

# AFRICAN MARKET OVERVIEW 2022





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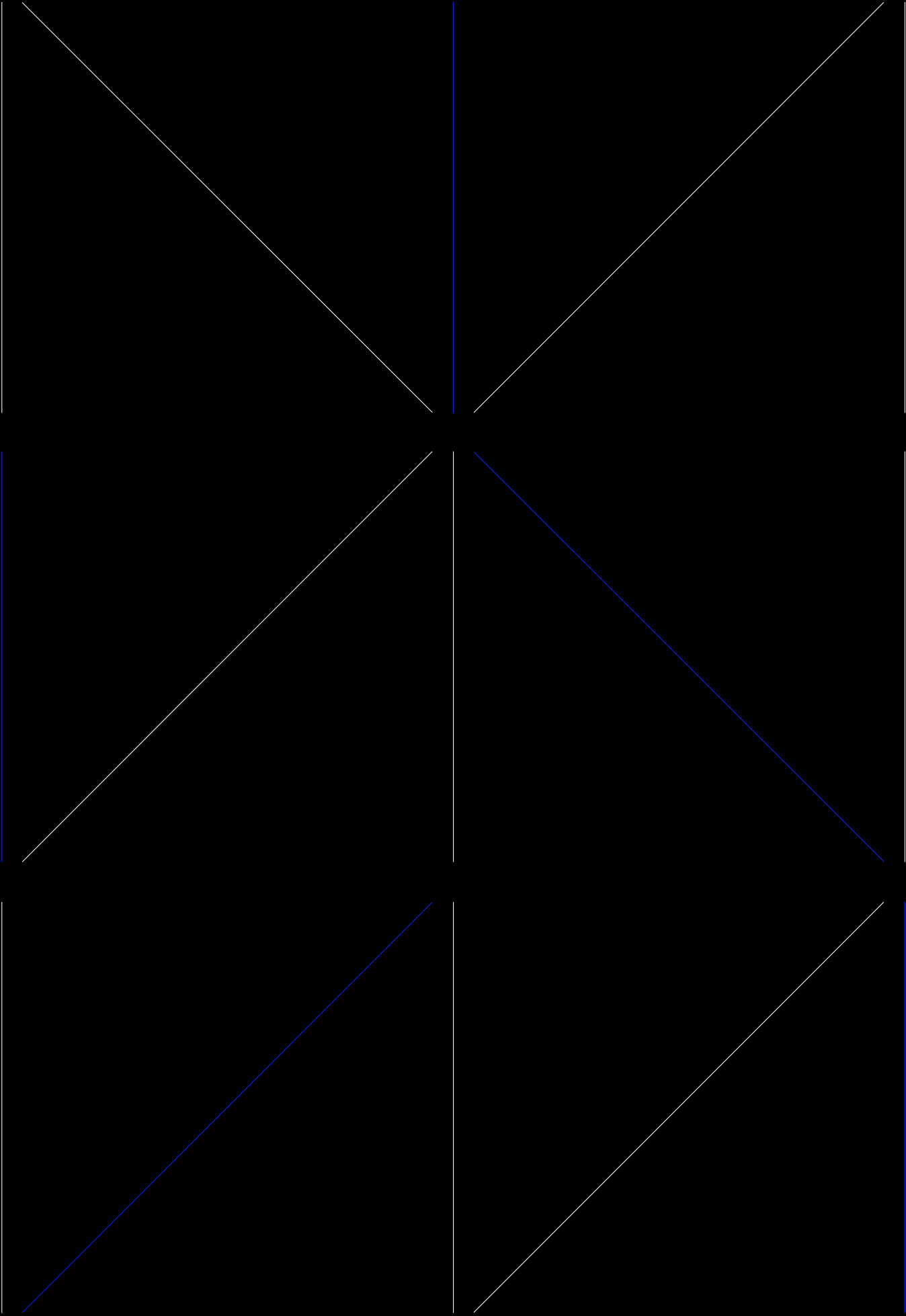
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# TABLE OF CONTENTS

01  
Introduction

09  
Market Overview

- |              |        |
|--------------|--------|
| South Africa | Malawi |
| Lesotho      | Ghana  |
| Zimbabwe     | Rwanda |
| Uganda       | Zambia |
| Morocco      |        |

05  
Summary of  
Progress in  
2021 and 2022

29  
Acronyms





# Introduction



The African medical cannabis and industrial hemp industries have seen significant growth and development over the course of 2021 and 2022. Countries such as South Africa, Lesotho, Zimbabwe, Uganda and Malawi have seen an increase in licence issuance, exports and investments in the industry. South Africa has been the headline driver of growth in Africa, with President Cyril Ramaphosa again highlighting cannabis and hemp as being priority growth sectors for the South African economy at his State of the Nation address in February 2022, stating his goal of creating over 130,000 sustainable cannabis and industrial hemp jobs in South Africa. This follows a similar focus on these industries in his 2019 State of the Nation address. Other countries such as Zimbabwe and Malawi have shifted gear, with more proactive steps being taken to drive economic growth in the cannabis and industrial hemp industries, mainly focusing on industrial hemp to replace declining tobacco exports. Although momentum has been encouraging, the pace of progress in Africa has been notably slower than in other legal jurisdictions, potentially jeopardising an opportunity for Africa to establish a leading and sustainable position in the industry. Africa benefits from a favourable growing climate, competitive cultivation input costs and a rich history of traditional cannabis growing communities similar to those in South America. However, South America's cannabis industry growth significantly outpaces that of Africa.

