INSIDE AFRICA

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Now is the time to invest in Africa

EAGLESTONE SECURITIES

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In-depth:
Africa can become a global economic powerhouse. This is how

In today's interdependent global economy, Africa remains a weak link. If the world is to achieve the Sustainable Development Goals, thereby completing the United Nations 2030 Agenda for Sustainable Development, it must help Africa accelerate its development by promoting rapid and responsible industrialization.

Africa is by no means destined to lag behind the rest of the world economy. On the contrary, it could easily become a global economic powerhouse – and within the next decade. But, to fulfill its economic potential, Africa must industrialize.

The importance of this has been stressed repeatedly at recent international forums, including last August's Sixth Tokyo International Conference on African Development (TICAD VI), and the G20 summit in Hangzhou, China, the following month. For the first time, the G20 placed industrialization in Africa – and all of the Least Developed Countries (LDCs) – on its agenda. The African Union's Agenda 2063 also supports this drive.

The recent UN General Assembly resolution declaring 2016-2025 the Third Industrial Development Decade for Africa is yet another push in this direction. The organization that I represent, the UN Industrial Development Organization (UNIDO), has been tasked with operationalizing and leading the implementation of the concomitant program, including mobilizing the needed resources.

All of these declarations and commitments are an important first step. But they will mean little unless they are translated into concrete and effective action that advances African industrialization, creates jobs, and fosters inclusive and sustainable economic growth and development. The question is how.

The short answer is money and action. We must challenge the international community and development partners to back their words with real financial commitments. And we must build partnerships to operationalize programs that will enable Africa to become the world's next main engine of economic growth.

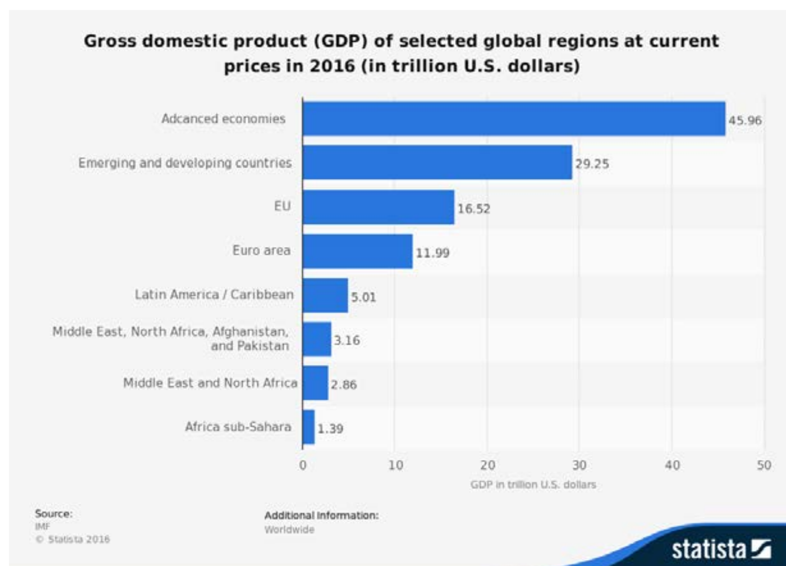
Such programs must recognize and tackle the acute challenges the continent faces. The economic growth experienced in recent decades has not been structurally driven, sustainable, or fully inclusive. Indeed, growth rates vary widely across the continent, and not all Africans are benefiting. Though the middle class in Africa has expanded markedly in recent years, generating a consumer boom and boosting domestic investment, many people still struggle to make a living. Unemployment rates are high, especially for young people and women – a reality that drives many Africans to head north.

To keep them home, Africa's economies must move beyond producing raw materials to build dynamic and competitive manufacturing sectors with higher value added. Here, Africa must draw on the opportunities presented by participation in global and regional value chains. New and innovative industrial-development strategies, as well as carefully tailored measures to attract foreign direct investment, must be introduced.

Of course, to develop such strategies and participate effectively in industrial value chains, Africans need knowledge. Investment in education and skills training is imperative to facilitate successful and lasting industrialization. By understanding and drawing on proven innovations from around the world, Africa could leapfrog more developed countries technologically, building the capacity to produce more sophisticated, higher-value goods.

Knowledge of other countries' experiences will also help Africa to avoid the pitfalls of unbridled industrialization – particularly environmental damage. Africa must ensure that its industrial-development strategy includes effective environmental safeguards.

Africa is well placed to industrialize. Beyond its massive natural-resource endowments, the continent has a favorable demographic profile (its rapidly growing population means that it will soon have the world's largest workforce) and high urbanization rates. It also benefits from a highly educated diaspora.



But industrialization is never automatic. Governments must step up to address market failures, while planning, implementing, and enforcing industrial policies that address the shortcomings of previous ineffective versions. They must then institutionalize these new policies in national and regional development strategies.

To succeed, governments will need adequate capacity, competence, and legitimacy to mobilize and interact with all stakeholders, thereby creating an attractive investment climate. The necessary reforms will open the way for public-private partnerships, which can provide investment for infrastructure development and maintenance. They will also facilitate cooperation with international organizations and development finance institutions, which can provide additional funds, while helping countries to upgrade their productive capacity.

A recent report, prepared for the Hangzhou G20 Summit, features a number of recommendations for Africa. It suggests support for agriculture and agribusiness development and linking them with other sectors, as well as measures to boost resilience to price shocks. Furthermore, the report emphasizes the need to deepen, broaden, and update the local knowledge base, invest in energy- and material-resource efficiency, and promote green technologies and industries. Other recommendations relate to trade and regional integration, leveraging domestic and external finance, and promoting what it calls the "New Industrial Revolution."

My numerous meetings with African leaders and visits to dozens of countries across the continent have convinced me that Africa is committed to industrialization. In fact, the process is already underway in many countries, including Ethiopia, Ghana, Rwanda, and Senegal. By offering our commitment and support, we can enable these countries to realize inclusive and sustainable development for the benefit of everyone. *(By Li Yong, Director General, UN Industrial Development Organisation for World Economic Forum and Project Syndicate)*

Making Renewable Energy More Accessible in Sub-Saharan Africa

- *In 2012, less than one in five Africans had access to electricity.*
- *Despite measures undertaken, Africa is still lagging behind, especially in the development of renewable sources of energy.*
- *A forum organized in the margins of the Africa–France Summit was an opportunity to call for a "solar revolution."*

In Africa today, more than 500 million people live without electricity. In fact, fewer than one in five Africans was connected to the power grid in 2012, and despite a modest increase from 32 % to 35% between 2010 and 2012, the rate of electrification continues to be too slow to keep pace with the rapid population growth on the continent.

For Paul Noumba Um, World Bank Country Director for Mali, these findings merit a call for a 'solar revolution', which he proposed at a round-table discussion on renewable energy during the Economic Forum held in the margins of the XXVII Africa-France Summit.

In their remarks, various speakers assessed the current status of renewable energies. The conclusion that emerged from the discussion was that development in Sub-Saharan Africa is

stymied by the way electricity is currently distributed: that is, following the traditional format of weak and intermittent supply of hydrocarbon-based electricity.

Malick Alhousseini, Mali's Minister of Energy and Water, and a succession of economic actors, all referred to the difficulties prevailing in the sector, notably the obstacles faced by African entrepreneurs in developing their projects. In addition to highlighting the noteworthy achievements in the field of renewable sources of energy, such as the Lighting Africa project, the panelists proposed a variety of solutions and brainstormed with the participants.

In an economic climate characterized by sputtering economic growth in large economies like those of Nigeria, Angola, and South Africa, Paul Noumba Um stressed the need to act urgently to speed up the implementation of a stable system of energy. "We are currently witnessing a paradigm shift and we must use new technologies to promote renewable energies, especially in rural areas," he stated, emphasizing that this would also contribute to reducing poverty.

How can this be done? Governments should propose viable projects and transparent procedures while seeking to consolidate their gains to increase the production capacity of companies, whose present rate of increase in output is only between 1 and 2 gigawatts (GW) per year. Demand is growing at an annual rate of more than 6 or 7 GW.

To reduce this deficit, governments are being called upon to integrate solar technologies into their national electrification strategies, in order to put in motion a "solar revolution" by 2023, and to produce 1 GW of photovoltaic electricity connected to the national grid. This will also make it possible to supply off-grid solar energy to 56 million new users.

Solar Energy Improves the Lives of Rural Malians

The World Bank Group is already implementing electrification projects in the rural areas in Mali, in conjunction with the Malian Agency for the Development of Household Energy and Rural Electrification (AMADER).

As part of the Global Partnership of Output-Based Aid (GPOBA), the World Bank has also provided financing for projects to install new electricity meters in the commune of Sébékoro, in the Kayes region, to the west of Bamako. These meters are more affordable than those generally available on the market. The supply of electricity to the commune was also extended to run between 6 pm and midnight.

This means that children can now do their homework and study at home, and households can charge their telephones, listen to the radio, or watch television. It also allows owners of small restaurants to stay open longer through the use of refrigerators and freezers.

Through the Domestic Energy and Rural Access to Basic Sources Project (PEDASB), it was possible to install a 52 kilowatt peak (kWc) plant in Zantiébougou, in the Sikasso region to the south of Bamako. Some 765 people now have electricity connections and the commune has been able to empower women by developing a unit for processing local produce grown by the women of Zantiébougou. Other economic activities have also flourished such as trade, carpentry, welding, while teachers have noted an increase in the success rate of their pupils.

In Niena, also in the Sikasso region, 538 people are being supplied by a hybrid system (solar photovoltaic/diesel). Apart from the advantages similar to those observed in Zantiébougou, access to electricity has improved the security and quality of health centers and clinics. Teachers have also reported a marked improvement in their pupils' performance.

The energy sector plays a critical role in contributing to growth in Sub-Saharan Africa. The World Bank is committed to providing financial support to African governments for their reforms aimed at improving the energy sector and expanding access to users living in the most remote areas. It also actively advocating the use of renewable energies, which make up the main pillar in the Africa Climate Business Plan, launched by the Bank during COP21 in Paris in 2015 to mobilize $16 billion by 2018. *(World Bank)*

IMF, WORLD BANK & AFRICAN DEVELOPMENT BANK

NEPAD-IPPF supports African countries to strengthen regional infrastructure: Approves eight projects for US $14.83 million in 2016

The New Partnership for Africa's Development Infrastructure Project Preparation Facility (NEPAD-IPPF) has continued to support African countries to strengthen regional infrastructure connectivity by providing grants for project preparation and development for complex, cross-border regional infrastructure projects in energy, transport, ICT and trans-boundary water. This directly supports Africa's integration and industrialization efforts as well as trade in goods and services and helps to improve the quality of lives of Africans by improving access to infrastructure services – electricity, transport, communications and water.

NEPAD-IPPF provides grants to African countries through Regional Economic Communities (RECs) and specialized regional infrastructure institutions such as Power Pools to undertake feasibility, technical and engineering designs, environmental and social impact assessment studies, as well as preparation of tender documents and transaction advisory services to make projects bankable for financing and implementation in support of Africa's socio-economic transformation.

