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1. Linking Africa to the World

Africa remains an attractive investment destination for many countries. Larger interested parties include China, India, Japan, the EU, and the USA. Several other countries have interests in Africa, such as the UAE, Turkey and Qatar. Russia appears to be returning to its former playing field. This report addresses recent developments in this field.

RUSSIA'S INTEREST IN EGYPT

Russian direct investments in Egypt increased significantly over the past few years. This commitment will reach US$7.4 billion during 2020, according to Russian ambassador to Egypt Georgy Borisenko. Russian companies show interest in working with Egyptian companies in the local market, which they view as attractive investment opportunities.

Borisenko sees prospects for increasing the volume of Russian investments, especially in oil and gas exploration, agriculture, food industries, and mechanical engineering. Russia is one of Egypt's Top 10 trading partners. The two countries made steady progress in enhancing economic cooperation, with trade exchange reaching US$6.2 billion in 2019. However, the Covid-19 pandemic battered trade volume between Egypt and Russia, with trade in the first quarter of 2020 reaching only US$1 billion.

The main Russian exports to Egypt are wheat, minerals, oil and gas, autos and railroad cars, timber, fats, and oils, while Egyptian exports to Russia include agricultural products, food, and chemicals. The major Russian companies operating in Egypt include Rosneft, Lukoil, and car manufacturer Lada. Transmach Holding recently began supplying 1,300 vehicles to develop the railway sector in Egypt in a joint project.[1]

RUSSIA TYING UP PLATINUM ORE IN ZIMBABWE

Russian investment company, Vi Holding and Zimbabwean investors are joint owners of Great Dyke Investments (GDI). This firm aims to develop Zimbabwe's biggest platinum mine, at a cost of US$2 billion. The African Export-Import Bank recently completed a due diligence study, and will proceed with a US$500 million syndicated funding program for this project. To date, US$100 million, which includes exploration costs, has been invested in developing the mine. However, completing the project will require significant additional investment.

According to GDI CEO Alex Ivanov, funding will be in place by the end of the year. It is envisaged that various types of equity investors and lenders will participate in the funding structure. This project is reportedly central to the Zimbabwean government's plans to revive its stagnant economy. Zimbabwe has the world's third-biggest platinum reserves after South Africa and Russia.

Activities currently taking place at the mine include:

- Drilling for ore samples.
- Constructing roads for earthmoving equipment.
- Training crews to operate the equipment.

Commissioning the mine could begin in 2023, assuming the funding plan succeeds. The mine is set to produce 860,000 ounces of platinum group metals and gold annually. Platinum, gold and diamonds are major sources of foreign exchange for Zimbabwe.[2]

Despite the country's vast natural resources, Zimbabwe struggles to attract foreign investment. This is mainly due to inability to repay its debts to multilateral organizations such as the World Bank and sharp criticism by potential lenders for its poor economic management and human rights abuses.

QATAR AIRLINES EXPANDING ITS FOOTPRINT IN SOUTHERN AFRICA

Qatar Airways recently entered into a partnership with Airlink, a privately owned South African airline. Airlink partnered with national carrier SAA for more than 20 years. This allowed SAA to sell tickets and fly passengers on Airlink flights. However, Airlink terminated its agreement with SAA after the latter went into business rescue earlier in December 2019, and failed to pay more than R700 million (~US$42.3 million) due for passengers flown by Airlink.

Qatar's agreement with Airlink will allow passengers to book connecting flights through either carrier, without the need to book connecting flights separately. This interlink agreement also means the airlines will handle the check-in and baggage transfer for each other's passengers so they only need to check in once for connecting flights on either airline.

The airlines said the agreement would provide Qatar passengers from across the world seamless connectivity via Cape Town and Johannesburg to Airlink's more than 20 regional destinations in Southern Africa, including Gaborone, Maun (both in Botswana), Tete (in Mozambique), Port Elizabeth (South Africa), Lusaka (Zambia), Harare and Victoria Falls (both in Zimbabwe).[3]

AUSTRALIA INVOLVED IN THE ENERGY SECTOR IN ETHIOPIA

Fortescue Metals Group Ltd. (Australia) recently expressed interest in investing US$10 billion in Ethiopia to generate 15 GW in hydropower and 10 GW in geothermal energy. The Ethiopian government saw this project as an opportunity to improve access to electricity. This supports the country’s strategy to increase access from the current 45% to 100% by 2030.

To reach this goal, the government plans to turn towards renewable energy, engage the private sector, support the sector through finance, and implement reforms to strengthen its institutions. Ethiopia now exports 350 MW of electricity to its neighbours annually, and intends to double this within a few years.[4]

TURKEY REACHES OUT TO ZAMBIA

A delegation of eight business executives from Bursa, one of Turkey’s key industrial cities and manufacturing hubs, recently paid a courtesy call on Zambian Ambassador to Turkey Joseph Chilengi, in Ankara. Bursa MP Atilla Odunc, Chairperson of the Turkey-Zambia Inter-Parliamentary Friendship Group, noted that the business community in Bursa, under the umbrella of TURKSIAD, is eager to create partnerships with the Zambian private sector to help promote trade and investment between the two countries.

The delegation expressed specific interest in using Bursa’s strong manufacturing potential to add value to Zambian raw materials. This would create jobs and wealth for the people of both countries. TURKSIAD chairperson Berat Tunakan envisioned that the interaction with the Zambian Mission in Ankara would help strengthen the existing strong relations between the two countries. TURKSIAD plans to undertake a business mission to Zambia to explore trade and investment opportunities.

Zambian Ambassador Chilengi called on the business communities in Turkey and Zambia to seek innovative ways to operate in the uncertain business environment emerging from the battle against the Covid-19 pandemic. He announced that the legal framework governing bilateral cooperation between the two countries was in place following the recent signing of 12 agreements.

