

Africa

- **Africa:** The value of Africa's pharmaceutical market is growing rapidly, but it still imports over 70% of the drugs it consumes.

With Africa's immense and changing disease burden and perpetual funding challenges, combined with an increasing need for pharmaceuticals and a reliance on foreign drugs, it is particularly vulnerable to fake drugs. Such criminal activity is piggybacking off a huge and increasing demand for genuine drugs across Africa, driven by economic growth, rising personal incomes, improving health systems and increased public spending. The value of Africa's pharmaceutical industry jumped from US\$4.7 billion in 2003 to US\$20.8 billion in 2013. By 2020 the market could be worth between US\$40 billion and US\$60 billion. Over-the-counter, generic and prescription drug demand are all expected to grow. Despite this vast appetite, Africa imports between 70% and 90% of the drugs it consumes, compared to 5% for China and around 20% for India. The continent only has around 375 drug makers, mostly in the North Africa region, South Africa, Nigeria and Kenya. Boosting manufacturing and R&D in Africa could be a source of immense untapped value and improve public health responses. The challenges facing manufacturing deepen the need for Africa to pursue a combined approach to discovering and manufacturing its own drugs. For more information, read: <https://bit.ly/2WZWozT>.

CAS Analysis: Given the huge market in Africa, as well as the advantages of lower cost labour and the tendency to use generic medication, it does not make sense to import medication. Manufacturing generics in Africa should be high on the priority list of pharmaceutical companies. India has a healthy generic pharma industry, which makes sense given its 1.3 billion people. Africa has 1.2 billion people currently, which is forecast to grow to 2.4 billion by 2050 and to over 4 billion by 2100. With a potential market of US\$60 billion by 2020, and imports of 70%, that leaves an annual gap of US\$42 billion. This is a huge business potential! Should we look at the high side of 90% for imports, this gap figure jumps up to US\$54 billion annually. The question is, why aren't the generic manufacturers lining up to produce in Africa? When one looks at the Life Cycle Theory of Trade Development, it is only logical that it should happen.

- **Africa:** Changing demographics and improving business environments across Africa are contributing to rising household consumption, which is predicted to reach US\$2.5 trillion by 2030. The rising income levels and increasing demand for goods and services should encourage businesses to introduce their products to Africa.

Fast-moving consumer goods: low-cost products with a short shelf life that are constantly in high demand, allow existing brands to strengthen their consumer base with unique advertising and expansion of distribution. This sector will also cater to the majority, low-income tier of buyers and middle-class households. Luxury goods: 20% of the world's consumers will live in Africa by the end of the next decade, and more and more of these people will fall under the category of affluent or middle-class, with greater purchasing power. Luxury goods retailers should look to Africa for entry points. Online retail or e-commerce: Since 2000, an annual increase of approximately 30% in mobile phone connections has led Africa to become the world's second-largest mobile market behind Asia. Africa's e-commerce market was valued at US\$5.7 billion in 2017 and these revenues will increase with an increase in the number of internet users across Africa. Online retail and e-commerce is becoming an important market opportunity. The limited saturation in consumer markets reveal Africa's growth potential. For more information, read: <https://brook.gs/2UNeurC>.

CAS Analysis: Here we once again have a reminder of the huge business potential in Africa. While the trend of FMCG's are not too difficult to fathom, what is interesting is the growth in luxury goods. People unfamiliar about Africa tend to be surprised by the revelation that there is quite a sizeable group of very rich people in Africa. Urban legend has it that the most champagne sold outside of France, is sold in Lagos, Nigeria. The growth of the luxury goods sector is a phenomenon that needs to be closely checked as there is a lot of potential that is waiting to be unlocked. As for e-commerce, we are seeing the big players such as Jumia (soon to be listed on the New York Stock Exchange) and Killimall, to name but 2. What is quite interesting, is the extent to which the agriculture sector is embracing digital technology to ramp up investments, productivity and business in the sector. The last sentence in the above article says it all: "The limited saturation in consumer markets reveal Africa's growth potential." I used to tell my MBA students in South Africa, "Africa is empty as far as competitors are concerned." The potential is huge. Corporates that are realising this, include the likes of Kellogg, Walmart, Carrefour, various banks (such

as Standard Chartered), and then a number of corporates in South Africa that are targeting their own continent outside their borders (Sanlam, Shoprite, Massmart, Pick n Pay, Woolworths, etc.). VW has recently also started to develop an extensive footprint south of the Sahara.

