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INSIDE AFRICA

Now is the time to invest in Africa

EAGLESTONE

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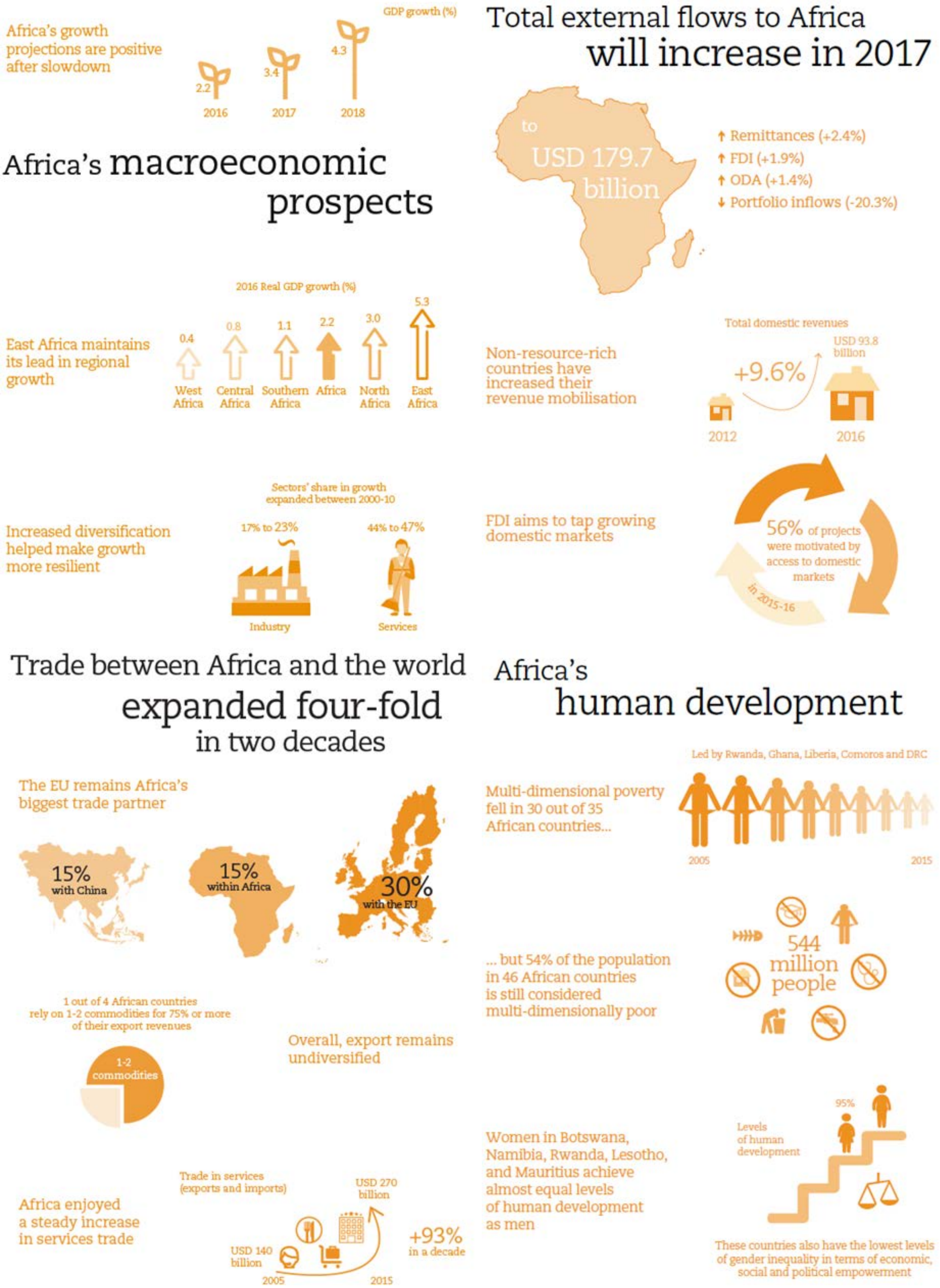
In-depth:
African Economic Outlook 2017 in 8 pictures



The African Economic Outlook 2017 presents the continent's current state of affairs and forecasts its situation for the coming two years. This annual report examines Africa's performance in crucial areas: macroeconomics, external financial flows and tax revenues, trade policies and regional integration, human development, and governance. For its 16th edition, the report takes a hard look at the role of entrepreneurs in Africa's industrialisation process.

It proposes practical steps that African governments can take to carry out effective industrialization strategies. Policies aimed at improving skills, business clusters and financing could remove important constraints on African private enterprises. A section of country notes summarises recent economic growth, forecasts gross domestic product for 2017 and 2018, and highlights the main policy issues facing each of the 54 African countries.

ANGOLA

• Angola's economy grew by 1.1% in 2016 but is expected to pick up to 2.3% in 2017, and further to 3.2% in 2018, owing to planned increase in public spending and improved terms of- trade as oil price recovers.

• Angola needs to increase investment in human capital, pursue economic diversification to reduce economic vulnerability in order to graduate to middle-income status by 2021.

• Development of local industries and strengthening of entrepreneurship skills is critical to strengthen economic recovery and foster inclusive growth.

Macroeconomic indicators

	2015	2016(e)	2017(p)	2018(p)
Real GDP growth	3.0	1.1	2.3	3.2
Real GDP per capital growth	0.7	-1.1	0.1	1.0
CPI inflation	10.2	30.2	21.8	19.7
Budget balance % GDP	-3.3	-5.5	-4.0	-2.3
Current account % GDP	-10.0	-11.2	-7.5	-5.1

Source: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

CABO VERDE

• After experiencing low growth due to the impact of the European and global financial crises, the economy recovered in 2016 to 3.2%, and is expected to continue along the same trajectory in 2017 and 2018, with GDP growth rates of 3.7% and 4.1%, respectively.

• Cabo Verde is at a crossroads: following five years of counter-cyclical fiscal policy to offset a low-growth period and rapid debt accumulation, a paradigm change is now required to make the private sector the growth engine.

• Well-coordinated sector-based policies, an improved business environment and a focus on regional integration are required to remove current binding constraints to industrialisation such as limited market access, high energy costs and a lack of interisland transportation.

Macroeconomic indicators

	2015	2016(e)	2017(p)	2018(p)
Real GDP growth	1.5	3.2	3.7	4.1
Real GDP per capital growth	0.2	2.0	2.5	2.9
CPI inflation	0.1	-1.6	0.8	1.6
Budget balance % GDP	-4.1	-3.3	-3.0	-1.9
Current account % GDP	-4.3	-7.2	-8.8	-8.4

Source: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

MOZAMBIQUE

• GDP growth declined to 4.3% in 2016 due to fiscal tightening, slowdown in foreign direct investment and the "hidden" debt crisis; it is expected to pick up to 5.5%, driven by exports from the extractives sector.

• Though the incidence of poverty has declined, the number of poor people remains almost the same, amidst growing inequalities.

• A weak manufacturing sector employs just 3.2% of the population, and is made up of small and micro-enterprises (90%).

Macroeconomic indicators

	2015	2016(e)	2017(p)	2018(p)
Real GDP growth	6.6	4.3	5.5	6.8
Real GDP per capital growth	3.8	1.5	2.7	4.1
CPI inflation	3.6	16.7	15.3	8.2
Budget balance % GDP	-2.2	-2.8	-1.3	-1.1
Current account % GDP	-32.3	-31.1	-30.3	-29.5

Source: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

SAO TOME AND PRINCIPE

• Sao Tome and Principe's economy was estimated to have grown by 5% in 2016, led by agricultural investment and tourism, and growth is set to continue in 2017 and 2018 by 5.5% on average.
• The country has improved on the Mo-Ibrahim Index of African Governance moving to 11th place in 2016 from 13th in 2015 reflecting efforts to improve good governance.
• The economy depends on inputs and technology from abroad and has a very limited industrial ecosystem, yet the government has no industrialisation strategy.

Macroeconomic indicators

	2015	2016(e)	2017(p)	2018(p)
Real GDP growth	4.0	5.0	5.6	5.4
Real GDP per capital growth	1.9	2.9	3.5	3.3
CPI inflation	5.3	5.6	4.1	2.9
Budget balance % GDP	-6.3	-8.8	-3.7	-3.2
Current account % GDP	-12.9	-8.9	-10.5	-10.2

Source: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

SOUTH AFRICA

• Economic growth decelerated to 0.3% in 2016 although it is expected to rebound to 1.1% in 2017 and higher in later years.
• Growth prospects will be driven by moderately stronger global growth, more favourable weather conditions, reliable electricity supply, less volatile labour relations, recovering business and consumer confidence, and stabilising commodity prices.
• The industrialisation strategy is geared towards promoting entrepreneurship, which will also help to generate employment.

Macroeconomic indicators

	2015	2016(e)	2017(p)	2018(p)
Real GDP growth	1.3	0.3	1.1	1.6
Real GDP per capital growth	0.3	-0.5	0.2	0.7
CPI inflation	4.6	6.4	6.1	5.6
Budget balance % GDP	-3.7	-3.4	-3.2	-2.9
Current account % GDP	-4.3	-3.9	-3.7	-3.7

Source: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

(Economist Intelligence Unit)

IMF, WORLD BANK & AFRICAN DEVELOPMENT BANK

Ghana to request extension of IMF programme to Dec 2018

Ghana's government will ask the International Monetary Fund to extend its support programme to December 2018 from April 2018 to boost efforts to stabilize the economy, senior government sources said. An extension would reassure markets and also likely bring in additional IMF funds to a programme under which Ghana was initially set to receive $918 million over three years, the sources told Reuters.

The deal was agreed by the previous government to restore stability to an economy that slowed sharply in 2014 due to a fiscal crisis and lower global prices for Ghana's oil and gold exports.

Any request for extension would represent a change of course for the government of President Nana Akufo-Addo, which said after coming to power in January that it wanted the programme to end on time. "The programme is going to be extended until December 2018," said a senior government source who declined to be identified. His comment was echoed by other government sources. The IMF said last week it had suggested to the government that it request an extension. *(By Matthew Mpoke Bigg, Reuters)*

IMF offers three-pillared prescription for African growth

Countries in sub-Saharan Africa need to get their budgets in order, diversify their economies and look after their poorest people. If they do that, there is no reason why the region cannot have the strong growth needed to meet the aspirations of a young and growing population. That, at least, is the three-pillared prescription from the International Monetary Fund as expressed by one of its top Africa researchers, Celine Allard, in an official IMF blog post and podcast.

