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INSIDE AFRICA

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In-depth:
Alarm sounded on African debt

Debt service is taking an unsustainable share of government revenues, campaigners warn

"An indebted Africa cannot be a rising Africa," Akinwumi Adesina, head of the African Development Bank, told a gathering of the region's heads of state, senior ministers and leading financiers last year. That warning is acquiring greater weight as government debt burdens tick up in many African countries on the back of a rising dollar, low commodity prices, rapid borrowing during the low interest rate era and sliding currencies. The problem is not unique to Africa. Between 2014 and 2016, repayments of foreign debt by developing countries as a proportion of government revenues rose from an average of 6.7 per cent to 9.7 per cent, according to an analysis of 122 countries by the Jubilee Debt Campaign. For many, the proportion is much higher. The JDC — which helped orchestrate debt forgiveness after the debt crises of the 1980s and 1990s — says debt repayments by this measure are at their highest since 2007 and have reached dangerous levels. It warns that "a new debt crisis has begun in the global south" led by creditors hungry for yield after interest available from government debt in the developed world fell to zero or less. "In countries where debt crises have arisen, the danger is that the International Monetary Fund and others will bail out reckless lenders, increasing debt burdens and leading to years of economic stagnation, just as in Greece," says Tim Jones, economist at JDC. "Instead, reckless lenders should be made to shoulder some of the costs of recent economic shocks by accepting lower repayments." In much of Africa, memories of the debt crisis remain particularly painful, as IMF-led structural adjustments often compounded economic hardship. Of the 20 countries with the highest level of foreign debt payments to government revenue, eight are in Africa including top-placed Angola, where 44 per cent of revenues are spent on debt service, according to the Jubilee Debt Campaign.

African Countries prominent among those with greatest debt burdens

Country	Government debt service to revenues, %
Angola	44
Lebanon	42
Chad	39.2
Ghana	36.8
Bhutan	27.1
Montenegro	26.8
Sri Lanka	23.7
Grenada	23.5
Jamaica	23.1
Gambia	21.9
Fiji	21.5
Belize	20.9
Mozambique	20.2
Malawi	18.3
Laos	18.2
Jordan	17.5
Tunisia	16.6
Dominican Republic	16.3
Gabon	16.1
Marshall Islands	15.1

Source: Jubilee Debt Campaign with data from World Bank and IM

One factor Africa's indebted countries have in common is sharp devaluations of their currencies against the US dollar. Since mid-2014, the Mozambique metical is down 56 per cent against the dollar, the Angolan kwanza 41 per cent and the Ghanaian cedi 36 per cent, for example.

But while campaigners are sounding the alarm, the consensus among market economists is: not yet. "Debt levels and burdens are definitely up. This is worrying but it is nothing like the 1980s and 90s, when it was common for countries' debts to be many times GDP," says John Ashbourne, Africa economist at Capital Economics, a London-based consultancy. "All the US dollar borrowing [by African governments] has freaked people out, but in fact it is still very small compared to the economic output of Africa as a whole."

The impact of rising US interest rates is also likely to be much less damaging than it was as recently as the "taper tantrum" of 2013, when investors dumped emerging market debt after the US said it would begin reining in its expansionary monetary policies.
Communication by the US Federal Reserve has been much clearer, bond prices have adjusted to take account of its guidance on interest rate rises this year, and Africa's big currency adjustments against the dollar have already happened.
Despite some isolated upsets — such as Mozambique's tuna bond debacle and its failure to disclose more than $1bn of government-backed loans — recent borrowing has been spent in large part on much-needed projects to boost economic output, such as upgrades to power grids and other infrastructure. "There is a cost to that, but there is also a tangible benefit that will not necessarily be borne out in the short-term numbers," Mr Ashbourne notes.
It is also the case that many African governments have more financing options than they did in the late 20th century, and more experience managing refinancing needs when times get lean.
Western governments and multilateral lenders are no longer the only game in town. Regional pools of institutional capital have grown substantially, as have new sources of foreign capital such as China — whose loans are "probably the only reason Angola is not in default now", according to Charles Robertson, chief economist at Renaissance Capital, a Moscow-based investment bank with a focus on emerging markets.
In terms of government debt burdens, Mr Robinson says there is greater vulnerability in some Asian and European countries, "perhaps because most governments [in Africa] are very cautious about running into these issues again".
However, if government debt in Africa seems high but manageable for now, the greater risk may lie in the rising debts of banks and corporations across the region.
While sovereign debt is well-monitored and relatively easy to track, the scale of corporate indebtedness and the degree to which governments are on the hook is often not clear until things blow up — as happened in Mozambique. "Sovereign debt problems, now as in the 1980s, have a lender of last resort: the IMF. There is not one for corporations and banks," Mr Robertson notes. *(Adrienne Klasa is editor of This is Africa, an FT publication.)*

How can Africans trade more with other Africans?

Global companies were supposed to be more efficient, leveraging resources from across the world, from places where they are best sourced, to create value on an unprecedented scale. That seemed to be the case in fact.
Western multinationals used cheaper labour in underdeveloped countries to manufacture products that relied on inputs from all over the world and technologies developed in their more expensive labour markets. Studies now suggest these advantages are being lost. Labour is no longer as cheap in many places.
In China, for example, lifestyles are becoming increasingly aspirational – more Chinese are now seeking the good life and consequently demanding higher wages. In addition, local firms are now themselves employing the technologies developed in the more advanced labour markets – think Safaricom and M-Pesa in Kenya.
As The Economist put it in January, "the companies at the cutting edge are local, not global." As a result of these and other factors, such as the strong dollar, the profits of multinationals are falling. Thus it is increasingly difficult to make a business case for the global company, at least in the form of costly brick-and-mortar operations in numerous countries. And the reduction of global ambitions among the multinationals has coincided with resurgent populist nationalism in the developed world.
In response, the trend is increasingly towards localisation – a global company leverages its well-recognised brand but adapts it to the local conditions of the host country. General Electric, the American industrial giant, is a case in point.

In May 2016, Jeffrey Immelt, its chairman and chief executive, put the strategy succinctly: "Globalisation is being attacked like never before […] in the future, sustainable growth will require a local capability inside a global footprint."

Wasted opportunities

Other than in the large economies of Nigeria, South Africa, Egypt and Kenya, it hardly makes business sense for a multinational to build an entire supply chain in an individual African country. A cement manufacturer in Nigeria could easily supply the entire West African region. A bank in South Africa, where capital is abundant but opportunities scarce, could deploy capital in African countries desperate for investment. It should be easy to sell fertiliser produced in Morocco anywhere it is needed on the continent.

So why have long-established Western conglomerates on the continent not seized this opportunity? Instead, most build independent country operations ship out primary commodities to their home countries in Europe or elsewhere, and subsequently ship back finished goods into African countries. True, those in the fast-moving consumer goods sector do some manufacturing in-country and sell to the domestic market. But their operations are rarely regionally integrated.

African governments are partly to blame. Border restrictions, currency controls, incongruent trade regulations and so on stifle intra-African trade.

Governments say they want to promote such trade, but make little effort to do so. Even in the East African exception, where progress is being made in infrastructural integration, worries about the increasing dominance of Kenya have been a source of grumbling, for instance by Tanzania.

The challenge for companies

Still, if intra-African trade is to be lifted from its current paltry level, it is likely to come about through the cross-border supply chain activities of pan-African multinationals. Thus, it behoves African companies to take on the mantle of intra-African trade. "African economic development is going to be driven by African champions who operate across borders", says Andrew Nevin, chief economist at the Lagos office of PwC, a global consultancy. "[They] will be the primary way we connect African economies and make sure that Africans trade with Africans."

Amid longstanding lamentations by African policymakers about meagre intra-African trade (Benedict Oramah, president of Afreximbank, recently estimated it at 19% of the continent's total trade), could the pan-African company be a panacea? Charles Robertson, global chief economist and head of macro strategy at Renaissance Capital, an investment bank, seems to think so: '[The] idea about pan-African corporations or banks driving trade integration makes sense," he says.

Besides, African banks are already well set up for the task. Ecobank is the quintessential pan-African bank – headquartered in Togo, it has operations in 36 African countries. Another example is Nigeria's United Bank for Africa, which already operates in 18 African countries, but has plans to expand to another seven.

Building the supply chains

Meanwhile, some retailers and manufacturers have moved from being regional champions to developing an African ambition. Shoprite, the South African retailer has operations in at least 15 African countries, selling products manufactured in its home country across the continent.

In countries where the authorities have sought to buoy their domestic manufacturing capacity, Nigeria for instance, the retailer has adapted, adding locally manufactured products to the mix of goods on its shelves. And in the construction sector, Nigeria's Dangote Cement, largely owned by Africa's richest man, Aliko Dangote, is not only building plants across the continent, but has now begun to export cement from these plants to those countries where it only has import terminals.

Nigeria has become a net exporter of cement, courtesy of Dangote. With plants in Nigeria, Cameroon, Ethiopia, Congo, Tanzania, Zambia, and South Africa, and import terminals in Sierra Leone and Ghana, Dangote Cement is proof of the potential of the pan-African manufacturer as a veritable channel for intra-African trade.

In some cases, firms have been forced by circumstances to export to other African countries. The two companies licensed by Nigerian authorities to manufacture and distribute fertiliser, Notore

Chemical Industries and Indoroma Eleme Petrochemicals, together produce twice the national requirement of 1.1m tonnes. They export the excess.
This has proved a little troublesome, however. Raymond Agbi, group head of shared services at Notore lists some of the typical challenges as erratic customs regulations, transport and infrastructural bottlenecks and language differences. Currency controls can also be problematic. For intra-African trade to thrive, “regional organisations would need to streamline trade regulations,” he says. *(By Rafiq Raji, African Business)*

Plummeting oil revenue hits Lusophone prospects

Angola and Mozambique may have very different economies but their current economic problems have the same two root causes: low energy prices and economic mismanagement.
Low oil prices have slashed Angolan revenues and slowed the development of gas and coal projects in Mozambique. At the same time, Maputo’s borrowing resulted in default in January, while Luanda’s continued opacity and state control has not created an economy sufficiently robust to weather the period of low oil prices more comfortably.
Most forecasters have become more pessimistic about the two countries’ prospects. The World Bank has downgraded its forecasts for Mozambican growth in 2017 and 2018 by 2.5% and 1.4% respectively, to the still respectable figures of 5.2% and 6.9%.
It forecasts growth of just 1.2% and 0.9% in those years for Angola. There is little likelihood of strong growth in Angola for the foreseeable future. The Angolan kwanza and Mozambican metical were both among the 10 biggest depreciating currencies in the world in 2016, losing 18.9% and 33.2% of their value against the US dollar respectively.
Readers of African Business will be well used to this refrain, but the long-term answer is of course economic diversification. The rapid improvements in Mozambique’s transport infrastructure – and not just with regard to coal transport – offer some hope, while the tourism and agriculture sectors have huge scope for growth.
However, Ruth Bookbinder, Africa analyst at risk analysis company Verisk Maplecroft, says: “Productivity gains in agriculture remain limited at 3.2% per annum. There is some interest in agribusinesses but the sale of large tracts of land is always contentious and projects struggle to get off the ground. The manufacturing sector continues to underperform, partly due to a high minimum wage, which is likely to deter investors.”
Angola may be the third biggest economy in sub-Saharan Africa but it has made even less progress on diversification. Although there are plenty of other hugely oil-dependent countries, Verisk Maplecroft rates it as the least diversified economy in the world.
Just a few years ago Luanda was the focus of a big property boom and immigration from Europe, as the economy blossomed on the back of oil revenues, at least for the wealthy, although poverty levels and income inequality were always very high. However, the jobs have begun to dry up and there have been numerous reports of empty properties in gated communities.
The official Angolan exchange rate has fallen from 97 kwanza to the US dollar in 2014 to 165 now, although the black-market rate is more than three times as high. This has pushed up the already high cost of imports. The rate of inflation increased from 17.3% at the start of 2016 to 45% by the end of the year.
Some reports suggest that the government is running down its foreign exchange reserves at an alarming rate. The central bank has responded by repeatedly raising interest rates, which now stand at a record 16%. Luanda has improved its finances by cutting expenditure, including the reduction of fuel subsidies, which are eventually to be phased out.

