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# Africa Digest

## Trends and Issues in Business and Macro Environment

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## Contents

## 1. Developments on the African Continental Free Trade Area (AfCFTA)

The African Continental Free Trade Area became operational on January 1 2021. There are many expectations globally on this continental free trade agreement's potential success. In addition to the existing regional economic communities such as the EAC, ECOWAS, COMESA and SADC, we have also seen the Tri-partite Free Trade Area (TFTA). While the smaller regional economic communities have been operating with varying degrees of success, the TFTA, seen as a precursor to the AfCFTA, has had no success at all. To what extent the AfCFTA will succeed, remains to be seen. This report addresses some of the recent developments on the implementation of the AfCFTA.

### AfCFTA CRUCIAL FOR RESILIENCE IN AFRICA

The Covid-19 pandemic led to a postponement of the AfCFTA launch from July 2020 to January 1, 2021. Rwanda's President Paul Kagame spoke at the Virtual AfCFTA Business Forum on December 4 2020. Kagame noted that collaborative action to implement the AfCFTA would support rebuilding African economies and strengthen their resilience to future shocks. The success of the AfCFTA is pivotal in driving recovery, building Africa's resilience, and boosting intra-Africa trading. These outcomes will enable Africa to develop its capacity to compete in the global arena.

President Kagame urged countries in Africa to adopt the required frameworks to implement the pact successfully. He also called for involvement by the private sector and society at large, including the youth. Communication about the AfCFTA must continuously address the benefits of free trade within Africa, and work towards mobilising communities to remain engaged for the next phases of African integration. Kagame highlighted E-commerce, as it would allow youth to benefit significantly from the AfCFTA.

The new Secretary-General of the AfCFTA Secretariat is Wamkele Mene from South Africa. The AfCFTA aims to create an African market of 1.27 billion consumers with a cumulative GDP of around US$2.3 to US$3.4 trillion.[1] So far, 54 countries out of 55 have signed the agreement, 34 ratified it, and over 40 submitted their offers.

The launch of the AfCFTA on January 1, 2021 took Africa a big step closer to its vision of an integrated market. It will boost the continent's manufacturing capability and increase exports. According to Wamkele Mene, the AfCFTA "should not just be a trade agreement, it should actually be an instrument for Africa's development." He believes that trading under the auspices of the AfCFTA offers an immense opportunity for Africa to overcome the small size of many national economies and overcome a lack of economies of scale. These steps will put Africa on a path to accelerated industrial development and double intra-African trade by 2035.

The launch also means that cross-border trading amongst African countries will be more comfortable and cheaper, with increased opportunities for thousands of entrepreneurs and businesses on the continent. Investors will be able to transact business on a single set of trade and investment rules across Africa, overcoming market fragmentation that characterised Africa for decades.

According to the African Export-Import Bank (Afreximbank), 400 African banks are on board to provide trade finance support to African businesses. The Bank expects this number to increase to 500 with a combined US$8 billion trade finance capacity in the next 18 months.[2]

### RWANDA EYEING AFRICAN EXPORT MARKETS

Rwanda is looking forward to tapping into previously untapped markets and create growth opportunities for its producers and exporters under the auspices of the AfCFTA. The country expects its exports to African markets to grow from the current US$1.6 billion to about US$5 billion in 10 years, a growth of 213%!

They will tap existing and new markets, including Angola, Botswana, Congo Brazzaville, the DRC, Ghana, Namibia, Nigeria, Senegal, South Africa and Zambia, as well as other niche markets. Products identified for export purposes include agro-processed goods, construction materials, ICT and financial services.

The increase of destinations served by the national carrier RwandAir on the African Continent is further expected to enable Rwandan exporters to reach target markets with ease. E-commerce is identified as a critical driver of access to the continental market.

In addition to tapping into new and expanded export opportunities, the AfCFTA will facilitate imports of raw materials for textile and other industries for value addition and exports. The AfCFTA could see Rwanda reduce its import bill.

Rwanda's producers believe they can successfully exploit opportunities in Africa's market based on their recent performance in agriculture exports. In 2019/20, Rwanda exported 31,788 tons of horticulture commodities.[3]

## BOOSTING CEMENT PRODUCTION IN AFRICA UNDER THE AfCFTA

Aliko Dangote expects the Dangote Industries cement expansion plan and fertiliser investments to open new trade routes for the company under the AfCFTA. Dangote's Nigerian cement subsidiary currently has an installed capacity of 29.3 million tons per annum. The firm plans capacity expansion in Nigeria and Cameroun, with new plants soon to be commissioned in Benin, Cote d'Ivoire, Ghana, Niger and Togo. As Dangote does not view servicing Africa's cement needs from Nigeria as a viable solution, its strategy is to decentralise cement production throughout Africa. High transport costs and pollution by large trucks are two factors mitigating against centralisation.

Dangote believes Africa will adopt a strategy that boosts per capita consumption of cement. This approach will support the continent's infrastructure development, force cost reductions and stimulate demand for cement. UNCTAD support for addressing the infrastructure deficit through successful implementation of the AfCFTA aligns to Dangote's intent to address this deficit through his cement investment in Africa.

The lifting of restrictions in many African economies under the AfCFTA will potentially boost the performance and earnings of the Dangote Group.

Dangote's desire to make Africa self-sufficient in cement production led to the signing of a US$4.34 billion contract for the construction of 11 new cement plants in 10 African countries plus Nepal, with Chinese construction giant Sinoma International Engineering Company Limited.[4]

## ETHIOPIAN VIEWS ON THE AfCFTA

'Merkato', Ethiopia's largest open market, offers many products imported from China, India, Italy, Malaysia, and Singapore. Trade regulations and tariffs made intra-African commerce costly, inefficient and cumbersome. Consumers now hope that "made in Africa" products will be more readily available following the launch of the AfCFTA on January 1 2021.

Special advisor to the Ethiopian Prime Minister Dr Arkebe Oqubay recently stated that "the new electric-powered Ethio-Djibouti Railway is an example of the journey of economic integration and the commitment for AfCFTA, aside from illustrating Africa's commitment to a green path and economic transformation." He reiterated that environmental sustainability and economic growth are complementary.

According to Musse Mindaye, Multilateral Trade Deal and Relations Director with the Ministry of Trade, the AfCFTA will liberalise trade in services. The AfCFTA may in future enable free movement of people and a single currency. He believes that the AfCFTA will assist African countries like Ethiopia to attract potential investors with the capacity to create employment opportunities. It will "provide a chance to prevent trade conflicts beforehand," while consumers will be able to buy products at discounted prices. The government would also benefit from tax revenues and jobs created for its citizens.[5]

**AfCFTA GOVERNANCE SAFEGUARDING AGAINST BULLYING OF SMALLER ECONOMIES**

Some trade experts in Ghana criticised Nigeria for its "bullying attitude" that led to the closure of its land borders from August 2019 till December 2020. These experts cautioned that the AfCFTA would not condone this behaviour. While Ghana empathised with Nigeria's reasoning to safeguard its market and people, it disagreed with closing its borders. They saw closing Nigeria's border as flexing its muscles as the regional superpower, acting like the big brothers of West Africa that can do whatever they want. They believed Nigeria's actions had a detrimental effect on the economies of the 14 member states of ECOWAS and that it was unfortunate that compensation had not been an issue.

According to Former Deputy Minister of Trade and Industry of Ghana Carlos Ahenkorah, the AfCFTA will fill the loopholes exposed in the ECOWAS Trade Liberalization Scheme and not condone such practices following its implementation. The ECOWAS protocols appeared as "a gentleman's agreement by the heads of states," and lacked dispute resolution mechanisms. The AfCFTA protocols corrected this oversight.

Nana Osei Bonsu, CEO of the Private Enterprise Federation of Ghana, corroborated this view and emphasised that the conflict resolution mechanisms embedded in the AfCFTA protocols will provide little opportunity for trade injustices to grow. All actions will now be subject to the rules of the AfCFTA, which provides for dispute resolution.

Due to the comprehensive nature of the AfCFTA constitution, it will not allow more powerful nations to make selfish decisions against other member states contrary to the provisions allowed in the AfCFTA protocols.[6]

**POINTS OF INTEREST**

- Former CEO of Business Leadership South Africa Bonang Mohale was a guest speaker at the Africa-Singapore Business Forum in Singapore in 2016. During his talk, he referred to Africa's ability to develop excellent plans. However, he viewed the continent's leaders as less good at implementing these plans. The AfCFTA is an excellent idea. Doubling intra-African trade by 2035 is an excellent idea. Streamlining trade and people's movement, goods and services over national borders on the continent will benefit the regional economy.

- Exporting raw commodities and importing value-added goods does not make sense. Having to travel abroad or through a hub in Africa to get to many other countries also makes little sense. We know it is easier and cheaper to trade with countries abroad than with other African countries. All these inefficiencies emphasise our need for the AfCFTA. However, Bonang Mohale's comments, plus the many known instances of intra-regional strife with regional economic communities such as the EAC and ECOWAS, raise questions about the success potential of the AfCFTA. The intentions are no doubt good. But we all know the road to hell is paved with good intentions. This does not mean that Africa must accept the status quo. It does mean that the continent's leaders must stop their tendency to place their own and national interests above those of the region. For anyone to win, all must win. A trade pact is not a zero-sum game, and Africa's leaders must demonstrate their acceptance of this principle.

