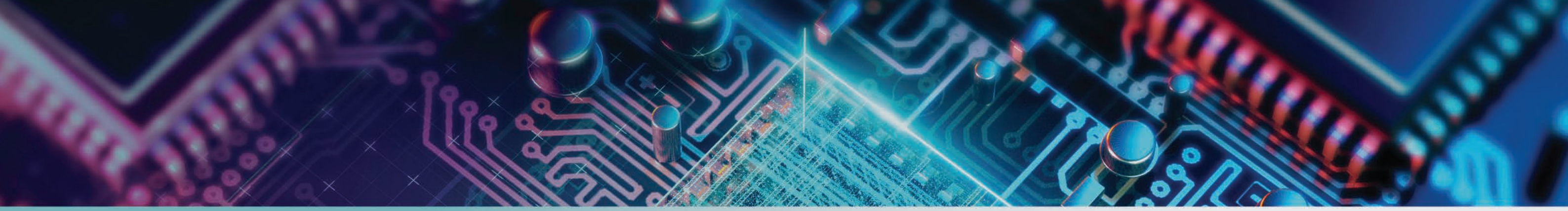

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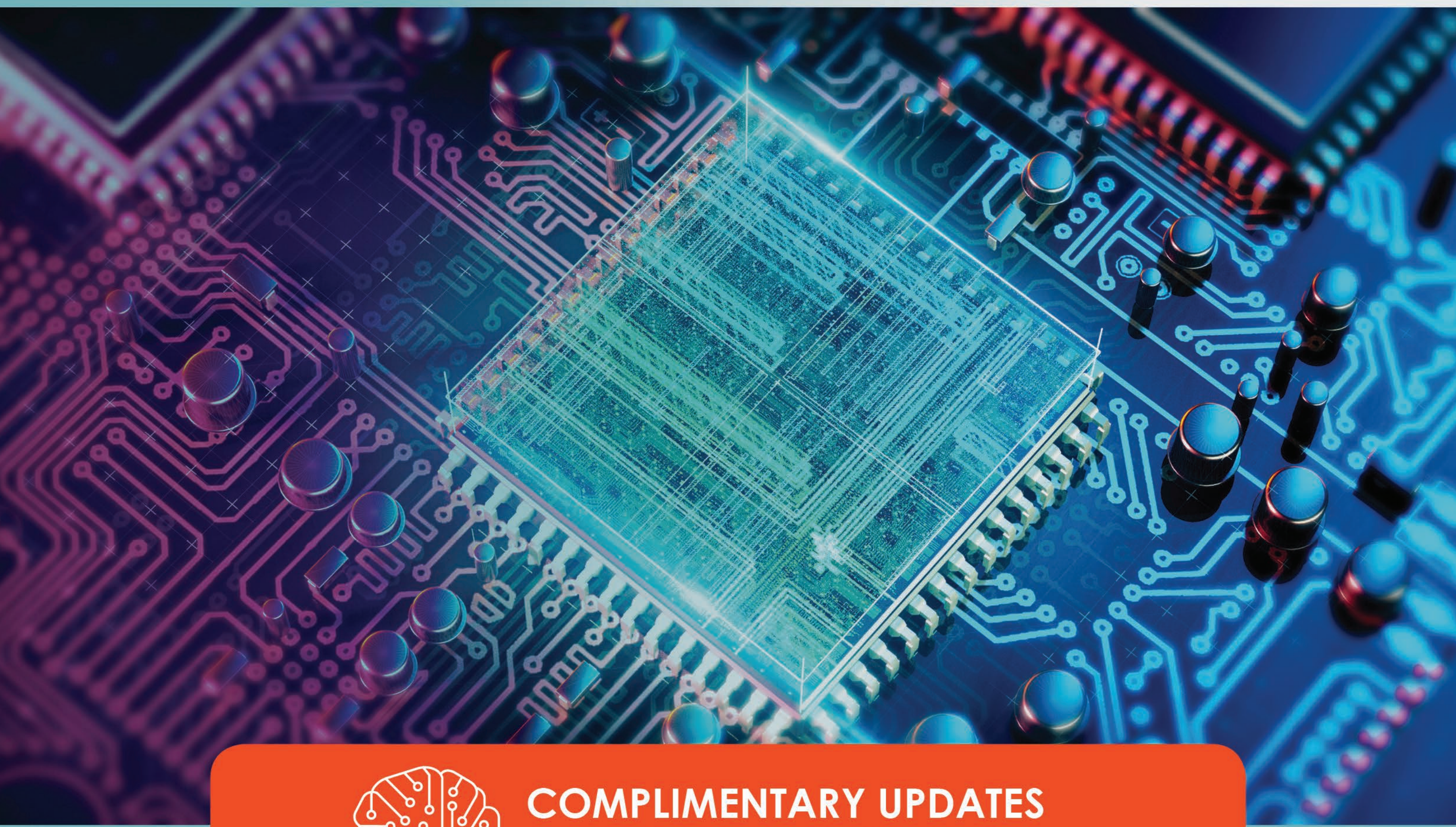