IMF advice

In its most recent report on Angola, which was published in early February, the IMF advised Luanda to cut its budget deficit for this year to 2.25% of GDP. It warned: “The shock of oil prices that began in mid-2014 significantly reduced tax revenues and exports, with stagnant growth and a

sharp rise in inflation, which has highlighted the need to respond more forcefully to vulnerabilities and the dependence on oil and to diversify the economy."
Assessment of state finances is difficult because the government does not publish details of most of its loans. The IMF would publish any support it gave, but talks with Luanda over potential financial support ended in July.
However, the IMF reports that government debt as a percentage of GDP reached 71.6% in 2016. Total tax revenues fell to K3 trillion ($18bn) in 2015, from K4.9 trillion in 2012.
John Ashbourne, Africa economist at Capital Economics, warns that Angola "has a struggling economy, an over-valued currency, and large public and private debt loads. And given Angola's opaque – and at times overtly secretive – government, it's also the country most likely to spring a Mozambique-style surprise by announcing that things are much worse than the official figures suggest."

Cabo Verde builds a new reputation

In its World Economic Situation and Prospects 2017 report, the UN Department of Economic and Social Affairs forecast reasonable growth for the other three Lusophone countries: São Tomé and Principe (5.5%), Guinea Bissau (4%) and Cabo Verde (3.5%). Cabo Verde's current experience is particularly interesting. It joined the ranks of the world's middle-income countries in 2008, one of very few sub-Saharan states to do so.
This posed the government a number of challenges, as it affected its eligibility for donor support. In addition, the country's lack of natural resources has left it overly dependent on tourism and overseas remittances.
Over the past few years, the government has managed to stabilise the economy, although its deficit peaked at a rate of 7.4% of GDP in 2014. It has also helped promote the archipelago nation with an unusual economic strategy: it is seeking to become the first country in the world to generate all of its electricity from renewable energy projects. This is particularly difficult given that the population is scattered over nine islands with no transmission links between them. However, the cost of importing diesel for thermal power plants is also very high, with power generation feedstock accounting for 20% of the country's entire import bill.
The government is confident that it can produce all the electricity it needs from wind and solar. Wind power will also be used to desalinate water. Wind farms on the four most populated islands already produce 25% of the country's electricity and so last year the government increased its renewables target from 50% of all power production by 2020 to 100%. This fits in with its environmental image, which in turn complements its role as a popular tourist destination, attracting an estimated 640,000 visitors in 2016. *(By Neil Ford, African Business)*

IMF, WORLD BANK & AFRICAN DEVELOPMENT BANK

World Bank Group Announces Record $57 Billion for Sub-Saharan Africa

BADEN BADEN, Germany, March 19, 2017— Following a meeting with G20 finance ministers and central bank governors, **World Bank Group President Jim Yong Kim** today announced a record $57 billion in financing for Sub-Saharan African countries over the next three fiscal years. Kim then left on a trip to Rwanda and Tanzania to emphasize the Bank Group's support for the entire region.
The bulk of the financing – $45 billion – will come from the International Development Association (IDA), the World Bank Group's fund for the poorest countries. The financing for Sub-Saharan Africa also will include an estimated $8 billion in private sector investments from the International Finance Corporation (IFC), a private sector arm of the Bank Group, and $4 billion in financing from International Bank for Reconstruction and Development, its non-concessional public sector arm.
In December, development partners agreed to a record $75 billion for IDA, a dramatic increase based on an innovative move to blend donor contributions to IDA with World Bank Group internal

resources, and with funds raised through capital markets. Sixty percent of the IDA financing is expected to go to Sub-Saharan Africa, home to more than half of the countries eligible for IDA financing. This funding is available for the period known as IDA18, which runs from July 1, 2017, to June 30, 2020. *"This represents an unprecedented opportunity to change the development trajectory of the countries in the region,"* **World Bank Group President Jim Yong Kim** said. *"With this commitment, we will work with our clients to substantially expand programs in education, basic health services, clean water and sanitation, agriculture, business climate, infrastructure, and institutional reform.*"

The IDA financing for operations in Africa will be critical to addressing roadblocks that prevent the region from reaching its potential. To support countries' development priorities, scaled-up investments will focus on tackling conflict, fragility, and violence; building resilience to crises including forced displacement, climate change, and pandemics; and reducing gender inequality. Efforts will also promote governance and institution building, as well as jobs and economic transformation. "*This financing will help African countries continue to grow, create opportunities for their citizens, and build resilience to shocks and crises*," **Kim** said.

While much of the estimated $45 billion in IDA financing will be dedicated to country-specific programs, significant amounts will be available through special "windows" to finance regional initiatives and transformative projects, support refugees and their host communities, and help countries in the aftermath of crises. This will be complemented by a newly established Private Sector Window (PSW)—especially important in Africa, where many sound investments go untapped due to lack of capital and perceived risks. The Private Sector Window will supplement existing instruments of IFC and the Multilateral Investment Guarantee Agency (MIGA) – the Bank Group's arm that offers political risk insurance and credit enhancement – to spur sound investments through de-risking, blended finance, and local currency lending.

This World Bank Group financing will support transformational projects during the FY18-20 period. IBRD priorities will include health, education, and infrastructure projects such as expanding water distribution and access to power. The priorities for the private sector investment will include infrastructure, financial markets, and agribusiness. IFC also will deepen its engagement in fragile and conflict-affected states and increase climate-related investments. Expected IDA outcomes include essential health and nutrition services for up to 400 million people, access to improved water sources for up to 45 million, and 5 GW of additional generation capacity for renewable energy.

The scaled-up IDA financing will build on a portfolio of 448 ongoing projects in Africa totaling about $50 billion. Of this, a $1.6 billion financing package is being developed to tackle the impending threat of famine in parts of Sub-Saharan Africa and other regions.

Tanzania is a Frontrunner for Scaled Up Resources from World Bank Group

DAR ES SALAAM, March 20, 2017 — Today World Bank Group President Jim Yong Kim announced that Tanzania will be able to access up to $2.4 billion in concessional financing over the next three years, an increase of half a billion dollars over previous allocations.

The additional resources will come from the World Bank Group's International Development Association (IDA), the Bank's fund for the poorest, which in December of last year received a record 18th replenishment of $75 billion. Approximately $45 billion of those funds will be invested in Africa over the next three years.

Because of Tanzania's strong macroeconomic management and political stability as well as the overall growth opportunities in the country, Tanzania's is one of the "scale-up countries," meaning that in addition to concessional resources, they will be able to borrow additional resources on non-concessional terms that are lower than market rates.

Kim made this announcement during a ceremony in which he and Tanzanian President John Magufuli laid the foundation stone for the Ubungo Interchange in Ubungo District of Dar Es

Salaam. The interchange will be financed under one of the three projects signed today, with a total value of $780 million.
The Ubungo Interchange is a critical piece of infrastrucure designed to reduce congestion at a key strategic gateway in Dar Es Salaam, and the next step in an ambitious effort to connect the Port of Dar Es Salaam to rural areas, industries, and the wider region. Kim underscored the need to leverage private sector investment for infrastructure development as well as in job-creating industries for the estimated 800,000 young men and women entering the labor market in Tanzania each year. "Investing in infrastructure has a significant multiplier effect, spurring growth in subsequent years," **World Bank Group President Jim Yong Kim** said. "Right now there are trillions of dollars of capital in the developed world seeking higher returns. We see tremendous opportunities in developing countries for private sector investment in areas like infrastructure, which is crucial for jobs and growth. The key to unlocking this potential is through greater collaboration between the public and private sector to achieve each developing country's highest aspirations."
The Ubungo Interchange will be constructed under the Dar Es Salaam Urban Transport Project (DUTP) as a follow-on investment to the Second Central Transport Corridor (CTCP2) financed by the World Bank. The CTCP2 pioneered the establishment of the first phase of the Bus Rapid Transit (BRT) system in Dar es Salaam City.The DUTP will also finance Phases 3 and 4 of the BRT while supporting capacity enhancements for public transport institutions.
Dar es Salaam has a population of 4.4 million and is growing at a rate of 6.5 % per year. It is expected to achieve megacity status before 2030. The Ubungo Interchange is expected to reduce congestion, improve travel time, and decrease costs for commuters and commercial consumers. Kim and President Magufuli also signed the financing agreements for the $225m Second Water Sector Support Project (WSSP2), and for the $130m additional financing for the Tanzania Strategic Cities Project. The WSSP2 will support the strengthening of capacities for integrated water resources planning and management in Tanzania, as well as improve access to water supply and sanitation services in Dar es Salaam. The Tanzania Strategic Cities Project will finance an upscaling of infrastructure in eight cities across Tanzania.

Egypt signs four agreements with AFD valued at €259 million
Egypt's minister of investment and international cooperation, Sahar Nasr, signed four agreements with the head of operations of the French Development Agency (AFD), Laurence Breton-Moyet. The agreements which are valued at €259 million mainly aim to support power sector, waste water treament and healthcare.
Nasr said the financing is divided in loans and subsidies. The first loan granted to the ministry of finance, €175 million, will help support a government-initiated reform programme in the energy sector. This loan will come with a €3 million subsidy which aims to support a technical programme carried out by the Ministry of Power and Renewable Energy. AFD also agreed to provide a third facilty worth €31 million for a project to boost basic healthcare service quality in Egypt. Under this facility, €30M will be in the form of a loan while remaining €1 million will be a grant.
Last, the fourth loan valued at €50 million, will be dedicated to the establishment of a plant where will be treated waste water from Easter Alexandria. The project includes the construction of a "sludge digestion unit" connected to the existing water treatment unit, the largest in Alexandria. It processes 800,000 cubic metres of water each day. The project should start in the second half of 2017 after all the agreements have been finalized. *(By Fiacre E. Kakpo, Ecofin Agency)*

EIB signs Kshs 10.45 billion support for East African entrepreneurs
The European Investment Bank has signed two new credit lines for East-Africa this morning for a total of EUR 95 million (Kshs 10.45 billion) to be made available through Equity Bank and HFC Limited to support smaller local projects in Kenya, Tanzania, DRC and Uganda.

EIB Vice President **Pim van Ballekom**, responsible for operations in East Africa, commented: “The credit lines signed today will not only benefit people in Kenya, but are meant for people in neighbouring countries as well. The EIB is committed to supporting Kenyan Banks in providing credit to the young and growing population in the region. Kenya is increasingly becoming a hub for the region on many levels and we as a Bank must look at this from a very basic point of view: there is a young and growing population with enormous potential, you need credit to support that momentum.”