With Africa, alongside other emerging economies feeling the brunt of the economic impact from COVID-19 and inflation, there is an urgent need for governments to identify and quickly realise those sectors that could help improve the economic outlook across the continent. Medical cannabis and industrial hemp continue to be key focal industries for revived growth. This is also true of many nations outside of Africa, some of whom will be competing with African countries for a market share of import markets like; Germany, Australia and Israel. In 2021, 17 countries exported to Germany and over the past few years around 11 markets have successfully made shipments to Israel. The likes of South Africa,

Lesotho and Uganda are amongst these exporters, and they are competing with regions such as Colombia, Uruguay and Mediterranean countries who are also offering low-cost medical cannabis. This highlights the need for considered market entry strategies, public private partnerships, accommodative legislation and brand differentiation from African operators, in order to compete.

Southern Africa continues to be the centre of cannabis and industrial hemp activity in Africa, with Lesotho, Zimbabwe and South Africa being the major hubs of industry development on the continent. Due to South Africa having a mature over-the-counter cannabinoid (CBD) market since 2019, South Africa is the largest domestic market in Africa by value.

Unlike other legal cannabis jurisdictions, Africa has very few registered medical cannabis patients. South Africa is the largest patient market, estimated to have less than 1,000 registered patients. Other African countries that have legalised the domestic use of cannabis for medicinal purposes include, Zimbabwe and Rwanda. However, further work still needs to be done to finalise domestic frameworks for medical cannabis patients for these countries to begin actively prescribing cannabis. Most African countries such as; Zambia, Malawi, Lesotho, Uganda, Ghana and Morocco have legalised medical cannabis for exports only, limiting the potential of the sector to support domestic healthcare needs and commercial opportunities for domestic producers. It is the position of ACA Group and Prohibition Partners that African governments should consider opening up the market to domestic patients, both for the potential health benefits to citizens and also for the economic benefits to operators.

The African cannabis industry is still small in size relative to other geographies such as; North America, South America, Europe, Israel and Australia. Africa currently has 11 countries that have legalised medical cannabis in some form, mainly for export only. These include; Lesotho, Eswatini, Zimbabwe, South Africa,



Zambia, Malawi, Uganda, Ghana, Morocco, the Democratic Republic of Congo and Rwanda. There are other African countries that haven't formally legalised cannabis, but they do allow for commercial activity in limited form, such as Eswatini.

Africa's cannabis industry is driven by exports to international legal markets, with very limited local activity outside of South Africa at present.

The total estimated size of the legal African cannabis market is appropriately US\$41 million, with the bulk of legal sales occurring in the CBD market though it should be noted that these figures have a high degree of uncertainty owing to a lack of available data and a dearth of research on the market.

The market for domestic medical cannabis in Africa remains very small, with a potentially larger opportunity in exports if African operators can compete with those in regions such as Latin America and Oceania. Prohibition Partners have not included the value of exports of CBD or cannabis in the above market sizing figure nor in the one available in the market sizing data package available alongside this report.

The industrial hemp sector in Africa is still in its infancy, with limited traction from Malawi, Zimbabwe and South Africa to date. Africa's slow progress in developing its industrial hemp capabilities is a missed opportunity for job creation, rural development and sustainability solutions.

Over the next five years, it is likely that a market for decriminalized cannabis will grow in South Africa, with a need for supplies such as grow equipment and seeds for cultivation in homes and at social clubs. This could also develop into a more fully commercialized legal system if legislation continues to progress in the country.