West Africa

- **Ghana:** Ghana has signed a US\$180 million credit agreement with the Exim Bank of India to provide machinery for Ghana's agricultural sector and increase access to potable water in the Northern Region.

US\$150 million will be injected into the Agricultural Mechanisation Services Centres (AMSECs) project, while US\$30 million would go into the rehabilitation of water systems. At least one AMSEC would be set up in each district to provide timely access to agricultural machinery and mechanised services to farming households who could not afford their own machinery. Cottage industries and small factories would be set up for processing rice, maize and cassava, in addition to cottage machine shops for fabricating small-scale farm tools and equipment. These would help scale-up commercial agriculture and also support the planting for food and jobs and the one-district-one factory programmes. The bilateral trade between Ghana and India was showing favourable trends. In 2017, exports to India increased in value from US\$1.5 billion in 2016 to US\$2.7 billion, while imports in 2017 were US\$633.3 million. For more information, read: <https://bit.ly/2ZOGwiH>.

CAS Analysis: As stated, Ghana recently launched a "One district, one factory" project in order to stimulate the economy and grow the manufacturing sector. This new project targeting the agriculture sector has a similar feel to it and will definitely go a long way to provide a much-needed boost to the agriculture sector. Given the size of the agriculture sector and the number of people employed in this sector, as well as the trend of importing food in large quantities, any initiative to ramp up the industry is a welcome one. It will also help to address the unemployment challenge amongst the youth.

- **Nigeria:** Dangote Sugar Refinery (DSR) Plc is set to become a global force in sugar production by producing 1.5M MT/PA of refined sugar from locally grown sugar cane for the domestic and export markets in 10 years through its backward integration goal.

Sugar provides an avenue for Nigeria to improve its diversification strategy. Nigeria's sugar output barely accounts for 7% of its demand. It fetches Nigeria a miserly US\$24.88 million in revenue and the demand gap is approximately 900,000 metric tons. This has resulted in an annual sugar import bill of approximately US\$100 million, the largest import bill for the commodity in sub-Saharan Africa. Nigeria was supposed to attain self-sufficiency by 2020 and to contribute to the production of ethanol and the generation of electricity. However, supply chain bottlenecks have hindered government attempts to meet the 2020 targets. While there are various incentives to ramp up sugar production in Nigeria, without proper attention and implementation, they are ineffective. Ethanol production offers a viable avenue and incentive for Nigeria to boost its sugar output. For more information, read: <https://bit.ly/2GfXUZ5>.

CAS Analysis: This article has the same tone of the first one in today's newsletter. Nigeria is importing a massive amount of sugar (93% of demand!). Should Dangote Sugar Refinery be able to produce the 1.5 million metric tons per annum, it would do Nigeria a world of good as far as jobs and foreign exchange is concerned. Refining sugar requires the growth of sufficient sugar cane as well. This will provide an additional boost to the sector. Converting sugar into ethanol creates an additional demand for the product. This must be seen against the backdrop of various industries investigating alternative sources of sugar, rather than cane sugar. One such source is cassava.

- **Nigeria:** Farmcrowdy Group has launched a new subsidiary, Farmgate Africa, a technology-driven agro-trading market place for agriculture commodities in Africa. Farmgate Africa is bridging the gap between rural farmers and processors.

Buyers have the opportunity to purchase commodities directly from farming clusters through technology. The Farmgate Africa platform serves to build relationships between local farmers and major processors, aggregating commodities while paying attention to the unique specifications of the buyers. The system allows Nigerians to fund the process of buying and selling what farmers have already harvested. This will

give every farmer that has produced high-quality farm produce, the opportunity to sell to major buyers through Farmgate Africa's portal. The business model brings the farmers closer to the processors by eliminating several layers of intermediaries. By doing this, Farmgate optimizes market access to African farmers and also improves their income by at least 30%. For more information, read: <https://bit.ly/2Z6m5kn>.

