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In-depth:

Angola economy: IMF concludes Article IV visit

The IMF has called on Angola to implement "additional policy actions" in order to adjust to "the new reality" in international oil markets.

In a statement issued at the end of a two-week Article IV visit to Angola, the Fund acknowledged the government's efforts to weather the oil price storm by improvements to the non-oil fiscal balance, tightening monetary policy and the formal devaluation of the kwanza against the dollar. However, it is clear that a number of other measures are also required. These include reducing the public-sector wage bill; improving the quality of public investments; addressing the "severe impediments" to doing business in Angola; and strengthening the banking sector, particularly in relation to compliance concerns.

The Fund also cautioned against a sharp rise in public debt, and said that the government should target an overall fiscal deficit of no more than 2.25% of GDP in 2017. The fiscal deficit figure is significantly below the government's forecast of 5.9% of GDP, as outlined in the new budget for next year, and The Economist Intelligence Unit's projection of some 5.3% of GDP. (We are more optimistic than the government, because we expect the average oil price to exceed the oil reference price set in the budget.)

The Fund's visit to Angola comes in the wake of several cabinet reshuffles bringing in a new central bank governor and new finance minister, and the government deciding against taking on a previously requested extended fund facility (EFF). The EFF would have allowed the government to borrow as much as US$1.5bn a year, up to a cumulative US$4.5bn, and the decision not to accept the support was from an investor perspective both unexpected and unwelcome. Angola did not explain its actions, but the refusal of the EFF underlined the government's resistance to transparency that comes with allowing more external engagement in its economy. However, despite turning down the formal programme, Angola has continued with Article IV consultations, and the IMF Executive Board is expected to discuss this consultation in January 2017. *(Economist Intelligence Unit)*

Angola economy: Public debt law amended

The National Assembly has approved a legal amendment altering rules for the management of public debt.

The amendment, submitted at short notice to the parliament in November, removes the debt of state-owned entities, such as the oil company, Sonangol, and the airline, TAAG, from the calculation of total public debt. It does not remove the current legal limit of 60% of GDP for public debt. Should the total value of public debt exceed this amount, there is a requirement that the National Assembly be consulted.

The finance minister, Archer Mangueira, said the alterations to the law were to correct inconsistencies within the legislative framework. However, opposition parties have accused the government of trying to fiddle its figures. Removing public companies and their large liabilities from public debt calculations will certainly reduce the recorded level of debt obligations, suggesting that this is an exercise in improving appearances, rather than tightening fiscal management.

The change to the law comes as Angola's public debt burden is rising rapidly. According to the recently approved budget for 2017, oil exports in the first half of 2016 were down by US$5.7bn on the year-earlier period. This sharp drop in national income has forced the government to seek more external financing to support its spending needs, with a knock-on impact on public debt, which rose from 34.2% of GDP in 2014 to some 57% in 2015.

At the conclusion of its November Article IV mission to Angola, the IMF suggested that it expects public debt to have exceeded 70% by end-2016.

As it is, debt-servicing is now the government's single biggest expenditure item, accounting for nearly one-third of all outgoings. The revised 2016 budget valued debt repayments at Kz2.2trn (US$13.3bn), up from Kz1.8trn in the original measure, and more than double the outlay in 2014. For 2017, expenditure on servicing public debt is projected to increase to 36.28%, or Kz2.6trn. This high level of debt when the country has a low growth outlook (we expecting growth averaging less than 3% a year in 2017-21) increases Angola's vulnerability to default. Should that happen, the sovereign would then only be faced with higher interest rates on its debt issuance, and that would drag on its future growth rates. *(Economist Intelligence Unit)*

Angola's banking sector faces challenges

Angola's banking sector continues to grow in terms of asset values, but bad debt is weighing heavily on balance sheets. Two state-owned entities-BPC and BDA-are both undergoing restructuring following government bailouts, and more consolidation between private banks is likely in the coming 18 months. Efforts by the state and the central bank to raise standards within bank management and improve compliance are positive. However, low oil prices, which have caused the economy to slow and led to a significant devaluation in the kwanza, remain a significant challenge for the country's financial institutions in the medium term.

Angolan bank assets rose by 5.4% in 2015, despite the significant fall in government revenue and dip in GDP performance that year, according to the Banca em Análise, the latest edition of the annual industry study published in October by a consulting firm, Deloitte. The report also noted that the number of transactions grew 25% on the previous

year and there was a 20% increase in the use of ATMs, reflecting a gradual modernisation of the sector, which was previously very cash-concentrated.

Mixed profit performance

However, although profitability rose for some banks during 2015, it fell sharply for others, and the burden of non-performing loans (NPLs) swelled to more than US$2bn (equivalent to 13% of total assets). We expect the NPL rate to rise significantly in 2016 and 2017, owing to the continuing slowdown of the economy on the back of low oil prices. A number of construction and other economic projects have stalled, including those being paid for by the state, a leading funder of infrastructure development. Many small and medium-sized enterprises (SMEs) are also struggling owing to a shortage of foreign exchange, which has choked imports and pushed up inflation.

The plummeting value of the kwanza, now selling at Kz166.7:US$1, compared with Kz97.5:US$1 in mid-2015, is another factor at play. Although more than two-thirds of Angolan bank assets are in the national currency, compared with just 35% in 2006, a considerable number of loans (around one-third according to local estimates) are agreed in US dollars. The rapid devaluation of the kwanza has increased repayment values on these loans, and this is contributing to the rise in bad debt, given the lack of hedging to counteract exchange-rate risk.

Asset share

In 2015 state-owned Banco de Poupança e Crédito (BPC) remained Angola's largest bank in terms of assets. The next largest banks in terms of assets in 2015 were Banco de Fomento Angola (BFA), Banco Angolano de Investimentos (BAI) and Banco BIC. Together, these four institutions-whose ownership structures are dominated by the government, the state-owned oil company Sonangol, and the oil corporation's chief executive, Isabel dos Santos, who is also the eldest daughter of the president, José Eduardo dos Santos-hold close to two-thirds of the country's assets.

The picture for 2016 and 2017 is likely to be slightly different, however, following the merger of Banco Millennium Angola (BMA) and Banco Privado Atlântico (BPA) in late 2015. BMA and BPA were the fifth and six largest banks in terms of assets, but Banco Millennium Atlântico, of which Sonangol holds a 29% share, will now be one of the largest.

BPC is also seeing considerable change. In August, the bank's long-serving chief executive, Paixão Júnior, who has since been fired as part of a board restructure, admitted that two-thirds of loans were overdue (equivalent to US$700m) at the bank and that the institution had suspended credit facilities and some branch operations owing to "liquidity problems". BPC's return on average equity (ROAE) was 7% during 2015, placing it 14th out of 25 banks studied in the report. The most profitable bank in 2015, according to the study, was the tiny Banco Commercial do Huambo, with a ROAE of 63% (up from 16% in 2014), followed by

Russian-owned VTB Africa at 57%. Overall, nine banks had ROAE above 20%, whereas in 2014 only five reached this level. However, eight banks posted negative ROAE in 2015, including the state-owned Banco de Desenvolvimento de Angola (BDA), whose ROAE for 2015 was -53%.

In October, BDA's chairman Manuel Neto da Costa told local media that the bank, whose primary function is to provide loans to small businesses and other economic projects, had lost more than US$400m in the decade since its formation. He blamed "execrable credit risk management and controls". Critics say the bank-which received a government-backed recapitalisation of Kz27.4bn (US$176.2m) earlier this year-prioritises politically connected businesses rather than those offering the best economic promise.

Reputational risks

Angola's banking sector was a magnet for investors and foreign operators in the immediate post-war years. From just a handful of banks and total assets of US$3bn in 2003, there are now more than 24 licensed institutions and, in 2015, the asset value was Kz7.5trn (US$45bn). However, with the economy now slowing, interest in the sector-and a preference for better opportunities elsewhere on the continent-is dimming Angola's star.

Moreover, questions of compliance, and the expectations of international clients and banking affiliates, are an ongoing issue. Although Angola was removed from the watchlist of the Financial Action Task Force (FATF), an inter-governmental body that develops and promotes policies to combat money-laundering and terrorist financing, in early 2016, concerns remain over financial conduct.

The highly politicised shareholder structure of Angola's banks is one concern, as is the limited transparency around their operations and financial reporting. For example, in 2014 Banco Espírito Santo Angola (BESA), the Angolan subsidiary of Portugal's Banco Espírito Santo, collapsed, seemingly without warning, despite being regularly audited.

In late 2015 the Bank of America halted its dollar supplies to Angola owing to concerns around compliance. This has compounded the scarcity of foreign exchange, and many commercial banks have had to suspend, or seriously curtail, overseas transactions and credit-card facilities. We can expect figures for 2016 and 2017 to show stronger use of cash, as Angolans insulate themselves from fluctuating currency rates.

Reforms planned

In March Valter Filipe Duarte da Silva, a lawyer, was named as the new governor of Angola's central bank, the Banco Nacional de Angola (BNA), in a surprise reshuffle, replacing José Pedro de Morais Júnior, a former finance minister. Since taking office, Mr da Silva has been vocal about raising standards and improving compliance. In recent months, he has travelled to South Africa, Portugal and the US to seek technical support and promote Angola's willingness to reform. Indeed, the BNA has made a commitment that all banks will adopt International Financial Reporting Standards (IFRS) and it has been cracking down on minor rule violations.

In June the BNA fined seven commercial banks (BAI, Millennium Atlântico, BCI, BCGA, Keve, Sol and Standard Bank Angola) for violating foreign-exchange procedures by failing to meet deadlines for information disclosure. Although the fines were nominal in value (between US$800 and US$4,000) and the offence low-level, the fact that the penalties were issued shows the desire of the BNA to stamp its authority on the commercial banks.
This commitment to reform is positive, but ultimately, the main challenge for the BNA-and the wider banking sector-in the year to come will be containing the impact of the low currency value and the effects of the slowing economy on credit appetite and performance. In this regard, the powers of the BNA to meet these challenges are limited, given that the macroeconomic environment will continue to depend more on oil prices and fiscal management. *(Economist Intelligence Unit)*

IMF, WORLD BANK & AFRICAN DEVELOPMENT BANK

EIB steps up its activity in West Africa

On an official visit to Côte d'Ivoire on Monday 21 November 2016, Werner Hoyer, President of the European Investment Bank (EIB), strongly reaffirmed the key role being played by the EIB in West Africa and throughout the African continent.
The official visit by the President and Vice-President Ambroise Fayolle was firmly focused on the future with the opening of a new regional office in Abidjan and the launch of the Boost Africa initiative which will benefit more than 1 500 start-ups and innovative small and medium-sized enterprises (SMEs) across the African continent. During his visit the President also launched the second edition of Africa Day, bringing together more than 300 **business managers** and experts in Abidjan to address the crucial topics of youth employment, entrepreneurship and innovation, before visiting some concrete EIB-supported projects in Côte d'Ivoire.
"The EIB has mobilised substantial resources to support Côte d'Ivoire in its policy of recovery and investment, particularly as it faces new economic, social and environmental development challenges such as youth employment and climate change action", said President Hoyer during his visit. *"It is our responsibility to create conditions conducive to investment and innovate using new instruments in order to support sustainable infrastructure and the private sector."*
The EIB President noted that as from 2020 the EIB would dedicate at least 35% of its activities in developing countries to supporting low carbon, climate change-resistant growth. He also pointed out that the Bank was fully committed to implementing the European External Investment Plan (EEIP) designed to promote investment in Africa and in the EU Neighbourhood Countries.

An innovative initiative in support of microenterprises

Convinced that businesses are the drivers of growth and youth employment, President Hoyer together with Akinwumi Adesina, President of the African Development Bank (AfDB), today launched in Abidjan a new initiative supporting microenterprises. With funding of EUR 150 million, Boost Africa is expected to leverage new investment of EUR 1 billion, which will help support more than 1 500 start-ups and innovative SMEs across the African continent.

