

East Africa:

- **East Africa:** Kenya and Ethiopia have renewed their commitment to implement joint infrastructure projects as key enablers of the two economies. The two presidents see the regional mega initiative, the Lamu Port - South Sudan - Ethiopia Transport Corridor (Lapsset), as central to the unlocking of the economic potential of the entire East African region.

The Lapsset project includes the building of railway lines, electricity, roads and the Lamu Port. It has great promise of transforming the countries and improving the living conditions of their people. The two leaders promised to deepen trade and economic ties between the two countries. The realisation of the free trade zone in Moyale, for example, will not only transform the two countries, but also create enormous job opportunities for their youth. Mr Kenyatta invited the Ethiopian private sector to invest in Kenya, where the Big 4 Agenda offers concrete investment opportunities. Dr Abiy said Ethiopia was open to Kenyan investors and called for the strengthening of trade relations between the two countries. Opportunities are now wide open for Kenyan companies to invest in energy, aviation, agro-processing, textile and garment manufacturing throughout Ethiopia. For more information, read: <https://bit.ly/2GW5JF7>.

CAS Analysis: This rapprochement between Kenya and Ethiopia is taking place at the same time we are hearing noises of a somewhat acrimonious relationship developing between Uganda and Rwanda. The East African Community has until recently been upheld as a regional economic community that could be typified as efficient. We have in the past few years seen this designation being placed under pressure due to the trade spats between Tanzania and Kenya, and now a disagreement between Uganda and Rwanda. It is therefore good news to see the development of a much better relationship between Kenya and Ethiopia. Ethiopia reaching out to Kenya will also enable it to diversify its access to ports. Until now Djibouti has been the port which handled up to 95% of Ethiopia's import and export needs. Under Dr Abiy's administration, Ethiopia has been reaching out to Sudan, Eritrea, Somaliland and Kenya to access their ports as well. This is probably causing some concern in Djibouti, for obvious reasons. Ethiopia would also be an attractive market for Kenyan investors, given that the size of the market is 105 million people. There are also attractive investment options given the privatisation drive of the Ethiopian government. The two economies are more or less the same size in terms of GDP (Ethiopia at ~US\$80 billion and Kenya at ~US\$75 billion), but with half the population, Kenya's GDP per capita is much more attractive at double that of Ethiopia. Hopefully we will see the region functioning efficiently and effectively to see it living up to the image we have all had of the EAC. Note that Ethiopia is currently not a member of the EAC.

- **Kenya:** Corporate giants such as Coca-Cola and Unilever are pumping cash into a plastic recycling initiative in Kenya, which they hope will provide a model for other developing countries.

The voluntary scheme lacks legal backing, leaving a few companies to pick up the bill for everyone. Many multinationals are scrambling to support recycling and are keen to re-use valuable polyethylene terephthalate (PET) plastic. Developing nations such as Kenya don't have organized waste collection. Dysfunctional local governments in Kenya cannot organize recycling points. Researchers warn that industry-led schemes are inadequate unless laws compel manufacturers to take responsibility for the waste they produce. America largely relies on private initiatives such as the US\$100 million Closed Loop Partners fund, backed by companies like Coca-Cola, Unilever, P&G and PepsiCo. Kenya has a smaller, similar scheme, but in most cases, the funds are a fraction of what's needed. Kenya imposed one of the world's toughest bans on plastic bags in 2017. Now, disappointed that authorities have not even set up plastic collection bins, officials are considering a plastic bottle ban as well. For more information, read: <https://bit.ly/2HwjK5w>.

CAS Analysis: Plastic pollution has become a global challenge. Many video clips of incidences of plastic pollution in the world's oceans are available on YouTube. The impact of this on wildlife is sickening. One aspect of infrastructure in Africa that could offer a solution to the problem of plastic pollution, is the building and maintenance of roads. We have recently seen a road to be upgraded in the Eastern Cape province of South Africa using plastic pellets. Non-recyclable plastic waste, which ends up in the ocean or clogging up landfill sites, will be processed into pellets and be used to replace a large component of the bitumen in a conventional asphalt mix. This will produce a stronger and more durable road surface. Water, the main cause of potholes, does not penetrate the "plastic road" as easily as with traditional asphalt mixes and it is apparently more heat resistant. According to the building company, the plastic road surface is

also cheaper and easier to maintain. Should the various claims prove to be true, this approach would be a global solution to a big pollution challenge! To read more on the trial in South Africa, read here: <https://bit.ly/2HzTWuU>.

