29 September 2017

INSIDE AFRICA

Now is the time to invest in Africa

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In-depth:

Mobile financial services in Africa: Winning the battle for the customer

Africa is the global leader in mobile money, which has become an important component of Africa's financial services landscape.

Mobile network operators (MNOs) have dominated mobile money services in Africa for the past decade. More recently, fintechs have established a solid footing in the market, and a number of banks are beginning to compete aggressively for the mobile banking customer. While some banks have chosen to "go it alone," others are forming partnerships in hopes of reaching the market faster. This article outlines five paths banks can take to retain ground in the battle for the mobile customer in Africa.

Africa is the global leader in mobile money

Mobile financial services (MFS) span the full spectrum of financial services, from payments and current accounts, to savings, loans, investments, and insurance. Mobile money, which enables customers to send, receive, and store money using their mobile phone, is a subset of MFS that is provided mainly by telco companies. The underlying funds are typically held by a bank in a dedicated stored value account or a linked current account.

Just over half of the 282 mobile money services operating worldwide are located in Sub-Saharan Africa, according to the GSMA. In Africa today, there are 100 million active mobile money accounts (used by one in ten African adults). This far exceeds customer adoption in South Asia, the second-biggest region for mobile money in terms of market share, with 40 million active mobile money accounts (used by 2.6% of adults)(Exhibit 1).

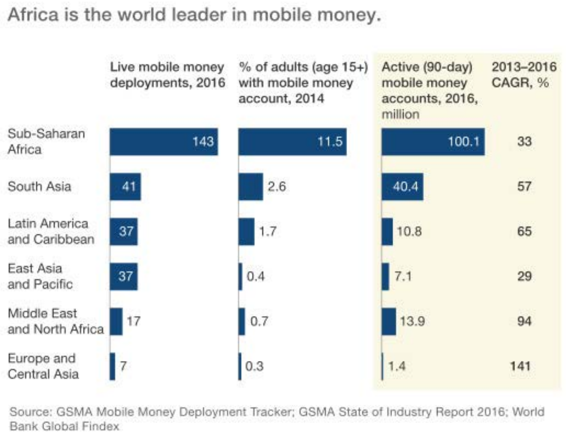


Exhibit 1

Mobile money now extends far beyond Safaricom's initial M-Pesa offering, which enabled consumers and small businesses – many of which had little or no access to a bank – to send and receive money quickly and securely across great distances. Today, mobile financial services have expanded to include a broad array of financial services, including credit, insurance, and cross-border remittances, and M-Pesa now accounts for less than a quarter of MFS users in Africa.

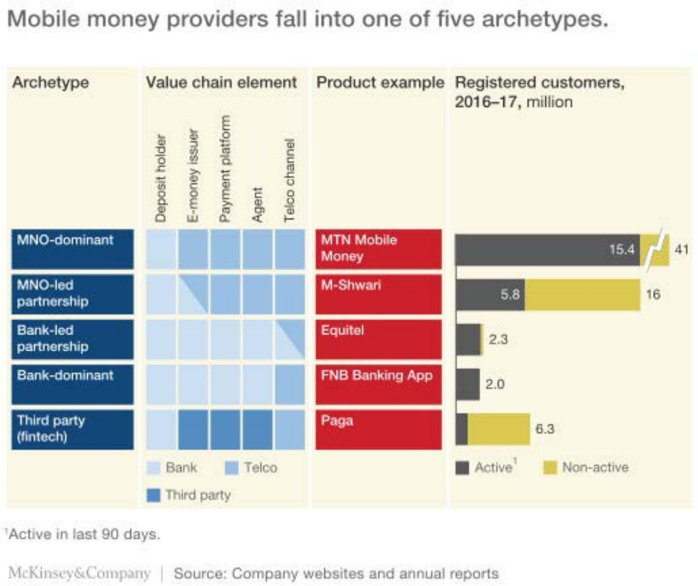
Despite the near saturation of certain markets, there is still ample room for growth in mobile financial services in Africa. In recent years (2013–16), the number of active mobile money users has grown by more than 30% annually. Furthermore, margins on payments in Africa remain among the highest in the world, at approximately 2% of the transaction value. Annual revenues can approach $29 per annum per active registered user (Exhibit 2).

Exhibit 2

The market has diversified as it has matured

Africa's mobile money market has expanded and diversified in recent years. Providers today fall into one of five different archetypes, defined according to which segments of the mobile money value chain they cover (Exhibit 3).

Exhibit 3



1. MNO-dominant. In this archetype, the MNO is responsible for most steps of the value chain, including the virtual telco network and the physical agent network and payments issuing and processing; a bank is the deposit holder. Beyond M-Pesa (26 million registered users in Kenya, of which approximately 73% are active), there are several other providers that have been highly successful in this category in Africa, including MTN Mobile Money, with 41 million registered customers (approximately 38% active) across 15 countries; Orange Money, with 16 million registered customers across 14 countries; and Tigo Money, with eight million registered customers across five African countries.

2. MNO-led partnerships. In this model, a banking partner supports the MNO in providing products beyond payments such as small consumer loans and deposits. The leading example is M-Shwari in Kenya, a partnership between Safaricom (Kenya's leading telco, with a customer market share of nearly 70%) and CBA (a mid-sized bank in Kenya). This partnership reached 10 million customers within 18 months of launch, in part because it managed to cross-sell to users of Safaricom's M-Pesa.

3. Bank-led partnerships with MNOs. The best example of this model is Equitel, a partnership between Equity Bank and Airtel with over two million customers in Kenya. This service allows customers to send money from their accounts to any bank account in Kenya, take out loans, and maintain deposits. Equitel also offers services beyond banking, including airline ticket purchases and information on consumer-interest topics (for example, healthcare, education). In this case, the bank provides access to its agent network, as well as payments issuing and processing capability.

4. Bank models including banking apps for smartphones and text-based money transfer services using basic handsets. These services typically require the sender to be a customer of the bank providing the service, while the recipient does not need to be a bank customer. FNB's banking app is an example, with approximately two million active customers in South Africa.

5. Fintech solutions. A successful example is Paga, in Nigeria, which has grown its customer base 81% annually, expanding from one million registered customers in 2013 to more than six million today. Paga, which processed US$500m in payments in 2016, is now a fully fledged payments company allowing customers to send money via their phones and pay for online purchases on merchant websites.

Why mobile carriers are winning customers

Even as banks and fintechs have entered the market, MNOs continue to dominate the landscape in terms of customer numbers, as shown in Exhibit 3. The most successful MNO-led mobile money launches (M-Pesa and MTN Money) have from five to 10 times as many clients as bank-centric approaches (for example, FNB and Equitel).

While in many markets banks can rely on regulations to defend their deposit-taking capabilities, over the past decade MNOs have built scale and momentum in mobile payments on three pillars: 1) near ubiquitous distribution networks, 2) vast numbers of customers/strong market concentration, and 3) a superior client experience.

Of these considerable strengths, distribution is the MNOs' main advantage. Thirty-seven African markets have 10 times more registered agents than bank branches. In Kenya, for example, Safaricom has more than 130,000 agents where customers can cash in or cash out. By contrast, leading banks in Kenya, where agency banking has been highly successful, have approximately 15,000 agents.