The EIB signed a EUR 75 million (Kshs 8.25 billion) credit line with Equity Bank, under which funds are earmarked for three subsidiaries; EUR 36 million (Kshs 3.96 billion) for Equity Tanzania, EUR 20 million (Kshs 2.2 billion) for Procredit DRC and EUR 19 million (Kshs 2.09 billion) available through Equity Uganda. The on-lending will be available in USD or local currencies with the objective of contributing to job creation and poverty reduction. In addition, Equity Group will benefit from a EUR 2m (Kshs 220 million) technical assistance program funded by the EIB to support its strategy of transforming branches into SME business centres.

Equity Group Managing Director & CEO Dr **James Mwangi** said ‘With this facility of Kshs 8.25 billion (EUR 75 million) we will be in a position to support up to 1000 regional companies with an average loan of nearly Kshs 10 million each thus assisting develop local entrepreneurs to compete at regional level furthering integration and cross border trade.”

Next to this, a EUR 20 million (Kshs 2.2 billion) credit line under the EIB’s East and Central Africa Private Enterprise Finance facility was signed with HFC Limited. This credit line will support HFC in providing the much needed longer term financing to private enterprises and commercially operated public sector entities in productive sectors in Kenya, in line with EU and national development priorities. In addition, HFC will benefit from EIB funded technical assistance program aimed at strengthening capacity in line with its strategy. “I am proud to note that the success of the initial funding by EIB, has now brought more opportunities and we are happy to be recipients of another 20 million Euros, which is undoubtedly, an endorsement of the impact HFC is having on the SME sector. This new funding will be channelled towards financing the working capital and expansion of our growing SME customer base.” Said **Sam Waweru**, HFC Managing Director.

Since September 2014, the credit lines in the region are supported by a EUR 5 million (Kshs 550 million) technical assistance (TA) programme to support financial intermediaries and SMEs over a 3 year period. The programme will be extended for a further 3 years from April 2017 for an additional EUR 4.7 million (Kshs 517 million) and is coordinated out of Nairobi, with a permanent presence of consultants in Kenya, Tanzania, Uganda and Rwanda.

In the last seven years, the EIB has provided EUR 321 million (Kshs 35 billion) in credit lines for Kenyan businesses, which have benefitted nearly 800 Kenyan companies, creating over 9,000 new jobs in agriculture, education, transport, tourism, trade and other sectors.

EIB signs extensive support for Kenyan energy and transport

During an official visit to Kenya, the European Investment Bank (EIB) has pledged new support for projects in the power and transport sectors. Also, at a press conference In Nairobi with Cabinet Secretary for the Treasury Henry K. Rotich, the signature of a connectivity project was announced. The EIB’s three-day programme will include a site visit to the Lake Turkana Wind Park, the largest windfarm in sub-Saharan Africa developed by the private sector, which the EIB helped finance in 2014.

At the Treasury the EIB signed the “Last Mile Connectivity” project, which will connect nearly 300.000 Kenyan households (equalling up to 1.5 million Kenyans) to the national electricity grid. The EUR 60 million (Kshs 6.7 billion) EIB loan concerns a multiple scheme electrification project, targeting universal access to electricity for the Kenyan population by 2020. It is part of a European “blended” financing package comprising a EUR 90 million (Kshs 10 billion) loan from the Agence Française de Développement and a EUR 30 million (Kshs 3.3 billion) grant from the European Union.

EIB Vice President **Pim van Ballekom**, responsible for operations in East Africa, commented: “Kenya is increasingly becoming a hub for the region on many levels. We as a bank must look at this from a very basic point of view, namely that there is a young and growing population with enormous potential, and that you need investments to support that momentum, both directly and indirectly. Thanks to today’s signature over 300.000 Kenyan households – up to 1, 5 million people - will soon be connected to the electricity grid, a basic condition for further economic growth. Two further projects that we have committed to will improve access to Mombasa harbour and support geothermal energy at Olkaria. Contributing to key infrastructure is one of the ways in which the EIB supports basic services, entrepreneurship and competitiveness in Kenya and we are happy to be able to partner up with local and European partners to achieve this.”
Letters of intent were signed for two further very advanced projects, one being an extension of the existing Olkaria I geothermal plant. Here, the financing - for a total amount of EUR 113 million - will support the addition of a 70MWe turbine, as well as the construction of the necessary wells, steam gathering system and interconnection facilities. Next to that, the EIB pledged to finance an upgrade and widening of the Port of Mombasa access road, regarding the section of 42kms between Mombasa and Mariakani. The project aims to improve the safety situation on the road as well as alleviate congestion which causes delays for goods travelling through Mombasa. The project is co-financed by a concessional loan of EUR 50 million approved by the German Government and to be provided by KfW Development Bank, as well as a EU grant contribution and a loan from African Development Bank.
Just last week, the EIB signed a USD 17.5 million commitment into Catalyst Fund II, a Nairobi based growth equity fund supporting SMEs and Mid-Caps in East Africa. Priority target countries for this fund include Kenya, Tanzania, Ethiopia and Uganda, with several others also under consideration. The fund has a target size of USD 175 million with which Catalyst intends to invest in up to 12 companies, with the goal of generating social and developmental impact benefits.
The European Investment Bank has supported transformational investment across Africa for more than 50 years and operates in Kenya since 1977. Over the last decade the EIB has provided more than EUR 22 billion for long-term investment across Africa.

INVESTMENTS

Portugal: Equipment firm intends to invest in Angola

The Portuguese firm ACIN-Solutions, whose head-office is in the Portuguese autonomous region of Madeira, intends to extend its activities to Angola in the domain and trading of computer equipment for the public administration sector.
This has been said by the said company’s director and founding member, Luís de Sousa, during a meeting with the Angolan ambassador to Portugal, José Marcos Barrica. Luís de Sousa said he knows that the Angolan market is very fertile in terms of equipment servicing, reason why he has developed an interest in investing in Angola. The Angolan ambassador to Portugal, Marcos Barrica, had a meeting with members of the Funchal Trade and Industry Association (ACIF), during which it was analysed the possibility for Madeira entrepreneurs to invest in Angola in the areas of information technologies, tourism (ecotourism) and agribusiness. *(Angop)*

Danone to acquire 100% of Brookside Dairy Tanzania

French dairy group Danone plans to become the majority stakeholder in the Tanzanian subsidiary of the Kenyan dairy firm Brookside Dairy. Without disclosing the terms of the acquisition, Danone informed the Tanzanian Fair Competition Commission (FCC) of its plans. The move which is still to be approved by the FCC should see the French company acquire all the shares of the Kenyatta family in the firm. Moreover, Danone will keep a minority stake in Brookside Dairy units in Kenya and Uganda. The acquisition is the most recent action of the French company’s expansion strategy in Africa. In the framework of its expansion across the continent, Danone partnered with the emirati venture capital fund Abraaj to acquire the capital of Ghanaian firm Fan Milk in 2013. Most recently, in July 2014, the French firm acquired 40% of Brookside

Dairy Ltd leaving the remaining 60% to the Kenyatta family (which previously 90% of the firm). *(By Espoir Olodo, Ecofin Agency)*

Obtala group prepares to expand forestry business in Mozambique

The Obtala Limited group plans to make use of the closed forestry season in Mozambique to lay the foundations to expand its business and increase productivity of the ongoing operations in the country, the group said in a statement.

The closed season on forest resource exploration imposed by the government of Mozambique from 1 January to 31 March of each year is also being used by the group to carry out maintenance and repair of equipment as well as to plan activities to the end of 2017.

As a result of repairing some equipment, the Mozambican subsidiary of the group made use of the wood that was cut in the fourth quarter of 2016 to produce 1,500 sleepers, which were delivered to customers in February and increased the capacity of its sawmill located in Uape to process an average of 9 cubic metres of wood per day.

The group intends to increase the two concessions that were in operation at the end of 2016 to five operating concessions, and is currently in the process of hiring foremen as well as other staff and equipment, which should reach the site in the second quarter of this year. The statement also said that a location has been identified for a new sawmill to be built in Nampula, and that construction of buildings and installation of equipment should be completed by the end of 2017, which will add a capacity of about 100 cubic metres per day. The Obtala group, based in Guernsey, has 10 forest concessions in Mozambique covering an area of 120,000 hectares. In a statement issued the group announced that it had reached an agreement in principle with Wealth Bank Limited, a Hong Kong-based company, to issue 20 million shares with an issue price of 4 million pounds. *(Macauhub)*

Mozambique attracts US$107 million in tourism investments in 2016

Investments in the tourism sector in Mozambique reached US$107.8 million in 2016, a decrease of 44.1% over the amount recorded in 2015, said in Maputo the Minister of Culture and Tourism, Silva Dunduro.

The minister, during a meeting to announce the Welcome Easter campaign aimed at tourists mostly from South Africa, said that last year Mozambique received 1.71 million tourists, an increase of 5% compared to 2015.

The Minister noted the government had recently approved measures to make it easier for tourists to enter Mozambique, including opening 18 border posts allowed to issue border visas, as well as granting tourist visas allowing two entries for a period of 30 days and extending the opening hours of some of these posts. The major international sources of tourists to Mozambique are Germany, UK, Portugal, the United States, the Netherlands, France, Italy and the emerging economies of India, Pakistan, Brazil and China, which together accounted for 80% of the total in 2016. The main source of regional tourism to Mozambique is South Africa, Zimbabwe, Malawi and Swaziland, which accounted for 64% of total African tourists who entered the country last year. *(Macauhub)*

China and São Tomé and Príncipe join hands for a brighter future

Patrice Emery Trovoada is already well-known beyond the borders of São Tomé and Príncipe, well into the region of Central Africa. In just a few weeks, his notoriety will significantly increase the world over as he arrives in Beijing to sign a historical co-operation agreement between the Democratic Republic of São Tomé and Príncipe and the People's Republic of China. The agreement will mark the return of São Tomé and Príncipe back into the fold of the Sino-Lusophone family as well as the nation´s formal entry to Forum Macau.

Prime Minister, what are the main unexplored potentials of São Tomé and Príncipe today?

Patrice Trovoada (PT): I think among the most unexplored is the fishing sector, which until today, even at a national level, has been limited to small-scale fishing, even though we control an immense maritime territory bigger than that of many countries, including Cameroon.

There is the possibility of advancing our industrial fishing, especially by establishing a fish processing industry. This is something that has not been explored much but could be a great boom to our domestic economy that would not require much initial investment. We already own the maritime territory and resources; what we need is a port infrastructure capable of receiving and servicing modern fishing boats as well as a land infrastructure capable of handling product exports.

Then there are other sectors with great potential that are already in place but require some support in terms of infrastructure in order to expand. For example, tourism: an airport that could service direct flights from Asia, the Americas and even Northern Europe – markets with tourists looking to take vacations abroad – would really help the tourism sector grow exponentially. Aerial connectivity is fundamental; it could catapult regional weekend tourism growth into the double digits. There's Accra in Ghana, Lagos in Nigeria – a city with 20 million inhabitants, one of only five cities in all of Africa to have over a million residents – Luanda in Angola, Cairo in Egypt and Cape Town and Johannesburg in South Africa.