TURKSIAD recently donated 20,000 medical masks to Zambia to help stem the spread of Covid-19.[5]

THE UAE EXPANDING TIES WITH RWANDA

Ras Al Khaimah, one of the emirates in the United Arab Emirates (UAE), recently explored cooperation with Rwanda in manufacturing, business and trade. Mohamed Ali Musabbeh Al Nuaimi, Chairman of Ras al Khaimah Chamber of Commerce and Industry and HE Emmanuel Hategeka, Ambassador of Rwanda to the UAE met recently. At this meeting, the two sides expressed their desire to develop mutual business plans and increase efforts to reinforce cooperation in the economic and investment sectors.

According to Al Nuaimi, Rwanda offers high-quality raw materials to which Ras Al Khaimah can add value, through over 6,000 industries producing many different products. He affirmed the commitment of Ras Al Khaimah to provide support services, share the investment experience, and coordinate and cooperate with the Embassy of Rwanda in the UAE to enhance commercial ties between the two countries.

Ambassador Hategeka indicated that Rwandan companies were keen to develop partnerships with companies in Ras Al Khaimah, particularly in the ceramics and cement sectors. He set forth the incentives offered by the Rwandan government and regulations designed to contribute to easing investment in the country. HE Hategeka invited the Ras Al Khaimah Chamber of Commerce and Industry to sign a cooperation agreement with the Rwanda Chamber of Commerce. This would reinforce the relations between the private sectors in Rwanda and the emirate of Ras Al Khaimah and support sustainable development on both sides.[6]

POINTS OF INTEREST

- Russia steadily expanded its footprint in Africa over recent years. It withdrew from Africa after the demise of the former Soviet Union, but recently returned to the continent. Some analysts believe this is a Russian attempt to diversify its interests after sanctions imposed against it by the European Union following the Russian invasion of Crimea. Russia has targeted several countries, covering a broad range of sectors. The obvious targets include arms production, nuclear energy, and mining. Russian tourism to Egypt increased in the pre-Covid era, recovering from a stoppage due to a terror attack on a Russian plane filled with tourists. Russia built a 2000-hectare industrial park on the Suez Canal, with a friendly tax regime for resident Russian firms. This site is expected to provide 77,000 jobs, and the tenant companies expect revenues to reach US$11.6 billion. Russia will invest around US$4.6 billion in the construction of the industrial park by 2035. Most of this will come from private investors. Russian companies Kamaz, GAZ, UAZ, Transmashholding, Gazprom Neft, Tatneft, Inter RAO and others will operate from the new industrial hub.
- Russia will soon tie up a significant portion of the world's platinum resources It is already one of the Top 3 countries in the world for platinum, with South Africa and Zimbabwe being the other two. While this Russian investment in Zimbabwe will have obvious short-term benefits for Zimbabwe, it will increase Russia's dominance in the sector. The weak state of South Africa's mining sector may enable Russia to tie up reserves in that country, and become able to effectively control the global supply of (and thus influence prices for) this valuable mineral.
- Qatar Airlines is expanding its reach in Africa and entering agreements with various African airlines. It is not the only GCC-based airline to do so, with Emirates on the same path. These two airlines are among the best in the world, if not the best. South Africa’s state-owned airlines are in dire straits due to mismanagement and corruption. The only African airline worth its salt is Ethiopian Airlines. This carrier offers very affordable prices and great service, which led to increased market share. During the Covid-related lockdown, Ethiopian Airlines focused on moving freight instead of passengers. Before the outbreak of the Covid-19 pandemic, it was the only profitable airline on the continent.
- While this edition of the African Digest featured Australian involvement in renewable energy in Africa, several other countries tap this attractive investment target. With its vast renewable energy potential and its growing population, plus the fact that more than 600 million people in Africa do not have access to energy, this form of energy is becoming more attractive every day. As the technology becomes more efficient and less expensive, it is not an exaggeration to observe that the future of energy in Africa lies in renewable energy.
- Investments by Turkey and the UAE in Africa are not a new phenomenon: both countries have an extensive African footprint. The continent serves as a source of resources to the industries of these countries, and as a potential market for their output. This is not entirely a good pattern,

as African economies should shift from exporting commodities to concentrate on adding value before exporting.

2. Developments in the Blue Ocean Economy

An increasing number of African governments target the once neglected economic opportunities in their oceans. These players now focus on developing infrastructure, managing quotas, acquiring fishing vessels, and ending corruption in the fishing industry. This report addresses some recent developments in Africa's Blue Ocean Economy.

KENYAN RENOVATIONS OF FISHING INFRASTRUCTURE

The Kenyan government intends to invest Sh12 billion (~US$110.3 million) to boost its Blue Ocean economy. According to Agriculture and Fisheries Secretary Peter Munya, at least Sh5 billion (~US$46 million) will be invested to upgrade fisheries and reclaim landing sites. Sites "grabbed" by private developers are among those to be reclaimed, with sites now in a poor state to be upgraded. Other developments include setting up a boat making yard by Kilifi County, while the national government will build a mega cold storage facility.

In 2019, President Kenyatta reported that private developers wrongfully possessed a majority of the landing sites and ordered repossession of all such landing sites. These so-called private developers include politically connected individuals, churches, hotels and other government-owned agencies. Some landing sites have already been repossessed.

According to a Kenya Coast Guard Service (KCGS) survey, 693 unregistered jetties are currently uncontrolled by maritime security agents. KCGS reported that unregistered landing sites and jetties are used in maritime crimes. These include smuggling counterfeit goods, wildlife trophies and narcotics. Many landing sites used for illegal trade are in Lamu, Kilifi and Mombasa counties. The government ordered the review and re-registration of all private jetties and landing sites in Kenya.

The crimes committed offshore in the ocean, including illegal fishing, cost Kenya billions annually.[7]

CHALLENGES TO THE SOMALI FISHING INDUSTRY

Somalia exports fish products to the rest of Africa, Asia, the Middle East and Europe. This includes salted and sun-dried shark meat and shark fins. The largest markets for shark meat in East Africa are in Mombasa, Kenya. Shark fins are exported mainly to Hong Kong and Singapore. Shark liver oil is exported to Japan.

