

Africa

- **Africa:** Corporates can play a more significant role in working with small businesses to stimulate economic growth and job creation across Africa. Standard Bank has partnered with Founders Factory Africa to grow businesses across Africa.

In October 2017, Standard Bank became the first corporate investor in Founders Factory Africa, which is a corporate-backed incubator and accelerator model that was launched in 2016. In the UK, corporates such as L'Oreal, EasyJet, Marks & Spencer and Aviva have signed on and already benefitted from this model. Together, they have grown 96 start-ups across 20 countries and raised over GBP117 million for the portfolio. Standard Bank with Founders Factory Africa will be launching and scaling 140 disruptive tech-enabled businesses across Africa within the next 5 years. It will also work towards enhancing the formal start-up culture in key African cities. Currently, Fintech start-ups and 'Big Tech' Corporates are more inclined to act as competitors in the marketplace. In an environment where job creation is critical, bigger companies often trade off increased jobs with enhanced efficiency. An example is Amazon that is developing drone delivery to replace traditional courier models. For more information, read: <https://bit.ly/2UdFnp0>.

CAS Analysis: This is what Africa needs - businesses and banks cooperating to stimulate the growth and development of African SMEs and startups. It is a widely-held belief that SMEs are the main creators of job opportunities. By stimulating their growth and development, these corporations are in effect growing their own markets, as the concomitant job creation and economic stimulation leads to a wealthier population with more disposable income. The population of Africa is currently 1.2 billion and is set to double to 2.4 billion by 2050. The market is therefore large enough, and can be wealthy enough, to accommodate many corporates and organisations. It also has the potential of reducing the number of migrants who leave Africa for better prospects elsewhere. The conundrum of the acceptance of enhanced technology and its impact on job losses needs to be addressed. In theory, and probably in the developed world, employees who lose their jobs due to technology efficiencies are retrained and used elsewhere. In developing countries this process is not as seamless, and the idea needs to be rethought. But the overall idea of stimulating the growth and creation of SMEs and startups in Africa cannot be faulted and must be actively pursued.

- **Africa:** The ports of Mozambique, Angola and São Tomé and Príncipe will be linked to China's BRI. East Africa, as "central hub" in the Chinese strategy, will be linked by "planned and/or operating ports, pipelines, railways and power stations built and financed by Chinese companies and lenders."

The importance of the region is highlighted by the already inaugurated Mombasa-Nairobi railway, as well as the electric railway line from Addis Ababa to Djibouti, where China has established its first naval base abroad and has interests in a deep-water strategic port. The Silk Road will connect with the planned Chinese port infrastructure in Sudan, Mauritania, Senegal, Ghana, Nigeria, Gambia, Guinea, São Tomé and Príncipe, Cameroon, Angola and Namibia. Another route links Djibouti to Gwadar, Hambantota, Colombo, Myanmar and Hong Kong. The final arc of this corridor connects Walvis Bay to the Chinese port clusters in Mozambique, Tanzania and Kenya before also connecting to Gwadar. These revitalised trade routes help China to diversify its supply chains and create a Blue Economic Passage to connect Africa to new shipping lanes in Pakistan, Bangladesh, Sri Lanka and Myanmar. The challenge for Africa is to define where its interests converge with those of China, where they diverge, and how areas of convergence can be shaped to advance African development priorities. For more information, read: <https://bit.ly/2WJngLR>.