Second, mobile companies have vast numbers of customers. For example, MTN, the largest telco in Africa, has 171 million customers, whereas leading pan-African banks (for example, Ecobank, Standard Bank, Barclays Africa) typically have between 11 million and 15 million customers. There are two primary drivers of telcos' vastly superior client numbers. First, mobile phone penetration across Africa is on average 80%, twice the rate of banking penetration. In addition, telco is a much more concentrated industry than banking. The top five telcos in Africa have 60% of all telco customers in Africa, versus 22% for the top five banks in Africa.

Finally, a number of telcos have managed to develop a superior client experience early in the evolution of mobile financial services in Africa. M-Pesa's client experience is remarkably simple: it takes only three inputs and six clicks to send funds, on any type of handset. Registration is straightforward; merchant acceptance is widespread, and there are no transaction fees on bill payments.

East Africa leading the charge

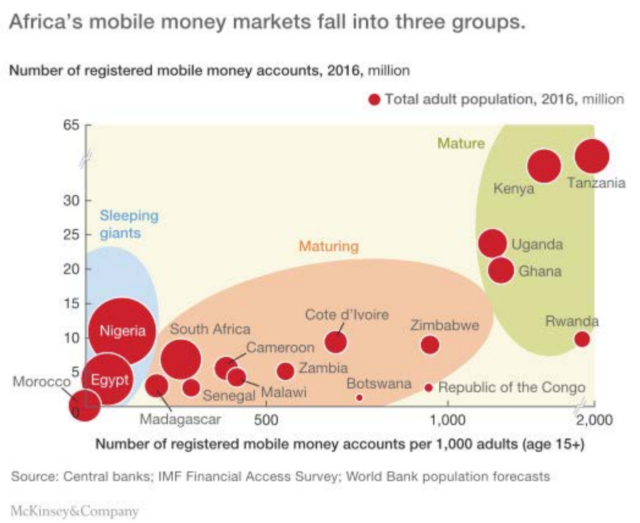


Exhibit 4

While demand for mobile money is evident across the whole of Africa, the availability of service is uneven from one market to the next. National markets fall into one of three categories based on the maturity of MFS (Exhibit 4). East Africa and Ghana, where penetration exceeds 1,000 mobile money accounts per 1,000 adults, are "mature" markets. (Some consumers hold more than one MFS account in order to circumvent limitations on interoperability, and some dormant accounts are included.) In "maturing" markets, MFS penetration is between 100 and 1,000 mobile money accounts per 1,000 adults, and growing rapidly. Among the "sleeping giants" (for example, Nigeria and Morocco), mobile money penetration remains below 100 accounts per 1,000 adults.

In "mature" markets, the regulatory framework has allowed a number of MNOs to compete with relatively small banks in a fragmented financial services market. For example, Safaricom had nearly 80% customer market share in Kenya when launching M-Pesa, while the banking systems in both Kenya and Tanzania remain fragmented, with approximately 40 banks each and less than 15% customer market share for Kenya's largest bank.

In "maturing" markets, mobile money is gaining traction. These markets tend to have regulations allowing for MNO-led partnerships and prohibiting or discouraging agent exclusivity (as in Malawi). MNOs in these markets have also invested heavily for sustained periods before building scale. For example, Orange launched Orange Money in Cote d'Ivoire in 2008, but only saw real uptake in the number of active users in 2012.

Reasons for the slow uptake among the "sleeping giants" include the availability of alternative mechanisms (for example, Morocco has a sophisticated banking system with 60% banking penetration) and regulatory constraints (for example, the mobile money activities of MNOs are restricted in Nigeria, which has resulted in a highly fragmented market, with 18 companies holding mobile money licenses).

The future is mobile: How should banks respond?

MNOs currently have 100 million active mobile financial services customers across Africa, and McKinsey estimates that the total MFS opportunity approaches $2.1bn or approximately two% of total African banking revenue pools. While banks are doing a reasonable job of defending their share of banking revenues, the battle for the mobile financial services customer is on. To strengthen their position in MFS, banks should weigh their options and devise a plan that fits with their multichannel strategy for delivering consumer and commercial services. Banks can choose one of five approaches.

1. Go it alone. McKinsey's Finalta benchmark indicates that banks in a number of emerging markets are building strong momentum in digital financial services (including MFS). For example, banks in India achieve 25% of core product sales through digital channels, and banks in Turkey achieve 18%. A leading Indian bank captured 30% of sales through digital channels, which sets a high bar for banks in Africa. Garanti Bank's iGaranti – a mobile-based set of financial services centered on an engaging app – is the type of initiative that can propel banks in this direction.

2. Build a digital bank. A digital bank is defined here as a bank that predominantly uses mobile devices and the internet to offer banking services and has relatively limited branch distribution. Examples of digital banks have emerged around the world, including in China, Eastern Europe, Turkey, and Africa. For example, Airbank captured 4% of transactional market share within three years of opening in the Czech Republic. mBank in Poland has four million clients. McKinsey research shows that digital banks can have cost/income ratios that are 10 to 30% lower than that of their peer banks in a given market. Since digital banks tend to have compelling client value propositions centered on simplicity and price transparency, this is an attractive option for banks looking to counter mobile money disruption.

3. Partner with a fintech. Fintechs in Africa have launched a number of mobile-first solutions that are building momentum. For example, BIMA offers mobile-based insurance services in four African countries and has approximately two million active clients. Paga's mobile payments offering has six million registered clients in Nigeria. Jumo is using telco data to underwrite credit for clients across Africa.

4. Partner with a non-telco, for example, African e-commerce business, tech company. In China, a number of ecosystems provide mobile financial services to hundreds of millions of customers. For example, Alipay has more than 800 million registered accounts for merchants using the Alibaba e-commerce platform. Alibaba is now a significant provider of SME financing in China thanks to the data on merchant transactions available on the platform. As another example, WeBank, an offshoot of Tencent's WeChat, is using customer data on social media activity and contacts to help underwrite credit. Standard Bank has partnered with WeChat in South Africa to launch WeChat Wallet, enabling WeChat South Africa's five million users to send and receive money and make payments.

5. Partner with a telco. This has been a common path in Africa, including, as noted above, Equity Bank's partnership with Airtel and Standard Bank's partnership with MTN.

Each of these five options is a viable path for a bank. The choice depends on a variety of factors, including the bank's starting position (for example, can the bank's current systems be retooled or must they be replaced?), the available partnership options, and the bank's track record in partnerships. The one path that is not viable is "business as usual".

While financial services have until recently been the preserve of banks and insurance companies, MNOs and fintechs are giving banks a run for their money in Africa, particularly in the retail and SME segments. MNO-led innovations have enhanced financial inclusion in Africa, and now it is time for banks to develop their own distinctive mobile and digital services with an eye to protecting their leading role not only in payments and deposits, but across the full spectrum of financial services as well.

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IMF, WORLD BANK & AFRICAN DEVELOPMENT BANK

AfDB, AU, UN agencies pledge more action for Africa's industrial transformation
Implementation to be anchored on AfDB's Industrialize Africa Strategy

The African Development Bank (AfDB) on Thursday, September 21, 2017, joined partners from the African Union Commission, African governments, key United Nations agencies and development finance institutions to renew support for African countries' industrialization.

The partners also agreed to undertake and implement joint programmes for increased development impact, especially in the mobilization of adequate resources to enable the full implementation of the **Third Industrial Development Decade for Africa**(IDDA III).

The commitments were made at a high-level event on the "Third Industrial Development Decade for Africa (2016-2025): From political commitment to actions on the ground" held on the sidelines of the United Nations General Assembly in New York.

