India, and partnered with Indian company Shriram to gain a sizeable footprint in these cities. It seems that in Africa this is also a good strategy to implement. Corporates are starting to understand that you cannot follow an African strategy as the continent is not homogenous and consists of 54 different countries. Even a country strategy can mask vast differences within a country, given the phenomenon of urbanisation and inequality within countries. Many subsequently developed a city strategy. It is now clear that you need a sharper measuring instrument and that second-tier (and probably third-tier) cities need to be identified and analysed for their market potential. Credible partners in these countries are becoming more important to support foreign investors in their search for good investment destinations amongst the numbers of second-tier cities.

- **Africa:** Driven by population growth and growing land scarcity, most African farm households are witnessing the gradual sub-division of their land. However, there has been a major rise in the number of medium-scale farms in Africa.

Today, over 80% of farms in relatively densely populated countries – like Kenya, Ethiopia, Malawi and Rwanda - are smaller than one hectare. Few can generate enough income to keep farmers above the poverty line and most of them increasingly rely on off-farm incomes. However, from about 10 years ago, there was a major rise in the number of medium-scale, African-owned farms, driven by a diverse group of people, including urban-based professionals, influential rural people, and successful smallholder farmers who acquired more land and grew their operations. In some countries, like Tanzania and Zambia, medium-sized farms now account for roughly 40% of the country's marketed agricultural produce. In land-constrained, densely populated areas like Kenya and Rwanda, however, small-scale farms still account for most of the agricultural output. Medium-scale farms are an important driver of rural transformation in much of Africa – with mostly positive results. The amount of land acquired by these medium-scale African farmers since 2000 far exceeds the amount acquired by foreign investors. Medium-scale farmers bring new sources of capital and know-how to African agriculture. For more information, read: <https://bit.ly/2le1eHp>.

CAS Analysis: Food security in Africa is a major issue, in spite of the vast potential within the continent to produce food. Hence the prominence of agriculture in the AU's Agenda 63's aspirations, the High 5 Priorities of the AfDB, and even in country-oriented strategies such as Kenya's Big Four Strategy. One of the challenges has always been the non-commercial sized smallholder farms that are prominent in Africa. The increase in the number of medium-scaled farms has the potential to increase the commercial viability of the agriculture industry and to increase its productivity. In those countries where small-scale farms still dominate, more needs to be done to support the upscale to medium-sized farms as that would have the additional benefit of increasing the lucrative nature of agriculture and hopefully entice the youth to turn towards agriculture as a career. In addition to the phenomenon of 80% of farms being smaller than 1 hectare, the average age of these farmers is about 63 years old. This does not create a sustainable future for Africa's agriculture sector.

East Africa:

- **Djibouti:** Djibouti has registered remarkable economic growth over the past decade, mainly after its ports began handling Ethiopia's import and export trade. Djibouti has also been making policy changes to make it one of the best tourist and investment attractions in the region.

The introduction of an international free zone is one of the major steps Djibouti has taken. Fishing is one of the many sectors the country offers to foreign investors - currently only 5% of a potential of 40,000 – 50,000 tons per year is being caught. Tourism and hospitality are other areas of investment one can consider in Djibouti. Investment in upmarket hotels and resorts could be hugely lucrative. Djibouti is ranked 99 among 190 economies in the ease of doing business. More and more visitors are visiting Djibouti and hotels are full most of the time. One of the benefits of having a company registered in the Djibouti Free Zone is that profits will be tax-free. Given cultural similarities, there is huge potential for Ethiopians to do business in Djibouti. The future of this region seems to be very promising. For more information, read: <https://bit.ly/2NjhCVN>.