Allard co-authored the Fund's regional economic outlook, released earlier this month. It found that sub-Saharan economic growth hit only 1.4 % last year, the lowest level in two decades and well off the 5-6 % rates normally reached. It was also well below the population growth rate. "This is a quite broad-based deceleration because we see about two-thirds of the countries having slowed down last year, which is quite substantial," she said in the podcast.

While some of the reasons for the slowdown are beyond the region's immediate control -- low global commodity prices, drought etc -- Allard said some problems are down to a lack of governmental response. "Part of the deteriorated outlook is a reflection of limited policy adjustment in the region," she said. Hence, the first pillar: renewed focus on debt reduction, fiscal policy to raise domestic revenues, and greater exchange rate flexibility. Allard noted that some of the countries in the region that had kept growth up, such as Senegal and Ivory Coast, had run up large budget deficits to help this along. With that, though, comes vulnerability, she said, and now is the time to shift gradually to reduce this. As well as taking action on budgets, the IMF said sub-Sahara needs to focus on economic diversification and improving the business climate so that the private sector can feel confident about investing. Many countries in the region are overly dependent on commodities -- getting a huge boost when they are in demand but suffering when prices fall. A Bank for International Settlements paper last year estimated that the share of commodities in of sub-Sahara African exports rose to 76 % in 2010–14 from 57 % in 1990–99. Allard said the third pillar was to provide social safety nets to protect the most vulnerable in society. "We know that in some countries there are some programmes, but they are usually fragmented and they need to be better targeted," she said. *(By Elaine Hardcastle, Reuters)*

How South Korea’s US $200,000 grant will support Tanzania’s gas sector

AfDB’s support facility will make Tanzania better equipped to negotiate favourable contracts despite global low gas prices, says Nyirahuku

The African Natural Resources Center of the African Development Bank (AfDB) recently secured US $200,000 from the Korea-Africa Economic Cooperation (KOAFEC) fund to support Tanzania’s gas sector.

The Center's gas expert, Charles Nyirahuku, provides an insight into the expected key deliverables from the facility.

Why has the African Natural Resources Center focused on Tanzania's oil sector- and what makes the country stand out?

Tanzania is an emerging gas producer, which, with Egypt and Mozambique, will drive the continent's gas growth for the next few decades. As the country is poised to become a large player in the gas market, it is looking to promote domestic consumption of gas and has requested support to build its capacity in this regard.

South Korea is not a gas producer. Why is it partnering with the Bank in improving Tanzania's gas sector?

With almost no indigenous gas resources, South Korea relies heavily on imports. It is the world's largest Liquefied Natural Gas (LNG) importer. In the early 1980s, its economy was comparable to some of the African economies we see today.

As it experienced phenomenal economic growth over the past three decades, South Korea made policy choices aimed at promoting the consumption of natural gas for energy and industrial needs. These efforts are part of what led the country to its current ranking among the top global economies. As an emerging gas producer, Tanzania has prioritized domestic use of gas as a way to maximize the monetization of its resources and increase revenues from exports. This means putting in place the right policies and strategies to support the growth of its gas market, promoting improved downstream infrastructure and boosting consumption through suitable gas pricing mechanisms. In this regard, Tanzania has many lessons to learn from the Korean experience – not only from a policy perspective, but also in the areas of technology development and know-how accumulation.

The AfDB Board of Directors recently approved a US $29.8-million project to develop Tanzania's gas sector. How will the KOAFEC grant support the project?

An important component of the AfDB project includes supporting the gas domestication strategy in Tanzania. We intend to utilize the knowledge gained under the KOAFEC funding to inform and guide the project. It will also provide a platform for knowledge building and sharing of the South Korean experience.

There is currently a global market slump in commodity prices, including oil and gas. Why is the Bank still investing in Tanzania's gas sector?

The current unfavourable market conditions have made it even more critical for Africa countries to understand the industry trends and make informed choices when negotiating natural resources contracts.

The Bank's support to Tanzania includes a large capacity-building component and support to its negotiations team. The objective is to provide the country with skills and tools to understand the natural gas market including LNG economic modeling and pricing mechanisms, among others. In this way, we believe that the country will be better equipped to negotiate favourable contracts despite the current low gas prices.

The initiative mostly revolves around knowledge and capacity-building. Will other African countries considering gas domestication benefit?

We will initially target the emerging gas producing countries in Eastern and Southern Africa, specifically Tanzania and Mozambique using the Korean funding. Afterwards, we e will consider other gas-producing countries in North and West Africa.

Focus on AfDB and Africa's top priority: Lighting up and powering Africa

- ***No economy in the world can progress without secure energy supply***
- ***The AfDB invested US $1.5 billion to Light up and power Africa in 2016***

Although African countries have spent money on energy during the last decades, the investments made have not kept pace with the continent's population economic growth that increased the need for energy. Lack of reliable, abundant power is seriously hindering the continent's transformation.

It is generally accepted that no economy in the world can progress without a secure energy supply. In the same vein, it is clear that the surest way to transform Africa and guarantee progress for its people, is to generate cost-effective power in a continent with abundant energy resources. There is a need for Africa to achieve universal access to electricity. Its energy poverty persists despite the continent's enormous potential in renewable energy: 325 days of strong sunlight, 15 % of the world's hydropower potential, and good potential in wind and geothermal energy.

Despite this huge energy potential, more than 645 million people, the majority of them in rural areas, have no access to electricity. More than 30 countries report regular power outages that result in loss of working days (and income, including worker earnings), and economic output.

By 2050, Africa will have the same population as that of China and India's combined today, with rising consumer demand from a growing middle class. The cities will be booming, as the number of urban areas with populations of millions of people will rise.

US $1.5 billion to Light up and power Africa in 2016

Even though the continent's economy is growing strongly and remains a bright spot in the global landscape, access to electricity remains a challenge. The AfDB is determined to change this quickly, and that is why it has launched the **New Deal on Energy for Africa**. The Bank's goal is to help achieve universal access to electricity within 10 years. To achieve this vision, the institution has rolled out its plan to invest US $12 billion in the energy sector over the next five years and leverage US $45-50 billion from the private sector. The Bank plans to connect 130 million people to the grid system, 75 million people through off-grid systems and provide 150 million people with access to clean cooking energy.

The African Development Bank is at the forefront of the renewable energy and "Off-Grid Revolution" in Africa. It also hosts the Africa Renewable Energy Initiative, jointly developed with the African Union that has attracted US $10 billion in investment commitments from G7 countries.

Bank Group approvals for the **Light up and power Africa** priority projects in 2016, US $ 2 billion were 72.8 % higher than in 2015, with the bulk of the financing coming from the AfDB (non-concessional) window. In addition, external financing of US $61 million was channeled by the Bank, mainly from the Climate Investment Funds (US $24 million), the Global Environment Facility (US $11 million), and the European Union-Africa Infrastructure Trust Fund (US $10.5 million).

As an institution, the AfDB has demonstrated its capacity to deliver for Africa. To achieve its vision to Light up and power Africa, AfDB has financed well-structured public and private sector projects in the sector. Nearly 50 projects were approved in the energy sector in 2016 by the Board of Directors, with the largest ones having cross-sectoral implications in areas such as governance.

For instance, an operation for strengthening the power distribution network in Côte d'Ivoire, financed by an AfDB public loan of US $149 million in 2016, aims to build a 150-MW facility that will supply electricity to 252 local communities in the Montagnes district, catalyze the development of mining and agro-processing, and ultimately create some 3,000 direct jobs.

Only half the population has access to electricity in Kenya. Electricity costs more in Kenya than in other countries on the continent. The country has made electrical power sources diversification a priority and developed the Menengai Geothermal power project, financed by AfDB to the tune of US $503 million. With a production capacity of 400 MW, the plant will provide reliable, clean and affordable electricity to thousands of households and industrial structures.

In Mali, two important operations in the renewable energy sector were approved in 2016. The 33 MW Segou Solar Independent Power Producer (IPP) project, Mali's first utility-scale solar project, financed by an AfDB senior loan of US $8.5 million along with a Climate Investment Funds senior loan of US $25 million, will generate 52.7 GWh annually, about 10 % of the country's current capacity. The 42 MW Achwa 2 IPP project in Uganda will generate 162 GWh of hydropower annually. The Bank Group provided a senior loan of US $20 million toward the investment cost of US $110 million.

Countries that have recently benefited from the Bank's funding in the energy sector include Benin (US $27 million); US $11 million and US $7 million loan and grant to South Sudan (Juba Power distribution system rehabilitation and expansion project).
2016 also marked the completion of two energy projects approved in 2007 and 2009. A project to scale up electricity production, transmission, and distribution on the island of Santiago, Cabo Verde – financed to the tune of US$6.52 million through the ADF window – increased the installed capacity of the Palmarejo power plant by 22 MW. It improved access to electricity for households and businesses from 61 % of the population in 2006 to an estimated 95 % in 2015, reducing the country's energy import bill. A similar project in Lesotho, financed by an ADF mix of loans and grants totaling US $14.8 million helped extend connections to 6,230 consumers.
Facts are figures and may not tell the full story of Africa's whooping energy deficits. Lack of access to electricity in urban and remote areas in Africa will continue to jeopardize education, health technologies and businesses, if there are no immediate solutions. Action must be taken immediately keeping in mind that the reason several thousands of Africans have been migrating to Europe is because of lack of jobs and shrinking economic opportunities back at home. However, although the AfDB is the institution to deliver, it can only do so with the strong support of its partners.
At the final pledging session for the African Development Fund 14th replenishment in November 2016 in Luxembourg, Bank Group President Akinwumi Adesina sent Bank deputies a clear message: "Investing in Africa is investing in your homeland security as well," he said. "I make a plea, not for the African Development Bank, but for Africa. Times are difficult all over these days, nonetheless, we also believe that Africa deserves significant support, even in the midst of challenges. Africa is the beneficiary for its people are tired of living in the dark. It is urgent to light up and power Africa."

