# INSIDE AFRICA

11 November 2016

*Now is the time to invest in Africa*

EAGLESTONE SECURITIES

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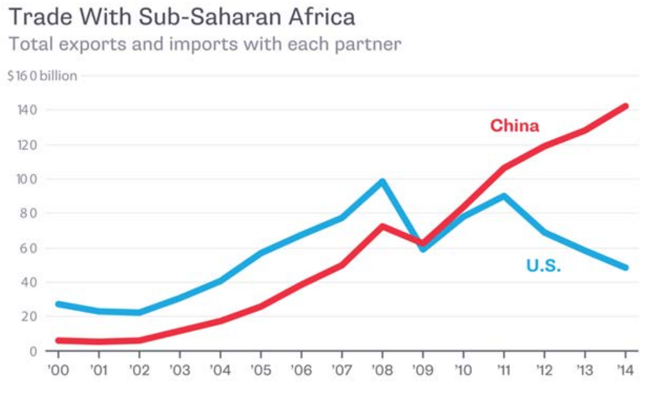
## In-depth:
# Investing in Africa

Africa has long been a battleground for world powers. Two giants playing there these days are China, which is spending freely throughout the continent to scoop up resources and tap some of the world's fastest-growing economies, and the U.S., which is looking to do more business. Both Chinese and U.S. companies expect to profit from their African stakes. The question is whether Africans can win, too.

**The Situation**

China's investments in sub-Saharan Africa have grown 40-fold since 2003 and have been made in every country on the continent, building things like hydroelectric dams, highways to oil regions and railways to carry iron ore. China's government joined with the African Development Bank to create the $2 billion Africa Growing Together Fund. While Chinese companies have been criticized for importing Chinese labor rather than training and employing locals, they're now building garment manufacturing plants to take advantage of Africa's cheap labor amid high unemployment. U.S. development in Africa has been private-sector driven and concentrated in just a few countries including Liberia, Mauritius and South Africa. In 2014, U.S. companies pledged $14 billion in investments at the U.S.-Africa Leaders Summit in Washington. And the U.S. began the Power Africa initiative in 2013 to create the capacity to build electricity grids and generators across six countries by working with African companies and American partners with top-of-the-line technology, including General Electric. PowerAfrica pledged $7 billion in financial support and loan guarantees over five years to achieve 60 million new connections and generate 30,000 megawatts of power — a lofty goal. Yet by mid-2016, it had produced less than 5 % of the new power generation it promised. This was partly due to U.S. congressional gridlock that has stymied the Export-Import Bank, which was going to provide $5 billion of the financing. Meanwhile, power shortages are cutting into African growth.



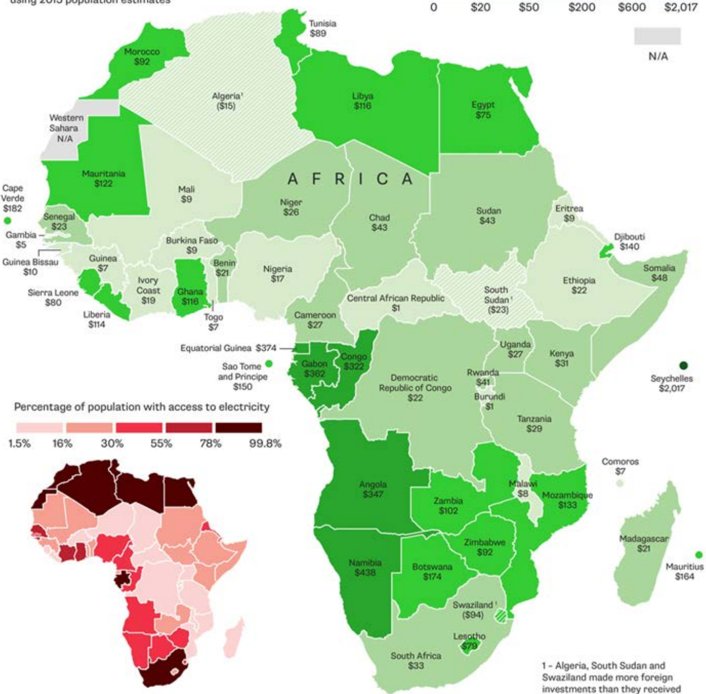

*Source: Brookings Africa growth initiative from IMF*

**The Background**

European imperialism left deep scars in Africa. During the Cold War, the U.S. and Soviet Union intervened to put dictators in power who lined their own pockets and left legacies of poverty, famine and conflict. Foreign aid was often misused and diverted for weapons. Food aid imported to combat famines depressed prices for local farmers. Unrest led to little investment in infrastructure; even now about 600 million sub-Saharan Africans — about 70 % of the population — lack electricity. Though Africa is rich in minerals and energy sources, few Africans have benefited from exports of those materials. Some economists and policymakers have even argued that dependence on natural resources does more harm than good — a phenomenon they call "the resource curse."

**The Argument**

China's rapid-fire, state-funded building provides quick fixes for infrastructure needs in Africa, though some critics say construction can be shoddy. China also isn't fussy about working with controversial political regimes, bestowing legitimacy on leaders in countries that U.S. companies won't touch. Though it sometimes pays little heed to the political and environmental impact of its investments, China's government has stepped in when its investments were threatened — as it did in South Sudan in 2015 — and thus could help promote calm. Yet Chinese growth is cooling and its investment in Africa has slowed, dropping 40 % in the first half of 2015,




*Source: United Nations conference on Trade and Development (Investments); UN (Populations); World Bank (Electricity)*

according to the Chinese Ministry of Commerce. At the same time, the Chinese model shows signs of shifting. In December 2015, Chinese President Xi Jinping pledged $60 billion to promote cooperation and development efforts in Africa, saying "China strongly believes Africa belongs to the African people and African problems should be handled by the African people." The U.S. has more consistently used development as a way to shore up regional stability, but its investments can take longer to get the jobs done, since companies have to satisfy shareholders and projects often undergo environmental vetting before they can get off the ground. U.S. companies are also subject to anti-corruption laws that make it almost impossible to do deals in places where bribery is common. U.S. and Chinese investments in transportation and electricity should make it easier for African businesses to get goods and services to and from the continent. African planners hope this will eventually help lift the average per-capita income in many countries past $10,000. *(By Jeanna Smialek & Jeff Kearns, Bloomberg)*

## Mozambique: Country Outlook

POLITICAL STABILITY: Mozambique's political stability is under threat as the fractious political elite struggles to respond to the economic and security crises facing the country. Fierce rivalries within the long-standing ruling party, the Frente de Libertação de Moçambique (Frelimo), will continue to stir political volatility and the president, Filipe Nyusi, will struggle to assert his authority, as a hardline faction within the party (allied to the former president, Armando Guebuza) seeks to retain influence.

Parallel power structures within Frelimo will undermine government effectiveness, and international pressure to investigate alleged state corruption will exacerbate the divide between reformists and the old guard. Mr Nyusi is likely to remain in power, with the political elite seeking to avoid a vicious contest over his replacement, but attempts by rival factions to install their preferred leader will stoke uncertainty. The Economist Intelligence Unit does not expect Frelimo to lose power, as there is no viable opposition that could threaten its dominance; nor do we expect Frelimo formally to split, since this would require dismantling the deep-rooted systems of patronage that underpin the party. But since Mr Nyusi lacks the political capital to restore unity, factionalism will continue to undermine political stability.

ELECTION WATCH: The next presidential and legislative elections are due in 2019. We expect Mr Nyusi to secure the nomination as Frelimo's presidential candidate and, although power brokers in the party (including Mr Guebuza and his predecessor, Joaquim Chissano) may push for alternative nominations, they are likely to be blocked by rival factions. With a semblance of party unity prevailing during the electoral period, and Frelimo continuing to benefit from its well-oiled party machine and influence over state institutions, we expect the ruling party to dominate the presidential and parliamentary polls.

INTERNATIONAL RELATIONS: Following the revelation in April 2016 of illegal public borrowing and subsequent aid freezes, relations with traditional development partners will remain tense. Aid freezes will remain in place at least until an IMF programme is reinstated and, over the medium-term, direct budgetary support is likely to be mostly replaced by programme-related aid. Aside from the debt saga, persistent outbreaks of violence, allegations of human rights abuses and claims of political repression will also exacerbate tensions with donors.

POLICY TRENDS: The government's near-term priority is to restore macroeconomic stability, amid an unsustainable external debt burden, a sharp drop in capital inflows and a rapid slowdown in economic growth. The IMF suspended the country's stand-by credit facility in May, pending an audit of public borrowing, and access to international credit and concessional financing will be curtailed as a result. This, coupled with rapid currency depreciation, weak export earnings and the inability of state-owned companies to service their liabilities, will undermine the government's ability to cover its financing requirement. In the near term, the liquidity crunch will force the government to abandon its development plans and is likely to lead to a build-up of arrears to suppliers and creditors.

ECONOMIC GROWTH: Economic growth is being stifled by a shortage of hard currency, soaring inflation and low government spending, as well as perceptions of high political risk among banks and businesses. After falling to a 15-year low in 2016, we expect real GDP growth gradually to pick up as macroeconomic stability improves and market confidence slowly recovers. However, at a yearly average of 4.4% in 2017-18 and rising only to 5.3% in 2019-21, real GDP growth will remain well below the average of 7.3% that was recorded in 2005-15.

INFLATION: After the headline rate accelerated to 24.9% in September--its highest level in over a decade--inflation is set to remain elevated in the near term, fuelled by the effects of rapid currency depreciation and food shortages in the south of the country. Upwards inflationary pressure in 2017, stemming from rising global oil prices, further currency depreciation and higher prices for state-regulated goods (including transport, electricity and wheat), will be only partially mitigated by a gradual fall in domestic food prices as production normalises. After averaging 24.2% in 2017, we expect inflation to fall thereafter, to 5% in 2021, aided by a more stable currency and a tighter fiscal stance.

EXCHANGE RATES: After rapid depreciation in 2016 as market uncertainty fuelled dollar demand, the metical will remain under pressure in 2017-21. We expect the pace of depreciation to moderate in the near-term, as commitments to a tighter policy agenda go some way towards restoring market confidence, but uncertainty over sovereign creditworthiness will manifest itself as sharp exchange-rate fluctuations. Higher prices for coal and aluminium (Mozambique's main exports) will support the metical in 2017, but downward pressure will continue to be exerted by low foreign-exchange reserves, weak aid inflows and sizeable twin deficits, with the metical forecast to slide to an

annual average of MT85:US$1. A progressively smaller fiscal deficit will slow the pace of depreciation thereafter, with the metical forecast to average MT103:US$1 in 2021.

EXTERNAL SECTOR: Export growth will be driven by coal, with several mining companies ramping up production in response to firmer prices. While this price rally will probably be short-lived, mining companies will continue to ramp up production to bring down unit costs. Coal is expected to overtake aluminium as Mozambique's main export in 2017, but with these two commodities comprising almost half of the country's exports, the trade balance will remain highly vulnerable to future price shocks. Weak domestic demand and dollar shortages will curtail import growth in 2017-18, before a gradual economic recovery spurs import demand thereafter. *(Economist Intelligence Unit)*

## Hedge Funds Line Up Against Mozambique in Tuna Bond Battle

Hedge funds and some of the world's biggest emerging-market bond investors are girding for a fight with Mozambique and its other creditors.

The country's attempt to reach a restructuring agreement by the end of the year suffered a blow when a group of five investors, who hold 60 % of its $727 million of Eurobonds, said the notes should be treated differently from loans to two state companies and talks couldn't begin until an International Monetary Fund program was in place. Mozambique wanted to negotiate with creditors as one group, while the Washington-based lender has said a deal with the bond and loan holders should come first.

The move by the investors, who include Franklin Templeton and New York-based hedge fund Greylock Capital Management LLC, came two weeks after the government said it needed to restructure around $2 billion of foreign debt, including the Eurobonds, which were sold barely six months ago in a swap for more expensive debt owed by a state tuna-fishing business known as Ematum. Yields on the sovereign securities, due in January 2023, soared by more than 900 basis points to almost 25 % and overtook Venezuela's to become the highest in the world.

"It's not the fault of bondholders and they shouldn't expect any willingness by us to accept" writedowns, Lutz Roehmeyer, who helps oversee about $12 billion in assets at Landesbank Berlin Investment, including Mozambique's Eurobonds, said by phone. "They should go into default on those loans to the state companies. There's no need to pay the loans on time."

Here's what's at stake and what might happen next:

**What happened?**

Mozambique, one of the world's poorest nations, went from being lauded two years ago by the IMF's Managing Director Christine Lagarde to being ravaged by a combination of excessive borrowing, plummeting commodity prices and delayed investments in massive natural gas fields. The crisis worsened in April when the IMF and other donors cut aid after they discovered around $1.4 billion of secret loans issued several years ago by two state firms, Proindicus and Mozambique Asset Management.

**Is Mozambique really in bad shape?**

Finance Minister Adriano Maleiane was "visibly stressed" when he made a presentation to investors on Oct. 25, according to Anne Fruhauf, an analyst at New York-based Teneo Intelligence. Public debt has rocketed from 40 % of gross domestic product in 2012, the year before Mozambique took on the loans, to 113 %, higher than anywhere in sub-Saharan Africa apart from Eritrea and Cape Verde, according to the IMF. Mozambique forecasts its net foreign reserves will be $1.1 billion next year, down almost 60 % from 2014.

The government said it would have no money left over for debt payments in 2017, which include a $60 million coupon on the Eurobond due Jan. 18. In Maputo, the capital, many stores are empty and Mozambicans are battling inflation of 26 %. Since the start of 2015, the local metical has lost 57 % of its value against the dollar, making external debt more expensive to service. "Mozambique is in a really, really difficult place," Alex Vines, head of the Africa Program at London-based Chatham House, said in an interview in Johannesburg on Nov. 4. "They're on this cliff-edge. They don't have money."

