African Union

- **Africa**: Many see renewable energy as a luxury developing nations can’t afford. Others see new technology as offering the world’s poorest countries an opportunity to accelerate their development. Innovations in payment and leasing models, in collaboration with mobile providers for off-grid renewable solutions, have the potential to power millions of households. In some countries, 60% of people live without access to electricity. Micro-scale renewable power generation, together with mobile phones, will transform societies. Solar is 99% capital cost, while kerosene is 99% operating cost; the poor can’t afford the upfront cost of a $100 system. Mobile money allows solar systems to be easily leased or paid for in instalments through platforms such as Vodacom’s M-Pesa, turning a solar system into a 99% operating cost product. M-Kopa Solar, using this off-grid solar solution model, has more than 200,000 household clients across Kenya, Tanzania, and Uganda. While off-grid generation will provide only 2% of total capacity in SSA by 2040, 25% of the population of SSA (500 million people) will be supplied by it. Off-grid renewables are not just disrupting a market – they are creating one. Far from being a luxury, renewable energy is a growth engine that developing nations cannot afford to be without. For more information, read: [http://www.thisisafrikaonline.com/News/Off-grid-power-goes-mobile](http://www.thisisafrikaonline.com/News/Off-grid-power-goes-mobile)

- **CAS View**: Mobile platforms are now becoming more prevalent in the lives of the African consumer. First of all, M-Pesa enabled P2P money transactions in a world where banking infrastructure was/is problematic. Last week CAS reported on the introduction of M-Akiba, where Kenya’s government will be using M-Pesa’s platform to sell government bonds to the bottom of the pyramid section of the population (crowd-funding), in denominations as low as US$ 28. Interest will be payable twice a year on the MPesa platform. This week sees the use of the M-Pesa platform to transform a relatively high capital cost to an affordable operational cost in the world of electricity. The more this is going to become the norm, the greater the convergence between the banking industry and mobile telephony industry. Does this mean banks could become disintermediated in Africa? In a certain sense, they already have! The future will tell us about the scale thereof. What is true is that the role and nature of banks as we have known up till now, will change. And also those of insurance companies, as I now can buy my insurance directly.

- **Africa**: Africa’s response to climate change will decide the progress of its smallholder farmers and determine whether its economies can flourish. Africa’s financing gap for climate adaptation and mitigation needs to be addressed to overcome the challenges of climate change. Between 2010 and 2050, the costs for adapting to climate change in Africa could cost up to $50 billion each year, far more than what is available. Mean temperatures in Africa will rise faster than the global average. Food prices are expected to rise, and agricultural losses could consume up to 7% of GDP by 2100. African farmers are among the most underprepared to cope with such climate stresses and shocks. Food insecurity, malnutrition, poverty and conflict keep them from overcoming these new, unpredictable and complex challenges. The many tools and technologies available must be made appropriate for Africa’s farmers. Improved weather monitoring and understanding the responses of different crops and livestock breeds to drought, floods and heat stress, are key. Climate change currently stands in the way of a strong urban and regional food market within Africa. The right adaptation techniques could catalyse one, and generate a lot of wealth for agribusiness entrepreneurs. However, farmers need to be incentivised to take on these actions, i.e. payment and ownership. If climate change is not dealt with efficiently, Africa’s food problems will not be solved. For more information, read: [http://www.thisisafrikaonline.com/News/Africa-s-farmers-at-a-climate-crossroads?](http://www.thisisafrikaonline.com/News/Africa-s-farmers-at-a-climate-crossroads?)