CAS Analysis: China's BRI has massive potential for the development of Africa's infrastructure, especially for transport, energy and water infrastructure. Roads, rail, ports and airports in Africa is in many cases in dire need of development and maintenance. The BRI has the potential to stimulate this process. The article also makes it clear that while the initial countries targeted by the then One Belt One Road (OBOR) project were Kenya, Djibouti and Egypt, this situation has changed dramatically. The principles of the BRI included the principle of inclusivity, which made it clear that anyone who wanted to join, could do so. Many agreements between China and African countries were concluded the past 2 years, including small countries such as Namibia and Zimbabwe. The president of Togo was recorded as stating that he wanted his country to be a naval hub for the BRI in West Africa. The challenge for China and Africa remains the perception (and reality) of too high debt levels in African countries, and that China was using "debt-trap

diplomacy” to get African countries beholden to it. A published article of last year indicated an intention by a Hong Kong corporation to buy up BRI debt, repackage it and then securitise it. This would give Chinese banks with high loan exposure to Africa the cash to float new loans. This has a dangerous potential of creating a new 2008 global financial crisis. But connecting Africa to all parts of the world through better and new transport infrastructure, cannot be faulted. Africa has a massive infrastructure requirement and can benefit from the BRI and similar projects.

East Africa

- **Kenya:** Electricity capacity in Kenya is only 2370 MW and peak demand is only 1770 MW. The average Kenyan consumes only 167 kWh per year. The leading source of electric generation, at 47%, is from geothermal — the 1105 MW of capacity is the seventh highest geothermal amount per country in the world.

Kenya has the capacity for at least 10,000 MW of geothermal potential. The second largest source of electricity is hydropower, at 705 MW, or 30%. Hydropower cannot be considered a reliable source of power. The Lake Turkana Wind Farm, the largest in Africa at 310 MW, came online last September. Although home/small-scale solar systems are very common in Kenya, grid-scale solar projects are just beginning to be built. The largest one currently under construction is the 55 MW solar farm in Garissa. Solar power potential in Kenya is enormous and their development is just beginning. 306 MW or 13% is from fossil fuels. International and local investors have expressed interest to set up over 4,000 MW of solar and wind projects in Kenya, nearly double the country’s current total capacity. There is an intention to build 2 1000 MW nuclear plants in Kenya by 2027. The cost per kilowatt from the nuclear power plant would be 6.5 times that of the wind farm. For more information, read: <https://bit.ly/2CZ74HE>.

CAS Analysis: It is interesting to note that a country with a relatively small economy and low per capita energy consumption can tap heavily into renewable energy to meet its requirements. Only 13% of Kenya’s energy mix is obtained from fossil fuels. Surely there are many lessons from this Kenyan case study for other African (and other emerging markets) to emulate? The article is also clear that building the intended 2 nuclear plants would be massively more expensive than wind, for example. As stated, Kenya is on the equator and solar should therefore be a valuable contributor to the energy requirements of the country. Some commentators have been quite forthright in stating that solar will be the new energy business model for Africa. With its massive geothermal capacity and existing infrastructure, as well as that of hydro and wind, it would probably be a while for solar to make up a substantial portion of the total mix. However, the Kenyan economy is ticking along nicely, and President Kenyatta’s Big Four Strategy is aimed at, amongst others, growing the contribution of manufacturing to GDP from 9% to 20% in a few years. This will require a substantial energy capacity. It does seem that renewables can contribute sufficient energy without having to reach out to more fossil fuels and even nuclear. With the negative impact of global warming and climate change, Africa cannot afford to contribute to this effect.

- **Rwanda:** Rwanda and Israel recently launched a Centre of Excellence for Horticultural Development to increase production through modern technology and research. The initiative will deploy modern technology and improve the wellbeing of farmers, serving both commercial and smallholder horticulture farmers.

The project will address the challenges revolving around food and water insecurity. The seed funding alone is valued at US\$2 million. Technology is seen to be an important driver as it can multiply the yields. The centre will add impetus to Rwanda’s efforts to diversify its export revenues, currently dominated by traditional exports such as coffee, tea and minerals. Horticulture crops such as fruits and vegetables are considered high-value crops as they generate more revenue than others on the same size of farmland than other crops. Shifting to crops such as French beans, fresh peas, tomato, carrots, cucumber, eggplants, pepper, and mushrooms, as well as fruits, can propel agriculture productivity. The Centre involves the transfer of knowledge and agro-inputs, such as nurseries for better seedlings and varieties, as well as fresh produce. The government plans to set up affiliated small centres in different parts of the country to accelerate technological and skills transfer. For more information, read: <https://bit.ly/2CXFdr5>.

