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Africa Digest

Trends and Issues in Business and Macro Environment

Vol. 2021 - 36

Contents

1. Linking Africa to the World

The trend for countries beyond the continent to reach out to Africa, such as India, Japan, Turkey, the UAE, and the UK continues to rise. Their motives vary. Some have humanitarian reasons, while others seek to enhance trade or diplomacy. Most of these outreach efforts benefit Africa. This report addresses recent developments in this regard.

JAPANESE SUPPORT FOR ETHIOPIA

In January 2021, Japan undertook to support efforts to provide enhanced road operation and maintenance in Ethiopia. The signed grant agreement provided for an amount of US$4.8 million. The country's main roads are severely congested due to rapid urbanisation and the increased number of vehicles. The project is to help improve traffic flow, save time, and reduce fuel, road maintenance, and travel expenses. The two countries would also cooperate in developing Ethiopia's capacity to use sustainable and better asphalt road technologies.

Japan views the infrastructure sector as one of Japan's targets for support of Ethiopia's economic development. Japan actively supports Ethiopia in improving its people's lives through various development schemes, especially in infrastructure, agriculture, industry, education, and health.

Japan undertook to continue its support for Ethiopia's development efforts through different Japanese Assistance Projects and other modalities.[1]

INDIA COLLABORATING WITH TANZANIA ON AIR TRAVEL

India's Air India has recently entered into a new business relationship with Air Tanzania Company Limited (ATCL) to enable passengers of the two airlines to simplify their itineraries. The new business deal will reportedly allow ATCL to attract more international passengers.

The codeshare means that Air India's passengers will travel using the same ticket from India to Tanzania and other destinations where ATCL operates. The deal would also enable passengers to fly by ATCL to India to connect their flights without extra costs more easily and rapidly without reloading their luggage.

Ms Meenakshi Mallik, Commercial Director of Air India, notes that the carrier flies to five continents and plans to use its relationship with ATCL as a steppingstone and gateway to enlarge its footprint in Africa.

According to Deputy Indian High Commissioner to Tanzania Shri Chandramoul, the agreement will smoothen business between the two countries. Trade between Tanzania and India was growing. India, the world's second-most populous country, is an attractive market. The plan to reduce travel time and increase convenience will lead to a booming business.[2]

TURKEY EXPANDING ITS INVESTMENT FOOTPRINT IN TANZANIA

Professor Elizabeth Kiondo, Tanzania's ambassador to Turkey, recently revealed that ten Turkish companies are exploring investments in Tanzania. Several Turkish executives toured the Tanzania Investment Centre (TIC) in December 2020 to explore potential investment opportunities. These companies included a diaper manufacturer, a fan and pump manufacturer, a manufacturer of curtains and home textiles, general trade, textiles and furniture, and construction materials.

According to investment promotion director of TIC John Mnali, Tanzania offered many "opportunities in manufacturing, value addition in agricultural products, minerals, fisheries, livestock and forests."

The foreign trade director of Compass Bestami Keçeli is one of the interested Turkish investors. He indicated an interest in the production of the same products in Tanzania they currently import. These products include textiles, building and construction materials, furniture, generators, kitchen and bathroom items, in addition to agricultural and livestock products. The planned investment would amount to US$20 million in “equipment, staff and areas for investment in the next two years.” The investors were reportedly also interested in manufacturing and assembling agricultural machinery.

These potential investors noted that more Turkish companies would seek business opportunities in Tanzania. They viewed Tanzania as an East African country with a spectacular natural habitat and a wide range of resources.

Turkey’s interest in Tanzania was boosted in January 2017 when Turkish President Erdoğan emphasised the need to improve bilateral trade volume from US$150 million to US$250 million during the first stage and then to US$500 million later on. The US$250 million mark was hit in February 2020, thanks to quickly developing economic ties, and thought they would soon reach the US$500 million mark. Turkey has cemented bilateral relations with Tanzania in trade, railway, tourism, agriculture, industry and construction.

Investors in Tanzania’s Export Processing Zone will enjoy several incentives, such as exemption from corporate tax for ten years, and from paying import duties and value-added tax on capital goods, raw materials and construction materials, and withholding tax on rent, dividends and interest.[3]

THE UAE REACHING OUT TO ANGOLA

Angola is reportedly keen to attract foreign direct investment from the UAE in agriculture, agroindustry, fisheries, and manufacturing. This ambition follows a recent webinar organised by the Dubai Chamber of Commerce and Industry’s Mozambique Office in cooperation with the Angola-UAE Chamber of Commerce and Angola’s Agency for Investment and Exports Promotion.

According to Vera Daves, Angola’s Minister of Finance, Angola attached high importance to economic and commercial relations with the UAE, indicating that Angola offered a vast investment potential that remains largely untapped. She saw the UAE playing a vital role in Angola’s economic growth and development through portfolio investment.

Hassan Al Hashemi, Vice President of International Relations, observed that Angola’s new economic ambitions and vast resources attracted UAE companies. These resources include commodities like cotton, coffee and diamonds. Dubai could contribute significantly to unlocking Angola’s economic potential by acting as a gateway for business in Africa. Angola is Dubai’s largest trading partner in the Middle Africa region, and bilateral non-oil trade reached US$1.58 billion in 2019.

The Dubai Chamber seeks to identify new business opportunities in Angola and other African markets with potential for Dubai companies. They see opportunities to broaden the scope of trade and expand economic cooperation. The Angolan government’s plan to diversify its economy and reduce its dependency on oil creates an opportunity for foreign companies to invest in local production in critical sectors such as textiles and agri-business. Africa’s market growth, resource-rich countries and emerging investment opportunities create optimism. The Double Taxation Treaty between UAE and Angola that came into effect in January 2021, will remove trade and investment barriers by reducing bureaucracy and taxes.

The Chamber sees a clear need to expand logistic and transport services to support market growth and the value chain within Angola. This opportunity attracts UAE companies such as DP World. However, currency depreciation in some African countries, including Angola, is a continuing challenge.[4]

THE FIVE UK OFFERS TO EAST AFRICA

Dominic Raab, the UK’s Secretary of State for Foreign, Commonwealth and Development Affairs, recently explained the UK’s offer to East Africa. He suggested the UK collaborate with East African countries to address the Covid-19 pandemic. He saw this partnership in action at Kenya Medical Research Institute labs in Nairobi. UK and Kenyan expertise cooperated here to do vital testing on Covid-19 vaccines and vaccines for diseases like Malaria, Rift Valley Fever and Ebola.

Second, the UK and East Africa are deepening their trade partnerships and supporting countries to build free and open economies. The Africa Investment Summit in London of 2020 delivered commercial deals between UK companies and African partners worth over £6.5 billion in infrastructure, energy, retail and tech. The UK signed trade agreements with 15 African countries. Its trade agreement with Kenya is open for other members of the East African Community to join.

Third, the partners are building their relationship on security, a pre-condition for prosperity. British troops worked alongside African peacekeepers in Kenya to tackle Al-Shabaab's campaigns and remove improvised bombs that destroy innocent Somali citizens' lives. In Sudan, the UK supports ending the decades of conflict and transitioning to stability and democracy. In Ethiopia, the UK will continue delivering aid direct to Tigray while also supporting Sudan in accommodating refugees from the conflict.

Fourth, the UK wants to collaborate with East Africa to tackle climate change, vital for security, resilience and sustainable development in the region. The UK supports Africa nations' work towards stability and adaptation and building green, clean and thriving economies.

Fifth, the UK is a longstanding leader in development. As the largest donor to global education funds, the UK supports millions of girls across Africa to obtain a proper education. The UK prime minister will later in 2021 co-host with Kenya's President Uhuru Kenyatta a conference to boost funds for the Global Partnership for Education.

Raab believes that through collaboration, the UK and East Africa can come through the current challenges and seize the opportunities of the future — to the benefit of all.[5]

POINTS OF INTEREST

- India and Japan have targeted Africa for some time. Both have forums dealing with connecting with Africa. Japan's Japan International Cooperation Agency (JICA) regularly hosts conferences with Africa as a focus. The same goes for the country's TICAD – Tokyo International Conference on African Development, which held its 7th conference in 2019. India has been hosting an annual India Africa Forum Summit for several years, with the last one held in September 2020. India also hosts an India-Africa Defence Ministers' Conclave. They are not the only countries to pursue outreach to Africa, as China's Forum on China-Africa Collaboration (FOCAC) is a bi-annual event. Russia is the latest significant power to organise a forum with Africa as its target. The first Russia-Africa Summit in Sochi in October 2019 attracted 43 heads of state and more than 6,000 participants and media representatives from Russia and 104 other foreign countries and territories. The Russia-Africa Partnership Forum, a result of the Russia-Africa Summit, is tasked to prepare for the second Russia-Africa summit in 2022.
- Japan's interest in Ethiopia dates back several years. At a conference in September 2015, Japan's Foreign Minister stated that his country had taken a long while to determine whether it wanted to be in Africa but then decided to enter Africa and stay the course. As infrastructure development in Africa is a significant challenge, it makes sense for Japan to target infrastructure development. Africa has an infrastructure need of between US$140 and US$170 billion annually. Japan is also not the only country addressing Africa's needs: China has been doing so for decades. Chinese construction companies have received many China-funded construction contracts, and African construction companies are frequently side-lined.
- Indian and Tanzanian cooperation in the air sector will hopefully significantly impact increasing tourism from India and other countries in the sub-continent. Currently, there are few direct flights to many African countries. Many travellers find they first have to travel to hub countries such as Ethiopia, South Africa, Qatar or the UAE to board an onward flight to other countries on the continent. This transfer increases travel costs and time and is a barrier to increasing tourism numbers. Tanzania itself has magnificent tourist attractions such as Mount Kilimanjaro and the Serengeti, to name but 2. Zanzibar is another desirable tourist destination. Hopefully, the new arrangement will have a positive impact on Tanzania, both on tourism and trade. A factor that could seriously hinder this development is the unwillingness of Tanzania's president, John Magufuli, to take the Covid-19 pandemic seriously. He currently has yet to adopt vaccination as a strategy against Covid-19. Magufuli asks his people to pray for divine intervention as a cure. This strategy might not be the most prudent.