# Summary of Progress in 2021 and 2022



- Lesotho based MG Health, in partnership with Drapalin Pharmaceuticals GmbH, became the first African licensed producer to be granted European Union - good manufacturing practice (EU-GMP) certification in April 2021. This was an important milestone that signalled Africa's ability to establish licensed producers that adhere to the highest international standards.
- Industrial Globus, a joint venture between Uganda's Industrial Hemp Uganda Ltd. and Israel's Together Pharma, partnered with Cantourage to export the first commercial cannabis shipment from Uganda to Germany, moving 50 kilograms of product into Europe's largest medical cannabis market in December 2021. They've also recently shipped cannabis to the UK. This follows a number of successful commercial shipments to Israel in recent years.
- Zimbabwe and Rwanda have legalised the domestic use of medical cannabis. Alongside South Africa's special access scheme (SAS), we are beginning to see the emergence of domestic medical cannabis patients in Africa. However, patient numbers in South Africa are still low, estimated to be less than 1,000 registered medical cannabis patients.
- South Africa introduced commercial hemp cultivation permits for the first time, setting in motion the local industrial hemp industry. The first permits were issued in April 2022. Local industry experts advise that over 300 hemp permits have been issued at the time of publication. This follows Zimbabwe and Malawi, both early movers in establishing industrial hemp regulations, with a focus on hemp to replace declining tobacco exports.
- South Africa's government hired its first cannabis specialist advisor to the Presidency, to help structure the Cannabis Master Plan which seeks to fully legalise cannabis in South Africa in the coming years.
- The largest African cannabis merger transaction was concluded with South African CBD company, Goodleaf and Lesotho based Highlands Investments (formerly Canopy Growth Africa) merging to form the largest African cannabis company, estimated to be worth US\$65 million.
- In August 2022, South Africa's High Court threw out a case that aimed to make cannabis grow clubs legal, dealing a blow to a potential solution to current legislation which limits adult-use commercial activity.
- US based Halo Collective spun out its UK and African assets into a new company, Akanda, which listed on the National Association of Securities Dealers Automated Quotations (NASDAQ) in 2022. This was the first cannabis company with significant Africa exposure to list on the NASDAQ Exchange.
- One of the largest illicit market suppliers of cannabis in the world, Morocco, legalised cannabis cultivation and sale for the first time. In October 2022, Morocco issued its first cultivation permits. This is a significant milestone for the industry, as Morocco represents the first Islamic state to legalise cannabis, marking a potential turning point for North Africa and Middle Eastern nations to consider legalising cannabis.
- African high-tetrahydrocannabinol (THC) flower exports begin to materially scale, with the UK, Australia, Israel and Germany being focal export destinations.



- International capital flows into the African cannabis industry have declined notably over the last few years as the global industry has come under pressure. Africa's cannabis industry has largely been funded by high-net-worth individuals and family offices. However, with South Africa now prioritising the sector, ACA Group and Prohibition Partners are of the view that local institutional investors are now preparing to begin deploying significant capital into the industry. We estimate that roughly US\$100 million has been invested into the African cannabis industry in 2022, an increase from US\$85 million in 2021.
- There are estimated to be 364 licensed operators in Africa, however, a significant percentage of these are yet to be commercialised, particularly in Lesotho where barriers to being granted a licence are fairly low, but capital raising has been a challenge. Most of the commercial activity in the African cannabis industry is centred around good agricultural and collection practice (GACP) cultivation, and primary processing of bulk medical grade cannabis flower as an Active Pharmaceutical Ingredient (API). This is sold internationally for good manufacturing practice (GMP) processing, extraction, formulation and packaging.
- Despite the increase in licensed producers, there have been significant challenges in order for operators to; meet international compliance standards, produce cannabis of adequate quality and successfully integrate into the international supply chain. Based on engagements with regulators, international buyers and operators, less than 20 African cannabis companies have successfully exported their products internationally. Due to these challenges, a number of licensed producers have resorted to storing their cannabis, with the hope of finding suitable buyers in future.
- Capital raised in the African cannabis industry is estimated to be US\$150 million in 2021, and it is on track to grow at 15% annually over the next five years as local investors enter the market in a meaningful way for the first time.





# Market Overview



## South Africa

South Africa leads the way as Africa's largest cannabis and industrial hemp market, and it is well positioned to be a globally competitive international player should the government put into action its plans for the sector. The country has a relatively mature and accessible CBD market that commenced in 2019, and a medical cannabis cultivation licensing regime that began in the same year. Commercial hemp permits were introduced in late 2021, and commercial hemp cultivation has now started in the country.

The cannabis and hemp sectors have steadily progressed since 2018, at which point the Constitutional Court ruled that the cultivation and consumption of cannabis in a private space is a human right. Thereafter there has been a spike in personal growers and consumption across the country.

The 2018 Constitutional Court ruling that effectively decriminalised cannabis gave parliament two years to make the necessary amendments to law that would ensure alignment with the court ruling. This resulted in the drafting of the Private Purposes Bill, which is still being finalised by parliament and is well past the constitutional court deadline.

Although the cannabis fraternity had hoped that the bill would go further than simply setting the parameters for decriminalisation, and create a framework for a commercial adult-use market, there seems to be limited political will to achieve this under the Private Purposes Bill.

South Africa is also in the process of finalising its draft National Cannabis Master Plan, a policy framework that the country plans to use to action key stakeholders including labour, government and the private sector, in priority sectors and economic initiatives. The draft Cannabis Master Plan was published in August 2021, and is currently being developed under the Department of Agriculture, Land Reform and Rural Development (DALRRD) which is spearheading cannabis policy development in the country, having taken over from the Department of Health in 2021. Limited progress has been made with regard to the plan. However, parliament is looking to finalise the Master Plan by 2023.

South Africa's government has been amongst the most vocal about its intentions to prioritise the cannabis industry for economic growth, rural development and job creation. However, progress has been frustratingly slow for local stakeholders. The lack of a coherent policy has also resulted in local investors being apprehensive about investing in the sector in its current state due to regulatory uncertainty.