A new regional office in Abidjan

The EIB's new regional representative office for West Africa brings to nine the number of EIB offices in Africa, of which two are regional offices, so demonstrating the EIB's desire to step up its activity.
This new office in Abidjan illustrates the bigger role being played by the EIB in West Africa and the importance of its cooperation with the African Development Bank, which has returned to Abidjan. It reflects the partnership of confidence between the EIB and Côte d'Ivoire, which will result in increased activity in support of sustainable infrastructure and the private sector.
For the record, at regional level since 2010 the EIB has lent EUR 1.5 billion to 16 countries in West Africa underpinning growth and job creation in key sectors of the economy (energy, water, SMEs and microfinance, sustainable transport).

Projects designed to improve people's daily lives

The EIB's President and Vice-President visited one of the agencies of Microcred Côte d'Ivoire (MCI), which has received EIB support via an equity investment of EUR 1.7 million. There they met the management team and spoke to some young recruits and beneficiaries. The EIB's President and Vice-President also visited a CI Energies site, which has benefited from the ENERGOS project financed by the Bank to the tune of EUR 118 million. Centred on the rehabilitation and extension of the energy networks in the cities of Bouaké, San Pedro and Abidjan, this large-scale project will help to widen the population's access to the power grid: over 100 000 new customers will be connected whilst more than 200 000 other customers will have their connections improved.

European Union provides Cote d'Ivoire budget support of €62 million

The European Union has provided Cote d'Ivoire a budget support of 40 billion CFA (62 million euros). The facility falls under a budget support program for good governance and development signed by the two entities on November 21, 2016. According to the Ivorian Prime Minister, Daniel Kaplan Duncan, steps taken under the budget support program fall in line with the strategic axes 1 and 2 of the National Development Plan. The first consists in improving governance and institutions' quality and the second in accelerating the growth of human capital and promoting social welfare. Let's

highlight that regarding the budget support, this new tranche adds to a total of101 billion CFA francs (€157 million) already provided by the EU to Cote d'Ivoire. Of this amount, 75 billion CFA (€116 million) went into the 2012-2014 general budget support program, and 26 billion CFA (€40 million) into the rural land support program. *(Ecofin Agency)*

AfDB approves US $75-million financial package to complement Diamond Trust Bank Kenya Limited's funding to enterprises in East Africa

The Board of Directors of the African Development Bank has approved a US $75-million financial package comprising US $50-million Line of credit and US $25-million Subordinated Debt to Diamond Trust Bank Kenya Limited. The funding is aimed at supporting SMEs and emerging corporates in East Africa. The LoC will provide financing to small and medium enterprises (SMEs) and local corporates involved in value-addition in the trading, manufacturing, transport, and construction, among other sectors. In so doing, it will enhance job creation and facilitating financial access to businesses. The Sub-Debt will bolster DTB's balance sheet by enhancing its Tier-II capital, which is a crucial catalyst for the bank's expansion.

East Africa is one of the most economically vibrant regions on the continent. SMEs are critical to the expansion of the region's economy as they possess great potential for employment generation, output diversification, development of indigenous entrepreneurship and forward integration with large-scale industries. There has been, however, gross under-performance of these enterprises, which has undermined their contribution to economic growth. Various issues undermine their performance of which shortage of finance, particularly long-term funding, is the most daunting challenge. DTB is an important financier of SMEs and local corporates in East Africa.

This intervention by the African Development Bank will contribute to DTB's efforts to broaden access to financing by businesses in Kenya and also facilitate expansion to markets outside the country. The funding will also contribute to DTB's endeavours to complement the efforts of various partners and players working towards supporting the economic transformation of East Africa's economy to make it more resilient and diversified.

This intervention is well aligned with AfDB's Ten Year Strategy 2013-2022, as well as some of the Bank's High 5 strategic priorities, including Industrialize Africa, Integrate Africa, Feed Africa and Improve the quality of life for the people of Africa. It will help to increase enterprise development and competitiveness through expansion of the economic base. This will be made possible by enhancing access to financial services and expanding access to social and economic infrastructure which will thus contribute to inclusive growth.

DTB has a long and rich heritage as an East African financial institution with a history dating back to 1945. It is one of seven Tier-I commercial banks in Kenya and is listed on the Nairobi Securities Exchange. It has a diverse shareholding with respected institutional investors led by the Aga Khan Fund for Economic Development, Habib Bank Limited and various other institutional and retail shareholders. The bank offers a variety of conventional, as well as digital, banking products and services and has a broad client base across different sectors including telecommunications, manufacturing, trading, agriculture, food and beverages as well as construction. *(AfDB)*

The African Legal Support Facility receives 5 million euro from KfW

The African Legal Support Facility (ALSF) and the KfW Development Bank signed a Memorandum of Understanding (MoU), which provides modalities for cooperation between them, including a €5-million KfW grant to support ALSF activities. The support is aimed at strengthening the institutional development of the ALSF. Further, with KfW's support, the ALSF will undertake activities to facilitate the implementation of the Code of Conduct of the G7 CONNEX Initiative as a way of ensuring ethical, independent and high quality legal advice. The support also builds on the Memorandum of Understanding signed between the ALSF and GIZ in 2015. Piet Kleffmann, KfW's Head of Division, Governance and Natural Resources and Stephen Karangizi, Director of the ALSF signed the MoU. "We are excited about our partnership and recognize the value and role of the ALSF as an instrument for risk mitigation" said Piet Kleffmann. "The ALSF's focus on operational activities will help it better respond to the needs of African governments" he noted.

The ALSF Director, Karangizi, thanked KfW for its support to the institutional development of the ALSF. "Strengthening institutional systems within the ALSF is important and through this partnership we will be in a better position to deliver on our mandate to African governments" he added. Through the partnership, the ALSF will also strengthen its Monitoring and Evaluation (M&E) and reporting systems for documenting impact and results. The signing ceremony took place on the sidelines of ALSF's inaugural stakeholder forum in Abidjan Côte d'Ivoire. The ALSF is an international public institution, hosted by the African Development Bank Group. Its mandate is to support African states by providing legal advisory services for vulture fund litigation and negotiating complex commercial transactions.

Enhancing the Climate Resilience of Africa's Infrastructure: The Roads and Bridges Sector

Africa's development is highly dependent on an adequate, reliable road system. But climate change is expected to take a heavy toll on the region's transport infrastructure, especially roads and bridges. To address this challenge, a new World Bank study helps planners determine the most cost-effective and appropriate adaptation pathway under a variety of climate scenarios.

Africa's future depends on its roads

- **An adequate and reliable road network will be key to Africa's economic and social development.** Good-quality road connections can greatly expand access to jobs, markets, schools, and hospitals. For rural communities, in particular, a road is often an essential lifeline that links isolated villages to economic opportunities and services.
- **The low density and poor condition of the existing road infrastructure are a serious impediment to the region's growth.** Currently, only 1/3 of rural inhabitants live within two kilometers of an all-season road–the lowest accessibility in the developing world. Moreover, insufficient funding of routine maintenance accelerates the deterioration of the network, leaving many roads in poor condition.
- As part of a broader effort to expand and upgrade its transport network, Africa will see substantial investment in road infrastructure over the next decades. When combining both regional initiatives and country-level masterplans, **capital investment in the road sector will average about $4.6 billion a year, for a total of $78 billion through 2030**.

Climate change will take a heavy toll on the African road system

- To ensure road spending delivers the best possible return and brings lasting development benefits, it is critical that investment plans take into account the consequences of a changing climate, as **road assets are particularly vulnerable to climate stressors such as higher temperatures, increased precipitation, or flooding**.
- Virtually all models show that weather extremes will indeed put considerable pressure on Africa's road system. The damage and accelerated aging of roads caused by climate change will require **increased maintenance and more frequent rehabilitation**.
- Aside from higher maintenance and rehabilitation costs, climate-related damage to the road infrastructure will also cause **more frequent disruptions to the movement of people and goods, with direct consequences on economic productivity**.

Fortunately, **there are effective ways of adapting new roads and modifying existing ones** to enhance climate resilience.

Measuring the cost of inaction vs. proactive adaptation

To help planners determine the most cost-effective and appropriate adaptation pathway, the study has developed a methodology to compare the cost of inaction vs. proactive adaptation, looking at three main dimensions:

- **Assessing the cost of road assets over their entire life cycle, including construction, maintenance, repairs, and rehabilitation**: this analysis is important as climate-resilient roads tend to have higher upfront construction costs, yet, in many cases, those are more than offset by the lower annual cost for maintenance, repairs, and rehabilitation.
- **Considering a variety of climate change scenarios**: most projections indicate that Africa's climate will be very different from what it is today; however, there is no consensus as to the nature, intensity, and geographic distribution of those changes. That's why the methodology used in this study was designed to take into consideration multiple climate scenarios. Integrating a full range of possible climate futures may complicate the analysis, but failure to do so could cause planners to "miss the mark" and over-/under-invest in climate resilience.
- **Quantifying the broader impact of climate-related traffic disruptions**: when climate events shut down or reduce the capacity of a road, the consequences on supply chains, economic output, and access to services will vary widely based on local factors such as the volume of traffic on a particular road or the existence of alternative routes. On high-traffic roads, even relatively mild changes in climate could severely affect people and the economy—making the case for adaptation particularly strong.

No "one-size-fits-all" solutions

Based on this methodology, the study finds that:

- **Adequate road maintenance is the most critical and most efficient way of reducing the impact of a changing climate on the road system.** In the absence of an adequate maintenance regime, the damage caused by climactic events is exacerbated.
- **Investing proactively in pavement improvements to account for higher temperatures is almost always justified**, especially considering that the incremental cost of such adaptation measures is relatively low.
- **When it comes to precipitation and flooding, the case for adaptation is more nuanced**: enhancing resilience to these stressors generally comes with a hefty price tag, and subsequent savings on maintenance and rehabilitation may not be enough to compensate for higher upfront costs. In that context, **factoring in the broader impact of road disruptions is essential to determine whether or not adaptation makes good economic sense**.
- When deciding whether and how to adapt roads to the climate challenge, transportation planners should evaluate their options on a case-by-case basis and **avoid "blanket prescriptions"**.

To put these recommendations into practice and protect its transport infrastructure against the effects of climate change, **the region will need to boost the financial, technical, and institutional capacity of the road sector**. To that end, the

World Bank has developed several initiatives to help countries incorporate climate change into road asset management. The Bank is also working with the Africa Union Commission and the United Nations Economic Commission for Africa (UNECA) to set up the new Africa Climate Resilient Investment Facility (AFRI-RES), which will develop the region's capacity to integrate climate change considerations into the planning and design of long-lived investments. *(World Bank)*

AfDB approves US $10-million equity investment in TIDE Africa Fund

The Board of Directors of the African Development Bank (AfDB) has approved a US $10-million equity investment in the Technology and Innovation in Developing Economies (TIDE) Fund I to boost production and growth in Africa.

TIDE Africa Fund I, a venture with a target size of US $100 million incorporated in Mauritius, has 10-year target life within a 5-year investment period. The fund will invest in companies that leverage on new technology to dramatically lower the cost of services ranging from agribusiness to financial services, energy, education and healthcare, expanding access to these services by households and enterprises. It will initially invest in Nigeria, Kenya, and Ghana, followed by Ethiopia, Rwanda and Zambia.

Designed to generate a 16% net internal rate of return to its investors, the fund is coupled with a significant development outcome driven by its focus on businesses providing innovative and affordable solutions for the base of the pyramid population (low-income households); its potential to create quality jobs for youth and women; and its financial and technical support to innovative businesses.

The Fund Manager, TLcom Capital LLP, comprises a team of experienced professionals with a combined 80 years' experience in the technology sector, a strong track record in performing successful exits including two companies operating in Sub-Saharan Africa, and a sizeable pipeline of 600-plus companies with six companies ready for investments in the first year.

The Fund will support the development of an ecosystem facilitating growth of new technologies and new companies using proven technologies with the following development outcomes: promote the profitability of value-generating companies; stimulate job creation; and increase access and inclusion, including financial service by technologies and innovation. The Manager will also contribute to development outcomes by establishing the TIDE Foundation, a separate non-profit entity to support the development of the local entrepreneurial ecosystem through incubators. Furthermore, 1 % of the 20% of carried interest entitled to the General Partner is to be allocated to entrepreneurship education activities in Sub-Saharan Africa.