Taking stock of achievements during 2016 at the Business Strategy Workshop for NEPAD-IPPF held at the headquarters of the African Development Bank (AfDB) in Abidjan, Côte d'Ivoire, on Friday, February 3, 2017, Shem Simuyemba, NEPAD-IPPF Fund Manager, informed the gathering that during 2016, NEPAD-IPPF had approved a total of US $14.83 million for the preparation of eight regional projects covering energy, transport and water.

Five energy/power projects were approved, two in West Africa, two in Southern Africa and one in East Africa. In West Africa, these were, the Nigeria-Benin 330 kV Power Interconnector Reinforcement Project executed by the West African Power Pool (WAPP) and the Feasibility Study for Women in a Changing Energy Value Chain in West Africa under the ECOWAS Centre for Renewable Energy and Energy Efficiency (ECREE) intended to unlock business opportunities for women entrepreneurs in the energy value chain. In East Africa, NEPAD-IPPF funded the Uganda-Tanzania Refined Oil Products Pipeline Project with oversight from the East African Community Secretariat. In Southern Africa, approved projects were, the Zambia-Mozambique 400 kV Power Interconnector Project and the Kolwezi (DRC)-Solwezi (Zambia) 330 kV Power Interconnector Project linking the two copper-mining belts of Katanga in the Democratic Republic of Congo (DRC) and Northwestern Zambia. The Executing Agency for the two projects is the Southern Africa Power Pool (SAPP). The Zambia-Mozambique Power Interconnector Project is co-financed with the US Trade and Development Agency (USTDA).

Project preparation and development work undertaken by NEPAD-IPPF has had a major impact in generating bankable projects, which have attracted financing for implementation. An example is the Power Interconnector, 330 kV North Core Project involving Nigeria, Niger, Benin and Burkina Faso. NEPAD-IPPF provided US $5.9 million for the preparation of this project (one of the largest grants for a single project). The estimated financing cost of the project was US $681.67 million. However, at the North Core Financing Roundtable held on November 9, 2016, under the auspices of WAPP and the countries concerned, the project attracted US $1.205 billion in financing pledges.

The two transport projects approved were the Route Multinationale, Kribi-Campo-Bata, the road/bridge over the Ntem River linking Cameroon to Equatorial Guinea, for a grant of US $3.04-million under the Economic Community of Central African States, an important transport and trade corridor in Central Africa. The other was in East Africa, the Lamu Port Development: Transaction Advisory Services and Technical Assistance - Phase 1 for a public-private partnership (PPP) to develop the new Port of Lamu in Kenya to serve the countries of Ethiopia, South Sudan and Kenya under the US $20-billion LAPSEET mega infrastructure project.

One trans-boundary water project, the Multinational, Orange-Sengu River Basin Project, was also approved in 2016. The purpose of the grant is to assist in the preparation of a Climate Resilient Water Resources Investment Strategy and Plan and Multipurpose Project for the Orange Senqu River Basin. The project is co-funded by the Africa Water Facility and the Global Water

Partnership (GWP) and is managed by the Orange River Basin Commission. It will benefit the four countries of Lesotho, South Africa, Botswana and Namibia as it serves, among others, Africa's most dense economic space, the Gauteng Province of South Africa with its mining, agricultural and industrial activities.
NEPAD-IPPF is a multi-donor Special Fund hosted by the African Development Bank (AfDB), established under the G8 as part of the support to the NEPAD African Action Plan and is managed in close partnerships with the African Union Commission (AUC) and the NEPAD Agency. Donors supporting NEPAD-IPPF include Canada, Denmark, Germany, Norway, Spain and the UK. Since its establishment in 2005, NEPAD-IPPF has approved 72 grants for complex, cross-border regional infrastructure projects resulting in downstream financing of US $7.88 billion, demonstrating the high leverage effect of well-prepared projects.
Under its current Strategic Business Plan (SBP) for the five-year period, 2016-2020, NEPAD-IPPF requires funding of about US $250 million to prepare 80 to 100 regional infrastructure projects expected to generate US $25 billion in infrastructure investments. NEPAD-IPPF is also increasingly linking its project preparation work to financial closure and part of the thrust of its new business orientation is to engage early with project developers, financiers and investment houses to ensure that NEPAD-IPPF prepared projects respond better to investor needs.
"NEPAD-IPPF is a tested brand across Africa in supporting African countries to prepare complex, cross-border regional infrastructure projects and to bring them to bankability and therefore offers a total-project-development-solution," said Simuyemba. He also observed that NEPAD-IPPF unlocks business opportunities across the "infrastructure value chain", not just in advisory services, but also financing, construction, equipment supply, technology and skills as well as operations and maintenance.

AfDB commits US $3.50 million to IGAD Regional Infrastructure Master Plan
The eight-nation Intergovernmental Agency on Development (IGAD) has secured a US $3.50-million grant from the African Development Fund (ADF), the concessional window of the African Development Bank Group, to finance the agency's Infrastructure Master Plan (IRIMP).
The project, to be completed in 38 months, seeks to establish regional infrastructure development priorities for the IGAD region, comprising Djibouti, Eritrea, Ethiopia, Kenya, Somalia, South Sudan, Sudan and Uganda, in order to enhance regional physical and economic integration, thus promoting trade, movement of goods and persons and poverty reduction among the countries.
It will define priority regional infrastructure transport, energy, ICT and transboundary water projects for investment, to spur a broader positive socio-economic development impact. These would include physical and economic integration; job creation; enhanced opportunities for women (particularly in easing cross-border trade); increased business opportunities; improved access to infrastructure services; and generally improved the quality of life of the majority of the population in the IGAD region.
The IRIMP is one of the deliverables under the "IGAD Minimum Integration Plan/Road Map" towards creating a Free Trade Area (FTA) in the region approved in Nairobi, Kenya in 2010 and the wider "Horn of Africa Initiative (HOAI). For IGAD, which lacks a regional infrastructure Master Plan and a prioritized consensual infrastructure development programme, the Bank's intervention in this regard responds to a defined priority need of the governments which will serve to consolidate and enhance regional integration.
In general, the governments, people, institutions, and economies of the eight IGAD member States will benefit directly from the project. Specifically, businesses, traders, households, investors as well as development partners and international bilateral and multilateral agencies will also benefit from well-planned coordinated regional infrastructure projects and services that would enhance more efficient movement trade and economic development.
The total project cost is estimated at US $3.69 million to be financed by the US $3.50 million ADF grant from the Bank's Regional Operations envelop and Regional Public Goods (RPG) window;

and US $0.19 million IGAD Secretariat counterpart funding. In addition, the investment is expected to spur huge investment mobilization and financing attracted by well-prepared and bankable infrastructure projects.

The African Development Bank approves new US $28.2-million funding injection in Shelter Afrique

- African Development Bank supports the African housing sector through Shelter Afrique
- US $20-million loan approved, after a recent US $8.2-million equity injection
- Shareholders agree to pay up their share of capital commitments by the end of 2017

On February 1, 2017, the African Development Bank disbursed an equity investment of US $8.2 million in Shelter Afrique, a Development Finance Institution investing in affordable housing for Africa. It is owned by 44 African countries, together with the African Development Bank and African Reinsurance Corporation as shareholders. The Bank announced on February 14, 2017 that it is also arranging for an immediate loan of US $20 million to the company to consolidate the position of the housing specialist for 2017 and beyond.

"These new resources show that the African Development Bank is fully committed to the growth and development of Shelter Afrique, which plays a vital and unique role in the development of affordable housing across Africa. Affordable housing is a key issue at the heart of the High 5 priorities for our Bank, namely 'Improve the quality of life for the people of Africa.'* At the same time, the African Development Bank takes issues of governance seriously. With the strong measures taken by Shelter Afrique to improve its governance and the support of its shareholders, the company can move to the next stage of its development," said Gabriel Negatu, Director General at AfDB's East Africa Regional Development and Business Delivery Office.

The African Development Bank participated in Shelter Afrique's Extraordinary General Meeting which was held on January 31, 2017 in Nairobi. At the EGM, shareholders present unanimously resolved to pay up their share capital commitments of approximately US $116 million as soon as possible or to face temporary suspension from membership if not done by the end of 2017. With additional equity support, Shelter Afrique will be in a stronger position to finance an increasing number of projects whether directly or indirectly.

Shelter Afrique has recently been the subject of press speculation of overstated asset quality and substandard management operations. Following those allegations, the Board of Directors of Shelter Afrique took immediate steps and appointed a reputable firm to conduct an independent forensic audit. That investigation concluded on January 2, 2017 and recommended improvements in policy and processes which will be implemented by Shelter Afrique.

Shelter Afrique has announced that it will fundamentally improve its governance structure. Several interim executive managers are being contracted by Shelter Afrique's Board to improve financial management and governance. The Board of Shelter Afrique will also take appropriate disciplinary actions to address the irregularities and shortcomings identified in the forensic audit report.

The shareholders also agreed to expand the shareholder base to include African and non-African impact investors this year and take Shelter Afrique to the next stage of its development. The African Development Bank intends to work with Shelter Afrique's management and Board to support the company with technical and business development assistance throughout 2017.

* Improve the quality of life for the people of Africa is one of the High 5 Priorities set by the Bank in 2015. Africa's economic growth has not been rapid or inclusive enough to create enough jobs and improve quality of life. The Bank is committed to building up the availability of technical skills so that African economies can realise their full potential in high-technology sectors. Acknowledging the urgent need to address climate change, the Bank will nearly triple its annual climate financing to reach US $5 billion a year by 2020.

The other High 5 Priorities are Light up and power Africa, Feed Africa, Industrialise Africa and Integrate Africa.

INVESTMENTS

Angola economy: FSDEA invests in Cabinda port

Angola's sovereign wealth fund, the Fundo Soberano de Angola (FSDEA), has announced a US$180m investment in a deepwater port development in Cabinda.

Plans to develop the maritime infrastructure in Cabinda, an enclave of Angola separated from the rest of the country by a sliver of the Democratic Republic of Congo, has been under way for more than a decade, but progress has been slow. Owing to this cash injection from the FSDEA, and a reported additional US$600m of financing from the Export-Import Bank of China, construction is expected to accelerate significantly. The upgraded port will have a 630-metre terminal connected to shore by a 2 km bridge.

The 14 metre water depth will allow larger ships to use the port and there will be a free-trade zone, a ship repair centre, and extensive loading and storage provision. Given its geographical location, Cabinda is currently heavily dependent on goods coming into Pointe Noire, in neighbouring Congo (Brazzaville), which are then transferred by road into Cabinda, or on airfreight from Luanda, the Angolan capital. This has kept prices high and erratic supply networks have hampered private-sector development. The new port will be an important boost for the province, where economic development has lagged behind the rest of the country, owing in part to a low-level insurgency led by separatists seeking independence.

Despite these challenges, a number of international oil companies have significant operations on- and off-shore at Cabinda, which is home too much of Angola's oil reserves. Some, including Chevron, have their own jetty facilities, but a modern deepwater port would be a positive development for those needing to move equipment in and out of the area.