CAS Analysis: The article is about the investment opportunities in Djibouti. Currently the country is known primarily for 2 aspects, i.e. being a home for military bases of various large countries, such as the USA, China and France, and for being an entrepôt for Ethiopia. Its financial exposure to China is also well known. Diversifying investment opportunities to other sectors, where more sustainable jobs can be created and additional sources of funding can be generated, is a sound approach. As for being the principal port for the import and export activities of Ethiopia, this has overnight become a question mark, given that Eritrea and Ethiopia have kissed and made up. In addition, Prime Minister Abiy Ahmed has been visiting and restoring ties and relations with Sudan, Somaliland and Kenya, all of which have good port facilities. The Lapsset Corridor (Lamu Port – South Sudan – Ethiopia Transport Corridor) will, when completed, also link to West Africa's Douala–Lagos–Cotonou–Abidjan Corridor, running through Cameroon, Nigeria, Benin, Togo, Ghana and Côte d'Ivoire respectively. This creates many options for the participating countries to tap into the massive African market and could negatively impact the business that Djibouti does with Ethiopia.

- **Kenya:** Flowers are one of the major exports from Kenya. Cut flowers and plants represent 10.4% of the country's exports, making it the second most exported product from Kenya.

In 2017 alone, Kenya made US\$595.6 million from flowers exported to Europe, the United States and some parts of Africa. It ranks as the world's fourth-largest exporter of cut flowers behind the Netherlands, Colombia and Ecuador, and makes up 7% of global market share. Despite dropping to 4th place from its original 3rd place since 2015, the country is expected to see a climb when 2018 reports come out later. Kenya's top buyer is the Netherlands, which then sells ~35% of the flowers bought from Kenya to the EU. Other direct buyers include Germany, Russia and the U.S. and some 56 other countries worldwide. Thanks to the great weather in Kenya, flowers from Kenya last longer than flowers from elsewhere in the world. The industry provides a source of income to 500,000 Kenyans and it's looking to expand its global reach, eyeing Asia where several Kenyan products have been very well accepted. This could expand Kenya's global percentage to 10%. For more information, read: <https://bit.ly/2BLhdXw>.

CAS Analysis: Africa's flower industry is becoming quite active globally. In addition to the EU, Kenya has reached out to both the USA and China. Other African countries that are tapping into the flower industry, include both Ethiopia and Rwanda. It does seem that from a policy perspective, Kenya is slightly worse off than Ethiopia and Rwanda. The Kenyan airline's strategy of allocating only 5 tons to cargo, means the flower industry cannot count on the national carrier to penetrate the US market. This is bad news as the industry needs to deal with a range of challenges, which include intensifying competition from emerging flower producers like Ethiopia and Rwanda. Even should the airline introduce a dedicated cargo flight, the return flight will be empty as Kenya's main imports from the US are bulk machinery, cereals and aircraft that are shipped to Mombasa. Kenya is now aiming at protecting its key markets and seeking new ones in Asia. It is optimistic about increasing exports to China where volumes stand at 4,000 tons annually.

- **Rwanda:** Youth in the agriculture sector are appealing for an incubation hub to help train, develop and support young people in setting up their own businesses in the field. Young farmers believe that an

incubation hub would decrease post-harvest losses by bringing innovation for food security and adding value to traditional crops to turn them into cash crops.

Value addition for crops requires other additional knowledge that the youth don't have. Young Rwandans cannot afford some equipment at the moment, or experts to help with business ideas. An incubation centre can have multipurpose equipment for each sub-cluster: food, beverages, cosmetics and input cluster. An incubation centre would be helpful for both farmers and youth in agribusiness, and can be a place to turn ideas into action. Beginners will gain products, marketing, packaging and even standards for their harvest. They will also have bank credibility as they will have a clear plan and will be ready to start their own businesses. The process can start with making Nyarutarama Incubation Centre more operational. It has many machines that are needed, but is closed. Setting up an incubation centre is very expensive and not easy, but the Ministry of Trade and Industry are helping the youth with ideas through various ways. For more information, read: <https://bit.ly/2tx8Z0L>.