The investment is strongly aligned to the Bank's Ten Year Strategy 2013-2022 and its High 5 priorities. It will: "Improve the quality of life for the people of Africa", with the funding going toward technologies that lower the cost of providing basics services such as health and education to the underserved; "Feed Africa", through companies that provide critical farming information, such as weather, market pricing, and farming techniques to farmers; lowering the cost of agriculture inputs through farm-to-market technology platforms and leveraging technology for efficient input distribution; "Industrialize Africa" through digitization of services, industrial processes via the use of computing, internet and mobile technology that ultimately increase productivity; "Light up and power Africa", with the funding going to companies active in the renewable energy sector mostly in renewables, and with innovative business models to produce, finance, and distribute solar energy solutions; and "Integrate Africa", with the funding going to companies providing cross-border payment solutions and technology platforms that link countries and entrepreneurs. *(AfDB)*

INVESTMENTS

New law strengthens capacity to attract private investment in Angola

With the new private investment law Angola has improved conditions to stimulate investment, which are necessary to diversify the economy, but should deepen reform and make better use of infrastructure such as the Lobito Corridor, said researcher Áurea Mouzinho.

In the recent study "Understanding the regulatory landscape of FDI in Angola" for the South African Institute of International Affairs (SAIIA), Mouzinho said reforms introduced by the new law "substantially simplified investment procedures related to the repatriation of capital and the system of tax breaks."

"These improvements are of great importance, since they increase the impartiality of the private investment regime. However, it remains to be seen how the new regulations will work in practice and, specifically, whether these measures will lead to a significant reduction of bureaucracy and delays in the investment approval process," she said.

According to Mouzinho, better regulation should come alongside "major institutional reform, particularly in terms of transparency, fiscal management and rule of law."

The latest edition of the World Bank's "Doing Business" report notes that Angola facilitated the minimum capital required to set up a company and reduced taxes, in addition to taxes on income and on profits, but overall kept the country in the lower end of the rankings (182nd out of 190 countries).

The new version of the private investment law, and other relevant reforms, considers a company "Angolan" if it has its headquarters are in Angola and 51% or more of its capital is held by Angolan citizens, in addition to establishing

mandatory partnership requirements with Angolan citizens, public companies or private companies for investments in the sectors of energy and water, transport and logistics, construction, among others.

The Angolan partners must hold at least 35% of the capital and take effective part in the management of the company, as outlined in the shareholders' agreement.

Responsibility for promoting private investment was assigned to the newly founded Angolan Agency for Investment and Export Promotion and, after the adoption of the new law, the government has taken steps to create special ministerial departments and units of the provincial government to support and monitor the investment process.

"Whether the special ministerial departments actually help reduce bureaucracy and delays in the investment process will depend in the long run, on the government's ability to coordinate activities and monitor the performance of various bodies," said Mouzinho.

According to the researcher, another factor working for the government to improve the attractiveness of the Angolan economy as a point of access to regional markets is the use of infrastructure such as the Lobito Transport Corridor, reopened in 2013 after reconstruction funded by China, "a route that is particularly important to achieve this, as it is already installed." "The Lobito Corridor is of great strategic importance for the Angolan economy. (…) The reconstruction of the railway, in itself, supported the emergence of intermediary shopping centers that attract small businesses and informal transport operators. There are also ample opportunities to use the local workforce. The Lobito Corridor crosses between 12 million and 20 million hectares of arable land with grazing potential and accessible water sources," that remains unexplored. According to the study, between 2013 and May 2015 coal, oil and natural gas projects were by far the biggest recipients of foreign investment – US$65.576 billion, or 87.27% of the total. After that came real estate, with US$4.138 billion, or 5.51% of the total, financial services, with US$1.242 billion and construction materials, with US$1.197 billion. *(Macauuhub)*

South Africa Hires Bain, Abacus to Advise on State Airlines

South Africa hired Bain & Co. to advise on the strategy and corporate structure of the country's three loss-making state-run airlines to improve the benefit to the state from owning the carriers.

Bain, based in Boston, was awarded the contract as part of a joint venture with a South African company, Abacus Advisory, according to a posting on the National Treasury's website. The contract was awarded in October for a three-month period, a spokesman for the Treasury said in e-mailed comments.

South Africa's government is seeking advice on the corporate structure of South African Airways and South African Express, which could lead to the sale of a minority stake in the airlines and the disposal of assets that aren't central to their businesses, according to a separate invitation-to-bid document. The state is also seeking advice on how to improve their financial performances, reduce risk and develop a "well-coordinated strategy," the document shows.

Both SAA and SA Express are surviving on state debt guarantees at a time when the government is trying to rein in spending and raise revenue amid slowing economic growth. The cabinet approved a new board for Johannesburg-based SAA on Aug. 31 to overhaul management of the airline, which hasn't made an annual profit since 2011. The carrier said last month it presented a corporate plan to the government that indicated a return to profit in 2021.

SAA's low-cost unit Mango Airlines, which is also included in the scope of the contract, made a loss of 36.9 million rand ($2.6 million) in the year through March, Johannesburg-based news website Fin24 reported last week, citing documents provided to lawmakers.

Ratings companies, including S&P Global Ratings Ltd., which is due to deliver revised assessments on South Africa's debt in the next two weeks, have identified the country's state-owned companies as a risk to the fiscus. Reforms of government companies is one of the items that Fitch Ratings Ltd. wanted to be briefed about in a visit to South Africa last week, Deputy President Cyril Ramaphosa said following the meetings. *(By Liezel Hill and Arabile Gumede, Bloomberg)*

Mozambique expects to produce 1.5 million tonnes of steel per year

The steel foundry to be built in the province of Tete, central Mozambique, will have an annual production capacity of 1.5 million tonnes of steel, said the Minister of Industry and Trade, Max Tonela.

Presenting the results Bapba Resources' Feasibility Study for an Iron and Steel Industrial Project, in which there will be an investment of US$950 million, the minister said the project will create 2,580 jobs, 85% of which will be filled by Mozambican workers. This Baobab Resources project includes, in addition to steel, a coal-fired power station with an installed capacity of 250 megawatts of electricity.

The project is being developed by Baobab Resources Limited, a company registered in the UK, in partnership with the International Finance Corporation (IFC) of the World Bank Group and has as the Metallurgical Corporation of China as a technological partner, said the minister.

Prosecutors, according to the Minister for Industry and Trade, have already invested more than US$50 million in research and studies for the project. The minister recalled the government, after assessing the great potential of this project, had approved the creation of the Rovubué Industrial Free Zone, covering the districts of Chiúta and Moatize in Tete province, with an area of about 4,456 hectares. The decision opens the way for installing other industries to complement Baobab's steel plant in the same area. *(Macauuhub)*

Thomas Cook Group builds two hotels on Sal Island, Cabo Verde

British group Thomas Cook, which plans to open its own brand of hotels in many popular sun and sea destinations, is building two units in Cabo Verde (Cape Verde), specifically on the island of Sal, which will receive their first guests in winter 2017/2018, reported trade publication Turisver. The New Horizons Hotel Resorts complex, expected to cost 80 million euros, will have two hotels managed by Thomas Cook Hotel brands – Sunprime Hotels, a hotel whose segment is reserved for over 16s and Sunwing – Family Resorts, designed for family holidays.

In all the two units will offer another 600 rooms, 250 at the Sunwing and 350 at the Sunprime including apartments with private pools, as well as a variety of services and specific services geared to the two segments. The vice president of Thomas Cook, who was visiting Cabo Verde to launch the project, said the group already had plans for "more investments" on the island of Boavista, in the short term. The aim of the British group, established in 2007 through the merger of Thomas Cook AG, the successor of Thomas Cook & Son and the MyTravel Group, is to take over 75,000 tourists per year to the Cabo Verde archipelago. *(Macauuhub)*

USAID to provide East Africa $194 million to boost economic integration in the region

The United States Agency for International Development (USAID) will provide the East African Community (EAC) a five-year $194 million facility to foster economic integration and free movement of people and goods in the region. The agreement for the facility was signed on November 17 at EAC's headquarters in Arusha, Tanzania, by the US embassy Charge d'Affaires in Tanzania, Virginia Blazer, the head of USAID's mission to Kenya, Karen Freeman, and EAC's secretary general, Liberaït Mfumukeko. Out of the $194 million facility, around $30 million will be used for institutional strengthening within EAC's secretariat while remainder will "support other development partners in their efforts to contribute to EAC's regional integration programme".

The United States have decided to help improve access to health services in the neighbour-countries of the East African community while helping them better manage natural resources from the ecosystems of Lake Victoria's basin and those of the Mara river as well. *(Ecofin Agency)*

S.Africa's Life Healthcare to buy controlling stake in Britain's Alliance Medical

South Africa's No. 3 private hospital firm Life Healthcare will acquire 95 % of Britain's Alliance Medical, it said, but its shares fell sharply over its plans for a rights issue. Seeking growth outside its home market, Life Healthcare will spend up to 10.4 billion rand ($727 million) in cash for the controlling stake in unlisted Alliance Medical, which also operates in Italy and Ireland.

South African private healthcare providers, which also include Mediclinic International and Netcare, are in a race to expand by making acquisitions in more developed markets as an anti-trust inquiry has constrained growth at home. "In addition to investing in a growing developed market, the acquisition provides Life Healthcare an opportunity to diversify into attractive new geographies with a strong basket of currencies," the firm said in a statement. Life Healthcare, which in September told Reuters it planned to pay up to $1 billion on a European acquisition. The firm said it will buy Alliance Medical -- a provider of molecular and diagnostic imaging services -- through a temporary loan from Barclays Plc and South Africa's Rand Merchant Bank. Life Healthcare would then undertake a rights issue at a later date to refinance the loan, it said. Its stock fell as much as 6.7 %, before recovering to trade 2.1 % weaker at 32.69 rand by 1304 GMT. The bourse's All-share index was up 0.9 %. "The shares are down purely because they have to raise some capital to fund it, and they seem to be paying quite a hefty multiple for it," said 36ONE Asset Management portfolio manager Evan Walker.

The Johannesburg-based company said it will pay an initial cash amount of 553 million pounds ($687 million) and a deferred amount of up to 40 million pounds depending on Alliance's financial performance in the year to end-March. Alliance Medical's management will hold the 5 % stake not acquired by Life Healthcare. The entry into diagnostics is a natural part of its growth and diversification strategy, said Life Healthcare, which has over the past few years expanded into mental health, physical rehabilitation, renal dialysis and oncology. ($1 = 14.3102 rand) ($1 = 0.8055 pounds) *(By TJ Strydom, Reuters)*

BANKING

Banks

Moza bank's shareholders to decide in December whether the bank will be sold

Shareholders of Moza, a bank in which the Bank of Mozambique intervened in late September, will hold a general meeting in early December to decide whether the bank will be recapitalised or sold, a director of the central bank said in Maputo.

Joana Matsombe, the director responsible for supervision, said, "there are already interested parties but at the moment what interests us is to assess the real situation of the bank, and we are now awaiting the completion of the audit ordered for this purpose." "When we have this evaluation, there will be a general meeting, where shareholders will decide whether to recapitalise, if they are able to do so, or begin the process of sale," said the director of the central bank, stating that the notice would likely be issued at the beginning of December.

The decision of the Bank of Mozambique to suspend the board of directors and the executive committee of Moza, aimed to "protect the interests of depositors," according to a statement released at the time. Founded in 2008, Moza is 50.9% held by Moçambique Capitais and 49% by Portugal's Novo Banco. When the central bank intervened it had over 93,000 private customers and 8,000 companies and a market share of 7.71%, making it the fourth largest bank in Mozambique, with 48 branches across the country. *(Macauuhub)*

Bad debts in Angolan banking increased 8.8% in 2015, KPMG says

Loans overdue for more than 90 days, or bad debt, to banks operating in Angola increased by 8.8% in 2015 year on year, and are the main factor of instability in the sector, according to the "Analysis of the Angolan Banking Sector" report, prepared and presented in Luanda by KPMG.