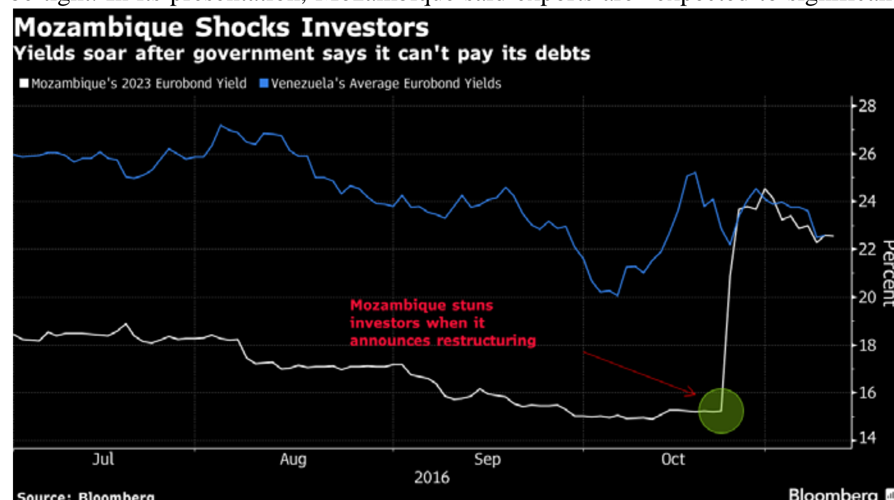
**Who's involved?**

The creditor group comprises Franklin Templeton and AllianceBernstein LP, which between them manage $1.2 trillion of assets, and three hedge funds: Greylock and NWI Management LP, both New York-based, and London's Pharo

Management LLC. They called on other bondholders to join their group, but said it will be closed to the loan investors. Charles Blitzer, who spent 8-1/2 years at the IMF, most recently as assistant director in the capital markets department, is advising the bondholders.
The loans to Proindicus and MAM, due in 2020 and 2021 respectively, were originally provided by Credit Suisse Group AG and Russia's VTB Group, though the banks syndicated some of the debt. Mozambique is being advised by Lazard Freres, an investment bank, and law firm White & Case.

**What is Mozambique trying to do?**

Maleiane and President Filipe Nyusi want to delay debt payments until the country starts profiting from offshore gas fields that were discovered by Anadarko Petroleum Corp. and Eni SpA at the start of the decade. Until then, money will be tight. In its presentation, Mozambique said exports are "expected to significantly increase in the early 2020s," with government revenue rising to $12.3 billion in 2025 from $2.5 billion today.




"They need to buy themselves time," Phillip Blackwood, a managing partner at EM Quest Ltd., which advises Denmark's Sydbank A/S on about $2.5 billion of emerging-market assets including Mozambique's bonds, said by phone from London.

**What happens next?**

Mozambique hoped to talk to investors this month before concluding a framework for a "debt resolution proposal" in December, according to the presentation. That was meant to help it negotiate new funding from the IMF early next year. The formation of the creditor group and its demands mean that timetable probably won't be kept.
"There's not a basis for trust," said Roehmeyer. "I think it'll take roughly half to three quarters of a year to sort out."
The bond group has also said that it won't start talks until an audit of Proindicus, MAM and Ematum is completed. The government has chosen New York-based risk analysis firm Kroll to carry that out.

**What are Mozambique's options?**

A spokesman for the Finance Ministry said Nov. 3 in an interview that the government wants to extend its maturities to 2023 and 2024, rather than impose outright losses on creditors. A day later, the ministry backtracked, saying in a statement it was looking at all options. The bondholders, who say they already made a concession earlier this year when they agreed to swap out of the Ematum notes into the longer-dated Eurobond, seem in no mood to back down. Some are also calling on Mozambique to cut its spending."The holders of the Eurobond are on firmer footing because they've already taken a restructuring, whereas the loan holders haven't," Blackwood said. "The loan holders really need to restructure and push out their payments, as the bondholders already have. Mozambique also has to make some budget cuts. It can't just say that there's no money left." *(By Paul Wallace and Matthew Hill, Bloomberg)*

## S&P Cuts Mozambique L-T FC Ratings to 'CC'; Outlook Negative

<u>Overview</u>

-- The government of Mozambique has announced its intention to restructure U.S. dollar denominated fixed-rate notes maturing in 2023.
-- We expect the restructuring of the notes to be tantamount to default, according to our criteria.
-- We are therefore lowering our long-term foreign currency rating on Mozambique to 'CC' from 'CCC'.
-- We are affirming the short-term foreign currency rating at 'C', as well as the long- and short-term local currency ratings at 'B-/B'.
-- The negative outlook on both the foreign and local currency long-term ratings reflects our view that we will consider Mozambique's restructuring of its notes maturing in 2023 as tantamount to default.

<u>Rating Action</u>

On Nov. 4, 2016, S&P Global Ratings lowered its long-term foreign currency sovereign credit rating on the Republic of Mozambique to 'CC' from 'CCC'. At the same time, we affirmed the 'C' short-term foreign currency sovereign credit rating and the 'B-/B' long- and short-term local currency sovereign credit ratings. The outlook on both the foreign currency and local currency long-term sovereign credit ratings is negative.
As a "sovereign rating" (as defined in EU CRA Regulation 1060/2009 "EU CRA Regulation"), the ratings on the Republic of Mozambique are subject to certain publication restrictions set out in Art 8a of the EU CRA Regulation, including publication in accordance with a pre-established calendar (see "Calendar Of 2016 EMEA Sovereign,

Regional, And Local Government Rating Publication Dates: Midyear Update," Aug. 10, 2016, on RatingsDirect). Under the EU CRA Regulation, deviations from the announced calendar are allowed only in limited circumstances and must be accompanied by a detailed explanation of the reasons for the deviation. In this case, the reason for the deviation is the Mozambique government's announcement of a pending restructuring of sovereign foreign currency debt. The next scheduled rating publication on Mozambique will be announced in our 2017 sovereign rating calendar, to be published in late December 2016.

Rationale

On Oct. 25, 2016, the government of Mozambique announced its intention to restructure US$726 million in fixed-rate notes issued in April 2016. The notes currently mature on Jan. 18, 2023, with the first debt service payment due on Jan. 18, 2017, and amounting to nearly US$60 million.

The notes were issued in relation to a debt exchange on government-guaranteed loan participation notes issued by a special-purpose entity, Mozambique EMATUM Finance 2020 B.V. We viewed this restructuring as a distressed debt exchange and lowered our foreign currency ratings to 'SD' (see "Republic of Mozambique Foreign Currency Sovereign Ratings Lowered to 'SD/D' On Announced Debt Exchange Offer Results," April 01, 2016). We assess these serial defaults as evidence of a weak debt payment culture in Mozambique.

Under our criteria (see "General Criteria: Rating Implications of Exchange Offers and Similar Restructurings, Update," published May 12, 2009), we would generally view exchange offers and similar restructurings as tantamount to default under the following conditions:

-- The offer implies the investor will receive less value than the promise of the original securities; and we believe the offer is distressed, rather than purely opportunistic. We believe the restructuring discussions will revolve around reducing the debt service payments in the short term, while increasing repayment periods. The government expects the restructuring to take place by early January 2017.

However, the debt restructuring could take longer, in our view, if creditors do not agree to equal treatment of all creditors, which the government is proposing. Nevertheless, our lowering of the foreign currency sovereign ratings to 'CC' reflects our expectation that the restructuring will proceed fulfilling the above conditions for S&P Global Ratings to consider the restructuring as tantamount to default.

Given the current heavy upcoming payment schedule, a debt restructuring would allow Mozambique to reduce debt service payments on external commercial obligations in the short term. The government estimates required debt servicing costs (including arrears) of close to US$600 million for 2017. A reduction in Mozambique's debt burden could prompt a resumption of official foreign financing to Mozambique and an International Monetary Fund financing program in early 2017.

In the government's October 2016 announcement, it also stated its intention to restructure two foreign currency commercial loans guaranteed by the Mozambic government. The two loans were issued by state-owned entities and amount to US$1.155 billion (US$622 million for Proindicus maturing in 2020, and US$533 for Mozambique Asset Management [MAM] maturing in 2021). We include the guaranteed external loans as part of general government debt, as we expect the government will service these obligations. We note that MAM missed its first amortization payment of US$178 million in May 2016. However, there is limited available information regarding the terms of these guarantees. As a result, we are unable to assess whether or not this nonpayment meets our definition of default on government-guaranteed debt (see "Guarantee Default: Assessing the Impact on the Guarantor's Issuer Credit Rating," published May 11, 2012).

However, we view the likely restructuring of these government-guaranteed loans as a further indicator of the government's fiscal stress and evidence of a weak debt payment culture. Due to the large contingent risks posed by Proindicus and MAM debt service obligations, we have also weakened our view of contingent liabilities from limited to moderate.

We have also revised our GDP growth forecasts downward in line with the weak macroeconomic environment. All other rating factors remain broadly similar as announced in our last Research Update published Aug. 5, 2016, "Research Update: Republic of Mozambique 'CCC/C' Ratings Affirmed; Outlook Remains Negative."

Outlook

The negative outlook reflects our expectation that we will consider Mozambique's restructuring of its notes maturing in 2023 as tantamount to default.

We could lower the long-term foreign currency rating on Mozambique to 'SD' if we consider that the investors will receive less value than the promise of the original securities, or if we believe the offer is distressed, rather than purely opportunistic. Once the restructuring is completed successfully, we expect to review our rating on Mozambique to reflect our forward-looking opinion on its creditworthiness.

| **Mozambique (Republic of) Sovereign Credit Rating** | **Rating To** | **From** |
|---|---|---|
| Foreign Currency | CC/Negative/C | CCC/Negative/C |
| Local Currency | B-/Negative/B | B-/Negative/B |
| Transfer & Convertibility Assessment | CC | CCC |
| Senior Unsecured: | | |
| Local Currency | B- | B- |

## IMF, WORLD BANK & AFRICAN DEVELOPMENT BANK

**IMF says could resume Mozambique aid early 2017**

The International Monetary Fund (IMF) could agree a new aid programme to Mozambique early next year if the government makes good on pledges to renegotiate loans with creditors and allows an independent debt audit, an IMF official said. The IMF cancelled its funding this year after the emergence of more than $2 billion in loans that were not approved by parliament or disclosed publicly, sending the war-scarred southern African nation's currency into freefall.

The metical has lost 40 % of its value against the dollar since January, inflating the cost of servicing more than $11 billion of state debt. The government admitted last week that the situation was unsustainable, with the country's debt to GDP ratio likely to hit 130 % this year.[nL8N1CV7P6]

IMF resident representative Ari Aisen told an investor conference that he did not believe there was any more secret borrowing but said there were still many complications that could delay a resumption in multilateral lending.

Key to its re-engagement is a full international audit of the various foreign loans, the IMF has said.

"The government's willingness to bring transparency to its debt ... is building the conditions for the IMF to resume programme discussions," Aisen said. "We are hoping to resume talks soon. The discussions with creditors is the first step and also an international audit. In terms of a new programme, possibly by the first quarter next year. Realistically, it may not be before June." Finance Minister Adriano Maleiane earlier told the same conference that Mozambique, which is home to vast natural gas reserves, was committed to an international audit and a clean-up of state finances. "It's necessary that state reform and corruption can be faced so the natural resources can be used for what we need," he said. Maleiane also said that the government was pinning its longer-term hopes on huge revenue from development of its offshore gas fields. Italian energy giant Eni is expected to make the final investment decision on its involvement in the next few weeks. While acknowledging Mozambique's "huge financial problems" in the short term, Maleiane said: "We can in a short while go back to stability and have a positive future."

**IMF Staff Concludes Visit to Zambia**

- Pace of economic growth remains sluggish in 2016
- Program discussions to be held in early 2017
- Mission welcomes efforts to protect social spending for the most vulnerable

At the invitation of the authorities, an International Monetary Fund (IMF) team led by Tsidi Tsikata visited Zambia during October 19-31 to help assess the current economic situation and provide policy advice to restore macroeconomic stability and promote broad-based economic growth.

At the end of the mission, Mr. Tsikata issued the following statement:

“The Zambian economy continues to be under stress from the impact of external and domestic shocks and an unbalanced policy mix. The pace of economic activity remains sluggish in 2016, with growth projected at 3 % due to continued electricity shortages, low exports and subdued private sector consumption and investment. “Public finances are severely strained. Fiscal performance through the first three quarters of 2016 was characterized by shortfalls in revenue and substantial spending overruns on fuel and electricity subsidies. The government has also been accumulating payment arrears to suppliers and contractors. The stock of arrears is projected to increase from about ZMW10 billion (5 % of GDP) at end-2015 to about ZMW 20 billion (9 % of GDP) at the end of 2016. On a cash basis, the fiscal deficit for the whole year is projected to reach 5 % of GDP, and the deficit on a commitment basis (i.e., taking into account the net accumulation of arrears during the year) at about 10 % of GDP. To date, the cash deficit has been largely financed with domestic borrowing, mainly from the Bank of Zambia. “Monetary policy has continued to carry the burden of policy adjustments. A tightening of monetary policy helped stabilize the exchange rate and put inflation on a downward trajectory. However, the ensuing tight liquidity conditions together with the slowdown in growth and the accumulation of government payments arrears have put the private sector and the banking system under stress and led to an increase in non-performing loans. “The mission and the authorities discussed a broad range of measures to create fiscal space for beginning to clear government’s arrears, scale up social spending and reduce the fiscal deficit on a commitment basis in 2017. This adjustment would help to put public debt on a downward path and allow monetary policy to gradually unwind the current tight stance, allowing the economy to recover. “Zambia’s current economic challenges can be overcome with resolute policy action such as the recent adjustment of fuel prices to cost-reflective levels and the announced intention to reduce electricity subsidies. These measures, if coupled with structural reforms to reduce inefficiencies and increase capacity utilization in the energy sector, would go a long way toward increasing Zambia’s potential growth. The mission welcomes the authorities’ plan to scale up social cash transfers and protect social spending, including on health and education, to mitigate the potential impact on the poor. “The mission welcomes the authorities’ decision to undertake a broad-based consultative process to ensure support within the government and across national stakeholders for their policies and reforms that could be implemented under an IMF arrangement. At the authorities’ request, the mission will return to Zambia in early 2017 to conduct Article IV consultation and program discussions. “The team met with Finance Minister Felix Mutati, Bank of Zambia (BoZ) Governor Denny Kalyalya, National Development Planning Minister Lucky Mulusa, other senior government and BoZ officials, members of parliament, as well as representatives of the private sector, labor unions, civil society organizations, and Zambia’s development partners. The mission thanks the authorities and the other stakeholders who it met with, for their openness

and the constructive spirit in which all discussions were held. The IMF stands ready to support Zambia and its people as needed."