The FSDEA's investment is in return for a 50% stake in Caio Porto, the firm operating the port-upgrade project. It is in keeping with one of the fund's stated aims of improving infrastructure to help diversify the economy away from its dependence on oil. However, it is likely to cause some controversy since Caio Porto's chairman is Jean-Claude Bastos de Morais, a long-time friend and business partner of the FSDEA chairman, José Filomeno dos Santos. Mr Bastos de Morais is also the founder and chairman of Quantum Global, an investment firm managing funds on behalf of the FSDEA. *(Economist Intelligence Unit)*

China Development Bank funds USD 1.5 billion projects

At least 35 projects funded by the China Development Bank (CDB) are running in the country, worth a total of 1.5 billion US dollars. By the end of the current month, Angola expects that another 25 projects will be implemented.

The country's overall investment countrywide accounts for about 46 % of total lending by banks in the world's second-largest economy to Angola, Finance Minister Archer Mangueira said. The Angolan official, who was speaking to journalists at the end of a meeting with CDB president, said that at the base of the meeting was the evaluation of the partnership with the Chinese bank. CDB chairman Zheng Zhijie, who said so at the end of the meeting, head a Chinese delegation to pay a working visit to Angola from February 12 to 14 to consolidate relations of financial and economic cooperation between the two countries.

In addition to the meeting with the Finance Minister, Zheng Zhijie's work schedule provides for visits to structuring projects funded by the institution. The CDB was founded and it has been one of the main vehicles of financial cooperation between Angola and China. The CDB has been financing the construction and rehabilitation of several public works, with emphasis on the Moçâmedes railways and the construction of infrastructure in Sambizanga at former Roque Santeiro Market.

Among the works financed by the institution is the construction of Boavista-Miramar-São Paulo road, electrification and home connections in Luanda, as well as the construction of roads to the new Luanda Airport. *(Angop)*

Angola: Spain's embassy guarantees support for economic diversification

The Economic and Commercial Advisor of the Spanish Embassy in Angola, Mariano Muela, assured in Luanda continued support to the Angolan business community to contribute to the diversification of the Angolan economy.

Mariano Muela said so in a meeting between the Angolan Business Development Institute and the Angolan entrepreneurs aimed to present and execute the Spanish financing line. The official stressed that one of the examples is the financing line made available by the Spanish Financing and Development Company (Cofides) estimated at EUR 75 million.

He added that candidates should include Spanish companies that set up business partnerships with Angolan companies and hold the majority of the capital or a minority stake with an effective management. "The

Spanish government is providing funding totalling 75 million euros for business projects to be developed by Spanish companies in Angola in partnership with Angolan companies", he said. The official added that the financing line also serves to strengthen institutional relations between the two countries, given that Spanish technology can be adapted to the needs of Angola. He stressed that in Angola there are 50 Spanish companies with a permanent presence. The meeting was attended by businessmen, managers, heads of public and private companies and other national and international institutions. *(Angop)*

South Africa: Investors attentive to Angolan discoveries at Indaba Mining

Angola captured at the International Indaba Mining Conference held in Cape Town, South Africa, the attention of investors, financers and governments during the presentation of the latest discoveries made in the country, under the National Plan of Geology (Planageo).

With a room full of specialists related to mining issues, the Minister of Geology and Mining, Francisco Queiroz, presented, through a projector, the areas recently discovered with irregularities and other occurrences that can make Angola a rich country and better place to live.

According to the official, it was clear that there is a lot of curiosity from the international investing community about Angola. "It was a first step. We are in a process of spreading the findings that Planageo is doing". Speaking at the end of the Angola Business Forum, which took place on the sidelines of the International Conference, the minister said that the Angolan extension of the Copper Belt (cobalt mineralization), from Zambia and DR Congo, was demonstrated technically and scientifically in Angola. He added that the country has a portion of the Copper Belt that corresponds to more than a third of this block, that is, more than a hundred thousand square kilometers of the extension of the block is in Angola.

During the presentation it was also demonstrated that there are areas of immediate interest in the country to do detailed work. As an example, he pointed to the area of Cassinga (Huíla) with an extension that goes to Cuando Cubango.

To these, other discoveries such as the square of Cazombo (Moxico), the kimberlitic occurrences of the zone of the Lundas and the extension of these zones for new ones like, Malanje, Bié and Huambo. The northern coastal zone in Zaire province is rich in phosphate. But in the south and central regions of the country there are also occurrences in the mining field. Indaba Mining meeting is expected to end with recommendations. *(Angop)*

Botswana tries again to privatise national airline

Botswana put its national airline up for tender, as part of its latest drive to privatise loss-making state companies. Air Botswana would be the second such sale after the government sold 49 % of its telecoms firm in a stock market floatation last year. The transport department said in a notice inviting expressions of interest that it is open to proposals on various forms of privatisation including joint ventures, ownership, franchising and concessions. As well as four domestic routes, Air Botswana provides cargo and air passenger services to Cape Town and Johannesburg from Gaborone, Francistown and the tourism hubs of Maun and Kasane.

Financial losses, blamed on a large workforce and an aging fleet, have prompted a five-year turnaround plan that includes cutting costs and cancelling unprofitable routes. The airline, which recently discontinued routes to Harare and Lusaka from Gaborone, halved its operating losses to 83 million Pula ($8 million) in the 2016 fiscal year. Previous offers from Comair, South Africa's Airlink and Air Mauritius have fallen through. Botswana, whose main source of wealth is diamonds, has more than 30 state-owned enterprises, most of them loss making, in industries ranging from tourism and power to housing and finance. ($1 = 10.5152 pulas) *(By Tiisetso Motsoeneng, Reuters)*

Brazilian group plans to build factory in Angola

A business group from Brazil plans to install a food processing factory in Angola, said in Luanda the Brazilian ambassador to Angola, Paulino Franco de Carvalho Neto, quoted by Angolan news agency Angop.

The ambassador said at the end of a courtesy visit to the President of the National Assembly, Fernando da Piedade Dias dos Santos, that this is a large company that already exports to Angola "but now intends to install a supply hub in the country and in the future, a plant for processing food."

Paulino Neto said that Brazil has, in the last two years experienced an economic recession, but added that the economy was already showing signs of growth and reduction of inflation, allowing Brazilian companies to take part in direct investment processes in other countries, and pointed Angola as one of the priorities. The ambassador also said that Brazil intends to intensify economic relations with Angola, particularly through

direct investment, a factor which may contribute to Angola's economic diversification. The meeting also discussed the issue of facilities for granting visas to citizens of both countries, both for tourism and for medical treatment or education. *(Macauhub)*

Entrepreneurs invest US$178 million in industrial projects in Angola in 2016

The amount invested in industrial projects in Angola in 2016 reached US$178 million, or an annual increase of 100%, said in Luanda the director of the Technical Unit for Private Investment (UTIP).

José Sala, who was speaking on the impact of private investment in industry on the economic diversification process, said that most of this investment was Angolan (48%), which was followed by China, Portugal and India.

The investment was made in 39 projects, and the Director of UTIP said that despite the unfavourable economic situation facing the country, there was a 62% increase in the number of approved projects. During his talk during the Broad Consultative Council of the Ministry of Industry, he called for a need to promote the spread of industrial projects across the country in order to reverse the fact that Luanda is home to 74% of the total. The Technical Unit for Private Investment (UTIP) is a specialised technical service, which is responsible for preparing, conducting, evaluating and negotiating private investment projects whose approval under the Private Investment Law and its regulations is the responsibility of the President of Republic. It is UTIP's responsibility to receive and analyse investment proposals worth over US$10 million, or the equivalent in kwanzas. *(Macauhub)*

BANKING

Banks

Government of Angola announces changes to foreign exchange and banking legislation

The government of Angola will amend legislation on the foreign exchange market and the banking system in order to regulate the foreign currency transactions, both by businesses and households, announced in Lunda the Angolan President Jose Eduardo dos Santos. The President, giving the opening speech of the meeting of the Central Committee of the ruling MPLA party also said it was urgent to provide the foreign trade department of the Ministry of Commerce, "with capable staff" and allow it to regulate the government's activities dealing with export processes in the sector.

All these measures, which are intended to guide "all the institutions involved in the process of exports," fall under the Executive Macroeconomic Programme, "whose strategy is to attack inflation, to reduce significantly diversification, increase exports and tax revenues and the definition of the new salary model."

"The officers, general staff and employees of the public and administrative sector have to be aware that it is that companies create national wealth in the market and that is precisely why we must create conditions for the market to work increasingly better so businesses can thrive. It is companies that pay the taxes that the public sector needs for its operation," said the leader of the MPLA and head of the Angolan government. During the meeting of the MPLA Central Committee, Santos announced that he would not stand as a candidate for the position he currently holds in this year's general elections and that João Lourenço would be the party's main candidate. *(Macauhub)*

National Bank of Angola guarantees currency to commercial banks

The National Bank of Angola (BNA) will continue in 2017 to ensure the transfer of foreign currency to commercial banks, said the Governor of the central bank at a meeting in Luanda, in which he reassured the market about demand for foreign currency. Valter Filipe, while addressing the first meeting of the BNA Advisory Council added that the priorities with regard to the transfer of foreign currency were focused on the payment of imports that the country needs and said there was stability at national level in terms of food, drugs and raw materials. "We believe that the major monetary aggregates and tax have been well controlled and this gives a certain stability to the market, which points to better control, both in product prices and inflation itself," said the governor, cited by state newspaper Jornal de Angola .

The meeting of the Advisory Council, the body that decides on reports and accounts, actions, functions and the monetary and exchange rate policy of the National Bank of Angola, served to publish the Angolan Financial System Adequacy Plan, prepare the monetary and exchange rate policy plan, as well as supervision policy.

The governor also said that the BNA's challenges in 2017 are to strengthen effective banking supervision, in line with international standards, as well as to boost prevention and combat of money laundering, with the

technical support of the United States Treasury. "We must create a credible environment and confidence in the sector, in order to re-establish correspondent bank relations and return to carrying out transactions in dollars and acquire them to finance the economy," said Filipe. *(Macauhub)*

Angolan bank Banco de Poupança e Crédito increases capital

Angolan state bank Banco de Poupança e Crédito (BPC) will increase its capital through a cash injection of 67.5 billion kwanzas (US$405 million) to be obtained from an issue of Treasury Bonds, according to a presidential order.

The order authorises an issue of special treasury bonds in local currency to the for Banco de Poupança e Crédito, "to enable it to fully carry out the mission for which it was created."

The issue amount, the order said, will be delivered "directly to the BPC, at face value, without discount, as a capital increase, thus enhancing the capital ratios of the bank and enabling the expansion of its lending activities." The Chairman of the Bank's Executive Committee, Zinho Baptista, announced in January that the bank would resume lending to the economy in the first quarter of 2017. BPC announced in mid-2015 it was spending credit to the economy, explaining the move was due to the reduction of resources due to low oil prices on the international market.