In 2016, the AfDB developed, together with the United Nations Industrial Development Organization (UNIDO) and the UN Economic Commission for Africa (ECA), an ambitious **Industrialize Africa** strategy that aims at more than doubling the continent's industrial GDP.

"We believe it is about time for Africa's industrialization. Let me restate that the 'Africa rising' story is still alive and well," said Amadou Hott, AfDB's Vice-President for Power, Energy, Climate and Green Growth, in remarks he delivered on behalf of the Bank President.

The partners in this new deal include the African Development Bank, African governments, the African Union Commission (AUC), the United Nations Under Secretary General, Special Advisor on Africa (OSAA), ECA, UNIDO, private sector organizations and development finance institutions.

On July 29, 2016, the United Nations General Assembly unanimously adopted a resolution proclaiming the period 2016-2025 as the **Third Industrial Development Decade for Africa** (IDDA III). By the terms of the resolution, the General Assembly called on the AU Commission, NEPAD, ECA and specifically UNIDO "to develop, operationalize and lead the implementation of the programme for the Third Decade, in accordance with its mandate and through voluntary contributions."

The UN General Assembly then highlighted the need for the continent to take "urgent action to advance sustainable industrialization as a key element of furthering economic diversification and value addition, creating jobs and thus reducing poverty and contributing to the implementation of the 2030 Agenda for Sustainable Development."

To ensure successful implementation of the proclamation, the African Development Bank and partners used the side event to work towards effective mobilization of adequate resources to enable full implementation of IDDA III.

Director General of UNIDO Li Yong stressed the need to translate the promises into concrete action in which responsibility is shared by all stakeholders.

"Africa's industrialization is of great importance to the international community. Successful implementation is key," he stressed. "It is in the world's best interest."

The President of the UN General Assembly, Miroslav Lajčák, said the new deal offers a great opportunity to lead to improvement industrialization, leading ultimately to poverty reduction. "Africa needs to industrialize more, and at a faster rate," he said, stressing how industrialization is critical to Africa's realization of the UN Sustainable Development Goals.

"Renewed partnerships are important to drive Africa out of poverty," he added.

For her part, Deputy United Nations Secretary General Amina Mohammed stressed the need to move from political declarations to implementation, especially in the individual countries.

Mohammed, who represented the UN Secretary General, said Africa and its partners need to find funding for the initiatives.

"Greater regional integration is critical to industrialization," she said.

She also spoke on why education and skills acquisition should play a key role in industrialization.

The Commissioner of Trade and Industry at the African Union Commission, Albert Muchanga, stressed the importance of industrialization and charged partners to ensure the benefits reach Africans at the lowest level.

He commended the AfDB for its planned African Investment Forum and pledged to work with the Bank to promote investment on the continent.

The partners commended the innovative approach by UNIDO through the Performance for Country Partnership (PCP) and support of strengthening private-sector engagement and pledged to devise the necessary governance mechanisms to guide the design, implementation, monitoring, evaluation, and reporting of the Roadmap for the implementation of the Decade.

This, they say, is necessary to ensure that development interventions produce the desired development impact.

The meeting reaffirmed the need for a partnership approach. To maximize resource efficiency and the footprint of the initiative, IDDA III is implemented with partners such as the African Development Bank though the Bank's **Industrialize Africa Strategy**, which was developed in collaboration with UNIDO and ECA.

Speaking on behalf of the private sector, the Executive Director and CEO of Sahara Group, Tonye Cole stressed why the partners and governments should move from talking to working. "Without the implementation of the IDDA III, there is no way the world can meet the SDGs," he said.

"It is time for us to take action."

Cole called for the development of an effective digital infrastructure or digital highway for Africa.

The Director General of the Food and Agriculture Organization of the UN, José Graziano Da Silva, pledged FAO's commitment to the industrialization of Africa, and pledged his organization's support for the partnership.

The Third Industrial Development Decade for Africa: From political commitment to actions on the ground

African leaders, UN officials, and representatives of international finance institutions and of the private sector met on Thursday, September 21 at the United Nations Headquarters to reaffirm their commitment to a broad-based international partnership to industrialize Africa in a socially inclusive and environmentally sustainable manner. The African Development Bank was represented by Amadou Hott, the Bank's Vice-President for Power, Energy, Climate and Green Growth.

Africa share of global manufacturing stagnated below 2% over the last decade. Unemployment and poverty are serious concerns for the continent, where more than 70 % of the working age population is unemployed or has no job security, prompting the UN to declare 2016-2025 as the Third Industrial Development Decade for Africa (IDDA III). Earlier in 2016, the AfDB developed together with the United Nations Industrial Development Organization and the UN Economic Commission for Africa (ECA) an ambitious **Industrialize Africa** strategy that aims at more than doubling the continent's industrial GDP.

The President of Zambia, Edgar Lungu, said, "My government is proud to be associated to this event and values the role played by organizations such as UNIDO and other government partners which seek to work closely with Africa to promote inclusive and sustainable industrial development in the continent."

He added: "Over the past two decades, the African continent has witnessed significant changes in policy orientation with more emphasis placed on building productive capacities in order to take advantage of opportunities emerging from the global economy. Many African countries have restructured their economies and have embraced liberal economics and trade policies to support development strategies. However, these reforms have come with their own challenges, including the influx of imported commodities and unfortunately closure of industries with consequential job losses."

During the meeting, African leaders and development partners reiterated the importance of industrialization to eradicate poverty and to ensure that Africa's fast-growing population yields its demographic dividend.

Ethiopia's Prime Minister, Hailemariam Desalegn, said, "The lack of skills is the major problem in Africa. With an integrated industrial strategy, African states will hopefully mobilize funds, build the capacity of local employment and promote small, medium enterprises with domestic development projects."

Amadou Hott, AfDB Vice-President, Power, Energy, Climate and Green Growth, said, "The African Development Bank recently adopted an ambitious '**Industrialize Africa**' strategy. The AfDB will significantly imcrease its own financing to industrialize Africa and leverage additional resources from financial partners over the next decade. We strongly believe that partnering with governments, the private sector, regional organizations and other development partners is key to address the major bottlenecks in the area of industrialization for a more prosperous Africa."

The African Union's Commissioner for Trade and Industry, Albert M. Muchanga, said, "Let me stress that, in line with the theme of this event – from political commitment to action on the ground – and the underlying principle of inclusiveness, it is my expectation that resources mobilized under the Third Industrial Development Decade will be deployed so as to significantly show benefits accruing to the ordinary Africans on the ground through decent employment, and access to high-quality, safe and affordable manufactured goods that are made in Africa, among other direct and tangible benefits."

UNIDO, which is tasked with leading the implementation of IDDA III, proposed to implement its new innovative approach to bring about the necessary structural transformation. The approach is based on a country-owned model known as the Programme for Country Partnership (PCP) that leverages financial and non-financial resources, promotes regional integration and mobilizes co-operation among Africa's development partners.

UNIDO Director General, Li Yong, said, "It is high time to move the IDDA III agenda steadily forward in order to foster inclusive and sustainable industrial development in Africa. Today's presence of high-level participants from the public and private sectors, development financial institutions, the United Nations system, and bilateral and multilateral institutions confirms that Africa's industrialization is of global importance."