These are just a few of the nearby major urban hubs: two of them, Luanda and Lagos, are less than two hours away by flight. At the sub-regional level, the major concern is air traffic safety, and when it comes to intercontinental tourism, the major obstacle is having a modern and capable airport. We could potentially have very strong growth in the tourism sector, which would substantially improve the sustainability of São Tomé's economy.

Our geographical position is very conducive to supporting both airport and port logistics and creating moderate-sized infrastructures for service and transport. What we have to be careful of, with industrial growth, is maintaining the nature of the islands and our beautiful beaches. We also need to ensure safe transport of people and goods.

There may also be a wealth of untapped potential, although to date this has been mainly speculation, in natural oil and gas reserves. The African continent is rich in oil and gas – from Senegal to Angola, it seems there is no spot without one or the other – so it would seem anomalous if there was not a bit here! (laughs) It is still speculative, but I believe that we could be producing oil within the next five or six years.

And what are some of the difficulties and challenges that must be overcome?

PT: There are several types of difficulties. Lack of infrastructure is first and foremost, but I am convinced that our advocacy has helped our partners realise that financing infrastructure is a priority. It is simply a question of the appropriate business model: the interest rate, payback capability, etc., but we are on the right track.

Another difficulty is available human resources. We are an extremely young country. Our education system is good overall, but it needs to be polished. We need specialised labour; more specifically, we need to adapt training programmes to the labour market as well as to regional economic reality. Currently, our jurists all speak Portuguese; none speak English or French. We own maritime territory, but nobody specialises in maritime economics or maritime law. We are an island, yet we have few sailors, sea captains, naval repair engineers, etc. So it is necessary to consider the market when guiding human resources training.

This is a major challenge that could be compensated with foreign labour, but that would have to be accompanied by policies preserving the interests of our nationals and maintaining the identity of São Tomé.

These are not insurmountable challenges. The technological challenge is easier to solve; the issue of human resources is more complicated. It requires a mobilisation of our citizens to define a collective vision for our development. Vision cannot be just dreaming, it must include a component of realism and a reasonable timeframe. If we only dream, nothing will happen.

How does the decision to resume the relationship with the People's Republic of China factor into these challenges?

PT: One cannot play a role in the provision of services and logistics or participate in the global economy and international trade while excluding the largest bilateral partner on the African continent. Thus, the development vision of São Tomé and Príncipe and the well-being of our people necessitate resuming economic, political, cultural and diplomatic relations with China.

Another important point is that long-term policies and political and societal stability must have a legal basis. After 20 years, we recognise that, in terms of international law and among the international community, there is a growing sense that there is only one China, which is represented by the government of the People's Republic of China.

Our ambition for our country and for our people is exercised alongside the humility and self-awareness of our size and our potential, and above all, we must correctly align with what is commonly recognised as international law. We accept, in general, universally accepted values regarding environmental preservation and fundamental rights and freedoms and adopt a policy of non-intervention when it comes to the internal affairs of other countries.

We recognise that the Taiwan issue is an internal matter of the People's Republic of China and support solutions of harmony rather than encourage situations of friction and rupture. We continue our friendship with the people of Taiwan without question. We also understand that under a one-China policy, the values of all native residents of China are preserved.

Our shift in allegiance is a matter of political domain: twenty years ago, the reality was very different. Today, the world is different, the options are different. Taiwan has failed to gain official recognition in the eyes of international law, while China has made great progress in all areas – its economy, its understanding of human rights – including ratification of the Paris Treaty. All this has factored into our decision. We are pro-globalisation because a country such as ours relies on trade to flourish. China will help open us up to many opportunities.

What can you tell us about the content of the agreement to be signed between the two countries?

PT: Obviously we want this to be a relationship of mutual advantage, with both governments cooperating for respective economic growth. China does not throw money out the window: it invests in its interests, and there definitely are many projects of mutual interest. We need time to assess our capacity to take on debt as well as our capacity to supply and support these projects – the materials, workers, infrastructure and equipment required. There is also detailed technical-financial cross-analysis that needs to be done. We have nearly completed this step, after which we will be able to detail our infrastructural collaborations.

Given China's access to funding, it will be Chinese companies carrying out the work, but we also have to repay China, so we need to discuss how to do that while still optimising our domestic economy to benefit our people. But I want to emphasise that neither government wants to gift white elephants. These investments will generate revenue, which will in term pay for themselves. They are well-studied, well-financed and well-prepared. Their internal rate of return is on par to that used by private investors to ensure that these investments are repaid as the economy simultaneously grows.

This partnership will provide political, diplomatic and geo-strategic advantages for both parties, but I think most importantly, there is great potential for mutual profit. That is the only way to ensure that the flow of investment and credit continues. We have a very clear idea of what funding is needed over the next 30 years, but for that to happen, there needs to be mutual confidence that the projects are sound and that they have financial backing. Hopefully they will inspire our other partners to take the plunge (laughs) and invest more in this country. We are banking on simultaneously diversifying both our economy as well as our foreign policy.

What kind of partnership do you expect with China?

PT: I am convinced that this new partnership will bring many positive outcomes; however, our co-operation may not be the "classic" model that China has with many other African nations. Today, there are roads, hospitals, schools, public buildings, water and energy infrastructure all over the African continent built by Chinese companies. But predominantly, this has been in countries with vast oil, gas and mineral reserves, which is not the case with São Tomé.

We are a small but well-situated nation with many appealing factors in our favour: we are streamlining our visa application process for visitors, lowering taxes, pro-reform, pro-business, pro-trade, just to name a few. We are not interested in what has become the standard model for Sino-African co-operation. We envision a truly long-term intellectual partnership upon which to build a platform of understanding. I am convinced that there is much to do together.

As I see it, there are two African continents: the first is dominated by capitalistic international mega-companies like Total S.A., Shell Oil Company, Sinopec Limited and other Chinese companies. But there is also a continent, which in 30 years will have 2 billion eager consumers. Hopefully the standard of living will have increased and poverty decreased and a growing labour force will entice China to relocate some of its major industries, as in the case of Ethiopia, which has been transformed into a hub for the production of footwear. It is with this perspective that we seek this long-term partnership.

I am quite confident that this co-operation will transform São Tomé and Príncipe. But it's a matter of expectations. There are people who may be waiting for castles, but we will not build castles or palaces (laughs), nor will we offer cars to every government official. We will, with China's help, build up our infrastructure, thus creating employment and a good business climate, which will attract more companies here, which will again create more jobs. As household income rises, people will be able to send their children to school. It will be a process but will provide a basis for a more independent, sustainable, tranquil and optimistic future.

One issue we are currently analysing is inflation. When an economy "overheats" from an influx of investments, how will we control inflation? Over the next two years, we have to control inflation to ensure that our people do not lose purchasing power and that wages remain competitive. The government's plan to maintain political and social stability is to call on the population to remain calm and confident. Opposition parties have been stirring the pot and trying to complicate the situation. They are playing their part in politics, and their time will come, but for now, we have to put aside our differences and partake in a climate

of responsibility, because at the end of the day, we all share a common goal and want the best for our country. I often say that my political base consists of the poor. 65 per cent of this country's citizens live in poverty. We have to make the fight against poverty a priority. Economic development and private capital inflow will only happen if the State provides basic infrastructure.

Are you going to China in April to sign the agreement?

PT: We have established a timeframe to finalise the agreement before the end of April, and probably at that time I will visit China with great pleasure, but we will see.

When you talk about the port and the airport, you underline the issue of profitability. Does that mean Chinese groups could use São Tomé as a platform for distribution of goods and services to the region?

PT: Yes. The port and the airport are six kilometres apart. We want to connect them via a highway and build warehouses and offices, etc., along this corridor. It would be the ideal place for Chinese companies to facilitate re-export activities, as long as some value is added locally. This would be set up in phases. In the first phase, we need to see how things evolve at the port and analyse business growth. Given São Tomé and Príncipe's geographic situation, the port ought to be highly competitive with others on the continent. The port allows a draft of less than 14.5 metres, which is unusual for most African ports. So this first phase, in which risk is controlled, allows for the establishment of an industrial fishing operation as well as a transhipment operation, where arriving goods are re-exported regionally. Additionally, should the country enter oil-related industries, it is ideal to have the airport and port in close proximity. Having the two infrastructures side by side would facilitate efficiency in exporting relevant goods by sea, by cargo plane, by speed boat to the oil rigs, etc.

These kinds of agreements with China tend to include a training component, given the capacity of Chinese universities. Has a training or educational exchange been established?

This year, we have already sent about 90 university students to China. We also want to promote short-term but in-depth training in various fields: media, public and private management in different sectors, building and factory maintenance, defense, security, traffic policing, non-profit agencies – these are areas in which we particularly need qualified workers. Collaborating with a small country like ours, the opportunity costs to China are minimal. When, for example, China invests US$200 million in a massive road project in the middle of the forest, no one sees that road. But invest US$200 million in São Tomé and Príncipe, and you could see the changes it brings even if you were on the moon! We must prove that this partnership can indeed be a success story with regards to transparency and maximum impact for the people of our country and the businesses of theirs. I am convinced we're going to make it happen.

Entrance to the Forum Macau will open the door to China's investment funds, right?

PT: Exactly. We have expressed to the Chinese government that we wish to utilise all existing mechanisms available for economic and human development. So it is true that we see Forum Macau as a major bonus and means by which we may mobilise financial investment to aid in our country's growth. Forum Macau is unique in that it allows us to interact with others in the Portuguese-speaking world, to share knowledge and learn from each other's experiences.

I do not believe that failures perpetuate themselves. It's the success stories that repeat themselves. Business ventures can only create potential opportunity; how they turn out – good or bad – depends entirely on the effort and dedication put forth. In São Tomé and Príncipe, a million-dollar business or investment could be a great thing.

