

Africa:

- **Africa:** Singtel (Singapore) will invest US\$250 million in Airtel Africa (Airtel) to tap into Africa's growing use of mobile money and mobile wallets.

Africa will be the world's second-fastest growing economic zone and the fastest-growing mobile market. Its mobile subscribers are expected to rise to more than half a billion by 2020, from 420 million at the end of 2016. Airtel has secured US\$1.25 billion from international investors, which includes Temasek Holdings (Singapore) and Softbank Group International (Japan). Airtel is a subsidiary of Bharti Airtel - which has operations in 14 African countries, including Ghana, Kenya and Nigeria. Singtel holds a 39.5% effective stake in the parent company. With only 25% of Africa's population having access to formal banking services, mobile money has become the engine for financial inclusion for both individuals and small businesses. Airtel is the second-largest telecom operator in Africa with a customer base of 91 million. Its mobile wallet service, Airtel Money, has 11.8 million subscribers. Singtel's investment into Airtel is an indication of their confidence in Africa's long-term growth potential with its young and growing population. For many of Airtel's customers, the mobile phone is a key enabler for digital and financial inclusion. For more information, read: <https://bit.ly/2PTIV9B>.

CAS Analysis: Some Singapore companies are taking a leap of faith and are investing in a very lucrative market in Africa, i.e. the mobile telephony market. The sector's margins are quite high, delivering very attractive returns. Vodacom, for example, delivered an EBIT margin of 26.8% in its latest financial results announced in June 2018. Mobile telephony has also been playing a major role in increasing the level of financial inclusion on the continent. In Kenya, for example, the level was 42% in 2011. This increased to 75% in 2014, and subsequently to over 80% in 2016. In 2017, M-Pesa reported 32 million customers across Africa. The growth potential in Africa for mobile money is still enormous, making the sector an attractive investment opportunity.

- **Africa:** According to Sunil Kaushal, CEO, Africa & Middle East at Standard Chartered Bank, FinTech remains to be the most appealing industry for investors as African start-ups look to bridge the financial gap.

African governments have welcomed technology into the continent, hoping to inspire a revolution across all industries and sectors. Some of the brightest minds are determined to rewrite the rules of the game by harnessing technology to tackle some of the continent's greatest challenges – with one of them being the distinct lack of access to banking services for large parts of the population. Four years ago, 66% of Sub-Saharan Africans did not have a bank account. Now, Africa has been described as a “leapfrogger” with the application of a technology-driven economic model to reach the unbanked. While some banks may feel threatened, an abundance of opportunities are hidden within this transformation, most of which come down to partnering with the disruptors. The banking sector has taken promising first steps in the right direction to support client needs in Africa. Kaushal states banks must do everything possible to harness technology and champion the next generation of entrepreneurs in Africa. For more information, read: <https://bit.ly/2Anvzxi>.

CAS Analysis: I published an article in November 2015 in the Business Times (in Singapore) showing the impact of M-Pesa in increasing the levels of financial inclusion in various countries in Africa. I also showed the potential impact mobile money could have in various countries in ASEAN. I made the following comment: “M-Pesa has demonstrated how mobile technology can increase the numbers of people in the formal banking sector, as well as the rate of convergence between the mobile and the banking sectors. Banks, which now face the risk of disintermediation in the retail bank segment of the market, will have to adapt their business models to either provide this service, or create partnerships with mobile telephony players with a footprint in this new competitive environment. M-Pesa has now evolved into a system that has gone beyond the boundaries of the poor, and has become a system of convenience.” Those interested can read the article here: <https://bit.ly/2D8Vjjs>. It is good to see large global banks waking up to the opportunity (and the threat). As it is, the banks in Kenya have long been trying to haul in the lead of M-Pesa with their own application, i.e. PesaLink. However, PesaLink does not enjoy the same level of success as M-Pesa. Although the banks conceived the idea of a competitive product in 2012, they only launched the application in 2017. One reason for the launch by the banks was that they found that consumers would rather use their M-Pesa application to pay retailers, etc. than their debit or credit card. Safaricom, the parent of M-Pesa, has even gone so far as to launch a Sharia-compliant banking service

through M-Pesa to allow customers to open and operate M-Sharia bank accounts. On the side, Africa has been the scene of another “leapfrog” occasion, namely leapfrogging the industrial use of landline telephones by adopting mobile phones. It seems there is also strong potential for it to use solar and other renewable energy and thereby to leapfrog, to a certain extent, the use of coal-fired industrial type of energy generation. The absence of legacy systems makes this leapfrogging easier than would otherwise have been the case.