A joint communiqué, agreed by leaders of the African Development Bank, the African Union Commission, the UN Economic Commission for Africa, and the Office of the UN Special Advisor on Africa (OSAA) and UNIDO, acknowledged that the implementation of the ambitious goals of the Decade will require the mobilization and deployment of significant amounts of resources and expressed their support for scaling-up the PCP in the context of IDDA III.

The World Bank Group also announced its strong support for the implementation of the Decade.

Participants agreed on the importance of strengthening private sector engagement, in view of its fundamental role in driving growth, creating jobs, generating income and wealth, and contributing to fiscal revenue.

The Bank Group has approved EUR 15 million equity investment in the Mediterrania Capital Fund III (MC III)

The Board of Directors of the African Development Bank (AfDB) has approved a EUR 15 million equity investment in the Mediterrania Capital Fund III (MC III) under the management of an experienced team of Mediterrania Capital Partners (MCP) with strong transactional and operational experience in private equity (PE). MCP currently manages over €220 million in assets through two previous generalist funds investing in North Africa.

This contribution will allow the Fund to provide access to finance to mid-sized businesses of high growth potential and proven business models who are aiming to become regional players. With the target capitalization of EUR 250mln, MCIII will invest growth equity in 10 companies in healthcare, consumer goods, retail, financial services, transport and logistics sectors.

Through the two previous funds over the past 10 years, MCP has mainly invested in Capital Growth markets in North Africa such as Algeria, Morocco, and Tunisia and is now planning to expand to Egypt and Francophone Sub-Saharan Africa, where there is emerging investment capital needs characterized by consumption-driven economies, pro-business policies, rapid urbanization, favorable demographics, and growing consumer classes. The Bank is expected to play a crucial role in the Fund's expansion into the new investment destination including Egypt, Cote d'Ivoire, Senegal and Cameroon, through providing market knowledge as well as unlocking the African capital to achieve its financial close. As an Advisory Board member, the Bank will also ensure that transparency, social and environmental, and corporate governance best practices are adhered to both at the Fund and the portfolio company level.

The Bank's participation in the Fund is well aligned with the Bank's Ten Years Strategy (2013-2022) and its High Five priorities such as Feed Africa, Industrialize Africa, and Improve the quality of life for the people of Africa. The MCP has already demonstrated capacity to contribute to regional integration through development of multiple value chains regionally and internationally integrated.

The Fund's investments will genuinely support pan-African industries while enhancing job creation, including improving skills for productivity and competitiveness. The value creation philosophy of the Fund is expected to generate significant development outcomes stemming from (i) the provision of growth capital, resulting in spill-over effects on job creation and tax revenues; (ii) regional integration by developing sustainable platforms to supply local and regional markets and export markets expansion, and (iii) development of entrepreneurial skills, introduction of new technologies and implementation of international standard corporate governance.

INVESTMENTS

Business people from Brazil interested in Angola meet in São Paulo

Business people from Brazil interested in doing business in Angola are meeting in São Paulo for the launch session of the Brazil x Angola Business Programme, which includes a panel and several lectures, reported the Brazilian press. The programme's organisers stressed that Angola has consistent economic growth and is located in one of the most dynamic regions of the world economy and that it has great potential to absorb industrial goods.

Businesswomen Patrícia Duarte and Kátia Teixeira recalled that Angola is already one of the three main destinations for Brazilian exports in the African continent and that the time has come to increase this relationship even more, namely in the construction of infrastructure and the sale of industrial and food products as well as cosmetics and clothing.

The most recent figures on trade between Angola and Brazil – for 2015 – showed that this year it fell to US$680 million compared to US$2.4 billion in the previous year.

Angolan state newspaper Jornal de Angola also reported that trade between the two countries amounted to US$1.440 billion, US$1.510 billion, US$1.200 billion and US$2 billion in 2010, 2011, 2012 and 2013, respectively. Between 2002 and 2008, trade increased more than 20-fold, from US$211 million to US$4.2 billion, making Angola one of Brazil's main partners in Africa.

Angola signed strategic partnership agreement with Brazil in 2014, which include, in addition to the support provided by the Brazilian federal government, the involvement of private Brazilian companies, including Petrobras and construction companies Odebrecht, which became the largest company in Angola, Camargo Correia, Queiróz Galvão and Andrade Gutierrez. (Macauhub)

Chinese companies invest in construction in Angola

Ten Chinese companies have invested more than US$11 million in the construction sector in Angola in the past 12 months, said the director of the Technical Unit for Support to Private Investment (UTAIP) of the Angolan Ministry of Construction.

Cláudio Rodrigues, who signed a private investment contract with China's Jiangsu International Economic and Technical Cooperation Group, valued at US$1.58 million, said some of the companies had benefited from China's credit line for implementation of public investment projects.
The director of UTAIP also said that the private investment contracts signed with several companies, mainly from China, are of great importance for the country's building materials production chain. Xu Bo, managing director of China's Jiangsu International Economic and Technical Cooperation Group, told the Angop news agency that the investment is intended to strengthen the capacity and structure of the company, which has been operating in Angola for more than eight years in the manufacturing and sale of building materials.
The Private Investment Support Technical Units (UTAIP) are ministerial departments responsible for monitoring and inspection of the sector within the scope of private investment processes that have already been approved. (Macauhub)

Vietnamese, Mozambique firms seek closer partnership
More than 100 representatives of Vietnamese, Mozambican and Swazi enterprises have gathered at a recent meeting in Mozambique's capital of Maputo to seek closer partnership, especially in import-export, mining, agro-forestry product processing, telecommunications and civil construction.
Addressing the event, Dao Manh Duc, head of the Vietnamese Trade Office in Mozambique said that Mozambique is one of the important partners of Vietnam in southern Africa, with two-way trade in 2016 reaching about 100 million USD, up 52.6 % over the previous year. Vietnam sells to Mozambique rice, garment and textile, telecommunication equipment, while importing cashew, cotton and wood. Duc called for businesses of both sides to become more active in studying each other's market through joining trade fairs and exhibitions, and updating themselves on the economic, trade, investment, tax and currency policies of each other to minimize trade risks.
Nuno Maposse, a representative from APIEX, Mozambique Government's agency for trade and investment promotion, said that Mozambique encourages foreign investors in many areas, including agriculture, farm produce processing, energy and tourism. He expressed hope that Vietnamese firms will increase trade and investment partnership in the Mozambique market.
Phumelele Dlamini, head of the business delegation from Swaziland, a small country close to Maputo, called for investment from Vietnamese firm, pledging that the country will give optimal conditions for foreign investors.
Within the annual meeting's framework, Vietnamese firms also introduced many products of Vietnam, with agro-forestry products, home appliances and construction materials attracting much attention. (Club of Mozambique)

BANKING

Banks

Mozambique's banks are dependent on the state to grow
Mozambique's banking sector has become reliant on loans to the public sector to maintain growth due to the economic environment created by the state's financial default in 2016, according to consultancy BMI Research.
In a note on the financial sector sent to analysts, the Fitch group consultancy adds that this is because "the government has increasingly been kept away from international markets following the disclosure of hidden debts and subsequent financial default."
With limited access to external financing, the government has increasingly relied on national banks for credit, BMI said, adding that this is unlikely to be a sustainable growth model for banks.
BMI Research added that credit provided by banks to the government through the purchase of public debt securities saw annual growth of 19.1% on average, compared with an average increase of just 4.1% in public credit to companies and individuals. "This model is not sustainable beyond 2018, given that the agreement that the government may sign with the International Monetary Fund

will require a reduction of public debt," said the BMI Research report, quoted by the Lusa news agency. The consultancy also noted that potential IMF loans have a lower interest rate and will eventually replace the role of the Mozambican banking sector as a State creditor. (Macauhub)

Banco MAIS bank certified to operate on the Mozambique Stock Exchange

Banco MAIS has obtained the certification of special operator of the Mozambique Stock Exchange, "aiming to find financial solutions that respond to the needs of its customers and the general public," the bank said in a statement released in Maputo.