**IMF Staff Holds Review Mission to Tanzania**

- IMF team lead by Mauricio Villafuerte, visited Tanzania from Oct 18–28, to conduct 5th PSI review
- Projected growth of 7% in 2016 is still within reach
- Tanzania remains at low risk of external debt distress

A team from the International Monetary Fund (IMF), led by Mauricio Villafuerte, visited Tanzania from October 18–28, 2016 and held discussions with the authorities on the fifth review under the Policy Support Instrument (PSI) program that was approved on July 16, 2014.

At the end of the mission Mr. Villafuerte issued the following statement:

"Preliminary data for the first half of 2016 indicate that economic growth was strong and that the projected growth rate of around 7 % for the year as a whole remains within reach. However, there are downside risks to economic growth associated with the current tight stance of macroeconomic policies and the slow pace of implementation of public investment. "Inflation declined to 4.5 % in September, below the target of 5 %. The current account balance has improved significantly due to lower capital goods imports as externally-financed investment has slowed down and exports of gold and manufactured goods increased. The Bank of Tanzania's foreign exchange reserves have strengthened in recent months. "Implementation of the PSI-supported program has been satisfactory. Preliminary data indicate that most quantitative assessment criteria for end-June 2016 were met. The pace of implementing structural reforms has been slow, but has picked up recently. "Notable progress has been made in stepping up revenue collections and, based on data for the first quarter, the ambitious program target for the 2016/17 fiscal year is within reach. However, current spending has been lower than programmed. Together with the customarily slow pace of project implementation at the beginning of the fiscal year, this has led to a fiscal surplus in the first quarter. In addition, liquidity conditions have been tight contributing to upward pressure on borrowing costs in the economy. "The mission held discussions on how to address these macroeconomic challenges. In particular, it noted the importance of mobilizing external financing to step up the pace of planned capital spending. Tanzania is at low risk of external debt distress and has room to borrow externally on concessional and nonconcessional terms to meet its financing needs. The mission commended the authorities' efforts to improve the efficiency of spending and noted that it should not compromise the delivery of essential services. It also recommended continued steps to ease liquidity conditions in the economy. These could include liberalizing further the capital account in line with commitments under the East African Monetary Union Protocol; acquiring a sovereign credit rating to expand Tanzania's opportunities to borrow abroad; and widening the range of monetary policy tools. "The mission welcomed the adoption of the second Five-Year Development Plan. The mission noted that it was essential to improve the dialogue with the private sector and accelerate reforms to bolster the business environment. The mission also welcomed the steps taken to clear existing domestic arrears and prevent their further incurrence. "Discussions will continue in the coming weeks to reach final understandings on an economic policy framework that can underpin the completion of the fifth review under the PSI. The IMF Executive Board is tentatively expected to discuss the review in early-2017. "The mission met with Minister Philip I. Mpango, Governor Benno Ndulu, Permanent Secretary Doto M. James, and other senior officials of the government and the Bank of Tanzania. "The IMF team is appreciative of the constructive and open policy dialogue and thanks the authorities for their hospitality during the visit."

**Kenya Economic Update: Economic Growth Continues Despite Challenging Global Environment**

- *The new Kenya Economic Update shows the country's strong economic growth is expected to continue, with forecasts of 5.9% in 2016 and 6.1% by 2018*
- *Despite global economic weaknesses, the report notes Kenya's growth has remained consistently solid, driven by investment and private consumption*
- *The report the country ready itself for potential downside risks that could derail growth, and recommends improving the productivity of public investment to further accelerate growth potential*

NAIROBI, October 31, 2016 — Kenya's overall economic performance has remained robust over the past eight years, and it is expected to continue into the medium term at a rate of 6% 2017, according to the latest economic update for the country. The Kenya Economic Update (KEU): Beyond Resilience – Increasing Public Investment Efficiency, says the country's positive forecast is driven by a vibrant services sector, enhanced construction, currency stability and low inflation, low fuel prices, a surge in remittances and a growing middle class characterized by rising incomes. "I am happy to see Kenya's economy demonstrate resilience in the face of regional and global economic slow-down," said Diarietou Gaye, World Bank Country Director.

Overall, Kenya's performance has outpaced the regional average for eight consecutive years, and the country remains a bright spot across Sub-Saharan Africa. Kenya experienced strong economic performance in 2015, and has exceeded the average growth for Sub-Saharan Africa countries consistently since 2009, the report notes.

This positive trend was reinforced by the latest World Bank Group's Ease of Doing Business report where Kenya moved up to the 92nd spot compared to 113 in the previous year. Kenya is now among the top five economies in Sub-

Saharan Africa where it is easiest to do business. This improvement in the country's business climate is largely due to the implementation of reforms to ease the process of doing business.
Nonetheless, the KEU notes that the country remains vulnerable to both external and domestic risks ranging from adverse weather that could curtail agricultural growth, uncertainties around the 2017 elections that could unduly dampen investor confidence, to weaker than expected global demand which could subdue the country's exports.
While Kenya is set for further medium-term growth, the report recommends reforming the systemic weaknesses of the country's Public Investment Management (PIM) system, to see stronger growth. PIM is currently characterized by low execution and cost escalation of infrastructure projects. "There is also urgent need to streamline the process of land acquisition, compensation and resettlement which lead to significant delays and cost escalation in the design and execution of public infrastructure projects," said Sheila Kamunyori, World Bank urban specialist one of the co-authors of the report.
In addition to complex, long-term PIM reform recommendations, the report recommends several quick, high-priority actions that can help achieve higher levels of growth, such as:

- Establishing a minimum criteria for project preparation, appraisal and inclusion of a project in the budget
- Gradually strengthening the National Treasury role to include providing an independent review of project proposals, and enhancing capacity to undertake this role
- Improving transparency and accountability for management of the portfolio of public investment projects

Quick win recommendations related to land acquisition include:

- Providing payment assurance for financing land acquisition and resettlement to ensure immediate availability of funds for compensation when needed
- Evaluating the current proposal to amend the legislation on compensation in land acquisition against international good practice to balance fairness, timeliness and the public interest
- Developing a policy on involuntary resettlement with supporting legislation which reflects the principles of international good practice

**IFC Study Finds Climate Pact Helped Open Up $23 Trillion in Emerging-Market Opportunities**
Washington, D.C., November 7, 2016—A study released today by IFC, a member of the World Bank Group, shows that the historic global agreement on climate change adopted in Paris last year helped open up nearly $23 trillion in opportunities for climate-smart investments in emerging markets between now and 2030. Since the Paris Agreement was adopted in December 2015, a total of 189 countries have submitted national plans that target aggressive growth in climate solutions—including renewable energy, low-carbon cities, energy efficiency, sustainable forest management, and climate-smart agriculture. These plans offer a clear roadmap for investments that will target climate-resilient infrastructure and offset higher upfront costs through efficiency gains and fuel savings. IFC's study, based on the national climate-change commitments and underlying policies of 21 emerging-market economies, identifies sectors in each region where the potential for investment is greatest. This includes green buildings in East Asia and the Pacific—where China, Indonesia, the Philippines, and Vietnam show a climate-smart investment potential of $16 trillion. Latin America and the Caribbean offer the next largest opportunity—particularly in sustainable transportation, where the potential for investment in Argentina, Brazil, Colombia, and Mexico is about $2.6 trillion. Opportunities in South Asia are mostly in climate-resilient infrastructure, where $2.5 trillion of opportunities exist in India and Bangladesh. "There has never been a better time than now for climate-smart investing," said IFC Executive Vice President Philippe Le Houérou. "This reflects the dramatic reduction in the price of clean technologies and the rise of smart policies that are driving businesses to invest. In this context, it is important to set ambitious goals—which is why IFC has pledged to increase our climate investments to a goal of $3.5 billion a year by 2020 and catalyze another $13 billion through other investors." Sub-Saharan Africa represents a $783 billion opportunity—particularly for clean energy in Cote d'Ivoire, Kenya, Nigeria, and South Africa. In Eastern Europe, the biggest markets—Russia, Serbia, Turkey, and Ukraine—show a combined investment potential of $665 billion, mostly in energy efficiency and new green buildings. And in the Middle East and North Africa, the total climate-investment potential for Egypt, Jordan, and Morocco is estimated at $265 billion, over a third of which is for renewable-energy generation, while 55 % ($146 billion) is for climate-smart buildings, transportation, and waste solutions. The report also finds that government action will be critical to take advantage in order to unlock the full scale of investment potential. It recommends that governments integrate national climate commitments into their development strategies and budget processes, strengthen the investment climate for climate-smart industries, and deploy public funds strategically to mobilize private capital—by reducing risk and providing project support, for example. *(International Finance Corporation)*

**Private sector's contribution to Africa's growth notable, but more should be done**
The 5th 2016 Korea-Africa Economic Cooperation (KOAFEC) Ministerial Conference ended with strong calls for enhanced private sector involvement to achieve sustainable development in Africa. At the KOAFEC Public-Private Partnership Forum, the African Development Bank emphasised that private sector contribution was necessary especially in the face of Sustainable Development Goals, which require massive investments for their achievement by 2030.

Charles Boamah, AfDB's Finance Vice-President, highlighted other reasons for the much-needed private sector investments. "ODA [Overseas Development Assistance] has remained stagnant, even falling at a time when the upfront investment needs are skyrocketing and the social imperatives are urgent and cannot be postponed," he noted. "At the same time, long-term savings (pension funds, sovereign wealth funds, etc.) are crying for yield. Indeed, there is a growing pension crisis, with pension assets attracting incredibly low returns at a time when their liabilities are shooting up," Boamah said.

The Vice-President pointed out that these scenarios provide an opportunity to further boost growth through investments in infrastructure and other sectors / assets. "There is a social need, there is an economic case and there appear to be sources of capital keen to participate if properly incentivized," he underscored.

For PPPs to thrive, governments were urged to create enabling environments for doing business. These include establishing legal and regulatory frameworks targeting PPPs, according to **Ajedra Gabriel Gadison Aridru**, *State Minister, Ministry of Finance, Planning and Economic Development, in Uganda. "In* Uganda, although there have been PPPs, there was no legal framework until last year when a bill was passed," he said. The PPP Act 2015 spells out the engagement of private partners in PPPs. It also regulates the roles and responsibilities of government bodies during the development and implementation of PPP projects.

In a joint declaration adopted by the Korean Ministry of Strategy and Finance (MOSF), the African Development Bank (AfDB), Korea Eximbank (KEXIM) and ministers of Finance from AfDB member states during the 2016 KOAFEC Ministerial Conference, the parties recognised that agriculture was a key sector for investment. They noted the significant impact of agricultural transformation on Africa's job creation and income levels. They called for stronger mutual partnership between Korea and Africa to meet the challenges in Africa's agricultural sector. "Korea's development experience can contribute to Africa's economic transformation, addressing income inequality and improving people's livelihood," read the declaration in part. Korea, which was once at the same level with Sub-Saharan Africa, has grown to be the 11th largest economy in the world. During KOAFEC, the country announced that it would increase its financial package to US $10 billion in support of Africa's development.

The parties lauded AfDB's top high priorities (High 5s), noting that they were aligned with KOAFEC's priorities as well as those of their country plans. Reforming agriculture is a cross cutting top agenda, as demonstrated by this year's KOAFEC theme: "*Transforming Africa's Agriculture through Industrialization and Inclusive Finance*". Over 500 participants including Ministers of Finance and Agriculture, representing AfDB's member countries, attended the event in addition to private-sector leaders, pan-African institutions, regional economic communities, academia, among others.

The KOAFEC Ministerial Conference is jointly hosted by the AfDB, the MOSF, and KEXIM. The next KOAFEC Ministerial Conference will be held in Busan, Korea, in 2018. The Conference will be held alongside the AfDB Group Annual Meetings, which will be hosted by the Government of Korea. *(AFDB)*

**France provides €6-million grant to AfDB for the African Renewable Energy Initiative**

The Government of France and the African Development Bank on November 6 signed a €6-million agreement for the implementation of the Africa Renewable Energy Initiative (AREI). The resources will help set up the Delivery Unit of the Initiative to be hosted at the African Development Bank The agreement was signed by Ségolène Royal, French Minister for Energy Environment, and Marine Affairs, and Frannie Léautier, Senior Vice-President of the AfDB. "I strongly welcome France's contribution to the AREI. I hope that this commitment, will be an important catalyst for others in helping us reach our funding goals as we strive to meet Africa's future energy needs," Léautier said. France's contribution will help map existing initiatives and programs for renewable energy development; identify new renewable energy development projects; and monitor priority projects of renewable energy development in Africa among others. The African Renewable Energy Initiative aims to achieve 10 gigawatts of new renewables by 2020 and mobilize the potential to generate 300 gigawatts by 2030. The Initiative will help African nations put in place low-carbon development strategies while creating jobs, improving energy security and bringing clean, safe and affordable energy to the 640 million Africans who currently lack access to it. It was announced last year during the COP21 Conference in Paris. The AfDB has worked with the African Union and its partners to fully establish the Delivery Unit. Beyond project financing, the Initiative will help African countries to introduce and manage policies that will allow for rapid and sustainable rollout of renewables technologies, and build institutions and systems for sustaining these investments. *(AFDB)*

## INVESTMENTS

**Sub-Saharan Africa economy: European Investment Bank opens regional bureau**

The European Investment Bank (EIB) has opened a permanent representative office in Yaoundé, the capital of Cameroon. This is the fifth office in Sub-Saharan Africa for the EIB-the EU's long-term lending institution-and its first permanent presence in Central Africa. The bureau will serve as a hub for the EIB's investment projects across eight countries in the region: Cameroon, Congo (Brazzaville), Gabon, Equatorial Guinea, the Central African Republic, the Democratic Republic of Congo, São Tomé and Príncipe, and Chad. The EIB reportedly invested some EUR850m (US$936m) in Sub-Saharan Africa in 2015, but Francophone Central Africa is one of the regions where the bank's presence is lightest.