- Turkey’s involvement in Africa is on the rise. The continent is a priority for the Turkish government, which views Africa as a source of resources and a vast potential market. The new approach where Turkey is investigating the production of goods in Africa that were previously imported, is a welcome one for Africa. Africa must boost its manufacturing sector, not only for job creation but also to gain the meaningful benefits of import substitution. Currently, the manufacturing sector’s contribution to GDP in Africa is below government targets. This gap requires serious attention.
- The UAE has a rapidly growing footprint in Africa. It is one of the six top FDI investors in Africa, and its levels of trade with several countries on the continent are on the increase. Although it originally was quite visible in East Africa, it has steadily expanded towards West and Southwest Africa. The UAE has been quite active in diversifying its economy to reduce its dependence on oil and gas, making Africa a strong focus moving outward. The UAE's emirates have targeted different countries, collectively covering many and leaving a visible footprint on the continent.
- The UK’s outreach to Africa was expected, given its need to renew trade relations due to Brexit. The UK’s Foreign Minister identified five fields in which his country collaborates with East Africa. This collaboration is not limited to East Africa, and we can expect to see this kind of arrangement with other regional economic communities (RECs) in Africa. The five fields are also not unique to East Africa and form the nucleus of agreements with other RECs. After all, trade, safety and security, climate change, development and the Covid-19 pandemic form a lovely basket of collaboration factors, sufficiently flexible to accommodate any minor changes to suit a specific set of circumstances. They are also significant issues the world now faces.

2. Developments in Agriculture

Africa is the world's breadbasket – or should be. The continent is unfortunately still importing massive amounts of food. Youth participation remains a challenge, with the ageing farmer creating a strong need for change. It does seem that digital technology, in its many guises and forms, increasingly plays a role in the sector. This report addresses some of the recent developments in this sector.

SUPPORT FOR YOUTH AGRIPRENEURS IN KENYA

The Kenyan government created the Empowering Novel Agribusiness-Led Employment (ENABLE) Programme. Co-funded by the African Development Bank (AfDB), ENABLE committed US$18 million to engage youth in agribusiness. Ideally, the outcomes will be enhanced youth employment, increased local income generation, and bridging the emerging succession gaps in agribusiness and its related value chains.

Many youths are reluctant to enter the agriculture sector. This is partly due to image factors such as negative perceptions and attitudes towards agribusiness plus deterring factors such as limited access to financial services. Despite efforts both by the government and the private sector to involve youth in the agriculture sector, youth participation in the many value chains in the agriculture sector remain low.

The ENABLE Programme will operate from the Youth Agri-Business Incubation Centres (YABICs) at identified government centres and in partnership with the private sector across Kenya. The YABICs utilise an incubation model for agripreneurship. This involves training, nurturing, mentoring, coaching and financing participants. The duration of this process ranges from three to 12 months.

The ENABLE Youth Kenya Programme aims to support youth-owned agribusinesses by facilitating access to capital through financing and risk-sharing mechanisms. ENABLE offers three schemes to finance youth agripreneurs: an interest-free loan to finance up to US$4.5 million for start-ups; a soft loan bearing a 5% interest rate that will commit US$8 million in the form of low-interest credit to incubator graduates; and a Risk Guarantee Fund that will provide ±US$7.3 million for risk-sharing that will back up banks that offer commercial loans to agripreneurs.[6]

AGRICULTURE GETTING DIGITAL SUPPORT

The German Society for International Cooperation (GIZ) is implementing the Digital4Agriculture programme (D4Ag) within the framework of the "Make-IT in Africa" project. The D4AG goal is to promote the start-up scene in the digital sector of developing and emerging countries with (primarily) European technology companies, start-ups, associations, research & science and non-governmental organisations. IBM joined the Make-IT Alliance in 2017 as part of its #GoodTechIBM programme.

IBM sees Africa's smallholder farmers as the backbone of the continent's food supply. The multinational will support the D4AG by providing access to weather information and services needed by smallholder farmers to manage and improve crop production. IBM support will also help strengthen their long-term living conditions by increasing productivity and quality. With IBM's digital expertise, D4Ag can help over 36 African agricultural companies in 13 countries become better prepared for the digital future. By making high-resolution weather data available to agricultural start-ups, DG4Ag provides valuable information to smallholder farmers to help them make important decisions with greater confidence.

Consultant Desiree Winges of Make-IT in Africa is responsible for D4Ag. The project aims to help local start-ups reach more customers and develop new markets by providing them with basic knowledge in data analytics, interoperability, and business modelling. D4Ag also wants to promote cooperation between start-ups and platform operators to exploit the digital world's opportunities fully. D4AG also offers digital coaching services for start-ups, offering agricultural services to African farmers.

To achieve this, IBM Services and GIZ have created a three-stage, interactive training concept consisting of individual e-learning, workshops on business modelling, interoperability and data analytics and detailed materials with tips and suggestions for future projects.[7]

VALUE-ADDITION STRATEGY FOR ZIMBABWE'S TOBACCO INDUSTRY

Zimbabwe increased the size of its tobacco plantations from 27,181 hectares in 2018 to 28,292 hectares in 2019. However, its output declined from a record 252 million kg in 2018 to 183 million kg in 2019, a decline of 27%. Despite this production decline, the country may soon reclaim its status as one of the top producers of tobacco in the world in the 2020/2021 cropping season.

Through its National Development Strategy-1 (NDS-1), the Zimbabwean government is designing a strategy to improve value-addition in the sector. Currently, only 1.5% of locally produced tobacco undergoes local processing. The rest of the crop is exported abroad in raw form, where it is used for blending in export markets because of its good quality. According to Finance and Economic Development Minister Professor Mthuli Ncube, the government's value-addition strategy includes engaging relevant and potential investors for manufacturing tobacco cigarettes to enhance value benefits to the country.

This strategy might meet with resistance from global bodies such as the WHO, which is concerned about smokers' health. About 80% of smokers live in low- and middle-income countries such as Zimbabwe. To reduce deaths associated with tobacco-related diseases, measures against tobacco smoking are becoming more stringent. This will negatively impact the cigarette manufacturing industry.

Experts have therefore suggested that Zimbabwe should therefore switch and align to alternative tobacco products other than smoking. As a major tobacco producer that depends heavily on cigarette manufacturing in the medium- to long-term, Zimbabwe may need to develop a new strategy towards value-adding tobacco and review the feasibility of convenient tobacco harm reduction (THR) products.[8]

BOOSTING SUNFLOWER PRODUCTION IN TANZANIA

The Tanzania Agricultural Research Institute (Tari) has adopted a five-year strategy to boost local sunflower production to minimise edible oil imports and deal with shortages. Tanzania currently imports 365,000 metric tons of edible oil per annum, at the cost of at least Tzs443 billion (±US$191 million). Implementation of the proposed strategy will eventually boost the production of sunflower grains to 2 million tons per annum and generate at least 700,000 tons of edible oil in five years (2020-2025). Tari has already developed a plan to produce 45 tons of pre-basic and basic seeds for distribution through different channels to facilitate mass production.

To implement the overall plan, Tari will partner with several companies and institutions. They are as follows: the Agriculture Seed Agency (ASA), BioSustain Tanzania Limited, Termar, Ruddi, Agri-Seed Technologies, Southern Highland Seed Growers, Lima Africa, Inades, Agricpays Tanzania Ltd and registered farmers working with the Clinton Foundation and World Vision Tanzania. These companies will produce at least 4,500 tons of seeds.

In addition to addressing Tanzania's shortage of edible oil and reducing the importation of sunflower seed varieties, it is hoped that this strategy will also produce improved and hybrid seed varieties. Tari has so far developed at least two new, improved seed varieties, which are at a multiplication stage to be distributed to farmers across Tanzania.