The document said that the Angolan banks have seen outstanding credit levels grow significantly since 2012, with KPMG estimating that "overdue loans have doubled since 2012, which corresponds to an annual growth of 26%." The KPMG survey covered a total of 27 banks operating in the Angolan market, representing almost all of the financial sector (93%) in the country and, despite the rise in overdue loans, the Angolan banking sector continues to provide credit, according to KPMG, with gross loans growing by over 9.5% in 2015.

The profitability of the sector, along with credit growth is another point where the Angolan banking sector has shown resilience, with net aggregate results growing 19.8%, due to the "exchange rate developments in 2015, by increasing amounts of income from the credit granted and progressive levels of operational efficiency," the auditing company said.

The top five Angolan banks grew from a market share of 73% of total assets in 2013 to 69% at the end of last year, KPMG noted, and the same trend was seen, "in terms of loans and deposits."

The BFA is the leading bank by deposits, the second by total assets and fifth by credit, and is the leader in terms of net income – 37.860 billion kwanzas. By profits, Banco BIC comes immediately after the BFA, with 27.650 billion kwanzas in 2015, and is ranked fourth by assets and deposits, and takes third place by total credit. *(Macauuhub)*

Mauritian Bank Begins East Africa Expansion with Kenya Buy

SBM Holdings Ltd., Mauritius's second-biggest lender, said it's acquiring Fidelity Commercial Bank Ltd. of Kenya to kick off an expansion in East Africa that will target four more countries. The bank is buying FCB's entire share capital for 100 shillings and injecting 1.46 billion shillings ($14.3 million) of new capital, Port Louis-based SBM said in a statement. The Central Bank of Kenya expects the transaction to be concluded by Dec. 31, it said in a separate statement. "Kenya is a hub for East Africa," Chairman Kee Chong Li Kwong Wing said in an interview at his office in the capital, Port Louis. "Once this acquisition goes through all regulatory procedures, we shall go to neighboring countries," including Uganda, Tanzania, Zambia and Rwanda, where it's already in talks, he said. SBM, which competes with Mauritius's biggest lender MCB Group, plans to double in assets and net income by 2020 under a plan initiated last year. The lender has total assets of 146.2 billion rupees ($4.1 billion) and is forecast to report net income of 2.9 billion rupees, according to data compiled by Bloomberg. The bank already has a presence in India and Madagascar, and obtained a license for the Indian Ocean archipelago of Seychelles in March. Shares of SBM dropped 0.3 % to 6.94 rupees, extending its drop this year to 2.3 %. "With the saturation of the local banking market, we see our growth abroad, in particularly in Africa," Li Kwong Wing said.

New Management

With 14 branches in Kenya, Fidelity is one of Kenya's smallest lenders, according to central bank data. It has assets of 15 billion shillings and posted a loss of 277 million shillings last year, the central bank said in its latest annual report. "We will recruit a new local management to take over," Li Kwong Wing said. Fidelity Managing Director Rana Sengupta didn't immediately respond to an e-mailed request for comment. In March, Fidelity agreed to a 1.9 billion-shilling injection by London-based Duet Private Equity Ltd. to double its capital base. That announcement came after the central bank denied speculation on social media in Kenya that Fidelity was about to be placed under statutory management. The central bank welcomed the acquisition. "SBM Group will bring its experience and expertise from Mauritius and other markets to enhance competitiveness and the resilience of Kenya's banking sector," it said. *(By Kervin Victor, Bloomberg)*

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and 8,000 companies and a market share of 7.71%, making it the fourth largest bank in Mozambique, with 48 branches across the country. *(Macauhub)*

Moroccan Wafa Assurance officially opens in Cote d'Ivoire

In Cote d'Ivoire, Wafa Assurance's two subsidiaries have officially opened on November 22. Wafa Assurance Vie Cote d'Ivoire and Wafa Assurance Cote d'Ivoire, which received last February the approvals to start operating in the Life and FADR (Fire, Accidents and Diverse Risks) segments, will be supported by a network of 54 agencies of the Société Ivoirienne de Banque, subsidiary of Attijariwafa Bank, their mother-group. "We won't be just another company in the Ivorian market. We plan to put at the service of our customers, our expertise in handling claims and compensation, also in regards to process fluidity and rapid compensation," said CEO of Wafa Assurance, Ali Harraj, during the ceremony for the opening ceremony of the two firms. "I am fully convinced that Wafa Assurance Vie Cote d'Ivoire and Wafa Assurance Cote d'Ivoire will provide long-term resources to finance the economy as a whole and SMEs particularly," said Daouda Coulibaly, president of the board of directors of the two new insurance Moroccan firms in Cote d'Ivoire. Besides Morocco, its local market, Wafa Assurance is now present in four other African nations: Tunisia, Cote d'Ivoire, Senegal and Cameroon. *(Ecofin Agency)*

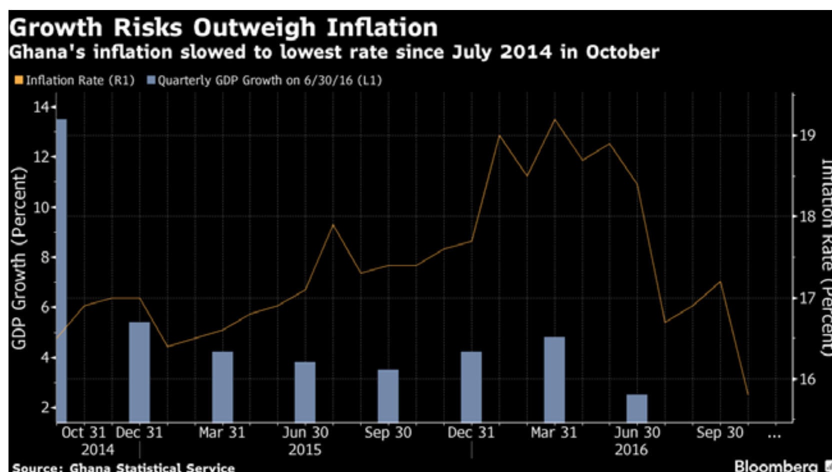
Investec looks to build Irish wealth unit via acquisitions

Investec is looking to build its Irish wealth management business via acquisitions, its chief executive said, as the Anglo-South African financial services group reported higher first-half profit. Investec, which is listed in both Johannesburg and London, has been offloading assets including its mortgage lending division in Britain to focus on asset management, investment banking and wealth management. Stephen Koseff, a near four-dacade company veteran who took over as chief executive in 1997, said the wealth management business in the Ireland needed to be scaled up. "In Ireland, we have a business that is well set but just needs scale, so that's an area where we could look to consolidate and make some acquisitions to the extent that they are available," Koseff told analysts and reporters at Investec's results presentation. Investec reported a 20 % rise in diluted headline earnings per share to 24 cents, putting its shares on course in both London and Johannesburg for their biggest one-day gain in nearly five months. The stock was up 3.8 % and 4.2 % in London and Johannesburg respectively, outpacing both the pan-European STOXX 600 and the JSE Top-40 index. "The operational performance was quite strong and assets under management also doing a little bit better than we thought," one Johannesburg-based analyst said. The wealth business, which reported a 14 % rise in operating profit, entered Hong Kong earlier this year. The asset management business grew operating profit by 16.6 %, while funds under its custody grew to 89.8 billion pounds from 75.7 billion pounds in March, Investec said. *(By Tiisetso Motsoeneng, Reuters)*

Markets

Ghana's Central Bank Cuts Key Rate for First Time Since 2011

Ghana's central bank cut its benchmark interest rate for the first time in more than five years after inflation slowed to the lowest rate since 2014. The Bank of Ghana cut the rate by 50 basis points to 25.5 %, Governor Abdul Nashiru Issahaku told reporters in the capital, Accra. Five of the six economists in a Bloomberg survey forecast the rate would be reduced and one said it would be kept unchanged at 26 %. "The fact that it is a very small move indicates that they are still on the path of keeping monetary policy really tight," Celeste Fauconnier, an analyst at Johannesburg-based Rand Merchant Bank Ltd. who forecast a 100 basis points cut, said by phone. "We can now start to see this as the start of the cutting cycle."



Inflation has been outside the central bank's target band of 6 % to 10 % band for almost four years even as price growth slowed to 15.8 % in October, the lowest rate since July 2014. The economy will probably expand 4.1 % this year, according to government forecasts. The risks to the economic outlook outweigh the threat of faster price growth, Issahaku said. "Growth conditions remain weak and below trend," he said. "This is underpinned by weak global demand, declining commodity prices and disruptions in the production of oil and gas."

Falling Currency

The cedi weakened after the rate cut announcement, falling 2.8 % to 4.09 against the dollar at 1:40 p.m. in Accra, heading for its lowest close since Aug. 2015. Speculators are contributing to the currency's performance, Issahaku said.

"Some of what we're seeing now is purely speculative, because we have a stock of forex available," Issahaku said. "There's no shortage of forex on the market."

The central bank received $500 million from the cocoa authority, improving reserves to four months of import cover, from 3.1 months in October, he said. The Ghana Cocoa Board raised $1.8 billion in September through syndicated loans for farmer payments. The country is the world's second-biggest producer of the beans. President John Dramani Mahama is campaigning for another term in office, leading the National Democratic Congress to polls scheduled for Dec. 7 against a background of slow economic growth and inflation that's still in double digits. The West African economy is in the second year of an almost $1 billion loan-program with the International Monetary Fund after it turned to the Washington-based lender in April 2015 when lower prices for its gold, cocoa and oil exports caused debt to balloon and the currency to decline against the dollar, while regular power cuts weighed on output. *(By Ekow Dontoh , Moses Mozart Dzawu , and Thembisile Dzonzi, Bloomberg)*

Algeria raises over $5 bln in local debt issue: finmin

Algeria, faced with financial difficulties from the fall in oil prices, has raised 568 billion dinars ($5.210 billion) from a local bond issue aimed at helping offset lower energy revenues, the finance minister said. Oil and gas revenues account for 94 % of OPEC member Algeria's exports and 60 % of the state budget. The government has reduced spending in 2015 and 2016 and planned further cuts for 2017. The African Development Bank earlier this month approved a 900 million euro ($1 billion) loan for Algeria to support domestic revenue mobilisation and investment climate as well as energy sector efficiency and promoting renewable energy.

It was the first foreign loan in more than a decade for the North African country, which had been spending generously before the start of a drop in crude oil prices in mid-2014. "We have mobilised 568 billion dinars. It's a very important amount and I'm very satisfied with the results of this operation," Finance Minister Hadji Babaammi told state news agency APS.

The government has said the bond issue, the first in years, was intended for "large economic investment in all sectors". It was launched in April with a maturity of 3 to 5 years and an interest rate of 5.0 to 5.75 %.

The issue is part of new funding sources, which will next year include higher taxes and new ones on several subsidised products. Under that plan, subsidised gasoline and diesel prices will go up for the second straight year to rein in rising domestic consumption and lower the import bill. Those moves are included in the draft budget for 2017, which parliament is now debating. Babaammi declined to say whether those measures would be sufficient to cope with the country's financial situation. He said they were managing the available financial resources, but did not rule out new foreign debt. *(By Hamid Ould Ahmed, Reuters)*

ENERGY

Mozambique will have a combined cycle power plant

The first stone of the project to build a combined cycle natural gas power station, capable of producing 106 megawatts of electricity, was laid in Maputo, in a ceremony that was attended by the Minister of Natural Resources and Energy, Mozambican news agency AIM reported.

The president of state power company EDM, Mateus Magala, said at the time that the plant, which will cost US$180 million, is the first major public investment in power generation infrastructure through the company. To build this power plant, the government of Mozambique was granted a loan of US$167 million from the Japan International Cooperation Agency (JICA) at an interest rate of 0.01% per year, with a payment period of 40 years including a grace period of 10 years. EDM's contribution to the project, which is expected to start in December and take two and a half years, is US$13 million.