Greater engagement from multilateral lending agencies such as the EIB will be a boon for the region, as many governments are struggling to cope with lower fiscal receipts as a result of the global commodity price slump and a related slowdown in economic growth since mid-2014. Although average global oil prices are likely to see a partial recovery from 2017, they will remain well below their 2011-14 peaks in the medium term, maintaining pressure on the region's public finances. Continued inflows of foreign lending and investment will be critical to support key infrastructure projects and the local private sectors.
The opening of a hub in Yaoundé should help to promote crossborder projects with the potential to improve economic linkages within the region. Many countries in Central Africa face similar obstacles of weak transport and telecoms infrastructure networks, low levels of private-sector development and a heavy reliance (albeit to varying degrees) on volatile revenue from commodity exports. EIB officials have said that the Yaoundé office will co-ordinate projects in several strategic areas, including crossborder trade and transport infrastructure, water supply and energy. A stronger EIB presence should also support efforts to expand the domestic private sector-including by providing new sources of financing via local banks and microfinance institutions-although the difficult business environment will remain a major obstacle for the development of small businesses. *(Economist Intelligence Unit)*

**Cabo Verde and Mozambique among the African countries most favourable to Chinese interests**
Cabo Verde and Mozambique are among the most favourable African countries to the economic and political interests of China, and especially value investment in infrastructure and business, according to the first survey on the subject in Africa. The Afrobarometer survey, which reveals a generally positive reception by Africans to Chinese interests, places, in the chapter on the welcoming the economic and political influence of China, Cabo Verde in 5th place with 78% of positive reviews and only 5% negative.
Also in this chapter, Mozambique appears above the average, with 65% of positive reviews and only 9% negative and the third Portuguese-speaking country included in the study, Sao Tome and Principe, the balance of opinion is also highly favourable – 53% positive and 6% negative – although there are no diplomatic relations between the archipelago and China. “In particular, the investments it makes in the development of infrastructure and business, as well as its low-cost products, contribute to positive perceptions of China,” the report said. “Most (Africans) value the development aid provided by China and see its influence as more rewarding than detrimental to the development prospects of their countries,” it said. Cabo Verde is also among the countries where the influence perceived by its citizens is higher: 78% say it is significant and only 9% reduced.
In Mozambique, 68% of respondents identify significant influence and 11% reduced influence, which results are higher than in Sao Tome and Principe, the last in this ranking, with 17% pointing to a reduced influence and 43% in the opposite direction. In relation to the main external influences identified, all Portuguese-speaking countries are below average in terms of China’s influence.
Among the citizens of these countries, Mozambicans (52%) are those that identify a greater Chinese influence (compared with only 8% of the United States and 5% of the former colonial power, Portugal), followed by Sao Tome (24% China, 17% Portugal) and Cabo Verde (25% Portugal, 27% China and 31% the United States).
Regarding the perception of China and the United States as development models, Mozambicans strongly favour the Chinese model (36% compared to 15% who prefer the US, the Sao Tome population is divided, with a slight preference for the US and Cape Verdeans with a strong preference for the US. “For Africans, China rivals the United States in influence and popularity as a development model,” says the study. “Despite frequent criticism in the media about Chinese interests in Africa,” it says, “Africans see the emergence of China as a positive addition to the economic playing field.” *(Macauuhub)*

**Meliá Hotels International Group strengthens its presence in Cabo Verde**
Spanish group Meliá Hotels International will reinforce its presence in Cabo Verde (Cape Verde) with the addition of a tourist resort with three new 4-and 5-star hotels and a total of 600 rooms on the island of Santiago, the group announced in a statement issued in Palma, Mallorca. The resort will feature the Meliá Lusofonia Resort & Spa, Meliá Lusofonia and Meliá Lusofonia Residences with 320, 150 and 130 rooms respectively, which should become operational between 2019 and 2020 as soon as construction is completed. The resort will be located in Ponta Jandangue on the island of Santiago and will occupy an area of land between the capital, Praia, and Cidade Velha, located on the south coast of the island and classified in 2009 as a World Heritage site. With the addition of this resort, the Spanish group continues to grow in Cabo Verde, where it currently operates two hotels on the island of Sal, Meliá Tortuga Beach and the Meliá Dunas Beach Resort & Spa. At the end of the year it will open a third hotel on the island of Sal, Meliá Llana Beach Resort & Spa and in the longer term the Meliá White Sands and Meliá Salamansa on the island of São Vicente, bringing the number of hotels owned by group from the Canary Islands on the Cabo Verde archipelago to eight. *(Macauuhub)*

**More than 100 Chinese investment projects identified in Angola in 2016**
More than a hundred new investment projects have been identified in Angola from Chinese companies since the beginning of the year in various sectors of economic activity, said in Luanda the Chinese ambassador to Angola. Ambassador Cui Aimin, speaking at the opening of the Angola-China Investment Forum, said the Bank of China’s

branch in Luanda will provide financial support to these projects as part of the cooperation developed between the two countries. He said that despite temporary constraints that both Angola and China face due to a drop in the price of oil on the international market, there are good prospects for development. This meeting between Angolan and Chinese entrepreneurs, resulting from existing bilateral economic cooperation between the two countries, aims to create an enabling environment for economic cooperation and combine business strategies to attract investment for projects that need funding. The Minister of Fisheries of Angola pointed out that Chinese investment in the Angolan fisheries sector may improve in the near future on the basis of proposals submitted at this Investment Forum. Victoria de Barros Neto said she expected this meeting would result in mutually beneficial partnership agreements that would increase Angolan production in the fishing and fish farming sectors and that would maximise job creation. *(Macauuhub)*

**Private investment approval takes just 45 days in Angola**

The process of making a private investment in Angola takes a maximum of 45 days to be approved, unlike in previous years, when investors waited months to see their projects approved, said in Luanda the director of the Technical Unit got Private Investment (UTIP).

Norberto Garcia said this was due to the efforts of the government to avoid bureaucracy in analysing investment projects in the country and giving more opportunities to domestic and foreign businesspeople. Garcia said eight or nine deals had been closed under the Angola – China Investment Forum, amounting to US$1.3 billion, and estimated that the meeting will end with business worth US$2 billion.

The Technical Unit for Private Investment (UTIP) of the President's Civil House of the Republic of Angola has been around for 12 months, in which time it has approved 43 projects across the country attracting investment of US$9 billion. UTIP provides a specialist service of continued support to the President, and is responsible for the preparation, conduct, evaluation and negotiation of private investment projects, whose approval under the Private Investment Law and its regulations is the responsibility of the President of the Republic. *(Macauuhub)*

**Angolan and Chinese companies sign agreement for investments in Lunda Sul**

Angolan company Sogespro Engenharia & Consultoria Lda and China's Guangxi Liuzhou Iron and Steel Group Company Limited in Luanda signed an agreement of intent to form a partnership for investment in the agricultural and industrial sectors, in Lunda Sul province. The Director-General of Sogespro, José Dantas, said at the time that signing the agreement marks a new era of industrial development in the province of Lunda Sul, in the context of diversification of the economy, according to Angolan news agency Angop. The document was signed in the presence of the President of the Angolan Agency for Investment and Export Promotion (Apiex), António Henriques da Silva, who said he wanted the agreement to develop partnerships in the industrial sector (energy, steel, electrical equipment and smart meters) and in agriculture, particularly in the production of sugarcane and alcohol. Henriques da Silva stressed that the investment focused on the province of Lunda Sul is part of the process of diversifying the economy and reducing regional disparities in Angola and added that his institution will support the subsequent stages of the project now launched with the signing of the agreement. *(Macauuhub)*

**AccorHotels group manages first hotel in Angola**

The Ibis Styles Iu Hotel, the first hotel in Angola to be managed by international chain Accor, was opened in Luanda, in the Talatona neighborhood, through an investment by the AAA Activos company started in 2007, the Angolan press reported. This three-star hotel, which has 120 rooms and two restaurants, was opened in a ceremony attended by the Minister of Hotels and Tourism, Paulino Baptista and the provincial governor of Luanda, Higino Carneiro. The minister of Hotels and Tourism said at the time that the opening of this hotel is a landmark in the sector because it "symbolises the entrance of one of the largest hotel chains, placing Angola on the international tourist route." French group Accor is present in 94 countries, where it operates 4,100 hotels in 20 brands ranging from economy to luxury, with 570,000 rooms, and its workforce is made up of 240,000 employees. AAA Activos over the next two years has plans to open about 50 hotel units of various categories in Angola, adding another 6,445 rooms to those currently available. By the end of the year hotels will be opened in the municipalities of Viana and Cacuaco, both with 180 rooms each, and in the first quarter of 2017 hotels of the same type will open in the provinces of Benguela, Lubango, Namibe and Sumbe. AAA Activos also plans to open other hotel units in the superior and luxury segments, such as Grand Mercure, Mercure and Sofitel hotels. *(Macauuhub)*

**Subsidiary of Chinese group CITIC builds factory in Angola**

CITIC Aluminium Angola, Lda., a subsidiary of Chinese group CITIC, is investing US$40 million in an aluminum frame factory under construction in the Luanda-Bengo Special Economic Zone (EEZ), the deputy governor of Luanda for the economic sector said.

José Cerqueira, who was visiting the EEZ in the company of potential Chinese investors, said the factory, located in a plot of 20 hectares and be operational in the second quarter of 2017 is expected to have production of 10,000 tonnes of aluminium frames in an initial phase and create 350 direct jobs.

During the visit, Chinese investors had the opportunity to find out about the units installed in the region and announced they plan to establish investment partnerships in infrastructure such as factories to manufacture sanitary ware, mortar, glass processing and tiles, among others. This visit to the EEZ was part of the Angola-China Investment Forum which brought together in Luanda over 1,500 Angolan and Chinese investors and aimed to create an environment to enable economic cooperation and combine factors of business strategies aimed at attracting investment to projects that need funding.
During the two-day event, Angolan and Chinese businesspeople signed several private investment contract in agriculture, fisheries, geology and mining, construction, industry, and showed they intended to speed up the implementation of sector projects. *(Macauuhub)*

## BANKING

### *Banks*

**Banco BPI likely to lose control of Banco de Fomento Angola**
Shareholders of Banco BPI are expected to approve the sale of 2 % of Banco de Fomento Angola (BFA) to the Angolan telecoms company Unitel for 28 million euros during the general meeting scheduled for 23 November in Porto, indicates a communication to the market.
In the statement released via Portugal's Securities Market Commission (CMVM), the Banco BPI board of directors affirms that the sale is the "only solution" possible for the bank to reduce exposure to Angola and thereby comply with the European Central Bank's demand that it resolve the "problem of surpassing the limit for major risks faced since late 2014."
BPI currently holds 50.1 % of BFA and Unitel 49.9 %. With the sale, Unitel will gain a controlling 51.9 % stake in the Angolan bank while BPI's stake will fall to 48.1 %. Authorisation for the sale is required from the National Bank of Angola, which must accept Unitel's increased stake in BFA and the transfer of foreign currency worth 28 million euros to Portugal. It must also be approved by BPI's shareholders, as the Portuguese bank will lose control of its important Angolan subsidiary at a time when Caixabank has launched a takeover bid for 100 % of the bank.
BPI's main shareholders are the Spanish group Caixabank, with a current stake of nearly 45 %, and Angola's Santoro, with 18.6 %. Other notable BPI shareholders include the insurer Allianz (8.4 %), the Violas family (2.68 %) and Banco BIC (2.28 %), a position related to Santoro's, given that Angolan entrepreneur Isabel dos Santos is a reference shareholder in both companies. *(Macauhub)*

**Angolan banking sector has total of US$2.133 billion in bad loans at the end of 2015**
Overdue loans in commercial banking in Angola amounted to 355.6 billion kwanzas (US$2.133 billion) at the end of 2015, according to the 11th edition of the "Banking under Analysis" report, presented in Luanda by the Deloitte consultancy. The study, in which Deloitte analyses the results of the reports and accounts publicly submitted by banks operating in Angola, reveals that provisions for loans at banks increased 107% in 2015, a year in which, the value of the aggregate assets of the institutions reached 7.512 billion kwanzas (US$45 billion).
The head of Deloitte for the Financial Services sector in Angola, José Barata, admitted during the presentation of these results, a "deterioration of the loan portfolio" of the Angolan banking sector, which had to do double provisions in relation to 2014. "This reflects a need to record negative results to respond to losses in the portfolio," noted Barata, admitting that bad debt "remains high" within the Angolan banking sector.
The total net income of the institutions in question – excluding information from Banco Económico, formerly Banco Espírito Santo Angola – grew by 19% to 116.5 billion kwanzas (632 million euros) in 2015. State bank Banco de Poupança e Crédito (BPC), which is undergoing restructuring, heads up the list of assets with 1.399 trillion kwanzas (US$8 billion), followed by Banco de Fomento Angola (BFA), Banco Angolano de Investimentos (BAI), Banco BIC and Banco Privado Atlântico (BPA).
The 11th edition of the Banking under Analysis report reveals that the proportion of deposits in Angolan currency maintains it growth at the expense of foreign currency, rising to represent 69% of the total and that at the end of the year Angolan banks relied on client deposits totalling 6 billion kwanza (US$36.7 billion), an increase of 12% compared to 2014. *(Macauhub)*

**IFC and Bank of Ghana Support Corporate Governance in the Financial Sector**
Accra, Ghana. November 8, 2016 – IFC, a member of the World Bank Group, and the Bank of Ghana today announced a partnership to help companies adopt good corporate governance practices that will help boost Ghana's financial sector performance and promote economic growth.
IFC and the Bank of Ghana will work together with financial sector companies to raise awareness of the need for good corporate governance. Both institutions will provide guidance on operational structures and processes, reporting mechanisms and build corporate governance capacity through training, workshops and conferences. The program was launched at a conference in Accra today, which convened over 100 directors of banks and other finance sector stakeholders.