CAS Analysis: Horticulture in Africa is a value adding sector and has a lot of potential to grow. In the case of Rwanda, as well as Ethiopia and Kenya, the flower subsector is a strongly growing sector. In addition

to exports to the EU, countries such as the USA and China, as well as other Asian countries, are being targeted. Developing the sector and setting up additional centres country-wide will go a long way to stimulate the relatively small Rwandan economy, creating much needed jobs in the process. There is currently a developing Singaporean initiative to help with increasing the participation of the youth in the agriculture sector of Rwanda. This initiative can potentially link up with the Centre of Excellence for Horticultural Development to increase its impact. It is frequently said, but remains true, that the above development scenario creates a number of investment opportunities. With its stable economy, and excellent positioning on the Ease of Doing Business rankings, Rwanda remains a solid investment destination. Being one of the safest countries globally contributes to the attraction of the country.

West Africa

- **Nigeria:** Nigeria will build its largest rural mini grid to electrify more than 634 households, 7 schools, 3 hospitals, 8 religious organizations, and more than 90 businesses in Ode Omi Community.

Solar Nigeria for the People (Solar Nigeria FTP) will invest about US\$0.5 million dollars towards the project, which is due to be commissioned in September 2019. It will supply a peak load of 99kW to the community in its first phase, and up to 500kW in its second phase. The company plans to train and employ more than 50 youths from the community in the construction phase and also employ security personnel from the village, as well as empower existing recharge card vendors to make additional revenue from selling prepaid meter credits for the mini-grid in the operations phase. It will build 100 mini-grids in the first year and work with distribution companies to build interconnected mini-grids that will supply previously underserved urban areas. The solar project will also include the installation of free street lighting and better health and education outcomes as hospitals can have the necessary cooling, heating and lighting solutions. For more information, read: <https://bit.ly/2K3zXYW>.

CAS Analysis: Your typical rural mini grid in Africa so far has been about connecting a few houses, etc. This project's scale far outstrips everything I have so far come across in Africa. Mini grids have the benefit that they are quick and easy to develop, in comparison to the expansion of the national grid's transmission infrastructure. They are also far cheaper to install. As for the need for them, as the article states, it is unnecessary that Nigerians continue to suffer power cuts when they can aggressively deploy solar to solve the problem at scale. Scaling has frequently been a challenge that has been putting limits on expanding solar. Another challenge is the lack of storage to provide electricity in the absence of sunlight. Developing battery storage capacity has also progressed to the extent that the problem is no longer as severe as in earlier years. The Energy Storage Association in the USA projects that energy storage capacity will grow 8-fold from 2015 to 2020, becoming a US\$2.5 billion market. Bloomberg projects that, within 20 years, the global energy storage market, of which home storage is just one part, will have attracted US\$620 billion in investment. According to pveurope.com, new investments from companies such as Shell, Engie, Mitsui, Total, and Caterpillar will boost the energy storage market in the rural electrification segment to up to 50 MWh annually. In the long-term, 1 GWh per year will be possible. The impact of this on the electrification of Africa will be massive.

- **Nigeria:** The Institute of Agribusiness Management Nigeria (IAMN) is unhappy over the sum of US\$22 billion Nigeria is spending on the importation of foods annually.

IAMN said that the food imported can be produced locally by agripreneurs to avoid capital flight. This trend must be reversed as Nigeria is enriching other countries by spending such a huge amount on importing food. IAMN is championing this course by improving the technical knowledge of their members in areas of capacity development in commercial crop and livestock production, agro-processing and agribusiness trade. There was a call for stakeholders to collaborate in the various agribusiness value chains in developing the sector, as agribusiness is capable of fully diversifying Nigeria's economy and providing jobs for the unemployed. A challenge facing the agricultural industry is that many so-called agricultural consultants are unqualified quacks. IAMN has been putting quality control measures in place to sanitise agribusiness practice and improve service delivery. While Government has adopted many policies, they are not followed through. IAMN is poised to inspire the agribusiness community in Nigeria towards innovation and effective management of value chain activities. For more information, read: <https://bit.ly/2UcFTDP>.