The certification authorises that the bank to intermediate capital market transactions as well as set up financing through public underwriting of subordinated debt, such as commercial paper and corporate bonds.

The bank will also be able to broker the negotiation of public debt securities, such as Bills (short-term) and Treasury Bonds (long-term).

Banco MAIS is a commercial bank dedicated to supporting the development of the Mozambican business community, which provides services with a global offering of financial solutions to individuals and companies, through its network of Business Units in Maputo, Boane, Xai-Xai, Chimoio and Tete.

The bank's qualified shareholders are Geocapital – Gestão de Participações, with 48.14%, AfricInvest Financial Limited, with 43.40%, Gildo dos Santos Lucas with 4.20% and the Community Development Foundation, with 2.92%. (Macauhub)

Zimbabwe Signs Up for $600 Million Credit Line From Afreximbank

- Deal comes as Zimbabwe struggles to pay for basic imports
- Dollar 'drought' likely to last until February, minister says

Zimbabwe will access a $600 million credit line from African Export-Import Bank in an effort to stave off a foreign-currency shortage that's afflicted importers of everything from food to fuel.

The southern African nation needs the assistance "especially during the foreign-exchange drought, which runs from October to February next year," Finance Minister Patrick Chinamasa said at a ceremony in the capital, Harare, where the agreement was signed by the Cairo-based lender and Zimbabwe's central bank. Zimbabwe's foreign-currency earnings traditionally slump after sales of tobacco end in the second half of the year and the government gears to provide inputs to farmers for crops such as corn and soy. The country is experiencing an extreme liquidity crisis and struggles to pay civil servants, teachers and nurses on time. (By Godfrey Marawanyika and Brian Latham, Bloomberg)

Markets

South Africa issues $2.5 billion in foreign currency bonds

South Africa has issued a pair of dollar bonds in overseas capital markets worth $2.5 billion to help finance its foreign currency commitments, National Treasury said. The transactions for a 2027 and a 2047 bond at coupon rates of 4.85 % and 5.65 % respectively were more than two times oversubscribed, attracting bids of bids of over $5.3 billion, the treasury said in a statement.

"The South African government sees the success of the transaction as an expression of investor confidence in the country's sound macro-economic policy framework and prudent fiscal management," treasury added. (By Mfuneko Toyana, Reuters)

South Africa's Sibanye launches $450 mln convertible bond, shares slump

South African mining company Sibanye-Stillwater will sell bonds worth $450 million convertible into stock to refinance a loan used to partly fund an acquisition, the company said.

Sibanye plans to set the conversion price in a range of 30 and 35 % above volume-weighted average share price during session. Shares in Sibanye, which bought sole U.S. platinum producer Stillwater last year in a $2.2 billion deal, fell 9 % to 15.94 rand as of 0748 GMT, reflective of the dilutive impact of the bonds.

The 2023 bonds are expected to carry a coupon of between 1.625 % and 2.375 %, and are payable twice a year. Sibanye, rated Ba2 with a stable outlook by Moody's, said it would set the final conversion price and coupon later in the day. (By Tiisetso Motsoeneng, Reuters)

S.African c.bank defies expectations by keeping rates at 6.75 pct

South Africa's central bank kept its benchmark repo rate at 6.75 %, defying expectations of a cut based on easing inflation pressures and a sluggish recovery from a recession in the first half of the year. Of 26 economists polled by Reuters, 17 had predicted a 25 basis point cut and one a 50 basis point reduction. The remaining eight predicted a 'hold'. Governor Lesetja Kganyago admitted the decision was tight, with the six-member monetary policy committee split 3-3 on whether to hold or cut, leading to the maintenance of the status quo.

However, he said it was appropriate to maintain a "balanced" monetary policy stance, with inflation expectations in Africa's most advanced economy anchored towards the top end of the bank's 3-6 % target band.

The rand reversed losses against the dollar after the decision, moving to 13.2775 by 1333 GMT. Bonds also gained, pushing yields on the benchmark 2026 bond up 9 basis points to 8.495 %.

Analysts immediately turned their attention to the bank's next interest rate meeting, in November, at which it is expected to ease policy to help pep up the struggling economy. "While we expect the central bank to cut interest rates further, the time horizon in which the Bank can achieve this is relatively short given various macroeconomic risks ahead," FNB chief economist Sizwe Nxedlana said. "Inflation is also forecast to start lifting again from mid-2018 onwards which will constrain the possibility of further policy easing in the second half of next year." (By Ed Cropley, Reuters)

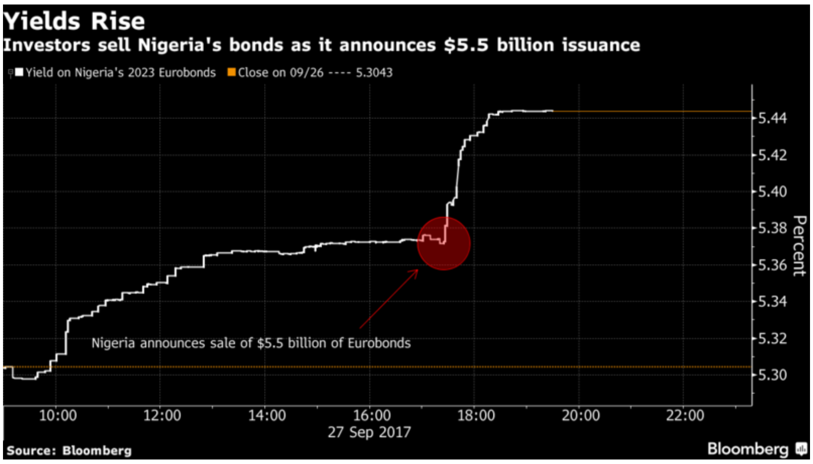
Nigeria Plans to Sell $5.5 Billion of Eurobonds by Year-End

- Nation to issue $2.5 billion in October to fund 2017 budget
- Remainder to be sold to replace naira-denominated debt

Nigeria plans to sell as much as $5.5 billion of Eurobonds in the next three months to fund capital projects and replace local-currency debt, according to the Debt Management Office. Yields on existing bonds rose.

That would bring the amount raised through Eurobond sales by Africa's most-populous nation this year to more than $7 billion as President Muhammadu Buhari's administration restructures its debt portfolio to almost double the portion of foreign borrowing in a bid to reduce financing costs.

The government wants to raise $2.5 billion in October to help fund 2017's 7.4 trillion-naira ($20.8 billion) budget, the biggest yet, DMO Director-General Patience Oniha sai in an interview in the capital, Abuja. It will sell the remaining $3 billion before the end of the year to replace naira-denominated debt, she said.



The government's advisers "have told us the market is waiting," Oniha said. "Work is already ongoing and we are just waiting for a resolution from the National Assembly to proceed."

The yield on Nigeria's $500 million of Eurobonds due July 2023 surged 15 basis points, the most since July 6, to 5.45 %, while that on the February 2032 securities climbed 11 basis points to 6.85 % by the close in London.