It is not enough to dream big, nor is it enough just to have an abundance of resources. Sometimes it is better to leave something well enough alone than take a chance and ruin it. Success takes partnerships and collaboration, working together with people who have the know-how and skills. This is our attitude, how we want to approach our future: partnerships, partnerships, partnerships, openness, openness, openness, so that we can build a sustainable economy. Ultimately, the end goal is not growth but happy citizens and higher standards of living for all. *(Macauhub)*

BANKING

Banks

IMF positive about restructuring of Angola's BPC bank

The restructuring and recapitalisation plan of Angolan bank Banco de Poupança e Crédito (BPC) has received a positive assessment by the International Monetary Fund (IMF), according to statements by the Head of Mission Ricardo Velloso, in Luanda. Velloso noted at the end of a meeting with members of the 5th Commission of Economy and Finance of the National Assembly, the Angolan parliament, that BPC is an

"important bank" in the country's financial system and "should contribute to the development of Angola," according to Angolan state news agency Angop. Shareholders of the publicly-owned bank met in a general meeting, having appointed new governing bodies and approved a capital increase totalling 90 billion kwanzas.
The IMF mission gathered some suggestions and issues that can be developed over the coming months to prepare for the annual consultations under Article IV, such as the development of an insurance and pensions market, which could serve as additional sources of financing. Referring specifically to the economic reality of Angola, Velloso said that the situation is not much different from the information included in the latest report on the country, published this year. The report released in February showed, among other points, that Angola had suffered an external shock due to the reduction in the price of oil and that the country's adjustment to this new situation was a very big challenge in terms of tax reform. *(Macauhub)*

Banco Postal starts operating in Angola
Angola has another bank operating in the market, Banco Postal, which will support the development of companies and create jobs across the country, said in Luanda the national director of Postal Services. Walter Teixeira told Angolan news agency Angop that Banco Postal will meet the population's needs in terms of payments for goods and services at a single bank and in places where sometimes there is no bank branch. "Around the world people no longer send letters and so, taking into account the need to update the postal services, a postal bank allows people to do everything from paying electricity and water bills to buying insurance," he said. Banco Postal, a partnership with the Empresa Nacional de Correios e Telégrafos de Angola (National Post and Telegraph Company of Angola), ENSA Seguros de Angola, ENSA – Participações e Investimentos, EGM Capital and C8 Capital, will introduce innovation into the banking system by focusing on creating new ways to serve the market and new products to adress the real needs of customers, Teixeira said. Banco Postal will focus on providing basic banking services in areas without access to those services throughout Angola, whilst providing access to the financial system. *(Macauhub)*

Central Bank approves licence for the Development Bank of Nigeria - Adeosun
The Minister of Finance, Kemi Adeosun (photo), has announced that the Central Bank has approved a licence for the Development Bank of Nigeria (DBN). Adeosun said the approval for the licence was granted after the bank met the minimum capital requirement of $326 million, proceeded to the reconstitution of its board and reviewed the structure of its organization. She explained that DBN aims to support small-scale businesses in the country and has a commitment of $1.3 bn (N396.5 billion) jointly provided by the World Bank, German Development Bank, the African Development Bank (AfDB) and the French Development Agency. In this framework, it is also finalizing agreements with the European Investment Bank (EIB). According to the Minister, the development bank will provide loans at lower rates to actors of the economy's various sectors. These include Micro, Small and Medium Enterprises (MSMEs) which are currently not supported by existing development banks. It should be highlighted that 50% of Nigeria's GDP is made up of small companies. And with this in mind, Adeosun said the Federal Government believes that "the influx of additional capital from the DBN will lower borrowing rates and the longer tenure of the loans, will provide the required flexibility in the management of cash flows, giving businesses the opportunity to make capital improvements, and acquire equipment or supplies." *(By Anita Fatunji, Ecofin Agency)*

Nossa Seguros insurance company's net results grow by 143 per cent
The Nossa Seguros insurance company closed the year 2016 with a net result of 826 million kwanzas, which represents an increase of 143% in relation to the amount recorded in the year 2015, ANGOP has learnt.
According to a press note from the firm, which reached ANGOP, this growth happens as a result of a rigorous management, the conception of products that are adequate for the needs of customers and the reinforcement of the company's commercial presence. The note explains that the company's revenue increase in 2016 because through inputs from different business areas, mainly the insurance contracts in the health sector, which represented 92% of the company's income sources. Nossa Seguros is among the country's five best insurance companies. *(Angop)*

Angola signs financing agreements with Chinese banks
Angola's Finance Minister Archer Mangueira, in Beijing recently signed financing agreements for projects in Angola with two Chinese financial institutions, according to a statement from the Angolan Embassy in

China. The agreement to finance the National Geology Plan (Planageo) was signed with the Export Import Bank of China, which will provide US$65.3 million of the total US$76.8 million needed.
The second agreement was signed with the Development Bank of China and focuses on the construction of a training centre, supply and installation of a database,a project of the Ministry of Energy and Water costing US$41.5 million, of which the Chinese bank will provide US$35.3 million.
The Finance Minister led a delegation which included the ministers of the Interior, Ângelo Tavares, Transport, Augusto Tomás, Energy and Water, João Baptista Borges, and Construction, Artur Fortunato, in addition to the chief executive of the Angola Development Bank, Carlos Panzo and technical staff from all five ministries. The Angolan delegation also negotiated financing for the private sector and monitored the ongoing project portfolio in Angola under China's credit line as well as the degree of fulfillment of the projects included in the various financial facilities of different banks, namely China Development Bank, the Industrial and Commercial Bank of China and the Bank of China as well as credit insurance company Sinosure. "The Angolan delegation called on Chinese financial institutions to assist in the management of public debt and set up a partnership to finance projects in the productive sector, which requests were immediately accepted by the Industrial and Commercial Bank of China," the Angola Embassy in China said. *(Macauhub)*

Markets

Kenya borrows total of $1.55 billion in three syndicated loans

Kenya borrowed $800 million in a syndicated loan from four international commercial lenders, part of a package totalling $1.55 billion. The country also got a $500 million syndicated loan with Cairo-based African Import Export Bank (Afreximbank) and the Trade Development Bank (TDB), Afreximbank said. Another $250 million syndicated loan was agreed earlier with TDB. "The facility, for which Afreximbank and TDB acted as joint mandated lead arrangers, is part of a $1.55 billion debt package of three facilities being arranged and raised in parallel," Afreximbank said in a statement.
Kenya had set out to raise 150 billion shillings ($1.46 billion), partly to plug a fiscal deficit equal to 9.7 % of gross domestic product in its budget for the fiscal year to June 2017. President Uhuru Kenyatta, who faces re-election in August, dismissed criticism last week of his accelerated borrowing, saying the money was funding development.
In January, the Nairobi government picked Standard Chartered, Standard Bank, Citi and Rand Merchant Bank to lead the $800 million syndicated loan. "We signed and have already drawn down" the money, Kamau Thugge, principal secretary at the ministry of finance, told Reuters.
The various tranches of the total loans of $1.55 billion comes with different maturities of two to 10 years, Afreximbank said. It said the Kenyan government had "achieved unprecedented borrowing benchmarks with new tenors at the 2, 3, 5, and 10 year marks from different investor groups." *(By Duncan Miriri, Reuters)*

Kenya to start offering mobile-phone-based bond to investors

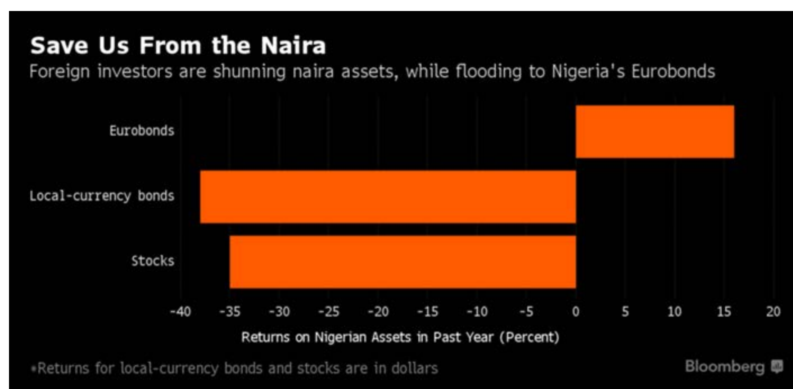
Kenya will start selling a mobile-phone based government bond this week, the Treasury said the culmination of a lengthy plan to tap a new pool of investors into government securities.
The Treasury said the bond will go on sale, without offering more information. Kenya pioneered the use of mobile money in 2007 with M-Pesa, a money transfer service, by telecoms operator Safaricom. Known as M-Akiba, the new bond will be offered on M-Pesa and similar mobile phone financial services by other firms, a source in the telecoms industry said. Investors will be able to buy the bond through their phones, where a record of their holdings will be stored. Coupon payments will also be made through the phone. M-Pesa allows users to transfer cash and make payments on even the most basic mobile phone. In partnership with local banks, Safaricom has since expanded the service to offer savings, lending and insurance products. *(By Duncan Miriri, Reuters)*

Nigeria: CBN to sell $765million treasury bills on April 6

The Central Bank of Nigeria (CBN) plans to sell N235billion ($765.99 million) short-dated treasury bills at an auction on April 6, 2017. These bills include N35 billion in three-months bill, N33.49 billion in six-month bill and N166.40 billion in one-year bill. CBN aims to sell these bills using a Dutch auction system. Payment is expected a day after the auction. Nigeria's apex bank issues treasury bills two times a month to finance budget deficit, help manage commercial lenders' liquidity and control rising inflation. This month, CBN in two different auctions sold the one-year T-bills at yields that exceed the inflation rate. This is to encourage investors to purchase more of the bills. *(By Anita Fatunji, Ecofin Agency)*

Investors Flock to Nigeria Eurobonds, Won't Touch the Naira

Nigeria's oversubscribed Eurobond showed that investors will flock to the country's dollar assets. But when it comes to naira ones, they're staying well away. Nigeria got around $3 billion of orders for its $500 million of notes, according to a person familiar with the matter, who asked not to be identified. High demand for the deal, a tap of an existing $1 billion bond due in 2032, allowed bookrunners Citigroup Inc. and Standard Chartered Plc to price it with a 7.5 % yield after initially offering 7.8 %.



Rising oil production and an economy poised to come out of recession this year are enticing traders to buy Nigerian dollar-denominated bonds. Yet they're avoiding naira assets because capital controls, a managed currency and severe dollar shortages mean they may struggle to exit positions in local bonds and stocks. "The Eurobond was positive for Nigeria," said Lutz Roehmeyer, a fund manager at Landesbank Berlin Investment GmbH, which owns Nigerian dollar debt but has sold all its naira securities. "But it is almost impossible to unwind naira trades. That's why we completely exited local bonds. As long as foreigners like me think in this way, nobody will invest in the local currency."

Nigeria's Eurobonds have earned investors 16 % in the past year, beating the average for emerging-market sovereign notes of 8.4 %. Holders of naira-denominated notes lost 38 % in dollar terms during that time, the most after Egypt among 31 emerging markets tracked by Bloomberg. It's a similar story with Nigerian stocks. They're the world's worst performers in the past year in dollar terms, losing 35 %.

Little will change until Nigeria lets its currency drop, according to Roehmeyer. The central bank has kept the naira at around 315 per dollar since August, while the black-market rate has plummeted to 383 as the dollar squeeze worsens. "There's an easy fix," said Roehmeyer. "You just have to look at what Egypt did when it floated the pound in November. That would do the trick in Nigeria. If the naira was free floating, like in Egypt it would overshoot, maybe to 450 per dollar or even 500. Then, it would appreciate to about 400." *(By Paul Wallace, Bloomberg)*

Ghana names monetary policy expert Addison as central bank governor

Ghana's President Nana Akufo-Addo named senior monetary policy expert Ernest Addison as central bank governor, a day after his predecessor resigned for personal reasons, a statement from the presidency said. Addison, who in the early 2000s was a leading architect of Ghana's monetary policy, worked as a lead economist at the African Development Bank. The announcement comes as Akufo-Addo's young government seeks to stabilize national finances and review with the International Monetary Fund the terms of a $918 million financial aid deal aimed at reducing inflation, public debt and the fiscal deficit. The fiscal problems and a decline in global prices for Ghana's exports of gold and oil have led to a sharp slowdown in growth in a country that until 2014 had been one of Africa's fastest-growing economies. "In order not to have a vacuum at the top of such an important state institution, the president ... has appointed Dr Ernest Kwamina Yedu Addison as governor," the statement said. The central bank cut the benchmark interest rate by 50 basis points in January to 25.5 % and by a further 200 basis points in what economists say is the start of an easing cycle as inflation falls. Ghana's finance minister earlier issued a statement saying a new governor would be named in the next few weeks to replace Nashiru Issahaku, who had held the post since April 2016. *(By Matthew Mpoke Bigg, Reuters)*

ENERGY

GreenWish to Invest $280 Million in Nigeria Solar Plants

GreenWish Partners, a Paris-based independent power producer, will invest $280 million to build solar-power plants in Nigeria that are expected to start producing electricity in the first quarter of next year.