- A small country such as Rwanda (population of 12 million and GDP of US$10 billion) has positioned itself for years to tap all the potential opportunities coming its way. In addition to expanding its trade links created by the AfCFTA, it has developed other possibilities, such as with Alibaba that provides its businesspeople, farmers and tourist organisations with access to China's vast markets. The country has also been developing itself as a digital hub in East Africa. These actions complement ongoing reforms to improve its position on the World Bank's Ease of Doing Business rankings, on which it currently ranks Number 2 in Africa.

- Dangote Industries is a giant on the African continent. Corporates of this size can take advantage of scale in their expansion efforts throughout Africa. While the AfCFTA will undoubtedly ease their growth strategies, concerns must exist in the minds of SMEs and even smaller corporates about their ability to protect themselves competitively against the likes of a

Dangote. On the other hand, protectionist policies will deny the continent the real benefits of the AfCFTA. This is the kind of dilemma the continent will soon face, in addition to that of large economies flexing their muscles against smaller economies. Nigeria's actions against Ghana and its other neighbours when it closed its borders were ostensibly taken to safeguard its commercial sectors against smuggling and dumping. The members of the East African Community are often at loggerheads. The threat of dispute resolution protocols in the AfCFTA is only as real a deterrent as the willingness of those countries and companies involved to abide with the sanctions levied against them. Africa has all too frequently seen REC-members doing exactly as they please despite potential sanctions. Whether this mental model will change with the AfCFTA in place remains to be seen.

- Attracting investors to Africa requires more than high returns. Africa must address its security challenges. The Central African Republic, the DRC, Ethiopia, Libya, Mozambique, Nigeria and Somalia are unfortunately examples of problematic security situations, to put it mildly. While the AfCFTA addresses Africa's economic and social well-being across many fronts, it does not address military security or other safety issues. Without resolving these, the investments needed for increased trade and development will not materialise.

## 2. Developments in Agriculture

The agriculture sector is a major employer that contributes significantly to GDP in many African countries. This situation will continue for the foreseeable future. There is increasing support from a growing number of institutions for initiatives that will increase agricultural output and food security. One exciting development is the emergence of aeroponics in Rwanda. This report addresses some recent developments in this sector.

### SUPPORT FOR SMART AGRICULTURE IN AFRICA

In West Africa, ECOWAS will set up the West African Climate Smart Agriculture Initiative (WAISCSA) to raise US$80 million to enable small farmers in the region to adopt more intelligent climate change-resilient agricultural practices over the period 2020 to 2027. The funds will provide financing (80% of the total amount) and technical support. The ECOWAS Investment and Development Bank (EBID) will provide the financing component, while an ECOWAS agency will manage the technical aspects.

According to Soumaré Ndiaye, ECOWAS Climate Advisor, WAISCA is "a West African initiative for climate-smart agriculture that aims to promote the adoption of climate-smart farming practices." ECOWAS will also set up a pool of experts to help small farmers better identify and secure funds to finance their projects.

Climate change in some West African countries has caused a considerable drop in rainfall, with Liberia, Niger, and Sierra Leone experiencing temperature increases of 3.5°C compared to 2°C in the rest of Africa. This situation has hurt farmers and leads to genetic erosion that affects crops' physiology. Climate change seriously threatens the productivity of crops such as sorghum and groundnuts.

African states at COP 25 indicated they want more transition funds dedicated to climate-smart agriculture, which they identified as the solution to food insecurity.[7]

### SUPPORT FOR COOPERATIVES IN UGANDA

Patrick Muganga, a senior programme officer at Kilimo Trust, notes that smallholder farmers need reliable and ready access to markets to earn enough from their production to invest in subsequent seasons. This paradox limits the commercialisation of agriculture by smallholder farmers. Cooperatives may be unable to aggregate produce from farmers, leading to underutilisation of their storage facilities.

Muganga ascribes this limited access to markets to the lack of market research and end-market engagement by farmers and other value chain actors. These knowledge gaps lead to mismatches among supplies of food commodities and market requirements. Other factors include quality issues due to poor pre- and post-harvest product handling, limited access to trade finance, poor preparation of farmers to fulfil the requirements of identified markets, and inadequate administration of cooperatives.

In Uganda's Bigando Area Cooperative (BAC), farmers reportedly did not send crops to the cooperative as they were unwilling to wait for three months to be paid. Instead, they sold their produce to middlemen at low prices. Kilimo Trust addressed this by linking BAC to reliable markets. Kilimo identified national maise buyers and qualified regional buyers such as millers who subscribe to Kenya's Agro-processors Association (APAK). They also helped BAC obtain post-harvest handling technologies and trained the cooperative and its members on market-oriented production and maintaining East African grain standards, financial literacy cooperative governance and management. In addition to ongoing business coaching. BAC was linked to maise processors and aggregators from Kenya through the Network of Producers and Exporters Uganda (NePEU) that connects cooperatives and aggregators interested in tapping into regional markets.

The results are clear. BAC sold 697 MT of maise to Kenyans in three months from July 2020, compared to 50 MT in the same period the year prior. BAC increased its commission revenue from Shs2 million to Shs20.9 million per season, which helped the cooperative expand services to its members.[8]

## AGRICULTURE REDUCES RISK TO COVID-19 RELATED DOWNTURNS

IMF and Renaissance Capital economists predict that countries with sizeable agriculture sectors and low exposure to tourism can recover more rapidly from the economic crisis fuelled by the Covid-19 virus. IMF reports reveal that tourism-dependent economies such as Cabo Verde, Comoros, Gambia, Mauritius and the Seychelles suffered greatly from the pandemic. However, some commodity-exporting countries were also hard hit.

In tourism-dependent economies, the sector contributes about 18% of GDP and generates up to 25% of total employment. In the Seychelles, tourism is a crucial fiscal revenue source, providing 18% of income and generating more than 46% of foreign exchange receipts. Tourist inflows are not expected to return to 2019 levels until 2023.

According to the IMF, economic growth in sub-Saharan Africa's more diversified economies, such as Côte d'Ivoire and Rwanda, will slow significantly. However, growth in some countries will remain positive over 2020.

Renaissance Capital believes Kenya's economy will report 2020 growth of 1.5% due to agriculture's healthy performance and easing of Covid-19 restrictions in the second half of the year. They believe countries with sizeable agriculture sectors, low exposure to tourism and adequate fiscal and household buffers will recover rapidly from the crisis. Renaissance notes that agriculture sectors are insulated from the pandemic's economic impact. This result is primarily due to their weak integration with global supply chains and banking systems.[9]

## BOOSTING USE OF FERTILISER BY SMALLHOLDER FARMERS

Marketing manager John Meshack of Yara Tanzania says his company targets helping smallholder farmers increase their crop yields because they are Tanzania's leading producers. Yara's new MiCROP product is designed to improve maise and rice production. The fertiliser contains the zinc and sulphur micro-nutrients needed for a farmer to reap quality crops. Yara is serious in their attempts to get smallholder farmers to see the potential for the increased value of farming through bumper harvests and the resulting profits.

The fertiliser plant soon to be built in Dar es Salaam will ensure a smooth supply of fertilisers in Tanzania. The launch of MiCROP was held in Songwe, reflecting the importance of Mbeya and Songwe as rice producers in Tanzania.

Yara cooperates with the government to achieve the national agenda of making Tanzania an agro-industrial country by 2025. Yara Tanzania is a significant crop nutrition company in Africa and provided training to millions of farmers in sustainable farming techniques that deliver a greater and more profitable yield.[10]

## AEROPONICS IN RWANDA

Rwanda's population is projected to grow from 12 million today to 16.9 million by 2032. This will drive increased demand for food. However, the amount of arable land is likely to diminish as the cities steadily expand. The country's agriculture sector can meet the need for more food by innovating to provide higher production in smaller spaces. This reality led to the development of aeroponic systems that enable farmers to control humidity, temperature, pH and water conductivity within a greenhouse.

One pioneer of aeroponics in Rwanda is Apollinaire Karegeya, who previously practised traditional farming growing potatoes. Low crop productivity due to climatic conditions led him on a training trip to Europe, where he discovered aeroponics. With support from the Rwandan government, Karegeya began farming potatoes through greenhouse aeroponics in 2015. He soon became a pioneer and promoter of the aeroponic system in Rwanda. In addition to growing potatoes, he also sells seedlings to other farmers. Karegeya grows about 2500 plantlets in his greenhouse, which produces a crop of potatoes in 2.5 months. His greenhouse produces three crops a year.