Despite this activity, the Somali fishing sector generates only US$135 million per annum, about 2% of Somalia's GDP. This is in sharp contrast to the potential of the Somali fishing industry. It could be one of the largest and most profitable in the world. The current annual catch reportedly represents only a small part of the country's estimated fishery production potential of over 800,000 tons per year. Even though the fisheries sector is underdeveloped, it still supports more than 400,000 Somalis.

According to a recent article, foreign-owned trawlers dominate the Somali fishing industry. The illegal, unreported and unregulated (IUU) fishing in Somalia's Exclusive Economic Zone (EEZ) is costing the country more than US$300 million each year in lost revenue.

Recent studies estimated the "illegal, unreported and unregulated fishing" by foreign vessels to be 132,000 tons, or 56% of total catches in Somalia's EEZ. The lack of a common legal framework and regulatory regimes exacerbates the situation. The study also found that bottom trawlers from Egypt, Greece, Italy, Kenya, South Korea, Russia and Thailand fished in inshore waters under dubious fishing permits issued by different Somali administrations. In June 2020, the Global Fishing Watch reported that approximately 200 Iranian fishing boats were operating illegally in waters off Somalia and Yemen. This number does not include the many vessels from India, Pakistan and Sri Lanka.

The government has a record of making decisions about fishing rights that result in uproar. In February 2019, it signed a fishing deal with the China Overseas Fisheries Association, allowing 31 Chinese long line vessels to fish for "tuna and tuna-like species" for one year, and automatically renewed fishing licenses for US$1,025,750 each year.[8]

DEVELOPMENT OF NEW FISHING PORTS

The recently inaugurated Elmina Fishing Port Project in Ghana will provide a boost to the fishing industry in the town of Elmina. President Akufo-Addo of Ghana stated that his government will continually improve the infrastructure and conditions of the fishing industry to improve their catch, cut down post-harvest losses and reduce fish imports in the medium to long term. The Ghanaian government focused strongly on the fishing industry as it obtained 60% of the country's annual protein from fishing, while the industry employed approximately 20% of the nation's population.

While funding the Elmina Port rehabilitation project was originally to be provided through a CDB Loan from China, the Ghanaian government decided to build a new port, to be funded by Belgium.

In addition to the Elmina Port, ten other modern landing sites are to be constructed along the Ghanaian coast. This work is progressing steadily at all locations, and four of these sites should be ready by the end of the year.[9]

SELLING FISH QUOTAS ON AUCTION

The Namibian Ministry of Finance recently auctioned quotas for 11 000 tons of hake, 72 000 tons of horse mackerel and 392 tons of monkfish. The auction realized N$627.9 million (~US$37.9 million), twice the N$315 million (~US$19 million) the government could have raised by selling fish quotas the usual way. Both local and international fishing industry participants were approached to tender for the fish quotas. Reportedly, 111 companies applied for the quotas (47 for hake, 59 for horse mackerel and five for monkfish). However, only 33 companies received quotas.

The lowest bid was N$500 per ton (~US$30) and the highest N$19,036 (~US$1,149).

According to Albert Kawana, the Minister of Fisheries and Marine Resources, the auction enabled the government to determine the real value of Namibia's fish resources. In the past, the Namibian government had allocated the government's fish quotas to Fishcor and others. The government will now decide if auctioning is to become the norm.

The auction realised N$627.9 million for 5% of the hake quota and 20% of the horse mackerel quota. According to local economist Rowland Brown, auctioning the full quota could raise over N$6 billion (~US$362.5 million) in tax revenues. He also observed that "well-designed auctions with multiple bidding rounds and full transparency are, world over, the best way of ensuring a nation receives maximum value for its natural resources." Brown also suggested auctioning the remaining quota, as well as other natural resources and national assets.

There were criticisms against the auctioning of fish resources:

- Some stated that the auction process could lead to resource mismanagement, jeopardising the sustainability of the fishing sector and depriving Namibians of the benefits.
- Some claimed that the auction does not result in a fair distribution of national resources to all Namibians.
- There were fears that once given to international and private companies, there was no guarantee the profits will return to improve local communities.

The companies that won bids are to be revealed once all beneficiaries are contacted.[10]

ACQUIRING SHIPS FOR FISHING

Tanzania's government adopted a number of measures to promote deep-sea fishing and exploit the country's potential deep-sea wealth. To tap the enormous potential of its blue ocean economy, a large fishing ship for utilisation by the Tanzania Fisheries Corporation (Tafico) is expected to arrive by next year. The Japanese government donated funds totalling over TZS4.2 billion (~US$1.8 million) for construction of the ship and installation of high-tech equipment.

The ship, constructed in Sri Lanka, will have a capacity of 35 tons of fish and can work in the deep sea for 30 days. It will target Tuna fishing. Tuna is expensive in the world market, with 1 kg of skipjack tuna priced from US$ 2.20, and up to $80 per kilogram for the premium bluetail used for sushi.

Ship operations are expected to create over 15,000 direct and indirect employment opportunities. Fishing will require 5 tons of squid (as bait) and 500 hooks. Fishermen, especially in Mafia Island, were urged to form cooperatives to sell squid to Tafico.

Until now, Tanzania has not benefited from its territorial waters except by selling licences for foreign companies to fish in the deep sea.[11]

POINTS OF INTEREST

- The Indian Ocean can potentially generate large revenues to the government of Kenya, if well managed. It seems the government intends to modernize and maintain required infrastructure and improve its governance. As always, illegal fishing has an immense negative impact on revenues, not only for Kenya but all African countries bordering an ocean. These countries lack the capacity to patrol their territorial waters and thus are unable to address illegal overfishing.
- The high level of corruption prevalent in the industry is another point of concern. Kenya and Somalia are no exceptions to this pattern, as many countries in the region suffer from the unbridled greed of high-level stakeholders. This problem needs international attention. It may be time for supra-national entities such as the UN to step in and help vulnerable countries in the world deal with the illegal activities condoned by aggressor nations.
- It is good to see some countries take steps to derive benefits from their fishing sectors:
    - Investing in infrastructure and upgrading their fishing fleets. In order to benefit meaningfully from their blue ocean economy, this is a prerequisite, one that most, if not all, African economies are struggling with.
    - Auctioning fish quotas on a seasonal basis is a fresh approach, one that is apparently transparent and clearly to the benefit of the country. It is interesting to see vested interests in the industry doing their best to prevent the loss of lucrative contracts.