Drought in Africa: AfDB and Ethiopia sign funding agreement to provide water and sanitation to 3 million people

The African Development Bank Group and Ethiopia signed loan and grant agreements to the tune of US $5.6 million for additional resources to Ethiopia's One Water, Sanitation and Hygiene Program. The Bank's support focuses on the rural and pastoralist areas and is timely in the light of the drought that is being experienced in the horn of Africa.
Speaking at the signing ceremony, Jennifer Blanke, Vice-President, Agriculture, Human and Social Development, AfDB, said, "These additional resources, at this juncture, are a clear demonstration of the AfDB's commitment to support the efforts of the Ethiopian Government in improving the quality of life of people and sustainable inclusive development."
The program includes mechanisms to significantly boost livelihoods and resilience to climate change in the affected communities. The One Water, Sanitation and Hygiene Program seeks to improve access to water supply and sanitation in Ethiopia, benefiting about 3 million people who will get access to water supply and sanitation facilities.
These resources complement the initial funding of US $91 million extended to Ethiopia for the same project in September 2014.
Ethiopia's Minister of Finance and Economic Cooperation, Abraham Tekese, commended the Bank for its quick reaction to the drought affecting the region, which could jeopardize years of development efforts.
The program envisages the construction and rehabilitation of 7,805 schemes. It will mean that 3 million people will get access to water supply and sanitation facilities. The project is located in all the nine regions of the country, across 177 districts where there are shortages of water which has affected the health of rural people. As well as addressing the lack of water and poor sanitation, the work will address the problem of diseases caused by water shortage such as typhoid and amoebic dysentery. Ethiopians in rural areas spend a lot of time searching for water for domestic use and for livestock. In the dry seasons, in particular, people cover long distances (over 5 kilometres) to get to the nearest water source.

INVESTMENTS

China supports creation of Special Economic Zone in Cabo Verde

China will support the creation of a maritime Special Economic Zone (SEZ) on the Cape Verdean island of S. Vicente, Chinese Foreign Minister Wang Yi said at a meeting in Praia with his Cape Verdean counterpart Luís Filipe Tavares. The Cape Verdean Foreign Minister announced that the Chinese government will also finance the construction of a new maternity hospital in S. Vicente to serve the northern region of the country.

During the meeting, the two ministers reviewed the economic and political cooperation between the two countries, currently involving 12 projects, worth an estimated 30 million euros, according to Portuguese news agency Lusa. Luís Filipe Tavares said that Cabo Verde (Cape Verde) will now begin to carry out the economic feasibility study of the Special Economic Zone and maternity projects, estimating that they will be operational by the end of this legislature. Chinese Foreign Minister Wang Yi recalled that Chinese cooperation has taken into account the needs of the country, ensuring the necessary support for Cape Verdean projects.

The head of Chinese diplomacy stressed the importance of Cabo Verde's geographical position, adding that the Cape Verdean government "expressed a willingness to participate in the "Belt and Road" initiative of the Chinese government.

This initiative includes a set of rail and road routes, pipelines and ports, which extend from China to Europe, with alternative routes that pass through countries in South Asia, India, Iran and Turkey and arrive in Africa. *(Macauhub)*

President of Mozambique raises investments in the Netherlands

A visit by the President of Mozambique to the Netherlands led to some deals, the largest related to a US$7 billion investment by Shell to produce diesel from natural gas, the Mozambican press reported. The president of national oil and gas company Empresa Nacional de Hidrocarbonetos (ENH), Omar Mithá, said that the Shell project will have a major economic impact in Mozambique, given that expected production "will fill one million petrol tanks per week," according to Mozambican daily newspaper O País.

The possibility of a US$100 million investment from Heineken was also announced during Nyusi's visit to the Netherlands. The brewing giant is considering building a brewery in the town of Bobole, Marracuene district, in the south of Angola.

The director of the Mozambican Investment Promotion Centre, Lourenço Sambo, said that although Heineken intends to invest in the country, the existing tax burden in Mozambique is holding back a final decision. "We also think that the specific consumer tax is high, because there are even factories that are closing," Sambo also told the AIM news agency, adding that the government plans to submit a proposal for review of the tax burden to parliament "as it is a barrier to investment," he added.

In February, the National Petroleum Institute announced that the proposals by companies Yara International, Shell Mozambique and GL Energy Africa had been granted an international public tender for development of natural gas projects in Mozambique.

Norway's Yara International will produce fertilisers 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. *(Macauhub)*

Ninety companies produce 900 products "Made in Angola"

Nearly 900 products from 91 micro, small and medium-sized companies currently brandish the "Made in Angola" seal, a government project launched about five years ago to encourage consumption of Angolan products, according to official figures for May. The figures, cited by state newspaper Jornal de Angola, showed that in the last 12 months seven more companies joined the government programme, adding 194 products of certified origin.

The coordinator of the "Made in Angola" programme, Ana Celeste, said some time ago that the number of applications continued to increase, but that not all companies met the requirements, taking into account the requirement for at least 50% National Added Value. "Some companies import products and limit themselves to packaging them, so they cannot be considered national, or rather they are not made in Angola," Celeste said.

Angolan brick factory Cerâmica Industrial e Comercial, owned by the Portuguese group Recer, which has been operating since 2013 in Luanda, following a private investment of US$30 million, is one of the companies that uses the official "Made in Angola" seal. The Recer factory extracts raw material (clay and sand), employs 50 Angolan workers and sells the bricks produced in several of the country's provinces, with a National Added Value of 90%. *(Macauhub)*

Gambia Talks With China, Norway Investors to Revive Economy

- Country says it offers better prospects after dictatorship
- Government to give investors tax breaks, other incentives

Gambian officials are holding talks with Chinese and Norwegian investors on infrastructure projects to drive economic growth in the West African nation after decades of dictatorship, a minister said. "We want investors that will understand the situation we are emerging from," Trade, Industry and Regional Integration Minister Isatou Touray said in a May 22 interview in the Nigerian capital, Abuja. "We hope investors will see that Gambia is no longer difficult to do business in."

President Adama Barrow defeated former ruler Yahya Jammeh in elections in December, ending a regime that began with a 1994 coup and was accused of large-scale repression in the country of less than 2 million almost entirely surrounded by its neighbor, Senegal. After initial reluctance to leave office, Jammeh fled into exile in January after the Economic Community of West African States mustered troops to move against him.

The new administration is considering providing tax breaks and other incentives to attract investors in energy, road, airport and port projects, Touray said. Chinese companies are building roads and investing in energy, while Norwegian companies have signaled investment interest. "There's a lot of dialogue and scoping in the country," she said.

Fixing Infrastructure

Barrow considers fixing infrastructure, which had decayed under Jammeh, key to boosting its tourism-dependent economy, according to Touray. Renewable and hybrid energy projects and grid development initiatives are considered priorities in the drive to generate 200 megawatts of power for its 2 million citizens by 2020 from the current 80 megawatts, she said. The nation is also looking at "strategic partnerships" to secure the expertise it needs to ramp up the export of groundnuts, cashews and possibly cotton, according to Touray. "We are emphasizing that not only raw materials should go out, because that is what used to happen," Touray said. "We want to add value because it supports the producers." *(By Solape Renner, Bloomberg)*

Angola and Russia deepen economic cooperation

Angolan satellite AngoSat may go into orbit later this year, Telecommunications and Information Technology Minister José Carvalho da Rocha said in Luanda.

The minister, speaking at the end of a meeting with the Deputy Prime Minister of the Russian Federation, Yury Trutnev, said that the project is taking place within the planned timetable, with the construction of the satellite almost complete, according to daily newspaper Jornal de Angola. Carvalho da Rocha said that the meeting was to review the level of cooperation, particularly the projects that the sector has been developing with Russia, as there are dates that have been agreed and need to be met.

The Russian Deputy Prime Minister was also received by the Secretary of State for Geology and Mines, Miguel Bondo Júnior, who said that both countries intend to develop projects in the medium and long term, in particular in partnership with the Angola's national diamond company, Endiama and the national iron company, Ferrangol.

Also in Luanda, Endiama and Russian group Alrosa signed a mining investment contract to make the Luaxe diamond project viable, as well as the public deed of incorporation of mining company Sociedade Mineira do Luaxe, at a ceremony attended by the Deputy Prime Minister of the Russian Federation. The president of Endiama, Carlos Sumbula, said that the amount of the investment will depend on the findings of the technical and economic feasibility study of the project, now being drawn up, which once completed will be followed by a search for financing.

Luaxe, which is located in Lunda Sul province, is considered one of the largest kimberlites in Angola and is about 20 kilometres from the Catoca mine, the fourth largest diamond mine in the world.

The Luaxe project is a mining concession that will be owned by Endiama and Alrosa, both with 8.0% each, Sociedade Mineira de Catoca with 50.5%, Artcon with 23.3%, Makakuima with 5.2% and Kollur with 5.0%. *(Macauhub)*

Indian healthcare taps the African market

In mid-February the world's heaviest woman left her home in Alexandria, Egypt, for the first time in 24 years, boarding a plane to India for a sleeve gastrectomy at Saifee Hospital in Mumbai. Getting 36-year-old Eman Ahmed Abd El Aty to her hospital bed required the use of a cargo plane, a truck and a crane. "We took it in as a humanitarian cause to save a life and as a medical challenge," says Muffazal Lakdawala, her surgeon, who is happy with her progress since the operation. While Ahmed's story is remarkable, the location of her surgery is not.

Abd El Aty is just one of thousands of Africans travelling to India each year for so-called medical tourism. In response, cash-rich Indian hospital groups are starting to make significant inroads into Africa's struggling healthcare sector, with potentially transformative results.

India has attracted medical tourists since the 1990s, "but in the last five to seven years it has really started to take off," says Ravi Ramamurti, professor of International Business and Strategy at Northeastern University. According to a joint report by the Confederation of Indian Industry and professional services firm Grant Thornton, India's medical tourism market could be worth $8bn by 2020.

The International Healthcare Tourism Congress (IHTC) held in Bangalore in March declared healthcare tourism "the next crown jewel that could shape the future of India's economy". India's success lies in its modern equipment, highly skilled doctors, streamlined visa processes, inexpensive locally-manufactured drugs and English as its lingua franca.