However, aeroponics is still new to many Rwandans. Karegeya, with help and training from FAO, uses the media (including radio, television, newspapers and web sites) to spread the word and change mindsets. The demand for his seedlings has grown exponentially, with many farmers asking him for help to set up their aeroponics systems. With an overwhelming need for his support, he is encouraging more people to adopt aeroponic methods and produce seedlings for Rwandan farmers.

Karegeya believes that as more farmers learn about aeroponics, food production will increase. Eventually, farmers will be able to use aeroponics to grow many other types of crops.[11]

**POINTS OF INTEREST**

- Agriculture is frequently identified as an area of potential diversification for economies currently focused on extracting and exporting resources. We now learn that the Covid-19 pandemic had less impact on economies with a strong focus on agriculture. Hopefully, this finding will entice more countries to embrace the agriculture sector's economic development potential. Africa's governments must now live up to their promise to invest more in their agriculture sectors as formalised in the Maputo Declaration of 2003 and the Malabo Declaration of 2014.
- We see initiatives to use smart agriculture and modern fertilisers to increase food production yields. Food security will remain a challenge for some time, given the population growth, the high urbanisation rates, and the conversion of agricultural land into suburbs. Smallholder farmers that produce significant quantities of food in Africa are the target of many of these initiatives. However, more needs to be done to ensure these critical stakeholders' productivity and future viability. The average age of a smallholder farmer in Africa is over 60 years. This demographic does not bode well for African food security unless something is done to alter the pattern. Africa talks about increasing the involvement of the youth in its agriculture sector. It needs to make this objective a meaningful reality.
- Africa has diversified the subsectors in its agriculture sector with developments in aquaculture, floriculture, maritime industry, and now aeroponics. These developments have several benefits: they increase food security levels on the continent, create meaningful job opportunities, and eventually will reduce the food import bill for many African countries.
- Cooperatives in Africa's agriculture sector are not new. In South Africa, they date back many decades. The model offers various benefits. By combining purchasing power, cooperatives can negotiate lower prices for agricultural inputs such as fuel, seed, fertiliser, and other farming inputs. This can include infrastructure material and even vehicles. Cooperatives can also negotiate better prices for their crops than single farmers can. Cooperatives provide financial services in some cases. Farmers obtain all their inputs (including food) from the cooperative on credit during the year, then settle their accounts with the revenue generated by their crops, which are sold on their behalf by their cooperative. Working capital for farmers is always a challenge, especially those with annual crops who see cash only once a year. More African economies must adopt and support the model by utilising cooperatives to benefit their farmers.

## 3. China in Africa

China has continued unabated with its support for various sectors in Africa, despite its Covid-19 crisis. We also see a continuation of high-profile visits from China to Africa, a trend that has continued for more than three decades. This report addresses some of the recent developments in this field.

### ANNUAL HIGH-PROFILE VISIT TO AFRICA

The Foreign Minister and State Councillor of China, Wang Yi, recently concluded a visit to five African countries: Botswana, the DRC, Nigeria, the Seychelles and Tanzania. This is a continuation of a 31-year-old tradition where China's Foreign Minister always visits Africa at the start of each new year.

In Botswana, the two countries signed an MoU for cooperation on the Belt and Road Initiative (BRI). This makes Botswana the 46th partner country in Africa in BRI cooperation. According to Botswana President Masisi, the deal signifies new progress in China-Botswana relations and will generate impetus for collaboration. Botswana exports primary products to China and imports intermediate and capital goods for use as inputs in infrastructure development in the country.

In the DRC, China cancelled its interest-free loans to the DRC worth an estimated US$28 million that matured in 2020 and promised to fund infrastructure projects as the DRC joined the BRI. The write off is to help the DRC overcome the impact of Covid-19. China will also give US$17 million in other financial support, of which US$15 million will go towards development projects and the remainder used to support the DRC's mandate as head of the AU bloc for the next financial year. China also committed to funding the renovation of the Congolese foreign ministry headquarters.

In Tanzania, the Government awarded a US$1.32 billion contract to two Chinese companies, the China Civil Engineering Construction and China Railway Construction, for construction of a 341km rail line. The parties signed the agreement during Wang Yi's visit to the country.

During Wang Yi's visit to Nigeria, the two foreign ministers signed an MoU on the establishment of the China-Nigeria Intergovernmental Committee. Wang Yi stated China is ready to strengthen cooperation with Nigeria in infrastructure, agriculture, investment, free trade zones, education and other fields, and import more Nigerian products. China welcomed Nigeria to participate actively in the China International Import Expo and share China's development opportunities.

In the Seychelles, Wang Yi stated that China is willing to deepen mutually beneficial cooperation with Seychelles in the three areas of green environmental protection, blue ocean and tourism. He added that China fully understands the urgent desire of small island countries to cope with climate change. The two sides will sign the implementation agreement to construct low-carbon demonstration zones in South-South cooperation. China would also like to deepen cooperation with Seychelles in seafood farming, marine scientific research and shipping transportation. China also provided 50,000 doses of Sinopharm's Covid-19 vaccine to the Seychelles.[12]

### FRUIT PROTOCOLS WITH SOUTH AFRICA

South Africa's Fruit South Africa recently signed an MoU with the China Chamber of Commerce of Import & Export of Foodstuffs & Native Produce (CFNA), representing over 6,800 Chinese companies and 44 different chambers for buyers and sellers of specific commodities. This MoU aims to promote greater cooperation and information exchange among the countries' fresh fruit industries. Information exchange on changes to regulatory legislation and customs procedures is another focus of the increased collaboration, which will include a working group to monitor project implementation.

The two parties to the MoU will also discuss long-outstanding issues such as market access. Priorities they hope to deal with include a pear protocol and the lemon review protocol. Improving access for lemons to China will make a massive difference in dealing with the vast increase in lemon production in South Africa. Due to the current unfavourable protocol, there are barely any South African lemon exports to China.

The pear protocol has been agreed in principle for some time and is awaiting ministerial sign-off. This step was a prerequisite for movement on access to China's markets for other fruits such as avocados, stone fruit and blueberries. The delay is a matter of frustration to the South African industry, which exported over 2.8 million tons of fruit in 2019.[13]

**INVESTING IN RENEWABLE ENERGY PROJECTS IN AFRICA**

The Seychelles recently adopted a strategy to embrace solar off-grid to supply electricity to its 115 islands in the western Indian Ocean. China has promised to invest US$11 million in the production of renewable energies, with US$4.6 million earmarked for the construction of small off-grid solar power stations. These off-grids will enable several islands to become autonomous in terms of electricity. The remainder of the Chinese funding will go towards installing solar panels on the roofs of public buildings, particularly schools.

Both countries are interested in addressing climate change and the environment, focusing on greener and more sustainable development.

China is reportedly intent on growing its investment in renewable energy projects, a very dynamic sector in Africa. Angola is another African country that reached out to Chinese players for investments in clean energy projects.[14]

**SUPPORTING THE AGRICULTURE SECTOR**

Henan Agricultural Vocational College (China) intends to set up a training centre in partnership with Tanzania's Vocational Education and Training Authority (VETA). Located in Tanzania's Dodoma region, the centre will train mid-level professionals in agriculture and livestock development. Minister for Education, Science, Technology and Vocational Training Prof Joyce Ndalichako shared that the Chinese college will collaborate with government authorities to implement the agreed plan. This new centre will increase the number of competent professionals in Tanzania.[15]

**BOOSTING CHINESE TOURISM TO AFRICA**

Tanzania's embassy in China will partner with 17 high-end tourist companies to boost Tanzania tourism. One remarkable programme will use postcards to promote tourism in the vast Chinese market. According to Tanzania's Ambassador Kairuki, the Ambassador and a representative from Ethiopian Airlines will sign the postcards, which the airline then forwards to Tanzania.

Representatives from the 17 high-end tourist companies are ready to climb Mount Kilimanjaro in Tanzania where they will take photos with the postcards. These postcards will, in turn, be sent back to China and distributed to 4000 premiere customers of the high-end tourist companies during the Chinese New Year, which takes place from February 11 to 17, 2021.

Ambassador Kairuki emphasised that the act of taking the postcards to the top of Mount Kilimanjaro on January 1 2021 will instil a sense of hope to the customers that the New Year will offer blessings and fulfilment of many goals, which include being able to travel outside China after a long period of remaining within the country's borders.

Recently, China pledged to resume its programme of bringing 10,000 tourists to the country in 2021 after the global containment of the Covid-19 pandemic. China's Zhejiang Province and Tanzania agreed to strengthen their collaboration in tourism and culture.[16]

**INFRASTRUCTURE AND MEDICAL SUPPORT TO ZIMBABWE**

While the Covid-19 pandemic slowed infrastructure development in Zimbabwe, China is now reportedly committed to moving forward with several ongoing infrastructure projects in the country. Three of the major projects at various stages of completion in Zimbabwe are the Hwange Thermal Power Station expansion (US$1.5 billion), the Robert Gabriel Mugabe International Airport expansion (US$153 million), and the new Parliament Building (US$100 million).