Citigroup Inc. and Standard Chartered Plc, which helped Nigeria sell bonds this year, will be retained as bookrunners for the $2.5 billion, and are in talks with the government to also lead the $3 billion sale, Oniha said.

Increase Proportion

Nigeria's overall foreign debt, which includes funds from partners and the Export-Import Bank of China, stood at $15.1 billion as of June 30, while domestic debt was 14.1 trillion naira, the National Bureau of Statistics said Sept. 19. The government wants to increase the proportion of foreign borrowing to 40 % of total debt stock from under 30 % currently, Oniha said.

"That will reduce the government's borrowing costs," she said. There is an almost 10 percentage-point spread between domestic and foreign borrowing costs and the restructuring debt plan will help save government hundreds of million dollars in financing costs, Oniha said.

Nigeria's Eurobonds yield 6.06 % on average, compared with 15.98 % for its naira debt, according to Bloomberg indexes.

The Monetary Policy Committee on Sept. 26 left its key interest rate at a record high of 14 %, where it's been for more than a year, to fight inflation that's almost double the target and maintain hard-won stability in exchange rates, Governor Godwin Emefiele said. In the second quarter, the economy emerged from a 2016 slump, the deepest in more than a quarter of a century, with gross domestic product rising 0.6 % from a year earlier.

High domestic borrowing costs are also forcing the DMO to reduce the maturity of naira debt it plans to sell so that it doesn't lock in unfavorable interest payments over a longer period, Oniha said. "That will be reflected in our next-quarter calendar for bonds," Oniha said. The government will instead push for more than 15-year tenure on dollar-denominated securities, she said.

The government is looking to plug a 2017 budget deficit that it forecast at 2.3 trillion naira, or 2.2 % of GDP following a revenue shortfall caused by the decline of output and price of oil, its main export. About one-third of this year's budget will be invested in new roads, rail, ports and power as part of a wider plan to help the economy recover from a 1.6 % contraction last year, boost growth to 7 %, and create 15 million jobs by 2020. (By David Malingha Doya, Bloomberg)

Egypt plans more Eurobond issues in coming months

Egypt will issue a 1.5 billion euro ($1.8 bln) bond by the end of November and plans to launch a new $10 billion Eurobond programme next year, the Boursa newspaper reported. Finance Minister Amr El Garhy told the newspaper that Cairo planned to sell Eurobonds worth $3 billion to $4 billion in the first quarter of 2018, but did not give a detailed timetable for the new programme.

Earlier this year, Egypt sold $7 billion in five-, 10- and 30-year bonds, part of its return to international markets after turmoil following the ouster of president Hosni Mubarak in 2011. El Garhy said the finance ministry would decide within the next two weeks when to issue the euro-denominated bonds but it would be before the end of November. That would be part of the existing programme. "The issue will be in the range of 1.5 billion euros after the approval of the cabinet," he said. "We aim at issuing bonds worth between $3 billion and $4 billion during the first quarter of the next year."

Egypt has been negotiating billions of dollars in aid from lenders to help revive an economy hit by political upheaval since the 2011 revolt. "The news is credit positive, as Egypt is aggressively diversifying its funding source and capitalizing well on improving conditions to attract foreign currency inflows," said Hany Farahat, senior economist at Cairo-based CI Capital.

Egypt's foreign reserves jumped to $36.04 billion at the end of July, according to the central bank, their highest level since the 2011 uprising hammered the economy and foreign investment, draining the country of foreign currency.

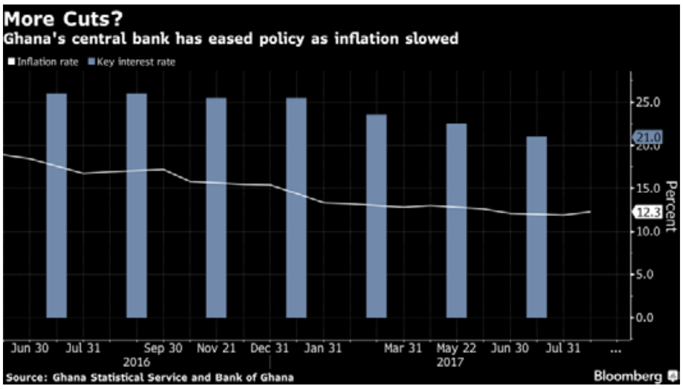
The International Monetary Fund in July approved a second loan instalment worth $1.25 billion, part of a three-year, $12 billion IMF credit that is tied to economic reforms such as subsidy cuts and tax hikes. ($1 = 0.8375 euros) (By Ehab Farouk, Reuters)

Ghana Bank Holds Key Rate at 2015 Low as Inflation Quickens

- Two of seven economists in survey had predicted no change
- Inflation rate rose in August from lowest in four years

Ghana’s central bank kept its key lending rate at the lowest since 2015 after inflation accelerated for the first time in four months.

The Bank of Ghana left the rate at 21 %, Governor Ernest Addison told reporters in the capital, Accra. Two of seven economists in a Bloomberg survey predicted the hold, while the rest forecast cuts ranging from 50 to 100 basis points.



The central bank of West Africa’s biggest economy after Nigeria’s had reduced the key rate for three straight meetings until July as consumer prices rose at the slowest pace in four years in that month. The government has vowed to boost growth from last year, when the economy expanded at its slowest rate in more than a quarter of a century. “Headline and core inflation picked up in August, although inflation expectations declined,” Addison said. “The committee noted that the uptick in core inflation, an indication of emerging pressures, would require further monitoring.”

Consumer-price growth slowed to 11.9 % in July from a record 19.2 % in March 2016. It accelerated to 12.3 % in August. Inflation will trend towards a “medium-term target” of 6 % to 10 % in early 2018, “barring any unanticipated shocks,” Addison said.

Oil Revenue

There are signs of improvement in the economy of Ghana, the world’s biggest cocoa producer after Ivory Coast, with gross domestic product expanding 6.6 % in the first quarter, the most in almost three years, as new oil fields start pumping crude.

A ruling by the Hamburg-based International Tribunal for the Law of the Sea will keep Tullow Oil Plc’s offshore fields under Ghana’s jurisdiction following the end of a boundary dispute with Ivory Coast. The ruling is a relief for Ghana, which is relying on oil revenue to boost economic growth and ease its budget deficit.

Since falling to a record low to the dollar on March 2, the cedi has strengthened 7.3 % to become Africa’s best-performing currency after Mozambique’s metical. It gained 0.5 % to 4.405 by 11:32 a.m. (By Moses Mozart Dzawu and Ekow Dontoh, Bloomberg)

Kenya central bank extends sale of two-year and 10-year Treasury bonds

Kenya’s central bank invited bids for two-year and 10-year Treasury bonds worth 13 billion shillings ($126 million) in a tap sale. The bank said in a statement the two-year bond will have an average yield rate and coupon of 11.619 %, while the 10-year bond will have a coupon of 12.966 % and average yield rate of 13.072 %, and it will receive bids between Sept.26 and Sept.28. At their auction on Sept.20, the weighted average yield on the two-year bond fell to 11.619 % from 12.509 % in December 2016, while the weighted average yield on the 10-year bond rose to 13.072 % from 13.060 % in August. ($1 = 103.2000 Kenyan shillings) (By George Obulutsa, Reuters)