CAS Analysis: The issue of increasing the participation of the youth in the agriculture sector is an important one. In spite of single reports here and there, youth unemployment and their apparent disdain for the agriculture sector is a source of concern for policymakers. It is therefore heartening to see the youth pushing for solutions to their challenges in the sector. Corporates and governments must join hands with these youth groups and develop practical solutions to the problem of youth involvement in agriculture, or rather the lack thereof. Rwanda needs many more Nyarutarama Incubation Centres. Africa needs many more of them. In addition to the corporates and governments, NGO's intent on making a difference, should focus on supporting the operationalisation of centres such as these. Cooperatives should also be supported to get the youth involved. This could include the launching of business plan competitions for creating agri-oriented start-ups in any place of the total agriculture value chain.

West Africa

- **Ghana:** Ghana is set to construct the first industrial and business park in Africa wholly powered by renewable energy.

The CEO of Siemens confirmed the reports and said a Memorandum of Understanding with WestPark Enterprises was signed to develop an expandable microgrid solution for the fast-growing industrial and business park. The new industrial park is poised to accelerate the transformation of Takoradi – Ghana's third-largest city. As part of the agreement, Siemens will develop a 250kW microgrid that controls the energy generation and throughput for the initial phase of buildings to be constructed at WestPark. The microgrid will be powered by onsite PV panels. A back-up battery storage solution will be sourced as well. The grid can be expanded as more buildings are added with the aim to ensure that the park remains powered by renewable energy. WestPark aims to eliminate many of the challenges faced by companies doing business in Sub-Saharan Africa, such as access to reliable power, water, broadband internet, and transport. For more information, read: <https://bit.ly/2Xdwzgc>.

CAS Analysis: The adoption of renewable energy is growing in leaps and bounds in Africa. Solar micro- and mini-grids are easier and faster to erect than expanding main-grids, and reduces the vulnerability of corporates and homes to frequently unreliable main-grids. While this is apparently the first industrial and business park in Africa that is powered by renewable energy, corporates elsewhere have already opted to create a source of renewable energy by filling up their roofs (for example) with solar panels. This (and the WestPark solution) will become much more visible and will increasingly be embraced by corporates and developers. We have also seen some countries (e.g. South Africa) allowing corporates to sell their excess energy to the main electricity providers.

Southern Africa

- **South Africa:** New investment agreements signed by the Saldanha Bay IDZ have brought the total number of signed investors to 8, with the investment value totalling just more than R3 billion (~S\$300 million). The Saldanha Bay IDZ is being developed into an offshore and maritime hub. The investors are investing in a variety of fabrication workshops for steel and other metals, equipment and marine repair facilities, oil lubricant and fuel plants, as well as specialised engineering services. The investments signal a significant start of establishing new industrial value chains in and around Saldanha.

The Saldanha Bay IDZ's investment pipeline includes at least 5 more investments that are close to conclusion. If these are realised, they will add another R2.4 billion (~S\$240 million) of investment to the short- and medium-term outlook of the zone. The total investor pipeline includes around 40 additional interested companies in various stages of engagement. DTI and the Western Cape government had partnered with the Saldanha Bay municipality and larger companies on the West Coast to ensure that the new value chains have spin-off effects in terms of localised procurement and support for SMMEs. For more information, read: <https://bit.ly/2T7DSay>.

CAS Analysis: Saldanha Bay has one of the best harbours in South Africa. Arcelor Mittal runs a steel mill close to the harbour, while iron ore is also exported via Saldanha Bay. The West Coast region of South Africa lacks a vast economic development initiative, even though the likes of Arcelor Mittal and Namakwa Sands have brought about some relief. Tourism is alive and well, while agriculture and fishing provide jobs (albeit somewhat limited). However, the manufacturing and engineering sector remains a challenge. Hopefully the above initiative will ramp up the employment opportunities, as well as the economic activities in the region. Given that they are looking at developing the Saldanha Bay IDZ into a maritime hub as well, care should be taken to take the sensitive ecology of the West Coast National Park and Langebaan Lagoon into consideration.

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