In that period, the state began to collect less revenue from the sale of oil and, because of this, fewer funds have been available to BPC, the largest State bank, to lend to businesses and families. The bank has the highest rate – 23% – of loans that are non-performing or overdue for more than 90 days in the Angolan financial system. BPC's shareholders are the Finance Ministry, representing the Angolan State, the Social Security Fund of the Angolan Armed Forces and the National Social Security Institute (INSS). *(Macauhub)*

Bank of Mozambique revokes limit on foreign spending with credit or debit cards

The Bank of Mozambique has decided to revoke the annual limit on payments abroad using international debit and credit cards, currently set at 700,000 meticais (about US$10,000 at current exchange rates) per person. The Governor explained that the decision was based on greater exchange rate stability observed since the end of 2016 and increased confidence of economic agents in the future of the exchange rate and the economy in general. When the decision was made in December 2015 the central bank justified the measure with the need to stop the abuse and excessive use of international cards in commercial transactions, responsible for capital flight and other financial crimes. The cases that required the establishment of an exceptional limit under the measure that was revoked, had to be substantiated and assessed by issuers and were subject to the decision of the Bank of Mozambique. *(Macauhub)*

Markets

Bank of Mozambique introduces new benchmark interest rate

The Bank of Mozambique has decided to introduce a new interest rate to the interbank money market, with effect from 15 April, called the monetary policy rate, Governor Rogerio Zandamela said on Monday 13th February in Maputo.

The introduction of this new benchmark rate, which is used by the central bank for liquidity regulation in the interbank money market, is intended to strengthen the mechanism for establishing interest rates in the market as a whole and make this process more transparent and consistent with good international practices, the governor said.

The Bank of Mozambique currently has two interest rates it uses to intervene in that market – the marginal lending liquidity facility, which is the rate that banks have to pay for the central bank to finance them and the standing deposit facility, which pays interest on the funds deposited with the central bank. Zandamela said that these two rates will remain in force and that the new rate would fluctuate in the range of the first two, during a meeting with the press to publicise the main outputs from the meeting of the Monetary Policy Committee of the Bank of Mozambique.

The committee decided to keep the permanent liquidity facility interest rate at 23.25% and the permanent deposit rate at 16.25% and intervene in the market in order to ensure compliance with the monetary base established for March 2017 of 96.506 billion meticais.

The statement released by the central bank said it had also decided to introduce the principle of a single benchmark exchange rate from 3 April, 2017, resulting from the average exchange rate used by banks in transactions with customers. At the end of 2016 the Bank of Mozambique introduced a measure requiring commercial banks to report their exchange rates three times a day. *(Macauhub)*

Angola - Reserve Bank sells Eur 142,6 million

At least Eur 142.6 million (Usd 159.3 million) were sold by the Banco Nacional de Angola (BNA) to local commercial banks from February 6-10 this year, Angop learned.

The information was posted Friday 10th Feb in Luanda on the Angola Reserve Bank website that states that the amount above shows a drop as compared to that of the previous four days that reached Eur 326.1 million (USD 364,7 million).

According to the source, BNA sold to the local market foreign exchange of EUR 142,6 million (Usd 159,3 million) for the operations below:

1. EUR 26,9 million to cover the purchase of foodstuffs;
2. EUR 26,8 million for the industrial sector;
3. EUR 17,9 million for travels, family aid, health and education;
4. EUR 17,9 million for Credict Cards;
5. EUR 14,3 million for oil sector needs;
6. EUR 10,9 million for various companies operations;
7. EUR 8,8 million to cover the needs of State ministries and institutions;
8. EUR 7,2 million for exchange bureaus operations
9. EUR 6,3 million to cover letters of credit;
10. EUR 5,4 million for remittances;
11. EUR 115,7 thousand for telecommunication sector operations;
12. EUR 65,9 thousand for health sector operations;
13. EUR 68,4 thousand for education sector operations.

The average exchange reference rate for sales on the primary foreign exchange market, calculated at weekend was Usd = Kz 166,732, and EUR=Kz 186,286.

Monetary Operations

For monetary regulation purposes, the BNA conducted open market operations (OMO), with 7,14, 28 and 63-day maturities, having absorbed liquidity in the amount of Kz 75.1 billion at average interest rates of 7,50%, 9,00%, 11,00% and 13,00% a year respectively.

Interbank Money Market

On the interbank market, the commercial banks made **overnight liquidity transfers** among themselves, not backed by collateral, in the cumulative amount of **Kz 9.5 thousand million**, nearly 34.48% less than the previous week, which was Kz 14.5 thousand million. The average daily volume of transactions for the week in question was Kz 2.4 thousand million.

On the interbank market, the commercial banks made **overnight liquidity transfers** among themselves, not backed by collateral, in the cumulative amount of **Kz** 33,6 thousand million, with five days overnight maturities, at average exchange rate between 19,17% and 23,70% a year.

The **overnight LUIBOR (1 day)** calculated on the last day of the week, based on the aforementioned liquidity transfers, stood at 23,63**% per annum, without variation** as compared to the previous week's rate.

The LUIBOR for the **30, 90, 180, 270 and 360 days** maturities stood at 19,25%, 20,85%, 21,08%, 22,13% and 22,70%pa, recording variations between 0,08 and 0,58pp in all maturities as compared to the previous week. *(Angop)*

Angola issues debt to pay arrears from 2013

Angola will issue Treasury Bonds in national currency in the amount of 402.750 million kwanzas (US$2.415 billion) to pay for public spending in arrears since late 2013, under a presidential decree. The issue is the responsibility of the National Bank of Angola and the finance minister has yet to establish the face value and interest rate and repayment period, which will be between four to 14 semesters. "The coupon interest is payable semi-annually in the issuing currency [Angolan kwanza] at the date of maturity," the decree said, quoted by Portuguese news agency Lusa.

The director of the Debt Management Unit, Osvaldo João, presenting the Annual Debt Plan of the Angolan State for 2017 recently in Luanda, said this year's gross financing needs totalled 4.667 trillion kwanzas (US$27.9 billion), particularly to finance the State Budget (OGE), which will have a deficit once again this year.

João also said that national banks will be critical to achieving this objective, as 75% [of the debt] will come from the domestic market, and most will be raised by issuing Treasury securities, "of which banks are largest holders." *(Macauhub)*

Angola Stock Exchange trades US$2.19 billion dollars in securities in 2016

The Angolan Debt and Stock Exchange (Bodiva) registered securities trading in the amount of 365 billion kwanzas in 2016, equivalent to US$2.19 billion, three and a half times the amount traded in 2015, the chairman of the Bodiva board said in Luanda. Patrício Vilar said that the value of securities transactions in 2015 amounted to 104 billion kwanzas (US$624 million) and called for new segments to be launched, including the shares market, to make the Angolan market "increasingly attractive." Vilar noted that negotiations recorded in the last two months of 2016 reached a monthly amount of 60 billion kwanzas (US$360 million), compared with US$180 million in the same period of 2015.

Treasury Bills (BT) are the most sought out securities in the market, particularly by commercial banks and businesses, more so than Treasury bonds, because they have higher interest rates between 23% and 24% and have shorter maturities. "The Treasures of Securities Market (MBTT) is the most attractive, because the state has sought financing in the short term but I believe that with the Annual Debt Plan, presented recently by the Ministry of Finance, this trend will be reversed and there will be more longer term issues, such as Treasury Bonds, "said Vilar. Banco de Fomento Angola, Banco Angolano de Investimento, Standard Bank, BIC and Banco de Poupança e Crédito, along with some companies, are the members operating within the exchange, as well as two brokerages.

Securities trading in Angola is displayed in real time at http://www.bodiva.ao/informação-de-mercado/cotações/em-tempo-real/. *(Macauhub)*

ENERGY

Africa's power policy 'least developed in world', says World Bank report

Sub-Saharan Africa still has one of the least developed policy environments for energy access in the world and continues to lag behind other developing regions, according to a damning report from the World Bank.

A new scorecard released by the Bank – Regulatory Indicators for Sustainable Energy – found that over 70% of Africa's least electrified nations – those with access rates of less than 20% – have 'barely begun' to implement a policy environment to boost electricity generation.

Aside from the adoption of officially approved electrification plans, Africa trailed Asia on all of the scorecard's energy access indicators, which assess regulations around modern energy access, energy efficiency and renewable energy. Seventeen African nations achieved the scorecard's weakest overall score, while South Africa was the only nation in sub-Saharan Africa to score the highest.

The report highlighted Ethiopia, Nigeria and Sudan as countries of particular concern, where some 116m are collectively underserved by electricity. The conclusions will add to fears that Africa's policymakers are failing to turn ambitious electrification plans into reality.

Outdated regulations, excessive bureacratic interference and technological inefficiencies have long been highlighted as a drag on electricity generation and economic development on the continent, yet progress continues to be scarce. Connecting to the grid still costs over $500 for consumers in some Africa countries, compared to just $22 in Bangladesh, according to the report. While Africa has struggled to turn rhetoric into reality, both India and Bangladesh have emerged as leaders in

While Africa has struggled to turn rhetoric into reality, both India and Bangladesh have emerged as leaders in grid and off-grid solutions, it adds. The continent has not been short on talking shops and initiatives in its bid to get to the bottom of the issue.

In recent years, the African Development Bank (Afdb) under the leadership of President Akinwumi Adesina has prioritised electrification programmes, while the US launched the ambitious Power Africa in a bid to ensure a more conducive environment for private sector investment. Meanwhile, policymakers talk of introducing nuclear and renewable solutions in a bid to overhaul the enduring power deficit and respond to the environmental challenges thrown up by the 2015 Paris Climate Agreement and the UN's Sustainable Development Goals, which pledged to ensure universal access by 2030.

Yet over 600m Africans still lack basic energy access, a problem which the Africa Progress Panel estimates will require $55bn a year in investment by 2030 to fix. Countries across the continent need to improve on solar provision, poor energy efficiency, financially unviable utilities and a policy deficit for grid expansion, according to the report. "The battle to reach universal electricity access to electricity will be lost or won in Africa. On average sub-Saharan African countries score only 35 out of 100 on the policy environment for energy access. Africa's performance stands in stark contrast to Asia…where countries are taking the policy environment much more seriously and scoring on average 90 out of 100," says Vivien Foster, energy economics global lead at the World Bank.

However, the report offers some bright spots for the continent’s policymakers. Kenya, Uganda and Tanzania are commended for implementing strong policy frameworks, while South Africa is highlighted as a ‘renewable energy leader’ and cited for its long-term policy approach, which saw electrification rates rise from 34% in 1994 to 76% in 2014. *(By David Thomas, African Business)*

Tanzania economy: Government outlines long-term plan for power sector

The Ministry of Energy and Minerals has published its Power Sector Master Plan (PSMP, 2016-40).

Long-term planning in the power sector should, in theory, ensure that investment is co-ordinated, timely and cost-efficient. With demand for electricity projected by the authorities to increase by 15% per year in the coming decades, there is an urgent need for investment in Tanzania's power sector. The country's long-term plan appears relatively well-reasoned, envisioning a mix of low-cost large thermal power plants to power urban hubs and smaller sources of renewable electricity in more remote regions.

However well-reasoned the plan may be, its implementation will be challenging. Fully executing the PSMP requires investment of some US$42.6bn. Aside from plans to adopt a 70/30 debt/equity breakdown on projects (as is the norm in the power sector), the energy ministry is vague about where it intends to find this level of funding. Projects will be developed, according to the PSMP, by "the government and/or the private sector", but no measures have been put in place either to allocate more state resources to power developments or to attract more private players into the sector. In fact, the overtly political tariff policy in recent months-in which the minister of energy and the president have directly intervened in the work of Tanesco, a supposedly independent regulator and the state utility-is likely to deter private developers, who seek both cost-reflective tariffs and predictable decision-making. Beyond financing constraints, the limited experience of managing large-scale power projects in the civil service and pressure from business lobbyists to prioritise certain investments over others is also likely to disrupt the implementation of the plan.