- **CAS View**: One tends to think about melting polar ice caps when the concept of climate change is raised. While that is a realistic view, and a number of countries are in danger of being flooded by oceans, drought is a major
problem as well. Climate change is therefore a reality that few nowadays try to refute. Discussions with grape farmers in South Africa have identified the concern of the lack of water and higher average temperatures, and therefore where future vineyards should be situated. Africa is a net importer of food, in spite of the fact that it has 65% of the world’s uncultivated agricultural land, or maybe because of it. But water is already a major concern, and it is stated that by 2025 a large number of African countries will become water scarce, currently being water-stressed. Climate change will aggravate this situation. To make matters worse as far as food in this scenario is concerned, Africa is urbanising, creating a greater need for productive food growing and processing. Its small-holder farmers do not have the finances or knowledge to deal with these challenges. Should Africa’s farmers not be supported, the urban centres will not become centres of attraction, but centres of decay. The article, however, states in so many words that the right adaptation techniques could generate a lot of wealth for these agricultural entrepreneurs. What must be cautioned against is the industrialisation/mechanisation and consolidation of agriculture in Africa into large-scale entities. Although it might be more productive in the short term, given that agriculture is a major employer of relatively low-skilled people in Africa, such mechanisation and consolidation will lead to higher unemployment in a continent that can ill-afford it. People need over time to be migrated into other sectors of the economy (e.g. manufacturing) by means of education and training before agriculture is radically transformed. That the latter is inevitable, is not disputed.

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- **Africa**: In 2006, 44% of Africa’s population was 15 or younger and eager for opportunities. Without sufficient food or education, however, the outcome is civil unrest, economic turmoil, poverty, and an increase in the digital divide. Creating opportunities for employment and entrepreneurship through impact investing can result in ownership and pride, and provide the education to grow the economy. Africa’s low level of infrastructure has created a high barrier to economic growth. Impact investing, however, has positively affected healthcare and education in terms of quality and access. Accessible Internet has equipped people to set up businesses in their local communities, which in turn have fueled innovation and the immersion of the brains trust in Africa. New impact investing help as follows: 1) Reducing global conflict: With massive inequalities, cultural problems escalate. As economic opportunities flourish, uprisings diminish. 2) Meeting people’s basic needs through full-time employment will create economic prosperity and less conflict. 3) Leveraging social media to provide insights spread actionable knowledge and create awareness. 4) Transferring wealth to socially aware and active Millennials and engaging the private sector in what were traditionally public sector initiatives. Impact investing provides returns, breaks down barriers to education and entrepreneurship, and promotes sustainable economies. Africa is the final frontier for opportunity; with a collective effort, impact investors can bridge the digital divide and combat poverty — while making a smart investment. For more information, read: [http://ventureburn.com/2015/10/africa-is-the-new-frontier-of-impact-investing/](http://ventureburn.com/2015/10/africa-is-the-new-frontier-of-impact-investing/)

- **CAS View**: The article provides a philosophical reason for investing in Africa, explaining that not only are there returns available, but that Africa and its people will benefit by means of access to quality education and providing opportunities for Africa’s entrepreneurs. It is interesting to note the powerful role the Internet (with social media) is envisaged to play in uplifting the African society. It is a fact that massive numbers of Africans gain access to the Internet via their mobile phones. Hence the important role mobile telephony and their apps play in the field of agriculture, health, finance and education. CAS has in previous issues referred to the beneficial impact of an increase in broadband on the economic growth of Africa. Previous issues have also referred to the role of the youth, and the need to educate them in order to prevent the demographic dividend changing into a demographic liability. CAS has also previously referred to the need to have foreign companies investing in Africa to grow and develop its workforce. The emphasis on involving the private sector is aligned with the call by the African Development Bank’s current and past president. It reminds CAS of the saying amongst the retailers in South Africa that “doing good is good business.”

**East Africa**

- **Ethiopia**: Ethiopia aims to triple its number of foreign visitors to more than 2.5 million by 2020, making tourism a pillar of its fast-growing economy. Buoyed by huge spending on infrastructure and an expansion of its services and agricultural sectors, Addis Ababa expects annual economic growth of around 11% for the next five years, which is currently the fastest-growing in Africa. Visitor numbers have risen at least 10% a year for the past decade, albeit from a very low base. More than 750 000 tourists came during fiscal year 2014/2015. This sector will generate foreign direct investment and foreign currency and create job opportunities, as well as contribute to image-