To accelerate the Hwange Thermal Power Station expansion project's implementation, a team of over 200 Chinese experts arrived in Zimbabwe in October 2020. Chinese ambassador to Zimbabwe Guo Shaochun noted that on completion, the project would increase Zimbabwe's power self-sufficiency, "which is exactly what the country needs for its development and what practical cooperation should mean."

China's Shanghai Construction Group will undertake construction of Harare's new Parliament building through a Chinese government grant. The building was expected to be completed by March 2021, but due to the Covid-19 pandemic, completion is now rescheduled for September 2021.

China actively supports Zimbabwe's struggle against the pandemic. Chinese companies operating in Zimbabwe invested over US$500,000 to rehabilitate Wilkins Hospital in Harare. At the time, this facility was the country's primary isolation and treatment centre for COVID-19. The Alibaba Foundation donated a massive consignment of medical supplies to help Zimbabwe combat Covid-19. The Chinese government provided various other forms of support to this effort, including anti-COVID-19 medical supplies and equipment and an experienced medical team from central China's Hunan Province.

In July 2020, a newly established COVID-19 treatment centre funded by Chinese firms started operating in Zimbabwe. Three Chinese firms teamed up with a local private medical institution to launch Harare's new facility.

In September 2020, the Zimbabwe-China Traditional Chinese Medicine (TCM) and Acupuncture Center opened, marking a new chapter of cooperation in the health sector between Zimbabwe and China.[17]

**POINTS OF INTEREST**

- The visit by Chinese Foreign Minister, Wang Yi to the various African countries continues a practice that started 31 years ago. This show of respect illustrates why African governments remain quite positive towards China. It is a message to African leaders that China has sufficiently high regard for them to send a high-profile leader to visit them on an annual basis. This act illustrates what networking truly is. In contrast, countries such as the USA seldom send a similar high-profile delegation to Africa, with former President Trump referring to the continent in quite a derogatory manner. The media reports on telephonic conversations between President Xi Jinping and various African leaders. The latter also regularly receive invitations to visit China. Therefore, one does not need to wonder why African leaders are positive towards China. This positive attitude towards Africa is strengthened by ongoing financial, technological and educational support from China. It explains why African leaders such as the Senegalese President Macky Sall had no problem admonishing the USA to halt its negative referrals to China's initiatives in Africa.
- China is the world's largest user of renewable energy. We saw the country install 30 GW of solar energy in 2019. Its solar equipment (panels and batteries) are exported globally and are of sufficient quality to ensure widespread adoption. Although its support for renewable energy in Africa was late in coming, this is now changing. According to GlobalData, Chinese companies were in 2019 the lead contractors in 63 power projects in the pipeline, with a combined value of US$78.1 billion. Hydropower projects are the preferred projects for Chinese contractors. They are involved in 52% of all hydropower projects in the region (in terms of capacity), followed by 29.3% involvement in coal projects and 10.7% in gas projects.
- South Africa's fruit industry will benefit from its entry into the enormous Chinese market. Why the necessary protocols have yet to be signed and ratified 26 years after the onset of democracy is unclear, especially given the general positive Chinese attitude towards Africa. Countries that successfully tapped the considerable potential of China include Australia. However, once this country opted to support the USA's ideological stance towards China, it finds itself a target of Chinese irritation. For that matter, South Africa and other African countries must exploit this situation to their benefit. The fresh fruit sub-sector must rise to the occasion, accompanied by the wine sector. The latter has since March 2020 been the victim in South Africa of government sanctions to limit the expansion of Covid-19. It would therefore embrace an opportunity to tap

the Chinese market. Currently, the most meaningful South African wine presence in China is L'Huguenot Vineyards.

- China is probably currently the most visible foreign investor in Zimbabwe, although Russia is also reaching out. Zimbabwe remains the victim of various sanctions imposed by countries in the West, such as the USA and the United Kingdom. Zimbabwe's economy disintegrated over the past two decades, and now shows little sign of immediate improvement. This failure is surprising, given the vast potential in its agriculture, mining and tourism sectors. Chinese infrastructure projects are incredibly welcome. The Zimbabweans now have to come to the party and get their act together. The country needs business-enabling policies and a unified effort to address its challenges. Partisan political actions must be set aside, and action must taken to convince the West that it is time to lift those economic sanctions.

## 4. Developments in the Digital Industry

The introduction of digital technology globally brought about many changes in how we consume services and introduced innovative new business models. These developed over the past two decades and now create unique opportunities for service providers and the financiers and consumers of services. This report addresses some of the recent developments in this sector.

### MUSIC PLATFORMS WITH FREE ACCESS

Mdundo, a music streaming platform that strives to become the Spotify of Africa, listed on Denmark's Nasdaq First North Growth Market in September 2020 following its IPO. It now reportedly runs the risk of losing money for its shareholders. CEO Martin Nielsen says he does not know when the company will become profitable. "It costs money to become Africa's leading music platform," he says. "We want to invest in new markets."

Mdundo reportedly has five million users, a number it hopes to increase to 18 million within the next two years. According to Nielsen, the company will later target another considerable growth in users to 50 million rather than consolidating and achieving profitability. While Mdundo has enough funding for the next two to three years, it will need more funding to finance its planned growth.

Mdundo currently operates in 15 African countries, which it aims to increase to 21 in the next two years. Its biggest markets are Kenya, Tanzania, Uganda, Zambia, Nigeria and Ghana. The company is close to breakeven in Kenya (where it has been since 2012), and Cameroon is regarded as a priority for expansion.

Mdundo's business model provides music to users for free and generates revenue by selling advertising opportunities to companies such as Coca-Cola, Diageo and Unilever, plus banks and telephone companies. Nielsen believes this business model can replicate Spotify's success.

Mdundo's corporate shareholders are locked into holding their shares for a year after the IPO. Most of the company's small shareholders are locked in for six months after buying their shares. The purpose of this arrangement is to enable the company to prop up its share price and provide short-term security to shareholders.

Mdundo faces a wide range of music platform competitors, including Boomplay, Spinlet, Smubu and Udux. Nothing stops new entrants if there is enough advertising revenue to justify it. However, the future demand for digital advertising in Africa is unclear. Some believe the importance of digital advertising channels is overstated, and billboard advertising is still alive and well.[18]

### BOOSTING E-HEALTH OPPORTUNITIES

In Kenya, e-health startup Ilara Health provides affordable diagnostic equipment to patients and healthcare providers in peri-urban areas. It partners with more than 120 clinics, enabling access to lifesaving point of care diagnostic tools and testing for thousands of patients across Kenya. The company's technology seamlessly integrates these diagnostic tools into easy-to-manage tablets and mobile phones that require minimal training to operate.

In addition to raising a seed funding round in August 2019 to help it scale its offering, Ilara Health received a US$1.1 million grant from the Bill & Melinda Gates Foundation in September 2020. Ilara will use the funding to develop effective antenatal care (ANC) interventions and tech-based solutions for pregnant women unable to access essential services during the COVID-19 pandemic. The company will, with the support of the Kisumu Ministry of Health and the Kenya Medical Research Institute, "leverage a network of local primary care facilities, telemedicine, and home-based health worker consultations to ensure safe continuity of life-saving maternal care during the pandemic and beyond."

The partners want to ensure essential ANC is available at small local clinics, improving access to diagnostics locally and, through Ilara Health's technology platform and diagnostic tools, reaching pregnant women at their local clinics, individual homes, or remotely.

Ilara Health will also partner with the Butterfly Network to ensure that small facilities without in-house sonographers are linked to imaging specialists. This model enables scans carried out locally to be read and diagnosed remotely in real-time, so patients and caregivers receive immediate feedback.[19]

In South Africa, health start-up Udok, founded in 2018, created innovative technology that facilitates the delivery of online doctor consultations. The telehealthcare system allows for remote consultations between qualified medical practitioners and individuals, providing a real-time diagnosis via the use of digital technology. Udok uses its connected-care platform to capture accurate medical information from its patients. Patients can also access advice, pharmaceutical prescriptions, remote admissions, and other services via the digital Udok platform.

Udok recently raised R10 million (US$660,000) in a seed round of funding from FinX Capital, a local venture capital firm, which it intends to utilise for the expansion of its offering across South Africa and to further its partnership with Clicks Pharmacies. This alliance will allow locals to access an Udok virtual practice at nearly 200 Clicks Pharmacies throughout South Africa. The Clicks Group is the largest pharmacy retailer in South Africa. Currently, Udok built an AI-powered "smart patient queuing system," now found within many Clicks Pharmacies across the country.

According to Dr Perus van Niekerk, CEO of Udok, the start-up's mission is to make healthcare accessible to everyone in Africa "through the use of a smart device which can be the patient's own or with the help of a nurse."

The platform, easily accessed via a smartphone app, provides access to virtual and video-based consultations with a qualified medical practitioner. It also enables an effective diagnosis via the use of specialised capabilities built into the platform and immediate access to medical health records. While there are currently no monthly costs involved in using the app, payments for consultations can be made via debit or credit card.