COMPLIMENTARY UPDATES AND INTELLIGENCE BRIEFINGS

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AFRICA INSIGHTS

March 2020

America's charm offensive well received in Africa as it races against Chinese influence

The US State Secretary's 3-country visit has opened opportunities for US investors to ease the West and East African security situation while simultaneously moving against China's influence in the region.

US Secretary of State Mike Pompeo spearheaded the first concerted effort by the Trump administration to win allies in Africa during the month of February. The US secretary visited a number of African countries including Angola, Ethiopia and Senegal. This has come despite simultaneous expansion of visa restrictions to various countries including Nigeria, Tanzania, and Sudan. His West African visit saw him reaffirm his country's commitment to backing the counter-terrorism efforts in the region, allaying French fears of a military exit. Meanwhile, Pompeo's visits to Angola and Ethiopia have also come at opportune times, with Ethiopia in a tense standoff over water rights with Egypt and Sudan, while Angola is making good on its commitment to a process of privatisation and anti-graft reform.

There are some key take-aways for investors from these visits. For one, Pompeo has taken every effort to emphasis the role of the US as a partner to Africa, both economically and in terms of security. The US finds itself in a unique strategic position with several of China's staunchest African partners undergoing a process of political change and reform. In Angola, the privatisation and unbundling of state-owned enterprises now offer investors from the oil and diamond sectors vast new opportunities. Similarly, in Ethiopia 'homegrown' reforms have sought to increase productivity and improve the ease of doing business for investors in sectors including manufacturing and IT, and more recently telecommunications. The 3-country visit has opened up room for investors from the US to target opportunities in easing the security situation in both West and East Africa, while maneuvering against potential influence from China in stimulating economic growth as Angolan and Ethiopian reforms take shape.

Target strategies and outcomes of Pompeo's Africa trip

Angola	• President Joao Lourenco is pushing radical reforms aimed at clamping down on corruption by party elites and opening the country to foreign investment. • The US sees this as an ideal opportunity to woo Angola away from China, its largest trading partner and owner of half of its external debt. • In the short- to medium-term the US will look to counter Angola's intention to strengthen ties with other Lusophone countries, such as Brazil.
Ethiopia	• Pompeo has taken aim at Chinese infrastructure loans during his tour, describing them as sources of corruption and unsustainable debt • Ethiopia is the biggest success story of the Sino-African relationship, with much of its development owed to Chinese credit. However, a recent shift towards the private sector has offered the US a chance to strengthen economic ties. • Pompeo's visit has also allowed the US to clearly state their intention to continue mediating the current Nile dam dispute between Ethiopia and Egypt.
Senegal	• Pompeo was careful when noting that the US would draw down its forces in the region, but would not be making a complete exit as suggested previously. • Following Pompeo's visit Senegal and Mauritania signed a joint agreement on security. • Senegal is a key US ally in West Africa, having received US$105 million from the US to help fight regional terrorism in the Sahel.