- **CAS View:** Ethiopia seems to be doing all the right things. Now they only need to do them right. They have diversified their economy away from a preponderance on agriculture and have developed their manufacturing sector. Moving into services such as Tourism is an easy next step. The Ethiopia story is picking up worldwide, and it does have a very interesting history, as well as a beautiful natural environment. As the article mentions, more FDI will enter the country (hotels being built), jobs will be created, and tourist spending will help to boost the economy. This boost will come from an increase in both direct and indirect employment opportunities, spending by tourists (hotels, food, internal travel, tourist companies, etc.), taxes for government, etc. The interest shown by major hotel groups is heartening, and they provide much needed accommodation. Currently the few luxury hotels are used to host conferences, which serve to profile Ethiopia to senior business people who tend to be influential in their communities back home. Air Ethiopia is also seen as one of the best airlines in Africa, with great service. In addition to Air Ethiopia, another major airline with a great reputation, i.e. Emirates, also serves Addis Ababa. Ethiopia would do well to create more direct links to its capital, however. One frequently needs to have a layover at places such as Bangkok, Dubai or Johannesburg. All in all, this new direction bodes well for the Ethiopian economy!

**West Africa**

- **Nigeria:** The Nigerian person-to-person money transfer company, Paga, has secured US$13-million from international investment firms. The new round of financing will help the company’s vision of strengthening its agent network and continue to innovate its payment offerings for small businesses. Today, Paga is being used by over 3 million Nigerians and 3 600 SME clients who use it to send money to any phone number for the beneficiary to then redeem at a Paga agent or at any ATM via a cardless withdrawal. Additionally, customers can use the service to deposit money to Nigerian bank accounts, pay bills and top-up mobile phone airtime. Paga offers its services through a network of over 8 850 agents across Nigeria, and is said to have more physical service points than all the bank branches in Nigeria put together. In 2012 the company had processed only about 270,000 transactions totaling just over US$15-million in value. In 2016 they have processed over 17 million transactions worth over a billion dollars. Effectively, Paga agents act as human ATMs and bring significant convenience to bank customers who need to deposit or withdraw cash from their bank accounts without traveling far or waiting in long lines. This will support the banks in achieving their goal of reaching the mass market. For more information, read: [http://ventureburn.com/2015/10/nigerias-person-to-person-money-transfercompany-paga-bags-13m/](http://ventureburn.com/2015/10/nigerias-person-to-person-money-transfercompany-paga-bags-13m/)

- **CAS View:** The trend towards mobile money was put on the international map by M-Pesa. It is clear that they are not the only player in this sector. Nigerian proponents have been calling for a relaxation of the regulations as far as mobile money is concerned, in order for the unbanked to be better served than what the traditional banking industry have been doing so far. It is interesting to note the use of “human ATM's” by means of an agent network of 8850 people that also serve bank customers. It definitely seems that the traditional banking model is under strain in some sectors of the economy in Africa. Banks need to seriously relook their business models and develop some meaningful innovations, or risk losing sizeable portions of their business to non-bank competitors. In South Africa, First National Bank effectively took on the guise of an MVNO (Mobile Virtual Network Operator) to compete with the likes of a Vodacom, etc. This might become a necessity. It would not be too far-fetched for a banking giant to acquire a mobile telecoms player in order to better play in this market.
Southern Africa

- **South Africa**: According to Deloitte, luxury products such as fine wines, champagne and spirits are expected to enjoy increased growth in coming months. This is an opportunity for not only South Africa, but also for Stellenbosch as the high number of foreigners who visit it annually are drawn to luxury experiences in the hotel, travel and tourism category, as well as products in the leisure category. As Stellenbosch is known for being a home to many founders of luxury goods in South Africa, this presents a USP for the town and the category. In addition, HNWIs in the town are a target audience for the luxury goods market. The number of HNWIs in Africa is increasing and this market has a taste for luxury goods. Also, a rising aspirational middle class for whom luxury goods are seen as a sign of success, has fuelled an increase in demand for luxury products locally. Luxury brands should take advantage of evolving technological and consumer demands to help boost profits and remain competitive. Millennial consumers will represent a significant percentage of sales volume in the luxury market and technology will continue to disrupt at a faster pace. Luxury brands will need to develop a uniquely African approach driven by technology, to ensure that the category remains relevant. The luxury sector needs to continue to forge a strong relationship with an ever-increasing array of technologies, especially as South African consumers continue to utilise online channels and platforms for ecommerce purposes. For more information, read: http://www.fin24.com/Wealth-and-Investment/News/SA-should-grab-luxury-goods-opportunities-report-20151007?