- **Kenya:** Kenya's Safaricom recently said it had secured a deal to use its M-Pesa mobile payment service for online shopping on one of Alibaba's platforms, part of a move to expand its most profitable product beyond Kenya.

In a matter of weeks, AliExpress.com, run by Alibaba Group, will allow Kenyan shoppers to buy goods on the site using M-Pesa. M-Pesa offers a range of payment services, loans and savings to more than 21 million people in Kenya and has been copied abroad. AliExpress.com is an online shopping portal for businesses and retail customers. Under the deal, Ant Financial, an affiliate of Alibaba that runs the portal's payment services, will offer M-Pesa as one of the payment options with transactions denominated in Kenyan shillings. The move targets micro-traders in Kenya who source goods and other supplies from manufacturers in China. The deal was part of an effort to transform M-Pesa into a global payment platform. In November 2018, the company concluded a deal with Western Union to allow M-Pesa users to send money around the world using their mobile phones. For more information, read: <https://bit.ly/2TyItoJ>.

CAS Analysis: Safaricom's M-Pesa is being positioned as a globally useful fintech application. The fact that deals will be able to be done in Kenyan shillings will make this quite an attractive option. It has obvious benefits for Alibaba's AliExpress as well. It will probably place pressure on the Kenyan manufacturing industry, which is already under pressure. The Kenyan manufacturing sector's contribution to GDP has been declining the past few years, to the extent that manufacturing has been included as one of President Kenyatta's Big Four priorities. The intention is to grow this to 20% of GDP by 2022. The above development could place this objective under pressure. However, giving the M-Pesa global applicability, will increase its attraction to users in not only Kenya, but in the whole region. As it is, Alipay is not all that easy to use. As one case study on the impact of technology to discuss with my International Business students, I recently downloaded the application, but my Singapore credit card was not accepted as a source of funds – it seemingly had to be a card with a Chinese bank. This obviously created somewhat of a disappointment. However, with the application being able to function on the Alibaba platform, M-Pesa is now increasing its threat to the traditional banks in the East African region. A short while ago, M-Pesa also made overdraft facilities available to its users. Those banks that have not entered this market, run the real danger of being dis-intermediated.

North Africa

- **Egypt:** Egypt and Zambia will soon hold several investment and cooperation meetings with Zambian government officials and their industry counterparts. Egyptian delegates' field of interests are agriculture, manufacturing, pharmaceuticals, Agro Chemicals, Food Processing, Printing and Packaging, Petroleum, Engineering, Wood processing and Construction industries.

The Federation of Egyptian Industries (FEI) will sign an MoU with the Zambia Chambers of Commerce and Industries for cooperation. The FEI is one of Egypt's largest employers' associations, with 20 industrial chambers as members, representing over 60,000 industrial enterprises out of which more than 90% belong to the private sector; accounting for more than 7 million workers and 20% of the national economy. For more information, read: <https://bit.ly/2Htl6nX>.

CAS Analysis: Egypt has stated that it is targeting Africa. As a north African country, it joins Morocco in its objective to become gateways into Africa south of the Sahara. I recently reported on Egypt participating in the development of a hydro project in Tanzania, with Egyptian investors also being quite interested in investing in the Tanzanian business environment. Egypt has also undertaken to sell electricity to Sudan, its southern neighbour. We now see Egypt reaching out to Zambia to exploit investment opportunities. This is the kind of activity that will hopefully increase the level of intra-African trade, which was projected at a low 17% in 2017. Given that the FEI represents 20 industrial chambers in Egypt, there is a lot of potential investment for Zambia, with obvious benefits for the country itself. This kind of activity could also support the realisation of the AfCFTA.

Southern Africa

- **South Africa:** The spaza shop market in South Africa is valued at around R40 billion per year and 90% or more of the transactions are in cash. This market is growing at 10% each year. South Africa's informal market is characterised by unbanked spaza owners with limited or no access to better financial products. This makes it difficult for them to deal with FMCG companies who generally do not open lines of credit with smaller retailers that order in small quantities. This allowed a local fintech, Invoiceworx (now Zande Africa), to offer a financial and distribution platform that provides trade and merchant finance to spaza shops.