The new power station will be the first thermoelectric combined cycle power plant in Mozambique, ensuring a more efficient use of the energy resource available in the country, natural gas, "adding more value and contributing to the reduction of emissions, environmental conservation and the country's sustainable economic development," Magala said.

The power plant project, along with a project to recover the Mavuzi and Chicamba hydroelectric plants, in the central

province of Manica, will help to diversify energy sources and increase EDM's production capacity from 206 megawatts to around 315 megawatts from mid-2018. *(Macauuhub)*

South Africa Slows Nuclear Plans as Rating Assessments Loom

South Africa delayed plans to build nuclear power plants as economic growth stalls, easing spending concerns as the country faces the risk of being cut to junk by credit-rating companies. The rand strengthened the most of major currencies against the dollar.

The new timeline sees the first additional nuclear power plant coming on stream in 2037, compared with an earlier proposal of 2023. A total of 20,385 megawatts of nuclear energy will be added to the national grid by 2050, according to the "base case" scenario outlined in a presentation on the Department of Energy's updated Integrated Resources Plan released in Cape Town.

The government previously said it wanted to generate 9,600 megawatts of energy from as many as eight reactors that should begin operating from 2023 and be completed by 2029. Price estimates had ranged from $37 billion to $100 billion. While President Jacob Zuma has championed the nuclear program, Finance Minister Pravin Gordhan has cautioned that the country may be unable to afford new reactors at a time when the economy is barely growing and the budget deficit needs to be curbed to fend off a junk credit rating. "This is something of a win for Pravin Gordhan as it pushes out any final decision on nuclear for a bit," Dennis Dykes, the chief economist at Nedbank Group Ltd., said by phone from Johannesburg.

Rand Strengthens

The rand gained as much as 1.4 % against the dollar and was 1.1 % stronger at 14.0915 at 12:36 p.m. in Johannesburg. "There have been a number of developments in the energy sector which necessitates that we review and update the plan," including lower power demand than previously expected and changes in technology costs, Energy Minister Tina Joemat-Pettersson told reporters. The decision to delay the start of the plan to build nuclear plants may ease some of the concerns of rating companies about significant cost increases at a time when the National Treasury is trying to control spending to bring down the fiscal deficit. "The ratings agencies biggest concern with the nuclear plan would be the cost of it, and the amount of debt that the government has to carry for it," Christie Viljoen, an economist at KPMG LLP in Cape Town, said by phone. "The ratings agencies view is over three to five years, so this makes a positive change to that outlook."

Revised Assessments

Moody's Investors Service and S&P Global Ratings, which are due to deliver revised assessments on South Africa in the next two weeks, have cited concerns over spending and rising debt as risks to the ratings. South Africa is ranked at the lowest investment grade level by S&P, while Moody's rates its debt one level higher. The energy plan also envisions an additional 37,400 megawatts of power being produced from wind, 17,600 megawatts from solar plants, 35,292 megawatts from gas and 15,000 megawatts from coal by 2050. The energy department, which has invited public comment on the proposals, also outlines two alternative scenarios that make different assumptions about costs, carbon emissions and the nation's ability to generate additional renewable energy. One envisions 25,821 megawatts of nuclear power added to the grid between 2026 and 2049, while the other sees the production of 5,436 megawatts of new atomic power coming on line starting in 2037. "What we are in is a quantitative process, where you basically have a model and you plug in the numbers," Jacob Mbele, an acting deputy director-general in the energy department, said in an interview. "If you change your assumptions, your picture will change."

Energy Plan

The energy plan will be refined in March next year and then submitted to the cabinet for final sign-off. Eskom Holdings SOC Ltd., the state-owned utility, has said it could use the more than 150 billion rand ($10.7 billion) it will accumulate in reserves within 10 years to build new reactors. The utility operates Africa's only nuclear power plant -- the 1,800-megawatt Koeberg facility near Cape Town, which began operating in 1984.

Eskom will continue seeking requests for proposals to build new nuclear plants pending the finalization of the energy plan, because it could ultimately determine that additional reactors are needed as soon as 2025, said Matshela Koko, the utility's group executive for generation. "Currently the plan is 9,600 megawatts, but we've always said it's going to be built in chunks that we can afford," he told reporters. "We are not married to nuclear. It must make sense to the country, we must be able to afford it, it must be able to de-carbonize the country and check all the boxes." Rosatom Corp., Areva SA, EDF SA, Toshiba Corp.'s Westinghouse Electric unit, China Guangdong Nuclear Power Holding Corp. and Korea Electric Power Corp. previously expressed interest in building new reactors in South Africa. South Africa experienced power cuts for about 100 days last year, as demand exceeded supply. Energy shortages eased as new generating capacity was bought on line, maintenance backlogs were addressed and a stagnating economy curbed power demand. *(By Paul Vecchiatto and Michael Cohen, Bloomberg)*

THIR SAUDIBASED ACWA SECURES $200M MOROCCO SOLAR DEAL

A consortium led by Saudi Arabia's ACWA Power International has secured a $220m contract to build three solar power plants capable of generating 170MW in Morocco. Morocco – which hosted COP22 in Marrakech in November – aims to build at least 10 solar plants around the country to generate up to 300MW for domestic consumption. *(African Business)*

How will Trump impact Africa's renewable landscape?

It is estimated that from 2010 to 2015 an additional 20,000MW of power generation capacity entered operation in Africa, of which 7,500MW consisted of renewables. Over recent years, renewables' share of projected capacity additions has been periodically adjusted upwards in African countries' energy master plans as the cost of technology reduces and procurement processes become more efficient and competitive.

Virtually every country in Africa, even fragile states, has a procurement programme in some stage of development or implementation which includes renewables. For each dollar of investment in generation capacity, at least another 50% again is required in developing transmission and distribution infrastructure, the design of which is affected in various ways by the presence of renewables in the energy mix.

Procurement processes and institutions, and legal and regulatory frameworks have evolved or been adapted to reflect the characteristics of renewable technologies. Rural electrification programmes using renewables mini-grids have changed the economic viability of providing access to rural populations.

US support and collaboration has been central to these developments at numerous levels, ranging from technical assistance, participation throughout the capital structure in private sector projects, debt syndication, public sector loans, supply chain credit facilities and provision of risk mitigation products.

This support and collaboration involves a network bilateral institutions such as OPIC, USAID and US EXIM; multilateral institutions including the World Bank Group and the African Development Bank; strategic partnerships such as the Climate Investment Funds facility; intermediaries including funds and regional institutions; and initiatives such as the African Renewable Energy Initiative (AREI) and Sustainable Energy for All (SE4All) and the US AID-led Power Africa initiative.

The election of Donald Trump seems certain to result in a scaling back of US support for clean energy projects in Africa. Not only has he declared climate change to be a hoax, and indicated that the US will withdraw from the 2015 Paris agreement to limit global warming, but the institutional network referred to above through which the US participates also offends certain other core positions.

In particular, the view that there is no direct connection between global development and the national interest, economic isolationism as well as the idea that institutions such as US EXIM belong to a system of crony capitalism. Whilst a scaling back will have a major impact, it is difficult to predict its exact nature and extent.

Whilst some of the institutions through which the US acts in this domain are bilateral, many are multilateral, and it seems clear from the statements around this month's UN Climate Change Convention (COP22) conference in Marrakech that other countries and key stakeholders remain committed to the consensus view on climate change. Further, values which are objectionable to the new administration are embedded in the institutional DNA of many of the relevant organisations.

It seems most likely therefore that they will continue with the existing policy direction but with reduced support from the US. These events are happening at a time when the renewable energy industry appears to have reached the point of being fully cost-competitive with other technologies.

In South Africa, for example, the cost per kWh of utility-scale solar generation in recent procurements has been below that of coal-fired generation, the cheapest thermal technology. Whilst renewable technologies impose specific demands on the energy mix, they also allow decentralised generation which reduces the burden on grid infrastructure.

The greatest threat to renewable energy projects in Africa arises not in relation to the industry itself, which becoming more regional, but from the scaling down of programmes and products – whether addressing capacity shortcomings in the public sector or market failure issues in the private sector – which are designed to bring about the conditions for accessing private finance and investment.

Assuming a US withdrawal of this kind, it will be important whether there are any compensating trends. It is possible that other countries will step up their commitments within the existing multilateral framework. Another possibility is that there will be a change in the institutional network with new multilateral institutions representing different constituencies playing a significant role, such as the BRICS development bank. An increase in bilateral support from other sources, particularly China, also seems likely. *(By Robert Franklin, Legal Director at Clyde & Co, African Business)*

Wind and solar PV bodies cautiously welcome draft IRP, CSP body to contest exclusion

The wind and solar photovoltaic (PV) industry bodies have responded positively to the allocations outlined in the draft Integrated Resource Plan (IRP) base case, while the concentrated solar power (CSP) body has expressed dismay at the technology's exclusion. South African Wind Energy Association (Sawea) CEO Brenda Martin welcomed the IRP update, as well as the accompanying public consultation process, which she said would enable citizens to engage transparently with electricity planners on investment choices. Likewise, the South African Photovoltaic Industry Association (Sapvia) said the release of the document provided an opportunity to "interrogate the choices and cost assumptions used". Wind is a big winner in the updated base case, with a 37 400 MW allocation between 2020 and 2050, while 17 600 MW of solar PV is outlined over the same period. The allocations also appear to be additional to the existing allocation of 13 GW of renewable energy by 2025. Both allocations are based on the so-called "constrained renewables" assumption included in the IRP 2010, which takes a conservative view on the yearly rate at which

renewables should be added. In the update the yearly rate for adding wind is limited to 1 600 MW, while solar PV peaks at 790 MW. Nevertheless, Martin described the allocation for wind as "generous" and added that it would assist with increasing confidence in the market. There was nevertheless still market uncertainty in light of the refusal of Eskom to sign power purchase agreements (PPA) for the most recent bid windows of the Renewable Energy Independent Power Producer Procurement Programme, which had Sawea weighing its legal options.
However, Eskom head of generation Matshela Koko said in a radio interview that he was willing to sign PPAs for renewables that came in at the 62c/kWh being claimed as the new price for wind and solar for the round four REIPPPP projects. He expressed reluctance, however, at signing contracts for projects with higher tariffs.Martin welcomed the fact that the draft IRP 2016 took account of more recent cost data, while extending the planning horizon to 2050. "Between rounds 1 and 4 of the REIPPPP the cost of wind and solar energy has fallen drastically. Both wind and solar are now averaging R0.62/kWh, having fallen from R1.15/kWh and R3.65/kWh respectively in Round 1," she said, while expressing the hope that the promulgation timeline of March 2017 would be met.
Sapvia described the 17 600 MW allocation as a step in the right direction, but said it fell short of the immense potential South Africa had to offer in this sector. "Independent modelling, based on up-to-date figures from South Africa's REIPPPP bidding rounds confirm that renewables are the best policy choice in order to meet South Africa's energy needs at the least cost, while still maintaining our carbon obligations." Sapvia added that, in a fiscally constrained environment, any additional cost of deviation from a least-cost scenario should be made public to allow policymakers to make informed value-for-money decisions.
The industry body also questioned the "build constraint" placed on renewables, arguing that it should be removed in the IRP models in order to reflect the "real potential that solar technology can play". "It is important that the energy debate is one based on facts rather than assumptions and Sapvia intends to robustly participate in the public participation process."
Southern Africa Solar and Thermal Electricity Association (Sastela), which represents the CSP industry, was far less enthusiastic about the draft and the exclusion of new CSP from the future mix. Sastela chairperson Pancho Ndebele argued that the exclusion of CSP demonstrated a lack of appreciation of the value CSP plays in providing clean and dispatchable baseload, mid-merit and peaking power.
The exclusion of CSP comes amid a dispute between Eskom and the developers of the 100 MW Redstone CSP project in the Northern Cape. The project has been adjudicated and approved, but Eskom is refusing to sign off on a PPA, citing affordability concerns. "The CSP community is reviewing the IRP documents and we will engage policymakers and participate in the forthcoming IRP consultations to demonstrate that the final IRP 2016 does require CSP as part of our country's future energy mix."*(By Terence Creamer, Engineering News)*