Smallhold traditional growers, and other legacy market growers in South Africa have also not been explicitly integrated into the current legal cannabis framework, causing continued discontent. South Africa is estimated to have over 900,000 traditional cannabis growers, and inclusion of these stakeholders is seen as critical, if the cannabis and hemp industries are going to have the desired broad-based economic dividend.

### South Africa Medical Cannabis Regulation

Since 2019, South Africa has accepted applications for licences for the cultivation of bulk medical cannabis flower as an Active Pharmaceutical Ingredient. To date, it's estimated that around 80 licences have been issued by the regulatory body, SAHPRA (South Africa Health Products Regulatory Authority). The Medicines and Related Substances Act of 1965 mandates SAHPRA to regulate the availability and quality of medicines, ensuring safe and effective medicines for consumers. This mandate requires SAHPRA to apply standards to the cultivation, manufacturing, sale, marketing, distribution of medicines and medical devices. A licence from SAHPRA is a prerequisite for the cultivation, processing, extraction, testing and manufacturing of cannabis products.

Unlike Lesotho, SAHPRA requires that a licence applicant must build their facility before being considered for an audit. This process poses significant challenges for aspiring cannabis operators, due to the fact that they would typically need to raise capital to build the facility without any guarantee that the facility would be approved. It also poses significant hurdles for aspiring operators who have been previously disadvantaged and who don't have access to capital for developing their facility. Once a facility is developed, SAHPRA inspects the facility including: facility staff qualifications, operational procedures, quality management systems, safety infrastructure and security standards. Operators will also have to apply to the Director General of Health for a permit to handle cannabis. Upon receipt of a licence, SAPHRA would also provide a quantity limit on how much cannabis can be produced by an operator. The pace of licence approvals has been a source of frustration for many aspirational operators in the South African cannabis industry. The slow pace of inspections and approvals has been mainly attributed to an underfunded and understaffed regulator, with market participants lobbying the government to address this problem as a matter of urgency.

In South Africa, medical professionals are permitted to apply to SAHPRA to utilise unregistered medicines for patients, including

medical cannabis. South Africa is estimated to have just under 1,000 registered patients to date. In South Africa, any doctor registered with the South African Health Professions Council is able to utilise Section 21 to prescribe medical cannabis. Doctors are not limited to specific indications when prescribing cannabis, but must provide a rationale on why medical cannabis is suitable for their patient's medical condition. Medical cannabis is not currently covered by medical aid or health insurance in South Africa. The fee for a Section 21 application is currently R350 or roughly US\$20. A number of international cannabis companies, such as The Green Organic Dutchman, have also exported medical cannabis to South Africa under Section 21, with only a select few local producers being integrated into the supply chain. The lack of clear communication and an established framework for local cannabis distribution has been a source of frustration in the industry. For example, South Africa currently doesn't have a monograph or any well communicated guidelines for doctors, patients, and cultivators with regard to medical cannabis. It's still unclear whether the Department of Health and SAHPRA intend to scale this scheme in a similar way to Australia, or whether the scheme is still intended for exceptional medical cases. It's the view of ACA Group and Prohibition Partners that South Africa's cannabis industry growth potential is hampered by not allowing for broad access to the medical cannabis supplied by local cultivators. Countries such as; Germany, Australia and Israel have over 150,000 registered medical cannabis patients supporting the development of the sector, further improving their global competitiveness, R&D investment spending and international integration.

Prominent facilities featured in South Africa include; FarmaGrowers, SafriCanna, Felbridge, Cilo Cybin, Rascal Seed Research Laboratories, Chroni-Co and Geo Greenhealth.

## South Africa's CBD Industry

The South African government made international headlines in 2019 when it announced a 12 month exemption for CBD products, effectively descheduling CBD products that had less than 20 milligrams daily dosage and didn't make any medical claims. On 22 May 2020, the Department of Health provided new regulations for cannabis and CBD. CBD was reassigned from Schedule 7 of the Medicines Act, to Schedule 4 (from highly regulated, to simply requiring a prescription for use). However, products with less than 600 milligrams CBD concentration per sales pack, with a maximum of 20 milligrams per daily dosage, were moved to Schedule 0. These products can only make general low risk health claims. Schedule 0 CBD products also include CBD products that are made from raw cannabis plant material for ingestion with less than 0.0075% CBD and less than 0.001% THC in naturally occurring quantities.

This move by the Ministry of Health resulted in a flurry of international CBD brands expanding into South Africa in order to gain market share and boost sales. This also resulted in local CBD brands being established in South Africa, including Goodleaf, which opened the first CBD retail store in Africa in 2019. Goodleaf is the most recognised CBD brand in South Africa, with their products being available in most recognised retailers across the country. Some of the other leading CBD brands in South Africa include; Elixinol, Rethink, ADCO CBD, africanpure and Koi CBD.