East Africa:

- **Eritrea:** Russia and Eritrean leaders have discussed expanding trade and joint projects as the UN Security Council prepares to review sanctions imposed on Eritrea.

Deputy Foreign Minister Mikhail Bogdanov held talks in Asmara on Eritrea’s normalizing of relations with Ethiopia, Somalia and Djibouti and the scrapping of UN sanctions. The two sides are discussing a port logistics centre and projects in mining and infrastructure. The Security Council is set to review the sanctions in November, after imposing them in 2009 over Eritrea’s refusal to withdraw troops following a conflict with Djibouti. Further restrictions were added in 2011 due to Eritrea’s support of armed groups in Somalia and elsewhere in the Horn of Africa. However, Eritrea signed a peace accord in July with Ethiopia, ending a two-decade stalemate after one of Africa’s worst conflicts that claimed as many as 100,000 lives between 1998 and 2000. Eritrea also has restored relations with Djibouti and Somalia in the past two months. For more information, read: <https://bloom.bg/2JegH6U>.

CAS Analysis: Russia has been positioning itself in the region ranging from Egypt in the north, through Sudan, Eritrea and Djibouti to Somaliland in the south. It has a presence alongside the entire red Sea approach to and from the Suez Canal. It has been looking for ports to use in the entrance to the Red Sea. Interestingly, while Djibouti was willing to provide its port for the Russian Navy to fight piracy, Russia was barred from building a base in the country as Djibouti did not want to “become the terrain for a proxy war.” As recent as the end of 2017, Djibouti felt that having a Russian presence in Djibouti was not appropriate because of what was going on in Syria, the Ukraine and elsewhere. Gaining a foothold in Eritrea could therefore help Russia to position its navy. Russia is also believed to be in discussions with Somaliland to develop a port near the city of Zeila. This would help it to project power into the Middle East and the Indian Ocean region.

- **Rwanda:** Women in Rwanda are being empowered to contribute in a meaningful to the country’s economy and governance.

New farming techniques has helped some farmers in Rwanda to double their crops. The agricultural sector accounts for a third of Rwanda’s GDP and more than 70% of Rwandan women are engaged in farming activities since their childhood. Yet, they don’t have the same access to land, production inputs, finance or markets as men. As a result, women farmers are mostly relegated to subsistence farming. While their families rely on their harvests as the main source of food and nutrition, the lack of quality agricultural inputs and technology reduces the yield and diversity of their crops. This in turn impacts the food and nutritional security of their families. Women farmers realize that learning innovative approaches to farming and accessing the necessary inputs is key to unlocking a more secure future for themselves and their families. Their needs and the drive to improve their livelihoods are at the heart of the Joint UN Programme, “Accelerating Progress towards the Economic Empowerment of Rural Women.” Women farmers were exposed to modern farming techniques, which they tend to share with their husbands. For more information, read: <https://bit.ly/2pNFw0D>.

CAS Analysis: Women farmers are the target of the above initiative. Everything possible must be done to increase the productivity of the agriculture sector. Rwanda is recognising the need to empower its women to become more economically active. As of 2018, Rwanda ranks in the Top 5 globally for gender equality. According to the WEF, it ranked at number 4. In 2017, 61.3% of Parliamentary seats were held by women. A week ago, new changes to the Rwandan cabinet meant that 50% of the cabinet are women. Rwanda is not alone in striving towards gender equity. The recent Ethiopian cabinet reshuffle meant that it too had 50% of its cabinet positions held by women. The new president of Ethiopia is also a woman. In addition to competence, the prime minister of Ethiopia has been reported to say that women are less inclined than men to be corrupt! In South Africa, 42.3% of parliamentary seats are held by women. This is the second

highest of the G20 countries. The percentage of women in its cabinet are 46%. These are by no means the only examples. What it does show is that Africa is a leader on the road to empower women and appoint them in positions of power. They are also not just appointed in “easy” portfolios – women hold the position of Minister of Defence in both South Africa and Ethiopia.

- **Rwanda:** The fashion industry in Rwanda has proved to be one of the fastest growing industries, being more lucrative than ever. Key players in the industry laud fashion shows for providing a platform to showcase raw fashion talent in Rwanda and, most importantly, promote the Rwandan culture.