Ghana signs 40.82 million Euro 12MW solar plant deal

The Ministry of Finance has signed a three loan agreement with the German government for 40.82 million euros (approximately 176 million Ghana Cedis) of which 22.82 million euros soft loan (approximately 98 million Ghana Cedis) would be use to build a 12megawattz of solar power plant in Kalio in the Upper West Region. The second loan agreement of 13 million euros (approximately 56 million Ghana cedis) will increase the performance of the Ghana Audit Service (GAS) to ensure that all financial resources are fully spent for the purpose of planned programs and development activities. The third loan agreement of 5 million euros (21.5 million Ghana Cedis) goes to the Ghana Revenue Authority (GRA) for the construction of an IT training institute. The Deputy Minister of Finance, Hon. Mona Quartey said the Ghana Audit Service is expected to support the construction of 22 district offices, 3 regional Ghana Audit Service regional offices in Cape Coast, Koforidua and Ho. This is expected to enhance the work of the GAS to reduce office accommodation problems and helping to better position the service to carry out its mandate as the supreme audit service of Ghana. With regard to the GRA project, she added that it involve the construction of an IT training institute in Tema and forms part of the modernization of the GRA which is expected to support sustained improvement in the IT literacy within the Authority. According to him, in respect of the renewable energy project, which would be implemented by the Volta River Authority (VRA) involves the establishment of 12MW solar power plant at Kalio for 8MW and Lawra for 4MW in the Upper West Region.
Mona Quartey said, this is line with the Renewable Energy Act 2011 (Act 832) which envisages the attainment of 10 % of electricity generation mix from renewable energy sources by 2020. She added that currently Ghana has about 3 % electricity generation mix from renewable sources. According to her, the financing terms of the facility includes that the grant element for both the GAS and VRA project is 54.5 % whiles that of GRA is 68% which is important for debt management. The German Ambassador to Ghana, H.E. Christopher Retzlaff said Ghana is a strategic and key partner for the Republic of Germany in West Africa and the whole of Africa. He added that the progress we have seen in democracy and market economy and economic development within the last 25 years is indeed remarkable. They have four priority areas for investment that which includes the Economic Development, Good Governance, Agriculture and lastly Renewable Energy which was added lately. *(Ghana Web)*

Renewables body questions ongoing constraints on clean technologies in IRP base case

The South African Renewable Energy Council (Sarec) has added its voice to those questioning the constraints imposed on renewable-energy technologies in the updated base case of Integrated Resource Plan (IRP), which has been released for public comment. The council, which is the umbrella body for a number of industry organisations in the sector, also expressed concern at the lack of a "clear explanation" for the absence of concentrated solar power (CSP) in the updated IRP base case.

The Department of Energy (DoE) released the base case for public comment on November 22, describing it as a "starting point" for further consultation and public comment. It also indicated that consultations would take place over the coming few months ahead of the promulgation of a final updated IRP during the first few months of 2017.

The base case allocates 55 000 MW for new renewables to be added between 2020 and 2050, in the form of 37 400 MW of wind and 17 600 MW of solar photovoltaic (PV).

Sarec chairperson Brenda Martin, therefore, expressed "cautious support" for the acknowledgement of a growing role of wind and solar PV in the country's future electricity mix. However, she also expressed the hope that "a number of concerns that the industry has raised" be addressed in the public participation process.

Chief among these is the fact that the update's base case sustains the constraints included in the IRP 2010 on the yearly allocation for the addition of renewables to the grid. These constraints were imposed amid uncertainty, at the time, about the country's ability to procure sufficient quantities of renewables at an acceptable price. In addition there were concerns (which remain) about the possible negative impact on the grid of integrating large quantities of variable generation technologies. "It isn't clear as to why the constraint imposed on renewable technologies in the IRP 2010 is continuing to be maintained in the 2016 update, considering that renewable power prices awarded in Rounds 1 to Rounds 4 of the Renewable Energy Independent Power Producer Procurement Programme (REIPPPP) illustrate a clear decline, even faster than those anticipated back in 2010," Martin said.

Other issues that Sarec planned to raise during the consultations ranged from whether planning has been made on the basis of 'least cost' to why there is a variance in the base case assumption from the real prices achieved in the recent rounds of the REIPPPP.

Separately, the Southern Africa Solar and Thermal Electricity Association, which represents the CSP industry, has indicated that it will be contesting the exclusion of CSP, arguing that it demonstrates a lack of appreciation of the value CSP plays in providing clean and dispatchable baseload, mid-merit and peaking power. "Finally, the IRP 2016 assumes that all determinations gazetted by the Minister of Energy to date should proceed as planned over the next four years. Sarec would thus like to urgently insist that the DoE ensures due process in the financial close of the Round 4 and small IPP preferred bidder projects and the announcement of Expedited Round preferred bidders." *(By Terence Creamer, Engineering News)*

INFRASTRUCTURE

Vale Moçambique resumes coal transport along the Sena line

Trains loaded with coal extracted in Mozambique's Tete province by mining company Vale Moçambique have once again started using the Sena railway heading to the port of Beira, after a standstill of several months, Mozambican daily newspaper Noticias reported. The newspaper also wrote that the Vale train with four locomotives and 84 wagons loaded with coal, reached the coal terminal at the port of Beira morning.

Before the coal transport stoppage, the Sena railway had a daily average of 22 trains travelling along it in both directions, carrying Vale's coal, cargo from Mozambican port and railway company CFM and passengers from the communities served by the line.

The return of coal shipments, suspended following two armed attacks that caused minor injuries, the most recent of which in late July, was possible after CFM, which owns the line, took over responsibility for its security. The Sena railway recently underwent modernisation works, which have increased its cargo capacity from 6.5 million to 20 million tonnes per year, decreasing the number of derailments and increasing the size of the trains, which can now have a maximum of six locomotives pulling 100 wagons.

The work was awarded to Portuguese company Mota-Engil and cost US$163 million. The Sena line, which is 357 kilometres long and links the port of Beira, via Dondo, to Malawi, includes the Inhamitanga – Marromeu (88 kilometres) branchline and the Dona Ana – Moatize (254 kilometres) section, which is the backbone of the central region of Mozambique and the Zambezi valley in particular. *(Macauuhub)*

Sanral establishes environmental monitoring committee for N2 Wild Coast toll road

The South African National Roads Agency (Sanral) has established an independent environmental monitoring committee (EMC) to oversee the environmental aspects of the construction of the N2 Wild Coast toll road. The committee will act as a watchdog, monitor and auditor to ensure that the toll road complies with the specific conditions of the environmental authorisation and the requirements of the approved environmental management programme for the project. It will also ensure that the conditions of all other environmental permits issued for the project are met.

According to Sanral environmental manager Mpati Makoa, establishing the EMC, with an independent chairperson, was part of these conditions.
The committee comprises environmental subject matter experts, representatives from South African conservation and wildlife organisations, various government departments and/or State entities, local municipalities and from the traditional authorities of Mpondoland.
The committee will provide a forum for the discussion and resolution of environmental issues, promote participation of stakeholders in environmental monitoring and provide the opportunity to reach common understanding among interested groups about the nature, scope and results of monitoring. “The route has been planned to reduce the impact on environmentally sensitive biomes and existing human communities and settlements,” stated Makoa.
These measures include a search and rescue process through which rare, endangered and endemic species and species of conservation value will be translocated to suitable nurseries, to assist with the rehabilitation of disturbed areas after construction and to re-establish an existing conservation area where applicable. “The establishment of the environmental monitoring committee is another level of assurance for concerned groups or individuals that the environment of the Wild Coast is one of our key priorities,” concluded Makoa. *(By Samantha Herbst, Engineering News)*

New railway line mooted to boost regional trade
The Zambian government has signed a deal with China Railway Construction worth nearly US$2.3bn to construct a 389-km railway to link Zambia's main railway system to Malawi and Mozambique.
The planned railway will run from Serenje in Zambia's central province to Chipata near the Malawian border, where a link to Mchinji in Malawi was inaugurated in 2010. The new line will thus connect Zambia's central province to that of Malawi, as well as that of Mozambique, thereby opening up other possible trade routes via the Nacala and Beira ports in Mozambique. The Zambian authorities hailed the deal as a major step towards regional integration and a boost to trade prospects. Indeed, the railway would provide a considerably shorter route to the coast than the lines that run to Dar es Salaam in Tanzania and Durban in South Africa. The entry of another rail operator would also increase competition, thus potentially pushing down transport costs.
Railway is the preferred mode of transport for the copper industry around the world, so mining firms in Zambia would be keen to see a fast and reliable railway route to a port; the current rail links to South Africa and Tanzania have suffered from years of underinvestment and most copper is currently transported by road to Durban and Walvis Bay (Namibia).
Yet caution is warranted. Railway projects in Africa tend to suffer from delays. Indeed, works on the short Chipata-Mchinji line began in 1982, but were delayed by financing constraints and only completed in 2010. Exactly how the Serenje-Chipata line will be financed and operated, as well as the project's timeline is unclear for now, raising uncertainty. Moreover, there are doubts about the capacity of the railway infrastructure closer to the ports. The line to Beira is run-down and constrained in terms of capacity. Investments to improve it are progressing only slowly and it is unlikely that it would be able to handle large volumes of goods going to and from Zambia in the medium term. Meanwhile, the Nacala corridor-owned and operated by Brazil's Vale-is currently solely used to support Vale's coal mining operations in central Mozambique. Planned investments to boost the corridor's capacity, which would allow others to use it, seem a long way off. *(Economist Intelligence Unit)*

MINING

FreeportMcMoRan sells Tenke mine stake for $2.65bn
US-based Freeport-McMoRan has sold its stake in the DRC’s copper and cobalt rich Tenke mine for $2.65bn to China Molybdenum. The long-mooted deal, which was announced in May, has faced opposition from the state-owned mining company Gécamines, which owns 20% of the mine, and minority mine owner Lundin Mining, based in Toronto. The deal was finally pushed through after Lundin Mining sold its stake to Chinese private equity firm BHR Partners for about $1.14b. *(African Business)*

Gold Fields to invest $1.4bn in Ghana
South Africa’s Gold Fields will invest $1.4bn to extend the life of its Damang operations in Ghana by eight years, creating 1,850 jobs. Output at the mine in southwest Ghana has been in decline since 2013 due to a fall in the quality of ore being extracted, but a 2015 review of the mine indicated that higher grades of ore could still be found at the mine. *(African Business)*

Equatorial Resources aims to invest $1.2 bln in Congo iron project
Africa-focused Australian mining company Equatorial Resources Ltd will aim to invest around $1.2 billion to develop its Badondo iron ore project in Republic of Congo, the company said. John Welborn, a non-executive director of Equatorial Resources and chief executive of its Congolese unit Congo Mining Exploration Ltd, met Prime Minister Clement Mouamba and submitted an application for a mining license. "The recent improvement in the price of iron ore makes Equatorial confident that it will find the necessary financing to develop the mine," the company said in a

statement distributed after the meeting. African mining, particularly large iron ore projects, has been hit hard by the global commodities crash.
However, the S&P 1500 composite steel index has surged since the U.S. election, bolstered by U.S. president-elect Donald Trump's perceived support for the steel industry. Chinese iron ore futures are also rising amid news that production at steel mills in northern Hebei province will be curbed or even shut for as long as four months in an effort to combat pollution. Equatorial Resources estimates annual iron ore production of 40 million tonnes at the Badondo mine and its feasibility study foresees construction beginning next year, the statement said. Plans for the building of new infrastructure, including construction of a rail line and port to facilitate exports, must be finalised before the project can be developed, it said. *(By Joe Bavier, Reuters)*