Source: OPEC, Voice of America, 2020

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AFRICA **INSIGHTS**

March 2020

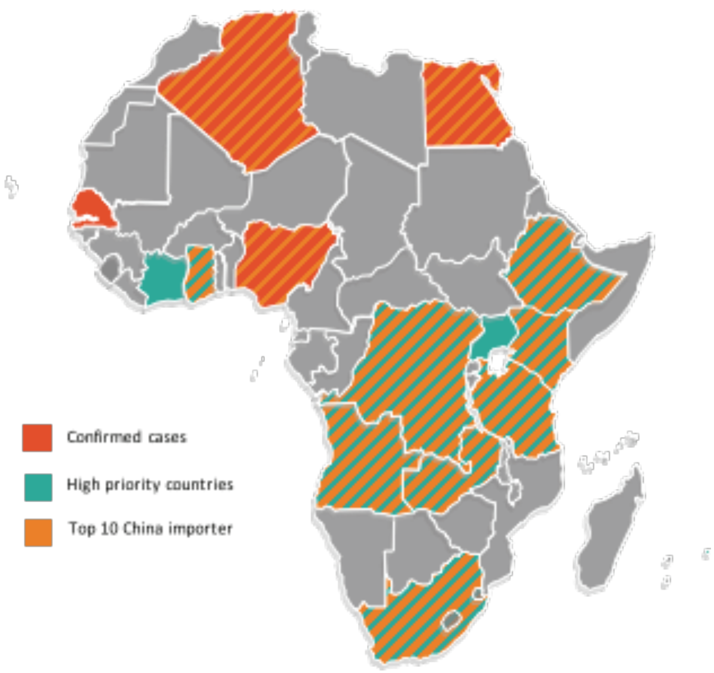
African healthcare systems on high alert as Coronavirus spreads globally

WHO targets 13 priority African countries vulnerable to Covid-19 impact. Top African importers are seeking alternative sources to mitigate risk of Chinese imports.

Many African countries have stepped up in their efforts to prevent the outbreak of the Coronavirus, now termed Covid-19. Covid-19 has already claimed over 4 500 lives, while the number of infected people surpassed 125 000. The outbreak, which emerged in the Chinese city of Wuhan in December 2019, has spread to more than 40 countries across the world, leaving a number of African countries on high alert for the eventuality of an outbreak. In recent years, Africa has positioned itself as a popular tourist, business and investment destination for China, with hubs such as Addis Ababa, Cairo, Johannesburg and Nairobi at particular risk due to the large number of Chinese travelers passing through international airports. Authorities on the continent fear that the deadly virus will sooner than later spread to Africa, where past viral outbreaks such as Ebola and yellow fever have stretched the continent's already vulnerable healthcare systems.

Certain points need to be heeded as investors look to mitigate the impact of Covid-19. In early February, the Director of the Centres for Disease Control and Prevention for Africa (CDC Africa), John Nkengasong, noted that the institution was monitoring the situation and it was taking all necessary steps to prevent or prepare for the eventuality of an outbreak on the continent. In response to that, West African Health Ministers recently gathered in Bamako, Mali, to discuss the threat posed by the coronavirus in their countries. Agreement was reached to strengthen cooperation and increase vigilance and surveillance at entry ports. Additionally, as the World Health Organisation has declared the outbreak to be a pandemic, it has announced that it would also be stepping up preparedness in Africa by targeting 13 top priority countries vulnerable to infections. An adjacent impact, which will be felt in the coming months, is a realignment of trade between Africa and China, with the top African importers likely to seek alternative sources to mitigate risk of importing from China. Notably, all high priority countries, except Cote d'Ivoire and Uganda, will be affected considerably in this regard.

COVID-19 in Africa: A snapshot



Source: World Health Organisation, 2020; UN Comtrade, 2018

What the ongoing Uganda-Rwanda dispute means for the AfCFTA

Rwanda-Uganda conflict may be nearing resolution. While East African trade has been severely affected, Tanzanian agricultural producers have benefitted.

A year long diplomatic conflict between Rwanda and Uganda could be on the verge of an amicable resolution after the Uganda signed an agreement promising that it would extradite individuals suspected of terrorist acts against the government in Kigali. The strained relationship between the two countries, which had cooled in the late 90's, reached a peak last year when Rwanda suddenly closed its northern border after it claimed that Uganda was supporting rebels who sought to overthrow the government. In turn Uganda was detaining Rwandan citizens whom Uganda claimed to be government spies. The closure has heavily disrupted local industry, preventing migrant workers, traders and cargo trucks from crossing at the normally bustling border town of Katuma. The unsustainable measure has Rwandan consumers feeling the pinch as local businesses must now source their inputs at greater expense from Tanzania. Ugandan businesses are now also unable to make use of the overland route to Burundi and the DRC.