## CBD Market Structure

By our estimates, there are currently +85 CBD brands being sold in South Africa. Most sales happen through physical retailers, pharmacy chains and CBD or health-focused online marketplaces such as Takealot (South Africa's Amazon). The industry is highly competitive and fragmented. Due to the high price point of CBD products, CBD is currently bought by affluent consumers. Furthermore, due to South Africa's ailing economy, we expect premium CBD product sales to lag behind comparable international markets.

South Africa's major retail pharmacy chains, Clicks and DisChem, both stock a number of CBD brands across most of their +700 retail stores. These include; Rethink, Releaf, Elixinol, africanpure and ADCO CBD. The range of CBD brands being stocked by these retailers has reduced significantly over the last 18 months. At the beginning of 2020, approximately 15 brands were listed across these retailers, now between three to seven brands are listed on average. Many independent pharmacies in South Africa also list CBD brands. The brands listed across independent retail stores vary widely, with over 20 different brands being listed across these independent retail pharmacies. Most major grocers such as; Pick n Pay, Spar and Checkers also stock a broad range of CBD products.

Online marketplaces are a significant avenue for sales in South Africa, with over 50 brands selling products through their own websites and through third party online stores. The most popular online CBD store in South Africa is, The CBD Shop. Health and wellness online stores such as; Faithful to Nature and Wellness Warehouse are also popular sites for the purchase of CBD products. CBD product variety in South Africa is limited relative to other markets, with tinctures, CBD infused water and capsules making up the majority of CBD products available on the market.

## Industrial Hemp in South Africa

South Africa's Department of Agriculture, Land Reform and Rural Development began accepting applications for commercial hemp cultivation permits from October 2021 and began approving applications from April 2022. The number of approved hemp cultivation permits is not made public, however, based on engagement with industry participants, we estimate that over 300 permits have been granted to date. With the growing season for hemp in South Africa being from September to May, the delay in establishing the permit regime has meant that most farmers will only begin scale commercial cultivation from October 2022. Although this is a step in the right direction, concerns remain about the viability of the hemp industry under current regulations.

Firstly, hemp in South Africa is defined as 'cannabis plant material' containing less than 0.2% THC. This is considered to be a low threshold for South Africa's climate where cultivation has historically seen higher average levels of THC based on farmer engagements. This would make it difficult for producers to harvest compliant hemp crops and could result in significant quantities of a harvested crop not meeting regulatory approval for further use. A 1% THC threshold similar to the Czech Republic and Switzerland has been proposed by the Cannabis Research Council of South Africa, and feedback from the Department of Agriculture seems to indicate that this may be implemented.

Secondly, the requirement for fencing around the earmarked cultivation areas adds significant set up costs that limits the ability of previously disadvantaged and cash strapped farmers to enter the industry. This is particularly challenging as financing support for emerging hemp farmers is currently limited in South Africa.

Thirdly, due to the fact that cannabis is still regulated under the Drug and Drug Trafficking Act, there are significant limitations to the development of hemp, including challenges with registering local hemp seeds. All hemp seeds need to be imported. The lack of testing and data on the performance of these seeds across South Africa increases the risk of failed or suboptimal harvests.

Lastly, the permits only allow for cultivation on a maximum of 50 hectares. Due to hemp being a high volume, low margin crop, cultivation on such a limited space may make hemp extremely difficult in terms of commercial viability at this stage.

The local hemp supply chain is also still in its infancy, with very few local industries having any knowledge on how to integrate hemp material into their businesses. This could pose a challenge for when hemp is grown and processed at scale, with limited estab-

lished demand for the processed biomass. However, as more participants and potential buyers of hemp-based end products are educated on its use, and benefit from government led incentives, (some proposed in the National Cannabis Master Plan), there is significant potential for the hemp industry to contribute meaningfully to economic growth over the next few years.

## Adult-Use Cannabis

Due to the cultivation and consumption of cannabis in a private space being decriminalised in South Africa, there have been a growing number of cannabis grow clubs being established. These clubs allow for individuals to pay for professional growers to grow cannabis in a private space, on their behalf, for a fee. This model is designed to 'outsource' the growing of cannabis for users who may not have the space, time or expertise to grow their own cannabis. Famously, The Haze Club (THC), took the South African government to court after its grow facility was raided by police, and its plants seized in October 2020. The application to the court was dismissed in August 2022 as the court argued that permitting the cannabis grow club model would circumvent existing cannabis laws, and that legislature should be responsible for amending existing laws to allow for commercial cannabis cultivation for adult use. The outsourcing of personal use cultivation is therefore not permitted. Despite the Constitutional Court Judgement, and four years of decriminalisation and widespread arrests, cannabis seizures are still prevalent in South Africa. In September 2022, this prompted South Africa's first mass cannabis protest in four years, with cannabis activists marching to government buildings across South Africa demanding government intervention in policing, the expedition of necessary legislative amendments for a robust commercial industry, and government support for legacy cannabis growing communities that had been neglected under existing laws.

