Africa:

- **Africa**: Africa's external debt payments doubled between 2015 and 2017. According to Jubilee Debt Campaign, repayments grew to 11.9% in 2017 from 5.9% of their revenue in 2015, fuelled by an increase in loans from multiple lenders, a fall in commodity prices, and a rising dollar value. Of the external debt owed by African governments, 35% is to multilateral lenders, 32% to private lenders, around 20% to China, and 13% to other governments.

Debt problems are worsening on the African continent due to opaque deals. To counter this, new rules must make all lenders publicly disclose loans to governments at the time they are given. The IMF must also stop responding to debt crises by bailing out lenders, incentivising them to continue lending recklessly. Lenders must rather be made to restructure and reduce debts. World Bank figures show US$72 billion is owed to China, with US$40 billion owed to the Paris Club and US$18 billion owed to other governments. China is actually not in the league of top creditors of Africa. Of the 16 African countries rated by the IMF as in debt distress or at high risk of becoming so, on average only 15% of their debt is owed to China. For more information, read: [https://bit.ly/2CRfpP9](https://bit.ly/2CRfpP9).

**CAS Analysis**: China is made out to be the boogey man in the debt challenge of many African states. Most recently, the examples of Djibouti and Zambia were held up as textbook examples of how Africa is being placed in a challenging situation by China, for the latter to snap up prime properties in the case of default, as had happened in Sri Lanka. The question is once again, to what extent are lender countries required to play the role of the conscientious banker that must ensure that the borrower has the means to repay the capital and interest before they are lent the money? China’s president seems to be sensitive towards criticism that his country is enslaving Africa with debt, to the extent that he warned African governments against “vanity projects.” Is this a case of too little too late? The figures above do indicate that only 15% of the debt owed by debt distressed countries is to China. It would be interesting to see to whom the other 85% is owed. The fact of the matter is that Africa should be its own guardian as far as debt levels are concerned. A good example is that of Sierra Leone, who scrapped the new airport project (discussed last week). Vanity projects, or any project that does not produce the returns to repay the capital and interest payments (social development projects are different, sure) should be scrapped as a point of departure. Bailing out lenders by the IMF is not doing Africa a favour either.

- **Africa**: Japan has said that it will assess the economic viability of projects and debt sustainability of African countries before granting them loans as it pushes for high-impact projects that can generate enough income for loan repayments. This comes amid growing concern over loan repayment defaulting by some African countries that have borrowed heavily.

Japan will push for sound debt management by African governments and will insist on transparency, openness, and economic efficiency. They will also look at projects’ lifecycle costs as well as the debt sustainability of recipient countries before funding them. Japan and China have recently been wooing Africa with project loans as they jostle for influence. In 2016, Japan pledged US$30 billion in investment in African countries over 3 years ending 2019. Japan has provided more than US$10 billion in infrastructure loans to Africa the past 3 years. It has avoided the China model of government-to-government funding, preferring aid agencies and private sector financing. China has also now shifted its Africa project funding profile, with President Xi noting that they will no longer fund vanity projects, but only those that impact countries positively. For more information, read: [https://bit.ly/2P7YVI3](https://bit.ly/2P7YVI3).

**CAS Analysis**: Japan is projecting itself as a responsible lender, paying the role of a good banker who would not lend money to a bad risk. Private sector financing does bring a different dimension as they do not have the luxury of either recouping non-performing loans or writing them off. This way you make sure no vanity projects will be adopted. This is also one of the major points India and Japan have been emphasising in their Asia-Africa Growth Corridor, i.e. that China’s G to G funding has certain negatives, which the private sector route does not. It will be interesting to see whether China would also move to involve the private sector or whether it would pay the role of the conscientious banker itself at government level.
East Africa:

- **Rwanda**: An increasing number of start-ups in Rwanda have spotted a business opportunity in the food distribution sub-sector. Grocewheels, Store2door, Park and Pick, and Get It Rwanda, are among them. Most of these companies, however, are using a different e-commerce model. Unlike Amazon and Alibaba, ‘Park and Pick’ and Store2door are not fully-fledged e-commerce services. Many Rwandan shoppers are not used to e-commerce platforms. They prefer texting and calling to spending hours on a website scrolling through a series of products. Store2door neither enables online payments nor own stock, so they don’t depend on orders through their e-commerce platforms. Instead, they use the platform to post a catalogue of the products and to allow more options for online orders. Those that have tried operating as full e-commerce platforms, have closed or continue to struggle, e.g. Jumia Rwanda’s closing its online shopping platform. It is difficult to maintain those platforms and equally expensive to integrate payment gateways. All of these start-ups are leveraging social networking sites like Facebook, Twitter, Instagram and WhatsApp to market their products. E-commerce players must rely on existing boutiques, grocery stores and traditional markets who understand their customers and can personalise their orders depending on seasons. For more information, read: [https://bit.ly/2yHupus](https://bit.ly/2yHupus).