The developing situation between the two nations has some notable impacts on trade in the region, with investors likely to be impacted considerably unless the situation is resolved. Important to note is that trade among members of the East African community is far lower than others, including ECOWAS and SADC. Rwanda's Paul Kagame and Uganda's Yoweri Museveni secured their positions through military means. Once staunch allies, a growing wedge between them has seen the two battle for regional supremacy. This chronic failure to resolve conflicts through regional cooperation will likely cast a shadow over the regional success of the African Continental Free Trade Agreement (AfCFTA). Investors will need to bear the brunt of higher transport costs in the region, caused by cargo truck traffic being rerouted around the Uganda-Rwanda-DRC corridor. On the positive side, Tanzanian agricultural producers will likely continue to benefit from Rwanda's new dependency on their products and trade channels.

EAC Core challenges

Weak level of cooperation
- General distrust among EAC leaders
- Rwanda often clashes with Burundi and Uganda over historical grievances
- Kenya and Tanzania clash over trade issues

Lack of funding
- Distrust results in hesitation to cede funds to the central EAC governing body
- With half of all funds coming from donors, the overall objectives of the EAC are questionable

Lack of stakeholder participation
- Inefficiencies impede private sector participation
- General disconnect between the EAC and civil society in the bloc
- Some states, like Burundi and South Sudan, are often excluded from key consultations

Sluggish bureaucracy
- Important decisions can take years to come to fruition, thereby limiting policy effectiveness
- Strong reluctance to adopt single currency across the market, in comparison to West Africa
- Poor harmonisation of trade policies make cross-border trade difficult

Source: The New Times Rwanda, DW, 2019

Adams.Africa ADVISORY

AFRICA'S **TOP 10 STORIES**

March 2020

1 Malawi's landmark ruling is a win for African democracy

The Malawian constitutional court has dismissed the results of the presidential election. A new election will be held on 19 May 2020.

The decision by the Malawian constitutional court at the start of February to dismiss the results of the 2019 presidential elections in the country over alleged irregularities during the voting process, represents a milestone for democracy in Africa. In its official statement the constitutional court pointed to evidence suggesting blatant and widespread rigging of the polls, thereby severely compromising the integrity of the results. The court additionally recommended that the electoral process be restructured by parliament. This is only the second such outcome of an election – with the 2017 overturn of the Kenyan election results being the only other instance of an electoral outcome being successfully challenged. The 2019 results declared the country's incumbent president, Peter Mutharika, the winner with 38% of the vote, closely followed by Lazarus Chakwera of the Malawi Congress Party with 35%.

2 Nigeria's mining sector is set for sizeable growth

Nigerian's government has targeted the mining sector to reach a 3% contribution to the GDP in the next 5 years. US$600 million has been secured to date for an iron ore project.

The recent discoveries of new coal, gold, limestone and zinc deposits have seen the Nigerian government set an ambitious growth target of the country's mining sector reaching a 3% contribution to GDP in the next five years. Speaking at the annual Investing in African Mining Indaba held in early February, Minister of Mines and Steel Development, Olamilekan Adegbite, indicated that the plan forms part of a broader strategy to diversify the economy away from oil. To date the weak availability of geo-spatial data, inadequate infrastructure development and limited regulatory enforcement have been the key linchpins holding back the industry. Poor regulatory compliance and enforcement has resulted in roughly 80% of mining in the country being conducted by artisans. Given the proliferation of artisanal mining, government has stressed the need to involve local communities in any new exploration and feasibility studies. So far, investment worth some US$600 million for the development of an iron ore project, has been secured.

3 Qatar Airways muscles in on East African air travel

Qatar Airways has acquired 49% of Rwanda's national airline. RwandAir will enable Qatar Airways to circumvent Arabian airspace restrictions.