In 2016, the Global Agriculture and Food Security Programme (GAFSP) indicated that sunflower was the most likely subsector to yield investable opportunities in Tanzania. Unfortunately, Tanzania still has to benefit from new sub-sector offerings due to the lack of enough hybrid seed varieties. This sad state of affairs was even though the potential for the expansion of sunflower in Tanzania was good, and the land was suitable for growing sunflower.

Several factors could boost the future production of sunflower in Tanzania. These include the yield potential and superior agronomic characteristics of sunflower, a need for alternative crops in some areas of the country, excessive crushing capacity and increased demand for edible oils, and raising public awareness of sunflower oil's health benefits.[9]

MORE FOCUS ON AGRI SECTOR REQUIRED

According to economist Dr Adu Sarkodie, the Ghanaian government must focus on growing its agricultural sector. During the Covid-19 pandemic, while many industries shrank in 2020, the agriculture sector recorded significant growth. While several sectors recorded a decline, the agriculture sector, which makes up 19% of all goods produced in the second quarter of 2020, saw a growth rate of 2.5%.

Sarkodie suggested that the government focus on modernising and industrialising the agriculture sector. He believed that while the planting for food and jobs approach is working, the initiative has not fully achieved its benefits, and there is room for improvement. However, investment in the sector must be increased.[10]

POINTS OF INTEREST

- The ENABLE initiative in Kenya is long overdue and addresses some of the severe shortcomings in the sector that constrain youth participation in agriculture. The young may be unwilling to remain in the sector as they view the sector as a poverty trap. By training, coaching, mentoring and providing financial support, the youth can be enticed back onto the farms or, better, convinced to remain on the farms in the first place. As noted before, the average age of Africa's smallholder farmer is over 60 years. This is a dangerous situation for the continent. Many of the youths who leave the farms go to the cities to seek jobs, mostly in vain. Unemployed, they may become disgruntled. Extremists can recruit them as cannon fodder, creating a security challenge in the process.
- Digital support for Africa's agriculture will boost sector output and productivity and may entice more youth to remain on their farms. The partnership between Germany and IBM is welcome, with Africa being the beneficiary. As stated in the introduction, Africa is a net importer of food, valued between US$35 and US$41 billion annually. By supporting Africa's farmers to increase their productivity, Africa will benefit from reducing the outflow of valuable foreign reserves, increase jobs, and gain an advantage from import substitution. Digital technology can play an essential role in Africa's agriculture. However, in view of the low current adoption levels, this task will require a major effort.
- The Zimbabwe agriculture sector has a steep hill to climb to become productive and return to health. With the sector receiving a near-fatal blow with the occupation of farming land in the early 2000s under the Mugabe regime, one would have thought that restoring the sector's productivity would end many of its woes. However, tobacco has become a target for health-conscious groups throughout the world, more so in the time of the Covid-19 pandemic. In the latter case, the South African government banned cigarettes and tobacco product sales for long periods as an anti-Covid measure. Local value-addition is often propagated as a solution to agriculture challenges, especially when raw commodities are exported and then return as finished products. Making cigarettes in Zimbabwe, or adopting other forms of value addition, could be counter-productive. They are not the first to run into this kind of hiccup. South Africa built a steel mill in the port of Saldanha, just to close it down nearly three decades later due to global steel prices falling below South Africa's cost to make steel.
- Manufacturing edible oils from sunflowers in Tanzania is long overdue. Currently, a lot of sunflower and other products are imported to manufacture edible oils locally. Given the country's agriculture potential, one would think that importing a raw commodity is not cost-effective. On the other hand, many of these players are foreign companies sensitive to the risks of operating in Africa. Importing raw commodities might mitigate some of these risks. However, it is not to Tanzania's benefit, not when it could be produced locally. Local production of sunflower seeds will create jobs and reduce the negatives associated with importation.
- This is not the first time we see calls for a stronger focus on the agriculture sector. The sector appears more resistant to a Covid-19-induced downside. The IMF and Renaissance Capital have also made similar observations, pointing to other countries that are tourism-oriented or commodity-export-focused that were negatively impacted to a much greater extent than

agriculture-oriented economies. Renaissance Capital pointed out that the agriculture sector will be one most insulated from the economic impact of the Covid-19 crisis mostly because it is not highly integrated with global supply chains and the banking system.

3. Developments in the Financial Services Sector

Africa’s financial services sector has been the scene of several initiatives, including mergers and acquisitions. We see the telecommunications sector deploying digital platforms to compete with banks for the segment at the bottom of the pyramid. In the process, this trend increases the level of financial inclusion. This report addresses some of the recent developments in this sector.

STATE-OWNED BANK IN SOUTH AFRICA IN DIRE STRAITS

The government-owned Land Bank in South Africa provides 28% of its agricultural debt to emerging and established farmers. Sadly, the operational performance of the Land Bank has gone from bad to worse as its financial losses grew by 211% to R2.8 billion (±US$191 million) for the financial year ending 31 March 2020, compared with a loss of R902 million (±US$62 million) for the 2019 financial year. Its non-performing loans almost doubled to 18.1% from 9.6% in 2019. The Land Bank’s cash reserves fell nearly 80% to R700 million (US$48 million), down from R3.2 billion (±US$219 million) in 2019. Its capital adequacy ratio (without financial support from the government) is fell to 4.2% from 9% in 2019. Even with the R3 billion (±US$205 million) government bail-out package in September 2020, the bank’s capital adequacy ratio fell to 9.3% from 14.3%.

Even worse, the Auditor-General’s office cast doubt on its ability to survive for the foreseeable future or continue trading as a going concern. The Auditor-General could not obtain enough evidence to sign off the accounts with a clean bill of health. The Auditor-General was also concerned about the lack of internal control measures by Land Bank management to properly account for credit losses or impairments related to farmers' extended loans.

This ongoing Land Bank crisis intensified in 2020 when capital payments on a R45 billion (US$3.1 billion) debt load became due to its lenders. The financially-challenged Bank could not service these payments and suspended the extension of new loans to its agricultural clients.

The Land Bank’s financial problems are reportedly caused by “an exodus of executives, lack of oversight from the National Treasury (representing the SA government as the bank’s sole shareholder), junk downgrades of its credit rating by Moody’s, and drought conditions which have made it difficult for farmers to pay back their loans.”[11]

FINTECHS AND THE BANKING SECTOR NEED TO MOVE CLOSER

Nvalaye Kourouma, head of Ecobank’s Digital Channels and Innovation group, observes that only the most agile players benefitted from the accelerated digital transformation brought about by Covid-19. He believes only those African banks that adapted quickly to the uncertainty due to the pandemic benefitted from the shift in customer preference from traditional banks to digital financial services. Kourouma feels that while most banks knew that the conventional bricks-and-mortar model was unsustainable, not all could take advantage of the turmoil to transform digitally.

While bank regulators created an environment for banks to lead in flexible payments and other areas, Kourouma urged banks to use all the digital technologies to which they had access to improve the customer experience. Titi Odunfa Adeoye, MD of Sankore Investments, notes that fintechs now show banks what can be done in customer service. While the debate once centred on whether fintechs were going to put banks out of business, this did not occur. The entire fintech industry in Nigeria contributes less than 1% of the retail banks’ revenue. Adeoye believes the more exciting and relevant subsectors of fintech, “such as regtech, tools and data,” have yet to be addressed.

Adeoye points out that half a billion dollars poured into the fintech space over the last three years, which led to a significant impact on the market in terms of capacity, use, and technology reliability. Some banks will partner with fintechs, benefit from their capacity and leverage the public trust in these platforms. These banks will have a profound effect on the industry.

According to Wayne Hennessy-Barrett, CEO of 4G Capital, which operates in 90 locations across Kenya and Uganda, there is not enough investment in the fintech industry to take it to the next level. While the IFC showed the sub-Saharan Africa financing gap remaining at US$331 billion, Hennessy-Barrett saw a growing sense of urgency to see fintechs, banks, and other players within the ecosystem come together to create an exponentially accelerated effort to close this financing gap.[12]

BANK MERGERS IN TANZANIA

The generally profitable Tanzanian banking sector has recently experienced a wave of mergers. According to industry experts, Tanzania needed stronger banks to provide the financial services required to support its economic growth and development. While some banks have merged for business reasons, others have done so to meet the industry's regulatory minimum capital requirement.

Typical mergers involved the following: KCB Bank signed a deal with Atlas Mara Ltd and ABC Holding Ltd to acquire BancABC; Commercial Bank of Africa Tanzania Ltd (CBA) and NIC Bank Tanzania Ltd merged to form NCBA Bank; government-owned TIB Corporate Bank Ltd merged with TPB Bank; and Mwanga Community Bank Ltd, Hakika Microfinance Bank Ltd and EFC Microfinance Bank Ltd merged to form a new micro-finance bank known as Mwanga Hakika Microfinance Bank Ltd.

In addition to meeting the enhanced capital level, the merged banks would reach more clients due to an expanded network (more branches and alternative banking channels such as agent banking, ATMs, mobile money transfer services). They would reportedly have the opportunity to improve skills and service delivery and ultimately improve service to customers. The level of services also increased with mergers. TPB Bank, for example, extended its service offering from retail services to corporate banking after merging with TIB Corporate Bank.