CAS Analysis: Here we see a continuation of the use of digital technology in agriculture to stimulate the sector and link up the various role-players in it. The impact on the income of the farmers, who normally are not the ones scoring meaningfully, is significant. An increase in income of at least 30% is not to be sneezed at. It is also good to see how the sector in Africa is embracing technology to deal with challenges that previously left the farmers in a bad position. I have recently written a report of the most obvious initiatives in this regard, and counted 17 significant initiatives. According to FGA's website, their products include cattle, ginger, sorghum and maize. There are as of 8 April 2019, 8 commodity collection centres, 7,800 farmers supplying commodities, 25,000 metric tons of commodity available for purchase and 8,000 metric tons of commodity available for trading. On the purchasing side, FGA sources high quality produce for millers, food manufacturers, brewers or other bulk commodity buyers. How the commodity trading platform works, is that the trader selects from FGA's range of agricultural commodities to trade. The trader then specifies his/her desired trade volume, where after an assigned account manager gets in touch to close the deal. At the end of the investment period, the investor gets back his/her capital and yield.

- **Togo:** Togo's government wants to make e-commerce a pillar of its economic growth. In that framework, there are actors like the local start-up Semoa, that creates and provides solutions to firms for online payment.

Semoa Kiosk is a network of automated payment units enabling users to make online payments on websites. Semoa's goal is to dematerialize bill payment. With the Semoa kiosks, there will no more be a need to pay directly using cash. Their kiosks allow for deposits on Tmoney accounts, purchase of phone credit with Togocel and Moov or to purchase mobile data with Togocel. In the same way a phone becomes a smartphone by downloading apps, Semoa is working to develop new services to turn Semoa-kiosks to SMART Semoa-kiosks. More places will host the kiosks: the airport, supermarkets, as well as local Ecobank branches. Semoa is in talks with the Ministry of Tourism regarding a project to enable tourists to pay at their kiosks in hotels for cultural events or sightseeing circuits. For more information, read: <https://bit.ly/2D9qArl>.

CAS Analysis: And so the march of fintech and mobile money continues in Africa! Some central banks are actively supporting mobile telephony companies in their drive to grow this segment of their business. For these mobile telephony companies, mobile money is a lucrative part of their revenue model. Voice is mature (and being replaced by free calls – WhatsApp, WeChat, Skype, Viper, etc.) and data is seemingly in a race to zero. Value-added products/services therefore seem to be the future for mobile telephony. In addition to entertainment (movies, music and games), mobile money seems to be a high growth opportunity. Retail banks should be concerned, as I have said many times.

North Africa

- **Egypt:** Egypt is set to launch the Benban Solar Park - the largest park in the world - in August this year. Benban Solar Park is set to generate the equivalent of 90% of the energy produced by Aswan's High Dam.

Already home to the most important electricity production plant in Egypt, Aswan is set to bear and implement Egypt's dream of having 20% clean energy by 2022. The PV Park is being developed under the feed-in-tariff (FiT) renewable energy programme, occupying 37 square-kilometres. The project will reduce up to 100,000 tons of CO₂-equivalent per annum. As a result, it will support Egypt's emission reduction targets under the Paris Climate Agreement, as well as promoting sustainable energy development and private sector participation in the country's energy landscape. The park will host 32 solar power plants to produce 1,465MW. A total of 16 plants will be connected together by July 2019. The development aims to develop Egypt's potential in renewables and strengthen private sector involvement in the power and energy sector. For more information, read: <https://bit.ly/2UM2Xsx>.

CAS Analysis: Like fintech and mobile technology in general, another technology that is threatening the status quo (of coal-driven or nuclear-driven electricity), is renewable energy. It is becoming cheaper, easier and faster to install, and more efficient in generation, without the negative of pumping many tons of CO2 into the atmosphere. Some European countries are endeavouring to only use renewable sources in future. In Africa we are seeing a huge increase in renewables. According to the AfDB, Africa has the potential to generate an additional 10TW of solar energy, 1,300GW of wind power, and 15GW of geothermal potential. This presents an immense opportunity for energy investors. A number of foreign financial institutions have targeted the solar power sector in Africa to provide financing not only for electricity infrastructure, but also for the poor consumers of Africa to obtain their own systems on an affordable basis. Analysts have long expected that solar power will be important in filling the huge deficit in Africa's power generation capacity. One challenge has been delivering an affordable proposition for the poorest consumers in developing countries, especially in remote rural areas that are unlikely to be connected to a traditional electricity grid anytime soon. For more information on an overview of what transpired in the renewables sector in Africa in 2018, read: <https://bit.ly/2KrUEy0>.