A plant in the southeastern state of Enugu will produce 100 megawatts, while the company will build two others of 50 megawatts each in the northern Kaduna and Jigawa states, Chief Executive Officer Charlotte Aubin-Kalaidjian said in an interview in Lagos. The project will be funded 70 % through debt and 30 %

through equity and on completion will provide power to 2.5 million people, she said. "We only take risks where solar makes sense, where it is competitive and where there is political support," Aubin-Kalaidjian said. "This government is very committed to developing power and renewables, especially in regions where there is no gas available."
Nigeria, Africa's most populous country of more than 180 million people, faces an 8,000-megawatt energy shortfall, having capacity to generate only about 4,000 megawatts of electricity. Most plans for new capacity focused on using natural gas from the southern petroleum region until the Power, Works and Housing Minister Babatunde Fashola's introduced a framework to accommodate solar-power producers last year.

Dollar Challenge

That has resulted in a power-purchase agreement with the Nigerian Bulk Electricity Trading Plc, the clearing house of the local electricity market, to enable GreenWish sell to the national grid. The transactions are in the local currency but denominated in dollars to hedge against naira-value fluctuations, Aubin-Kalaidjian said.
Nigeria has struggled to meet its foreign-currency needs since the price of crude, its main export, tumbled from peaks reached in mid-2014 and militant attacks in the oil-rich Niger River delta cut output. Shortages have put pressure on the naira, causing it to lose more than a third of its value in the past year. "It creates a challenge when the industry has their business linked to the naira," Aubin-Kalaidjian said. "So it's important to take that into account and structure properly." Founded in 2014 with a focus on Africa, GreenWish currently has a pipeline of more than 1,000 megawatt of solar projects with industrial partners across West Africa, according to Aubin-Kalaidjian. *(By Solape Renner, Bloomberg)*

Shanghai Electric Power Co invests US$3 million in Mozambique

The Shanghai Electric Power Co will invest US$3.0 million over the next 12 months to ensure completion of work related to the construction of a thermal power plant in Mozambique, the Ncondezi Energy company said. The completion of the work, said the company listed on the Alternative Investment Market (AIM) of the London Stock Exchange is required to secure a concession contract, which will be granted by government decree. The two companies have been jointly developing this project in Mozambique and the Shanghai Electric Power Co has committed to an investment of US$25.5 million in exchange for a 60% stake in Ncondezi Power Holding 2 Ltd, the company that will hold and manage the thermal plant. This plant, which at an initial stage will have an installed capacity of 300 megawatts, will be expanded up to 1,800 megawatts and production will be sold to Mozambican state power company EdM. The coal mine that will supply the power station has resources estimated at 4.7 billion tons, an amount which according to the Energy Ncondezi, can feed a large project with a long useful life. *(Macauhub)*

EIB grants Egypt €115mln for windfarm project in Gulf of Suez

As announced in February 2016, the European Investment Bank (EIB) has awarded a €115 million loan to Egypt. The facility is to be dedicated to the construction of a windfarm of a capacity of 200 MW in the Gulf of Suez. "*The project is in line with the Bank's objective to provide more finance to renewable energy projects,"* said Heinz Olbers, EIB's director of operations in the Neighborhood Countries. The plant will also benefit from the financial support of German bank KfW, the French Development Agency and the European commission. All three institutions will respectively provide €75mln, €50mln and €30mln for the project. The plant's development falls under Egypt's energy strategy which aims at meeting 12% of its energetic need with wind energy infrastructures, by 2020. *(By Gwladys Johnson, Ecofin Agency)*

Renewable energy in Africa: €24 million to develop innovative projects and boost electrification on the African Continent

At the Africa CEO Forum which opened this morning in Geneva, AFD Group – in partnership with the European Union – unveiled the "African Renewable Energy Scale-Up facility", designed to boost private sector investment in on–grid and off-grid renewable energy production in Africa.
In order to meet Africa's constantly increasing energy requirements, support must be provided for mass development of the renewable energy technologies – especially solar energy – that will play such a key role over the coming years, given the recent drop in prices and the emergence of new innovative business models. The EU's electrification funding initiative, "ElectriFI", helps to harness and stimulate private sector investment to enhance access to renewable energy. More specifically, it focuses on poorly-served rural populations and regions that suffer from an unreliable electricity service.

AFD Group has secured €24 million from the fund to deploy the African Renewable Energy Scale-Up (ARE Scale Up) facility. With the help of the European Union, AFD Group will use this lending facility to partner the early-stage development of innovative electrification projects. While priority will be given to solar energy projects, other technologies (biomass, mini-hydro, etc.) will also be considered.

ARE Scale-Up has been designed with a view to unlocking synergies between AFD and its private sector financing subsidiary, Proparco, and rallying stakeholders in both the public and private sectors. Of the €24 million allocation secured from the EU fund:

- €12 million will be used by AFD to provide technical assistance facilities to strengthen regulatory and institutional frameworks in the countries concerned and to prepare financing of private or public sector renewable energy initiatives in Africa.
- €12 million will be used by Proparco to fund back-stop facilities for venture capital investments in private off-grid electricity providers (i.e., solar power kits and mini-grids). **This should provide around one million African households with access to energy and add additional renewable energy capacity of 50MW for the Continent as a whole**. Over the next 5 years, Proparco will provide seed funding for between 5 and 10 businesses with innovative, high-potential projects.

As Emmanuelle Matz, Head of Proparco's Energy and Infrastructure division explains "*the ARE Scale-Up facility will provide us with fresh resources to partially cover our risk exposure in the new off-grid solar energy sector and allow us to partner other types of business models (such as mini-grids and small-scale distributed generation systems). These types of models are growing rapidly in rural zones where they can provide solutions to the rural/urban energy divide and also address the needs of the poorer sections of the population. They significantly enhance living conditions for families thanks to the positive benefits in terms of health, productivity and education*."

ARE Scale-Up is part of the Africa Renewable Energy Initiative (AREI) being supported by a number of countries, notably France, within the framework of the climate negotiation process and it has two main objectives: improving access to energy for all and financing 10 GW of renewable energy generating capacity on the African Continent by 2020.

Grégory Clemente, CEO of Proparco, is delighted as "*this represents a first for us. By signing this convention, Proparco – which has been accredited by the European Commission since September 2015 – becomes one of the first DFIs to use the new resources being provided by the European Union to support private sector intervention. (Ecofin Agency)*

INFRASTRUCTURE

World Bank to lend Tanzania $2.4 bln over 3 years for infrastructure projects

The World Bank will lend Tanzania $2.4 billion over the next three years to finance infrastructure projects, the bank's president Jim Yong Kim said. Tanzania is seeking financing for infrastructure projects as part of its plans to transforming the country into a regional transport and trade hub. "Tanzania will be able to access an estimated $2.4 billion in concessional financing, an increase of half a billion dollars over the past three-year period," Kim said during a visit to Tanzania's commercial capital Dar es Salaam. Kim and Tanzania's President John Magufuli also attended the signing of documents on three World Bank-funded projects worth $780 million aimed at improving public infrastructure. East Africa's second-biggest economy wants to profit from its long coastline and upgrade its rickety railways and roads to serve the growing economies in the land-locked heart of Africa. Big gas finds in Tanzania and oil discoveries in Kenya and Uganda have turned east Africa into an exploration hotspot for oil firms, but transport infrastructure in those countries has suffered from decades of under-investment. *(By Fumbuka Ng'wanakilala, Reuters)*

Nigeria: GE-led consortium emerges sole bidder of Nigeria $2 bln rail concession

Nigeria has received only one bid for a railway concession project worth around $2 billion, a procurement process adviser revealed. "*We received one bid today*," said Fola Fagbule, Vice president and co-head of advisory at Africa Finance Corporation (AFC). The bid was submitted by a consortium led by General Electric. Others in the consortium include Transnet of South Africa, Dutch-based APM Terminals and China's Sinohydro Consortium. The concession is expected to cover about 3,500 km of existing narrow-gauge lines from Lagos to Kano in the north and Port Harcourt to Maiduguri in the northeast. Nigeria, Africa's most populous nation, has been searching for partners to refurbish its old railway system (constructed by British colonial rulers before independence in 1960) as the deterioration of infrastructures has for decades hindered the country's economic growth. *(By Anita Fatunji, Ecofin Agency)*

Zimbabwe: Vic Falls airport to boost tourism

The Zimbabwean government hopes to boost tourism to the Southern African country following the completion of $150m upgrade to Victoria Falls International Airport. The enhancements allow wide-body aircraft, such as Boeing 777 and Airbus A340 planes, to land.

The development of the airport – which included increasing the length of the runway from 2.2km to 4km, building a new terminal complete with a new control tower and improving the surrounding road network – was funded by the China Export-Import Bank. The upgrade now means the airport can handle 1.2m passengers annually, up from 500,000 passengers per year.

Some African airlines, including South African Airways, Ethiopian Airlines, Kenya Airways and Rwanda's RwandAir, have committed to routes to the improved airport. Meanwhile, non-African airlines, such as Dubai-headquartered Emirates and the UK's British Airways, also have flights travelling to the new-look Victoria Falls airport.

The Tourism will grow in Zimbabwe because of the new Victoria Falls airport and the commitment of international airlines is an indication that the tourism sector will recover, Walter Mzembi, Zimbabwe's minister for tourism, told the BBC. "In the past, we've suffered from accessibility [to Victoria Falls] problems where people are at sixes and sevens about how to reach a natural wonder like Victoria Falls," he said. "Now they are able to land directly."

Zimbabwe's tourism sector has stagnated since the preceding events that led to the violent fast-track land reform in 2000, which saw 4,000 white farmers forced from their land which was given to around one million black farmers. Zimbabwe's economy has since shrunk over the last two decades, falling from 10.4% growth in 1996 to 0.5% in 2015.

Tourists to the Southern African country have been put off by regular police roadblocks where drivers are forced to pay fines of up to $20 for a series of trivial infringements. The airport would allow tourists to bypass the roadblocks and land directly near one of the seven natural wonders of the world.

The importance of the new airport bringing in visitors to Victoria Falls avoid travelling to Zimbabwe and the tourists travel to Zambia instead, denying Zimbabwe's economy much-needed foreign currency. The issue was recently highlighted when American actor Will Smith's bungee jump video off the Victoria Falls bridge went viral last week. *(By Taku Dzimwasha, African Business)*

Namibia: New management to make TransNamib railway profitable, says board

The government of Namibia has decided to operate rail company TransNamib on a commercial basis and is replacing its senior management.

TransNamib board of directors chairperson Paul Smit, said: "Running TransNamib unprofitably and contrary to well-established business principles cannot continue, and has to change. "Thus, the board has made special resolutions to implement its business plan with immediate effect, and appoint a new CEO as soon as possible." Other new senior executives will also be appointed in the near future.

TransNamib has just received six new locomotives from the Brazilian offshoot of US firm GE at a cost of N$360m ($28.2m), plus 90 tanker waggons for N$132m ($10.34m), as it continues to upgrade its rolling stock. They will be used to transport sulphuric acid between Tsumeb and Walvis Bay for export under a ten-year contract with Dundee Precious Metals.