It is the view of ACA Group and Prohibition Partners that South Africa is best positioned to develop the largest and most globally integrated medical cannabis, adult-use and industrial hemp sectors in Africa. This is due to the country's globally competitive agricultural, pharmaceutical and medical research sectors. South Africa also benefits from strong existing global trade links, well capitalised local financial markets and a highly skilled labour force. Despite the competitive edge that South Africa has over many African and international countries, the government's slow pace to finalise sensible regulations could result in the country not realising its potential in the industry.



# Lesotho

Lesotho was the first African country to issue licences for commercial medical cannabis activity. Since 2018, Lesotho has had an active legal cannabis industry, seeing approximately US\$200 million in foreign direct investment, and creating over 3,000 jobs in the industry over the last four years. Some of Africa's leading cannabis exporters are based in Lesotho, having been early movers in the global cannabis supply chain.

Despite significant challenges and political turbulence, Lesotho's cannabis industry has continued to see more exporters come on line and scale their production.

Lesotho's licensing regime has been viewed favourably due to its multifunctional nature. This means that a cannabis operator needs a single licence to be able to cultivate, process, extract and manufacture cannabis products. This is far less complicated than most jurisdictions that require separate licences for various functions in the cannabis value chain. Lesotho also does not require licence holders to build their facilities before being granted licences; an approach that is often praised by local growers.

However, Lesotho has faced criticism relating to; high licence fees, an inadequate vetting system for granting licences, lack of regulatory enforcement and concerns over fake licences that have been sold to unsuspecting buyers. Estimates, in terms of the number of licences issued vary, with some local operators suggesting that over 200 licences have been issued to date. These concerns have tainted Lesotho's reputation in the global cannabis industry. However, many of these concerns are being rectified with licence renewal fees being enforced to eliminate speculators from the market.

Lesotho continues to be dominated by approximately ten major operators who export, or are preparing to export, medical cannabis. Some of the most well established names in the Lesotho market include:

**MG Health:** The first African cannabis company to be granted EU-GMP certification. The company has mainly been selling products to the German market.

**Hemp Africa:** The company has been exporting cannabis to Israel since 2018, and continues to expand distribution channels.

**Highlands Investments (Canopy Growth):** Highlands recorded one of the largest export transactions to North Macedonia in 2021, selling nine tonnes of high THC flower.

Lesotho continues to see growth in its cannabis industry, as more operators complete their fundraising rounds and grow facilities. However most licensed operators have had significant challenges around; capital raising, meeting compliance standards, inadequate product quality and achieving meaningful sales due to slower than anticipated commercialisation. This means that the industry is likely to be highly concentrated with a select few operators being able to weather these challenges to build sustainable businesses. As South Africa, Uganda and Zimbabwe make progress, Lesotho's early mover advantage is quickly waning.





# Zimbabwe

Zimbabwe was the second African country to approve cannabis regulations in 2018, looking to gain the same commercial success as Lesotho. As Zimbabwe's tobacco exports continue to decline due to waning demand and market prices, Zimbabwe's government has identified cannabis, and specifically industrial hemp, as a compelling replacement crop for the country. Zimbabwe is Africa's largest tobacco producer, and it exported US\$515 million worth of tobacco in 2021, its largest foreign currency source.

However, since legalisation, poorly designed legislation and regulations has meant that little progress has been made in the development of the sector from 2019 to 2020. Initially cannabis regulation required licensed operators to grow on designated government land, and they were also required to cede 40% equity of their operation to the government. This discouraged any meaningful progress in the industry.

In 2021, regulations were amended to make investment in the cannabis industry more competitive, mainly focused on allowing 100% ownership, and cultivation at an appropriate location of the applicant's choice. These changes were instrumental in kickstarting the industry, and in recent years, we've begun to see a number of licensed producers raise capital, build facilities and begin to export. Zimbabwean cannabis companies have exported hemp to Switzerland, with an estimated 30 tonnes being sold in 2021 according to the Zimbabwe Industrial Hemp Trust. To date, medical cannabis flower exports remain limited.

As of October 2022, the government has issued 57 licences. The cost of a licence in Zimbabwe is approximately US\$50,000 and is valid for five years. The licence requires a US\$15,000 annual renewal fee. Research licences cost US\$15,000 and require a US\$2,500 annual renewal fee. Unlike South Africa, cannabis operators can be granted a licence before building their facility, making it easier to enter the industry. However, licence application and renewal fees are high, relative to other African countries such as South Africa, where the cost is only US\$1,750.

The cannabis industry is currently regulated by the Department of Health, but various other departments are involved in setting regulations. Regulated products include; plants, dried flower, oils and seeds. Zimbabwe recently gazetted regulations for the growing, processing and the supply of industrial hemp for local farmers.

With Zimbabwe's economy continuing to struggle from low growth, high inflation, hard currency scarcity and political instability, there seems to be a renewed focus from the government

to make the cannabis and hemp sectors drivers of an economic turnaround, which could serve as a catalyst for further progress in the sector over the coming years.



# Uganda

Under The Narcotic Drugs and Psychotropic Substances Act of 2015, and approved guidelines in 2020, Uganda established a legal framework for the cultivation, processing and export of medical cannabis under the Ministry of Health.