The mergers created the potential challenge of increased costs to customers due to the possibility of creating monopolies, which could affect the pricing of products or services and reduce the quality of services. The loss of employment opportunities was also a possibility, which could create social challenges and reduced consumption. Should the larger merged entity fail, they would also have a more significant adverse effect on the economy.

Mergers with banks outside the country had not yet taken place as local banks could not attract FDI's. Commentators believe that going forward, more Tanzanian banks will look to expand their operations to other countries.[13]

PLATFORM BUSINESS MODELS FOR INSURERS

Africa’s insurance penetration is at a meagre 2.8% compared to the world’s average of 6.8%. In Kenya, penetration has decreased recently, and the GDP growth rate has outpaced insurance premiums. This situation exposes households and businesses to unforeseen shocks, such as those experienced during the Covid-19 pandemic. As most insurers in Kenya ignored the emerging customer segments, it has led to a shortage of customer-centric products targeted at this market. The Kenyan population has low awareness and understanding of insurance products.

The industry needs a creative new approach that would enable insurance companies to increase their client base and protect the underinsured. A platform business model may help achieve this goal. A platform business model refers to “economic activity (buying and selling) facilitated by digital platforms that connect inter-reliant groups such as providers and producers of services and products with users and consumers.”

In Africa, platforms like M-Tiba, Little Cabs and Twiga Foods have revolutionised the health, transport and agriculture sectors, respectively. They organised previously fragmented sectors

Platform models provide opportunities to financial service providers in general and insurers in particular. “Firstly, as aggregators they provide access to large groups, including emerging but underserved customers. Secondly, such platforms are an excellent source of demographic, financial and behavioural data that can support the design of relevant solutions. Finally, through technology, platforms can simplify key processes, making it easier and cost-effective to distribute insurance at scale.”

The industry needs several transformational changes to realise this potential. Insurance regulators need to make it easier for such platforms to offer services. Regulators should focus on consumer protection by ensuring that these platforms do not repeat predatory behaviour. Governments must step in because an increase in insurance penetration will protect vulnerable communities and develop capital markets to strengthen Africa's financial sector. Platforms themselves need to be more open to insurance partnerships. Finally, insurers must design products and processes that suit the needs of the platform users.[14]

POINTS OF INTEREST

- South Africa's Land Bank has been poorly managed, with senior executives coming and going. It provides an excellent case of how not to run a bank. It is also a clear indication that governments should not be running private enterprises. It is also not the only state-owned enterprise in South Africa that weak management has run into the ground. Others include Eskom (electricity supplier), SAA (national airline), Denel (arms manufacturer), Post Office, SABC (broadcaster), Transnet, and South African National Roads Agency (SANRAL), to name but a few.
- The banking sector's reaction to fintech companies, frequently from the telecoms sector, is fascinating. In the early days of the fintech revolution, banks condescendingly wrote them off as irrelevant. In Africa, however, fintechs grew to become dangerous alternatives to retail banks, who found themselves in the unenviable position of being faced with the threat of disintermediation. About five years ago, banks started taking mobile money seriously. They announced in the media how vital mobile money is as if they were the originators of this idea. Now we see a plea for fintechs and banks to move towards each other. This may not be in the best interest of the fintechs, as they would now fall within the bureaucratic rules of the formal banking establishment. Here, governance is the focus rather than customer service or flexibility. We now see banks creating separate digital banks as subsidiaries to target this market that has hitherto been the domain of telecoms companies that drove mobile money services to their millions of customers. This is because the digital bank's culture and mindset are significantly different from that of the formal banking sector. Banks would undoubtedly love to remove these fintechs as a threat to their business while obtaining access to their many millions of customers. Unfortunately, banking regulators would probably play a decisive role in paving the traditional banks' path toward gaining an advantage over the fintechs, at least in some markets.
- Bank mergers in East Africa are not new phenomena. In addition to those in Tanzania, many emerged in Kenya. Its Central Bank actually advised smaller banks with low market share to merge to avoid failure. This potential outcome is never good for a bank sector as it leads to mistrust of the formal sector and could lead to a run on even the healthy banks. As banks are heavily leveraged, even healthy banks cannot survive a run on deposits. Nigeria has also seen a significant number of mergers in the recent two decades. In addition to avoiding failure, some banks in the region are acquiring other banks in other countries to achieve a vision of becoming a Pan-African bank. Under the very competent leadership of Dr James Mwangi, Kenya's Equity Bank is such an example. What remains important is that countries have a strong banking sector to support economic growth.
- The emergence of platform business models in Africa's financial services sector provides a fascinating window into the future. Platform business models gained prominence when corporations such as Apple, Amazon, Facebook, and Google adopted the model to fully utilise the technology at their disposal. Amazon, for example, began by selling books. Utilising a platform business model, it now sells physical products, professional and personal services, web services, and many more. African insurers do not need to reinvent the wheel, as they can emulate that which worked elsewhere. It is also not just the financial services sector that has been tapping into platform business models. While they did use electronic platforms, some farmers have actually used a physical platform such as a farm. For example, in the wine industry in South Africa, instead of only growing grapes and making wine, wine estate owners are now

hosting restaurants, guest houses, industry events, weddings and conferences. Several also tap into the digital world by generating online sales and capturing data for use in marketing.

4. Infrastructure Development in Africa

Africa still has a massive backlog in infrastructure development, whether for roads, railways, ports, harbours, or housing. To catch up, Africa reportedly needs an annual investment of between US$140 billion and US$170 billion. The continent is nowhere near attracting this level of investment. However, we see promising developments, with new players entering the southwest and west of Africa. Some creative funding mechanisms will provide access to the funding required to build new infrastructure, such as housing projects. This report addresses some recent developments in this sector.

NEW PORT INFRASTRUCTURE IN SENEGAL

Dubai's port operator DP World recently announced plans for a large new deep-water port development project in Senegal. It signed an agreement worth more than US$1.1 billion with Senegal's government for its most significant port investment to date in Africa. DP World will build a new 607-hectare port near Dakar, located approximately 50km from the current port and near the international airport. They will also build a 283-hectare container terminal and an adjacent free trade zone. DP World and the Port Authority of Dakar has established a new company, DP World Dakar.

The JV-partners view the new Ndayane port as reinforcing Dakar's role as a central logistics hub and gateway to West and North West Africa. The existing DP World terminal will continue to operate during the development phase. They will later redevelop the site into a mixed-use residential and commercial waterfront. The partners are also considering developing a cruise terminal.

A new channel able to handle the largest container vessels in the world will be launched during the first phase of the project, at a cost of US$837 million. This first phase will also be the single largest private sector investment in Senegal. The channel will later be expanded to accommodate even larger container ships and increase the dock length by nearly half. The budget for the second phase is US$290 million. The new port will reportedly create jobs, attract new foreign direct investment to Senegal, and enable economic diversification through the generation of new trading opportunities.[15] [16]

DEVELOPING THE PORT OF LUANDA IN ANGOLA

DP World recently announced the signing of a 20-year concession agreement with the Angolan government to operate the Multipurpose Terminal (MPT) at the Port of Luanda, which is Angola's largest port. The Port's location makes it a mandatory stop on the sea routes along the west coast of Africa. It gives Angola the opportunity to benefit from trade flows into the surrounding region.

The MPT will be the first seaport terminal located on the west coast of Southern Africa to be operated and managed by DP World. DP World was selected as the preferred bidder by an evaluation committee set up by the Angolan Ministry of Transport, following an international tender process.

The agreement commits US$190 million to rehabilitate the existing infrastructure and acquire new equipment. These upgrades will raise operations at the port to global standards and improve its efficiency. The terminal's annual throughput is expected to increase to approximately 700,000 TEUs per year. A modern port management system will be established to support this goal, and further training and development will be provided to Angolan terminal employees.

According to Sultan Ahmed bin Sulayem, group chairman and CEO of DP World, the Group believes in Angola's potential for further economic growth. DP World intends supporting the Angolan government to achieve its growth objectives through this key sector by leveraging its expertise as a port operator and a global provider of end-to-end logistics solutions.[17] [18]

CROWDFUNDING TO FUND INFRASTRUCTURE IN GHANA

Cofundie, a Ghanaian startup formed in August 2019, recently developed a crowdfunding platform to generate funds for developing affordable housing using alternative materials and techniques. The model allows crowd funders to share in the profits after these homes are sold or rented out. Cofundie takes 5% of all funds raised and 10% of the profits from buildings funded through the platform as revenues.

Africa's housing deficit is close to 56 million units, which Cofundie ascribes to real estate financing dynamics, directed mainly towards luxury and commercial developments. Simultaneously, the entry barriers to investing in real estate are too high for small scale investors. Cofundie's vision is to solve Africa's housing crisis. They intend doing this by growing investments in affordable housing built using cost-effective and time-saving techniques and materials such as earth bricks, rammed earth, used shipping containers and polystyrene panels.