Corporate governance is defined as the structures and processes by which companies are directed and controlled. Good corporate governance helps companies improve access to capital, mitigate risk, and safeguard against mismanagement. It makes companies more accountable and transparent to investors and gives them the tools to respond to stakeholder concerns.

Dr Johnson P. Asiama, Second Deputy Governor, Bank of Ghana, said, “Sound corporate governance practices are key ingredients for a bank’s ability to manage its risks and withstand external shocks. As regulators, we will continue to direct our resources towards ensuring that banks improve their internal controls and risk management systems”.

Ronke-Amoni Ogunsulire, IFC Country Manager for Ghana, said, “IFC’s partnership with the Bank of Ghana reflects our commitment to boost business performance in the country. From IFC’s six decades of global experience, we have learned that companies that adopt sound corporate governance practices are able to improve performance and attract investment.”

IFC’s Africa Corporate Governance Program was designed to improve firm performance and increase the ability of markets and firms in Sub-Saharan Africa to attract and retain investment. The program is funded by the State Secretariat for Economic Affairs (SECO), Switzerland. *(International Finance Corporation)*

**Angolan banking sector has difficulties with its foreign relationships**

The Angolan banking system for the last two years has seen a reduction of its direct Correspondent Banking Relations (CBR), which reduces its ability to handle payments for imports and remittances, the governor of the National Bank of Angola (BNA) said in Luanda. Valter Filipe, who was speaking at the opening of a round table meeting on “Correspondent Banking Relations,” attributed this to the increased demands of correspondent banks for compliance with the standards adopted by international regulators on supervision, risks of money laundering and terrorist financing and the costs incurred in customer due diligence procedures. “The closure of bank correspondence, along with the reduction in oil prices, affect the ability of banks to make payments to import food, medicines, raw materials, remittances to students and medical assistance abroad, family support, diplomatic sector payments, as well as clients with international contracts concluded in dollars,” added the governor cited by state newspaper Jornal de Angola. The governor used the occasion to publicise the ongoing initiatives to make the financial system more robust and reduce the impact of the closure of CBR, resume the old relationships and establish new correspondent relationships, a process involving domestic and foreign entities such as the Ministry of Finance, the Financial Intelligence Unit, commercial banks, the International Monetary Fund and the World Bank. The head of mission of the International Monetary Fund who is in Angola to hold consultations under Article IV – to evaluate economic performance – said at the conclusion that the absence of correspondent banking relationships is a major challenge that must be faced, and it was necessary to improve the supervisory and regulatory system, particularly in the area of money laundering. *(Macauhub)*

### *Markets*

**IFC Issues Innovative $152 Million Bond to Protect Forests and Deepen Carbon-Credit Markets**

IFC, a member of the World Bank Group, issued a first-of-its-kind bond that gives investors the option of getting repaid in either carbon credits or cash, raising $152 million to support private sector development and prevent deforestation in developing countries.

Each year, 5.5 million hectares of tropical forest area—an area approximately the size of Costa Rica–are deforested. Protecting forests is critical to keeping global warming under 2 degrees Celsius while offering an important opportunity to boost rural livelihoods and protect vital ecosystems. “Halting deforestation is essential to meet the global community’s climate goals,” Jingdong Hua, IFC Vice President and Treasurer. “To do that, we need to mobilize $75 billion to $300 billion in the next decade. Much of this needs to come from the private sector. IFC’s Forests Bond demonstrates the power of innovative capital-market mechanisms to unlock private sector funds for forest protection.”

The five-year bond was sold to major global institutional investors—including CalSTRS, Treehouse Investments LLC, TIAA-CREF, and QBE. Proceeds will support IFC’s private sector lending in emerging markets. The bond will be listed on the London Stock Exchange.

Investors were offered a choice between a cash or carbon-credit coupon. A carbon credit is a tradable certificate or permit representing the right to emit one ton of carbon dioxide or another greenhouse gas with an equivalent to one ton of carbon dioxide. Investors choosing the carbon credit coupon can retire the credits to offset corporate greenhouse gas emissions, or sell them on the carbon market.

To pay investors a carbon credit coupon, IFC will buy carbon credits from a project that follows the United Nations Reducing Emissions from Deforestation and Forest Degradation, or REDD, scheme. A REDD project offers economic incentives to reduce deforestation and invest in low-carbon growth. The project from which IFC will purchase carbon credits is the Kasigau Corridor REDD project in Kenya.

IFC developed the Forests Bond with BHP Billiton and Conservation International. BHP Billiton is a global mining, metals, and petroleum company. Conservation International is a global nonprofit environmental organization. BHP Billiton provides a price-support mechanism for the Forests Bond. If investors elect the cash coupon instead of the carbon coupon, BHP Billiton offtakes the carbon credits generated and delivered by the Kasigau Corridor REDD project. Fiona Wild, BHP Billiton Vice President Sustainability and Climate Change, said: “BHP Billiton is committed

to operating sustainably and reducing our environmental footprint. IFC has been one of the pioneers in the green bond market as well as in climate financing. The innovative IFC Forests Bond provides us a new way to offer economic incentives to reduce deforestation and invest in low-carbon growth."

Conservation International helped identify the project supported by the bond. "CI helps build the global system that makes forests more valuable when they're standing than when they're cut," said Agustin Silvani, Vice President of the organization's Conservation Finance Division. "We are pleased to see the successful issuance of this innovative instrument and will continue to work with business and community leaders to develop more sustainable forest protection models." "It's exciting and extremely encouraging to see the climate finance market continue to move forward with a steady stream of unique deals that offer attractive valuations for investors, while at the same time, delivering a positive environmental impact." said Stephen M. Liberatore, managing director at TIAA Global Asset Management responsible for ESG fixed income strategies, including the TIAA-CREF Social Choice Bond Fund. "Prudently deploying capital on worthy projects that address global climate change by helping to reduce deforestation can have great potential benefits for both investors and society." "QBE is very pleased to have played a part in bringing this transaction to market. We are always interested in supporting issuers who share our desire to play a catalytic role in blending social or environmental responsibility with innovation, investment and funding programs. This type of asset will support our Premiums4Good initiative, channelling premiums received into assets that seek to deliver on a social or environmental objective in addition to meeting risk and return criteria"

Placement agents Bank of America Merrill Lynch, BNP Paribas and J.P. Morgan played an important role in fine-tuning the bond structure by road-testing the design with a broad set of potential investors. "J.P. Morgan is proud to be part of IFC's innovative new forestry bond, said Marilyn Ceci, Managing Director, Head of Green Bonds, J.P. Morgan."We are pleased to bring together like-minded investors and issuers in this first-of-its-kind offering and provide new opportunities through which social and environmentally-conscious participants in the bond market can help mitigate climate change."

Citi is the calculation, paying, transfer and settlement agent for the bond. "Citi is highly committed to supporting solutions leading to sustainable growth and we are pleased to contribute to the launch of this innovative financial instrument," Dirk Jones, Global Head of Issuer Services at Citi said. "We look forward to leveraging our global network and agency and trust expertise to facilitate the IFC' mission to integrate environmental factors into capital allocation and portfolio management."

To date, IFC has raised climate finance through a variety of innovative instruments including $5.6 billion in green bonds. Green bond proceeds are set aside and invested exclusively in climate-smart projects such as energy efficiency and renewable energy.

IFC is one of the world's largest financiers of climate-smart projects in developing countries, with climate-smart investments totaling over $13 billion over the last decade. As part of its Climate Implementation Plan, IFC has committed to lead efforts in catalyzing $13 billion a year in private sector capital for climate investment by 2020.

**IFC Forests bond terms and conditions**

Issuer: International Finance Corp "IFC"

Issuer rating: Aaa / AAA (all Stable)

Size: USD 152 Million

Coupon: 1.546% annual USD fixed rate amount (default option) or VCU coupon equivalent VCU coupon calculation: Should a noteholder elect to receive delivery of eligible VCUs, the noteholder will receive a whole number of Eligible VCUs determined by rounding the accrued interest amount for such Noteholder's Notes up to the nearest number divisible by 5, and dividing by US$5.00 (which is the fixed price per Eligible VCU)

Maturity: 4th November 2021 (5-year)

Settlement: 4th November 2016 (T+5)

Spread: $MS+ 18 bps

Price: 100.00

Listing: London *(International Finance Corporation)*

**IFC and Capital Markets Authority of Kenya Team Up to Support Corporate Governance**

Nairobi, Kenya, November 1, 2016 — IFC, a member of the World Bank Group, and Kenya's Capital Markets Authority today signed an agreement to strengthen corporate governance and to position Kenyan firms to be more competitive. The two organizations will work together to implement the Code of Corporate Governance Practices for Issuers of Securities to the Public, which was enacted in earlier this year.

Under the one-year program, CMA and IFC will develop a toolkit that will enable actors in capital markets to apply and monitor the new corporate governance standards when they issue securities in Kenya. IFC and CMA also seek to develop a reporting framework for issuers of securities to track how well they are applying the Corporate Governance Code, and to help independent governance auditors provide assurance.

"Through promoting sound corporate governance practices, Kenya's capital market has the opportunity to accelerate development and attract increased domestic and foreign interest. The cooperation agreement we have signed today continues our efforts to position Kenya's capital markets as a center of excellence and a gateway for regional and

international capital flows" said CMA Chief Executive Paul Muthaura. "CMA will work with IFC to ensure that the new Corporate Governance Code is implemented by issuers and that best practices support long-term success and sustainability of issuers".
As part of the program, IFC and CMA will build a local network of corporate governance trainers and conduct sessions with boards and senior management of companies on how to adhere to the new Corporate Governance Code. "Good corporate governance practices make local businesses more competitive and resilient, and so support economic growth and stability," said Oumar Seydi, IFC Director for East and South Africa. "IFC and CMA's partnership will bring capital markets in Kenya closer to international best practices on corporate governance." CMA began implementing corporate governance reforms in 2012, which culminated in the new Code in 2016. IFC and CMA have also developed a Stewardship Code for Institutional Investors, which is pending approval.
IFC has contributed to the adoption of 95 corporate governance codes, laws, and regulations in more than 30 countries worldwide. IFC's Corporate Governance Program in East Africa is funded by the State Secretariat for Economic Affairs of Switzerland. *(International Finance Corporation)*

**IFC and Bank of Ghana Support Corporate Governance in the Financial Sector**
Accra, Ghana. November 8, 2016 – IFC, a member of the World Bank Group, and the Bank of Ghana today announced a partnership to help companies adopt good corporate governance practices that will help boost Ghana's financial sector performance and promote economic growth. IFC and the Bank of Ghana will work together with financial sector companies to raise awareness of the need for good corporate governance. Both institutions will provide guidance on operational structures and processes, reporting mechanisms and build corporate governance capacity through training, workshops and conferences. The program was launched at a conference in Accra today, which convened over 100 directors of banks and other finance sector stakeholders.
Corporate governance is defined as the structures and processes by which companies are directed and controlled. Good corporate governance helps companies improve access to capital, mitigate risk, and safeguard against mismanagement. It makes companies more accountable and transparent to investors and gives them the tools to respond to stakeholder concerns. Dr Johnson P. Asiama, Second Deputy Governor, Bank of Ghana, said, "Sound corporate governance practices are key ingredients for a bank's ability to manage its risks and withstand external shocks. As regulators, we will continue to direct our resources towards ensuring that banks improve their internal controls and risk management systems". Ronke-Amoni Ogunsulire, IFC Country Manager for Ghana, said, "IFC's partnership with the Bank of Ghana reflects our commitment to boost business performance in the country. From IFC's six decades of global experience, we have learned that companies that adopt sound corporate governance practices are able to improve performance and attract investment." IFC's Africa Corporate Governance Program was designed to improve firm performance and increase the ability of markets and firms in Sub-Saharan Africa to attract and retain investment. The program is funded by the State Secretariat for Economic Affairs (SECO), Switzerland. *(International Finance Corporation)*

**Ghana raises $110 mln via first 10-year domestic bond**
Ghana accepted 438 million cedis ($110 million) worth of bids for its first 10-year domestic bond issued on 10th November but the major commodities exporter had to offer a fixed yield of 19.0 %, according to lead arrangers.
The 2026 debut offer, open to foreign investors, drew bids for 726 million cedis - far more than the initial 200 million cedi target, according to arrangers Barclays Bank, Stanbic Bank Ghana and Accra-based brokerage firm Strategic African Securities. Ghana, which is currently implementing a three-year economic stabilization deal with the International Monetary Fund, introduced the 10-year debt as a way to borrow for the longer-term and ease interest rates. The total public debt was equivalent to 63 % of gross domestic product in May but is expected to rise to around 70 % by the end of the year on planned disbursements, the government has said. Prior to Thursday's issue (10th November), the West African country's longest local currency debt maturity was seven years. *(By Kwasi Kpodo, Reuters)*

## ENERGY

**Scatec Solar signs PPA for Mozambique's first large-scale PV plant; 40 MW in Zambézia Province**
Scatec Solar (Oslo, Norway) and Norfund on October 31st, 2016 signed a Power Purchase Agreement (PPA) securing the sale of solar power over a 25 year period to the state owned utility Electricidade de Mozambique (EDM). The 40 MW PV plant is located close to the city of Mocuba in the Zambézia Province, and is expected to deliver 77,000 MWh of solar power per year of much needed electricity to the northern regions of Mozambique. The plant will deliver power to the national grid and produce enough energy to serve about 175,000 households. The project is the first large-scale solar plant to be built in the country and represents an important first step in realizing Mozambique's ambition to increase renewable power generation in its energy mix. A shareholder agreement will also be signed today between KLP Norfund Investments AS, Scatec Solar and EDM. The required project investment is estimated at USD 80 million. Scatec Solar (52.5%), KLP Norfund Investments (22.5%) and EDM (25%) will provide equity, while IFC, the International Finance Corporation, a member of the World Bank Group, and the Emerging Africa Infrastructure Fund intend to provide project finance debt. The parties are targeting financial close and solar plant construction start in the first quarter of 2017. *(Solar Server)*

**Botswana Morupule B power station put up for sale**

In what the government hopes will be a landmark privatisation of a public energy asset, the state-owned Botswana Power Corporation (BPC) has begun negotiations to sell its troubled 600-mw Morupule B power station in bid to offload the high maintenance costs associated with the plant. The move fits with a pattern of sell-offs aimed at reducing pressure on the public finances, as well as a wider revolution in the country's energy sector that will see the BPC's presence in the sector shrink from its former pre-eminence. Built by the China National Electric Equipment Corporation (CNEEC) at total a cost of US$970m and commissioned in 2012, Morupule B has been a political embarrassment. Once intended to be a major step towards achieving an electricity surplus in Botswana, the plant has often been put out of action by technical glitches, which has led to the ubiquitous use of diesel generators and unreliable electricity imports from South Africa. More than this, Morupule B has proven to be hugely costly to maintain and operate because of its mechanical defects. Already it is estimated that cost overruns as well as remedial works at the plant have required some US$382m in public funds since 2012. It was also a major factor behind the US$182m loss the BPC posted for the 2015/16 financial year (April-March), despite the corporation receiving a US$220m tariff subsidy from the government in that year.