Most importantly, Indian groups like Apollo Hospitals, Narayana Health and Medanta are more affordable than their international competitors. "The prices at Apollo Hospitals will be one-third to one-tenth of the prices at hospitals in the US and UK," says Harinder Sidhu, the company's head of International Business. While a hip replacement could cost up to $57,000 in the US, Apollo patients pay just $7,200, he says. "There is a dark side to medical tourism," says Ramamurti. Indian hospitals do price discriminate against medical tourists, he says, though they are still cheaper than elsewhere. And naturally some patients shop around for the lowest prices, inviting more inconvenience and risk. Generally though, standards are high. "Every treatment that a patient gets is peer-reviewed by three doctors," says Anitha Niranjan, whose company, CIMGlobal, organised the IHTC.

With surging demand for Indian healthcare, hospitals have refined their product. Alongside consultations, drugs and the procedure itself, patients receive luxury air-conditioned hospital accommodation, food and airport transfers. Accompanying relatives are given food, accommodation and even a jaunt to the Taj Mahal.

Fortis Healthcare – a large chain with 45 facilities globally – offers patients a SIM card upon arrival, visa assistance, language interpreters, currency conversion at the hospital and complimentary wifi. All have international patient teams, and many have permanent kiosks or even clinics at major airports to welcome clients.

These benefits have seen India attract thousands of African patients. According to the Indian High Commission, 18,000 Nigerians entered India on medical visas in 2012, spending $260m.

That year, 47% of Nigerian medical tourists chose India for their treatment. In 2015 East Africans spent around $1bn on Indian healthcare. The Kenya Network of Cancer Organisations has even accused Kenyan doctors of receiving kickbacks of up to KSh102,000 ($987) per patient for referring them to Indian hospitals.

Currently Bangalore-based Narayana Health treats 3,000 to 4,000 African patients annually and the number is increasing at 25 to 30% per annum, says Guru Prasad, head of International Patient Care. Narayana operates permanent information centres in Nairobi and Lagos.

Despite its rising prosperity and burgeoning middle class, healthcare in Africa still lags behind most of the world, says Sidhu. According to a 2006 World Health Organisation report, sub-Saharan Africa contains 36 of the 57 countries globally characterised as having a critical shortage of health service providers.

As of 2009 in Africa, 1.3% of the world’s health workers cared for the victims of 25% of global disease. Many African doctors practice overseas and without the volume of resources and equipment seen in India, while African private healthcare remains extremely costly. Naturally, those that can afford it are looking overseas for their treatment.

Opening facilities in Africa

However, in recent times Indian hospital groups have been eyeing sizeable investment in Africa. By setting up hubs and fostering demand within African countries, Indian companies can expand into smaller cities and towns. “This is consistent with what they have been doing domestically,” says Ramamurti, referring to the way smaller clinics offer diagnosis and consultations, and refer patients to hubs in large cities. “Opening up a facility in Africa helps increase the number of medical tourists and allows them to do follow-up care,” says Ramamurti. **Telemedicine** – the remote delivery of healthcare services using telecommunications technology – is being used for consultation, diagnosis and postoperative care. African doctors are also receiving training in India, says Niranjan, who plans to take delegations to Kenya and Uganda this year to discuss investment and collaboration.

Large hospitals are also under construction. Narayana is building a 130-bed specialist cardiac hospital in Nairobi in partnership with the International Finance Corporation and the Abraaj Group. Medanta, a large group headquartered near New Delhi, established Medanta Africare, an ultramodern medical centre in Nairobi in 2012. Collectively Apollo, Moolchand and Fortis have established clinics in Nigeria, South Africa, Mauritius, Ethiopia, Tanzania, Uganda, Mozambique and Zimbabwe.

The UN expects Africa’s population to double to around 2.4bn by 2050. And with consumer spending expected to hit $1.4 trillion by 2020 according to the McKinsey Global Institute, this foothold could prove lucrative for Indian healthcare groups.

Nevertheless, Indian representatives insist their intentions are humanitarian. “We want Africans to be self-dependent for their medical requirements,” says Prasad. Niranjan agrees: “It’s about using doctors for the good of humanity,” she says. While they still price out most Africans, Indian chains are meeting pressing healthcare needs and fanning out across the continent. And with their high-volume cost-minimisation strategies, Indian companies seem uniquely well positioned to make such inroads into Africa. *(By Charlie Mitchell, African Business)*

Carlyle's $700 Million Africa Fund Is Eyeing Two Deals in Egypt

- Egypt has ‘done the right things,’ Carlyle’s Kump says
- Africa attractive after commodity rout pushed prices lower

Carlyle Group LP, one of the world’s largest private equity firms, sees two buying opportunities in Egypt this year after a commodity rout depressed prices in the region.

The Washington, D.C.-based investor’s $700 million Sub-Saharan Africa Fund will spend between $30 million and $100 million on each, making the fund about 80 % invested, managing director Eric Kump said in an interview. He declined to name industries or be more specific. “We are being more active in North Africa, specifically Egypt,” Kump said by phone from London. “They’ve gone through a painful dislocation and done the right things on the macro level, and it’s a very populous country with a lot of well-managed businesses.”

Private equity investors are seeking opportunities in Africa where the fastest population increases and improving education are expanding the number of consumers. In Egypt, President Abdel-Fattah El-Sisi abandoned the country’s currency peg and increased fuel prices to secure international investments including a $12 billion IMF loan program. He must balance economic reforms with the threat of unrest in the nation of 93 million, where nearly half live near or below the poverty line.

Carlyle’s Africa fund has been on a buying spree in the past year, purchasing stakes in telecom CMC Networks Ltd., promotional products supplier Amrod Ltd. and debt rating company Global Credit Rating Co., all based in Johannesburg. Its portfolio also includes tire retailer TiAuto Investments Ltd. of Johannesburg, Luxembourg-based mining services company Traxys Sarl and Nigerian lender Diamond Bank Plc, fund documents show.

Carlyle is considering the sale of trucking company J&J Africa, which operates in Mozambique, Malawi, Zambia and Zimbabwe, within 12 months to a trade buyer or private equity company, Kump said. Carlyle is the largest shareholder in J&J Africa, followed by Investec Plc and the founders, he said. J&J Africa and Carlyle declined to state the transporter’s revenue or other figures. CNBC reported that Carlyle and partners invested $100 million in the company in 2014. *(By Colin McClelland, Bloomberg)*

BANKING

Banks

Kenya: Banks face tougher conditions

New data from the Central Bank of Kenya (CBK) show that conditions for banks remained challenging in the first two months of 2017.

Growth in bank lending to the private sector slowed to 4% year on year in February, the same as last September, and down from a recent peak of 4.7% in October. Lending growth has therefore contracted in real, inflation-adjusted terms for seven consecutive months (starting last August), with little sign of a short-term recovery. Bank lending to the public sector, including central government and parastatals (which typically accounts for 20-25% of the total) was more buoyant, rising by 8.8% in February, after a 17.9% leap in January, although the figures can fluctuate widely, depending on the government's financing needs. Total lending growth (private and public) therefore eased to 5.1% in February, a three-month low.

The slowdown in private-sector credit allocation reflects greater caution on the part of both borrowers and lenders after the entry into receivership of three smaller banks in 2015/16, a rise in non-performing loans and the implementation of a controversial law last September capping bank lending rates at 400 basis points above the CBK benchmark (currently 10%), which has curbed lending to riskier borrowers. The non-performing loan ratio climbed to 9.7% in February, an eight-year high, after seven months of fluctuating within the 9-9.5% range. Pre-tax bank profits, on aggregate, are consequently suffering, and fell by 22% to KSh20.4bn (US$198m) in the first two months of 2017 from a year earlier. Weaker profits will put pressure on smaller banks in particular, thereby encouraging mergers and takeovers.

The banking sector remains an attractive proposition for investors, despite recent challenges, underpinned by rapid growth in financial inclusion, and by the CBK's lifting, in March, of the suspension of new bank licensing. A Mauritian banking group, SBM, completed the acquisition of Fidelity Bank in May, changing its name to SBM Bank, after receiving CBK approval. SBM is also one of 12 bidders for Chase Bank, which is now being sold to new investors after it entered receivership in April 2016. *(Economist Intelligence Unit)*

Senegal creates digital currency history

The rest of West Africa is often overlooked but it is worth considering, not least because of the growing cross-border scope of the region's biggest banks. The IMF believes that the economy of the West African Economic and Monetary Union (WAEMU), which covers most of Francophone West Africa, remains strong but exhibits increased vulnerabilities. Senegal is embarking on an interesting experiment that could either provide big opportunities or great competition for the nation's banks. In December, it became only the second country in the world, after Tunisia, to launch a national digital currency. It will have the same value as the CFA franc and can be stored in all mobile money and e-money wallets. Given current optimism over the country's economic prospects, these are exciting times for Senegal and Senegalese banking. Very quietly and with little fuss, Senegal has joined the ranks of Africa's fast growing economies, alongside Kenya, Tanzania and Côte d'Ivoire. GDP increased by 6.5% in 2016, the fastest rate for 11 years, and the IMF forecasts annual growth of 7% for this year and next. The government is currently revising the basis on which it calculates its GDP. It previously used 1999 as its baseline but Finance Minister Amadou Ba expects a 30% increase in the size of the economy when the process is completed.

Above all else, Dakar has achieved what few other governments can lay claim to: it has actually done what it said it was going to. The government has slowly reduced its fiscal deficit from 5.5% in 2013 to 4.2% in 2016 and is on track to reach 3% by 2019, which is the medium-term target for the WAEMU. It has also managed to reach its budget targets.

Senegal has the prospect of becoming a significant oil and gas producer in the near future. Kosmos Energy has discovered the Tortue Field with an estimated 15 trillion cu ft of natural gas at present but up to 50 trillion cu ft has been suggested. This would be sufficient to fuel a huge liquefied natural gas (LNG) plant and provide as much gas as onshore power, fertiliser and cement plants could consume. BP has bought a stake in Kosmos' Senegalese blocks and so the required investment should now be forthcoming. In addition, Scottish oil company Cairn has already discovered offshore oil reserves. However, the government must be careful not to replicate Ghana's recent development. The Ghanaian economy was already growing strongly when hydrocarbons were discovered, apparently putting the icing on what was an already attractive cake. However, Accra seemed to get ahead of itself in terms of increasing spending too quickly, fuelling both inflation and debt. On 13th April, credit ratings agency Moody's lifted Senegal's long-term issuer and senior unsecured debt rating from B1 to Ba and changed the outlook to stable from positive.