- **CAS View**: Africa raises the spectre of a dark and dangerous continent for the uninformed. It is therefore ironic and heartening to see the existence and growth of the luxury market, not only in South Africa, but in Africa at large. CAS has previously reported on this trend. Deloitte clearly indicates the presence of this segment, as well as the growing nature thereof. What is interesting is that this segment has no problem turning towards the e-commerce sites of luxury brands to research their products. The strong presence of millennials in this segment can explain this phenomenon. Africa is also clearly not just a dumping ground for low-level brands. Anecdotal evidence shows that the largest market for luxury champagne outside of France is in Lagos, Nigeria. As it is, Africa is strongly brand-conscious. When the beer drinking community drinks a premium brand of beer (typically in a green bottle), they either drink it out of the bottle or in a branded glass. The brand defines the individual. Lesson? Do not underestimate the market in Africa in general. In contrast to the large number of poor people (over 600 million do not have access to electricity), there are a large number of very rich people as well, in addition to very aspirational middle class people. Target them with the appropriate customer value proposition, utilizing the appropriate distribution and communication channels. Africa is indeed rising!

- **South Africa**: Mr. Trevor Manuel, previous Minister of Finance for South Africa, as well as Minister of Planning, said that the government needed to urgently address the deficits in its leadership to boost the economy. Consumer spending would not lift the economy out of its moribund state, nor would a raft of new policies and programmes. However, a Chinese-style anti-corruption campaign, such as that driven by President Xi Jinping, which has led to the authorities zealously going after both high and low-profile targets, would go a long way to restoring trust in the state. Due to the absence of political leadership, “there are too many different business organisations and discordant voices, too many different trade unions and discordant voices”. As a result, “government does not know which way to go.” He did not see a return any time soon to the growth levels of the early 2000s. Because of the leadership deficit and “discordant voices”, SA was struggling to pull itself out of the spiral. Mr. Manuel also stated that SA needed better politics. Government had to actually get up and say ‘we will demonstrate zero tolerance on corruption everywhere’. And it must be seen to be done. They must act against individuals in the same way China has, and then people, the (tax) contributors, will get the message. It’s doing those kinds of things, which are not narrowly about economic policy, but about how people feel about paying their tax (that would address the trust
deficit). For more information, read: http://www.rdm.co.za/politics/2015/10/06/manuel-time-for-a-chinese-style-corruption-clampdown

**CAS View:** Mr. Manuel has a trade union background and was very active in the struggle against apartheid. He served as Minister of Finance under 3 presidents in South Africa, i.e. Nelson Mandela, Thabo Mbeki, and Kgalema Motlanthe. CAS is of the opinion that he was one of the best ministers of Finance South Africa has seen, if not the best. He also served as the Minister of Planning under Jacob Zuma. In both of these portfolios he has made an immense contribution to South Africa. His views on what is needed in South Africa, i.e. transparent and ethical leadership, are therefore viewed very seriously. The reality is, however, that his suggestions of a Chinese-style of anti-corruption campaign will not be implemented, in spite of being much needed. One needs to be careful as well of not painting with a broad brush. Does South Africa have a problem with corruption? It seems to be the case. Does that mean everyone in South African government is corrupt? Not by a long shot. They have excellent politicians that are not corrupt. They have excellent bureaucrats that are not corrupt. Given the strong and vocal media, the public just gets to know of the corruption that must faster. There is very little place to hide. So, in spite of a not so rosy picture for the external world, South Africa as a country is working. Does it mean they can sit back and relax? Not this side of the grave. The lesson behind Mr. Manuel’s words is therefore probably more important than the actual case study. South Africa needs visible, ethical and transparent leadership, with a zero tolerance for corruption. They need to develop a strong leadership bench strength, and start with people at a young age. Intelligent youth must be enticed to enter politics. South Africa has enough of them. There is a tendency amongst this intelligent youth to want to become entrepreneurs. South Africa needs them amongst the political elite as well. South Africa also needs to develop a culture of vigorous debate, to raise alternative points of view, and to provide inspirational future direction.