TransNamib acting CEO Hippy Tjivikua said: "The funding for all locomotives [and] acid tankers was made possible by government, and it should be noted that the integrity of the procurement of this equipment was done above board and transparently, without state capture." Traditionally, African rail companies have almost all been state owned, state operated and required large subsidies to keep operating, as they are seen as being of great public benefit. This has rarely translated into efficient services and good use of tax revenue.

Although there is now growing pressure to switch to a more commercially-minded operation, this does not usually involve privatisation. Namibia is, therefore, following the South African model of trying to run a parastatal rail company as if it were accountable to shareholders.

Economic context

It will be interesting to see to what extent the same policy is pursued with other Namibian parastatals, such as NamWater and NamPower, particularly as public sector wages account for the biggest share of state expenditure. Although Namibia has been negatively affected by falls in commodity prices, it has managed to keep its economy growing. Annual economic growth fell from 5.3% in 2015 to an estimated 1% last year, while the Bank of Namibia expects 2.9% this year and 3.8% in 2018.

Finance minister Calle Schlettwein revealed her 2017-18 budget on 8 March, with total projected spending of N$57bn. The government has set itself a stiff target of cutting the budget deficit from 6.3% in 2016-17 to

3.6% for the next financial year. The government is introducing a capital gains tax and a new wealth tax but there are few substantive cuts, except to the defence budget.

The government is keen to cut waste as much as it can because of the growing public debt, which is expected to grow from N$71.6bn at present to N$73.7bn by the end of the financial year 2017-18, with debt servicing totalling N$5bn over the year. While the government is right to try to keep a lid on its deficit, the N$73.6bn debt is equivalent to 41.9% of GDP and so is lower than that of most African states. Speaking to the parliamentary standing committee on economics and public administration, the head of research at Namibia Equity Brokers, Alfred Kamupingene, commented: "It should not be an issue if we generate enough money to honour our financial obligations."

In the long run, the government is keen to integrate its economy more closely with its neighbours by turning Walvis Bay into an entrepôt for Southern Africa. Together with port operator Namport and other stakeholders, it is in the process of improving road and rail links to the port from the rest of the Southern African Development Community (SADC).

In addition, a new container terminal is being built on 40 hectares of reclaimed land at Walvis Bay, which will take the port's annual handling capacity up to 700,000 TEU, or standard sized containers. Developer China Harbour and Engineering Company (CHEC) is close to completing the project, which will provide quay length of 2,100m. Shipping cargo in and out of Walvis Bay can save several days transport time for businesses trading with North America and Europe. The port is particularly well placed to serve Botswana. *(By Neil Ford, African Business)*

MINING

Vale concludes sale of assets in Mozambique to Japan's Mitsui

Brazilian group Vale completed the sale of its stakes in assets in Mozambique to Japanese group Mitsui & Co, receiving an initial payment of US$733 million, the mining group said in a statement. The statement added that the Vale group will receive an additional US$37 million when the financing for the coal project at Moatize, in Tete province, is concluded, with the Japanese group having the option of returning the stake if that does not happen by next December . After about three years of negotiations, the Mitsui group agreed to buy 15% of the 95% stake owned by the Brazilian group in the Moatize coal mine (the remaining 5% is owned by the Mozambican state) and half of the 50% the Vale group owns in the Nacala Logistics Corridor, which comprises a railroad between Moatize and Nacala and port facilities. In a statement issued in September 2016, the Vale group had announced it expected to receive US$768 million from the sale of its stake in the Moatize coal mine and the Nacala Corridor to Mitsui & Co, under the new terms of an agreement originally signed in 2014. Meanwhile, the Vale group appointed a new chief executive, Fabio Schvartsman, to replace Murilo Ferreira. *(Macauhub)*

Diamonds from Lucapa's mine in Angola worth more than expected

The 54% increase in the average value of diamonds to US$1,246 per carat will offer a significant increase in the financial results of the Lulo concession in Angola, Australia's Lucapa Diamond Company said. An initial study estimated that the average price per carat would be around US$800 and the discrepancy is the result of the Australian company finding a large a diamond, of 404 carats, the largest found in Angola and the 12th in the world which, after selling for more than US$16 million, increased the average price. The company, which operates the Lulo mine, reported that it continues to estimate alluvial mining operations over more than four years with monthly processing of 20,000 tonnes of rubble. The two studies, carried out within 15 months of each other, were the result an analysis of results obtained from the processing of 220,000 bulk cubic metres (bcm) of rubble. At the Lulo mine the Lucapa Diamond Company's partners state diamond company Empresa Nacional de Angola Diamonds (Endiama), with 32% and Angolan private company Rosas & Pétalas with 28%. *(Macauhub)*

Decisions on extraction of natural gas in Mozambique due to be made before July

Major decisions concerning natural gas extraction projects in the Rovuma basin in northern Mozambique, will be taken before the end of the first half of this year, said the chairman of Mozambican state oil and gas company ENH. Omar Mitha told daily newspaper Notícias, that Italian group ENI, the Area 4 block operator, will makes a final investment decision this month and conclude the financial package by the end of the first half. The chairman of ENH gave assurances that the commercial structure of the project is almost

complete and financial institutions are now deciding what stake each will take. The project will cost US$10 billion, of which US$7 to US$8 billion will be spent in the first phase.
The Italian group plans to install an offshore natural gas liquefaction platform with capacity to produce 3.4 million tonnes per year. It will be located in the Coral Sul field, where it is estimated there are at least 16 trillion cubic feet of gas.
With regard to Area 1, where the operator is US group Anadarko Petroleum, Mitha said that the project is well underway and is expected soon to begin construction of the housing project to resettle families currently living on land where the future natural gas processing plant will be built. The plant, to be built onshore in the Palma region, will have two liquefaction units, each with a capacity of 6 million tonnes per year, which represents an increase of 1 million tonnes per year for each. *(Macauhub)*

OIL & GAS

Egypt to halve arrears with oil companies in coming weeks

Egypt expects to cut the $3.5 billion euros it owes to international oil companies by around half in coming weeks, the Egyptian oil minister said. "We have made a lot of progress on paying off arrears," Tarek El Molla said at an oil and gas conference. The minister also said he expected to finalise an agreement to import crude oil directly from Iraq in a month at the most. "We will import around 1 million barrels a month," he said. Asked when Egypt might become an exporter of oil and gas, Molla said the country would be self-sufficient by the end of 2018. "Starting from 2019 and beyond we can start talking about exporting," he said. *(By Stephen Jewkes, Reuters)*

Nigeria: Aiteo pays $202 m outstanding debt owed to NNPC for under-deliveries

Aiteo Group, an integrated global-focused Nigerian energy company, has paid all outstanding debts amounting to $202.3 million owed to the Nigerian National Petroleum Corporation (NNPC)'s downstream units for under-deliveries of petroleum products under the crude swap deal between 2012 and 2014. "Following extensive reconciliation between both parties across their business transactions and subsequent agreement by the parties therefrom, the Corporation wishes to state that Aiteo Group has paid in full all its outstanding indebtedness to our downstream entities amounting to $202.34 million," said Group General Manager, Group Public Affairs Division of NNPC, Ndu Ughamadu. According to Ughamadu, the sum paid by Aiteo includes its share of a $184 million debt owed NNPC by three companies regarding crude swap obligations. The other two companies are Televaras Group of Companies and Ontario Oil and Gas Ltd. "Already, Televaras has pledged to make a tranche payment of $17.2 million. However, the NNPC is still engaging Ontario Oil & Gas Limited for mutual settlement," he added. Let's recall the $184 million debt results from the under-delivery of petroleum products by the three companies under the crude for product swap regime in place during the term of former President, Goodluck Jonathan. *(By Anita Fatunji, Ecofin Agency)*

Nigeria: NNPC plans to shift focus to power generation and transmission

Nigeria's state oil company, NNPC, plans to shift its focus from mainly oil and gas to power generation and transmission, in a bid to tackle the country's power challenges. "*The Nigerian National Petroleum Corporation (NNPC) wants to transform into an integrated energy outfit with interest in power generation and transmission. The decision to diversify into the power sector was hinged on the need to bridge the huge energy gap in the Nigerian market*," Maikanti Baru (photo), NNPC's managing director, said not disclosing the timeline or the size of planned investment for the change. Nigeria's power generation and electricity grid have been affected by lack of investment and poor infrastructure. This has made many people in the country depend on private generators. According to local media, no fewer than 70 million generators have been imported into the country due to the situation.
While the Transmission Company of Nigeria (TCN) attributes the situation to shortage of gas, which is the feedstock of power plants across the country, NNPC says there is enough gas to generate 8 GW of electricity but the transmission network is not capable of handling the load.
Earlier this month, NNPC disclosed plans to invest $15billion in the construction of thermal plants with a capacity to generate 4, 000 MW of power across Nigeria within the next 10 years. Three of these plants would be built in Abuja, Kaduna and Kano. Nigeria in 2013, privatized most of its power sector but maintained control of the ailing TCN. *(By Anita Fatunji, Ecofin Agency)*

Shell Sells Gabon Oil Assets to Carlyle for $587 Million

Royal Dutch Shell Plc has agreed to sell its onshore oil assets in Gabon to a unit of Carlyle Group LP for $587 million, taking it closer to its $30 billion divestment target. Carlyle's unit Assala Energy Holdings Ltd. will also take on $285 million of debt from Shell's Gabon unit and will make an additional payment of as much as $150 million depending on production performance and commodity prices. The transaction will also result in Shell taking a $53 million impairment charge this quarter, the company said.

Shell is about two-thirds of the way through its divestment target, due to be completed by the end of next year. The money from the sales will be used to pare down debt taken to fund its record purchase of BG Group Plc last year. It sold $7.25 billion of oil sands assets in Canada this month and offloaded a large chunk of U.K. North Sea positions in January. It is also planning to sell fuel stations and a refinery in Argentina. The sale in Gabon "is consistent with Shell's strategy to concentrate our upstream footprint where we can be most competitive," Andy Brown, director for the upstream business, said in the statement. "Shell will continue to pursue opportunities in sub-Saharan Africa." The transaction is subject to conditions including various approvals and is expected to close in the middle of this year.

Carlyle will buy all of Shell's onshore oil and gas operations and related infrastructure in Gabon. These include five operated fields, interests in four others, a pipeline system and an export terminal, according to the statement. Shell's share of production from the fields was about 41,000 barrels of oil equivalent a day in 2016.

Shell's trading unit will retain the rights to take the oil for the next five years, according to the statement. The company will continue to hold licenses for two blocks located off Gabon's coast. Assala Energy will be funded by Carlyle International Energy Partners, a $2.5 billion fund, and Carlyle Sub-Saharan Africa Fund, which has $698 million under management, according to a separate statement. "Assala Energy will invest responsibly to secure and increase production levels as well as oilfields' life," David Roux, Assala Energy's chief executive officer, said in the statement. "We are committed to ensuring long-term, sustainable growth and creating value." *(By Rakteem Katakey, Bloomberg)*

AGRIBUSINESS

Ghana's $1.8 bln loan for 2016-17 cocoa "is all gone" - Cocobod

The $1.8 billion syndicated loan Ghana procured to purchase cocoa for the 2016-17 season "is all gone" and the country must seek more funding to make purchases for the rest of the season, the new chairman of industry regulator Cocobod said.