World's second national e-currency

It is against this backdrop that Senegal has followed in the footsteps of Tunisia by launching a new national digital currency. Based on blockchain, the same technology behind bitcoin, the crypto currency has been given the stopgap name eCFA. The new currency will be compatible with other digital cash systems in Africa. It has been developed by a Senegalese bank, Banque Régionale de Marchés (BRM), and eCurrency Mint. In a statement, the two partners said: "The eCFA is a high-security digital instrument that can be held in all mobile money and e-money wallets. It will secure universal liquidity, enable interoperability, and provide transparency to the entire digital ecosystem in WAEMU."

In terms of security, the developers say that the currency will be secured by cryptographic protocols to ensure that it cannot be counterfeited. Proponents also argue that such currencies are more transparent and easily regulated by central banks. To some extent, the eCFA is not as revolutionary as some would believe because of its dependence on the central banking system. The electronic money provided by BRM can only be issued by an authorised financial institution. Other governments and central banks are contemplating launching their own digital currencies. For instance, the People's Bank of China plans to issue its own currency based on blockchain.

Why Senegal?

There appear to be two main reasons why Senegal was open to the idea. Firstly, the country is already in an unusual position with regards to its currency. Its CFA franc is shared by 14 countries in West and Central Africa, with its value guaranteed by the French government.

It is therefore used to seeing its currency in a different light to many other countries. The region is also more open to the concept, as the Central Bank of West African States (BCEAO), which serves the countries using the CFA franc, has already drawn up its own e-currency regulations.
Secondly, the concept of technological leapfrogging has become more common in recent years, with proponents arguing that the continent could catch up in developmental terms by bypassing stages of technological development in favour of the latest advances. Dakar and Tunis are therefore open to the idea of alternative, parallel currencies, daring to take the lead on launching them.
The experiment could fail but could also prove revolutionary in a region where most people still lack formal bank accounts. This factor could make the currency more acceptable to potential users than in other parts of the world, as more people use airtime than have traditional bank accounts. The BCEAO will be responsible for the currency's distribution in the rest of the region in Phase 2. It is to be distributed in Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger and Togo. Alioune Camara, the chief executive of BRM, said: "We are committed to bringing digital financial services and true financial inclusion to West Africa. We can now facilitate full interoperability between all e-money payment systems. This is a great leap forward for Africa."
These are exciting times for Senegalese banking in general. Despite the rise of alternative currencies and methods of accessing bank services, the number of physical bank branches has increased rapidly, from 448 at the start of 2014 to 557 at the start of 2016. There are currently 20 banks in the country, including Banque de l'Habitat du Senegal, Islamic Bank of Senegal and Banque Atlantique. *(African Banker)*

Barclays Hits Target for Africa Stake on Surprise Sale Boost

- Bank selling 33.7% share, up from 22% previously planned
- Sale takes Barclays's stake in unit down to long-term target

Barclays Plc reached a long-term target for shrinking its stake in its African unit earlier than expected as the bank boosted the size of a share sale by more than 50 %.
The London-based lender is selling 285.7 million shares of Barclays Africa Group Ltd., equal to a 33.7 % stake, at 132 rand each, it said in a statement. The bank previously planned to sell a 22 % stake and said it increased the size of the offering "due to strong investor demand." The sale will raise about 37.7 billion rand ($2.9 billion) and is part of plans by Chief Executive Officer Jes Staley, 60, to reduce the lender's presence on the continent in favor of supporting a trimmed-down investment bank focused on London and New York. The British bank, which has had a presence on the continent for more than 100 years, first bought a controlling stake in the Johannesburg-based lender in 2005 when it was still called Absa Group Ltd.
The placement accelerates Barclays's plan to gradually sell down its stake and deconsolidate the unit from its accounts, releasing capital that can be invested elsewhere in the business. Barclays had initially paid $5.4 billion to gain control of the company, increasing it to more than 62 % in 2013 as part of a reshuffle that saw Absa take over Barclays's operations in eight African countries. JPMorgan Chase & Co. analysts led by Raul Sinha upgraded their rating on Barclays shares to overweight following the larger sale, saying it narrowed the firm's gap to peers on capital ratios and could provide the ability to boost dividends.

Shares Fall

Barclays shares dropped 0.7 % to 208.60 pence at 10:56 a.m. in London, reversing an earlier gain of as much as 2.1 %. The South African securities are being sold at an almost 10 % discount to Barclays Africa's closing price. Barclays Africa rose 3.6 % to 144.02 rand in Johannesburg after tumbling 4.8 %. Public Investment Corp., South Africa's largest money manager, will buy a 7 % stake in Barclays Africa as part of the sale once it has obtained regulatory approvals, the Johannesburg-based lender said in an emailed statement. That will help cut the share held by Barclays, which currently owns 50.1 %, to 16.4 %.

The British lender's stake will drop to 15 % -- reaching its target level and allowing the bank to deconsolidate the unit from its capital calculations -- after the completion of a transaction aimed at boosting the participation of black investors in Barclays Africa, it said.
The stake held by PIC, which manages pensions on behalf of government employees, will increase to the 14.9 % limit after the transaction, Barclays Africa CEO Maria Ramos told reporters in Johannesburg. PIC won't be given a position on the board and Barclays Africa doesn't expect it to try and exert any influence that's out of the ordinary for a significant shareholder, she said.

Bank Criticism

"There are examples of the PIC being used as a facilitator to further government objectives," Henry Hall, an analyst at HSBC Holdings Plc in Johannesburg, said in a note, citing the prevention of job losses at platinum producer Lonmin Plc and the merger of cement producer PPC Ltd. and Afrisam (Pty) Ltd.
The second sale follows the disposal of a 12.2 % stake to fund managers in South Africa and abroad in May 2016. The latest phase was said to have been delayed after South African President Jacob Zuma fired Finance Minister Pravin Gordhan at the end of March, replacing him with Malusi Gigaba. Gordhan had given provisional approval to a separation agreement that involved the U.K. lender paying its subsidiary 765 million pounds ($987 million).

Capital Boost

Deconsolidating Barclays Africa and including the proceeds from the sale will boost Barclays's common equity Tier 1 ratio, the key measure of capital strength, by at least 0.73 percentage point, the lender said. The share placement is being coordinated by Barclays itself, aided by Citigroup Inc., Deutsche Bank AG and UBS Group AG, according to the statement. Barclays can't sell any more Barclays Africa stock for 90 days after the latest placement is settled, a provision known as a lock-up restriction. *(By Vernon Wessels , Renee Bonorchis , and Stephen Morris, Bloomberg)*

Bank of Mozambique pension fund is the new main shareholder of Moza bank

The Management Company of the Workers' Pension Fund of the Bank of Mozambique (Kuhanha) was the entity selected to proceed with the capitalisation of the Moza bank, becoming the largest shareholder with an 80% stake, the Bank of Mozambique said in a statement. The statement also said Kuhanha was unanimously elected by the evaluation committee composed of the chairman of the Interim Board of Directors, a representative of the Bank of Mozambique and another of the International Finance Corporation, a member of the World Bank group. The management company will invest 8.170 billion meticais (US$135.7 million) in the reinforcement of Moza's capital, taking on an 80% stake, with the remaining 20% being held by Novo Banco, the bank that took on the quality assets of bankrupt Banco Espírito Santo, and Moçambique Capitais, with about 10% each and a private investor with 0.01%. This decision was made possible due to the fact that Moçambique Capitais (a group of about 400 Mozambican investors) and Novo Banco, which held 51% and 49% of Moza's capital respectively, declined to exercise of their preferential rights, within the deadline, ending on 23 March 2017. At the meeting with the press, neither Bank of Mozambique's director, Alberto Bila, nor the Chairman of the Interim Board of Directors, João Figueiredo – who will continue to lead Moza – said other offers had been delivered to the evaluation committee. *(Macauhub)*

Markets

AMSA secures R4.5bn funding facility

ArcelorMittal South Africa (AMSA) has secured a R4.5-billion revolving structured commodity trade finance facility, which will allow the steel manufacturer to finance its working capital as part of its balance sheet restructuring. CEO Wim de Klerk said in a statement that the company had previously explored options to strengthen its balance sheet, noting that the 36-month tenor deal with Deutsche Bank, Absa Bank and other lenders would allow its Saldanha Steel subsidiary to continue operations. *(By Megan Van Wyngaardt, Engineering News)*

Rwandan Bank Mulls First Foreign Listing Outside Country

- Lender will consider Nairobi, Johannesburg or London
- Company posted 6 % increase in first-quarter profit

Bank of Kigali Ltd., Rwanda's biggest lender by market value, plans to cross-list in Nairobi, Johannesburg or London in 2018, Chief Financial Officer Nathalie Mpaka said. The lender will make a decision by December based on the amount of capital the bank plans to raise, Mpaka said in the Rwandan capital, Kigali. It would be the first Rwandan company to list its shares outside the East African nation. "We can't go to London if we only need $50 million," she said of the lender that listed in 2011 and has a 164.7 billion-franc ($199 million) market value. The company has 672.2 million shares in issue at the Rwandan Stock Exchange, which has only eight listed companies, four of them cross-listed from Kenya. "International investors are pushing us to cross-list anywhere as they can't buy BK shares in Rwanda, because of the long process and requirements," Mpaka said. "Because of the investors' appetite, we see this happening in 2018." Bank of Kigali reported 5.6 billion francs in net income for the first quarter, a 6 % increase from a year ago. Its shares rose 0.4 % to 245 francs by close of trade. Chief Executive Officer Diane Karusisi said the lender withdrew its bid to buy the local unit of Crane Bank Ltd. of Uganda, which was placed in receivership in October, and is no longer interested in a bank acquisition at the moment. *(By Saul Butera, Bloomberg)*

South Africa's Impala Platinum offers $500 mln in convertible bonds

South Africa's Impala Platinum (Implats) plans to sell about $500 million of unsecured bonds that will be convertible into shares with the proceeds being used to refinance existing debt, the company said. The 2022 bonds will include 3.25 billion rand ($252 million) of rand-denominated convertibles and $250 million of dollar-denominated convertibles, Implats said in a statement announcing the terms of the offer, which it flagged a day earlier. The platinum producer, with mines in South Africa and Zimbabwe, said it would offer up to 2.6 billion rand and $300 million in convertible bonds maturing in 2022. "Implats intends to use the net proceeds from the 2022 convertible bond offerings to refinance its outstanding $200 million 1 % convertible bonds due 2018 and 2.672 billion rand 5 % convertible bonds due 2018," the company said. The 2022 rand-denominated convertible bonds will have an annual coupon of 6.375 % and the dollar-denominated bonds will pay 3.25 %. They can later be converted into Implats shares, or a cash amount equal to the value of the shares. "The respective initial conversion prices of $3.8907 and 50.0092 rand were set at a premium of 32.5 % above a reference share price of 37.7428 rand," the company said. Shares in Implats closed on Thursday 1st June in Johannesburg at 37.50 rand. ($1 = 12.9057 rand) *(By TJ Strydom, Reuters)*

ENERGY

City of Huambo, Angola receives more electricity

A new thermal power plant is due to start operating in June on the outskirts of the city of Huambo, in Angola, adding 50 megawatts of electricity to the provincial capital and the city of Caála, said Energy and Water Minister João Baptista Borges. "We have 50 megawatts installed here, which will allow us to guarantee the regular supply of electricity to the population, and tests of the two turbines will begin in the first few days of June," said the minister, adding that the thermal power station cost US$325 million.