3. China in Africa

China's presence in Africa is growing, despite the heavy impact of the Covid-19 pandemic. China left its footprints throughout the whole continent, and across many sectors. There are a number of pull factors on the continent that draw Chinese companies to Africa. Yet we see some pushback in West Africa, with resistance against the Chinese presence in the fishing sector. This report addresses some recent developments in this field.

RENEWAL OF COMMERCIAL AND DIPLOMATIC TIES WITH SOUTH AFRICA

South Africa and China recently confirmed the two countries were in the process of renewing their ten-year strategic partnership. They hope to boost a commercial relationship hampered by the Covid-19 pandemic. The partnership agreement will focus on sectors such as higher education, skills transfer, health, the digital economy, and science and technology.

While China is South Africa's largest trading partner, the Covid-19 pandemic led to a sharp drop in business volume between the two countries. Trade between the two countries fell by 27.6% in the first half of 2020. Total trade between the countries amounted to US$43.2 billion in 2019. Exports from South Africa to China fell by 32.2% to US$8.68 billion while exports from China to South Africa were reduced by about 20% to US$6.2 billion.

South Africa hopes a new partnership with China will improve both commercial and diplomatic ties. Recalled in March 2029, the former Chinese Ambassador to South Africa, Lin Songtian identified shortcomings in South Africa's investment climate. He urged the South African government to renovate its infrastructure and revitalize state-owned enterprises, including power utility Eskom, to improve the country's attraction as an investment destination and give its economy a jumpstart.

Ambassador Lin's replacement, Ambassador Chen Xiaodong, reportedly "reaffirms Beijing's view that South Africa remains its most important diplomatic outpost on the continent."[12]

RENEWAL OF COMMERCIAL AND DIPLOMATIC TIES WITH ETHIOPIA

China's ambassador to Ethiopia Tan Jian announced in early September 2020 that his country would continue to support Ethiopia's development initiatives. He noted that the two countries collaborated in many important areas. China is Ethiopia's largest trading partner and largest source of investment. 2020 marked the 50th anniversary of diplomatic relations between China and Ethiopia.

Ambassador Tan believes that economic cooperation between the two countries must be deepened and that their relationship must rise to new heights. He said that China saw the relationship between the two countries as a "comprehensive, strategic and cooperative partnership."

Speaking at the inauguration ceremony of Sheger Park in Addis Ababa, he stated that the park reflects Ethiopian civilization and culture, and will attract many tourists and boost services and economic growth. Ambassador Tan envisioned more Chinese tourists coming to visit the park, as would tourists from different parts of the world.

Mekonen Hailu, Communications Director for the Ethiopian Investment Commission (EIC), observed that Chinese companies dominated Ethiopia's foreign investment landscape, both in terms of the number of projects and the capital invested. Chinese companies were involved in 1,564 projects in various economic sectors in Ethiopia. These projects were either operational (987), under implementation (186), or in the pre-implementation phase (391) during the 1998 to March 2020 period. They are committed to long-term investments. Of the above, 1,133 projects were in the manufacturing sector, a major priority investment area for the Ethiopian government.

In addition to manufacturing, Chinese investors in Ethiopia are also engaged in sectors such as construction and real estate development, hotel, agriculture, tour operations; and communications, education and mining. The accumulative investments in these projects amount to more than US$1.153 billion.

Not only Chinese companies actively invest in Ethiopia. A number of companies from Asia, North America, Europe and Australia are also investing in the country.

The United Nations Conference on Trade and Development (UNCTAD) ranks Ethiopia first in East Africa for attracting foreign direct investment, while the country ranked fifth in Africa, next to South Africa, Egypt, Congo, and Morocco. Ethiopia is attractive as an investment destination, It has one of the fastest-growing economies in the world, a number of very favourable market factors and a well-developed infrastructure.[13]

China also supported Ethiopia in its fight against Covid-19 by organizing videoconferences and providing PPE.[14]

CONTRASTING EXPERIENCES WITH CHINESE-FLAGGED FISHING VESSELS

Six Chinese fishing trawlers with a total annual capacity of 12,000 metric tons of fish arrived in Liberia, where they applied for fishing licences. After objections from local fishermen's associations, including the Liberia Artisanal Fishermen's Association, the Liberian government in August 2020 officially refused licenses to these trawlers. Similar incidents occurred elsewhere in Africa. The official reasons for rejection include:

- The total catch would be more than the sustainable annual catch of the species.
- Permitting the vessels would be a “breach of international protocols.”
- The authorization of the shipping vessels from the flag-state, i.e. China, expired.

The decision by the Liberian government was seen as a boost to the development of small-scale fishers, while avoiding access for large industrial super-trawlers. The decision will give Liberian fishermen the chance to fish sustainably to feed their families and the country. The benefits would include protecting the marine environment and boosting job creation and food security.

Not only Liberia, but Ghana and Senegal experienced an influx of foreign vessels, mostly from China.[15]

In a contrasting development, another Chinese fish trawler, the *Lu Rong Yuan Yu 956*, became entangled in a strange series of events. The ship was fined US$1 million in 2019 by the Ghanaian authorities for using illegal nets. This fine was not paid. After that, the vessel was again caught fishing in Ghana. The ship was subsequently impounded and fined a second time in May 2020. Reportedly, in these instances the ship was found to be using illegal nets that caught sizes below the legal minimum. Although the ship was authorized only to catch bottom-dwelling species, significant amounts of pelagic species were found on board.