**CAS Analysis**: Africa’s uptake of technology to increase the efficiencies of its shopping experience has been jaw-dropping. Start-ups are surfacing in many of the value chains throughout the various economic sectors, ranging from agriculture to services. Their ability to adjust their business models to suit the unique characteristics of their market segments are amazing, as shown in the above article. Here in Rwanda we see start-ups adapting their business models to suit the affordability profile of their customers and their own ability to finance an otherwise costly operating model. As the saying goes, necessity is the mother of invention. It reminds one of the food wholesalers who have broken down a 1kg box of washing powder to 50mg sachets to fit the purchasing criteria of the poor rural African consumers. It is also important to realise that while understanding the requirements of the consumer is essential, getting the distribution channel (or route to market) right, is equally important, as is the procurement process.

- **Tanzania**: Tanzania businessmen and traders have been urged to be aggressive and grab the partnership opportunities being offered by their counterparts from Turkey. Turkish businessmen and investors have shown high enthusiasm to do business in Tanzania. Most of them are keen to team up with local partners, so it is up to Tanzanians to grab these partnership openings. Areas which appeared to be of more interest to potential Turkish investors, appear to be agriculture, construction, industries, energy, and the hospitality industry. Some of them were willing to invest in Tanzania immediately. Financing of projects is not a big problem for Turkish businessmen as they have many sources of funding, so it is up to Tanzanians to be ready to team up with them in business ventures. President Erdogan proposed that African countries shun international currencies in favour of their local currencies when engaging in international trade. He said this was one way of waging a struggle for economic independence. For more information, read: [https://bit.ly/2AqLBZP](https://bit.ly/2AqLBZP).

**CAS Analysis**: Turkey’s forays into Africa are well-documented. It is clearly intent to increase its footprint on the continent in a significant way. In this regard, its Middle East neighbours have also recognised the potential that Africa presents. In the one corner we have Qatar, who frequently finds itself on the same side as Turkey. In the other corner, Saudi Arabia and the UAE are also reaching out in a meaningful way, even though it is mainly in East Africa. Although some of them are seemingly more intent to position themselves for geo-political reasons rather than for business and trade, others are investing increasingly in business opportunities (including trade) in Africa. Turkey seems to be falling into the latter category. Slowly but surely Africa is finding an increasing number of investors. These investors are moving into Africa in spite of the risks, recognising that most risks can be mitigated.

- **Uganda**: President Museveni recently reassured Ugandans of government’s commitment to promote irrigation and ensure food security in the country. In this financial year, government would roll out irrigation projects in at least 14 districts, which will enhance their efforts in agriculture.
According to Museveni, once farmers embrace irrigation, they will engage in agricultural production all year-round to boost food production and mitigate climate change challenges that have been manifested in long droughts. He reiterated his call to farmers to abandon subsistence farming and adopt commercial agriculture. He said subsistence farming has inhibited Uganda from optimising its agricultural potential. He was disappointed that the agriculture sector is growing at a slow pace of 3.2% compared to 7.9% of ICT, Services (7.3%) and industry (6.2%). Ugandan leaders need to take it upon themselves to sensitize people to understand commercial agriculture to guarantee food and household income. Agriculture is described as the backbone of Uganda’s economy, employing at least 85% of the population, but investment in the sector is still low which has kept production down. For more information, read: https://bit.ly/2AfUq5T.

CAS Analysis: Moving from subsistence farming to commercial farming is a call that is increasingly heard throughout Africa. Adopting modern irrigation technology is but one way of modernising the agriculture sector. One question that remains to be answered, is what happens to many of the 85% of the population that are currently employed in the sector? The rest of the economy would need to be industrialised in a range of parallel initiatives, such as boosting the manufacturing sector to provide the requisite job opportunities for those who would lose their jobs in a more commercial agriculture sector. Greater value addition would also play an important role to create more job opportunities. Agriculture’s contribution to Uganda’s GDP is only ~21%. On a value-added basis, Agriculture’s contribution to GDP is ~25%. Given that 85% of the population is employed in the sector, this is not an ideal situation. With a population of ~43 million and a per capita GDP (PPP) of US$1698, Uganda must do more to increase the output of firstly its agriculture sector, and then the rest of its economy. As it is, the contribution of manufacturing to GDP in Uganda is at a very low 7.11%! All of this signifies significant investment opportunities.

**West Africa**

- **Nigeria:** Nigerian agricultural producers and exporters have been advised to improve the quality, branding and packaging of their produce to explore the marketing opportunities in the Middle East. Technology is changing the face of agriculture, not only globally, but also in some sub-Saharan African countries.

