Africa: All African economies combined represent only ~3% of global GDP, and purchasing power remains low. Why devote limited financial resources to building costly infrastructure aimed at integrating the continent? A new study from the AFDB shows that pursuing a single African market and the huge potential gains to be had from integration into the global economy could be mutually reinforcing.

The study shows that a borderless continent that enables agricultural and industrial production across national boundaries is the foundation of a globally competitive African market, because it would offer economies of scale to investors, while creating much bigger markets and providing new opportunities for small and large firms. Integration can also improve regional security. Given that 60% of trade occurs through global value chains, Africa must industrialize to diversify away from natural resources and create jobs for its fast-growing young population. By boosting intra-continental trade, consumption, and investment, regional integration can be a strong driver for improving productivity, building manufacturing powerhouses, and developing credible African brands. Regional integration could also stimulate connections between SMEs and international value chains, thereby enabling these firms to enter global markets. For more information, read: https://bit.ly/2Bm93oH.

CAS Analysis: The study by the AFDB goes on to identify 5 trade measures that could bring total gains worth 4.5% of Africa’s GDP, or $134 billion a year. Africa definitely needs to embrace regional integration to benefit from all the advantages of doing so. Currently, intra-African trade is approximately 15%, depending on who you ask. Increasing this figure could unlock a lot of wealth by reducing various kinds of costs and boosting various sources of revenue. At the same time, tapping into global value chains is an urgent requirement, and would boost the industrialisation process in Africa, enabling African corporations to benefit from doing so. To mention but one example, the growers of cocoa in Africa only receive about 4% of the total revenues generated in the chocolate industry. By expanding their participation in the global value chain, cocoa growers could increase this percentage significantly. By developing and enhancing regional integration, the growers could reduce their costs and increase their powerbase.

Africa: African entrepreneurs are using their imagination to drive the next wave of globalisation, exporting innovative African-baked technology. As today’s solutions to address the various challenges in Africa will use exponential technologies, African entrepreneurs can take those innovations globally where the problem may be relatively smaller, but where valuable efficiencies could still be generated, using their ready-built and ready-to-scale solution.

IoT.nxt brought lots of disparate end devices equipment online, onto a digital platform so that their clients could enter the digital age without replacing all their existing equipment. Companies in higher GNI countries are facing the same equipment challenges and cost pressures in connecting devices at the edge. DataProphet has carved out a niche in artificial intelligence for eliminating defects in the manufacturing and automotive industries. The company can track where in the manufacturing process defects are arising and what caused them and how to prevent them happening again. Aerobotics can discover and analyse problems, pests and diseases affecting individual trees or vines on a farm. In addition to crop health, the software also measures size, height and canopy volume and can predict with greater reliability the yield in any given area, based on a photo and without intervention from the farmer. For more information, read: https://bit.ly/2Ux5nYi.

CAS Analysis: African entrepreneurs and innovators can use their experience and solutions in Africa to address similar challenges elsewhere in the world. In addition to the above examples, which are more recent, the old tried and tested M-Pesa (going all the way back to 2007) is a great role model for increasing the level of financial inclusivity in other parts of the developing world. This is also true for the likes of FarmCrowdy that links up investors with farmers and the market. As necessity is said to be the mother of invention (and innovation), Africa has a lot of incentive to be innovative and develop unique approaches to solve its problems. Their solutions are frequently applicable in various other regions, as suggested by the article.
East Africa

- **Kenya**: Safaricom signed on 1 million users for its new overdraft feature on the M-Pesa platform in just 8 days. M-Pesa now offers loans and savings in conjunction with local banks, as well as merchant payments services.

  Safaricom launched the new overdraft feature called Fuliza 2 weeks ago. In addition to the 1 million customers, by day 8 they had lent US$10 million. After 2 weeks they were at US$15 million. Fuliza is underwritten by Kenyan lenders KCB Group and CBA Group, which already had partnerships with Safaricom to offer short-term loans on the M-Pesa platform. M-Pesa has about 20-million active users in Kenya and it has become the principal driver of profit growth for Safaricom, as revenue from traditional voice and text services had flattened off. For more information, read: [https://bit.ly/2Ww7ptq](https://bit.ly/2Ww7ptq).

  **CAS Analysis**: Safaricom’s M-Pesa has done exceptionally well over the past 12 years. The ability to now offer overdrafts takes it clearly into the domain of banks, thereby increasing its potential of disintermediating banks. It will be interesting to see what impact this new product offering will have on the numbers of people approaching banks as first-time clients. In addition to the normal mobile money M-Pesa offers, it offers M-Schwari as a savings product and now Fuliza as an overdraft facility at the other end of the spectrum. The popularity of M-Pesa is not restricted to Kenya. M-Pesa subscribers outside Kenya expanded by 227,000 in 3 months to hit 13.4 million at the end of December 2018. Banks that have not yet woken up to this threat, could find themselves in trouble at the bottom end of the bank retail market.

- **Rwanda**: Rwanda’s government has over a period of time installed new models of irrigation, which led to yield increases, growing crops three times a year and farmers benefitting financially from the formerly less productive land. In 2018, the agriculture ministry embraced PSTA 4, as a new driver of the sector’s transformation. This project prioritised irrigation, sustainable land husbandry and agriculture mechanization, with ambitious targets for 2024.