However, despite the multiple fines, and (surprisingly) non-payment of any of them, the ship was re-licensed to fish while awaiting a further hearing.

According to the executive director of the Environmental Justice Foundation (EJF), collaborative action is needed to prevent exploitation of the oceans. The environment is approaching the point where fish populations will collapse, and marine ecosystems and the livelihoods of fishers need protection. To achieve this goal, China and Ghana must work together to prevent re-occurrence.

The EJF called upon Ghanaian authorities to enforce its illegal fishing deterrents, given the ship’s indifference to receiving fines.[16]

BOOSTING AFRICA’S MANUFACTURING SECTOR

Chinese manufacturing companies set up factories throughout Africa to benefit from the continent's cheap labour and abundant raw materials. Chinese investors are now funding construction of industrial estates (in Algeria, Ethiopia, Egypt, South Africa, Uganda and Zambia) and free trade zones. Their factories produce products that would otherwise be imported from China, and for export to Europe and the USA. Such products include shoes, clothes, fiberglass, construction materials, electronics, steel products and foodstuffs.

The low wages on the continent are a pull factor in Africa for Chinese manufacturers. The minimum wage in China is up to three times higher than in many African countries.

According to 2017 McKinsey report[17], about 33% of the more than 10,000 Chinese-owned companies in Africa engage in manufacturing. The report stated that in manufacturing, about 12% of Africa's Chinese industrial companies generate production valued at some US$500 billion annually.

Some examples of Chinese manufacturing companies recently active in Africa include the following:

- In Uganda, Lida Packaging Products, a Chinese-owned firm making face masks and personal protective equipment was recently commissioned. The factory employs 315 Ugandans. It is one of a number of factories in the dozens of new industrial estates in the country, many of them funded by Chinese investors.
- Also in Uganda, Simi Technologies, a Chinese-owned mobile phone manufacturer, recently shipped its first consignment of phones to Morocco. The Chinese firm Engo Holdings Uganda owns Simi Technologies. The investment is seen a way to reduce Uganda's import bill on ICT products and boosting export earnings. The company employs more than 400 Ugandans.
- Shenzhen-based Transsion has a mobile phone manufacturing plant in Ethiopia and its brands dominate the sector in Africa with more than 50% market share.
- Chinese investors invested billions in various sectors in Ethiopia, making the country a key apparel manufacturer and leather processor, with exports to the USA and Europe.
- At Egypt's Suez Canal industrial zone, Tianjin Economic-Technological Development Area (Teda) built a large industrial estate (the China-Egypt Teda Suez Economic and Trade Cooperation Zone or Teda City). Hundreds of Chinese companies are settling here to exploit opportunities associated with China's Belt and Road Initiative. The zone also hosts Jushi, a Chinese fiberglass giant, turning Egypt into the world's third-largest producer of fiberglass, next to the USA and China.[18]

POINTS OF INTEREST

- Not only Russia targets Africa in general, and Egypt more specifically. The above articles (and historical evidence in general) reveal that China is positioning itself as a major player across the board. This complements China's BRI, which was toned down with the Covid-19 pandemic. China's links with Africa are now picking up again. Refreshingly, China is developing manufacturing capacity in Africa. This is no doubt encouraged by the US tariff war against China, and the easier route to EU markets from poor African countries. Also, Africa's huge market serves as an additional attraction.
- China needs to manage its image, both in Africa and globally, regarding its presence in the fishing waters off Africa. Far too many complaints are lodged against Chinese-flagged fishing trawlers. It is clear these ships exploit the lack of policing capacity in African countries. But China does not need the negative publicity. Also, African governments must be consistent and resolute in their actions against illegal fishing in their territorial waters, irrespective of the players involved. It is understandable that China's dominant role in investments and project funding can lead to a lax attitude towards transgressions by Chinese stakeholders, but this position is not sustainable.
- Egypt, Ethiopia and South Africa are three of the so-called "Big Five" economies identified by the Institute of Security Studies Africa (ISS), the others being Algeria and Nigeria. While South Africa was identified as an economy punching below its weight, the ISS was bullish about both Ethiopia and Nigeria, provided they can get their act together. It appears China is hedging its bets, by its involvement in all five countries. China reportedly suggested to the governments of some African countries that they improve investment conditions. Their advice to the South African government to improve the governance and functioning of their state-owned entities,

such as Eskom, is long overdue. Hopefully, the South African government will heed this advice and do something along these lines instead of merely paying lip service.

4. Developments in Investment and Economics

A wide range of countries and global investors target various sectors in Africa for investment. They see Africa's strong population growth and urbanisation, as well as its growing consumer class, as pull factors. Much has been written about this trend, with a lot more attention to come. We see African governments implementing various reforms to increase their attraction to foreign investors. Several African countries made significant progress on rankings such as the World Bank's Ease of Doing Business and the World Economic Forum's Global Competitiveness index. This report addresses the on-going economic reforms and plans of four diverse African countries (the DRC, Egypt, Ethiopia and South Africa) to grow their economies.

BOOSTING ECONOMIC DEVELOPMENT IN THE DRC

The Democratic Republic of Congo's (DRC) offers immense economic potential and rich resources. Mining and agriculture serve as its primary drivers for revenue generation and job creation. To manage this, H.E. President Félix Tshisekedi (elected in 2019) launched the National Strategic Development Plan, a multisectoral development strategy spanning four years to diversify the country's economy and improve the domestic financial system through enhanced economic stability.

Their financial services sector faces several major challenges. These include the lack of quality fund management teams, market information and corporate governance. These weaknesses constrain investments in SMEs and slow the development of financial institutions in the DRC. This led the government to attempt to strengthen its financial system, encourage private and individual investment, improve governance in the sector and increase access to the formal and decentralized financial system. The government now has a comprehensive strategy for attracting both local and foreign private investment. This will require the improvement of the business climate across sectors, specifically in energy and mining.