Fund

Sovereign Fund of Angola makes profit of US$44 million in 2016

The Sovereign Fund of Angola achieved a positive result of 7297 million kwanzas (US$44 million) in 2016, the first in its history, reversing the trend of consecutive losses recorded in the reports and accounts of the previous years, according to a a statement released in Luanda. Since it was established in 2012 with a financial endowment of US$5 billion, this is the first positive result for

the fund, which in that same year reported negative results of US$17.4 million, with the figure rising to US$23.6 million in 2013. In 2014 losses increased to US$154.2 million, recording a slight decline the following year to US$134.8 million. The statement underlines that the positive result achieved is the result of a "prudent investment policy and a positive return on investments in agriculture and infrastructure." Total FSDEA assets increased from US$4.75 billion in 2015 to US$4.99 billion in 2016, an increase of 5.0%, with 58% in sub-Saharan Africa, 10% in North America, 12% in Europe and 20% in the rest of the world.
The chairman of the Board of Directors, José Filomeno dos Santos, quoted in the statement, highlighted that the Sovereign Fund of Angola has achieved financial profitability in less than three years of activity, "despite the difficult investment climate seen internationally since 2013." (Macauhub)

Angola SWF turns profitable on private equity investments, lower costs
Angola's sovereign wealth fund said it had become profitable for the first time in 2016 thanks to the appreciation of its private equity investments in a deep-water port and agricultural projects as well as reduced operating costs. The fund, which launched in October 2012 and is known by its Portuguese acronym FSDEA, had $4.99 billion in assets under management at the end of last year compared to $4.75 billion at the end of 2015. Net income for the year came in at $44 million after a loss of $135 million in 2015, FSDEA said in a statement.
Private equity investments had increased by $260 million year-on-year with profits across two of its seven private equity funds offsetting losses elsewhere. "We are proud of the appreciation of private equity investments in the infrastructure and agriculture sectors, where important assets are predominantly in Angola, such as Cabinda's first deep-water port and large-scale farms," said the fund's chairman Jose Filomeno dos Santos, son of long-ruling President Jose Eduardo dos Santos. "In 2016, these assets contributed significantly to the net results of the Fund," he said.
However, only $433 million of the $2.7 billion - or 54 % of total assets - earmarked for investment in private equity, or unlisted securities and debt, had actually been allocated.
Fixed income investments valued at $1.1 billion had seen their share across total assets fall for the second year in a row to 22 % from 25 %. Operational expenses had fallen by 40 % compared to the previous year, the fund said in its statement.
Africa's second-largest oil exporter after Nigeria generates around 40 % of its gross domestic product from crude output, and its economy has been hammered by the steep drop in the oil price, prompting government efforts to diversify its economy. (By Karin Strohecker, Reuters)

Biggest Africa Fund Manager May See Funds Pulled by Unions

- Fedusa mulls dumping South Africa's PIC over politics threat
- Federation mounts a bid to shield savings from politicians

Africa's biggest fund manager may be dumped by a labor federation representing 230,000 South African state workers because it's concerned that the funds of its members may be used to bail out mismanaged state-owned companies.
The Federation of Unions of South Africa, the country's second-largest labor union grouping, is considering replacing the state-owned Public Investment Corp. with privately owned fund managers to oversee the pension funds of the state workers, including nurses and teachers, that it represents.
"There is nothing in the law that requires the Government Employee Pension Fund to use only the PIC as an asset manager," Fedusa General Secretary Dennis George said by phone, referring to the GEPF, the central account for state workers' retirement savings and the PIC's main client.
In August, Finance Minister Malusi Gigaba told executives of the Congress of South African Trade Unions, the largest labor federation, that he can't guarantee the government won't attempt to make use of funds held by the PIC to recapitalize struggling state-owned companies and fund other projects, Business Day newspaper reported, without saying how it obtained the information. The Treasury is seeking funds to rescue state-owned South African Airways. The step is among the

options being considered by Fedusa, which represents about 500,000 employees in total including members of the Public Servants Association.

Reserves Rights

The PSA isn't satisfied with the response from the GEPF about reports that the government is considering using workers pension money to bail out the national airline through the PIC, the union said in an emailed statement. "The union reserves its rights while considering options to stop any public servants' pension fund money being wasted into SAA," it said.

A report in Johannesburg's Star newspaper of an attempt to remove Daniel Matjila as chief executive officer of the PIC ignited concerns that it could be drawn into the ruling African National Congress's internal battles and that its assets may be used to support struggling state companies. The PIC expressed confidence in Matjila after a special board meeting on Sept. 15, denying there was an attempt to fire him. The Pretoria-based PIC oversees about 1.86 trillion rand ($141 billion), mainly state employees' retirement savings. Its equity investments account for about 13 % of the market value of the companies that trade on the Johannesburg Stock Exchange, the manager says on its website. A less dramatic option would be to push for unions to have representatives on the boards of investment firms and have a greater say in the affairs of the GEPF, George said.

Liability Study

"We will occupy the space in the Government Employee Pension Fund and bring the PIC straight to order in terms of their mandate," he said. The PIC hasn't been approached by Fedusa, spokesman Deon Botha said in an emailed response to questions. "The PIC's investments on behalf of the GEPF are done in terms of an agreed Financial Services Board-approved investment mandate, which is based on a detailed asset and liability study," he said. "This mandate gets reviewed as and when it is necessary. The mandate outlines the asset classes, including the risk parameters within which these investments can be made. It is also necessary to indicate that the Investment Committee of the GEPF is constituted by representatives from various sectors of the economy, including labor." The GEPF didn't immediately respond to an email seeking comment.

Cosatu's Call

While it has not considered dumping the PIC, Cosatu wants workers' pensions invested to develop public infrastructure that will benefit the country's poor, said Sdumo Dlamini, president of the federation whose unions speak for about 1.7 million employees. "Where there could be a convergence with Fedusa is where we as Cosatu say workers' money should be invested where we are able to develop South Africa," Dlamini said by phone. The labor group, which is in an alliance with the ruling African National Congress, has criticized Gigaba's idea of using state employee pensions to save sinking state companies. "If there is mismanagement, it must be fixed so that the state is strong in holding on to the companies," Dlamini said. "They must remain as state-owned entities and they must be strengthened in terms of governance and management, before you then say 'how do we bail them out or not?' Let's make sure money is not thrown in a big hole there." (By Sam Mkokeli, Bloomberg)

ENERGY

Mozambique hopes to raise $500 mln for renewable energy projects

Mozambique offered a portfolio of small renewable energy projects to foreign investors which it hopes will attract $500 million in investment and give everyone in the southern African country electricity by 2030. Around 60 % of people living in Mozambique, which is highly indebted, have no access to electricity. "The initiative is intended to ensure that within a 15 year horizon the Mozambican population has access to electricity outside the national power grid, thanks to small autonomous systems," the Ministry of Mineral Resources and Energy said. It plans to do this by providing electricity to some 332 villages around the country using hydro and solar power. The portfolio has identified potential sites for projects using solar, hydro or a combination and could attract an estimated investment of $500 million, it said. (By Manuel Mucari, Reuters)

Mozambique Energy Fund presents renewable energy projects

The Mozambican Energy Fund (Funae) is scheduled to present a portfolio of renewable energy projects worth an estimated US$500 million to help ensure that by 2030 the Mozambican population has full access to electricity, according to a statement issued in Maputo. The statement cited by Mozambican state news agency AIM said the project portfolio provides for electrification through the use of solar and hydro sources, covering the provinces of Maputo, Gaza and Inhambane (south), Sofala, Manica, Tete and Zambézia (central Mozambique) and Nampula, Niassa and Cabo Delgado (north of the country).