Randgold and Newcrest form Joint Venture to expand gold exploration in Cote d'Ivoire
Newcrest Mining and Randgold Resources, respectively 22nd and 29th largest mining firms worldwide, signed a memorandum of understanding to create a joint venture to explore, develop and exploit mineral resources in their common area of interest which is located in the South Eastern part of Cote d'Ivoire. Data reveals that this area covers the extension of prolific Ghanaian gold belts and associated geological structures.
According to the JV agreement, Randgold is to manage the exploration program and any mine mine discovered. Moreover, a technical committee of senior geologists from both firms will work with Randgold's exploration team in the framework of the programme which is to be supervised by a joint board of directors. “This joint venture will bring together two of the world's leading gold mining explorers in a concerted egg fort to unlock the potential of an area that has not yet been explored in depth. The bigger the footprint, the greater the opportunity, and both Newcrest and Randgold believe in Côte d’Ivoire and the potential for the discovery of truly world-class gold deposits,” said CEO of Randgold, Mark Bristol. Newcrest Mining holds in Ivory Coast the Bonito project, through an 89.9% stake in LGL Mines CI SA, while Randgold Resources holds 89% of the Tongan project. *(By Louis-Nino Kansoun, Ecofin Agency)*

Angola and South Sudan prepare protocol for mining sector
The areas of training, laboratory, negotiation of mining contracts and policy-defining were identified in Luanda as concrete domains of cooperation between the Angolan Ministry of Geology and Mining and its South Sudanese counterpart.
These areas could be converted into a protocol that could be signed shortly between the two ministries, said the Angolan Minister of Geology and Mining, Francisco Queiroz, at the end of a meeting with South Sudanese counterpart Gabriel Thokuj Deng.
The Angolan official said it is a cooperation that could be very advantageous for Angola, since South Sudan is a country rich in minerals and could be an investment opportunity for Angolan companies that want to expand their investment area.
He said that the investment could also be advantageous for Sudan because Angola has a long experience in mining, as an example the National Geology Plan (PLANAGEO). "We have a model of exploration of natural resources that was the basis of the reconstruction of the country, it is a model of success and we can convey ideas about it", he said.
Even without protocol, said the minister, South Sudanese technicians will be able to come to Angola so as to work with Angolans and get trained in various areas.
Meanwhile, South Sudanese minister Gabriel Thokuj Deng said that Angola was the first country chosen by his government to visit and gain experience in mining. Our meeting was based on our need to learn and gain experience with Angola, he said. "This meeting laid the foundations that will allow us to briefly sign a protocol of cooperation between the two ministries. We have instructions for the two technical teams to start working immediately so that the agreement is implemented as soon as possible", he said. The South Sudanese official is paying a four-day working visit to Luanda. In the country, the South Sudanese delegation will exchange experiences in the framework of the strategy of the Angolan government for the Geology and Mining sector, visit the headquarters of the Catoca Mining Society in Luanda, to learn about its functioning and the Geongol laboratory. *(Angop)*

OIL & GAS

ENI Group approves investment in natural gas project in Mozambique
The board of Italian oil and gas group ENI has approved an investment in the first phase of the development of the Coral gas field (Coral Sul project), located in the deep waters of the Rovuma Basin (Area 4), in northern Mozambique, the group said in a statement issued in Milan. The project involves the construction of six sub-sea wells connected to a floating production facility (Floating Liquefied Natural Gas Unit), with a liquefaction capacity exceeding 3.3 million tonnes of natural gas, equivalent to about 5 billion cubic metres. The Mozambican authorities approved the project’s development plan in February 2016. The statement added that the Coral field, discovered in May 2012 and evaluated in 2013, is fully located in Area 4 and contains about 450 billion cubic metres (16 trillion cubic feet) of gas. The approval of the investment by the group’s board is a key step for the final decision to invest in the project, which will be effective

after the approval of the project and its financing by the other partners of Area 4, a process that is currently being finalised. The Italian group is the Area 4 operator, with an indirect stake of 50%, through its subsidiary ENI East Africa, which holds a 70% direct stake in Area 4. The other partners are Galp Energia, Kogas and Mozambican oil and gas company ENH, which hold 10% each, respectively, and the China National Petroleum Corporation, which indirectly owns 20% throughy ENI East Africa. *(Macauuhub)*

Uganda names Sinopec among firms interested in refinery

Oil firms including China's Sinopec have expressed an interest in developing Uganda's planned oil refinery and an investor for the project will be selected by February 2017, a top government official said. The East African country, which discovered oil fields in 2006 but has yet to start production, began trying to secure a private investor for the project nearly two years ago, but a previous tendering process collapsed earlier this year. Energy and Mineral Development Minister Irene Muloni told an oil conference in Kampala that some new firms had expressed interest in the project and that fresh talks were underway. "There are a number of companies that have expressed interest in joining us in the development of this refinery," Muloni said, adding interested parties included China's China Petroleum & Chemical Corp (Sinopec). "We hope by February next year we should have identified a lead investor," she said. Ugandan oil fields were found in the Albertine Rift Basin along its border with the Democratic Republic of Congo, but wrangling over taxes and the viability of the refinery have been blamed for delaying production, which is now projected for 2020.

Uganda said it was negotiating with Russia's RT Global Resources on a final agreement in 2015, but the talks broke down this year. Subsequent negotiations with a consortium led by South Korea's SK Engineering also collapsed. Kampala estimates crude resources at 6.5 billion barrels, of which 1.4 to 1.7 billion barrels is considered recoverable. This year, Uganda agreed with Tanzania to develop a pipeline to help export its crude, snubbing Kenya which wanted to host the export route via its newly-discovered oil fields. Muloni said France's Total, one of the three explorers operating in the country alongside China's Cnooc and Britain's Tullow Oil, had indicated it would take up a 10 % stake in the refinery project. Kenya and Tanzania have also committed to taking up stakes of 2.5 % and 8 % respectively, Muloni said. *(By Elias Biryabarema, Reuters)*

China National Petroleum Corporation considers investments in Mozambique

The China National Petroleum Corporation (CNPC) may invest in building facilities for natural gas exploration and processing in Mozambique, said the director of the group’s international department, Wang Hongtao.

The investment, which will bring to fruition a memorandum between CNPC and the Mozambican government’s ENH in May, is dependent on completion of the research in an area of the Rovuma basin.

A mission from the CNPC, led by President Wang Yilin, is currently in Mozambique to study the terms of cooperation between the two companies in the natural resources sector, including the construction of gas pipelines and a power production plan. “We are partners with ENI and have a cooperation agreement with ENH, with the president of CNPC in Mozambique for discussions on this partnership and to assess the steps that come after the signing of the memorandum,” said the director, quoted by Mozambican daily newspaper Noticias. “We cannot move forward without research being completed and we are working with our partner, ENI, to develop the block,” he added. The CNPC is currently involved in 17 projects in the oil and natural gas sector, including, as well as Mozambique, Chad, Sudan, South Sudan, Niger, Nigeria, Tunisia and Algeria with production of over 16.71 billion tonnes in 2015. *(Macauuhub)*

Mauritius to produce 13,000-15,000 tons of lychees in 2016

Mauritius expects lychee output this year to be twice more than what it recorded last year. Kreepallo Sunghoon, secretary of the small farmers association of Mauritius, expects an output of 13,000-15,000 metric tons, against 6,000 tons in 2015. According to the official, between 6,000 and 7,000 tons of lychees will be directed to the local market while 800 to 1,000 tons are to be exported to Europe, China, India, Russia and Arab markets. Welcoming the performance, a record, Sunghoon however pointed out some drawbacks in the sector. “*Lychees grown in Mauritius are the first to flower and the first on the market, but we are not able to compete with major international producers in terms of volume and price,”*he said. He added that yield losses should stand around 7,000 tons due to damage to crops harvested in orchards. He thus asked the government to prevent this by protecting farmers. According to some observers, revenues lost to these damages paired with those at the farming stage (manual labor, fertilizer-application and irrigation) could reach 50,000 rupees ($1,388) per acre (0.40 ha). As a result, farmers’ revenues are slightly lower. *(Ecofin Agency)*

Angola economy: Sonangol restructuring plan produces some results

Sonangol, Angola's state-owned oil company, says it has identified savings worth US$240m in the five months since it began implementing its restructuring plan. The firm, which since June has been led by Isabel dos Santos-the eldest daughter of Angola's long-serving president, José Eduardo dos Santos-says it has cut back on wasteful spending and is reviewing all critical processes in order to boost efficiency. Although international oil firms have welcomed the efficiency drive, there is significant disquiet among Angolans about Ms dos Santos's appointment. A petition

questioning the legality of her nomination-on the basis that it violates public probity laws-has been lodged with the country's Supreme Court.

Long the engine room of Angola's economy, Sonangol has seen its profits sliding downwards in the past five years, from more than US$2.4bn in 2009 to just US$278m in 2015. This weakening performance is in large part due to low oil prices, but overstaffing, wasteful management and overexpansion into sectors such as real estate have also been blamed for the worsening fortunes of the notoriously opaque parastatal.

In January 2016 it was announced the company would be restructured, with a view to ending its multiple-and at times conflicting-roles as concessionaire, operator and service provider. Six months later, Ms dos Santos, whose business empire spans oil, diamonds, telecommunications and banking, was named by her father as the company's president and a new management board was put in place. In a statement issued in the first half of November, Sonangol said that the new board was "embracing the challenges" it faced with "enthusiasm" and had already made savings of US$240m. This is a significant amount, although paltry when compared to the US$3bn of profits Sonangol made in 2013, or indeed its US$36bn of sales in 2015.

Capital projects subject to financial review

According to the statement, the restructuring is based on four pillars: rigour; profitability; transparency; and excellence. Costs are being cut across the board, it says, while contracts are renegotiated to deliver better rates, and all critical processes-including budgeting and procurement-are under review. There has likewise been a "rationalisation of superfluous expenditure", with cuts to management perks and a freeze on non-essential travel. Meanwhile, major capital projects such as the long-planned new refinery at Lobito and the oil terminal at Barra da Dande have been halted pending a full financial review.

These are all sensible moves to bring spending back into line and ensure efficiency and maximised returns. Other positive developments are the company's increased commitment to transparency and plans for closer engagement with other branches of the executive. This is a significant change of direction for Sonangol, which is notorious for its opacity and for operating in its own silo, almost as a parallel government structure.

Isabel dos Santos's appointment challenged

However, not everyone is so appreciative of the changes at Sonangol under the leadership of Ms dos Santos. A week after her appointment in June, a group of 12 lawyers submitted a petition to the Supreme Court, challenging its legality. They argued that by giving his daughter the presidency of Sonangol, her father has violated public probity law that forbids public officials from employing or giving favour to direct family members. In response Ms dos Santos issued a statement in early November. Defending her appointment, she said she was suitably qualified with a degree in electronic engineering and had 20 years of professional experience. The businesswoman said she "laments and disavows" the challenge on her leadership and accused those who had complained of playing political games ahead of next year's general election.

The Supreme Court has yet to respond to the complaint, but it is highly unlikely to uphold it, potentially citing the failure to challenge the appointment of Ms dos Santos's brother, José Filomeno dos Santos, as chair of the country's sovereign wealth fund. However, a group of civic activists-among them a former prime minister, Marcolino Moco-are organising a public demonstration in the capital, Luanda, for November 26th to protest about the court's silence.

Some read Ms dos Santos's appointment at Sonangol as a stepping stone into the job of vice-president, which would put her in a position to succeed her father should he step down mid-term in 2018, as he has promised. Manuel Vicente, the current vice-president, was a long-serving president at Sonangol, before being brought into central government just before the 2012 legislative election. With the next legislative poll due to take place in less than a year, Mr dos Santos has to balance his own power play-and the way in which he appears to be using his children to shore up his longer-term hold on the country-against the sentiments of his voters, many of whom are unhappy about the growing influence of his family members. *(Economist Intelligence Unit)*

Sasol turns focus to oil in Moz after shoring up gas for 400 MW power plant

South African energy and chemicals group Sasol has completed drilling two gas wells in southern Mozambique and has since turned its attention to the development of two commercial oil reservoirs, located in close proximity to its producing gas fields in Temane and Pande.