Investment will address critical economic sectors and important geographical locations. Incentives include tax holidays, custom tax exemptions, and other fiscal incentives, improving the DRC's vast infrastructure and implementing innovative funding mechanisms. The execution of the plan, set to cost US$47.55 billion in total, will rely on increasing public revenue.

The NSDP will focus on seven objectives to improve local business operating conditions and increase foreign direct investment:

1. Improve the business creation process and transparency.
2. Simplify the process of obtaining building permits, transfer of ownership and connection to electricity.
3. Simplify the procedures, deadlines and costs of conducting cross-border trade and obtaining bank loans.
4. Reduce the procedures, times and costs of commercial disputes and clarify the conditions of entry, stay and residence of foreign investors.
5. Find a long-term solution to the issue of licenses, permits and specific authorizations, and the tax collection system.
6. Revamp sector-specific regulations to make them flexible and modern, and restructure the tax exemption system.
7. Promote economically strong sectors and entrepreneurial culture in the DRC.[19]

ECONOMIC DEVELOPMENT IN EGYPT

Egypt's Golden Triangle, one of its richest economic areas, lies in Upper Egypt and is home to a mining area rich in metallic and non-metallic minerals. These include iron, copper, lead, tin, gold and phosphate minerals, amounting to 75% of all of Egypt's mineral resources, and phosphate reserves estimated at almost 1 billion tons. These resources pave the way for investment opportunities and building new factories.

In 2017, President al-Sisi issued a presidential decree that established the Golden Triangle Economic Zone. According to the governor of the Red Sea governorate, Maj. Gen. Ahmed Abdullah, good infrastructure already exists in the area. The region is ready for investments and development projects to exploit its enormous potential and mineral reserves. Investment projects would consist of "creating mineral and agricultural industrial entities, achieving industrial and agricultural development, with the possibility of establishing cement, gypsum and phosphate fertilizer factories, glass factories in areas rich in white sand, as well as mineral and industrial complexes for the production of gold."

According to Maj. Gen Abdullah, the goal of the Golden Triangle is to create a new economic zone, and kickstart development in cities in the Upper Egypt area. The Golden Triangle will also include logistic areas, financial and business centres, commercial shopping centres, administrative departments, hotels, and recreational and open areas.

The development plan of the area requires developing the Safaga Port on the western coast of the Red Sea as a global mining commercial and industrial port, establishing new piers, developing the port to serve various purposes, and implementing projects for cargo loading and unloading services. It will also serve as a tourist port for yachts and major tourist boats, as well as a mining port. The Hamrawein Port on the Red Sea coast, south of Hurghada, will also be developed and integrated with the Safaga Port and will be destined for the trade of mineral and stone materials.

These development plans will contribute to industrial development for the people of Upper Egypt.[20]

BOOSTING ECONOMIC GROWTH IN SOUTH AFRICA

In South Africa, President Cyril Ramaphosa announced the Economic Reconstruction and Recovery Plan (ERRP) on 15 October. This plan aims to rebuild the economy and create much-needed jobs. The country's economy shrank by 16.4% from the first to the second quarter of 2020, when more than two million people lost their jobs.

The ERRP addresses four priority interventions:

- A massive rollout of infrastructure to stimulate investment and growth, to develop other economic sectors and create sustainable employment, both directly and indirectly. By the end of June 2020, South Africa had 276 catalytic projects with an investment value of R2.3 trillion (~US$142 billion). An additional 50 strategic integrated projects and 12 special projects were gazetted in July 2020. These catalytic projects are prioritised for immediate implementation with all regulatory processes fast-tracked. This represents over R340 billion (~US$21 billion) in new investment.
- The second priority entails the expansion of energy generation capacity as the government accelerates the implementation of the Integrated Resource Plan. This will provide a substantial increase in the contribution of renewable energy sources, battery storage and gas technology. It should bring around 11,800 MW of new generation capacity into the system by 2022. The task of restructuring Eskom into separate entities for generation, transmission and distribution continues.
- The third key intervention entails creating jobs and supporting livelihoods. R100 billion (~US$6.2 billion) has been committed over the next three years to create jobs through public and social employment. Over 800 000 employment opportunities will be created in the months ahead.
- The fourth intervention is focused on industrial growth, with government support for growth in local production and making South African exports more competitive. Partnerships were emphasized. The country currently imports around R1.1 trillion (~US$68 billion) of goods, excluding oil, each year; if it were to manufacture just 10% of these goods locally, South Africa could add 2% to its annual GDP.

According to Treasury, ERRP implementation could push economic growth up to an average of 3% over the next decade.[21]

BOOSTING ETHIOPIA'S ECONOMIC GROWTH

To liberalise its economy and boost investment, the Ethiopian government intends to open up sectors once reserved for domestic investors. In the last two years since Abiy Ahmed became Prime Minister, the diaspora's contribution to Ethiopia's economy grown significantly. Ethiopian-born foreign nationals living abroad are forming two commercial banks with an aggregate capital of US$400 million. Annual remittance inflow also averaged US$5.5 billion over the last years, which is significantly higher than the US$4 billion average registered over five years before 2018.

The investment regulations have listed sectors authorised for local investors (which include members of the diaspora) and foreigners.

- The cement sector has opened up to new foreign entrants. Expansions and licenses to new entrants were not allowed for the last five years, resulting in a supply gap. The new investment regulation will encourage new entrants to invest in the cement sector, reducing the cement shortage in Ethiopia.
- The logistics sector has been partially liberalised under the new regulation. Foreign investors are required to enter into JVs with local companies and are not allowed to have more than a 51% stake. Foreign capital and know-how are vital to improving the country's capabilities. Logistical hurdles have discouraged exporters and made Ethiopia's export commodities expensive – sometimes three times higher than the original price of the exported goods.
- The regulation fully liberalised the power sector, except for exports of electricity in which foreign investors are required to partner with the state. Foreign investors are now allowed to engage in the generation and distribution of electricity.
- The transport sector is also liberalised under the new regulation, which allows foreigners to invest in transport services, including air, railway, ground cable car transport, cold-chain transport and marine and freight transport.
- Foreign investors can invest in sectors such as advertisement and promotion services, audio-visual services, motion picture and video recording, production and distribution and accounting and auditing services. However, they cannot have more than a 49% stake in these sectors.