Cofundie ensures that the platform funds only the highest quality deals by performing thorough due diligence on both the developers and potential deals. Cofundie's investment committee interviews the developers that meet stringent tests for a final decision. Less than 5% of the offered deals are accepted.

Cofundie's first project entailed crowdfunding for the first phase of a 20-unit housing project in collaboration with Ghana's largest urban developer, i.e., Appolonia City. More than 20% of the required amount has been raised.

Cofundie is also collaborating with one of its developers to develop 100 units of one-, two- and three-bedroom homes built using polystyrene panels. These homes will sell at between US$21,000 and US$45,000, 20% less than comparable units built using traditional materials.

The Ghanaian diaspora appears to be very interested in the model, and their uptake has been the greatest. While local Ghanaians also show interest, crowdfunding is a relatively new concept, and trust appears to be an issue.

Cofundie, now in the process of raising a seed round, plans to launch in Nigeria by mid-2021. Nigerian developers and investors have indicated sufficient demand. One challenge facing Cofundie is the lack of clear regulations to govern crowdfunding in Africa, especially in Ghana.[19]

DEVELOPING THE TRANSPORT SECTOR IN ETHIOPIA

Ethiopia's Minister of Transport Dagmawit Moges said the realization of the 10-year development plan of its transport sector required an investment of approximately US$5.8 billion. She also noted that such large initiatives require the active participation of foreign investors and the private sector. The Ethiopian government would not be able to handle such a massive project on its own.

The 10-year development plan focuses on infrastructure development, creating access and addressing quality issues. The programme will incorporate international standards for infrastructure development, such as constructing roads, railway lines, and the aviation sector.

The Ministry identified 20 projects for immediate action but will develop many more projects in future. The government adopted different platforms where they will introduce projects. These would be supported by public-private-partnerships involving foreign investors.

Ethiopia's Transport Ministry is preparing a 30-year transport master plan, which will lead to integrated action across all transportation modes. The significant increase in the volume of imports and exports drives the necessity for this initiative. With a more efficient logistics system, Ethiopia can serve as a hub for its neighbours and benefit from the resulting new employment opportunities for its population.[20]

FLOATING BRIDGE IN MOMBASA, KENYA

In Mombasa, Kenya, the Likoni Channel serves as a gateway for Mombasa Port. People and vehicles cross the channel daily using ferries. As the city's population grows, the demand for ferry services rises, which pressures its viability. About 300,000 pedestrians and 6,000 vehicles cross the channel daily, leading to immense congestion during peak hours.

To alleviate this bottleneck, Kenya recently launched a 1.2-kilometre floating bridge across the channel built by China Road and Bridge Corporation (CRBC) at the cost of US$17 million. The bridge features a six-meter-wide deck and a floating section of 715 metres. A 150-meter swing opening in the middle allows for the passage of ships calling at Mombasa Port to transit through the channel.

Kenya Ports Authority will operate the bridge, using tag boats to open and close the movable part one hour before a ship passes.

The temporary bridge is to be dismantled and replaced on completion of the permanent Mombasa Gate Bridge project. This project is currently in design and estimated to cost US$1.8 billion.[21]

POINTS OF INTEREST

- DP World formerly managed the Doraleh container terminal in the Port of Djibouti. Some years ago, the Djibouti government evicted DP World. Since then, DP World has won six hearings against the Djibouti government. However, Djibouti refuses to heed the verdict. DP World has remained bullish about Africa and its massive potential. It has now won contracts in Senegal and Angola, as detailed above. DP World recently won several contracts in Africa. In 2018, DP World announced it would build and operate a logistics hub in Mali under a 20-year concession agreement. It also signed a preliminary agreement with Egypt's Suez Canal Authority and government to jointly develop a new inland container depot that would boost the flow of cargo between ships and major land transportation networks in the country. DP World also won a 30-year concession to develop a US$1 billion deep-water port along the DRC's Atlantic coast.
- Cofundie's crowdfunding platform is impressive, not only for crowdfunding but also because it uses alternative resources as building materials. Their business model links funders with property developers and the eventual property buyers. The revenue model appears quite lucrative, earning a 5% commission on funds raised and 10% on the profits from selling the properties. Cofundie performs due diligence on the projects, ensuring the developers' quality and providing investors with peace of mind. Many investors are cautious about property developments as they fear becoming the victims of poorly managed projects.
- Ethiopia's transport plan addresses a challenge that faces many African countries. Traffic congestion due to poorly planned roads and badly designed cities is a massive headache. Inadequate road maintenance, high traffic, and heavy vehicles aggravate the situation, not only in Addis Ababa and Ethiopia but also in many other countries. The road system in Lagos, Nigeria, is notorious. The roads in and out of the Port of Apapa are a significant headache. However, as long as heavy freight moves on roads instead of rail, the quality of the roads will remain problematic. Africa must invest in better transport infrastructure that connects the various countries, although funding is a significant challenge. Until good roads are a reality, intra-African transport, and for that matter, trade, will be costly and complicated. Hopefully, the AfCFTA will facilitate the modernisation of transport networks on the continent and ease the flow of goods and people between the various countries.
- Kenya's Nairobi is another city where traffic congestion can be a nightmare. Anyone trapped in peak traffic, either in the morning or late afternoon, can attest to this. A trip to or from the airport outside the city is not advisable during peak traffic. Again, other cities also find this challenge a significant problem. Contributing factors include Africa's rapid urbanisation, a growing middle class with increasing ability to purchase cars, and the rising number of commercial vehicles on the roads. Cities are also rarely planned but tend to "just happen", – which aggravates the poorly designed road networks.

5. Investments and Economics in Africa

Africa continues to be the target of a variety of investments and economic initiatives. Some originate within the continent; others appear from abroad. We also see certain economies struggling under mismanagement, while others benefit from foreign interest in the continent's potential returns. This report addresses recent developments in this field.

IMPERIAL INVESTING IN LORI SYSTEMS

Imperial provides integrated market access and logistics solutions with a focus on Africa and Europe. The company, via its Imperial Venture Fund, recently invested in and created a strategic partnership with Lori Systems to expand its e-logistics technology solutions across East, West and Southern Africa. The collaboration across the SADC region aims to develop and enhance Africa's road freight industry through digital innovation and enablement.

According to Mohammed Akoojee, Group CEO of Imperial, investing in Lori Systems will enable further business opportunities in Africa and provide efficiency for Imperial's clients and transport operators with whom they collaborate.

Lori Systems is an e-logistics platform in Africa and coordinates freightage in frontier markets. It aims to solve the challenges frontier markets face with logistics, namely the lack of visibility, coordination, and data.

Imperial will now gain access to Lori's platform, providing shippers and transporters in Southern Africa with access to a flexible suite of software applications and data, which will lead to more efficiently managed operations and fleets, significantly reducing costs in the process. The company has "driven efficiency across fragmented East and West African markets by providing end-to-end visibility for customers and integrations across the entire supply chain." The partnership combines Lori's technology and Imperial's expertise in logistics to drive similar efficiencies in Southern African markets.

Lori has also drawn interest from frontier markets beyond Africa's borders, where similar challenges exist. The Covid-19 pandemic has also highlighted the critical need to ensure efficiency in logistics, transportation, and digital solutions.[22]

JAPANESE VCs TARGETING AFRICA

Japanese venture capitalists increasingly target Africa's startups. These VCs include Kepple Africa Ventures and Samurai Incubate Africa. Three other Japanese VCs are TIBU, which targets health care to Kenyans; LULA, which pioneers company ridesharing in South Africa; and Numida, which brings tech-based microfinance to Ugandan entrepreneurs.

These Japanese VCs targeted Africa to offset an oversupply of capital in the Japanese startup system. TIBU, LULA and Numida invested tens of millions of dollars (raised from private and corporate investors in Japan) in about 100 startups across the African continent. They offer Africa's governments and its private sector an alternative to Chinese funding. In contrast to Japanese VCs, China's investments in Africa are almost entirely driven by state banks, loan agencies and public sector grants.

According to Ryosuke Yamawaki of Kepple, Japanese VCs see Africa as the market of the future. Its start-up market needs capital, which has created an opportunity for Japanese investors. Kepple invested US$12 million in 61 firms in nine African countries in the past three years. Samurai invested in 25 companies in Nigeria, Kenya, South Africa, Ghana, Uganda and Rwanda, while Asia Africa Investment & Consulting (AAIC) invested in 20 African companies.

Kepple's Yamawaki acts as an intermediary for investments in Africa. He believes that Japanese corporates should not invest directly in African tech startups as it may take a year to make one deal.

In addition to cash for investments in Africa's start-ups, Japanese VCs brought mechanisms such as a knowledge-sharing platform for the firms in their portfolio. They also provide advice to their clients.

Some VCs focus on one sector: AAIC targeted the health care sector. Like Kepple and Samurai, others invested in energy, fintech, agriculture, retail, logistics, transport, entertainment, and health care startups. Geographically, all three of these funds focus their investments in Nigeria (Kepple and AAIC have offices there), Kenya (where Yamawaki is based) and South Africa. However, their portfolios indicate a willingness to invest wherever opportunities are available.