Zande's core mandate is financial inclusion for SMEs that are excluded from the financial system, making the business profit-driven with a social impact motive. The business provides cash and credit service offerings to all spaza shop owners that want better pricing and better service. This facility assists owners to fill their stores and avoid stock-outs. Providing this working capital unlocks the trading and employment potential of thousands of individuals and businesses. Zande has plans of expanding its first-mile delivery and payment solutions offerings to spaza shops in and around KwaMashu, KwaZulu-Natal. For more information, read: <https://bit.ly/2Jc3gs0>.

CAS Analysis: The informal sector in South Africa is huge and provides in many essential needs of the local communities. Given the high level of unemployment, and the lack of employment opportunities in the country, many individuals turn towards ideas such as spaza shops to eke out a living in somewhat difficult conditions. Supporting these entities, like Zande is doing, is firstly a business opportunity in its own right, but also supports many of these shops to deliver an important service. This is indeed a good example of an apparently successful social impact case study, where doing good is a good business. Access to finance, both capital and operating capital, has always been a challenge in Africa, and the developing world for that matter. What is an eye-opener, however, is that only 20% of spaza shops in South Africa are owned by South Africans. This says something about the level of entrepreneurship amongst South Africans.

- **South Africa:** South Africa's wine industry is centred around Cape Town. However, changing weather patterns are testing long-held conventions. Cathedral Peak wine estate's vines grow in the foothills of the Central Drakensberg, or "Dragon Mountains," a natural western boundary for KwaZulu-Natal province.

Producing wine here at 1,100 meters means turning tradition on its head and nurturing grapes in steamy summer rainfall, rather than the Mediterranean climate and cool, wet winters of the Western Cape. Owner Mauritz Koster is cultivating merlot, cabernet sauvignon and pinotage after 12 years. The wines are winning local awards. The summer rainfall adds a novel aspect to wine-making, which adds to its uniqueness. Day-time temperatures are around 32° Celsius in January and February, which means the fruit must be picked before their sugar content runs riot. Hail, a feature of the summer months, requires Koster to protect his vineyards with nets. Changes to the climate have been a factor in the declining number of producers in the Western Cape, which local industry group VinPro says has dropped by 25% in the past decade. If the plans go well, opening a new wine frontier as South Africa contends with climate change, may tackle another problem — unemployment. For more information, read: <https://bloom.bg/2O2TIUk>.

CAS Analysis: A couple of years ago I asked Michael Back, the owner of Backsberg Wine Estate in the Western Cape, as to what he saw as the challenges in the South African wine industry. One of his points was an eye-opener, i.e. climate change. He made the point that people wishing to expand their land for grape production, would need to look up north to areas such as the northern Cape. Since then we have seen grapes being produced in KwaZulu-Natal in South Africa, but even further north in areas such as Tanzania, Kenya and Ethiopia. These countries have also been producing wine for quite a while. It is unlikely that these areas would become serious competition to the established wine areas in the short term, but it shows upon the impact of climate change, and the potential for those with the business acumen and determination to make a success of their intervention in the wine industry in non-traditional geographic areas.

- **Zambia:** Turkey's Ziraat Bank has been asked to invest in Zambia. According to Zambia's Ambassador to Turkey, Joseph Chilengi, Ziraat Bank, is a reputable financial institution and could play a role in supporting trade and investment between the two countries.

Chilengi sees Turkey as an emerging powerhouse, both politically and economically, and it should consider opening a branch in Zambia. He added that Zambia remained an investment destination of choice because of peace and political stability it enjoyed since independence in 1964. Turkey's engagement in sub-Saharan Africa in recent years had been driven by the region's importance to Turkey and the agenda to boost trade and investment between the two countries cannot be achieved without the support of the banking and financial sector. The bank was apparently exploring opportunities in Africa because of the huge trade and investment potential that Africa provides and promised that Ziraat will explore the possibility of opening a branch or subsidiary in Zambia. For more information, read: <https://bit.ly/2TrjxOu>.

CAS Analysis: This is another example of Turkey turning towards Africa. I have in earlier newsletters showed how Turkey has been investing in Africa, with Turkish Airlines flying towards more than 50 cities, and with Turkish diplomatic missions in more than 40 countries. Investment destinations in Africa for Turkey include countries such as Ethiopia, Somalia, South Africa, Sudan, etc. Since 2013, the bilateral trade volume between Turkey and Africa has grown to US\$17.5 billion and total Turkish investment in Africa is estimated at around US\$7 billion. The Turkish president has since 2015 visited quite a number of African countries.

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