The financial services sector remains closed to foreign investors to protect local banks, which are less capitalised compared to their international peers.[22]

POINTS OF INTEREST

- When the South African president announced the ERRP, he noted that the Covid-19 pandemic created additional strain to an already weak economy, to employment, to livelihoods, to public finances, and to state-owned companies. Covid increased the misery in the country, with more than 2 million people losing their jobs and unemployment skyrocketing. However, conditions in the economy were in such a poor state that an implosion was imminent. All three major ratings agencies had classified South African debt as junk, increasing the cost of borrowing for the government.
- Unemployment in South Africa was already at a high of +27% (narrowly defined) at the onset of the Covid-inspired lockdown, with youth unemployment comprising 60% of the unemployed. Corruption led to billions being lost; criminals in the ruling political party and high-ranking officials in the government even targeted funds set aside by the government to deal with the impact of Covid-19 on the economy. The extent to which the ERRP can succeed in turning around the economy is debatable. The latest signals are that the National Prosecuting Authority is having some culprits arrested, including high profile politicians and government officials. The high crime rate in the country is a serious issue that urgently needs to be addressed. In

summary, getting governance right, arresting and prosecuting corrupt politicians and officials, dealing with wasteful and poorly managed SOEs (such as Eskom), and curbing violent crime will help kickstart the country's economy.

- Value addition is recognised as an important strategy to boost economic growth in the African economies. This should support increased contribution of the manufacturing sector to the continent's GDP, increase jobs, boost exports and lead to import substitution. Yet, all too frequently we see plans purporting to address this issue, without attention to implementation.
- Previous editions of the African Digest focused on investment opportunities in the DRC. This country has enormous potential as an investment destination. We see banks from Kenya making inroads in the DRC through M&A's, and companies from Rwanda supporting SMEs in the DRC. In addition, the mining sector of the DRC is very attractive as an investment destination, as is its energy generation sector. The country has a small GDP of US$47.3 billion and a population of 87 million people. This economy should be producing much more, given its resource potential. Yet, political instability, violence and uncertainty deter many investors from entering this very rich country.
- This edition refers to the so-called Big Five of the ISS. As we see in this section, Egypt's government is actively developing the infrastructure and adopting the required policies that have turned the country into the most attractive investment destination in Africa.

5. Developments in the Retail Industry

The retail industry in Africa continues to present challenges to a number of retailers. While some are struggling, and some are disappearing from the scene, others are stepping into the gaps. Most, if not all, of the struggling companies are based in Africa. Previous editions referred to the demise of Nakumatt and Uchumi, to name but two. This prompts the question as to the causes of this phenomenon. This report addresses some of the recent developments in this sector.

RETAIL WOES IN EAST AFRICA CONTINUE

In mid-September 2020, Tuskys Supermarkets laid off an undisclosed number of non-unionised workers that had gone for two months without full pay. As its cash flow crisis deepened, the chain shut down at least four more branches in Kenya. Tuskys operated 63 branches in Kenya and Uganda at its peak. Recently, this retail giant has been reducing its geographical portfolio following disputes with landlords and Kenya Power over rent arrears and unpaid electricity bills. For example, all five Ugandan branches remained shuttered for weeks.

Tuskys reportedly did not pay thousands of its direct and outsourced employees for July and August, with salary arrears amounting to an estimated Ksh320 million (~US$3.2 million). Despite a cash injection of Ksh2 billion (~US$20 million) from Mauritius, the fortunes of Tuskys did not improve. Their outlets began closing in April, with three branches in Nairobi. Tuskys attributed these actions to social distancing requirements imposed by the government to contain the spread of the Covid-19 pandemic.[23]

Another retailer in the region announcing its demise is Deacons Easts Africa, which operated in East Africa for more than 60 years. Fashion and clothing retailer Deacons owns 4U2, FNF, Adidas and Bossini clothing and shoe stores in Nairobi (Kenya) and Kigali (Rwanda). Apparently, Dyer and Blair (a Kenyan investment company) is interested in acquiring the brand's stores once the deadline for purchase submissions elapses.

In addition to Deacons, other retailers who exited the market in Kenya include Nakumatt, Shoprite, Uchumi and Choppies due to difficulties, including the challenge of severe debt overload.

Deacons East Africa hoped to raise up to US$4.15 million to offset its debt obligations. However, this plan was never realised and the company finally decided to resort to liquidation.

Deacons lost a number of franchises on its journey to liquidation:

- In November 2018, Deacons East Africa was placed under administration, after it lost its biggest franchise, South African retail brand Mr Price.
- In 2016, Deacons sold its Woolworths franchise in Kenya to South African fashion retailer, Woolworths Holdings.

While selling off these entities brought in much-needed cash in the short term, it negatively affected the profitability of Deacons in the long term. Even an attempt to deal with its challenges by listing on the Nairobi Securities Exchange in 2016 proved insufficient.[24]

RETAIL EXPANSION IN KENYA

While Tuskys and Deacons were suffering, another local retailer, Naivas, intends to expand its branch network with four more outlets for a total of 70 by the end of 2020. These expansion moves by Naivas come at the same time as some of its competitors continue to struggle. Interestingly, one of the new branches in the pipeline will be at the Lifestyle Mall in Nairobi's central business district, which previously hosted Nakumatt. Another branch, i.e. at the Waterfront in Nairobi, became vacant when Shoprite closed its doors less than six months after opening at the mall.

They attribute their relative success to the following factors, such as:

- Focusing on the customer and willingness to make necessary decisions.