**Time to cut the apron strings**

Under a new corporate strategy the BPC aims to be commercially viable by 2020, a revival that will be ever more important for the government as it navigates its way through a subdued revenue environment. As the parastatal has been running at a loss since 2008 its troubles cannot all be pinned on Morupule B, but the sale of the plant will be a start in rebalancing its finances, and one that the BPC hopes will yield near-term results. Senior BPC spokespeople hope that a buyer can be found in 6-12 months, but owing to concerns over technical and financial issues at the plant as it currently is, the process is set to take far longer. The government is highly unlikely to recoup its heavy investment into Morupule B in the sale price either, considering the amount of work on operational improvements that any private buyer will have to take on.

**The end of the BPC as Botswana knows it**

Nevertheless, the sentiment behind the sale chimes with an increasingly decisive approach the government has taken towards shedding its loss-making assets in a bid to more effectively channel resources, and constitutes a forward step for its privatisation programme (which has recently been gaining momentum). For the energy sector specifically, the sell-off fits into an existing shift away from public investment in generation and towards cultivating a suitable environment for independent power producers (IPPs). Several IPPs are already in the pipeline-including a 300-mw expansion of Morupule B that has been awarded to a South Korean-Japanese joint venture-and are poised to radically boost generation by 2020. By the time they come on stream, and with Morupule B having been sold, the role that the BPC plays in Botswana's energy sector will have been drastically altered. It has typically monopolised all electricity generation, transmission and distribution in Botswana. But after the sale of Morupule B it will have direct ownership of just one 120-mw power plant-Morupule A-which is currently undergoing refurbishment. This means that the future remit of the corporation will be almost entirely reduced to the sale and delivery of privately produced energy-a demotion that is unlikely to be reversed given its poor history of power plant management. As Botswana's domestic electricity demand is strong, and the sector increasingly well regulated, this emerging era of liberalised generation will attract far more investment into the sector over the long term, and should work to ensure adequate electricity supply from the end of our 2017-21 forecast period and beyond. *(Economist Intelligence Unit)*

**Enel's Africa renewables drive on track, calls for cross-border power links**

* Enel has 2,000 of planned 5,000 MW under construction
* North Africa instability blocks power investment there
* West Africa needs cross-border power links for investment
* South and Eastern Africa see influx of power projects

Italian utility Enel is well on track to build 5,000 megawatts worth of renewables capacity in Africa despite political unrest in North Africa and the lack of electric power connections between countries, its chief executive said. Early 2015, Enel laid out plans to invest in African renewables and power grids, with a target of 5,000 megawatts (MW) capacity in solar and wind.

Two years later, Enel - which operates 66,500 MW of capacity mainly in southern Europe - has nearly 1,000 MW of solar and wind under construction in South Africa and 200-300 MW in operation, while an Enel-led consortium is starting to build 850 MW of wind capacity in Morocco after winning a tender in early 2016. "About 2,000 of those 5,000 megawatts are already in execution. We are working on the other 3, 000," Enel chief executive Francesco Starace told Reuters on the sidelines of the New York Times Energy for Tomorrow conference in Paris.

Starace said Enel is now exploring a 300 MW geothermal project in Ethiopia and a 50 MW one in Kenya, and in June won a tender for a 34 MW solar project in Zambia. Starace said the big challenge in the electrification of Africa is political instability in parts of North Africa, notably Egypt, Libya and Algeria, which have huge potential but lack the conditions for power investment. He said the southern part of Africa was seeing good renewable energy investment flows, while countries in East Africa - notably Ethiopia, Kenya, Uganda, Zambia and Mozambique - were creating the right framework for power investment by establishing cross-border power interconnections. He said the lack of

interconnections, which effectively makes each country an island in terms of electric power, was holding back investment in West Africa. He said Nigeria was too difficult an environment for Enel to invest in and said that with the exception of Senegal and Ghana many West African countries were too small and isolated to attract significant investment. "If they would agree to what the eastern countries have agreed to, create some kind of interconnected system, they would become much more interesting," he said. He said he could not comment on whether Enel would want to invest in grids in West Africa. "First they would have to agree they want it, get consensus between governments," he said. He said Latin America too had relatively little connectivity between countries, but attracts more investment because of its higher level of development. Enel is a major power grid operator in several countries in Latin America, where it has installed capacity of about 17,000 MW and serves more than 14 million clients. *(By Geert De Clercq, Reuters)*

**China to lend Benin $270 million to develop Adjarala hydropower dam**
Exim Bank China will provide Benin a $270 million facility to develop the Adjarala hydropower dam. The Beninese council of ministers passed the financing agreements to the National Assembly to get approval for ratification. The financing will come as a $59 million concessional loan to which will be combined a special buyer credit facility with a preferential rate worth $211 million. A buyer's credit is a loan facility extended to an importer by an overseas bank (Exim Bank China in this case) to finance the purchase of capital goods or services and other big-ticket items usually from the country of origin of the lender. The development of the Adjarala hydropower dam includes that of the dam itself, which has a capacity of 147 MW, in addition to irrigated spaces for fish and crop farming purposes. Electricity generated by the dam will be used by Benin and its neighbor Togo. Chinese firm Sinohydro will build the infrastructure. *(Ecofin Agency)*

## INFRASTRUCTURE

**South Africa's M&R exits infrastructure sector with $23 mln sale**
South Africa's Murray and Roberts (M&R) has sold its infrastructure and building business for 314 million rand ($23 million) as part of its drive to focus on projects for the global natural resources sector, it said. The engineering and construction group said in a statement it sold the business to Firefly Investments, which represents a consortium led by Southern Palace Group of Companies Proprietary Limited, a black-owned industrial group. M&R, which is transforming from being predominantly a South African building company to an international engineering group, said it would use the money to reduce its level of debt. The Johannesburg-based company will now focus on three core sectors - oil and gas, metals and minerals, and power and water - "which present long-term sustainable growth potential to the group," said Group Chief Executive Henry Laas. "This transaction is about Murray & Roberts exiting a specific market sector," he added. M&R will be selling the entire issued ordinary share capital of Concor, M&R's wholly owned subsidiary, together with all claims held against Concor, to Firefly Investments, it said. On Oct. 24, M&R sold Genrec, its only remaining manufacturing business, to Nisela Capital for 185 million rand. M&R first announced its intention to sell its infrastructure unit in August when it also said it would look at selling Genrec. South Africa's construction industry has slowed sharply as government contracts, which big companies depend on, stall and weak commodity prices hit demand from the mining industry. ($1 = 13.5165 rand) *(By Nqobile Dludla, Reuters)*

**Ambassador of Brazil guarantees funding for dam construction in Mozambique**
Brazil will honour its promise to finance the construction of the Moamba Major dam on the River Umbelúzi, in Mozambique's Maputo province, despite the fact that Brazilian projects in Mozambique and other countries are being reevaluated, Brazil's ambassador in Mozambique said in Maputo.
Ambassador Rodrigo Soares said at the end of an audience granted by the Prime Minister, Carlos Agostinho do Rosario, the reassessment of projects that require public funds "is a normal procedure in the context of current changes in the Brazilian government (with the impeachment of President Dilma Roussef)." The diplomat also said that the revaluation is being carried out by the National Bank for Economic and Social Development (BNDES), which in October announced the suspension of 25 projects implemented by Brazilian companies in foreign countries, which include Angola and Mozambique. The suspension of payment of US$4.7 billion relates to contracts awarded to engineering and construction companies, including Odebrecht, OAS, Queiroz Galvão, Camargo Corrêa and Andrade Gutierrez, which are involved in a corruption scandal known in Brazil as "Operation Jet Wash." The main project that is at risk in Mozambique is the Moamba Major dam, where the contractor is Andrade Gutierrez, according to Mozambican news agency AIM. The Moamba Major dam, whose first stone was laid two years ago, will have the capacity to store 760 million cubic metres of water, control the flow of the Incomati River, to increase the water supply to the cities of Maputo, Matola and Ressano Garcia and have a plant to produce 15 megawatts of electricity. The construction of this dam has an estimated cost of US$466 million and Brazil had promised to provide 320 million dollars. *(Macauhub)*

**Transnet Sets Aside $1.5 Billion for Deals to Expand Services**
Transnet SOC Ltd. has set aside 20 billion rand ($1.5 billion) for acquisitions as the South African state-owned company seeks to expand services beyond its core business as a ports and rail operator and diversify geographically.

The business may look at new areas including freight forwarding and shipbroking to become more than a transportation provider and will consider buying assets such as liquid-bulk facilities and inland terminals, Chief Executive Officer Siyabonga Gama said in an interview. Discussions with some targets are at an advanced stage and deals could be announced by the end of the fiscal year in March, he said. “We need to become much more acquisitive,” the CEO said. “We are already looking even further afield to places such as India in terms of where we could participate, and also in the Middle East. But in the main we want to look at the African continent itself.” Transnet is looking at new services and regions as first-half earnings fell due to slowing economic growth in South Africa and after the company granted price reprieves to struggling customers in the steel industry. Gama is also seeking to boost the level of consumer and manufactured goods transported on Transnet’s rail lines and reduce a reliance on coal and iron ore. As much as 25 % of revenue could come from outside South Africa over the next five to six years, the CEO said.

**Earnings Fall**

Earnings before interest, taxes, depreciation and amortization declined 0.3 % to 13.9 billion rand in the six months through September, Gama told reporters in Johannesburg. Revenue increased 1.2 % to 32.6 billion rand. A slowdown in South Africa’s economy to the weakest level since 2009 has forced some customers to defer investment plans, he said. First-half rail volumes fell 1 %, led by iron ore and manganese. Coal volumes rose as the price of that commodity increased, while the container and automotive segment jumped 13 % as the company continues efforts to shift consumer and other general goods from road transport to rail.

Transnet extended its capital-expenditure program a year ago to as much as 380 billion rand over 10 years, compared with an earlier plan of 336 billion rand over seven years, after mining customers deferred planned investments in response to lower commodities prices. The current seven-year spending plan is for 277.8 billion rand, Chief Financial Officer Gary Pita said.

Transnet is largely funded for the current year, and had held talks with lenders about lowering the trigger levels for certain covenants if Transnet’s credit rating is cut, which would be expected if South Africa is reduced to junk status later this year. Almost all lenders have agreed to the proposal, the CEO said. About 30.1 billion rand of Transnet’s 127 billion rand debt could have been affected if the company hadn’t renegotiated. “We are not saying that we believe that there would be a downgrade, in fact quite the opposite,” Pita said about the potential for a sovereign ratings cut. “But what we are saying is that we would like to prepare for any eventuality.” *(By Liezel Hill, Bloomberg)*

## MINING

**Catoca Mining Society responsible for 75% of the diamonds mined in Angola**

Sociedade Mineira de Catoca (Catoca Mining Society), the largest diamond company of Angola, is responsible for 75% of the diamonds mined in the country, the Deputy Director-General for the financial area, António Galiano Celestino recently said in Saurimo, capital of Lunda Sul province,. He added that with the achievement of independence and effective peace in 1975 and 2002, respectively, Angola became one of the world benchmarks for open cast diamond exploration, where the Catoca Mining Society, the fourth largest kimberlite on the planet, has stood out. Sociedade Mineira de Catoca Lda is a diamond mining, exploration, and recovery and sale company, made up of Endiama (Angola), Alrosa (Russia), LLV (China) and Odebrecht (Brazil). In addition to the Catoca kimberlite, which operates in Lunda Sul, the company has a majority stake in concessions such as the ones at Luemba, Gango, Quitúbia, Luangue, Vulege, Tcháfua and Luaxe.

Meanwhile, Australia’s Lucapa Diamond Company announced that it had reached a record with the latest sale of diamonds mined in the Lulo concession, which has as partners the Endiama and private enterprise Rosas & Pétalas.

According to the statement released, the company earned US$8.3 million from the sale of 1,864 carats of rough diamonds, or US$4,452 per carat, the highest obtained to date from the sale of diamonds mined in that concession, except for a diamond with 404.2 carats sold for US$16 million last February. The Lulo concession, owned by Sociedade Mineira do Lulo, in which the Lucapa Diamond Company controls 40%, is located about 150 kilometres from the Catoca mine, the fourth largest in the world. *(Macauhub)*

**South Africa Mining expands**

Mining production grew by 3.4% year on year in September, a 13-month high, although manufacturing output was unchanged from a year earlier, according to new data from Statistics South Africa (SSA) on November 10th.

Stronger mining growth in September, up from an upwardly revised 0.1% in August, potentially heralds the end of a lengthy period of contraction, which saw output shrink by 12% year on year in the first quarter of 2016 and by 4.7% in the second quarter, because of softer global markets. Third-quarter output growth remained in negative territory, but the rate of decline eased to just 0.7% year on year, underpinned by higher production of platinum group metals, coal, iron ore and diamonds, which partly offset further falls in manganese, nickel, copper and chrome. The return to growth in August and September reduced the year-on-year pace of decline to 5.7% in the first three quarters, from 8.3% in the first half, although annual production in 2016 still remains on course for a contraction, even in the event of a strong fourth-quarter performance. Nonetheless, in a positive sign, Amplats, a major platinum producer, in late October struck a three-year wage deal-based on 6-7% annual increments-with the militant Association of Mineworkers and Construction Union, which suggests that another damaging strike (as happened in the first half of 2014) will be avoided.