Nevertheless, although it seems unlikely that the PSMP will be fully executed, the government's strategic focus on the power sector will lead to some investment. Specifically, a coal-fired power plant in Mbeya, gas-fired plants (including two large offshore plants) near Dar es Salaam, the commercial hub, and a host of smaller renewable projects are all moving through the planning stages. Assuming that at least some of these projects materialise, the power sector will support economic growth over the medium term. *(Economist Intelligence Unit)*

Tanzania says needs $46 billion in power investment by 2040

Tanzania said it needs $46.2 billion in investment over the next 20 years to revamp ageing energy infrastructure and meet soaring demand for electricity.

Investors have long complained that a lack of reliable power is an obstacle to doing business in east Africa's second biggest economy.

A power system master plan released by the country's energy ministry said 70 per cent of capital spending would be financed by debt and the rest by the government's own resources.

"The financing requirement to implement the Power System Master Plan (PSMP 2016 – 2040) is about $46.2 billion for capital cost," the updated plan said.

"The cost includes investment on generation, transmission and sub-stations. Generation accounts for almost 80 % of the total investment cost."

Tanzania aims to boost power generation capacity to 10,000 megawatts over the next decade from around 1,500MW now by using some of its vast natural gas and coal reserves to end chronic energy shortages and boost industrial growth.

- Tanzania said in January it was seeking a loan of $200 million from the World Bank for its debt-ridden state power supplier Tanzania Electric Supply Company (TANESCO) after the country's president refused to allow the utility to raise prices to cover costs.
- President John Magufuli wants cheap electricity to drive industrialisation, but the World Bank is likely to insist the loss-making utility increases prices so it can cover the cost of producing power and begin much-needed reforms.

TANESCO has debts of $363 million, up from $250 million at the end of 2015.

- Tanzania's energy regulator approved on Dec. 31 a tariff hike of 8.53 %, less than half of what the utility said it needed to cover the losses.
- But the next day, Magufuli sacked the head of TANESCO and blocked the rise, saying the price increase would stymie his plans to ramp up industrial output.

- Decades of mismanagement and political meddling means the utility sells electricity below cost. It also struggles to cope with transmission leaks and power theft.

The power system master plan said around 40 per cent of Tanzania's estimated population of 50 million currently has access to electricity. The government wants to boost the electrification rate to 90 per cent by 2035. *(By Fumbuka Ng'wanakilala, Reuters)*

Kenya Power expects no drought-related rationing, minimal price hike

Kenyans will not be hit by electricity rationing or significant price rises, with diesel generation making up for a fall from drought-hit hydroelectric dams, the head of sole distributor Kenya Power said.

State-run Kenya Meteorological Department said earlier this week that the East African nation is expected to receive poor rainfall in the main March to May rainy season, exacerbating an already acute drought.

While the severity of power interruptions has subsided over the years, many firms in Kenya still run stand-by generators to cater for disruptions, adding to their costs, which they say is an obstacle to investment.

Kenya's energy ministry said in January the country would have to generate more electricity using diesel due to a shortfall in hydroelectric power, and forecast a rise in prices between then and March. "Even with the hydrological conditions that we are experiencing at the moment, we do not foresee any possibility of carrying out power rationing," Ken Tarus, Kenya Power's acting chief executive officer, told a news conference.

Kenya's generation capacity is about 2,341 megawatts, mostly from hydroelectric and geothermal sources.

Tarus said it is not Kenya Power's decision whether tariffs would rise further due to the extra use of diesel generators, but said the effect is expected to be minimal.

In January, the energy ministry said using diesel generators would likely lead to a fuel surcharge of a maximum of 3.52 Kenyan shillings ($0.0340) per kilowatt hour, an increase from 2.85 shillings, but added that prices were likely to fall in March when the rains came.

A domestic user consuming up to 50 kilowatt hours now pays 2.50 shillings per unit, while those who use between 51 and 1,500 kilowatt hours pay 11.62 shillings per unit. Those using 50 kilowatt hours and below are not subject to the extra fuel charge. ($1 = 103.5500 Kenyan shillings) *(By George Obulutsa, Reuters)*

INFRASTRUCTURE

South Africa's PPC and Afrisam rekindle cement merger plan

South Africa's PPC Ltd proposed merging with its nearest rival Afrisam Group, in a renewed attempt to combine the two and an effort to lead consolidation.

PPC, which abandoned talks with Afrisam two years ago, said it had revived discussions about a potential merger, sending its shares to their highest level in nine months. "We think that consolidation in the industry will start to happen and we've got to make a choice as to whether we want to be the architects and lead that ... or let it happen around us and not be sure of the outcome," PPC's chief executive Darryl Castle told Reuters following the announcement.

Afrisam, which is majority owned by the Public Investment Corporation pension fund, first proposed a merger in 2014 when PPC's share price had been under pressure due to infighting between its board and former chief executive.

However, PPC's share price is up by nearly a third so far this year, after suffering a sharp fall in mid-2016 when the company lost its investment grade debt rating and was forced into a deeply discounted rights offer. PPC's shares had lost 44 % in 2015, and nearly 12.5 % in 2014.

Shares in PPC, which is valued at about 11 billion rand ($823 million) and did not give details of the proposed merger, were up 2.29 % at 7.16 rand by 1236 GMT. "The parties have independently concluded that current market circumstances warrant entering into formal discussions to consider the proposed merger," PPC said in a statement.

The merger would create an entity that is financially stronger and well placed to compete globally, with assets across six African countries. "In South Africa, PPC is already the dominant player and merging with Afrisam would create an entity with more than 60 % market share," Afrifocus Securities equity analysts said, adding that the key issue would be obtaining approval from the country's competition commission.

PPC, along with South African construction firms, is struggling to grow revenue and sales, partly due to a slow roll-out of a three-year government infrastructure investment package.

It has responded by borrowing heavily to build factories in Ethiopia, Rwanda, Zimbabwe and the Democratic Republic of Congo to boost overseas sales. ($1 = 13.3681 rand) *(By Tiisetso Motsoeneng and Nqobile Dludla, Reuters)*

Rehabilitation works to cover 1,600 km Lobito/Luanda highway

About 1,600 kilometres of roads will be rehabilitation this year in the provinces of Benguela, Cuanza Sul and Luanda with a view to improving connection in the Lobito/Cabo Ledo /Luanda road system.

The fact was confirmed by director general of National Institute of Angola (INEA), Antonio Resende. INEA director was speaking on the fringes of a visit the minister of Construction, Artur Fortunato, paid to rehabilitation works. He said that the rehabilitation works of Lobito / Luanda road were divided into six sections. According to him, the works will cover the bridge over the Culango/Lobito river (Benguela), the bridge over Eval river/ Culango river (Benguela), Sumbe/ bridge over Eval (Cuanza Sul) over Keve river / Sumbe (Cuanza Sul), over Longa river/ Keve river bridge (Cuanza Sul) and Cabo Ledo / bridge over Longa river (Luanda). António Resende stressed the importance of Benguela/Luanda connection, adding that the National Road 100 will smooth the traffic flow. *(Angop)*

Uganda: Chinese firm secures $2.3bn contract to build MoKaKi railway section

China Harbour Engineering Company (CHEC) has signed a contract to build the section of the MoKaKi railway between the Kenyan border and Kampala, which will require a $2.3bn investment.

MoKaKi is the new name for the standard gauge railway (SGR) that is expected to run from Mombasa, through Nairobi, to Kampala and on to Kigali. China Road and Bridge Corporation has now completed 98% of the first section, between Mombasa and Nairobi.

Kampala had signed a memorandum of understanding with China Civil Engineering Construction Corporation in 2012 for the section of line in eastern Uganda. However, it has now opted for CHEC to build the line between the Kenyan border and the Ugandan capital. Export-Import (Exim) Bank of China is to provide most of the $2.3bn investment that will cover engineering works, line construction and the purchase of rolling stock.

For its part, the government of Uganda will provide 15% of the money, possibly through a commercial loan, plus the land required for construction. The Ugandan government has announced that it has already acquired 60% of the land required to build the 273km section. The first trains are due to run in mid-2020.

A separate contract will be awarded for the section of line between Kampala and the Rwanda-Uganda border at a later date. That stretch will cover roughly the same length as the section in eastern Uganda. This contract is unlikely to be awarded until Rwanda commits to extending the line on to Kigali. In addition, another section of railway is expected to link the MoKaKi line in Uganda with the South Sudanese capital of Juba.

Faster transit

Project coordinator Kasingye Kyamugambi said: “As soon as studies are complete and approved, and funds secured, works on the other sections of the SGR will commence.” The main motivation for the development of the new railway is to reduce the time and cost of transporting freight to and from Mombasa. The Ugandan government believes that freight transfer by the new railway will be just one third of the cost of existing road and rail transport.

Passenger services are to be launched on the 457km section between Mombasa and Nairobi later this year, taking four hours on express trains that will only stop once en route, and five and half hours by country trains, which will stop seven times: at Mariakani, Miasenyi, Voi, Mtito Andei, Kibwezi, Emali and Athi River. The first six locomotives for use on the line were delivered in January, with another 50 to be commissioned this year and next. Freight trains will take between six and eight hours to reach Nairobi from Mombasa, in comparison with the 20 hours it takes to transport containers by road.

Rift Valley Railways

The future role of the existing railway along the same Mombasa-Nairobi-Kampala route, which was built in the British colonial era, has yet to be determined. The railway has been operated since 2006 by a private company, Rift Valley Railways, under a 25 year concession. In December, Nairobi finally compensated RVR for damage and losses incurred during the post-election violence of 2008.

The main shareholder in RVR, Egypt’s Qalaa Holdings, announced in January that it would sell its 73.76% indirect holding in the company. A Qalaa spokesperson said: “The decision to divest from RVR comes in the wake of management’s conclusion that additional capital is required to complete RVR’s transformation programme, which has already yielded positive results according to recent operational performance reports.”