Ghana is the world's second biggest producer of cocoa behind neighbouring Ivory Coast and the crop is one of its top foreign exchange earners along with gold and oil. "The syndicated loan of $1.8 billion that we had hoped to use for this production year unfortunately ... is all gone and we are yet to finish the purchase of the crops. So it falls on us to immediately try and organise some financing to carry on the process," Hackman Owusu-Agyemang said. The lack of funds helps explain complaints by licenced cocoa buyers in February that delays in the release of Cocobod financing was hindering their ability to purchase beans needed to fill their supply contracts.

President Nana Akufo-Addo took power in January after winning a December election and his government has set about cleaning up what it says are numerous examples of wasteful spending by the previous administration. Cocobod must tackle a debt overhang of at least 5 billion cedis ($1.1 billion) and will review all contracts signed by the previous government, said Owusu-Agyemang, adding that some of them looked "out of place", without giving further details. *(By Matthew Mpoke Bigg, Reuters)*

Price of Cocoa in Nigeria falls due to poor quality of beans - CAN

The prices of Cocoa in Nigeria are decreasing due to the poor quality of the beans from intermediate harvest, according to the Cocoa Association of Nigeria (CAN). "The quality of the cocoa is poor, the weight of the beans (intermediate crop) is very bad due to late and insufficient rainfall," said Vincent Ohwojakpor, Vice president of CAN. He said in Ekiti and Edo, cocoa is currently sold at N650, 000 and N600, 000 respectively, against N900, 000 and N700, 000 respectively in February. Meanwhile, in Ondo and Osun, a ton of cocoa is trading at N700, 000 as compared to N800, 000, last month. While prices dropped in other states, it remained the same in Abia and Cross River ranging between N700, 000 and N800, 000 per tonne. With over 84 million hectares of arable land of which only 40% is cultivated, Nigeria is currently the seventh largest cocoa producer in the world. *(By Anita Fatunji, Ecofin Agency)*

Nigeria: NIRSAL to provide $191.6m loans to farmers this year

The Nigerian Incentive-Based Risk Sharing System for Agricultural Lending (NIRSAL), has announced plans to provide about N60 billion ($191.6million) of loans to farmers this year. The agency will also execute the $300 million African Development Bank, (AfDB)'s Youth Enable Programme, and the $500 million Mechanization Partnership with the Brazilian Government, amongst others.

According to the Managing Director of NIRSAL, Aliyu Abdulhameed, this is aimed at improving farmers' access to loans and attract youths in the agribusiness sector to reduce the high rate of rural-urban migration."NIRSAL's broad objective is to increase lending to 3.8 million farmers by 2026 through cooperatives and value chains. NIRSAL also plans to reduce the break-even interest rate to agribusiness borrowers from 22 per cent to between 7.5 per cent and 10.5 per cent," Abdulhameed said. The MD further noted that NIRSAL is a major part of the government's several distinct strategies to bring agriculture to its full potential. *(By Anita Fatunji, Ecofin Agency)*

South African wine producers target China

South African vintners are busy in China. In March, South African wines appeared at the "Great Wines of Southern Hemisphere 2017" trade show, which took place in the southern city of Chengdu just before China's largest annual food and wine fair.

This month they will be participating in a series of promotions culminating in the "Discover South Africa" tasting event in Shanghai on 27 April. According to Michaela Stander, market manager for Asia at Wines of South Africa (WOSA), this will include about 20 exhibitors showcasing over 200 wines. And that's not all. In May, Shanghai will host SIAL China, one of the largest food exhibitions in Asia, where South African wines will woo visitors at the country's pavilion. In October, WOSA, a non-profit established to promote South African wines in major export markets, will lead a three-city road show on the Chinese mainland and in November South African wines will once again sparkle in ProWine China, a major wine and spirit industry fair hosted annually in Shanghai. The signs are clear.

While the top five export destinations for packaged South African wine exports are still in the West – the UK, Germany, Netherlands, Sweden, and the USA – China is becoming increasingly important as an export destination. "China is currently South Africa's sixth largest export market for packaged wines by volume, and the largest in the Asian region, accounting for around 9.46m litres [in 2016]," says Stander. This represents 5.44% of South Africa's total packaged exports.

If bulk exports are taken into account, then total exports to China in 2016 jumped to 15.76m litres. This means that while South Africa's total exports (packaged and bulk wine) worldwide increased by 9.8%, worth R9bn ($688.1m), total exports to China increased by 39%, valued at R554m ($42.4m).

Stander says South African wines grew exponentially in China from 2013 to 2015: "Many in the trade cited China as the surprise of the year in 2015 as we took up seventh position in terms of origin for imported wine. Some expected [the exports] to decline somewhat in 2016, but instead we remained steady and are now in a position to overtake the United States for sixth spot."

Joint ventures

Hein Koegelenberg is perfectly poised to capitalise on the growing China market. CEO of La Motte, a family wine estate nearing its fifth decade, and its sister vineyard Leopard's Leap, both located in the picturesque Franschhoek Valley in Western Cape province, Koegelenberg is also chairman of Perfect Wines of South Africa, a joint venture with Chinese company Perfect China.

In 2013, the partnership bought the Val de Vie estate in the Western Cape, marking the first major Chinese investment in South Africa's wine industry. "The Chinese wine market is very important to our industry, and this first Chinese investment … is a clear indication of their interest in our wines and can lead the way to a bright future for the export of South African wine to the East," Koegelenberg said in a press statement.

The joint venture not only exports South African wine to China but also to the Far East – Malaysia, Thailand, Singapore and Vietnam – creating a mutually beneficial synergy between South African wine and Chinese investment. Mareli Roux, senior PR at La Motte, says China is among the top five of the 40 countries La Motte and its sister vineyards export to.

In 2016, of the 10m bottles produced, over 3m were exported to China. Roux says there are challenges, such as the language and culture barriers and lack of a strong distribution network, but there are considerable opportunities too. "China is set to become the second largest wine-consuming country after the USA by 2020," she says. "We need to explore this opportunity. Although retail, direct sales and on-trade [remain] strong, online is the new platform and an exciting opportunity. China will lead the way for the world when it

comes to online sales.” La Motte is going in for localisation, like modifying the wine to suit the Chinese palate and preference. “We already print our back labels in Chinese,” Roux points out.
In 2015, there was more Chinese investment, with William Wu, a Chinese immigrant running an electronics business in South Africa, buying a 51% stake in a winery near Cape Town. “My decision to invest in Swartland Winery was driven by the fact that I am coming with a market for the product,” Wu said in a statement. “The market is in China, where I have a ready demand for the quality and volume of wine Swartland produces … Swartland [is a] great investment [as] it is one of the few South African wineries of this size where the majority of grapes planted are red varieties – in which the Chinese market is most interested.”
Stellenbosch Vineyards, a leading winemaker and exporter based in the Western Cape, has been exporting to China since 2005. While the UK, Netherlands and Denmark are the top three markets among the 38 countries it exports to, in 2016 around 80,000 bottles were sold in China.
Though this was a fraction of the around 8m bottles sold worldwide that year, bringing a revenue of $13m, the vineyard senses potential in the China market. Guy Kedian, sales manager at Stellenbosch, says the vineyard took part in a road show in China last year to introduce its wines to local wholesalers and retailers who have shown interest in buying from its agents.
Stellenbosch is excited by the opportunities, especially the size of the market and its purchasing power. “It’s a relatively untapped market with a large number of potential consumers,” Kedian says. “Also, the consumer behaviour is different, more focused on authenticity and quality than on price alone.”
France dominates the China market (40%) and South Africa accounts for only around 2%, but with wine sales in the world’s most populated country estimated to grow by 25% from 2014 to 2018, South Africa is making an integrated effort to expand there. This involves various agencies – WOSA, the Department of Trade and Industry, South African Tourism and the government of Western Cape – working together to create a unified Brand South Africa experience.

Wine tourism

Wine tourism is an important part of this. In 2016, South Africa recorded more than 10m international visitors. The Ministry of Tourism says China is the leading growth market, with a 38% year-on-year growth. To cater to this market, vineyard areas are sporting signboards in Chinese while South African tourism operators are learning Chinese and sending staff to China to familiarise themselves with the culture. *(By Sudeshna Sarkar, African Business)*

UPCOMING EVENTS

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

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

African Utility Week 16-18 May 2017 CTICC, Cape Town, South Africa
http://www.african-utility-week.com/

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

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

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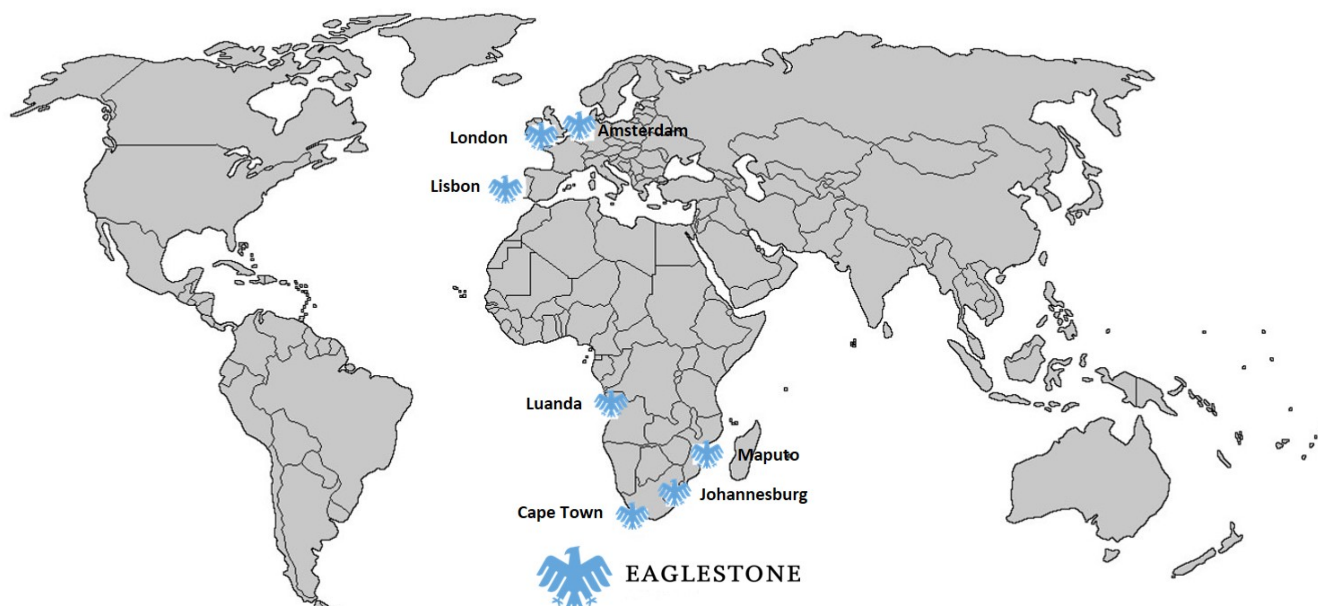

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Eaglestone was founded in December 2011 with the aim to be a committed partner for the development of businesses located primarily in Sub-Saharan Africa and to support the development of renewable energy projects on a global basis.

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

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

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

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