  Water resource development has been acknowledged to be a primary solution to minimize the dependence of subsistence farming on unpredictable rainfall. Rwanda aims to increase the development of irrigation facilities and effective management of existing ones. Targets will be achieved through partnerships with NGOs, the private sector and international funding organizations. This will benefit smallholders who produce vegetables and fruits and help them to be productive. Solar-powered systems are also becoming prominent solutions. In 2017, the governments of Rwanda and Japan signed a US$18.8 million financing agreement to support irrigation farming in Rwanda, to help farmers utilize agricultural water accumulated at four dams in Eastern Province more efficiently and promote intensive farming. Given climate change, farmers need to be as innovative in adopting small-scale irrigation as they are in adopting improved seeds and fertilizer inputs. For more information, read: [https://bit.ly/2FYUN90](https://bit.ly/2FYUN90).

  **CAS Analysis**: Agriculture is an important sector – this can no longer be debated. Its importance stems from the need to establish food security in Africa. Too many men, women and children go hungry in Africa. That Africa needs to import US$41 billion of food annually, is a serious indictment against many governments on the continent. This figure is set to grow to US$110 billion by 2025 if nothing changes. The approach by the Rwandan government is a benchmark for other governments. Agriculture must be modernized, with both inputs and methods (including irrigation) that must be targeted. Methods to curb post-harvest losses have become increasingly important, as has agro-processing. Exporting raw agriculture products just to import the processed product later on, is no longer (if it ever was) acceptable. With Africa’s agriculture potential, it should have a well-functioning and modern agriculture sector, producing sufficient food for its people and enough for exports!

North Africa

- **Egypt**: Egyptian Agriculture Minister Ezzeddin Abu Steit recently signed a memorandum of understanding to build a new joint farm specializing in greenhouse vegetable production in Zambia. The farm, to stretch over an area of 600 hectares, will be built in Mkushi district following the success of the first indoor farm in Mubashi district.
The Minister started his maiden visit to Zambia with a meeting with Zambian ministers on promoting bilateral cooperation in the agriculture sector. During his visit, he opened the first greenhouse for growing cross-pollinated vegetable seedlings in Zambia. He further underlined that agricultural extension fields are currently under construction to offer technical advice on agriculture to farmers and supply them with seedlings. The minister's visit falls within the framework of the political leadership's keenness on consolidating Egyptian-African ties and Egypt's leading role in Africa. For more information, read: https://bit.ly/2Uh8WBA.

CAS Analysis: I have in the past few weeks shown upon Egypt expanding its role in Africa by becoming a source of foreign direct investment. This is in addition to it having been identified as the primary target for investment in Africa by investment research houses, amongst others from SA. While the country involved this week is Zambia, I recently reported about Egypt reaching out towards Tanzania. Traditionally the North African countries have shown an affinity to either Europe or the Middle East. In the past few years, Morocco has turned back to Africa, rejoining the African Union and seeking membership of ECOWAS. Now Egypt is also showing a clear strategy of reaching out towards sub-Saharan Africa. As such, both Morocco and Egypt have positioned themselves well as gateways into Africa. Egypt is also positioning itself as an alternative to the Chinese advisors in the agriculture sector.

Southern Africa

- **Mozambique:** According to the Indian Ambassador to Mozambique, Rudra Shresth, the Indian government sees Mozambique as an important partner with enormous potential to expand and eventually double the current volume of exports to that country.

Exports from Mozambique to India reached US$918 million in 2018. Nearly half of this was due to the sale of coal in the Indian market, the main export product. Cashew nuts and bêcher beans were other products that contributed most heavily to the volume of exports. At least 35% of India's global investment in Africa is concentrated in Mozambique. Mozambique should expand its exports, diversifying the supply of its products. Oil and vegetables are other products that India imports from elsewhere and for which Mozambique has capacity. There is land to produce fruit, vegetables and sunflower to manufacture oils to export to India. Mozambique has the capacity to double the volume of exports to India in a short period of time. In 2017 the volume of trade between Mozambique and India reached just over US$2 billion. For more information, read: [https://bit.ly/2RoJNmR](https://bit.ly/2RoJNmR).

CAS Analysis: Mozambique is another country with great agriculture potential. It too should be embracing modern farming and irrigation methods. Frequent dry spells are a challenge to the farming communities in the country, hence the need to adopt modern irrigation methods. It is interesting to see India ready to expand and deepen its footprint in Africa. In addition to the benefits of bilateral trade with countries such as Mozambique, it is no doubt also looking towards positioning itself within the realm of the Asia-Africa Growth Corridor (AAGC). Mozambique is one of the 7 mainland countries identified as a target within Phase 1 of the AAGC. This would support India in its endeavour to curb the growth and expansion of China's influence in Africa.

- **South Africa:** According to SA President Cyril Ramaphosa, while South Africa and India enjoy good relations, there is scope to grow bilateral economic relations. While trade has increased significantly over the last few years, there are a number of areas of future cooperation.

These areas include agro-processed goods, defence procurement, mining equipment and technology, and in the financial services sector. In order to ensure concrete deliverables, India and SA concluded a Three-Year Strategic Programme of Cooperation aimed at deepening the bilateral engagement between the two countries, ensuring that a result-orientated partnership benefits the people of both countries. The two leaders have instructed their ministers and officials to commence immediate implementation of this programme to take SA and India’s bilateral relationship to a new level. India is currently SA’s second largest trading partner in Asia and ranks among its top 10 trade partners. For more information, read: [https://bit.ly/2Ww8Hof](https://bit.ly/2Ww8Hof).
CAS Analysis: SA and India's links go back a long way to former colonial times. As such, the country has one of the largest groups of Indians outside of India. Increasing the level of cooperation between them makes a lot of sense. South Africa is also one of the 7 countries identified in Phase 1 of the AAGC. One of the sectors in South Africa that has been the target of Indian corporates, is the pharmaceutical industry, in which India's Cipla is a big player.