Under the terms of the current phase of a production sharing agreement (PSA) field development plan approved in January, Sasol will develop a total of 13 wells – five gas wells, seven oil wells and a water well. The drilling campaign started in May 2016 and will continue until the first quarter of 2018.

Sasol Exploration and Production International senior VP John Sichinga tells Engineering News Online that the two gas wells were drilled first to align with government plans for using the feedstock in a 400 MW Mozambique gas-to-power plant. The PSA licence specifically earmarks the gas for domestic "downstream monetisation" in the form of this gas-to-power project. "Sasol wanted gas-reserve certification to be off the Mozambique gas-to-power project's critical path," Sichinga explains, adding that the gas from the two wells is sufficient to enable the gas-reserve certification required by power-station developers to advance the project to bankability.

Sasol is already producing from existing wells in the area and processing gas at a four-train central processing facility (CPF) in Temane, from where it is exported to markets in South Africa and Mozambique. Under the PSA it has

committed to adding a fifth production train at the CPF to process feedstock reserved for the gas-fired power plant, from the initial phase of the PSA development.

The current field development focus is shifting to oil, however, with drilling of the first oil rim well having started in early October. "The rig has moved east to Inhassoro and Sasol is in the process of completing the first well," Sichinga reports.

From there, the campaign will move to the six other oil well sites over time to confirm sufficient oil feedstock for a liquid processing facility (LPF), earmarked for development alongside the existing CPF. The LPF is being designed to produce 15 000 bbl/d of light oil, as well as 20 000 t/y of liquided petroleum gas (LPG). "We are working with the Mozambican authorities on options to either export the oil and LPG, or to sell the output in-country." The engineering design for the LPF, which is being conducted by Amec Foster Wheeler, is advancing and construction work is expected to begin by mid-2017. Sasol has approved $1.4-billion for the oil and gas campaign, as well as the expansion of the CPF and the development of the LPF. *(By Terence Creamer, Engineering News)*

Consortium led by French group Total wins Ivory Coast LNG deal

French oil major Total , the Ivorian state oil company and four other partners have formally established a consortium to build a liquid natural gas (LNG) import terminal meant to feed the country's growing electricity consumption. Demand for electricity is rising in Ivory Coast - which is Francophone West Africa's largest economy - by some 10 % a year, and the energy minister said last year that $20 billion of investment is needed in the industry over the next 15 years.

According to the agreement - first announced on Nov. 24 - the new Cote d'Ivoire-GNL company is 34 % owned by Total while the State Oil Company of Azerbaijan Republic (SOCAR) controls 26 % and Ivorian state oil company Petroci has 11 %. Royal Dutch Shell will hold a 13 % stake, while Houston-based Endeavor Energy and Golar LNG will have minority stakes. "This project illustrates Total's strategy to develop new gas markets by unlocking access to LNG for fast-growing economies," said Philippe Sauquet, head of Total's Gas, Renewables and Power division in a statement. Total added that the terminal is expected to become operational by mid 2018, and that it will use the terminal to supply LNG volumes from its global portfolio. The company hopes the Ivory Coast LNG hub will help unlock LNG demand in the West Africa region. The project aims to build and operate a floating storage regasification unit (FSRU) with an initial capacity of 100 million cubic feet that would gradually be brought up to 400 million cubic feet. "Many electricity-producing projects are awaiting a gas supply to really kick off," Ibrahima Diaby, the director general of Petroci, said at the signing ceremony in Abidjan. The cost of the project, expected to take about 18 months to complete, has also been reduced to $100 million from an earlier estimate of $200 million, he added. Total will make a final investment decision on the project in the first quarter of 2017, a spokeswoman added. Ivory Coast has the region's most reliable power production sector and exports electricity to its neighbours. Petroci said in July that it hopes to double oil and gas output by 2020 by developing offshore reserves in the oil-rich Gulf of Guinea. *(By Aaron Ross and Bate Felix, Reuters)*

AGRIBUSINESS

Sino-Angolan partnership will grow sugarcane in Angola

A partnership between Angolan and Chinese investors will develop a project to plant, process and sell sugarcane in Angola's Bengo province, said in Caxito the President of the Angola-China Chamber of Commerce (CAC). Manuel Arnaldo de Sousa Calado did not give dates for the project, which may be implemented in a 20,000 hectare area, when he spoke at the end of a meeting with the provincial governor of Bengo, João Bernardo de Miranda. Quoted by Angolan news agency Angop, the president of the Angola-China Chamber of Commerce said Chinese businesspeople were open to the project and were now waiting for the Bengo province authorities to indicate which municipalities are conducive for the implementation of the project. Calado also said that in the near future the Angola-China Chamber of Commerce Angola will take a second mission of Chinese businesspeople to the province to see the condition of the land and the business opportunities available for themselves. The president of the CAC said the provincial government told him that the priority areas are fisheries, animal husbandry, tourism and culture, in order to boost the development of the region. *(Macauuhub)*

Chinese group announces investments in Angola

Chinese group Huafeng plans to invest US$1 billion in Angola over a period of two to five years, in agricultural projects, livestock, fisheries and industry, among others, said in Luanda the chairman of the group, Zhan Yongaiou. The president of the group said the provinces of Luanda, Moxico, Malanje, Lunda Norte, Huambo, Kuando Kubango, Benguela and Lunda Sul were the regions of Angola chosen to benefit from the investment, taking into account the potential natural resources for investors, according to Angolan news agency Angop. Zhan Yongaiou said the company, which has been in Angola for three years, will start by building a centre specialising in the production of agricultural seeds, in Luanda, to develop production of grain, vegetables and tubers and launch breeding of beef and pork cattle, poultry, and fish and build a fertiliser and medication plant. The President of the Chinese group was speaking at the end of the ceremony to sign an investment agreement with the Technical Unit for Private Investment (UTIP). UTIP is a specialised technical department in charge of the preparation, evaluation and negotiation of private investment projects

whose approval under the Private Investment Law and its regulations is the responsibility of the holder of executive power. It is UTIP's responsibility to receive and analyse investment proposals worth over US$10 million, or the equivalent in kwanzas. *(Macauuhub)*

Sao Tome and Principe raises US$5.7 million in cocoa sales from January to September
Sao Tome and Principe saw income of 133.200 billion dobras (US$5.7 million) from January to September 2016 from cocoa sales, a product that accounted for 95.4% of exports of agricultural products in the period, according to a report published by the West African archipelago's National Statistics Institute (INE). INE added that in terms of nominal values in dobras (the Sao Tome currency) there was an annual increase of 58.7% due to "improvement in the price of cocoa" on the international market. In terms of quantity there was an increase of 51.6% with cocoa exports rising from 1,320 tonnes (January to September 2015) to 2,000 tonnes in the same period of 2016. The remaining 4.6% on the list of agricultural products exported was made up of coconut, coconut oil, flowers, coffee and pepper. The list of exporting companies is headed by cocoa cooperatives Cooperativa Exportação de Cacau Biológico (Cecab), Sociedade Agro-Comercial (Agricon) and Comércio, Gestão e Investimento (CGI). The main importers of agricultural products from Sao Tome and Principe are Portugal, the Netherlands and Belgium. *(Macauuhub)*

Government of Mozambique will hand over silo management to private companies
The government of Mozambique is finalising the specifications for the launch of a public tender to hand over the management of grain storage silos to private entities, the Minister of Industry and Trade said in Nampula recently. The programme to build the silos, which began in 2009, was designed by the government and is part of the implementation of the Comprehensive Plan for Agricultural Marketing, whose main objective is to improve the storage of agricultural products, particularly grain and encourage the emergence of more agro-processing industries. Minister Max Tonela, quoted by daily newspaper Notícias, acknowledged that expectations the government had for the scheme had not be met, which led the authorities to seek quick and sustainable alternatives to ensure the construction of these silos and warehouses as had initially been planned. The newspaper added that the idea of private sector involvement in silo management has been advocated since the programme's inception in 2009, although its implementation remains conditioned by bureaucracy. The management of grain silos and warehouses is the responsibility of the Mozambique Commodities Exchange, a government institution established in October 2012 to serve as a supply and demand platform, focusing initially on products such as corn, beans, sesame and soy, and later also covering non-agricultural products. *(Macauuhub)*

West Africa: With investments, the maritime industry could generate $3.3 billion
Maritime industry in West Africa could in the years to come create 300,000 jobs and generate $3.3 billion of revenues against $400 million presently. This was revealed in a report from Overseas Development Institute (ODI) and the Spanish Investigation Journalism Organization porCausa. Entitled West Africa's missing fish, the report states that to achieve this goal, West African governments must reduce illegal non-declared and non-regulated (INN) fishing and invest in the sector. INN fishing cost a nation like Senegal $300 million in 2012, which is 2% of its gross domestic product (GDP). Between a third and half of Africa's total catches falls to the practice, reveals the report which adds that Senegal and Nigeria had more than half of their stocks overexploited. According to Alfonso Daniels who produced the report, "the scale of the losses is enormous. Instead of jobs and development, the livelihoods of artisanal fishers are being decimated by foreign fishing fleets, which operate virtually unchecked". The document also highlights that if investment in fish processing grew and West African governments would improve their awareness about the issue, their populations would eat better food. *(Ecofin Agency)*

Kenya coffee earnings jump 7.4 pct in 2015/16 - regulator
Kenya earned 18.8 billion shillings ($184.68 million) from coffee exports in the 2015/16 (Oct-Sept) crop year, up 7.4 % from the previous year, regulator Coffee Directorate said. The earnings fell short of the government's target of 20 billion shillings, but they were within the annual average of 18 billion shillings over the past 10 years. Kenya is a small coffee producer, accounting for just 1 % of the world's annual crop, but roasters require these quality Arabica beans to blend them with coffee from other regions. Coffee is one of Kenya's main foreign exchange earners. Production is expected to rise to 47,000 metric tonnes this crop year from 45,000 tonnes in the year ended September.
($1 = 101.8000 Kenyan shillings) *(By Duncan Miriri, Reuters)*

Ugandan Coffee Growers See Output 24% Below Forecast on Drought

- Nation's output fell for the last three years due to drought
- Rains Delaying Ripening, Drying of Crop of new harvest

Coffee production in Uganda, Africa's biggest exporter of the beans, may be 24 % lower than expected this season because of crop damage caused by drought, a farmers' group said.
The East African nation may produce 3.2 million 60-kilogram (132-pound) bags and ship 3 million bags from Oct. 1 through September 2017, David Muwonge, deputy executive director of the National Union of Coffee Agribusiness and

Farm Enterprises, said by phone from the capital, Kampala. The figure compares with forecasts of 4.2 million bags and exports of 3.8 million bags given by the regulator in August. “We anticipate a reduction in output because of drought,” Muwonge said. “Some growing areas got below-normal rains, while others received about normal.” Ugandan coffee is mostly rain-fed with negligible irrigation and dry spells cut output for the past three consecutive seasons, reducing exports, according to the Uganda Coffee Development Authority. In 2015-16, shipments dropped 4.1 % to 3.32 million bags, the industry regulator said. At least 80 % of Uganda’s coffee is the robusta variety and the nation mainly exports to Europe, the U.S., Sudan, Morocco and India. Uganda’s harvest is expected to peak in the central, southwestern and eastern regions around Christmas time, compared with the usual late-November to early-December period, because of delayed rains, Muwonge said. Ripening and drying of the crop is being delayed by continuing rains, he said. Muwonge’s group represents more than a million farmers in Uganda. *(By Fred Ojambo, Bloomberg)*

UPCOMING EVENTS

The Global African Investment Summit 30 November 2016
Expecting more informations
14th - African Capital Markets conference 30 Nov-1 Dec 2016 Cape Town, South Africa
https://www.imn.org/structured-finance/conference/African-Capital-Markets-2016/

Angola’s International Fisheries and Aquaculture Fair 2016 runs from 24 to 27 November
Expecting more informations

Investing in African Mining Indaba 6-9 Feb 2017 – Cape Town South Africa
https://www.miningindaba.com/ehome/index.php?eventid=174097&

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

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

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

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

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

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Disclosures

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

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

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