Nigerian farmers were, therefore, advised to embrace the use of technology for their farming and livestock activities, to maximise their agricultural produce. Various stakeholders advocated for Nigeria to immediately begin to nurture younger ones, especially youths (60% of the population) to take over agriculture in the country to revolutionise the sector through technology. Technology will reduce the number of farm workers, while methodology will maximise productivity by reducing the amount of land used for agriculture etc. Nigerian businessmen were invited to invest heavily in the agricultural sector as the agribusiness has more potential than oil and gas. Kenya and many African countries have left Nigeria behind in the area of agriculture, as while Kenya has 1,078 greenhouses, Nigeria only has about 300 greenhouses, of which only 2 are operational. Agric exporters and farmers were encouraged to form partnerships and co-operative societies, in order to make it easier for them to access funds from NEXIM Bank. For more information, read: https://bit.ly/2Eu cm0W.

**CAS Analysis:** As it is, Nigeria is already the scene of many technology applications in the agriculture sector. These include FarmCrowdy, eFarmers Nigeria, Hallo Tractor, Alofarm, ProbeTr, Zowasal and Grow Crops Online. However, Africa’s agriculture technology industry remains underdeveloped with huge potential. By focusing on the various players upstream and downstream, suppliers and buyers, a lot of value can be unlocked by tapping into the utilities of modern technology. The various players are using the spectrum of technology to solve the pain points of the various stakeholders. The above examples are by no means an exhaustive list of the available technology available within the agriculture sector. Elsewhere in Africa, such as in Kenya, we also find platforms such as FarmDrive, that provide information to banks on the details of smallholder farmers potentially in need of bank financing.

**Southern Africa**

- **Angola:** President João Lourenço’s anti-corruption crusade continues to surprise and delight. He has opened several high-level investigations into elites who have enjoyed impunity for decades.
These high-profile figures include family members and close associates of his predecessor, Jose Eduardo dos Santos. Jose Filomeno dos Santos, the son of the ex-president and former head of Angola’s sovereign wealth fund, was arrested in late-September. He remains in custody together with his former business associate, facing charges of money-laundering, embezzlement, and fraud. Isabel dos Santos, his sister, is also under investigation for her alleged involvement in suspicious transactions during her time as CEO of the state-owned oil firm Sonangol. Endemic corruption in Angola ran deep, having spread to all corners of the country’s tightly-controlled economy. Approximately US$$28 billion from government budgets between 2002 and 2015 remains unaccounted for. Over US$$30 billion of illicitly transferred capital is held outside the country. Lourenço’s anti-corruption drive and marginalisation of the dos Santos family have dramatically changed the political climate at home. Angolans are exhibiting a kind of optimism that has not been seen for years. Crucially, much support for Lourenço’s reforms has come from within the ruling party. For more information, read: https://bit.ly/2CGJWiu.

CAS Analysis: When rumours started surfacing that the then Minister of Defence, Joao Lourenco, would be taking over from Jose dos Santos as president of Angola, most people thought this would just be a continuation of the status quo. No doubt the dos Santos family thought the same; after all, Lourenco had been hand-picked by dos Santos himself. It seems most people have been wrong, including (or especially?) the dos Santos family. The attack on corruption has had an important impact on Angola’s population. Hopefully it will also entice foreign investors to engage with the country. Angola has amazing potential in a number of sectors. These would include agriculture, oil and mining and tourism.

- **South Africa:** Saudi Arabia is the world’s third largest defence spender behind the USA and China, with an estimated military budget last year of nearly US$$70 billion. Saudi Arabia has approached South Africa about taking a stake in struggling state-owned defence firm Denel. The National Conventional Arms Control Committee of South Africa will consider the merits of the potential deal, including human rights considerations. South Africa’s defence industry once played a major role in its economy, but has suffered from the impact of a squeeze on defence spending globally and a weak home market. For more information, read: https://bit.ly/2NNswle.

CAS Analysis: South Africa used to have a thriving arms development industry, but it seems that incompetent management teams and corruption have put it into a downward spiral. Several other SOEs have seemingly gone the same route. The more significant of these include Eskom, SAA and Transnet. Privatising these organisations would make a significant contribution towards alleviating pressure on the Treasury, who has had to bail out these entities on a frequent basis. We saw this in Africa in the nineties, when African governments sold off assets such as breweries, etc. to private sector corporates. In the process they not only gained the capital from the sale, but remained a minority partner, in the process unlocking an annual revenue stream. Granted, some of these organisations deliver a social service (such as electricity), whose cost to the population needs to be managed. This remains doable. We find in the mining environment that coal mining companies provide coal to Eskom on a cost-plus basis. This could form part of the equation when determining the price of electricity to the public. Annual checks to determine the acceptability of the costs would be easy to include. Companies that do not deliver, can be fired as the contractor of choice. The reality is that South Africa cannot afford to maintain the levels of inefficiencies that characterise the SOE environment in South Africa. A recent report (still in the Zuma era) on South Africa’s SOEs recognised this situation and actually recommended the privatisation route for many SOEs. However, given the lack of political will, and opposition from the labour unions, nothing has been done yet. These all provide significant potential investment opportunities for the wake-up investor.