Manufacturing recorded zero year-on-year growth in September, although full third-quarter output was 0.6% higher than a year earlier, helped by expansion in petroleum (chemicals, rubber and plastics) and in motor vehicles (and transport equipment), which offset falls in metal products, textiles (and clothing) and food and beverages. Combined with a 0.7% year-on-year contraction in the first quarter and surprisingly strong 4.1% growth in the second quarter, the third-quarter outcome means that manufacturing production in January to September was 1.3% higher than a year earlier. Despite the constraints posed by sluggish domestic and global demand, manufacturing has benefitted from more stable power supplies, while rand depreciation has boosted exporters. *(Economist Intelligence Unit)*

**Lonmin buys out Amplats' stake in Pandora**

Platinum mining company Lonmin Plc said it would buy Anglo American Platinum Ltd's stake of its joint venture on Pandora mine for a consideration of 400 million rand ($27.92 million).

Lonmin's shares were down 3.2 % at 211.26 pence at 1105 GMT on the London Stock Exchange. Amplats shares were down 3.16 pct on the Johannesburg Stock Exchange. Lonmin cut more than 5,000 jobs in 2015 amid falling commodity prices. It is targeting savings of 700 million rand in 2016. The price of platinum which had been on the decline for about five years, has gained about 9.14 % year-to-date and closed at $971.98 per ounce on Thursday 10th November. The acquisition of South Africa's platinum producer Anglo American Platinum's 42.5 % stake gives London-based Lonmin a 92.5 % stake in the mine, leaving Northam Platinum Ltd with 7.5 %. Separately, Amplats said it sold its stake in the mine for a deferred cash consideration of 400 million rand-1 billion rand over a period of six years. ($1 = 14.3245 rand) *(By Sanjeeban Sarkar, Reuters)*

## OIL & GAS

**Mozambique Offshore Area 1 Project, Mozambique**

Covering approximately 2.6 million acres, Offshore Area 1 is located within the Rovuma Basin, approximately 40km offshore northern Mozambique. The water depth in the area is roughly 1,600m. The area hosts the Prosperidade and Golfinho/Atum complexes, which further host several deepwater discoveries, including Windjammer, Barquentine, Lagosta, Camarao, Golfinho, Orca, and Atum. The offshore fields are being developed as part of the larger Mozambique LNG Project, which also includes the construction of an LNG park within the Cabo Delgado Province of northern Mozambique. The project aims at initially supplying approximately 100 million cubic feet of natural gas a day (MMcfd) to the onshore LNG facility. It is expected to generate approximately between 400 and 700 jobs during the construction phase.

**Operator and ownership of Offshore Area 1**

Offshore Area 1 is operated by Anadarko Mozambique Area, with a 26.5% working interest. The other partners in the area include National Oil Company Empresa Nacional de Hidrocarbonetos (15%), Mitsui E&P Mozambique Area 1 (20%), ONGC Videsh (16%), Bharat PetroResources (10%), PTTEP Mozambique Area 1 (8.5%), and Oil India (4%).

Anadarko had signed a heads of agreement (HOA) with Eni in December 2012, to collaborate in the development of the gas discoveries within the former's Offshore Area 1 and the latter's Offshore Area 4, including the common onshore LNG facility.

**Discoveries within Offshore Area 1**

The Windjammer, Barquentine and Lagosta fields were discovered in February, October and November 2010 respectively, while the Tubarao field was discovered in February 2011, followed by the Camarao field in October 2011, the Golfinho field in May 2012, the Atum field in June 2012, and the Orca field in April 2013.

**Reserves at the Rovuma basin gas fields**

The gas field is estimated to hold approximately 75 trillion cubic feet (Tcf) of recoverable natural gas.

**Offshore Area 1 development details**

A total of 60 production wells are proposed to be drilled at Offshore Areas 1 and 4 during the initial phases, which would increase to 120 wells in subsequent phases. The wells will be drilled using drill ships. The Offshore Area 1 development project will involve the installation of subsea production systems, including subsea production trees, manifolds, chemical injection distribution facilities, flowlines, electro-hydraulic control umbilicals, and pipeline end termination (PLET) systems. The output from the gas fields will be conveyed to the onshore LNG plant through a 45km-long subsea pipeline corridor. A floating production unit is also proposed to be installed during the later phases of the project.

**Mozambique LNG Park details**

The LNG facility will primarily be equipped with two 6mtpa each LNG trains, two 180,000m³ each LNG storage tanks, condensate storage facilities, a multi-berth marine jetty, and ancillary utilities and infrastructure.

**Contractors involved with the deepwater offshore gas project**

The front-end engineering and design (FEED) studies for the offshore project are being performed by three separate groups, which include Technip, a joint venture (JV) of Subsea 7 and Saipem, and a JV of McDermott and Allseas. The FEED contract for the LNG facility was also awarded to three separate parties, which include the JV of JGC Corporation and Fluor Transworld Services, the JV of a subsidiary company of CB&I and Chiyoda Corporation, and

International Bechtel. The engineering, procurement and construction (EPC) contract for the LNG facility has been awarded to the CCS JV, which is comprised of CB&I, Chiyoda Corporation and Saipem. The pre-feasibility study for the LNG facility was jointly performed by KBR and Technip. *(Offshore Technology)*

**Angola's Sonangol and partners start output at Mafumeira Sul field**

Angolan state oil company Sonangol and its partners including oil major Chevron have started production at the Mafumeira Sul oil field with an initial output of 10,000 barrels per day, Sonangol said. Located off the coast of Angola, the $5.6 billion project is using early production systems, or EPS, while it is being fully developed to pump an estimated 110,000 barrels per day or more. "While creating the conditions for the full operation of the project in the coming months, the EPS will operate with a maximum production capacity of 10,000 barrels of oil/day," Sonangol said in a statement. Chevron holds a 39.2 % interest in Mafumeira Sul while Sonangol has a 41 % stake. Other partners are Total and Italian energy giant Eni, with 10 % and 9.8 % respectively. *(By Tiisetso Motsoeneng, Reuters)*

**Marlin Field, Block CI-27, Cote d'Ivoire (Ivory Coast)**

The Marlin oil and gas field is located within the offshore Block CI-27, approximately 70km south-west of Abidjan, Cote d'Ivoire. Block CI-27 is operated by Foxtrot International, who holds a 24% interest, while the other partners include PETROCI (40%), SECI (24%) and ENERCI (Suez Group - 12%). The Marlin field one of the four fields, including Foxtrot, Mahi and Manta, located within the block. The Marlin and Manta fields were developed as part of the Block CI-27 extension project, with an estimated investment of approximately $1bn, majorly funded by a loan provided by World Bank and guaranteed by SCDM Energie and HSBC. The Ivorian oil and gas project was initiated in 2013 and completed in September 2016.

**Marlin oil and gas field discovery and development**

The Marlin field was discovered in 2007, whereas the Manta field was discovered in 1981 by Philips Petroleum.The development of the Marlin field primarily involved the installation of a production platform, drilling of five production wells and installation of associated pipelines. The first production well, Marlin-B1, started production in October 2015. A 4in diameter oil pipeline and a 14in diameter gas pipeline, both measuring approximately 8km-long were installed to connect the Marlin platform with the existing Foxtrot platform. The gas produced from the field is exported to shore using a 14in diameter and 17km-long pipeline, whereas the liquids from the field are exported via a 6in diameter and 17km-long pipeline. The natural gas from the block is supplied to power plants owned by Azito, CIPREL, CIE, Aggreko, PETROCI, and Société Ivoirienne de Raffinage (SIR), whereas the oil is stored at SIR's refinery in Abidjan.

**Marlin platform details**

The platform is designed to accommodate a drilling rig, eight wells and six risers. It is equipped with oil and gas treatment facilities, solar turbo generators and compressors, water treatment plants, accommodation facilities for 20 people, and a helideck. The platform has a gas processing capacity of 156 million standard cubic feet a day (mmscfd) and oil processing capacity of 12,000 barrels a day. The new four-legged manned platform is installed at a water depth of approximately 110m and stands 42m above the sea level. It has a length of 50m and breadth of 30m, and weighs approximately 5,000t. The Marlin platform was installed in April 2015.

**Contractors involved with the Ivorian offshore field**

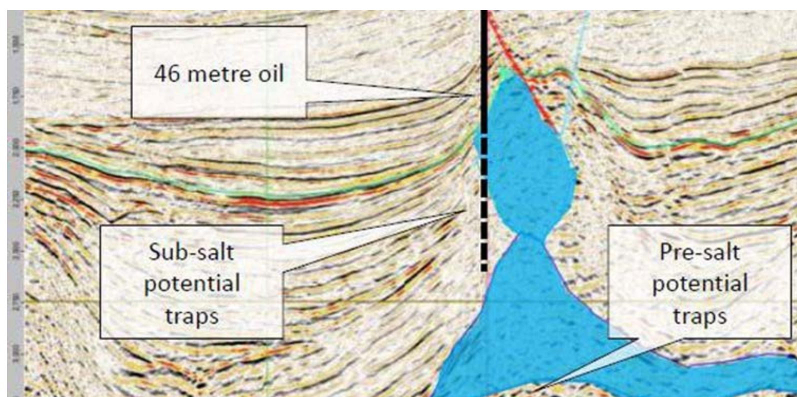
The construction contract for the new platform was awarded to Rosetti Marino, while the transportation and installation contracts were awarded to Heerema Marine Contractors, and the maintenance engineering and inspection contract was awarded to Dietsmann. The detailed design for the platform's jacket, deck and living quarter was provided by Tecon, whereas the engineering assistance for the procurement of the topside facilities was provided by Basis Engineering. The offshore pipeline installation works were performed by Micoperi. The project management services were provided by Mustang Engineering and JP Kenny, whereas Shaw Consultants International served as technical consultant for the project during the initial design phase.

**Block CI-27 production details**

The average natural gas production rate from the four fields within Block CI-27 was 170 million standard cubic feet a day (MMscfd) as of August 2016, whereas the oil and condensate production rate was 3,000 barrels a day. *(Offshore Technology)*

**Loba Oil Field, Nkembe Block, Gabon**

The Loba oil field is located within the Nkembe Production Sharing Contract (PSC), approximately 30km off the coast of Gabon. The water depth at the PSC ranges between 50m and 500m. Covering an area of approximately 1,210km², the Nkembe PSC is 80% owned by Pura Vida Energy (Pura Vida), while the State of Gabon holds a 20% carried interest. Pura Vida is in advanced talks with potential industrial partners to farm out part of its interest in order to fund the development of the fields within the PSC. The Loba oil field forms part of the larger Loba Complex, which also hosts the Loba East and Loba Deep fields. The fast-track development plan for the Loba field is expected to generate early cash flows for the development of the larger complex. The concept and feasibility study (CFS) for the fast-track development of the field was completed in September 2016. It reckons the Gabonese oil field to have an 80% chance of commercial success and estimates approximately 12 months of construction to bring the field into production.




**Loba oil field discovery and geology**

The shallow-water Loba oil field was discovered in 1976 by Elf through the drilling of the Loba M1 well, which encountered 141m gross interval of light oil pay in Batanga sands. Pura Vida further drilled the Loba-1 well in July 2013 to confirm the contingent resources at the field. The oil accumulations at the Nkemba PSC are primarily hosted within the Batanga and Anguille sands in three main plays namely pre-salt, sub-salt and post-salt.

**Gabonese offshore oil field reserves**

The Loba oil field is estimated to hold contingent 1C, 2C and 3C resources of 7.7 million barrels of oil (mmbo), 11.5mmbo and 16.5mmbo respectively, whereas the Loba Complex is estimated to hold combined mean contingent and mean prospective recoverable resources of 34mmbo.

**Loba oil field development details**

The Loba oil field is proposed to be developed by incorporating a mobile offshore production unit (MOPU), which will be converted from a jack-up drilling rig. The process system will be designed to handle approximately 40,000 barrels of oil a day, as well as associated gas and water. The MOPU is proposed to be connected to a six-slot, three-pile well head, intervention, and export platform (WHIEP). The WHIEP will be designed to further accommodate manifolds and pipelines and will be used for hydraulic work over (HWO) or coiled tubing (CT), including well interventions. Up to three single surface production wells are proposed to be developed as part of the fast-track development plan, with each well designed to achieve flow rates ranging from 4,200bopd to 10,000bopd. The oilfield's infrastructure will further be tied back to existing infrastructure such as the neighbouring Barbier oil field or the Oguendjo Terminal. Another option to add a floating, storage and offloading (FSO) vessel is also being proposed. *(Offshore Technology)*

**Sankofa Gas Project, Tano Basin, Ghana**

The Sankofa Gas Project encompasses the development of the Sankofa and Gye Nyame gas fields located 60km offshore of Western Ghana in water depths ranging from 520m to 1,014m in the Tano Basin. The fields are estimated to hold 1.45 trillion cubic feet (Tcf) of non-associated gas. A part of the Offshore Cape Three Points (OCTP) project, the development of the natural gas fields comprises phase two of the wider project. Phase one encompasses the development of Sankofa East oil field, while the second phase aims at developing non-associated gas in the two fields.

The project is being developed by a joint venture of Eni Ghana (44.44%), which is also the operator Vitol Ghana (35.56%) and Ghana National Petroleum Corporation (20%). Production from the project is planned to commence in 2018.

Gas obtained from the project will enable 1,000MW of domestic power generation, which is equivalent to approximately 40% of the country's total installed generation capacity. The project is planned to help reduce Ghana's oil imports by 12 million barrels a year, as well as add $2.3bn in revenues.

**Sankofa gas project development details**

The development plan for the gas fields includes drilling of five subsea non-associated gas wells, subsea umbilicals, risers and flowlines connecting the fields to an FPSO, and a 63km-long gas pipeline from the FPSO to the shore. An onshore pipeline will link the fields to an onshore receiving facility, which will be equipped with a compression station and other related infrastructure. A direct pipeline will transport the gas from the receiving facility to an existing gas pipeline.