The company "will continue to provide operational and managerial support" while it seeks a buyer for its stake.
It is possible that the RVR line could find a role offering lower price passenger services over short distances. However, if the projections on price and speed are correct, then it seems unlikely to retain a role as a freight utility, particularly as it has lost out to road haulage even before the new railway has been built. *(By Neil Ford, African Business)*

MINING

Angola's Endiama negotiates financing for another diamond project
Angolan state diamond company Endiama is negotiating the financing of the Luaxe project with its partners and does not require additional investors, said the company's chairman in Cape Town.
Antonio Carlos Sumbula said at the end of the "Angola Business" forum held at this year's Mining Indaba international mining conference that the Luaxe project was a discovery made by Endiama in partnership with Russian company Alrosa, and "does not need investors."
The chairman also said that until this project starts operating, Endiama will choose to slightly reduce production to improve revenue, according to Angolan news agency Angop.
"When the company was producing 8 million carats revenue was US$1.2 billion, but in 2016, with production of 9 million carats, revenue fell to US$1.07 billion," said Sumbula.
The chairman of the Angolan state company said Endiama will negotiate with major world producers, such as De Beers, Alrosa and Rio Tinto, a slight reduction in production in order to allow the price of diamonds to rise. "Our intention is to work towards more revenue, based on a drop in production," he said.
The 2017 edition of Mining Indaba began in Cape Town. It is attended by investors, lenders, banks, companies related to the mining sector, consultants and insurance companies, and seeks to attract investment to the sector and contribute to the growth and development of the African continent. *(Macauhub)*

South Africa's Sibanye secures $2.65 billion finance for Stillwater deal
Sibanye Gold Ltd has secured a loan of $2.65 billion to support the acquisition of Stillwater Mining Company, the only U.S. miner of platinum and palladium, the South African company said.
The diversified mining company closed the syndication of the bridging loan underwritten by Citi and HSBC who will also act as mandated lead arrangers and book runners.
The loan facilities were oversubscribed by more than $1 billion and divided into three tranches.
The first tranche was a $750 million bridge-to-equity component which will be repaid following a planned rights issue.
The other parts are a $300 million bridge-to-cash element and a $1.6 billion bridge to debt capital markets component. Sibanye said in December it would pay $2.2 billion for Stillwater, which operates in Montana, extending its push into platinum mining.
The syndication attracted interest from banks acting as mandated lead arrangers including Barclays Bank PLC, Credit Suisse International and J.P. Morgan. "It is pleasing to note the strong support for the transaction from a significant number of leading banks. This is a clear vote of confidence on the merits of the Transaction, following detailed due diligence by the syndicate banks," said Sibanye chief executive officer Neal Froneman. The deal will make Sibanye the world's third largest palladium producer and fourth largest platinum group metals miner. *(By Tanisha Heiberg, Reuters)*

Angola analyses cooperation and mining with South Africa
Issues of cooperation and mining between Angola and South Africa topped the meeting that the Angolan minister of Geology and Mining, Francisco Queiroz, held with his South African counterpart, Mosebenze Zwane, in the framework of the International Mining Conference taking place in Cape Town in South Africa.
At the end of the meeting, the Angolan official said that the meeting also served to learn about the experience that South Africa has in organizing and mining. He said that the South African government official guaranteed his country's investment in the mining sector in Angola. "It is a field of cooperation that we will start with a permanent dialogue to deepen our knowledge of this South African experience," said Francisco Queiroz.
South African minister Mosebenze Zwane said the issues raised between the two countries are related to research, mapping and exploitation of minerals in the two countries. To keep the dialogue, a working team

from South Africa will be sent to Angola within two weeks to prepare the South African minister's visit next April. Indaba Mining 2017 is being held at a difficult time for the economy of many countries, with a higher incidence for the African continent, mainly due to the negative variation in the price of commodities. *(Angop)*

South Africa: Crunch time for SA Mining Charter

The South African government is to publish its finalised Mining Charter in March.

The new regulations are designed to tackle racial inequality in the industry, by promoting ownership by black South Africans, while mining companies will also be required to finance social development projects in mining areas. Many in the industry vehemently oppose at least some parts of the Charter, which was originally passed in 2002 and revised in 2010.

Under the latest draft of the document, mining companies must maintain a minimum of 26% ownership by black South Africans even when the original investors sell their stakes. It is this last stipulation that concerns the Chamber of Mines.

If the original black investors in a company or project sell their shares to non-black interests, then the other investors must also sell equity to black majority interests to balance the figures. Pretoria will have the right to revoke mining licenses if companies don’t comply.

Some minerals will also be designated as being of strategic concern, giving the government the right to restrict their export in certain situations. Coal and uranium will certainly be on the list, plus also possibly platinum.

Mining companies want a policy of “once empowered, always empowered” and argue that they were not consulted over the most recent draft. Some mining sector interests are challenging the Charter as a whole, while the Chamber of Mines is taking a more nuanced approach. Roger Baxter, the chief executive of the Chamber of Mines, said: “We are fully supportive of the entire transformation journey, but we just need the rules to be absolutely clear to make sure we don’t end up making targets that are unobtainable but are pragmatic and realistic.”

Industry opposition may have been fuelled by the fact that discussion of the Mining Charter over the past 18 months has occurred at a time of depressed mining commodity prices. Yet similarly, tensions could ease as a result of the ongoing price recovery.

South Africa is an important coal, iron ore, manganese, platinum and gold exporter. Yet the mining sector’s share of GDP has fallen to 8% today from 20% 40 years ago. This fall could be a function of economic diversification but may also be a reflection of lower investment over many years.

Mark Cutifani, the chief executive of Anglo American, which is one of the biggest mining companies operating in South Africa, said: “We’ve had an industry that’s been shrinking for 20 years. If we are going to stop the rot, we need a document and a framework that encourages investment.”

He added: “If it doesn’t serve the long-term interest of the industry, it won’t serve the interest of the country. They have to be one and the same.”

Black empowerment

Yet it is entirely possible for the mining industry to be successful while at the same time reinforcing economic inequality. It could make a bigger contribution to bringing about positive change.

The question is whether the latest draft of the Mining Charter is the best way of achieving this. Black economic empowerment policies are designed to overcome the economic inequalities of the past, but 23 years after the end of Apartheid most assets are still owned by white South Africans, who make up just 8% of the population. There is no doubt that more needs to be done to tackle inequality now.

Relations between the mining companies and government are often strained. However, the Chamber has suspended its legal challenge to the 26% rule while it awaits the final draft of the Charter. Baxter commented: “Our prayer is an outcome that is mutually acceptable so that the court case can be withdrawn.”

Mineral Resources Minister Mosebenzi Zwane said: “We don’t want people to adhere to a norm where they take us to court if they don’t agree with us. We’re determined to reach our objectives. If we believe we’re correct no one should threaten us. We’re here to govern and we’ll do exactly that.” *(By Neil Ford, African Business)*

Angola announces investment opportunities in the mining sector

The Angolan Ministry of Geology and Mining in Cape Town, South Africa, is due to announce the results of the National Geology Plan (Planageo), during the edition 2017 of the “Mining Indaba,” international conference, Minister Francisco Queiroz said.

At the end of a visit to the Angolan stand Queiroz said that the conference organised by his ministry would announce the results obtained by Planageo, and raise awareness of foreign companies about investment opportunities in Angola.
Queiroz said that Angola has everything to gain from promoting investment opportunities in the country at international meetings such as “Mining Indaba” that take place in Canada, the USA, Europe and Australia.
The 2017 edition of Mining Indaba began in Cape Town, with the participation of investors, lenders, banks, companies related to the mining sector, consultants and insurance companies.
This event seeks to attract investment to the sector and contribute to the growth and development of the African continent.
Under the motto “Taking advantage of the next wave of growth: how you can invest in mining in Africa for long term profit,” over four days the forum brings together mining sector specialists.
The event aims to find ways to boost a sector that is of extreme importance to Africa, as many African nations are focused on relaunching of mining projects in their countries.
A fair is also held alongside the conference takes where Angola is represented by the Ministry of Geology and Mines, with a stand offering promotional material on the government’s strategy for the sector, as well as from Planageo’s operators and private companies operating in the country. *(Macauhub)*

Angola’s National Geology Plan of Geology secures funding
Funding for the Angolan National Geology Plan (Planageo) has been secured, said in Luanda the minister of Geology and Mining, who described the plan as the main instrument of the government’s strategy for protecting the geology and mining sector. Francisco Queiroz, told Angolan news agency Angop during the Seventh Ordinary Session of the Multisector Planageo Commission, that problems had been resolved and that, despite the delays, “we are within what is reasonable for the plan to be implemented.” So far, data from 19 of the 22 blocks provided for in Planageo has been processed and interpreted, or 86% of the total. Based on preliminary data of an aero-geophysical survey 1,623 targets have been identified, 1,526 of which are magnetic and 27 radiometric. The Minister of Geology and Mining said that among the magnetic targets 225 were considered a priority, and were identified as favourable for prospecting iron, base metals, copper, manganese, titanium, kimberlites, carbonatites, gold, zinc, lead and aluminium. Of the radiometric anomalies, Queiroz said, 17 were given priority and show favourable signs for the exploration of radioactive minerals such as columbite, zircon and phosphate. “All these cycles of discovery and selection of priority targets foster the emergence of large mines, which in the medium term will be able to change the economic base of the country,” said the minister. Queiroz also said that after implementation of Planageo the country will have 470 maps with a survey of the entire territory, and then it would be necessary to plan how these resources will be explored in the long term, “in the next 50 to 100 years.” *(Macauhub)*

Indian consortium resumes coal mining in Mozambique
The Indian consortium International Coal Ventures Ltd (ICVL) will resume coal mining in Mozambique, after having suspended operations in December 2015 due to the sharp drop in international coal prices, announced the consortium’s chief executive.
The chief executive of the consortium, P K Singh, said operations were suspended on that date because of the per tonne price of coking coal had fallen to less than US$80 and added that because of recent price increases operations will resume in the next few months.
In 2014, the consortium bought from Anglo-Australian group Rio Tinto a 65% stake in the Benga mine and 100% of the coal assets called Zambezi and Tete Orient for US$50 million, with the Benga mine, the only one that was active, recording consecutive losses.
The price of coking coal, a key raw material for steel production, increased from US$80 recorded in January 2016 to US$283 a tonne in December 2016, although it has fallen to US$193 in January 2017, according to the Indian Steel Association.
The ICVL consortium is a partnership consisting of five Indian state groups – Steel Authority of India Limited (SAIL), Rashtriya Ispat Nigam Limited (RINL), National Mineral Development Corporation Limited (NMDC), National Thermal Power Corporation Limited (NTPC) and Coal India Limited (CIL) – which was formed to acquire stakes in mines abroad and ensure the supply of both coking and thermal coal.
Subsequently, the NTPC group decided to withdraw from the consortium, with the argument that the thermal coal operation was not economically viable, and it was followed later by the CIL group. *(Macauhub)*

OIL & GAS

Eni starts production of East Pole field in Angola - state oil firm

Italian oil major Eni has started production of the East Pole field located in a block deep offshore in Angola, with early output estimated at 38,000 barrels per day (bpd), state oil company Sonangol said. Production is taking place through the Armada Olombendo Floating Production Storage and Offloading vessel, which can generate up to 80,000 bpd and compress up to 3.4 million cubic metres of gas per day, the company said. The field is in Block 15/06, which is operated by Eni with a 35.83 % stake, while Sonangol also controls 36.84 % and the SSI Fifteen Limited has the remaining stake. The East Pole production will add on to output of West Pole, which produces 75,000 bpd, Sonangol said. "The production of Block 15/06 will reach this year approximately 150,000 barrels of oil per day," Sonangol said in a statement. Angola rivals Nigeria as Africa's largest oil producer. *(By Herculano Coroado, Reuters)*