These Japanese VCs face many challenges, including political instability and currency depreciation. They do not seem to be discouraged by these obstacles, however.[23]

FACTORS IMPACTING THE SOUTH AFRICAN ECONOMY IN 2021

South African publication Business Maverick recently published an article that identifies five factors its author believes will impact the national economy. First, the Covid-19 pandemic led to a 51% GDP contraction (annualised) in the second quarter of 2020. Renewed lockdown measures imposed late in December 2020 shut down about 20% of the economy, shaving 0.5% of potential growth off this year. If regulations become even more stringent, the numbers of unemployed will grow significantly. The ban on alcohol sales threatened 250,000 jobs in the industry. A proper vaccine rollout can be a game-changer, while a poorly implemented campaign may make it impossible to attain even the World Bank's projected 3.3% GDP growth rate.

The second factor is action by the South African Reserve Bank (SARB), which cut its repo rate in 2020 by 300 basis points to 3.5%, reducing the prime lending rate to 7%. Inflation remains well-contained. The bank embarked on a bond-buying programme in the secondary market last year to stabilise and inject liquidity into financial markets. This move also helped bring bond yields down. It is currently unclear whether the SARB will take similar action this year.

The third factor is commodity prices. South Africa is deeply exposed on two fronts: oil, which it imports, and metals and minerals, which are important exports. A volatile oil price makes the price of fuel at the pumps important both for consumers and business. South Africa's commodity prices are also exposed to global volatility. Depending on prices, mining companies could have another bumper year in 2021. Should this be the case, export earnings can help support the value of the Rand.

The fourth factor deals with rising debt levels, which could devastate the economy. In October 2020, the budget deficit was 15.7% of GDP and gross debt 81.8% of GDP. There are many enormous challenges, such as the public sector wage bill. Downgrades of SA's credit rating makes cutting debt more challenging, and its descent into the deeper reaches of junk status has almost certainly not yet bottomed out. South African debt is thus a risky option that leads to higher interest rates. Should economic growth not meet even low expectations this year, the debt-to-GDP ratio will rise even faster.

Fifth, Eskom remains a huge overhanging risk due to a wide range of factors, many of them management-related. Its capacity to keep the lights on is doubtful. Eskom's debt is also close to R500 billion (±US$34 billion). Unfortunately, the Department of Mineral Resources and Energy do not seem to be keen to get alternative sources off the ground to reduce the strain on the grid. Faced with persistent load-shedding, the energy sector has little prospect of decent growth.[24]

INVESTING IN EGYPT

Egypt's President al-Sisi views the ongoing national megaprojects in the various developmental domains as a great opportunity and promotes them as a promising investment market for foreign companies. He directed his country's executives to boost cooperation with France's CMA CGM Group to develop Alexandria port administration and promote the port at the regional and international levels. The aim is to apply international standards in port operation to reach record rates in loading and unloading to help raise the global classification of Egypt's ports.

Rodolphe Saade, CEO and Chairman of the CMA CGM Group's Board of Directors, praised Egypt's business climate, referring to CMA CGM Group's plans to cooperate with Egypt in managing ports. The French company also looks forward to expanding its scope of work to include operating logistics areas and additional terminals in other ports beside the Alexandria Port.

The CMA CGM Group also plans to establish a technology centre to train young people to work in the maritime transport and logistics sector, as part of its intent to raise the capabilities of Egyptian cadres.[25]

POINTS OF INTEREST

- Lori Systems' software platform will address some of the challenges road haulage companies face in Africa. As noted in the previous report on road infrastructure, Africa's ubiquitous poor-quality roads can be highly problematic. This is a problem that a software platform cannot rectify. However, by providing advance warning of road surface problems and the most viable routes, software can significantly contribute to increasing transport efficiencies in Africa.
- The lack of investment opportunities in Japan benefits African startups as Japanese VCs are now targeting African opportunities. This trend also indicates the nature of the interest Japan has in Africa. As reported, Japan's private sector is leading the charge into Africa. In China, it is the government and its SOEs that are moving into Africa. Irrespective of the source, Africa's funding options are increasing. As stated earlier, Japan intends to remain in Africa for the long-term. This news is good for Africa and its startups.
- The South African economy makes for fascinating reading. The five factors highlighted in the article are definitely in play and influence the economy in one way or another. They are not the only ones, however. We may be seeing a play for the soul of the country. Former president Zuma refused to testify before the Zondo Commission of Inquiry into State Capture. His supporters have promised violence should he be jailed. The Zondo Commission has asked the Constitutional Court to send Zuma to jail for two years for contempt of court. The outcome of this request, and the nature of public reaction, will illuminate the road ahead. The ruling ANC instructed the Secretary-General of the Party, Ace Magashule, charged with various charges of corruption, to step aside. He has so far refused to do so, despite appearing in court on these charges. We have seen rampant corruption over the past two decades, where billions, if not trillions, were stolen. To quote the Minister of Public Enterprises, Pravin Gordon: "Our SOEs have been stripped by ruthless looting and destruction."
- ANC leaders and senior government officials have looted massive amounts from funds earmarked for dealing with the Covid-19 pandemic. Magashule appears to be part of this theft of public funds. ANC support for current president Ramaphosa is also not all that certain. This uncertainty may be a significant factor for the lack of concrete and decisive steps against the looters of the South African piggy bank. Yet we see the Rand strengthening against the US$. Such support for the troubled South African economy defies explanation.
- Egypt figures prominently on the list of attractive investment destinations in Africa. This rating is due to more than propaganda from the Egyptian government. South African investment researchers judged the country to lead its list on more than one occasion. France is but one country interested in investing in Egypt. China and Russia have also proven their interest through large investments in various sectors of the Egyptian economy.

6. Developments in the Mining Industry

Africa reportedly has proven mineral reserves of approximately US$90 trillion. It is thus far from poor. However, as former Liberian president Johnson noted, the continent is poorly managed. Many countries tend to export raw commodities instead of adding value. Others focus on a small number of minerals or ignore the rest of the economy by focusing mainly on extractive sectors. This report addresses recent developments in this sector.

MINING POTENTIAL IN NORTHERN CAPE PROVINCE OF SOUTH AFRICA

Errol Smart, a South African with extensive experience in the Australian minerals development sector, believes South Africa's economic recovery plan needs vigour, especially in the Northern Cape province. He views the Northern Cape's immense potential as ripe for exploitation. His organisation's 3,000 km^2 portfolio of mining and prospecting rights includes 23 commodities of interest. They include uranium, nickel, cobalt, platinum group metals and gold, plus many base metals. These mineral opportunities make the area globally unique.

Certain factors need to be in place to exploit the potential of this rich region. These include political certainty, regulatory liberalisation, and an efficient and corruption-free online minerals rights registration system. Should these factors appear together with tax incentives for the sector, they will transform the Northern Cape's rural landscapes, where investment and employment are most needed.

Glen McGavigan, executive head of Technical and Projects at Kumba Iron Ore, echoed Smart's views on the Northern Cape's mineral potential. He believes this potential has barely been scratched and that the region was under-explored.

One start-up project that can be attributed to new technology is the US$400 million Gamsberg zinc project by Vedanta Resources in the Northern Cape. According to Laxman Shekhawat, business head of Vedanta Zinc International, Vedanta is planning further expansion of Gamsberg and a new zinc smelter, both of which will support the South African government's aspiration of industrial beneficiation. However, the go-ahead for the project is dependent on transport capacity improvements from Transnet. In addition to the bottleneck at Transnet, Eskom's compound tariff increases of more than 50% over three years also limit developments in the sector. Vedanta intends to build a steel-making hub in the Northern Cape."

Smart intends to collaborate with Vedanta to extract base metals in the region, with African Rainbow Minerals to develop its smelting technology, and with Kumba to enable cooperation with SLPs (social and labour plans) training.[26]

BOOSTING SOUTH AFRICA'S CHROME PRODUCTION

South Africa's chrome industry is not in a healthy space. Over the past decade, its ferrochrome production rose from 3.2 million tons to 3.6 million tons in 2019. Despite this modest growth in aggregate terms, South Africa's share of global ferrochrome production fell from 47% of the total in 2010 to 25% in 2019. In the past two years, nearly 40% of South Africa's ferrochrome production was either shut down or mothballed.

According to the Minerals Council South Africa, the country's entire chrome value chain should be supported through the use of several measures that include developmental pricing for ferroalloy producers, a review of the subsidy to intensive electricity users, the promotion of self-generation, port efficiency improvements and steps to switch chrome transport from road to rail.

The South African Government in October 2020 proposed an export tax on chrome ore to protect the production of higher value ferrochrome. Supporters of this measure argued that given South Africa's dominance in chrome production, it is consistent with similar steps by countries such as China to protect domestic production. In contrast, chrome ore exporters criticised the move, claiming the cost of electricity is the primary factor hurting the alloys sector.