However, to date, only one company has been granted a licence and has begun exporting; Industrial Globus. The company is a joint venture between a Ugandan company founded in 2012, Industrial Hemp Pty Ltd. and an Israeli based cannabis company, Together Pharma.

Industrial Globus has seen meaningful traction since being granted its licence in 2018, having exported over three tonnes of cannabis flower to Israel, Germany and most recently, the UK. This has been facilitated through its strategic partnership with German based, Cantourage. Industrial Globus cultivates under good agricultural and collection practice (GACP), where further processing is done under GMP in the respective import markets.

Although Industrial Globus has put Uganda on the map as a reputable cannabis supplier, it's unclear when guidelines for cannabis licensing will be finalised in Uganda, with current proposed guidelines being uncompetitive. The latest draft guidelines state that applicants for licences require US\$5 million in capital on hand, and a bank guarantee for US\$1.1 million to qualify. Other measures include the requirement for facilities to be further than 15 miles away from any schools, which poses a challenge for operators looking to be close to critical infrastructure.

Uganda's political establishment also seems divided on further liberalising cannabis activity in the East African country. Uganda's First Lady, Janet Musaveni, is famously quoted as describing cannabis as, 'The devil's plant'.

Over the next few years, Uganda is a market worth watching as it has clearly demonstrated an ability to meet international import standards, but the government needs to capitalise on the traction gained to date.





# Morocco

One of the most significant countries to legalise cannabis in Africa is Morocco. This North African country has a long and rich history of cannabis cultivation, both trade and use, which dates back centuries. According to the United Nations, Morocco is the world's largest producer of cannabis resin, and one of the largest exporters of cannabis into Europe.

In May 2021, Morocco adopted new laws that legalised cannabis for medical, cosmetic and industrial use, making it the first predominantly Muslim country to do so in the region. Recreational use of cannabis is, however, still strictly prohibited. The announcement resulted in the formation of the National Agency for the Regulation of Cannabis Activities (ANRAC). The agency is chaired by the Interior Minister and it is responsible for regulating all cannabis related activity in the country.

The Moroccan government has earmarked three provinces for legal cannabis activity, namely; Al Hoceima, Chefchaouen and Taounate. These provinces, located in the impoverished mountainous region known as the 'Rif', are where illicit cannabis cultivation is concentrated in the country. The decision to establish the legal cannabis industry in the Rif region indicates the government's intention to transition existing cannabis activity into a legal framework and thereby enable economic growth. The government also hopes that the new legal framework will curtail drug trafficking activity in the country, and reallocate more of the supply chain profit to farmers. According to the government, over 60,000 families in the region, growing on 55,000 hectares of land, depend on cannabis for their livelihoods.

In October 2022, Morocco issued its first ten cannabis cultivation permits, marking a significant milestone in the development of its local cannabis industry.

Other encouraging developments in Morocco include a number of medical cannabis research and training initiatives for healthcare professionals and key industry stakeholders. For example, The Moroccan Cannabis Use Advisory Association (AMCUC), a recently established industry body for medical cannabis, has established a number of partnerships with local and international universities, research institutions and medical cannabis companies to further local knowledge about cannabis. The organisation is also providing training for professionals through partnerships with Israeli and US based industry experts under the 'Kif Takwine' training programme.

Morocco's unique and practical approach to legalising cannabis, mainly centred on the economic empowerment of legacy can-

nabis communities, could serve as a model for other countries in Africa and the Middle East, where communities have also historically depended on cannabis as a primary source of income. For example, Pondoland in the Eastern Cape of South Africa.



# Malawi

Malawi has taken meaningful steps to establish its cannabis industry. Cannabis and industrial hemp cultivation and processing were legalised in 2020, and have been earmarked as a priority sector, serving as a substitute for declining tobacco exports. Malawi receives 70% of its foreign currency earnings from tobacco, which contributes 13% of gross domestic product (GDP). With agriculture employing over 80% of Malawians, the development of the hemp industry is a top priority for the government. Similar to South Africa, Malawi's President also made special mention of cannabis and hemp in his 2021 State of The Nation address, emphasising the potential of the plant to replace declining tobacco exports.

The Chairperson of Malawi's newly established Cannabis Regulatory Authority, Boniface Kadzamira, has stated that 72 licences have been issued for cannabis activities since legalisation. Licence fees have been criticised by local farmers for being too expensive, costing up to US\$10,000, a significant sum for one of the world's poorest countries.

Malawi has also taken proactive measures to boost its competitiveness in the sector. In 2021, Malawi entered into a training agreement with the United States Cannabis Association, a plan designed to upskill locals in cannabis and hemp cultivation, operations, compliance and distribution. The United States Cannabis Association has also committed to assisting Malawi identify suitable international buyers. In 2021, the government approached Mike Tyson to be the national ambassador for Malawi's cannabis industry; a move criticised by some locals due to Tyson's previous convictions.