Foreign companies plan to process natural gas in Mozambique

Proposals submitted by Yara International, Shell Mozambique and GL Energy Africa were awarded an international tender for the development of natural gas projects in Mozambique, announced the National Oil Institute in a statement recently published in Maputo. Norway’s Yara International, will produce fertilizers and between 30 to 50 megawatts of electricity, Shell Mozambique will produce diesel and between 50 to 80 megawatts of electricity and GL Africa Energy, a Kenyan company based in London, will produce 250 megawatts of electricity from natural gas. The international public tender was launched on 26 August and ended on 17 November 17, 2016, and the National Oil Institute received 14 proposals for various projects submitted by companies or groups: Mitsui, Engro Fertilizer, Shell Mozambique BV, Electricidade de Moçambique, Yara International, Marubeni, GL Africa Energy, Muinvest, Auto-Gás, Epsilon, Jiangsu Sinochem Construction Company, the Union-JNC-JSPDI-VBC-SAL consortium, Gas Nosu and MOTSE.
These projects will process part of the natural gas that will be extracted from existing large deposits in at least two blocks – Area 1 and Area 4 – in the Rovuma basin in northern Mozambique on the border with Tanzania. The two blocks have as operators US group Anadarko Petroleum and Italy’s ENI, the latter – Area 4 – is the one that is closest to starting operations. *(Macauhub)*

RETAIL

Wal-Mart Takes Its Time on Expanding in Africa

Massmart subsidiary builds slowly from base in South Africa, even as continent’s consumer class grows
After some costly stumbles on its march into developing markets, Wal-Mart Stores Inc. has adopted a different strategy for Africa: taking it easy.
When the U.S. retail behemoth bought a $2.4 billion majority stake in South African retailer Massmart Holdings Ltd. in 2011, it trumpeted the potential of the continent’s burgeoning consumer class. At the time, Massmart had 26 stores outside its home market; in the five years since, it has added only 13 of its signature large destination-type outlets. In that same span, by contrast, rival Shoprite Holdings Ltd. has opened 182 of its mostly smaller, grocery-centric stores outside South Africa, for a total of 375.
Some analysts and investors wonder whether Massmart’s slow expansion means Wal-Mart is losing interest in its African venture. But Guy Hayward, who took over as Massmart’s chief executive in June 2014, says the modest pace is part of “a very deliberate strategy” and not a sign of weakness.
“If being sort of Steady Eddie is described as a criticism, I’m happy to be criticized,” said Mr. Hayward, a South African native who joined Massmart in 2000.
In August, Massmart announced plans to open five new stores in Africa beyond its home market through 2017, while Shoprite set out to add 46 stores outside South Africa in the 12 months to June 2017. Mr. Hayward notes that its outlets—most of which bear its Game and Builders Warehouse brands—average about 3.5 times the sales of a typical Shoprite store.
Some retailers who rushed into African markets have paid a steep price. Woolworths Holdings Ltd., an upmarket retailer of groceries and clothing in South Africa, closed its three Nigerian stores in late 2013, citing high rents, a lack of shopping malls and intense bureaucracy. In 2011, Pick n Pay Stores Ltd. entered Mozambique and Mauritius, but exited both markets two years later, citing unprofitability and differences with its respective franchisees.

More broadly, recent sharp fluctuations in African currencies—a result of the commodities crisis—have jolted businesses including retailers, especially because loans in many African countries are dollar-denominated. And inflation, a malady in various economies on the continent, has cut into the buying power of middle-class consumers.

Wal-Mart's slow but deliberate approach to Africa diverges from past strategies in developing markets, where aggressive expansions hit hurdles.

Last year, Wal-Mart closed 115 outlets in Latin America, leaving its store count in the region at roughly 4,000. In China, the company has slowed store growth, and in June sold its Yihaodian website for a stake in local online retailer JD.com Inc.

A five-year U.S. investigation into possible foreign bribery has dogged Wal-Mart in Mexico; and the probe, which is related to store openings, has also pointed to possible misconduct in Brazil and in India. Wal-Mart, which didn't respond to requests for comment on its African strategy, has said it is cooperating fully in the various investigations. But the company's efforts to improve compliance have slowed expansion in some markets, according to a former employee familiar with the situation. Massmart's Mr. Hayward concedes that the chain's approach in Africa is partly born of necessity. Sketchy land registries, sudden changes to local laws and property owners holding out for a bonanza are only a few of the hindrances to doing business. "The rule of thumb is probably about three years from first meeting a developer on a dusty piece of land to opening the stores," the 51-year-old CEO said. "This is their once-in-a-lifetime payday and valuations are crazy." Massmart was burned a few years ago in Zambia when the government overhauled its regulations on debt financing, undercutting plans to open several stores in the country. "All the papers we signed collapsed with that," Mr. Hayward said.

Despite these holdups, the retailer's go-slow strategy for the continent may be bearing fruit. Massmart's overall sales for the six months to June 26 grew 8.7% from a year earlier to 42.3 billion South African rand ($3.14 billion), while sales outside of South Africa jumped 23%, good for nearly a 10th of the total.

Still, in a sales update last month, the company reported a continued decline in non-South African sales growth during the year to Dec. 25. Massmart is scheduled to report its full-year earnings on Feb. 23. The plodding pace of store openings raises questions about Wal-Mart's commitment to its African adventure. Indeed, the last time the company mentioned Massmart in a quarterly earnings call was 2014, when Mr. Hayward's appointment as CEO was noted. "Wal-Mart bought them for their African strategy, [but] the rate of expansion, the rate of growth continues to baffle everyone," said Unathi Loos, an analyst at Investec Asset Management in Cape Town. "As South African investors, the biggest concern is that one of these days, Wal-Mart will say, 'We're out of here.'"

In 2015, Massmart opened a mall-based store under its Game brand in Nairobi, Kenya—the company's most recent foray into a new market. "It's doing OK—the shopping center itself is battling a little bit," Mr. Hayward said of the outlet's first year of operation. Massmart's supply chain and marketing remain largely independent of Wal-Mart. But Mr. Hayward says Massmart is pursuing initiatives where its parent company can lend expertise, such as online shopping and "click and collect" capabilities in a part of the world where such activity is still uncommon. "Wal-Mart leaves us alone. They're not over my shoulder, there aren't daily phone calls, there's no pressure to grow for its own sake," Mr. Hayward said. "They view the Massmart-in-Africa story as a decadeslong story." *(By Alexandra Wexler, Wall Street Journal)*

Investors fret over South Africa's Shoprite-Steinhoff tie-up

Minority investors in South Africa's Shoprite are worried they're getting a raw deal in the supermarket chain's potential tie-up with international furniture and household goods merchant Steinhoff to create an African retail giant.

Under the proposed deal, Steinhoff will sell its African assets to Shoprite in return for a controlling stake in the $8 billion grocery chain, and Steinhoff will exchange its shares for those of Shoprite's top two shareholders.
If approved, it will allow Steinhoff to hive off its struggling African assets - made up mainly of clothing, shoe and textile company Pepkor - into a new, separately listed merged entity called Retail Africa and possibly prompt a higher investor rating for its fast-growing European businesses.
But three minority shareholders in Shoprite that spoke to Reuters are not in favour of a merger they say will short-change them and benefit Steinhoff investors and Christo Wiese, a top shareholder in both companies and the architect of the estimated 180 billion rand ($14 billion) proposed deal.
The push back, although not enough to torpedo the deal at this stage, could complicate it if their views spread, and could test the retail billionaire's determination to bring more of his assets under one roof.
At the heart of the Shoprite investors' complaints are a lack of obvious cost savings from overlaps between Pepkor's shoe, furniture and clothing chains and grocery retailer Shoprite and exchanging a stock with bigger potential for what they called inferior businesses.
"It's a good deal for Steinhoff shareholders but it's not a great deal for Shoprite shareholders," said Tota Tsotsotso, managing director at Bataung Capital, a Shoprite shareholder. He declined to disclose the stake the fund holds in the company. "Through this deal, Shoprite will inherit some problematic businesses in Steinhoff while Steinhoff will add a defensive, fast-growing supermarket chain to its portfolio."
Steinhoff's African businesses, which include furniture store JD Group and electronics brand Incredible Connection, have been a drag on earnings due to weak consumer spending, slowing economies and faltering currencies. Operating profit at those businesses grew just 1 % last year, compared with a 16 % rise at Steinhoff's European chains and almost double in Australasia.

SHARES UNDER PRESSURE

The deal has depressed Shoprite's stock price. It booked its worst one-day fall in more than a decade on Dec. 14 when the talks were announced and has extended losses to about 15 % at around 175 rand since then as of this week.
Zwelakhe Mnguni, chief investment officer at Benguela Global Fund Manager, a Shoprite investor, said a merger could further dampen a stock that has big upside potential because Shoprite's store and supply chain network outside its maturing home market had reached a stage where it can be scaled up.
Shoprite's shares should be trading at 205 rand, or nearly 20 % higher that the current level, based on its most likely earnings growth trajectory, according to Thomson Reuters Starmine intrinsic valuation model. "Our assessment is that this deal is not in the best interests of our clients," said Mnguni, whose firm owns nearly 1 billion rand ($75 million) worth of Shoprite shares. "There are no obvious synergies in the deal, so the idea of creating an African retail giant doesn't make sense." Shoprite and Steinhoff have said the deal will not lead to job cuts.
Another fund manager, who owns shares in Shoprite, said the takeover appeared tailored to benefit Wiese, who told Reuters in September a merger would be a "natural development" as he continued to look for ways to consolidate his assets. "I can't see either party adding value to each other. It's obviously in Christo Wiese's long-term interests and doesn't mean it's in other shareholders' interests," said Evan Walker, a fund manager at 360ne Asset Management.
Wiese, who initiated the tie-up along with the Public Investment Corporation (PIC), has 16 % in Shoprite and 23 % in Steinhoff and is a board member in both. Government-owned pension fund PIC is the second-biggest investor in Shoprite and Steinhoff with 11 % and 8 %, respectively.
The companies have not disclosed the exchange ratio of the all-share deal but one retail banker expected the two businesses to be combined at around 12 times Shoprite's estimated 2017 core earnings, or EBIT, and closer to 15 times Steinhoff's African retail assets. That multiple values the combination at more than 180 billion rand ($13.52 billion).
"Pepkor might fetch a higher valuation than Shoprite. They are both affected by weak economies in Africa but Pepkor boasts higher margins," the retail banker, who declined to be named, said.

'SPAZA SHOP'

The transaction would require the backing of 75 % of both companies' shareholders to go through. It could be a sure thing if Wiese and the PIC are allowed to vote their shares.
Besides his direct Shoprite holding, Wiese owns another 35 % in deferred shares, which carry the same voting rights, through his investment vehicle, Thibault Square, meaning he controls about 50 % of Shoprite's voting rights.