The Minerals Council indicated that as electricity prices escalated more than 500% in the last decade, the industry needed to take a longer-term view of electricity pricing to enable strategic planning. It also called for reviewing the current cross-subsidy for electricity-intensive users and considering phasing this policy out. Also, the Council called for a potential adjustment of the winter peak demand tariff.[27]

THE BATTERY SECTOR IN WEST AFRICA

The dominant position of gold production in West Africa, currently meeting more than 8% of global supply, led to focusing most of the mining infrastructure in the region on the subsector. The metal now attracts the most investments and projects in the sector. This bias makes it difficult for mining projects focusing on other materials to generate attention and receive adequate funding.

A panel at the Africa Mining Forum 2020 discussed the developing battery market and how West Africa could profit from this trend. According to PwC representative George Ahrin, West Africa cannot depend only on one resource, and it is imperative to diversify economic activities. However, the panel identified the battery market as a lucrative opportunity for expansion outside the gold sector, not only for Africa but especially for West Africa.

According to Ahrin, in 2019, the battery metal market was valued at US$14.8 billion. It may grow at 2.4% per year over the next few years, driven by continued emphasis on emission reduction and the shift to electric vehicles. George Heppel from CRU stated that while economic turmoil, high consumer debt, potential austerity plans and risk of unemployment in the wake of the Covid-19 pandemic could have stalled this growth dramatically, countries and companies had renewed their climate change aspirations. Electrical transportation is central to these aspirations, which means that batteries and their component elements will be in high demand. Heppel suggested that cobalt's global market could increase 2.4 times, and nickel and lithium 3.3 times, respectively.

Africa, and especially West African countries, have an abundance of mineral resources. They can potentially tap this emerging market and meet growing demand. To bring this about, investment and potential financiers must ensure fiscal stability. A useful legal framework and strong government support are important considerations.[28]

BOTSWANA EAGER TO REDUCE DEPENDENCE ON ITS DIAMOND SECTOR

Botswana is over-reliant on its diamond revenues. Botswana's President Mokgweetsi Masisi recently invited investors to tap into opportunities in its coal, gold and base metals industries to reduce this dependence. The Covid-19 hammering of one of the country’s most lucrative sectors exacerbated the need for this diversification. The pandemic led to a “drop in global diamond output by around 20% last year, leading to slashed prices, shuttered mines and widespread job losses due to supply-chain disruptions in the diamond industry.” Uncertainty remains regarding the renewal of a 10-year sales agreement with De Beers after the current deal expired at the end of 2020. De Beers provides Botswana with around 67% of its foreign exchange and 20% of its GDP. The global slump subsequently sent the country into an 8.9% contraction in 2020.

President Masisi identified other opportunities in copper, nickel, silver, soda ash, salt, coal and gold that could help Botswana move away from its overreliance on diamonds. Rare earth metals and battery metals are abundant in Botswana.

Botswana adopted several measures to facilitate this diversification strategy. These include a roadmap to exploit approximately 212 billion tons of coal, a review of Botswana’s legal frameworks in mines, and a study to encourage investment in limestone deposits and cement. Supporting measures include developing a multi-commodity exchange to provide investors with an easy platform for trade in various commodities beyond minerals and the digitalization of geological information for domestic and international investors to encourage mineral exploration.[29]

The 212 billion tons of Botswana’s coal reserves are mostly unexploited. The coal road map to which President Masisi referred presents eight potential options to increase the contribution of coal to its economy. These options are classified based on the overall effectiveness, with coal exports, power exports and domestic power supply highly prioritised. According to President Masisi, the roadmap promotes sustainable coal mining through the use of clean technologies, which mitigate the effects of climate change. Botswana is collaborating closely with its neighbours to put in place the necessary infrastructure to facilitate coal exports.[30]

ETHIOPIA'S RICH MINERAL RESOURCES

Ethiopia has a rich reservoir of minerals with the potential to transform the lives of Ethiopians and create more jobs. Until now, a lack of funding, technology and experience has stymied the growth of the sector. However, if appropriately managed, the sector can attract much-needed foreign currency and create massive job opportunities for local communities.

While Ethiopia is exporting several types of gemstones, such as opal, emerald, and sapphires, the country is not benefitting optimally as the sector does not have strength in cutting and polishing. It was recommended that the government support this capability and encourage exporters to sell only cut and polished stones directly to the global markets.

Lithium has several uses in the industry. The recent rise in demand for electric vehicles increased the demand for lithium batteries. Ethiopia has an estimated 250,000 tons of proven reserves of lithium oxide and should therefore be ready to exploit this tremendous opportunity.

The country's potash reserve is one of the highest in the world. Prospecting for iron, copper, and base metals is also in progress in many of its regions. Ethiopia has an estimated reserve of iron ore deposit of more than 70 million tons. The local demand for iron is expected to continue due to the infrastructure boom in the country. The government is also working with international mining companies to explore and develop iron ore.

The country has a variety of industrial minerals such as limestone, clays, sand, gravel, diatomite, kaolin, bentonite, silica, barite, gypsum, and talc. These are essential raw materials for cement, ceramics, paints, glass, chemical, and paper industries. Hence, the development and expansion of industrial minerals are critical.[31]

POINTS OF INTEREST

- South Africa's Northern Cape Province is a scarcely populated semi-arid region. Employment is a challenge, and wages are low. It is a mystery why the South African Ministry of Mineral Resources and Energy are dragging their feet to exploit the mineral resources that can transform an otherwise poor province. Agriculture is currently a significant employer in the province, but due to severe and periodic droughts, farmworkers frequently turn towards the larger towns in the province. Should the mining potential in this area be exploited, it would provide the youth and the general labour force with an alternative. The reality is that the Ministry has struggled for several years to run a tight ship. The resulting uncertainty led to companies either hesitating to invest or to leave the country. AngloGold Ashanti is such a company that has sold off its assets in South Africa. Others, like Sibanye-Stillwater, has made it clear via its CEO, Neal Froneman, that its investment in South Africa was despite the South African government. He was also very critical about the government dragging its feet.
- The inaction at the Ministry of Mineral Affairs and Energy is also evident in the South African chrome production sub-sector. It seems it is either the lack of action or the wrong type of action that limits progress in the sub-sector and constraining its competitiveness against global competitors. As the saying goes, "with such friends, you do not need enemies." One factor that reportedly plays a role is the ruling ANC's policy of cadre deployment, where people with party influence get top jobs. Competence is seemingly not a significant factor. Whenever the Ministry had a competent minister, he was soon replaced when he fell out of favour with the president – to be fair, this happened during the height of the period now referred to as state capture.
- Any initiative to reduce Africa's dependence on a single commodity is to be lauded, more so if such an endeavour is climate-friendly as well. Focusing on projects that could tap the battery

market, both in Africa and globally, is an example of such projects. Africa also currently imports many batteries to supply its renewable energy projects. The ability to produce batteries locally will create many advantages, such as in employment, import substitution and export revenue generation. It will also reduce the vulnerability of being dependent on a single commodity or raw commodities. With electric vehicles growing in demand in Africa and globally and the growing demand for renewable energy, producing batteries for the continent should be actively supported.

- Botswana's focus on reducing its dependence on the diamond sector as an employer and revenue generator is another example of the need to embrace diversification. This country has strong tourism potential, in addition to the broad range of minerals to which President Masisi referred. It is also well run, economically and otherwise, with low crime levels. It has the challenge of being landlocked but seems to be managing this well. Not only can it reach the sea via South Africa, but there have also been reports indicating the development of railway access via Namibia and even Mozambique. Botswana does not want to be limited to access via South Africa.
- Ethiopia finds itself in a similar position to Botswana as far as diversity and richness of minerals and being landlocked is concerned. It is also a country with a much larger population (112 million), with a relatively low per capita GDP of US$602 (2019 figure). A minerals policy aimed to exploit its mineral potential efficiently and help raise its GDP, in addition to growing the employment base (2018 unemployment is at 19.2%). The country needs to deal with the Tigray state's internal unrest, as this is not conducive for the long-term foreign investment required for the mining sector.

7. Developments in Renewable Energy

Renewable energy in Africa is growing in prominence. An increasing number of governments embrace the technology to provide electricity to people in Africa without access to electricity. This is said to be more than 600 million people. This report addresses some recent developments in the subsector.

USING PAY-AS-YOU-GO MODELS FOR RENEWABLE ENERGY

Some commentators in Kenya view solar and wind as the cheapest options for new electricity capacity. The newer solar and wind power plants undercut the operational costs of existing fossil and nuclear power plants. Low-cost solar has a much deeper impact and often feeds power to specific appliances or electronics in off-grid and limited-grid communities.

Azuri Technologies in Kenya is offering a new PayGo solar-powered TV service. The service includes the TV400, a 32″ television that will enable viewers to watch TV all day and for up to 10 hours at night. The TV also comes with a satellite TV service, "even in areas where there is no grid and no terrestrial TV signal." Azuri's solar-powered TV was both popular and useful during the Covid-19 pandemic. Many families use this service to access virtual educational materials.