Udok's plans involve the launch of an additional offering at its retail partner stores in the form of affordable lab testing. Currently, conventional labs offer a higher rate for lab testing for patients.[20]

Ollie Health is another South African health start-up using the digital platform to improve service provision across the country. Ollie Health was founded by South African entrepreneurs Marc Knowles and Andrei Casim and registered in South Africa in July 2020. It provides access to several healthcare professionals across the country, including dentists, general practitioners, chiropractors, psychologists, and others via an app. Users can schedule appointments, receive booking reminders, and receive personalised video links for the virtual consultations.

Ollie Health claims to be SA's first virtual healthcare booking platform. According to its founders, the start-up is entirely self-funded. The founders have been approached by a venture firm from China but have yet to secure a Seed Round.

According to CEO Marc Knowles, Ollie Health wants to encourage healthcare professionals to move from using Zoom, Skype, and WhatsApp video for virtual consultations, to a more productive and thorough experience using Ollie Health's platform.

Ollie Health claims to be the country's first virtual healthcare app based on its unique technology to connect patients with healthcare practitioners. They claim to be the first app on both IOS and Android, where one can find, instantly book, and experience the consultation in one session. Users can also review the various practitioners available on their medical aid scheme and have the freedom to choose if they wish to employ a cash-direct service.

Ollie Health allows registered healthcare professionals to promote their business and reach more clients, offering a range of services. The platform addresses security concerns surrounding consultations held virtually between users and healthcare professionals, by using a secure and custom video platform, ensuring both confidentiality and the protection of their personal information.

Ollie Health is currently available to users in Cape Town, Durban, and Johannesburg, with plans to launch in Accra, Ghana.[21]

**DEVELOPING DIGITAL WALLETS**

Fintech startup Raseedy partnered with the Saudi Investment Bank (SAIB) and Mastercard to launch Egypt's first independent licensed digital wallet. The Raseedy wallet allows users to transfer money, make payment via QR code, pay regular bills, issue online virtual debit cards, and receive international remittances.

According to its co-founder and CEO Jacques Marco, Raseedy expects one million people to use the digital wallet in the months to come. They also see the Egyptian government's push towards financial inclusion and digital transformation as an opportune time to launch their independent wallet. The digital wallet is a reliable alternative to cash payments in Egypt, licensed by the Central Bank of Egypt and certified by Meeza, the national payment's scheme operator.

Raseedy, founded in 2018, integrates their business-to-customer (B2C) and business-to-business (B2B) model and applies this to digital financial inclusivity, resulting in a wide range of financial services for users. Raseedy's vision is that their digital wallet will replace the use of cash in everyday life "in an efficient, transparent, and cost-effective way."[22]

**POINTS OF INTEREST**

- Mdundo’s business model reminds one of the typical business models during the dot.com boom in the late 1990’s, where scale was deemed to be more important than immediate profitability. The company's revenue model does protect itself against market sentiment as shareholders are forced to hold on to their shares for a period of either 6 or 12 months. However, should these shareholders not be convinced that the efforts to grow the scale of users can be transformed into profits at some point in time in the future, nothing will stop them from unloading their shares once they can do so legally. It also remains to be seen to what extent advertisers will fund the business model by tapping the digital advertising opportunities. With Africa's growth in the digital domain, a rapidly increasing number of users on the continent own mobile phones and broadband Internet is becoming more available. These developments should support a for-free service as far as music is concerned. It is also possible that Mdundo will turn towards providing an advertising-free service with a subscription offer for those that can afford it. The company's challenge is that it has a number of existing competitors, with the sector apparently having low barriers to entry.

- The healthcare sector remains a popular field of application for digital applications. This makes perfect sense given the vast distances poor patients frequently have to travel from rural and remote areas to specialist doctors in towns and cities. In addition, many rural areas and remote areas do not even have sufficient numbers of general medical personnel. These factors raise the door-to-door cost of medical services. High cost is a huge negative as most of Africa's population are poor. The need for medical care also reflects the high disease burden in Africa. Any innovation to increase access to medical care and to reduce cost is therefore welcome. It is also clear that potential investors are keen to tap into potential high-impact digital platforms as they understand the need for and potential impact of these platforms on the lives of Africans.

- There is seemingly no end to the development and adoption of new digital wallets on a continent where financial inclusion is a major challenge. Since Safaricom spearhead this innovation with the launch of M-Pesa in March 2007, people in many countries can see the adoption of financial wallets to replace physical cash and provide access to financial services and products. As has been stated before, the providers of these services tend to be technology-oriented companies and not necessarily banks. This places banks under pressure, especially those who target the bottom of the market. As this is a growth area, as the middle-class segment is a maturing segment, banks will have to wake up to the threat posed by platforms such as Raseedy and M-Pesa and develop their own platforms. Some banks have developed such a digital alternative to their own services, in the process cannibalising themselves. However, this seems better than watching competitors steal your customers. It does have the negative consequence of banks having to close branches and lay off personnel. M-Pesa grew their users to 17 million from start-up in March 2007 to December 2011 in Kenya alone. While Kenya has a population of approximately 54 million, Egypt has 100 million. It will be interesting to see how the adoption of Raseedy progresses in this country with its population close to double that of Kenya.

## 5. Developments in Investments and Economics

The Covid-19 pandemic had a severe economic and social impact on Africa. Lockdowns to curtail the spread of the virus devastated economies on the continent and left many unemployed. However, all is not doom and gloom, as we see some improvement in Africa's economies towards the end of 2020. FDI on the continent has also emerged, despite the globally negative impact of Covid-19. The year also brought the developing realisation that resource-driven economies must diversify the basis of their economies to survive in future. This report addresses recent developments in this field.

### DIVERSIFYING THE BASIS OF NIGERIA'S ECONOMY

In September 2020, Nigeria's Federal Government announced that the days of crude oil are numbered. This reflected the looming fear of hardship in Nigeria following the nation's over-reliance on oil. The Government believed it was imperative to leverage the country's oil wealth more effectively and efficiently before it becomes worthless. The Minister of State for Petroleum Timipre Sylva predicted that oil would in the next two decades lose much of its relevance in the global energy mix as the world develops alternative energy sources. Sylva stated that Nigeria needs to make the best of investments from the sector before 2040, by which time crude oil is forecast to have lost 50% of its relevance in the global market. He lamented the fact that despite being aware of this need since 2000, Nigeria has yet to implement the laws required for effective regulation of the oil industry.

According to Sylva, the Petroleum Industry Bill (PIB) will serve as the foundation for energy-related investments, making Nigeria an attractive investment destination.

Senate President Ahmad Lawan saw the need for a properly regulated oil industry, one that is very competitive and not only sustains current investments, but attracts even more. He declared that the country's oil resources must be utilised to the benefit of all Nigerians.[23]

### REDUCING THE FOCUS ON OIL

Angolan President João Lourenço noted that his country was in "a process of deep changes" in December. His government set development priorities for its agriculture, technology, education, transport, infrastructure, health, pharmaceutical, banking and insurance sectors. He identified these specific sectors as important to US investors, now focused mainly on Nigeria's oil industry. His vision is to shift investor interest from oil to tap the growth potential in other sectors of the Angolan economy.

President Lourenço stated that with the support of leading institutions from friendly countries, such as the US Treasury Department, Angola was addressing its poor governance practices and weak management of public affairs. The Angolan government took steps to align the country with globally established best practices. As a result of this realignment process, the Angolan government initiated joining the Extractive Industries Transparency Initiative in 2020.[24]

### KENYA RANKINGS ON ABSA AFRICA FINANCIAL MARKETS INDEX

The latest Absa Africa Financial Markets Index report (2020) reveals that Kenya (scoring 58/100) ranked only seventh on the Index, dropping four places. The Index measures the capacity of countries to attract both local and foreign investments. South Africa heads up the rankings at 89 points, well ahead of Mauritius (79), Nigeria (65), Botswana (63), Namibia (61) and Ghana (59).

The index is based on six pillars: market depth, access to foreign exchange, market transparency, tax and regulatory environment, the capacity of local investors, macroeconomic opportunity, and the legality and enforceability of standard financial markets master agreements.

The report shows Kenya lost points in the foreign exchange pillar, exhibiting possible volatility to the local currency and the general economy. The country also performed poorly in the macroeconomic opportunity pillar where it ranked 11$^{th}$ in Africa, with its economic growth forecast averaging 1.8% for 2020. This compared poorly to its five–year historical average of 5.7%. Kenya also lagged behind peers in the capacity of local investors. This pillar considers the amount of pension fund assets available relative to population and market capitalisation. Kenya remains behind on pension assets per capita, standing at $257. This places it at eighth, behind Namibia, Mauritius, Botswana, South Africa, Seychelles, Morocco and Eswatini.

Favourable factors include the ratio of net portfolio investment to foreign exchange reserves. Kenya led the continent in market transparency and in the tax and regulatory environment pillars.