The fashion industry is growing steadily as more people are coming up with great ideas. The shows play a big role in promoting fashion in and outside Rwanda, with many now understanding that fashion is business and not entertainment. Through the shows, designers have managed to network, others have partnered with major stores in Europe and North America, and models have been offered jobs by international modelling agencies. Fashion in Rwanda can reach a level where it can be the main source of income for designers and models. More needs to be done about the high cost of raw materials and other resources, training, formal education to boost designer skills, the need for more creative designers and the lack of anticipated clients. For more information, read: <https://bit.ly/2IRGqCb>.

CAS Analysis: It is good to see these sectors gaining prominence in Africa. Africa’s themes and colours and designs are unique and has the potential to not only meet the needs of Africans, but could also attract attention amongst a global clientele. Africa’s models are also frequently amongst the foremost and most highly sought-after models globally. The article demonstrates, however, that there are still issues that the sector needs to address in order to reach its full potential. This in itself provides an opportunity for investors to become involved in the fashion industry in Africa. There are 1.2 billion potential customers on the continent alone.

Southern Africa

- **Zambia:** The timber industry is growing in Africa, plays an important role in economic growth and can provide foreign exchange if well-managed and harvested. For Zambia, which is diversifying from copper, timber has the potential to become a major export commodity that could generate a lot of foreign exchange. The industry can create jobs and help reduce poverty, especially in rural areas. Zambia should take advantage of its vast forest cover by turning it into a source of wealth and jobs. The sector has the potential to spur human and economic development. Some believe that Zambia must first address corruption if it wants to reap the full benefits of the sector. The sector can contribute over US\$10 billion to GDP if well managed. Illegal harvesting, inconsistent policies and outdated laws are some of the challenges facing players in the timber sector, which have a negative effect on its growth. For more information, read: <https://bit.ly/2SaknLh>.

CAS Analysis: I recently wrote about the potential of the timber industry in Rwanda. While exporting timber is a form of diversification from an over-reliance on minerals and oil, ideally Zambia should look at forms of value-addition. This would increase the number of jobs and the revenue potential of the sector. It would also increase the level of import substitution. With Zambia’s GDP in 2017 at US\$25.81 billion, adding an additional US\$10 billion annually is a very significant contribution (~39%)! As is unfortunately frequently the case, the spectre of corruption is also present here. Zambia, and Africa for that matter, must address this issue as a priority. Creating a business-enhancing policy framework is, as always, a prerequisite for success, not only in Africa, but globally.

- **Zimbabwe:** According to the Confederation of Zimbabwe Industries (CZI), the economy has been performing very well as noted by the upward review of GDP growth by IMF. They welcomed the measures as highlighted in the Transitional Stabilisation Programme.

1) Reduce expenditure through measures including right-sizing public employment, cutting travel expenses, reducing fuel benefits, and curtailing vehicle acquisition; 2) Issue Treasury Bills through market based auctions, and limit new releases to the minimum required for fiscal purposes; 3) Limit the overdraft with the Reserve Bank to the Statutory level permitted by law. 4) Accelerate the restructuring and privatisation of state-owned enterprises; 5) Eliminate budgetary subventions to state-owned enterprises

and use instruments such as government guarantees to support them where justified; 6) Retire all civil service staff at retirement age and above; and 7) Move to a market-based foreign exchange allocation system. If Government restores fiscal and monetary stability by living within its means, Zimbabwe will see a rapid stabilisation of the economy and continued growth towards making it a middle-income economy by 2030. For more information, read: <https://bit.ly/2q9NoKm>.

CAS Analysis: Zimbabwe's economy has been struggling for a decade or 2. With the election of President Mnangagwa, it was hoped that he would be able to turn the economy around in a meaningful way. At the meeting of the World Economic Forum in Davos at the beginning of 2018, he announced a number of steps aimed at transforming the ailing Zimbabwean economy. It was reported that quite a large amount of FDI had entered the country. However, it now seems that there are still serious challenges ahead for Zimbabwe. Not least among these, is an apparent series of actions by speculators exploiting the situation in Zimbabwe for their own selfish benefit. Mnangagwa has referred to some banks that were reportedly linked to a cartel behind illegal currency activities and the chaos in the economy. Also, the governor of Zimbabwe Central Bank on Monday suspended 4 senior officials on suspicion that they were behind the flooding of foreign currency and cash on the black market. Zimbabwe cannot afford to have its people and corporations undermine government's actions to get its economy back on the straight and narrow. They should remember the old saying: "either they stick together, or they hang separately!" The sad thing is that Zimbabwe has immense potential! Instead of sabotaging the economy, Zimbabweans should collaborate to grow it to the long-term benefit of all its people.

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