Given that Wiese and PIC, led by Chief Executive Dan Matjila, are the architects of the tie-up and significant shareholders in both companies, experts say they could possibly be barred by the Takeover Regulation Panel from voting their shares, giving minorities a bigger say in the fate of the deal. The two companies said last month they were still in exclusive talks. Wiese did not respond to emailed requests for comment but other investors in Steinhoff said there was scope for cost-savings between Shoprite and Pepkor. "There may be some synergies between food and clothing even though it does not seem obvious at first glance," said Nino Frodema, portfolio manager at Vunani Fund Managers, holders of Steinhoff shares. He cited Shoprite rival Pick and Pay's clothing business, which had been "growing quite well in a predominately food supply chain infrastructure".
A top 10 investor, who owns shares in both companies, said his fund was in favour of the potential tie-up because it would create a diversified African retailer that could take on the likes of U.S. company Wal-Mart, clothing chain Zara and UK grocer Tesco. "You cannot do it with a spaza shop," the investor said, referring to local 'mom and pop' stores found in South African suburbs. ($1 = 13.0844 rand) *(By Tiisetso Motsoeneng, Reuters)*

South Africa's Woolworths banks on cosmetics as profit dips
South African retailer Woolworths Holdings aims to double its share of the country's beauty products market in three years, its chief executive said, as the group reported a drop in half-year profit.
South African retailers have struggled to grow earnings as weak economic growth and clothing markdowns by competitors hit sales, with Truworths International also reporting lower profits.
Woolworths, an upmarket retailer which sells mostly clothing and food in South Africa, has only a 3 % market share in cosmetics but its Australian department store chain David Jones has a long relationship with beauty houses. "We see an ability to more than double our market share by 2020," Chief Executive Ian Moir told reporters in a media call, adding that the David Jones connection played a part in getting Chanel and Estee Lauder into South African stores.
Woolworths' slender beauty offering was costing the business shoppers, Moir said. "We didn't have Chanel, we didn't have Estee, so we did not have a beauty business," he said.
Difficult trading conditions and clothing markdowns by competitors in both South Africa and Australia had hurt earnings, Moir said. Woolworths reported a 4.3 % decline in headline earnings per share (EPS) to 242.6 cents for the 26 weeks to Dec. 25. Headline EPS is the main profit measure in South Africa and strips out certain one-off items. The company also plans to open its first food store in Australia, a business segment that has boosted Woolworths' growth in South Africa, where it is now the second-largest grocer. The group will invest as much as A$100 million ($77 million) into this business over the next three years, Moir said.
Kagiso Asset Management portfolio manager Simon Anderssen said signing up global cosmetic brands for its South African stores would boost Woolworths' profits. "Margins on cosmetics are usually lower than clothing but sales and profits per square metre of space can be higher, and expanding this category will help grow future earnings," he said.
Fashion chain Truworths International reported a profit drop for the 26 weeks to Dec. 25, with headline EPS down 3 % to 392.6 cents. Shares in Woolworths were down 3.7 % at 70.71 rand by 1326 GMT. Truworths' shares were 1.9 % lower at 81.80 rand, while the JSE's All-share index was flat.
($1 = 1.2972 Australian dollars) *(By TJ Strydom, Reuters)*

AGRIBUSINESS

South Africa's 2016 maize output falls 22 pct
South Africa's 2016 maize output fell 22 % following an El Nino-induced drought that impacted crop outputs, a government agency said. The Crop Estimates Committee (CEC) said in its final 2016 figures, maize totalled 7.779 million tonnes compared with 9.955 million tonnes harvested in the previous year.
The crop comprise of 3.41 million tonnes of the food staple white maize and 4.37 million tonnes of yellow maize. An El Nino weather pattern brought record high temperatures and the lowest rainfall levels in 2015 since records began in 1904. White maize prices reached record peaks of around 5,300 rand scaled in January 2016, helping to fuel inflation. *(By Tanisha Heiberg, Reuters)*

Sao Tome and Principe gets US$8.3 million from cocoa exports in 2016
Sao Tome and Principe raised around 192.2 billion dobras (US$8.3 million) in 2016 with cocoa sales, which accounted for 93.5% of all agricultural exports, the National Statistics Institute (INE) of the archipelago told

Macauhub in Sao Tome. INE also said that in terms of nominal values in dobras (Sao Tome's currency) it recorded an increase of 8.8% due to the exchange rate and quality of Sao Tome cocoa in foreign markets.
In terms of quantity there was an increase of 7.4% with cocoa exports rising from 2,794 tons in 2015 to 3,000 tons last year. The remaining 6.5% on the list of agricultural exports was mostly made up of coconut, flowers, coffee and pepper.
The main cocoa exporting companies in Sao Tome in 2016 were Sociedade Satocoa, the CECAB Cooperative, Agro-Comercial Agricon, Ubua Budo and Belavista.
The main importers of agricultural products from Sao Tome and Principe are Portugal, the Netherlands, Belgium and France.
The economy of Sao Tome and Principe, where external aid cover more than 50% of public expenditure, is based mainly on agricultural exports, particularly cocoa, which contributes nearly 27% to the structure of GDP. Introduced in the second decade of the nineteenth century by Portuguese settlers, cocoa production, which reached a record 11,000 tonnes (1963-73), has been falling over the past few decades due to a lack of arable land and lack of funding. *(Macauhub)*

Angola, Portugal sign protocol in Lisbon
Angolan and Portuguese officials are set to sign a protocol of bilateral cooperation in Lisbon, Portugal.
The agreement provide for the European country's support for the improvement of rice and wheat production in the country. This legal instrument is also expected to cover, among other areas, increased scientific and technical cooperation in the application of phytosanitary measures, such as updating of legislation, training of agricultural and veterinary research institutions. It also includes developing cooperation plans for the eradication of animal and plant diseases, and the implementation of programmes to improve legume production. The agreement will be signed during the three-day visit by Agriculture and Rural Development Minister, Marcos Nhunga, to discuss issues related to the country's agricultural sector. Marcos Nhunga, will visit Portugal at the invitation of his counterpart Luís Capoulas Santos. Angop learnt from a diplomatic source that the visit of the minister will allow, in addition to the signing of the bilateral cooperation protocol, establishing closer relations in the field of agriculture, agro-industry and forests.
The Angolan official will receive guarantees from Portugal on the strengthening of technical capacity and accreditation of the laboratories.
The guarantees also include cooperation on recovery of the Angolan bibliographic and scientific collection based in that country, with a view to updating the Angolan Soil Charter. The Ministers will also discuss the issues related to the valuation of forests (products and by-products). The officials will also discuss the staff training in master's, PhD, including professional leves.
The programme includes participation at 2nd Portugal/Angola Agriculture Forum, visits to Sicasal - Industry and Commerce of Meats, National Institute of Agricultural and Veterinary Research (INIAV) and Alqueva Development and Infrastructure Company (EDIA). The Angolan delegation, led by minister of Agriculture, is integrated by the Extraordinary and Plenipotentiary Ambassador of Angola to Portugal, José Marcos Barrica, high ranking officials of the sector and diplomatic corps accredited to Portugal. *(Angop)*

UPCOMING EVENTS

Africa Knowledge Fest 2017, JDW Atrium & Preston Auditorium – Country Offices in Africa February 22, 2017
http://www.worldbank.org/en/events/2017/02/22/africa-knowledge-fest-2017#1

Powering Africa Summit Washington, DC 08-10 March 2017
http://www.energynet.co.uk/event/powering-africa-summit-2016

Business Council for Africa - The Annual Debate 22 March 2017 - The Law Society London
The Annual Debate will focus on how Africa can respond to the challenges posed by global macroeconomic trends.
https://www.eventbrite.co.uk/e/the-annual-debate-2017-tickets-29044764673

FT African Infrastructure Financing and Development 2017 - London 23 March 2017
https://live.ft.com/Events/2016/FT-African-Infrastructure-Financing-and-Development-2017

The Africa CEO Forum 2-21 March 2017 in Geneva, Switzerland
http://www.theafricaceoforum.com/en/

Bonds, Loans & Sukuk Africa 5th & 6th April 2017, at the Cape Town International Convention Centre
http://www.gfcmediagroup.com/africa

5th Africa Financial Services Investment Conference 3-5 May 2015 Park Plaza Riverbank London
http://www.afsic.net/

AIX (Africa Investment Exchange): Gas 2017 Developing partners along the gas value chain 5-6 April 2017, London
https://africa-investment-exchange.com/aix-gas-2017/

19th annual Africa Energy Forum (AEF) from 7-9 June - Bella Center, Copenhagen, Denmark
http://africa-energy-forum.com/

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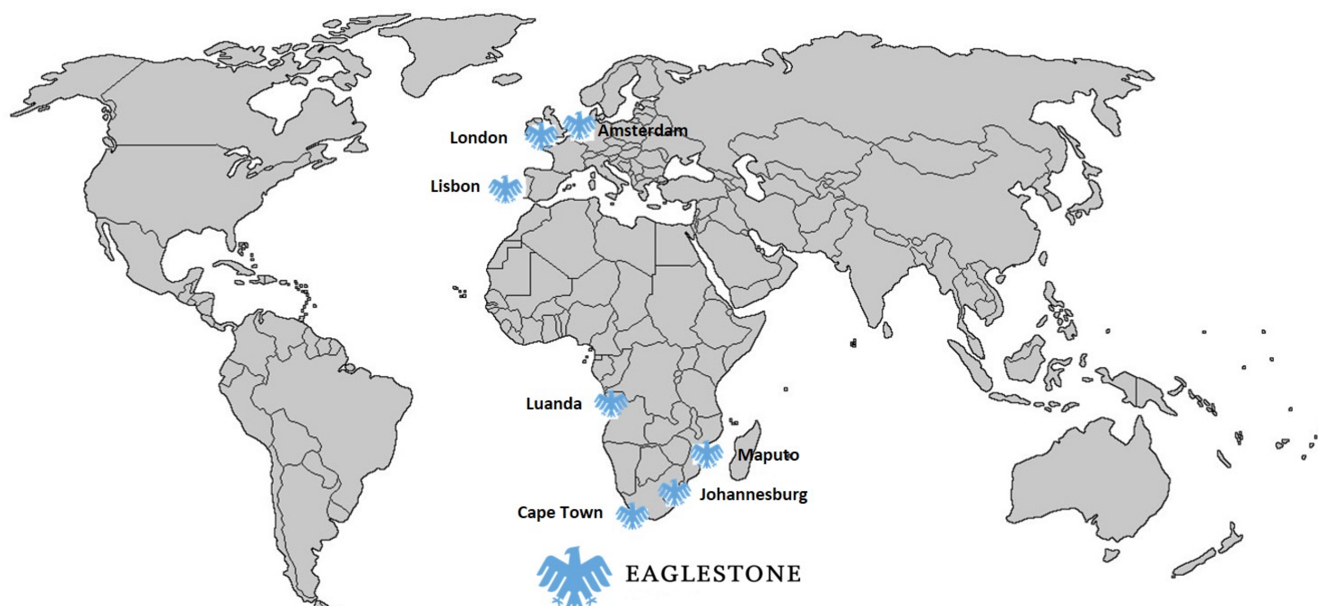

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Disclosures

Eaglestone was founded in December 2011 with the aim to be a committed partner for the development of businesses located primarily in Sub-Saharan Africa and to support the development of renewable energy projects on a global basis.

The company has three business activities - financial advisory services, asset management and brokerage - and currently has offices in Amsterdam, Cape Town London, Lisbon, Luanda and Maputo

Eaglestone is committed to operating and behaving according to the highest standards of corporate governance. Its subsidiary in the United Kingdom is authorized and regulated by the Financial Services Authority. The first of its six Luxembourg based funds has received approval from la Commission de Surveillance du Secteur Financier.

Eaglestone operates with a clear vision and mission to act on behalf of and in the best interests of all its stakeholders, whether they are investors, employees or users of its services.

EAGLESTONE SECURITIES

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