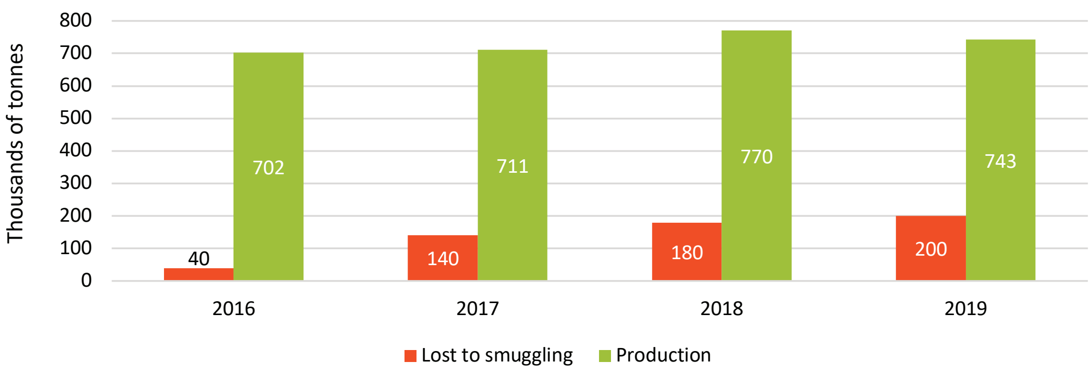
Following months of negotiations and discussion, mid-February saw the announcement of Qatar Airways' acquisition of a 49% controlling stake in Rwanda's national airline, RwandAir. The announcement follows the December investment partnership agreement where the Rwandan government and Qatar Airways agreed that the international carrier would take a 60% stake in Rwanda's new Bugesera International Airport. Both investments are in line with the carrier's overall strategy of vertically integrating airports into its business model but also offers other strategic benefits: besides the income which the carrier would now be generated by tapping into the east African air travel market, the acquisition of Bugesera and to a lesser extent, RwandAir, will allow the Middle Eastern carrier to utilise Rwanda as a logistics hub and provide it with a means to circumvent restrictions in Arabian airspace imposed upon it following the diplomatic fallout between Qatar and Saudi Arabia in 2017.

4 Côte d'Ivoire cashew output hard-hit by illegal trade

Approx. 200 000 tonnes of cashew crops have been lost to smuggling. The implementation of African Continental Free Trade Agreement could be destabilised.

Data released in early February has revealed sizeable losses of cashew revenue in one of the world's largest exporters, Côte d'Ivoire, to a point where output is down by nearly a fifth year-on-year. Falling farmgate prices for cashews in the country, as compared to its neighbours, has led to a flourishing black-market industry. Nuts are smuggled to Ghana, where traders are prepared to pay nearly double per kg. Estimates place the amount of crop lost to smuggling in 2019 at 200 000 tonnes. Authorities have responded to this as a security problem, tightening border controls and preventing the movement of people. This echoes similar sentiments from nearby Nigeria which has also unilaterally decided to close its borders to tackle its own smuggling concerns. The moves have cast serious doubts over the ability of the economic community of West African states to implement the terms of the African Continental Free Trade Agreement which are expected to be enacted later this year.

Rise in Ivorian cashew nut smuggling (2016 - 2019)



Source: Reuters, Oxford Business Group; 2016-2019

5 Locust infestation in East African threatens food security

US$76 million is needed to combat this plague, with only US$8 million contributed to date. Armies have been mobilised in Kenya, Tanzania and Uganda. Somalia has declared a national emergency.

The outbreak of desert locust currently sweeping through the East African region could have serious repercussions on the region's food security. If not contained, the plague poses a potential threat to the region's already fragile agricultural system, with almost 20 million people suffering from the effects of food shortages due to seasonal droughts and floods. In early February, the United Nations Food and Agricultural Organisation noted that some US$76 million are required to combat the infestation, with only a small proportion of this being secured – USAID has indicated a contribution of US$8 million. In the meantime, action is being taken by various governments to counter the spread -the government of Somalia has also declared the crisis a national emergency. Concerns are at an all-time high in South Sudan, which is already faced with food shortages and instability after years of civil war.

6 ABSA finalises rebranding of Africa network, eyes expansion of Fintech offerings

ABSA's Timiza virtual banking platform opens access to Kenya's 20 million mobile money market. Expansion of fintech operations expected in Botswana, Ghana and Mauritius.

Following the conclusion of its rebranding initiatives throughout Africa in February, South Africa's ABSA bank announced the aim to expand its Timiza virtual banking platform to a host of countries in Africa after the success of its initial launch in Kenya. The platform offers various services including 30-day microloans, insurance and savings, while simultaneously functioning as a bank account. A partnership with Safaricom's M-Pesa mobile money transfer service additionally allows the bank to pre-screen loan applicants by tracking their mobile money transactions. By targeting "hustler" entrepreneurs due to their tendency to produce high transaction volumes, Timiza has opened up opportunity for ABSA to tap into Kenya's 20 million-strong mobile money transaction market, and substantially increase its customer base from the current 5 million users. Group CEO David Mminele indicated that the bank's performance in Botswana, Ghana and Mauritius provide room to grow additional fintech operations.