A PayGo Solar TV buyer also receives an 80W solar panel and a 160Wh LFP battery, which has an expected lifespan of 10 years before any need for servicing. The business model of the service works on the basis that the solar TV is sold at an upfront price of US$82.39, followed by US$1.18 per day for 30 months. Thereafter the system is unlocked, and all additional solar power is free of charge.[32]

Also in Kenya, SunCulture, a start-up that provides solar water pumps for irrigation, recently raised US$14 million to disseminate its solutions in seven African countries. SunCulture plans to distribute its solar water pumps for irrigation in Cote d'Ivoire, Ethiopia, Senegal, Togo, Uganda and Zambia. Farmers will use the equipment for irrigation to multiply their income. This has become imperative because while 80% of families in Africa depend on agriculture for their livelihood, only 4% use irrigation due to the electricity grid's instability. Frequent droughts aggravate the situation.

The solar water pump provided by SunCulture is equipped with 300W solar panels and a 440 Wh battery storage system. These batteries can support four light bulbs, two telephones and a plug-in submersible water pump.

When the first systems were launched earlier, the cost was US$5,000. The price steadily fell to between US$500 and US$1,000. Farmers can acquire this equipment thanks to the "pay-as-you-go" revenue model used by SunCulture, a system that uses mobile banking.[33]

FOCUS ON RENEWABLE ENERGY IN BENIN

Benin's Société béninoise de brasserie (SOBEBRA) produces beer, bottled water and soft drinks. The company commissioned a rooftop solar PV power plant in the capital Cotonou. The installation integrates 352 solar panels capable of supplying ±450 kWh per day and will provide SOBEBRA with a permanent supply of electricity. SOBRERA will use a self-consumption system without batteries, which will also help reduce its carbon footprint. This is consistent with its goal to become a "clean industry". This investment also helps SOBRERA secure its production capacity in a country where power cuts have become regular.

Benin's government also banks on renewable energies to make up its electricity deficit. It announced its intention at the beginning of December 2020 to set up a company that will be able to produce electricity or buy it from private operators. The "Société béninoise d'énergie électrique" (SBEE) has the core mission of distributing electricity and should improve electricity supply at the national level.

Eleven private sector companies are currently building eight solar mini-grids in Benin. These will increase Benin's power generation capacity by 13.4 MW and supply more reliable and quality energy to several localities.[34]

BOOSTING SOLAR IN WEST AFRICA

The private sector dominates solar hybrid development in most parts of West Africa. It receives financial backing from development finance institutions, with Nigeria the largest potential market for mini-grids in West Africa. The country received at least US$374 million from international donors for mini-grid development over the past decade. Only 55% of Nigeria's population is connected to the national electricity grid, and they experience frequent power cuts of up to 15 hours per day. The country had a small-grid capacity of 2.8 MW in 2019.

Lagos-based Daystar Power intends to replace "unreliable grid or too expensive, polluting diesel generators" with clean reliable power. It will be expanding its installed power capacity from 23 MW to 100 MW. Daystar recently raised US$38 million to accelerate its growth in key markets like Nigeria and Ghana and open up in countries such as Côte d'Ivoire, Senegal and Togo.

STOA, a French impact infrastructure fund and one of Daystar's backers, intends to invest over 50% of its capital in renewable energies across Africa.[35]

SOLARISATION IN ZIMBABWE

Zimbabwean oil company Zuva Petroleum recently announced its goal to become a leader in promoting renewable energy. Zuva will build 180 solar power plants to supply its various sites in Zimbabwe, starting work in 2021. This project will support its drive to reduce its carbon footprint.

Zuva will also channel 30% of the electricity produced by the solar power plants to the national grid through a net metering system. This will improve the electricity supply to the population. Currently, only 32% of Zimbabwe's 16 million people have access to electricity.

Zuva Petroleum is not the first to solarise its installations in Zimbabwe. Pretoria Portland Cement (PPC) appointed a company in July 2020 to build and operate a 32 MWp solar PV power plant in the province of Matabeleland South. PPC will use 50% of the electricity produced for the operation of its clinker plant, with the remaining 16 MWp to be directed into Zimbabwe's national electricity grid.

The Swiss embassy in Harare acquired a small 160 kWp solar power plant to supply its residences. Any surplus electricity is sold to the state-owned Zimbabwe Electricity Transmission and Distribution Company.[36]

FLOATING SOLAR PV (FPV) IN AFRICA

Africa is far from fully exploiting its average annual solar irradiation of over 2000 kWh/m$^{2.}$ The continent remains heavily dependent on hydropower. However, frequent droughts increasingly affect hydropower production. Researchers from the Joint Research Center of the European Commission recommend installing floating photovoltaic (FPV) panels at existing hydropower reservoirs. This could help offset hydropower generation shortfalls during dry periods, reduce evaporation losses, and help meet the increasing energy needs of Africa's rapidly growing population.

The researchers found that the total FPV resource potential (100% coverage) in terms of power capacity is estimated at 2922 GWp, more than 250 times the cumulative installed PV capacity at the end of 2020. This is one percent of the 28 GW of pre-installed hydropower in Africa. The total electricity generated by full exploitation of the FPV technical potential (covering 100% of the 146 hydropower reservoirs) is 5293 TWh/year, 50 times more than the hydroelectricity currently produced in these reservoirs.

Envisaged FPV capacities (from 108 reservoirs) can equal or exceed existing hydropower capacities. FPV covering an area of less than 1% of the reservoirs would produce a total of 46 TWh/year. This represents an increased electricity output of 58% compared to current hydropower. Every one per cent of FPV will save up to 743 million m^3/year of water and produce an additional 170 GWh.[37]

POINTS OF INTEREST

- Renewable energy is growing in demand and prominence in Africa. The reasons for this are many, such as the decreasing cost, the increased efficiencies of the technologies, the relative ease and speed at which the infrastructure can be installed, the ability to install in remote areas, and the ability to install micro-grids (scale is not needed to deal with massive costs). Large national grid type of infrastructure also take long to be approved and are susceptible to corrupt politicians who want to get their pound of flesh. The climate-friendly nature of renewable energy plays a role to increase its attraction, as does Africa's massive potential in renewable energy.
- We now see pay-as-you-go models becoming commonplace. Providers understand that as Africa's people in rural and remote areas are often poor, they cannot afford the upfront capital costs frequently associated with solar energy. The models mostly work based on rent-to-own, where after a few years of small monthly payments, ownership of the structure passes over to the consumer. One example is M-Kopa, which tapped the benefits from mobile money platform M-Pesa to sell to consumers.
- As seen when solar panels combined with batteries provide storage and enable use during night-time, hybrid models are increasingly popular. In agriculture, solar panels are integrated with water pumps and other technology to support farmers with irrigation. We also see small wind turbines combined with solar panels to generate electricity even when the sun does not shine, but the wind is blowing. This technology is available at small nano-grids where single houses can and do link wind and solar technology. Similarly, we see floating solar PV installed at hydropower structures, making a considerable contribution to the electricity output of such installations. These types of hybrid models will become the norm because they balance the benefits of the various technologies with the unique disadvantages of each.
- In addition to corporates who are tapping into renewable energy sources, mostly solar, many cities are also now starting to turn towards renewable energy to complement their supply they obtain from national grids that are frequently inconsistent and unreliable, in addition to being increasingly costly. They are also reducing their reliance on diesel generators. These are not only expensive but have a high carbon footprint.
- In some countries, such as in South Africa, authorities provided the opportunity for corporates to sell their excess electricity to the national grid. This does sweeten the initial decision to move towards renewable energy. However, some providers added a markup on the price they pay national providers when they on-sell to consumers. Some operators and public agencies now receive less revenue because consumers increasingly generate their own electricity.
- South Africa's national provider Eskom finds itself in a difficult position. Eskom and the city authorities they partner with are now investigating ways and means to maintain their revenue base by charging consumers. At some point, we can expect a pushback from consumers as they would be paying for service they do not receive. These consumers were forced to turn towards self-generation due to the inability of current service providers to provide a reliable and affordable electricity supply.

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NTU-SBF Centre for African Studies

The NTU-SBF Centre for African Studies (CAS) is to develop thought leadership and capacity for doing business in Africa. It includes bringing Africa to Southeast Asia and Singapore and helping Singapore to be positioned as the gateway into Southeast Asia. As such, CAS aims to build and expand its local and international profile by means of publications, conferences, seminars and business forums through collaboration with local businesses, other research entities and business schools in Singapore and Africa. http://www.nbs.ntu.edu.sg/Research/ResearchCentres/CAS

Nanyang Centre for Emerging Markets

The Nanyang Centre for Emerging Markets (CEM) is a new initiative by Nanyang Business School to establish global thought leadership on business-related issues in emerging markets. It conducts research on pressing and timely business issues in emerging markets through a global research platform of leading scholars and institutional partners. It closely interacts with corporate partners to identify research topics and manage the research process. Its research outputs include valuable and relevant implications for sustained profitable growth for local and multinational companies in emerging markets. It delivers a variety of research reports and organizes forums, seminars, CEO roundtables, conferences, and executive training programmes for broad dissemination of its research outputs. http://www.nbs.ntu.edu.sg/Research/ResearchCentres/CEM

Partner Organizations

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