Invegrow is Malawi's leading cannabis company, having received authorisation from the Malawian government to research hemp since 2013. The company has played a pivotal role in educating the government on the potential of cannabis as a cash crop, and has provided guidance on regulations, strain suitability and global competitiveness. With Malawian high THC strains, such as Malawi Gold already world famous, the country has significant potential to develop competitive cannabis and industrial hemp sectors with the right investments, policy framework and skills development.



# Ghana

In March 2020, Ghana passed the Narcotics Control Commission Bill, which has allowed for the use and cultivation of hemp in the country. The new law limits the allowable concentration of THC in the plants to less than 0.3%. This stops short of legalising high-THC cannabis, significantly limiting the country's cannabis sector potential.

Since the passing of the law, no significant progress has been made in finalising regulations and issuing licences.

In September 2022, the Supreme Court in Ghana ruled that the law passed to legalise cannabis had not followed due process, and therefore, the legality of cannabis in the country was judged to not have been constitutional. This matter is still being deliberated, but will certainly cause significant delays in the launch of the industry.

In recent years, Ghana has made impressive progress in growing its tourism industry, particularly focused on the African American diaspora community. 'The Year of the Return' programme, launched in 2019 to commemorate 400 years since the first African slaves arrived in the US, saw a significant increase in tourists from the USA, the UK and the Caribbean, and contributed US\$1.5 billion to gross domestic product (GDP), according to government figures. Ghana is uniquely placed to benefit from adult-use legalisation due to the strong historic links with the African diaspora since the 'Year of the Return' initiative. However, recreational cannabis remains illegal in Ghana, and there seems to be limited political will to change course; this, despite Ghana's compelling position to capitalise on their revitalised tourism sector.





# Rwanda

In October 2020, Rwanda's parliament approved guidelines for the cultivation, processing and export of medical cannabis and industrial hemp. Considered to be Africa's leading anti-corruption, corporate governance, and foreign direct investment destination, Rwanda's entry into the cannabis industry has been viewed with extreme optimism. Not only does Rwanda play a role in validating the legitimacy of the African cannabis industry, it is also expected to encourage more African countries to legalise cannabis, particularly in East Africa.

Steady progress has been made since 2020, with Rwanda having designated 130 hectares for cannabis cultivation, and shortlisting five licence applicants for final approval. Licence requirements are extensive, and especially demanding on security and compliance measures, in order to prevent any flow of product into the illicit market.

Adult-use cannabis continues to be illegal, with harsh sentences for possession and dealing in cannabis.

Unlike most legal cannabis markets in Africa, Rwanda has also legalised the domestic use of cannabis and cannabis based products for medical purposes. The conditions for which cannabis can be prescribed will not be restricted by the Ministry of Health. Instead, the government will rely on specialist doctors who will be vetted and approved by the Ministry of Health to use their judgement for prescribing medical cannabis. The Rwandan government is expected to finalise its domestic framework for local cannabis prescription and distribution in the coming months, opening up Africa's second domestic cannabis market, after South Africa.

There are a number of specialised cannabis licences in Rwanda. These include; cultivation, importation of seeds and plant material, export of seed and plant material, cannabis processing, research licences and product export permits.

Although countries such as; Lesotho, Zimbabwe, Zambia and Malawi have approved cannabis regulations, Rwanda's entry into the industry, particularly with the establishment of a domestic market, may see it leapfrog its peers in terms of attracting international investors, entrepreneurs, research funding and international operators.





# Zambia

Similar to Zimbabwe, Zambia was an early mover in legalising medical cannabis cultivation for research and export. Since the Cannabis and Industrial Hemp Bills were passed in 2021, progress has been slow due to a fiscal debt crisis and a fiercely contested national election that saw a change in government in 2021. Zambia became Africa’s first pandemic era government bond defaulter, highlighting the desperate economic background which saw cannabis being deprioritised.

Zambia also has one of the highest licence fees in Africa, charging US\$250,000 annually for a licence.

In 2021, the Zambia National Service was granted the mandate and requisite licences to grow cannabis for research purposes, a pilot that the government would use to develop a better technical understanding of the plant. The Zambia National Service, a division of the Ministry of Defence focused on agricultural training and skills development, has earmarked large grow areas across the country for cultivation purposes.

The new Zambian administration, however, seems cautious in terms of cannabis liberalisation, highlighting the risks of the broad use of cannabis in a recent Drug Abuse campaign.

Based on the slow pace of progress to date, it may still be a few years before Zambia’s cannabis industry begins to materially scale.

# Acronyms



API	Active Pharmaceutical Ingredient
CBD	cannabidiol
DALRRD	Department of Agriculture, Land Reform and Rural Development
EU-GMP	European Union - good manufacturing practice
GACP	good agricultural and collection practice
GDP	gross domestic product
GMP	good manufacturing practice
NASDAQ	National Association of Securities Dealers Automated Quotations
SAHPRA	South Africa Health Products Regulatory Authority
SAS	special access scheme
THC	tetrahydrocannabinol
THC	The Haze Club



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