The start-up of the Belém thermal power plant, which is 11 kilometres from the city of Huambo, will benefit more than 100,000 residents of the cities of Huambo and Caála and also strengthen the public network in the streets and the city's old and new neighbourhoods.

Huambo province currently has two sources of electricity production (the Ngove hydroelectric plant and the Benfica thermal power station) that produce between 20 and 30 megawatts, which is not enough to meet growing demand.

With the installation of the two new US-made turbines, which arrived at the plant in late March, the province will have 70-80 megawatts, which guarantees 90% coverage of the city of Huambo, including areas that are currently deprived of electricity supply and their extension to new neighbourhoods.
At the beginning of May, construction of the Laúca-Uaco Cungo-Belém do Dango electric power transmission line was awarded to China Machinery Engineering Corporation (CMEC), covering 400 kilometres and three substations.
This project, which will cost the Angolan state' US$400 million, will transport energy produced at the Lauca hydroelectric project on the River Kwanza, which will be the country's largest dam when it starts operating later this year. *(Macauhub)*

Congo Republic inaugurates $109 million hydroelectric dam
Congo Republic inaugurated a $109 million hydroelectric dam constructed by China Gezhouba Group Co Ltd, in a boost to the oil-producing country's agriculture and forestry sectors, the government said. **The 19.9 megawatt (MW) dam in the northern town of Liouesso brings Congo's hydroelectric production to 214 MW, nearly half of total national power output. The country produced just 89 MW in 2000, according to the government**. "The Liouesso dam will give great productive capacity to the businesses installed in the region," President Denis Sassou Nguesso said at the inauguration ceremony, though his infrastructure minister noted the government had yet to find buyers for three-quarters of the dam's output. Oil accounts for around 65 % of GDP in the central African nation, Africa's fourth-largest crude producer, but it is aiming to diversify its economy by increasing investments in infrastructure as well as in the mining and forestry sectors. *(By Philon Bondenga, Reuters)*

MINING

Nippon Steel & Sumitomo Metal may buy coal in Mozambique
Japanese steelmaker Nippon Steel & Sumitomo Metal is analysing the purchase of coking coal from Mozambique and other countries in an effort to offset the volatility of ore prices, said the group's executive vice president. Toshiharu Sakae told Reuters that a number of supplier countries are being analysed, including cases from the United States and Canada, Russia and Mongolia, as well as Mozambique, along with the possibility of the group investing in mining, particularly in Russia. The coal-related costs of Japanese steel producers have risen sharply since a tropical cyclone struck Australia in late March, wreaking havoc on railroads transporting ore to ports for export. The price of coking coal has been abnormally volatile over the past 12 months, having almost quadrupled between March and the end of November 2016 and then halve by the end of March 2017, after which the cyclone caused a further rise. "Our dependence on Australia is not an ideal situation," said Toshiharu Sakae. In 2016, Japanese steel producers purchased about 71% of 59.9 million tonnes of coking coal from producers in Australia. *(Macauhub)*

Angola's diamond production doubles with Luaxe kimberlite exploration
Angolan diamond production is expected to increase from 9 million to 20 million carats per year with the start of the Luaxe concession, said the President of Angolan diamond company Endiama, Carlos Sumbula in Luanda. The Angolan state-owned company and Russian company Alrosa signed a mining investment contract to enable the Luaxe diamond project to be made viable, as well as the public deed of incorporation of Sociedade Mineira do Luaxe, at a ceremony attended by the Deputy Prime Minister of the Russian Federation, Yury Trutnev.
The Luaxe project is a mining concession that will be owned by Endiama and Alrosa, both with 8.0% each, Sociedade Mineira de Catoca with 50.5%, Artcon with 23.3%, Makakuima with 5.2% and Kollur with 5.0%. Alrosa president Sergey Ivanov said on the occasion that the Luele deposit alone, inside the Luaxe concession, "is the largest to have been discovered around the world in the

last 60 years." Ivanov also said that the diamonds in the concession have a market value of more than US$35 billion. Together with the remaining partners in Luaxe's mining investment contract, Endiama and the Russians from Alrosa have previously reported that they plan to invest US$1 billion in the concession, which could guarantee an annual output of about 10 million carats. *(Macauhub)*

Billionaire Leviev Adds Zambia Emeralds to Diamond Portfolio

- Prices for emeralds have risen more than tenfold since 2009
- Leviev made fortune on diamonds, competing against De Beers

Billionaire Lev Leviev, who made his fortune undercutting De Beers' former diamond monopoly, has bought half of one of Africa's biggest emerald mines.

Leviev bought into the Grizzly emerald mine in Zambia's Copperbelt province, which borders the Democratic Republic of Congo, Kombadayedu Kapwanga, managing director Leviev's Namibian unit, said by phone. The operation has been renamed Gemcanton Investments Holdings. A spokesperson for Africa Israel Investments Ltd., a listed company controlled in which Leviev is the biggest shareholder, didn't return phone calls and emails seeking comment. A spokesperson at LLD Diamonds, Leviev's jewelry business, didn't return calls either. Leviev used his Israel-based diamond unit to purchase half of Grizzly, Kapwanga said, without providing further details. The move into emeralds marks a change of course for Leviev. Born in Soviet Uzbekistan before fleeing to Israel in 1971, he worked as an apprentice in a diamond-polishing plant and established his own factory, striking deals with diamond-producing countries such as Russia and Angola. He went on to own an 18 % stake in Angola's Catoca diamond mine, one of the world's biggest, before selling to Chinese investors to focus on the Luminas mine in the African country. As well as his Leviev jewelry company, he controls a real estate empire from Moscow to New York through Africa-Israel Investments Ltd.

The Zambia company registry shows Gemcanton is jointly owned by two companies: British Virgin Islands-based Frango Finance Ltd. and Wolle Mining Limited. Grizzly was previously 85 % owned by Abdoulaye Ndiaye, according to the Zambia Extractive Industries Transparency Initiative. Ndiaye is a Zambian who is originally from Senegal, and Grizzly has been digging emeralds in Zambia since 1997, according to Gemcanton.

Emerald prices have soared by more than tenfold in the past eight years, as top producer Gemfields Plc sought to expand the market for the green stones and boost advertising. Emeralds were previously mainly produced by artisanal miners, meaning there wasn't a consistent supply enough for retailers to run production lines or advertise them. The company owns the Kagem mine, Zambia's biggest producer. Gemfields Chief Executive Officer Ian Harebottle said the company has tried to contact Leviev. "I've written to them a few times and said 'welcome to the area, let's talk.' They've been non-responsive so far," Harebottle said in April. "Colored stones offer a great opportunity with great growth potential. It was inevitable that someone else was going to look this way."

Pallinghurst Resources, which has a 47 % stake in Gemfields, made an offer in May to buy the shares it doesn't already own in the company. An independent Gemfields committee said the offer undervalued the company. Zambia produced 74.7 metric tons of emerald and beryl, a less-valuable grade of the stone, in 2016, a 42 % increase from 52.8 tons in 2015, according to the Finance Ministry. *(By Matthew Hill , Thomas Biesheuvel , Denver Kisting , and Taonga Clifford Mitimingi, Bloomberg)*

OIL & GAS

Mozambique: The problem of banking on a gas windfall

Mozambique's much-anticipated gas boom moved a step closer in mid-May, when the government approved the project financing arrangements for the Coral liquefied natural gas (LNG) offshore project in the Rovuma Basin. This puts the project's developers, Eni of Italy, on course to reach a final investment decision by year-end. Yet, with fiscal revenue from the LNG sector likely to fall far short of the government's projections, we do not expect a gas-related windfall to solve the government's financial problems anytime soon. Creditors' patience will wear thin, but they have few options but to wait it out.

In 2010 Mozambique made one of the world's biggest gas finds in a decade. Not long after, a flood of foreign investors began positioning themselves to take their share of the prospective gas boom and the government borrowed heavily on international debt markets amid expectations that future gas revenue (together with coal revenue) would comfortably cover future repayments. But the sharp drop in gas and coal prices in 2014, coupled with the revelation in 2016 that Mozambique had actually contracted even more foreign debt than it had initially reported, scuppered firms' development plans and left the government with repayment obligations that it could not meet. Nevertheless, as it attempts to support a fragile economic recovery and negotiate with creditors to restructure its unmanageable debt burden, the government is still banking on the gas boom.

Overoptimistic projections

The Ministry of Finance told Mozambique's creditors in late 2016 that government revenue will increase by an average of US$2bn a year between 2021 and 2025, derived mostly from royalties and other taxes charged on projects in the energy sector.

The central element of the government's pitch to creditors is that, although it cannot meet its repayment obligations now, it will be able to comfortably repay its debt-with interest-when gas revenue begins to flow. However, we think its projections are unrealistic for two main reasons.