7 Ghanaian reforms result in Cedi outperforming global currencies

Moodys has rated Ghana positively and it is able to access the cheapest finance rates in Africa. By Jan 2020, 80% of the country's bond holdings were already sold to foreign investors.

Three years of credit and currency reform have paid off for Ghana as its currency, the Cedi, has been outperforming global currencies for the last two months. Once shunned by investors for its high inflation, slow growth and unsustainable debt levels, the country recently received a positive ratings outlook from global ratings agency Moodys. Ghana is able now to access finance at far cheaper rates than any other country on the continent and 80% of its bond holdings were sold to foreign investors in January of this year. The progress made over the last year has set a new benchmark for fiscal reform on the continent as various African countries battle to meet their budget shortfalls and bring ballooning debt under control. With high demand for exports like oil and gold, analysts expect Ghana to remain a foreign investment destination of choice for the foreseeable future.

Key objectives of Ghana's Financial Reform Programme

- Reigning-in government debt through implementation of central bank "no lending" policy
- Increase revenue collection to 18% of GDP, up from current 12%
- Reduce number of banks from 35 to 23 to limit solvency issues
- Close microlenders to curb consumer debt
- Implement "Hiking Policy" to curb high inflation
- Rolling out a 5-year plan to promote the fintech industry and electronic payments

Source: Central Banking, 2020

8 Terrorist insurgency threatens Mozambican gas fields

Moz. gas projects worth US$55 billion are being jeopardized by extremist violence. Private security contractors have been called in to assist the army.

The month of February saw a considerable rise of extremist violence in the gas-rich province of Cabo Delgado in Northern Mozambique, perpetrated by a wing of Somali-based al-Shabaab. As a result, Mozambican President Filipe Nyusi was forced to skip the AU Summit earlier in the month to attend to the situation. Since 2017 the insurgency has displaced more than 100 000 and has increasingly threatened the operations the companies operating gas liquefaction projects in the province. Between France's Total and US-based ExxonMobil, more than US$30 billion has been invested in the liquefied natural gas extraction. Together the three major natural gas projects in the Cabo Delgado province are Africa's largest, with a combined value of nearly US$55 billion. The government of Mozambique has been unable to adequately deal with the violence, and despite deploying the army to mitigate risk, private security contractors have been brought in to tackle the insurgent threat.

9 John Deere breaks new ground in Africa with tractor tech.

Hello Tractor is being tested on tractors in Ghana and Kenya. This mechanising technology will assist small-holder farmers to participate in larger supply chains.

John Deere, the world's leading farm equipment manufacturer, is rolling out a strategy aimed at mechanising the agricultural sector in Africa and opening opportunities for small-holder farmers. The strategy involves Deere outfitting its tractors with innovative technology developed by start-up Hello Tractor, which allows for monitoring of vehicle movements and transmission of usage information such as fuel levels. The technology, which comes in the form of a small black box fitted under the tractor's dashboard, is being tested on 400 Deere tractors in Ghana and Kenya, with plans to roll out the technology more broadly throughout the continent to all users of its equipment going into the rest of 2020. A core objective of the technology is to increase available opportunities for small-holder farmers who do not have sufficient credit history, to meet the requirements of financial institutions. This technology aims to assist smaller operations to increase production yields and participate in the larger supply chains of raw produce.

10 AngloGold Ashanti exits South Africa as sluggish growth and energy crisis persist

Harmony Gold will handle Anglo's operations. Anglo may also exit the JSE. If Moodys downgrades S.A. further, more large corporates are likely to exit the country.

Mid-February saw longstanding African mining giant AngloGold Ashanti announce that it would be handing over its South African operations to Harmony Gold by the end of the year, with an exit from the Johannesburg Stock Exchange (JSE) also potentially on the cards. The announcement is the latest in a trend of large corporations downsizing or outright exiting from the South African economy. Others include BHP Billiton which exited late last year, and South 32 which sold its local coal holdings around the same period. Executives of the big mining operators cited a variety of reasons for their exits, including legislative uncertainty and sluggish economic growth brought about by South Africa's energy crisis. With the likelihood of a further downgrade from Moodys in the offing before the end of this year it is likely that the gradual exit of large corporates from the country will continue without drastic action by government.

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