- Identifying stores not performing, take corrective measures and shut down if necessary.
- Diversifying and redesigning outlets to have a modern appeal, including grocery sections, fresh produce sections, and delis and alcohol sections. These changes will grow revenue.

Naivas executive management indicated the company would focus on the Kenyan consumer, with local expansion a priority before venturing abroad.[25]

Carrefour is another supermarket group planning to expand in Kenya. Dubai-based conglomerate Majid Al Futtaim owns the Africa franchise. The Standard Bank Group from South Africa recently lent the conglomerate Sh3 billion (~US$27.6 million) to expand the Carrefour retail business in Kenya.

After launching in Nairobi in 2016, Carrefour Kenya is now a major player in the Kenyan retail arena. It currently has seven stores in Kenya, including the branches at Nairobi's Two Rivers Mall, Thika Road Mall, The Junction and Sarit Centre. The fortunes of retailers such as Carrefour and Naivas received a boost from the demise of retail giant Nakumatt.

The new credit facility provided by Standard Bank replaced earlier loans Carrefour Kenya used to launch its operations in Kenya. It took loans of Sh1.5 billion (~US$13.8 million) and repaid them in 2019 ahead of their contractual maturity.

Carrefour Kenya grows its market share through loyalty programmes and aggressive discounts on a wide range of products.[26]

SUPPORT FOR SALES IN HANDCRAFT SECTOR

The Covid-19 pandemic dealt a severe blow to the craft industry in Morocco, as well as other sectors of the economy. To help artisans sell their products online and reduce the impact of the pandemic, the Moroccan Ministry of Handicrafts recently concluded an agreement with the Jumia e-commerce platform. This will enable local craftspeople to use Jumia's digital platform to market their products and gain access to millions of online consumers, benefitting from Jumia's wide distribution network, logistics capabilities, electronic payment system, and support services.

The agreement supports the handicraft trade, artisans, cooperatives and small businesses operating in the sector. This is an important sector that employs 20% of the workforce in Morocco's workforce, encourages the growth of SMEs, and promotes regional development in a sector that contributes 7% to the country's GDP. Approximately 80% of the artisans working in the handcrafting sector in Morocco are women.[27]

NEW ONLINE RETAIL WEBSITE

StyleMode is a new e-commerce fashion platform in South Africa. Its website, powered by established e-commerce platform Loot.co.za, offers both men and women clothing, footwear, and accessories.

StyleMode formed relationships with brands and suppliers as they developed the business and built the platform. This platform will rely on the infrastructure and payment options provided by Loot.co.za, which includes direct deposits for those without credit or debit cards. StyleMode will also use Loot's warehousing and logistics to deliver products to its customers.

The StyleMode private label collection includes Miss Mode, La Mode, and ModeCurve. The online retailer also stocks brands such as Brave Soul, Jada, Miss Black, and Via Beach. The clothing will be manufactured in Cape Town, mostly in businesses owned by women.[28]

In South Africa, digital technology and tools boost e-commerce into almost every sphere of life. The release of the government ban on e-commerce during lockdown initiated a spike in demand for fast, reliable and safe online shopping options in South Africa. Local South African shoppers have become more comfortable with online shopping and are increasingly willing to shop for a wider array of goods and services on the web.

Black Friday and Cyber Monday will bring an uptick in demand on online platforms; with cash-strapped consumers looking for discounts and deals on everything. The use of e-commerce platforms is also driven by the unwillingness to stand in long queues at physical outlets, as well as complying with social distancing and Covid-19 safety regulations.

Lessons from the South African lockdown experience include realising that moves towards e-commerce cannot be rushed. Retailers must first understand what success in this sub-sector looks like, then plan and invest accordingly. Also, customer experience and 'brand stickiness' are crucial for e-commerce success. Retailers thus need to assess weaknesses and address gaps in real time.

According to author Gareth Hawkey, to achieve success in online sales, the following actions are important:

- Update legacy technology that does not allow retailers to create e-commerce sites and applications that can be scaled and integrated into new applications that allow for advanced functionality, customisation, and security.
- Embrace a more agile, e-commerce mindset: e-commerce must be viewed as integral to the overall growth strategy, with the physical store experience matching and integrating with the online store experience, and vice versa.
- Win and maintain trust by fulfilling the entire brand promise. Consumers turn to e-commerce to reduce the friction points involved in shopping. They place premiums on convenience and reliability. This requires e-commerce retailers to fulfil all their promises to a customer or risk losing that customer to online rivals.[29]

POINTS OF INTEREST

- East Africa, and Kenya present challenges to both local and foreign retailers. These graveyards of failed and struggling entities now boast tombstones for Nakumatt, Uchumi, Deacons, Tuskys, Shoprite and Choppies. These were all large and successful companies in their home countries. Yet we also see entities such as Carrefour and Naivas that achieved a measure of success in Kenya. The obvious question: what leads to success in this country? As I previously observed, at times it might be strategically important to enter the country to deny competitors an “empty” market. However, the market conditions need to be such that the new player’s business and operating models have the possibility of achieving success. Shoprite is one such example of a company that entered the Kenyan market for the wrong reasons, i.e. to prevent Carrefour and Choppies (at the time) of having an open field. The lessons identified by Naivas as reasons for its success are a concern. They do not appear to be rocket science; one would expect retailers to know and apply them. The same goes for the Carrefour strategy, as well as those guidelines suggested by the research noted above.
- E-commerce is increasingly becoming an integral part of the retail sector of the continent, as is the case in other parts of the world. Covid-19 undoubtedly played a major role in this phenomenon, as did increased levels of trust, the availability of smartphones, and the improvements in logistics for order fulfilment. Jumia had a bumpy ride over the past two years, but it seems this African e-commerce player has managed to turn the ship around. It must still compete with the likes of Alibaba and Amazon, but it is back to growing its footprint after closing down operations in a number of countries only a few months ago.

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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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