CAS Analysis: Much has been said about Africa importing food to the tune of between US\$35 and US\$41 billion annually, and that should all else remain the same, this figure would increase to US\$110 billion by 2025. This article mentions Nigeria importing US\$22 billion annually on its own. It therefore creates the idea that the projections of US\$35 to US\$41 billion might be understated, or that Africa is already strongly on its way to the US\$110 billion projection. It is good to see IAMN putting in pace steps to address this ridiculous situation, as Africa can feed the world, yet it imports food. All countries in Africa need to address this situation. The Maputo Declaration, signed by the AU members in 2003, called for the implementation of the Comprehensive African Agriculture Development Programme (CAADP), which was seen as the vehicle to stimulate production and bring about food security in Africa. The Maputo Declaration committed AU members to allocate at least 10% of its national budget to agriculture, to achieve 6% growth of the agriculture economy. In spite of increased investments to the sector, many countries had not yet reached the 10% pledged in Maputo. The Malabo Declaration on Accelerated Agricultural Growth and Transformation for Shared Prosperity and Improved Livelihoods, signed in 2013 at the 23rd AU Assembly in Malabo, Equatorial Guinea, reaffirmed the commitment to allocate 10% of public resources to agriculture. It also specified more clearly a range of commitments in agriculture, such as increased irrigation and mechanisation or curtailing post-harvest losses, etc. What has also been found, is that increases in food production are not due to increases in productivity, but due to an increase in land under cultivation. In spite of the re-commitment at Malabo, an apparent lack of true commitment to action is restricting the goal of achieving food security.

Southern Africa

- **South Africa:** To grow SA's economy, President Cyril Ramaphosa has launched a fund headed by some of the country's best businesspeople that will invest in SMEs and startups.

The SME Fund came out the CEO Initiative, which was set up by heads of major businesses to "address some of the most pressing challenges to the country's economic growth," especially the SME sector. The R1.4 billion-fund (US\$95 million) is made up of pledges from SA businesses and R725 million (US\$50 million) has already been committed. The SME Fund aims to invest in SMEs with a turnover between R20 million (US\$1.40 million) and R500 million (US\$35.23 million) and will support 10 significant black businesses, 200 SMEs, and 5 black entrepreneurs over the next 5 years. It will also help mentor these businesses. In addition, the initiative will address the huge unemployment challenge (27.7%). According to Ramaphosa, mixing funding with mentoring and incubation is the right approach to growing black-owned businesses. According to Business Leadership South Africa, synergies must be created that would lead to the creation of sustainable black-owned companies. For more information, read: <https://bit.ly/2FNHeHe>.

CAS Analysis: The first article in this newsletter addressed the Founders Factory Africa initiative with Standard Bank (a South African bank) being a significant corporate contributor. Here we find a similar type of initiative with a country focus, i.e. South Africa. The objective of the fund is seemingly to stimulate the growth and development of black businesses, which in itself is an important development, given the history of economic development in South Africa. Any stimulus to the economy of South Africa will be a welcome one, given the very sluggish growth levels registered over the past few years. No doubt the inability of Eskom to provide interruption-free electricity has also been playing a significant role in the country's poor economic performance. The reference to job creation cannot be over-emphasised, as the very high unemployment figure of 27.7% is creating a dangerous security situation. To be honest, this initiative of growing and developing black businesses in South Africa should have been launched 25 years ago. A much larger share of the economy would now have been black-owned, with an economy that would have had much more economic stimulus and growth. Unemployment could in all probability have been much less as well. Let's hope this initiative of President Ramaphosa is a successful one. The country needs it to be.

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