Firstly, production will probably fall short of the government's targets. The government expects production of 1,500m cu ft/day in 2022, rising to 3,500m cu ft/d in 2024 and then stabilising at around 4,250m cu ft/d from 2026, with export capacity to reach 38m tonnes/year (t/y) and make Mozambique the world's third-largest LNG exporter from 2028. However, with the Coral LNG project contributing just 3.4m t/y, reaching these targets is dependent almost entirely on the onshore LNG facilities being planned by ExxonMobil (US) and Anadarko (US). Progress on these projects has been slower, with the developers not expecting to reach final investment decisions until 2018-at the earliest-but delays to financing, sales contracts and resettlement plans could set this back further. The projects will then need probably at least four years of construction time. Moreover, developing facilities of this scale will require investment of some US$110bn, according to the IMF's calculations, and-in the context of rising international borrowing costs and a depressed global LNG market-production is likely to be ramped up more slowly than envisaged by the authorities.

Secondly, even when the gas comes on stream, we think the government's revenue will be much slower to materialise than its projections suggest. The government's main sources of revenue from LNG will be corporate income tax on the concessionaires, its share of the gas profits and the dividends paid by the state-owned company that holds stakes in the projects. The exact terms that government has committed to have not been made public, but, for at least the first few years of production, the government's revenues will be limited by the extensive cost-recovery provisions that will have been afforded to developers. Assuming that production starts later and is on a smaller scale than the government envisages, and accounting for developers' cost-recovery during the first years of production, we think it is unfeasible that government revenue from the gas projects will begin to increase by 25% a year from 2021.

Gas sector revenue will relieve some pressure in the near term, but creditors will need to be patient

Although we do not expect LNG to transform Mozambique's finances any time soon, it will relieve some pressure in the near term.

Earlier in 2017, the government earned US$350m in capital gains tax after Eni sold a 25% stake in one of its Mozambican gas fields to ExxonMobil for US$2.8bn. Given the time it will take to finalise this transaction, the tax gain will probably not materialise until 2018, but-at an equivalent of over 2% of GDP-it will provide welcome breathing space for the government as it attempts to restore fiscal sustainability without alienating its support base. Moreover, the developers have already invested too heavily in their Mozambican projects to delay them indefinitely, so we do expect significant fiscal revenue from LNG to materialise eventually-although it will be lower and later than the government expects. For Mozambique's creditors, the only viable option is to wait. *(Economist Intelligence Unit)*

Italy's Eni signs LNG deal in Mozambique, raising hopes of gas boom

Italian energy company Eni signed an $8 billion deal on Thursday 1st June 2017 to develop a gas field off the coast of Mozambique, **the first of a series of projects that could transform the poor African nation into a major energy supplier to Asia.**

Developing the Coral South field, discovered in May 2012 and operated by Eni, requires building six subsea wells connected to a floating facility capable of producing about 3.4 million tonnes of liquefied natural gas (LNG) per year, Eni said.

The project would cost $8 billion and LNG exports were expected to start in 2022, Eni said.

"The Coral South Project will deliver a reliable source of energy while contributing to Mozambique's economic development," Eni chief executive Claudio Descalzi said in a statement.

The Coral South field contains about 450 billion cubic metres, or 16 trillion cubic feet (tcf) of gas. The field lies in the Rovuma Basin, with estimated reserves of about 85 tcf, enough to supply Germany, Britain, France and Italy for nearly two decades. **Mozambican authorities approved the project's development plan in February 2016 and in October Eni signed a 20-year deal to supply BP with LNG from the project. Mozambique, which lies on Africa's eastern seaboard, is well placed to supply growing Asian economies with gas**, analysts say. **The floating LNG platform will be built in South Korea by a consortium led by Samsung Heavy**. **The group includes France’s Technip and Japan’s JGC.**

Partners in the field development include China National Petroleum Co (CNPC), Korea Gas Corp (Kogas) and Mozambique's state-run Empresa Nacional de Hidrocarbonetos (ENH). U.S. energy major Exxon Mobil Corp agreed this year to pay Eni $2.8 billion for a 25 % stake in its huge Area 4 concession off the coast of Mozambique, which includes the Coral South field. U.S. firm Anadarko is planning a separate onshore LNG project in northern Mozambique.

Eni said project finance would fund 60 % of the cost of building the floating LNG facility, while the financing agreement has been subscribed by 15 major international banks and guaranteed by five export credit agencies. Eni’s long-delayed final investment decision will be a relief for the Mozambican government following a high-profile debt scandal that emerged last year. The International Monetary Fund and Western donors cut budget support when $2 billion in hidden loans were exposed, plunging the country into economic crisis. LNG exports are seen as the only likely long-term solution to the country’s deep financial problems. "This is really good news for the government of Mozambique," said Alasdair Reid, Africa expert at energy consultancy Wood Mackenzie. "It demonstrates that, despite ongoing credit issues, there is still enough belief in the investment climate for partners to raise finance and move projects forward." *(By Manuel Macuri, Reuters)*

ExxonMobil/Rosneft consortium starts oil prospecting in Mozambique in 2nd half

The consortium involving US group ExxonMobil and Russia’s Rosneft plans to start oil prospecting in Mozambique in the second half of the year, according to the report and accounts released recently. “In October 2015, the consortium between Rosneft and its partner ExxonMobil obtained licenses for the geological prospecting of three blocks in the Mozambican sea, with the start of the exploration work scheduled for the second half of 2017, after signing the concession contracts with the Mozambican government," said the statement quoted by the Tass news agency. In 2015, three blocks were allocated to the ExxonMobil (60%) and Rosneft (20%) consortium, one in the Angoche basin and the other two in the Zambezi basin in central Mozambique. At the same time, a fourth block was allocated to the consortium made up of Italian group ENI (34%), Sasol Petroleum (25.5%) of South Africa and Statoil (25.5%) from Norway. In all four blocks the Mozambican state-owned company Empresa Nacional de Hidrocarbonetos holds 20%. *(Macauhub)*

Uganda, Tanzania sign deal for world's longest heated pipeline

Uganda and Tanzania signed a framework agreement on their proposed $3.55 billion crude export pipeline, a key milestone for the project, which is expected to start pumping Ugandan oil to international markets in three years. An official at Uganda's Ministry of Energy told Reuters the agreement covered terms on tax incentives for the project, implementation timelines, the size of the pipeline and local content levels, keeping it on track to complete in 2020. Adewale Fayemi, the manager for Uganda at Total, said the project will become "the longest electrically heated crude oil pipeline in the world". "It's a record," he told Reuters, adding it will increase the flow of foreign direct investment and open a new phase of economic development in the region when completed. **The 1,445 km-long, 24-inch diameter pipeline will be heated so it can keep highly viscous crude oil liquid enough to flow. It will begin in landlocked Uganda's western region, where crude reserves were discovered in 2006, and terminate at Tanzania's Indian Ocean seaport of Tanga.**

Total is one of the owners of Ugandan oilfields, alongside China's CNOOC and Britain's Tullow Oil. Total has said it is willing to fund the pipeline's construction but has not what stake it will own in the project.

Uganda estimates overall crude reserves at 6.5 billion barrels, while recoverable reserves are seen at between 1.4 billion and 1.7 billion barrels. Irene Muloni, Uganda's energy minister, said construction of pipeline would "facilitate and boost trade in the region" and create over 10,000 jobs. The agreement stipulated that Uganda would pay an estimated transit tariff of $12.20 per barrel for pumping its oil through the pipeline, she said. In January, both countries awarded the Front-End Engineering Design contract for the pipeline to Houston-based Gulf Interstate Engineering.

Tanzania had offered a "fiscal incentives package" that led Uganda to choose it over Kenya as the favoured host for the pipeline, Muloni said. She did not describe the incentives. Kenya had bid to host the same pipeline, which would have allowed it to earn transit fees and also transport its own crude in the Lokichar basin in the northwest. *(By Elias Biryabarema, Reuters)*

IDC approves R218m loan for development of Free State natural gas project

South Africa's State-owned Industrial Development Corporation (IDC) has approved R218-million in loan finance to support the further development of a natural gas resource in the Free State through the creation of a 107-km pipeline network and associated gas processing facilities. The funding, which remains subject to the fulfilment of certain conditions, will be used by Tetra4, the natural gas subsidiary of JSE-listed energy company Renergen, which is also planning to raise a further R145-million in equity finance to implement the project.

Tetra4 owns South Africa's sole onshore petroleum production right, which, in 2015, was acquired from Molopo South Africa Exploration and Production in a deal valued at R650-million. It has since started producing limited volumes of gas, which is being processed at a recently completed natural gas compression station in Virginia and sold to Megabus, which uses compressed natural gas to fuel its bus fleet. Renergen has also concluded a helium take-or-pay agreement with industrial gas giant Linde, which is attracted by the helium-rich nature of the gas found in the Free State. Linde has indicated that it plans to build a facility by 2019 to purify, compress, liquefy and store helium for sale domestically and abroad. The helium component of the project will not feature in the current phase, which is designed to upscale gas production to well above 1 300 GJ/day and enable Tetra4 to pursue new markets for the gas, including gas-to-power opportunities.

Renergen CEO Stefano Marani says the key outstanding condition precedent relates to receipt, from the Petroleum Agency South Africa (Pasa), of a record of decision for the project's recently completed environmental impact assessment (EIA). The EIA process, Marani says, was uncontested and the EIA has been submitted to Pasa, which will make a recommendation to the Department of Mineral Resources for a final record of decision. "The EIA is the last remaining hurdle we have as a company before we can commence with the construction of the pipeline to reticulate the wells. Now that we have completed this EIA, with no objections, we have submitted it to Pasa and there is a statutory holding period of 107 days in which Pasa will make a recommendation." Marani expects the record of decision to be granted by the end of July or early August and for pipeline construction, all going to plan, to begin before the end of 2017. That being the case, the project would enter commercial operation before the end of the first half of 2018.
IDC basic and speciality chemicals business unit head Hilton Lazarus said the funding of Tetra4 was in line with the development financier's strategy of promoting gas usage in the country, particularly through exploitation of indigenous gas resources. The IDC loan has an eight-year term and should be drawn down by August 2019. Marani says the company is still weighing its options regarding the equity portion of the financing and that it is in no rush to approach shareholders. *(By Terence Creamer, Engineering News)*

AGRIBUSINESS

Bearish Cocoa? Here Are Five Reasons Why the Worst May Be Over

- High processing margins should boost demand for cocoa beans
- Top grower Ivory Coast may have little to sell going forward

If you thought Ivory Coast's record cocoa crop was enough to keep the bear run going, you may need to rethink. Cocoa futures almost halved from July to April on expectations that a bumper crop in top producer Ivory Coast would add to a global glut. But prices have since rebounded 15 %, with the July contract surging by a record. And there are other signs the recovery may continue. With processing margins at the highest in more than a decade, factories will likely buy more beans to make cocoa butter and powder used in chocolate products. At the same time, bigger-than-expected forward sales from Ivory Coast mean there might not be much more left to offload. Lower prices and higher input costs could also prompt farmers in West Africa to curb production. "With time, low prices will eventually trickle down into the market, encouraging consumption and discouraging production," Eric Bergman, a commodities broker at Jenkins Sugar Group Inc., said by phone.