The report facilitates cross-country comparisons, prompting policy discussions between regulators, capital markets, investors and corporates on how to build markets that can promote investment.[25]

**DIVERSIFYING ACROSS THE VALUE CHAIN**

The economist and co-founding partner of Seed Consultancy JP Fabri recommends that Rwanda explore ways for its key economic sectors to climb value-chains across different sectors. He observed a need to diversify these sectors both vertically and horizontally. Fabri views diversification as a key mechanism that will generate greater employment, higher earnings and greater participation in global trade. These outcomes will support the Rwandan economy and boost its resilience to economic shocks.

Agriculture offers a potential opportunity for Rwanda to transform the sector into a regional agri hub. Agritech tools, when combined with incentives, can attract international investors to support modernisation. This will make the sector a key economic contributor and propel its climb up the value-chain. For example, target crops include cultivation of medical marijuana for export purposes. This is a high yielding crop with an ever-growing international demand.

Rwanda can also establish itself as a regional manufacturing hub, attracting manufacturing players eyeing growth in the region. Emerging technologies such as 3D printing, IoT and additive production can enable Rwanda to generate new opportunities in its manufacturing sector.

The services sector is another priority area open to rapid progress along the value-chain. Financial services is one sub-sector that allows reconfiguration of the value chain. Rwanda has the potential to become a regional financial hub. Rwanda Finance is pushing Kigali towards establishing itself as a regional international finance centre. Embracing digital technology can support the growth of the centre and drive Rwanda up the value-chain.

Developing such a strategy requires adoption of the supporting ecosystems. Regulation and legislation are just one element. The right skills set and talent development, including international talent, strong and attractive incentive packages, establishing new sector-specific SEZs, tax incentives and reforms, and a digital public sector will all build on an already strong business-friendly environment.[26]

**COLLABORATION BETWEEN EGYPT AND SENEGAL**

The Egyptian and Senegalese sovereign funds intend to establish a partnership that will eventually expand to include all sovereign funds in Africa. Senegalese ambassador to Egypt Elie Bay stated that his country intended to increase cooperation and trade exchange with Egypt. He referred to several joint investment opportunities available in Senegal, especially after the recent oil discoveries in the country. He planned to arrange a visit to Egypt for Senegalese businessmen, during which they would identify investment opportunities. According to Bay, Senegal appreciated Egypt's accomplishments during the Covid-19 pandemic and its success in returning to positive economic growth.

Egypt's Minister of Planning and Economic Development, Hala El-Said, welcomed the potential visit and highlighted Egypt's keenness to receive the Senegalese team as soon as possible. This would enable Egypt to inform the Senegalese team of the recent achievements in Egypt and the promising investment opportunities available in all fields.[27]

**FDI IN AFRICA**

The Daily Trust reports that South Africa and Ghana attracted over 200% more in Foreign Direct Investments (FDI) than Nigeria in the first half of 2020. Both countries are thriving despite the Covid-19 pandemic.

While Nigeria attracted US$362.84 million FDI by June 2020, South Africa landed US$966.7 million in FDI during the same six-month period. Ghana had attracted US$785.62 million in FDI, more than twice that of Nigeria in the same period.

Comparing GDPs reveals a different story. Ghana generated a GDP of US$67.1 billion over the period, and South Africa US$59.8 billion. However, Nigeria generated a GDP of US$446.543 billion, making it the largest economy in Africa.

In 2019, Nigeria recorded FDI of US$3.3 billion. The steep decline to US$362 million FDI in the first two quarters of 2020 was a serious concern to the country. South Africa realised FDI of US$4.6 billion in 2019, while Ghana attracted US$2.3 billion. While South Africa led in 2019, Ghana was at least $1 billion FDI behind Nigeria for the year.[28]

**OINTS OF INTEREST**

- Africa still remains a region of interest for many foreign investors. Much is written about China in Africa, and relative newcomers on the continent such as Russia, Turkey, and the UAE, to name but a few. FDI in Africa clearly indicates the perceptions of potential value to be unlocked. Given the prominence of the two largest economies in Africa, i.e., Nigeria and South Africa, it appears that size does count. It is also interesting to note how well these two economies figure on the list of investments despite the perceptions of corruption in these countries. In the Global Corruption Parameters 2019, close to 70% of the population in South Africa believe the government is failing to combat corruption, while close to 40% in Nigeria believe this is the case. In Nigeria the overall bribery rate increased slightly, from 43% in 2015 to 44% in 2019. However, it does seem that the proportion of the population who believe their government is doing a good job of fighting corruption increased from 22% in 2015 to 59% in 2019. This is contrary to the overall bribery trend. If the government is doing such a good job, why is the overall bribery rate increasing? In South Africa, the proportion of people who believed the government was doing a good job in fighting corruption increased from a dismal 20% in 2015 to a still very low 25% in 2019. The improvement can be ascribed to the change in president, from Jacob Zuma to Cyril Ramaphosa, who is viewed much more positively. However, a number of ANC heavyweights in the country are reportedly involved in corrupt practices. Transparency International's Corruption Perception Index of 2019 ranked South Africa at 70th place, with Nigeria at 146th. This does not paint a pretty picture.
- Many investors still target Africa despite its poor corruption record. This indicates that foreign investors see value in Africa. South Africa and Nigeria are very prominent on the Absa Africa Financial Markets Index 2020, as well as in 2019, 2018 and 2017. The continent as a whole still does well despite itself. As former President Johnson-Sirleaf of Liberia stated, Africa is not poor – it is poorly managed. Foreign investors seek to tap the continent's riches. Ideally, they will do Africa a favour and participate in expanding across value chains, increasing the value-added level of all sectors of Africa's economies. This will not only create more sustainable value for the investors, but also for Africa's economies, to the mutual benefit of all parties. More jobs, less imports and more exports are all positive outcomes from such a scenario.
- Egypt is rapidly expanding its footprint in Sub-Saharan Africa and hosts an annual Africa Summit at Sharm El Sheikh. The Egyptian government is clearly attempting to position itself as one of the African market leaders. The country established relationships with businesses in Tanzania, not only for trade, but also investments in SMEs and involvement in energy projects

(most recently a hydro scheme). With a solid foothold in East Africa and now in West Africa, Egypt is well-positioned. It presents itself as a gateway to Africa, and as a destination for FDI, regularly achieving top spot on the list of most attractive investment destinations in Africa.

- We see more countries announcing an intention to diversify from their myopic focus on their oil industry to other sectors. Nigeria frequently announces this intent, and now we see Angola doing the same. Should this progress beyond rhetoric, it will have meaningful implications for the long-term health of their economies. Africa cannot afford the luxury of concentrating on an industry that is destined to decline significantly within the next two to three decades.

## 6. Developments in Renewable Energy

Renewable energy is increasingly cost-efficient. This source of power is now seen throughout Africa in various forms, even as an element of the national grid. The result is higher levels of productivity due to the availability of reliable electricity. This report addresses recent developments in this sub-sector.

### ENHANCING THE EFFICIENCY OF SOLAR SYSTEMS IN AFRICA

According to the technical director of KYA-Energy Group from Togo, researchers at the start-up have developed the first African solar sizing software. After five years of research, they identified flaws in the classical photovoltaic sizing calculation system. Their software aims to correct several inconsistencies. The goal of their quest is to increase the cost-efficiency of the installation and operation of photovoltaic panel systems in Africa. Their findings can significantly impact the power sector in Africa.

KYA-Energy researchers have designed a process to deal with these inconsistencies, which they call "The KEG method" of sizing. As their tests have enabled them to better understand how the systems function, they realised that as opposed to storing energy to power equipment, i.e., by using large batteries, the underlying need is for short-term smoothing storage to regulate the energy supply. This will have the effect of reducing costs in terms of capital investment in solar energy.

CEO of KYA-Energy Group Kétowoglo Yao Azoumah sees the direct results as emerging within local communities. A system that would formerly be used to power 10 villages can now power 20 villages at the same cost.

The KYA sizing system will increase efficiency levels when launching solar energy initiatives. The price reduction of solar panels and batteries, combined with the increasing simplicity of their implementation, makes solar energy a viable solution for improving access to electricity in Africa.[29]

### MICROGRIDS CHANGING FOCUS TO URBAN AREAS

The African advocacy group Power for All is a global coalition of 200 private and public organisations that aim to deliver universal **energy** access. Most of its members are building grids in rural areas where the main grid is decades away. According to experts such as Thomas Hillig of consulting firm THEnergy, these villagers struggle to pay for their new electricity. This reality results from the funding of most rural microgrid and minigrid projects in Africa by international agencies, without any prior feasibility analysis. Also, only a fraction of the original commitments from donor organizations makes its way into projects.

Many cities with populations over 100,000 in sub-Saharan Africa have unreliable or non-existent connectivity to the main grid. In the rush to bring electricity to the underserved in Africa, this market appears to be overlooked by development finance institutions. Hillig believes the real opportunity for minigrids in Africa lies in these urban and peri-urban communities rather than rural areas.

An increasing number of minigrid developers now focus on urban and peri-urban markets. Consumers in these areas reportedly have higher electrification requirements than rural villagers. This provides more consistent demand for reliable and affordable minigrid services. Higher demand and greater population density often requires larger systems than those traditionally used for rural electrification.