The Sankofa reservoirs will have four wells drilled, while one well will be drilled in Gye Nyame reservoir. Three new wells will be drilled, while two wells from the exploration phase will be re-entered.

An FPSO unit will be installed as part of phase one of the project and gas and water injection wells from the Sankofa gas project will also be connected to it by means of flexible risers and flowlines. Gas obtained from the oil separation train will be compressed, dehydrated and sent to the onshore receiving facility, as well as be re-injected into the reservoir. An existing very large crude carrier will be transformed to construct the FPSO, which will have a double hull and a capacity of 210mmscfd.

**Onshore facilities**

The project's onshore facilities will include a receiving facility constructed over a 90,000m² area with 27,000m² dedicated for accommodation. It will include a helipad, roads and pipelines, as well as temporary construction facilities.

Onshore activities will include construction of an underground gas export pipeline, setting up of the onshore receiving facility, camps, and helipad construction. A pipeline will also be installed to connect the receiving facility with the Ghana National Petroleum Corporation underground pipeline. Onshore work will also include pre-commissioning and commissioning of the facility, pipeline, and hydro testing.

**Investment details of the Sankofa gas project**

The Sankofa gas project is estimated to cost $2.7bn in development costs and an additional $300m in operating expenditures for the onshore receiving facility. A $700m loan has been provided by the World Bank for the project through a combination of International Bank for Reconstruction and Development (IBRD) and International Development Association (IDA) guarantees.

The IDA guarantees $500m that will enable payments for gas purchases made by Ghana National Petroleum Corporation, while the IBRD will provide a $200m enclave loan guarantee to mobilise the private sector. Construction on the project is estimated to begin at the end of 2016 and continue up to 2019. Production from the project will commence in phases with two wells scheduled to start producing gas in February 2018 at the rate of 190mmscfd. Another two wells will start production in the last quarter of 2019 and will help in maintaining peak production, while the remaining well will come on stream in 2028.

**Contractors involved**

Maesrk Voyager has been contracted by Eni Ghana to provide drilling and completion services for both the oil and gas fields located in the OCTP block. *(Offshore Technology)*

**SNE Deepwater Oil Field, Senegal**

The world's largest oilfield discovered since 2014, the SNE Deepwater Oil Field is located in the Rufisque, Sangomar and Sangomar Deep Blocks, which cover a combined area of 7,490km² within the Senegalese portion of the Mauritania-Senegal-Guinea Bissau Basin.

Cairn Energy is the operator, with a 40% interest in the three blocks, while the other partners include ConocoPhillips (35%), FAR (15%) and PETROSEN (10%). Woodside Petroleum has signed an agreement with ConocoPhillips to acquire the latter's stake in the blocks, which is expected to be realised in late-2016.

The commercial viability of the project was announced in September 2016, and the project is currently in the pre-front end engineering design (Pre-FEED) stage. First oil from the project is anticipated to flow in 2022.

Production from the field is expected to peak at 140,000 barrels of oil per day (bopd).

**SNE Deepwater Oil Field discovery and appraisal**

The SNE deepwater oilfield was discovered in November 2014 with the drilling of the SNE-1 exploration well to a water depth of approximately 1,100m and a total depth of 3,000m. The well encountered a 95m gross oil-bearing column within upper Albian sandstones. The oil field was further evaluated by drilling the SNE-2, SNE-3, SNE-4 and BEL-1 appraisal wells from November 2015 through May 2016.

The drilling and evaluation of the SNE-2 well was completed in January 2016. The well was drilled at a water depth of 1,200m and to a total depth of 2,800m within the Sangomar Block. Oil from the well flew at 8,000bopd from the lower reservoir unit and at 1,000bopd from the shallower heterolithic reservoir unit during drill-stem testing (DST).

The drilling of the SNE-3 well was completed in March 2016. Oil from the well flowed at a maximum rate of 5,200bopd and main flow rate of 4,500bopd over a six-hour period during DST. Completed in April 2016, the BEL-2 well was encountered an oil column of 100m and confirmed the extension of reservoirs in the northern area of the oilfield. The SNE-4 was drilled at a water depth of 942m and to a total depth of 2,944m within the Sangomar Block in May 2016. It encountered a gross oil column of 100m in the upper reservoir and confirmed the extension of reservoirs in the eastern extent of the oilfield.

**Reserves at the West African oil field**

As of August 2016, the contingent recoverable resources from the field were estimated to be 1C, 2C and 3C of 348 million metric barrels (MMbbls), 641MMbbls, and 1,128MMbbls respectively.

**SNE oilfield development details**

The initial development plan for the project proposes the use of either a new floating production, storage and offloading (FPSO) vessel or a converted FPSO. The standalone facility will be designed with topside expansion options to accommodate the extra capacity from future development phases and satellite tie-backs. The initial phase of the project will involve the development of 20 to 25 wells, whereas between 70 and 80 wells are expected to be developed during the field life.

**Drilling rigs**

The exploration wells were drilled deploying Transocean's fifth-generation, dynamically-positioned, semi-submersible deepwater drilling rig named Cajun Express. The appraisal wells were drilled deploying the seventh-generation dual-activity drillship named Ocean Rig Athena.

**Key players involved**

AMOG performed the pre-engineering studies for the West African oilfield. *(Offshore Technology)*

## AGRIBUSINESS

**Kenya tea production likely to jump 3.5 pct in 2017**

Kenya is likely to produce 445 million kilos (kg) of tea in 2017, a 3.5 % jump from expected output of 430 million kg this year, the agriculture industry regulator said. Kenya is the world's No. 1 exporter of black tea, which is one of Kenya's top foreign exchange earners, generating 125.25 billion shillings ($1.24 billion) in revenues in 2015. Farmers have enjoyed good harvests this year, with total output projected to jump at least 10 %, mainly due to heavy rains associated with the El Nino weather phenomenon. However, the "short rains" season, which usually starts in October, may be lower than normal in many areas due to El Nino and curb farm output, the Agricultural, Fisheries and Food Authority which regulates farming told Reuters in a statement. N($1 = 101.4000 Kenyan shillings) *(By Duncan Miriri, Reuters)*

**Japan helps Sao Tome and Principe by donating rice**

Japan has granted food aid consisting of 3,000 tons of rice to Sao Tome and Principe, with a market value of 240 million yen (US$1.87 million), the Sao Tome Minister for Foreign Affairs said on Thursday in Sao Tome. The announcement was made after the signing of the new food aid agreement for 2016 and the document was signed by Minister Urbino Botelho on behalf of Sao Tome and Japan's ambassador Masaaki Sato, on behalf of the Japanese government. Stressing that "this food aid will contribute to food security in Sao Tome and Principe," Botelho also highlighted the importance of the donation "in strengthening democracy and the economic and social development of the archipelago."The agreement between the governments of Sao Tome and Principe and Japan states that the funds from the sale would be used for social work, including the construction of rural roads, schools, health centres and water supply in order to improve the living conditions of the population. Sao Tome and Principe over the last 20 years has benefited from food aid worth over US$22 million from Japan, which also cooperates with Sao Tome in other areas, including fishing, school and health facilities. *(Macauhub)*

**Westfalia Fruit of Mozambique starts exporting avocados to Europe**

Between December and the beginning of January Mozambique's Westfalia Fruit will start exporting avocados and lychees produced in the districts of Macata and Barue, in Manica province, to the European Union (EU), said a company consultant. Consultant Manuel Roriz told daily newspaper Noticias that everything is being done for the first export operation to the EU to happen on schedule. Westfalia Fruit's operation in Manica province, which has funding from the World Bank, provides for an annual production of 100,000 tonnes, with 75% of production destined for foreign markets and the remaining 25% to meet domestic demand. The avocado project began in 2014, and over 53,000 trees have already been planted in 132 hectares of a total of 2,914 earmarked in the concession. The lychee project, which is expected to use an area of 250 hectares, is due to begin in 2017 and the company is currently gathering together production resources. The product intended for export will be sent to EU countries with which Westfalia Fruit has had trade relations for 40 years, as well as African countries, such as Mauritius and in South American countries such as Peru and Colombia. *(Macauhub)*

**This could help unlock Africa's true potential**

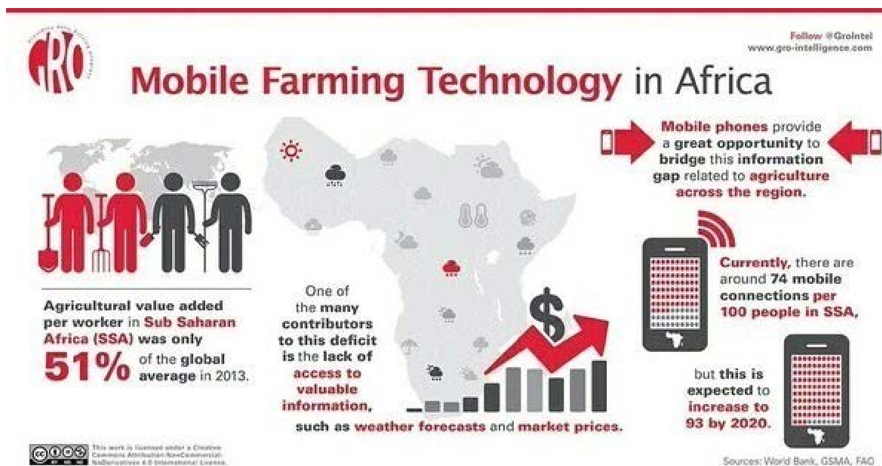
The challenges faced by small farmers are similar across the developing world – pests, diseases and climate change. Yet in Africa the challenges are even greater. If farmers are to survive at current rates (let alone grow), they need to have access to high-yielding seeds, effective fertilizers and irrigation technologies. These issues threaten the region's ability to feed itself and make business-growth and export markets especially difficult to reach. Other factors include the rise in global food prices and export subsidies for exporters in the developed economies, which leave African farmers struggling to price competitively.

Organizations such as The International Finance Corporation (IFC) provide and mobilize capital, knowledge and long-term partnerships in agribusiness. It has provided over $25 billion in financing, mobilized investments from partners and provided advisory services across the continent. Connecting the private sector with global and regional NGO's and the public sector is one of the most important steps. Of the $3.7 billion invested in Sub-Saharan Africa in 2015 by the IFC, $1.8 billion came from other investors.

Modernization of technologies, innovative technologies and widening access to markets is central to turning such huge sums of money into results. In Kenya, a mobile app called M-Farm allows farmers to directly send messages requesting guidance and data on crop prices. It also helps farmers to connect directly with food suppliers; thus reducing reliance on middlemen and market buyers. Cutting costs in this way can go some way to mitigating the impact of subsidized exports from the developed economies.

In Ethiopia, access to simple market knowledge has also helped small food manufacturers grow. AfricaJUICE is the first Fairtrade certified fruit juice in sub-Saharan Africa and it has been able to expand through the provision of technical expertise and understanding global markets and industry practices. This assistance came from the World Bank, alongside equity financing of $6 million.

Agribusiness is growing fast, yet the true potential is stymied by limited mechanization, fragmented markets, price controls and poor infrastructure. For a sector that contributes 25% to Africa's overall gross domestic product (GDP) and accounts for 70% of all employment, it is an industry that presents enormous opportunities to investors.




For policymakers and investors, one of the hurdles is knowing how to find and identify those small-scale farmers or food manufacturers that have really strong commercial potential. In Angola, this challenge has been met by the creation of a state-backed organization called Fundo Activo de Capital de Risco Angolana (FACRA). It is a public venture capital fund that supports Angolan SME's in agribusiness and other sectors in building, innovating and expanding their existing business. It opens doors for businesses that have the potential for growth and makes it significantly easier for investors to enter the Angolan market.

Aside from providing growth opportunities and support for market-entry, organizations such as FACRA also have a role to play in helping Africa to become self-sufficient in food and become a regional exporter. With 70% of the workforce already working in the sector, Africa already benefits from having a mobilized workforce. Honing in on communities that have such strong potential is one way of helping to support economic growth.

Like so much in Africa, things have to happen from the ground up, through investing in small projects and local communities. The financial and administrative burden for such initiatives very often fall on the government but the private sector has the ability to get involved at a local level too, if it can take a long-term view and work in partnership. The introduction of world-class machinery and support for the type of infrastructure needed for rural communities to succeed are two areas where foreign investors can take a stake through public-private partnerships (PPP's) or direct investment.

Direct investment brings with it a range of financial incentives for foreign investors. Infrastructure linking rural communities to markets is much-needed. Mechanization is also particularly important in achieving greater production and capacity and so too are storage facilities and modern irrigation and water conservation technologies. These are all areas where investors can bring capital and technical expertise to an industry sector that has enormous economic potential.

As African economies continue to work against the tide of low oil and commodity prices, there is determination regionally and on the national level to achieve diversification and economic growth within the SME sector, not only in agriculture but all burgeoning sectors.

Agribusiness is especially important because of the scale of opportunity and the important role that it plays in supporting a wider value chain, job growth and economic diversification. Now is the right time for all African stakeholders, global bodies and private investors to come together and create an environment that helps Africa to feed itself and deliver economic growth for ordinary people, national economies and investors. *(By Teodoro de Jesus Xavier Poulson, Member of Investment Committee, FACRA (Fundo Activo de Capital de Risco Angolano), World Economic Forum)*

## UPCOMING EVENTS

**East Africa Oil & Gas Summit & Exhibition (EAOGS)** 15th November 2016, Nairobi, Kenya

**AIX (Africa Investment Exchange): power and Renewables 2016 - Enabling power project development in Africa - 21-22 November, London At Royal Society of Arts (RSA House)**
Sponsored by BioTherm Energy, Denham Capital, DLA Piper and FMO, Co-produced by African Energy, proceedings will be held under the Chatham House Rule
https://africa-investment-exchange.com/aix-power-and-renewables-2016/

**Uganda International Oil and Gas Summit (UIOGS)** 22-23 Nov 2016, Kampala, Uganda will be hosted at the Kampala Serena Hotel

**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

Eaglestone is committed to operating and behaving according to the highest standards of corporate governance. Its subsidiary in the United Kingdom is authorized and regulated by the Financial Conduct Authority.

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