Here are five reasons to be a bit more positive on prices:

Processing Margins

The price slump since mid-2016 is helping grinders to earn more money making cocoa products. The so-called combined ratio, a measure of profitability, last week reached the highest since 2005, according to KnowledgeCharts, a unit of Commodities Risk Analysis. That will probably help processing to rise 3 % this year, Bergman said.

Forward Sales

Ivory Coast has already sold 950,000 metric tons of cocoa from the bigger of two annual harvests that starts in October, a person familiar with the matter said. That's more than the 800,000 tons most traders had expected, said Eric Sivry, head of agriculture options brokerage at Marex Spectron Group Ltd. "The number surprised and traders may have translated it into something along the lines of 'There is much less origin selling left around'," he said.

Future Production

Farmers are under pressure. Ivory Coast has cut the price paid to growers by a third for the smaller of two annual crops. In No. 2 producer Ghana, the industry regulator said it would end the supply of free fertilizers to farmers. Starting this month, growers have to pay 70 % of those costs. “Low prices are the best cure for low prices,” Judy Ganes-Chase, president of J. Ganes Consulting, said in a report earlier this month. “Farmers will be cutting back on inputs and this will cause production to ease again and reduce the potential for back-to-back large surpluses.”

Speculative Position

While hedge funds aren’t as bearish as they were at the start of May, they’ve been betting on lower prices since November, reversing a bullish outlook that had stretched back to 2012. That could trigger a short-covering rally should there be more signs of tighter supply. "The bloated speculative short position led to covering over the past month, causing a rally in the outright price," JSG’s Bergman said.

Chocolate Sales

After two years of declines, global chocolate sales will expand by 0.6 % this year, according to Euromonitor International. Demand growth will accelerate to 1.1 % next year and 1.4 % in 2019, according to the London-based consumer research firm. *(By Isis Almeida, Bloomberg)*

In Nigeria, cocoa purchases have slowed due to the beans’ low weight

In Nigeria, purchases of cocoa have slumped as most of the beans for the ongoing harvest failed to fully develop. In addition to this, there is also the relative low weight of matured beans, revealed buying agents in the country’s cocoa-producing region which is in the southwest. Benjamin Adeyera, a cocoa-buying agent, in a phone interview with Bloomberg, attributed the high incidence of “flat beans” or beans that did not fully develop to the late arrival of rains in the early months of the year. He added that recent purchases ranged between 230-240g per 100 beans (as compared to 260-270g usually). “Most exporters are no longer advancing money to buying agents because of the high prevalence,” he revealed. Nigeria was ranked as the world’s seventh cocoa producer after its output estimate for the 2015-16 season was lowered to 190,000 metric tons from 270,000 tons by the International Cocoa Organization. *(Ecofin Agency)*

Ghana to Produce Biggest Cocoa Crop in Three Years

- Main crop harvest exceeds total output of two previous years
- Increasing output weighs on prices as supply beats demand

Ghana has recorded its biggest cocoa harvest in three years, according to two people familiar with the matter, after better weather conditions boosted output in the world’s second-biggest grower. Graded and sealed deliveries from the so-called main crop, the larger of two annual harvests, reached 812,153 metric tons by May 25, said the people, who asked not to be named because the information isn’t public. That compares with a combined 778,043 tons for the whole of the 2015-16 season, when severe desert winds damaged crops and affected rainfall. Cocoa output in Ghana and neighboring Ivory Coast, the top producer, has benefited this year from early rains and a mild Harmattan -- winds from the Sahara that bring dry weather and coolness to West Africa from December to February. Prices for the chocolate ingredient have dropped more than 30 % in London in the past year, as analysts predict a large global surplus for the season ending in September. Ghana Cocoa Board spokesman Noah Amenyah declined to comment on the crop size. Ghana has reverted to counting production from its two annual harvests separately for the first time in three years. Main-crop purchases ended May 25 and the smaller light crop will be harvested between July and September, Amenyah said earlier this month. *(By Ekow Dontoh, Bloomberg)*

Banana Farmers Go Nuts in South Africa Over Macadamia Boom

- Country vies with Australia as biggest macadamia producer
- Farmers planted 7.5 million new macadamia trees last year

Booming demand for macadamias is transforming farmland in eastern South Africa, as landowners switch focus from bananas and sugarcane to the creamy nuts used in sweet treats from ice cream to cookies. First introduced in South Africa in the 1960s, evergreen macadamia nut trees are grown on farms across the Limpopo, Mpumalanga and KwaZulu-Natal provinces, with about 2,000 hectares (5,000 acres) being added every year. The country, which vies with Australia as the top grower and exporter, produced about 28 % of the world's total output in 2015, according to data from the International Nut and Dried Fruit Council. "The macadamia story is a beautiful one," said Richard Mattison, one of the biggest private growers in South Africa, who has about 600 hectares of the trees on his farm near Port Edward, south of the coastal city of Durban. "In 2009, we got about 5 rand a kilogram of nuts. Now we're getting between 110 and 120 rand."

Estimated global consumption of macadamia nut kernels surged 59 % between 2010 and 2014, according to INC data. Yet the nuts, which are either sold in their shiny, brown shells or processed to extract a round, creamy kernel, only account for about 1 % of global tree nut production, with almonds, cashews and walnuts leading the rankings.

South Africa's output is likely to more than double by 2020, according to Alex Whyte, head of Europe, Middle East and Africa sales at the Green Farms Nut Company, which processes about 25 % of the domestic crop. The country may harvest as much as 45,000 metric tons of nuts this year, according to the Southern African Macadamia Growers' Association. About 95 % of production is exported, with China, the U.S. and Canada among the biggest buyers.

Besides an expansion in planting -- farmers added 7.5 million new trees last year -- yields are also improving as growing techniques improve. "From extracting between two to three tons a hectare, we're now getting between six and seven tons," said Mattison. Production of top quality nuts in the sub-tropical coastal region of KwaZulu-Natal is expanding faster than any other place in the world, according to Andrew Sheard, technical manager for Mayo Macadamias, which processes and markets the nuts. Macadamia nut trees inter-crop well with bananas, making their cultivation a "no-brainer," he said. "An established banana plantation provides the perfect micro-climate for a macadamia sapling."

Splitting the Risk

William Davidson, who farms in Umfolozi, about 220 kilometers (136 miles) northeast of Durban, is among those cashing in on the macadamia boom. He has about 60 hectares of the trees under cultivation, in addition to crops of sugar cane, timber and bananas, and plans to plant another 140 hectares by October. "It's all about splitting the risk and diversifying with a crop that the market can't get enough of," Davidson said. *(By Derek Alberts, Bloomberg)*

Forestry group with interests in Mozambique buys Woodbois International

The Obtala group, which owns forestry concessions in Mozambique, has bought Woodbois International ApS, a lumber production and marketing company, the group said in a statement.

The Obtala group, based in Guernsey, has 10 forest concessions in Mozambique covering an area of 120,000 hectares. The purchase of Woodbois International ApS, which owns a forestry concession in Gabon, was made through Argento Limited, a 75% subsidiary of the group, which paid US$14.8 million for the company. The statement added that the deal involves the purchase of 100% of Woodbois' capital, including land, fixed capital, inventory and the forestry concession in Gabon, with the objective of immediately increasing production of lumber, sawed wood and veneers. Following this purchase, which should be completed on 30 June, Align Research added 13.4 GBp to the previous recommendation to purchase the group's shares of up to 30.52 GBp. *(Macauhub)*

Mozambique is expected to produce 340,000 tons of sugar this year

Production from the four sugar factories in Mozambique is expected to reach 340,000 tonnes this year, up 16.4% from 2016, said Jorge Manjate of the Agrarian Development Fund.

Manjate told daily newspaper Notícias that this estimate is based on a good rain record during the 2016/2017 agricultural season, which leads to an expected good performance in the production of sugarcane, the raw material needed to produce sugar. He added that the positive estimate for the current campaign contrasts with last year's production, when the sugarcane harvest fell 11.2% compared to 2015 and led to a 16% drop in sugar production.

The drop in production recorded last year was mainly because of the failure of sugarcane production due to the lack of rainfall, which drastically reduced the availability of water to irrigate the fields, particularly in the southern region of the country. Four factories in operation, two of which are located in Maputo province, namely Maragra, owned by Illovo Sugar Group and Xinavane, managed by Tongaat Hulett, both from South Africa, represent the sector.

The other two factories are located in Sofala province, namely Moçambique/Mafambisse, also managed by Tongaat Hullet and Companhia de Sena/Marromeu, controlled by French group Tereos. The Agrarian Development Fund is a financial institution focused on the development of the agricultural sector in Mozambique under the Ministry of Agriculture and Food Security. *(Macauhub)*

UPCOMING EVENTS

19th annual Africa Energy Forum (AEF) from 7-9 June - Bella Center, Copenhagen, Denmark

http://africa-energy-forum.com/

African Forestry Investment Conference (AFIC) from 13-14 June in Accra, Ghana

http://newforestsforafrica.org/conference-june-2017/

AfDB's 53rd Annual Meetings, in Busan, Korea, from May 21-25, 2018

The Korea-Africa Business Forum and Cultural Exchange in Busan, has the specific goals of making the Bank's 53rd Annual Meetings successful by promoting the Korean general public's and private sector's interests in Africa. *https://www.afdb.org/en/news-and-events/the-korea-africa-business-forum-and-cultural-exchange-16819/*

4th Mining on Top- Africa Summit (MOTA) 6th -7th July 2017 Frankfurt Germany

http://ametrade.org/miningontopafrica/

Africa Hotel Investment Forum 11-12 October 2017 Radisson Blu & Kigali Convention Center – Kigali, Rwanda *www.africa-conference.com*

Africa Impact Investing Leaders Forum 2017 17-19 December 2017 London, UK *www.aiilf.com*

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Disclosures

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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.

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