Husk Power Systems experienced a 52% increase in minigrid sales in the African and Indian community between March and September 2020. According to Husk, who provided electricity to 100 community minigrids and 5,000 micro-enterprise customers in December 2020, its systems are used to power shops, factories, agricultural processing, cold storage, water filtration plants, schools and households.

Zola Electric, a maker of digital energy management systems, originally focused on rural electrification. Around 90% of its customers use its small-scale Flex systems. However, in 2019 Zola launched a smart minigrid product called Infinity, aimed at customers with power needs of 2 kW and up. The company expects sales of Infinity to match Flex systems by the end of 2021. To achieve scale, it makes economic sense for Zola to target more densely populated communities rather than rural areas. "We expect every home and business in a country like Nigeria to adopt this if they make more than $400 a month," says

Zola co-founder and chief technology officer Xavier Helgesen. "People are already spending that money and burning it up in smoke on diesel generators."

This model is supported by Hillig, who believes the lower electricity requirements of these communities can often be served with inexpensive solar home systems, rather than full-scale minigrids.[30]

**SOLAR WATER PUMPS SUPPORTING FARMERS IN TOGO**

Britain's Bboxx and Electricité de France (EDF) have created a JV, Bboxx EDF Togo, which, together with the Kenyan start-up SunCulture (EDF's subsidiary in Kenya), recently signed a partnership with the government of Togo to provide solar water pumps to 5,000 farmers. The agreement will lead to making sustainable irrigation more accessible to farmers living in areas poorly served by unstable electricity grids. Such sustainable irrigation systems improve economic conditions by negating the need to travel long distances to fetch water, increasing the productivity of farmers by up to five times. Solar powered water pumps also enable farmers to have an additional harvest during the dry season and to grow higher value-added crops.

SunCulture will supply the solar water pumps while Bboxx EDF Togo will deploy the irrigation systems and arrange financing for customers. The solar irrigation systems will use Bboxx's comprehensive management platform, Bboxx Pulse®, which uses Internet of Things (IoT) technology to enable remote management and monitoring. The services are to be provided on the same pay-as-you-go model used by Bboxx's Solar Home Systems (SHS).

The government of Togo will subsidise the supply of solar water pumps to the 5,000 farmers by up to 50%. This subsidy will be accompanied by an exemption from import duties and VAT on irrigation systems, making the product more affordable for farmers, especially smallholders.[31]

**INCORPORATING RENEWABLES IN EGYPT'S ENERGY MIX**

The Egyptian government intends that all its 100 million citizens have access to electricity. The country plans to boost renewable energy development and energy efficiency. Its 2035 Integrated Sustainable Energy Strategy (ISES) strategy enables a continuous and stable energy supply through diversification.

The country intends sharp increases in the production of electricity. ISES will use renewable sources for 20% of total supply by 2022, increasing to 42% by 2035. By that date, solar will constitute 25%, wind 14% and hydropower 2% of its supply. To diversify this mix, Egypt introduced nuclear power and is developing megaprojects to bring in gas. Rising demand, the falling costs of renewable energy, and discovery of new natural gas sources allowed Egypt to diversify its energy mix and become a gas exporter.

Using renewable energy to expand supply will benefit Egypt. The benefits include enhancing its economic growth and generating revenues in foreign currency. Fossil fuels can now be exported. Renewable energy can be used for industrial production, and the lower cost of electricity is expected to help local businesses in Egypt.

However, Egypt must first deal with its infrastructure and geographic challenges. According to IRENA, Egypt's electric power sector strategies must reflect the growing cost advantages and other benefits of renewable energy. ISES must also focus on reforming the existing market framework to improve project viability. As the country is bisected by the river Nile, many regions in the south are yet to be connected to the national grid. Egypt is keen to invest in the tourism sector along the Red Sea, generating needs not only for infrastructure, but for power to supply to these regions. Egypt's tradition of setting its energy distribution vertically, where one utility handles all generation, transmission and distribution functions in a specific geographic area, negatively impacts how the energy is consumed. Renewable energy can make a significant contribution to resolving the above challenges.[32]

## SUPPORT TO PURCHASE SOLAR HOME SYSTEMS

An estimated 8 million families in Tanzania are unable to access power. Equity Bank Tanzania wants to provide affordable loans to households to accelerate installation of rural off-grid solar power devices. It recently signed an agreement with Zola Electric to double the 160,000 households reached by the off-grid firm in the next two to three months. Equity's 14 branches in Tanzania and Zola's 4,000 agents countrywide will be used to formalise the loans and distribute the devices.

The target market includes salaried customers, micro individuals and savings groups. The bundled loan is exclusively for the purchase of Zola devices.

Zola was one of the first organisations to offer a pay-as-you-go solution for a home solar system.[33]

## POINTS OF INTEREST

- It is interesting to note that there is a change in focus for a large number of solar system providers from rural and remote areas to urban and peri-urban areas. Given the need for scale in systems with high costs, it is a numbers-game. However, this should not detract from the benefits of using renewable energy systems, especially solar systems, for those without access to electricity in rural areas. It makes perfect sense for international donors and funders to focus on financing the systems for the rural poor without access to electricity. Solar systems (mini- and nano-grids) are fast and easy to implement and are cheap to operate. Governments must remember, however, that they have a social imperative to provide their citizens with reliable and affordable electricity. Profitability of operations are therefore not necessarily a driving force. Having said that, there are private sector systems that already provide single-home systems to users in remote areas, such as M-Kopa in Kenya on a pay-as-you-go basis. We have also seen Equity Bank collaborating with a device provider, Zola Electric, to help those interested in buying their own systems with affordable loans. Overall, solar systems for urban consumers will make a significant contribution to reduce the pressure on national grids and reduce the carbon footprint of the energy systems in general.
- Egypt is joining a number of other countries in Africa that have adopted renewable energy in their energy mix. Two examples in East Africa that have significant levels of renewable energy in their overall mix are Ethiopia and Kenya, while Morocco in North Africa is another example. In Southern Africa, South Africa is also increasing the production of renewable energy, albeit currently at still low levels. The continent is well-known for its renewable energy potential, including wind, hydro, solar and geothermal. Some countries have also positioned themselves as energy hubs and are partnering with other countries to enhance the delivery of electricity to not only their citizens, but also to external clients. Ethiopia and Morocco is one example of two countries collaborating to serve as an energy axis across Africa.
- The agriculture sector in Africa is increasingly adopting renewable energy to enhance its productivity. Solar water pumps to improve irrigation is becoming commonplace and are increasing the living standards of farmers and their general income levels. This is a welcome development, which hopefully could lead to the youth returning to an agriculture sector where income levels are rising. Successful agriculture is dependent on consistent and affordable electricity, not only to run irrigation systems but also for uses such as cooling, lighting, fans, etc., which could also help to reduce post-harvest losses.
- The manufacturing of renewal energy material, especially solar panels and batteries, is one area that is open for improvement in Africa. Although these materials can be locally manufactured, the vast majority of panels and batteries are imported. Typical origin countries are China and Germany. This situation, together with the significant adoption of solar in Africa, created a meaningful opportunity for investors to open such factories in Africa, where such components can be produced under licence.

# 7. Developments in Trade

The trade sector in Africa drew increasing attention in recent years. In a bid to increase intra-African trade from its low levels of between 15% and 17%, various regional economic communities were created, as well as larger entities such as the Tripartite Free Trade Area (TFTA) and now the African Continental Free Trade Area (AfCFTA). Many African countries are reaching out to create bilateral arrangements for enhancing trade, either with other African countries or countries abroad. This report addresses some of the recent developments in trade.

### NIGERIA'S AMBIVALENT STANCE TOWARDS THE AfCFTA

According to Nigeria's Chief Trade Negotiator for the AfCFTA, Victor Liman, despite Nigeria agreeing to ratify the agreement, its land borders will remain closed until Nigeria can ensure West African neighbours do not dump substandard goods into Nigeria's market.

However, Nigeria does see the AfCFTA as a huge opportunity for Nigeria as it exposes Nigerian producers to a large market. Liman stated that Nigeria's focus will be on boosting "intra-African trade from 17% to 25% as forecasted for 2025, and in the next couple of years move up to 50%." Nigeria will therefore put in the effort to ensure that the AfCFTA works.

At the same time, Liman stated that Nigeria will put in place rules and structures to ensure the country remains competitive in the agreement, especially securing its borders. This will be done to avoid other countries affecting Nigeria's trade interests. His view is based on the assumption that if Nigeria's borders are not secure, it will constitute both a trade problem and a national security problem.

Nigeria is therefore putting in an effort to ensure its borders are secure from smuggling. This will require Nigeria to agree with its neighbours that should they not secure the border on their side, Nigeria would implement sanctions against such a neighbour.

According to Liman, Nigeria's borders will only open when the Federal Government can ensure Nigeria is not used as a dumping ground for goods from outside its borders. In addition, agreeing to a free trade agreement does not preclude actions to secure a country, to take steps to tackle trade malpractices, or to address smuggling or national security issues.

Nigeria ratified its membership of the AfCFTA ahead of the December 5, 2020 deadline. The agreement went into effect on January 1 2021.[34]

### CITRUS EXPORTS TO JAPAN

After nearly 11 years of negotiations, it was announced on November 2 2020 that Japan had agreed to import citrus fruits, including oranges, from Egypt. It is the first time that Japan has agreed to import citrus fruits from Egypt. An action plan has reportedly been agreed on for the export process to start once the necessary legislative and executive measures in Japan have been completed. Egypt exports 50% of its domestic orange production, which amounted to 3.42 million tons in 2019. Not only oranges will be exported to Japan, but citrus products such as tangerines and lemons, among other varieties.

Japan's approval on the import of citrus fruits from Egypt is seen by the Egyptian administration as a testament to the world's confidence in the quality of Egyptian products and in the ability of Egypt's Central Administration of Plant Quarantine to implement the technical requirements for export to Japan. The latter is reportedly one of the most difficult markets in the world in terms of agricultural quarantine as it imposes very difficult conditions. Agreements have been concluded with Japan to implement the necessary requirements that rely on international and strict standards for examining products and foods.

The decision to export citrus fruit to Japan will increase exports of Egyptian fruits and open new export markets, which will contribute to increasing Egyptian exports, employing workers and increasing farmers' income. It will also contribute to boosting foreign currency earnings in Egypt.[35]

### NAMIBIA TAPPING THE AfCFTA

Namibia is in the process of developing a national strategy and action plan to participate in the Africa Continental Free Trade Area (AfCFTA). The purpose of the strategy is to enable the Namibian government to identify key value addition and trade opportunities while attending to operational constraints to optimally benefit from the AfCFTA. More specifically and amongst others, the strategy will provide the Namibian private sector with entry points into regional markets and to alert the state to the required support to stakeholders.

According to Minister of Industrialisation and Trade, Lucia Iipumbu, the AfCFTA is an engine for economic growth and industrialisation for sustainable development in Africa and provides access for Namibia to a 1.3 billion market population. The AfCFTA is envisaged to promote continental integration, which will make Africa competitive by promoting productivity and enhancing competitiveness and value chains. These benefits would accrue to producers, processors, exporters, importers, consumers, and the national economy overall. The private sector is a key stakeholder and beneficiary of the AfCFTA. African businesses move goods and services and spend and invest in (and across) borders.

According Bank of Namibia governor Johannes !Gawaxab, financial market deepening in the form of greater credit availability and wider access to finance is a complementary policy priority. Namibia should exploit AfCFTA opportunities and prioritise preferential treatment of Namibian entities in local procurement.[36]

### TRADE TIES BETWEEN TANZANIA AND QATAR

Tanzania expects an upsurge in its food exports to Qatar following a strong demand for coffee beans, cashews, spices, honey, meats, vegetables, avocadoes, mangoes, and other fruits. The embassy in Qatar distributed a variety of samples in Qatar through the KON Group, their strategic partner in the country.

According to the Tanzanian ambassador to Qatar, Fatma Mohamed Rajab, Qatari investors were also interested in other investment opportunities in Tanzania. These include gold and mining, real estate projects, pharmaceuticals, construction, Islamic banking, and hunting. He invited Qatar's business community to explore the various opportunities available in Tanzania.

Tanzania also identified the Middle East as the "main focus" for its avocado production.[37]

### ENABLING TRADE FOR RWANDAN BUSINESSES

The Rwanda Development Board (RDB) and DP World of Dubai recently signed an MoU whereby Rwanda will become DP World's initial hub for expanding e-commerce across the East Africa Community and beyond. DP World is expected to launch its new global B2B and B2C e-commerce platform, DuBuy.com, in Rwanda early in 2021. The MoU will facilitate international trade for Rwandan businesses and strengthen commercial trading links between the UAE and Rwanda.

Businesses using DuBuy.com will benefit from broader DP World services and investment that will help to facilitate and develop trade. This includes promotion of exports of coffee, tea, and horticulture on DuBuy.com, improvements to Rwanda's supply chain logistics, and access to digital tools to help businesses become more efficient and expand their reach to local, regional, and global markets.

The decision to launch DuBuy.com in Rwanda follows the country's good performance on the World Bank's global "Ease of Doing Business" rankings and its commitment to international trade and investment. DP World invested in world class port and logistics facilities in Kigali, demonstrating its strong belief in Rwanda's future.

According to Clare Akamanzi, CEO of the RDB, the MoU with DP World will boost their efforts to support development of a digital economy by working closely with the private sector. Mike Bhaskaran, COO Logistics & Technology, DP World, stated that the platform will enable Rwandan products to reach global markets and help enterprises from around the world to invest in Rwanda, before expanding to additional African markets later on.

According to Suhail Al Banna, CEO and Managing Director - Middle East and Africa at DP World, they were attracted to Rwanda due to its favourable investment climate, commitment to training and education, and determination to lead Africa in job creation and industrial advancement through technology.[38]

**STRENGTHENING TIES BETWEEN ANGOLA AND GHANA**

The Angolan ambassador to Ghana, Mr. Augusto da Silva Cunha, stated in early January 2021 that trade between the two countries needs boosting. He expressed his opinion that Angola has much to gain, especially in the agricultural and business sectors. He emphasised that many Angolan and Ghanaian companies show keen interest in exploring both markets, as soon as conditions are favourable.

Ghana maintains excellent relations of friendship and cooperation with Angola, including in the fields of education, environment, aviation, fisheries and hydrocarbons.[39]

**POINTS OF INTEREST**

- Nigeria was ambivalent towards the AfCFTA right from the start. It was one of the last countries to sign the AfCFTA and to ratify it. The country's active participation in the AfCFTA is crucial for this FTA to work as it is the biggest economy on the continent, with the largest population. While the AfCFTA clearly requires opening up economies and borders, Nigeria has been less than forthright in this regard. The country closed its borders to its West African neighbours, citing the protection of its market against dumping and smuggling as the main reason. How this stance will impact the effective implementation of the AfCFTA remains to be seen. Nigeria and West Africa are not the only sources of concern for the implementation of the AfCFTA . In East Africa, we see a number of running battles among members, first Kenya and Tanzania, Rwanda and Uganda, and then Kenya on the one hand and Rwanda, Tanzania and Uganda on the other. The reality is that if countries cannot collaborate meaningfully on a regional level at a much smaller scale, it will be extremely difficult to make the AfCFTA work at continental level.
- Like many smaller African countries, Namibia positions itself to tap the potential opportunities of the AfCFTA. The threat facing the smaller economies is that they will, on the one hand, struggle to meaningfully compete with bigger and more sophisticated business entities in the larger economies, and on the other hand, may find it difficult to fend off competitors from exactly these same economies. This is always the challenge within regional economic communities. One specific example highlighted by the World Economic Forum deals with the fact that many emerging African markets are traditional economies that rely on farming for employment. These small family farms cannot compete with large agri-businesses in high-income African countries such as South Africa, Kenya, Ethiopia, Egypt and Nigeria. As a result, they may lose their farms, leading to high unemployment, crime and poverty. Another example deals with the choking of SMEs. As consumers always prefer cheaper products, this may lead to local producers losing huge sales to foreign suppliers, because the latter can lower the cost of their products by leveraging the reduced tariffs imposed on imported goods. It will be interesting to see how the AfCFTA addresses this challenge from a practical perspective.
- Why DP World reached out to Rwanda is not difficult to understand. Favourably ranked in Africa by the World Bank's Ease of Doing Business ranking, Kigali is also a very safe city and probably the cleanest in Africa. The Rwandan government has certainly done its best to position the country as an IT hub in not only East Africa, but also in Africa. The IT industry in the country receives focused and dedicated support from the Rwandan government.
- The UAE has been developing trade ties with African countries, but so has Qatar. Both these two members of the GCC have reached out to Africa for a number of years. In addition, airlines from both have expanded their routes on the continent. Both governments realise that their natural resources will be depleted at some point in time and have subsequently adopted a

strategy of diversification, investing in other parts of the world and developing the services sectors of their respective economies. Africa has in general benefitted from this strategy.

- Egypt's approach to creating trade ties with Japan should serve as a benchmark for other African economies. Factors such as quality and traceability have become increasingly important over the years. The use of chemicals in agriculture and other areas are a factor that needs to be managed closely. Food safety frameworks such as Hazard Analysis Critical Control Point (HACCP) and the Japan GAP Foundation, amongst others, are important for exports to Japan. There are also various similar quality standard frameworks in other parts of the world that must be adhered to for exports to thrive. One challenge is that complying with all the various quality standards may require increasingly larger financial commitments. Without these investments, however, trade will not be possible. It is in the best interest of all stakeholders that quality frameworks are standardised and adopted by all instead of the large number of largely incompatible frameworks currently applicable to various markets.

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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

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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

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