The project portfolio identifies potential sites for the implementation of projects based on "solar power, hydro power and/or combined (hybrid), taking into account the availability of energy resources in each location," said the statement, with the initiative, ensuring that within 15 years the Mozambican population will have access to electricity using models of systems outside the national grid, namely micro, mini-networks and small autonomous systems. Last May, Funae and Portuguese group Galp Energia signed a partnership agreement for a project to set up photovoltaic systems in schools, health centres and communities in the provinces of Maputo, Sofala, Manica and Cabo Delgado provinces. The initiative has an estimated budget of 40 million meticais, with activities expected to take place over a period of two years. From 2005 to 2014, more than 3.7 million Mozambicans living in rural areas benefitted from solar energy systems, including 201 towns, 669 schools, 623 health centres and 77 public buildings being electrified. (Macauhub)

Maputo Combined-Cycle Thermal Power Plant to start operating in August 2018

The Maputo Combined Cycle Thermoelectric Plant is expected to start operating in full in August 2018, after the first fuel is burned in January of that year, the director of Production Services of Mozambique's state electricity company, EdM. Narendra Gulab, speaking during a visit to the construction site by the Japanese ambassador to Mozambique, Toshio Ikeda, said the first tests of the equipment for gas supply and the compressors, should begin in December.

The facility, located in the Luís Cabral neighbourhood of Maputo, is the first combined cycle plant in the country and in southern Africa, and will produce 106 megawatts of electricity from natural gas extracted from Pande and Temane in the province of Inhambane.

The project has an estimated cost of US$180 million, of which US$167 million will be provided by the Japanese government through the Japanese International Cooperation Agency (JICA) and the remaining US$13 million by EdM from its own funds.

The loan will bepaid back over 40 years, with a grace period of 10 years, at an annual interest rate of 0.01%, according to information released at the time and quoted by daily newspaper Notícias. The power plant project, along with a project to recover the Mavuzi and Chicamba hydroelectric plants, in the central province of Manica, will help to diversify energy sources and increase EDM's production capacity from 206 megawatts to around 315 megawatts from mid-2018. (Macauhub)

INFRASTRUCTURE

Standard Chartered Lends Zambia $134 Million to Finance Roads

- Loan is the second that StanChart has arranged since 2016
- Zambia is in talks with the IMF for $1.3 billion loan

Zambia borrowed $134 million from Standard Chartered Plc to help fund the road sector, according to a finance ministry official. The borrowing plan was included in the 2017 budget, Mukuli Chikuba, permanent secretary at the finance ministry, said in a text message. The loan is the second that Standard Chartered has arranged for the government since a $450 million syndicated deal in the first half of 2016. Five new loans worth $296 million were contracted in the first half of the year, according to the ministry's mid-year economic review. The country's external debt grew to $7.4 billion by the end of June, the report shows. Zambia, Africa's second-biggest copper producer, is in talks to secure a $1.3 billion loan from the International Monetary Fund and plans to present an economic program to the lender's board by year-end. (By Taonga Clifford Mitimingi and Matthew Hill, Bloomberg)

Africa's Richest Man Ups Ante for PPC With Cash, Share Offer

- PPC shares advance as bidding war for cement maker hots up
- Aliko Dangote says he has banks ready to back his bid

Dangote Cement Plc, the Nigerian company controlled by Africa's richest person, has written to PPC Ltd. offering South Africa's biggest cement maker cash and shares as part of a takeover deal that is fueling a bidding war. PPC's shares rose. "We are waiting for them to get back to us, hopefully early next week," Aliko Dangote said in an interview with Bloomberg TV in New York. "They can be part and parcel of the Dangote Cement story, where we're going to be in 18 African countries."

The approach by Lagos-based Dangote follows a joint offer from Canada's Fairfax Financial Holdings Ltd. and PPC's domestic rival AfriSam Group Pty Ltd. While PPC has said it will consider all bids, the Public Investment Corp., its largest shareholder, supports a tie up with AfriSam and Fairfax, people familiar with the matter said last week. LafargeHolcim Ltd., the world's biggest cement maker, is also monitoring PPC's situation, the people said. Two banks have agreed to support Dangote's offer, the chairman said, without identifying them. "They'll be able to fund us 100 %.""The market in South Africa needs consolidation," Dangote said. "It's the right thing for us to go in there and consolidate. The issue is that they are making a bit of a mistake. They are focusing on the highest bidder. They are focusing more on value rather than, 'What does it have for us going forward?"'Dangote said his company is mulling a debut Eurobond and is waiting for clarity from Nigeria's central bank about whether it would be able to keep proceeds in dollars or have to convert them to naira."The company doesn't really need to raise money, unless we want to go for an acquisition," he said. "We have a very healthy balance sheet. Our debt ratio is tiny. The rating of Dangote Cement is very good. It's a notch higher than the government of Nigeria's."

The company is rated Ba3 by Moody's Investors Service, three levels below investment grade, while Nigeria is rated B1. Dangote Cement, which already operates in South Africa through Sephaku Cement, has expanded rapidly outside of Nigeria in recent years, including into Ethiopia and Tanzania. "The only thing that will sort out the infrastructural deficit in Africa is cement," Dangote said. (By Francine Lacqua and Paul Wallace, Bloomberg)

Investment in construction absorbs more than USD 11 million

Luanda - More than 11 million US dollars have been invested in the construction sector in the last 12 months, allowing the construction of infrastructures in the country. This was said in Luanda by the director of the Technical Unit for Support to Private Investment (UTAIP) of the Ministry of Construction, Cláudio Rodrigues, stressing that this figure results from the signing of more than ten contracts with Chinese companies, some of which benefited from the China Credit Line (LCC) for the execution of public investment projects.

Speaking to the press after signing another private investment agreement, valued at one million and five hundred thousand US dollars, with the company "China Jiangsu International Economic and Technical Cooperation Group, Ltd", pointed out that 75 % of this investment was carried out by national companies. The contract signed today will strengthen the capacity and structure of the Chinese company, which has been operating in Angola for more than eight years, in the trade and construction of building materials used in the construction of various infrastructures in the country, according to its Director-General, Xu Bo. Based on the signed contract, the project, to be executed within a year in Luanda, will create more than 70 jobs, predicting to increase the number of jobs in the coming times.

Angola–China relations date back to pre-independent Angola. Today they are based on an emerging trade relationship. As of 2011, Angola is China's second biggest trading partner in Africa. (Angop)

Angola: 1.5 million USD guaranteed for construction Dande Port

Luanda - At least 1.5 million US dollars is the amount authorized to the Ministry of Finance to provide, as a guarantee of the State of payment at the first request, in favor of the financing entities, for the concession contract of the Barra Dande Port, ANGOP learnt.

The project of the Barra do Dande Port, approved in a Presidential Decree published in the Official Gazette of September 20, includes the granting of rights related to the construction and exploitation of por, a project that will be executed by Atlantic Ventures - Sociedade de Desenvolvimento e Gestão Portaria SA in partnership with the Port of Luanda, through a minority interest in the capital stock up to 40 %. This project was approved by the Cabinet Council in Luanda on August 16. The Angolan government justifies that the current port infrastructure in Luanda, in accordance with the evolution of port operations and traffic projections in recent years, will not, in the short term, achieve the needs of stevedoring and handling of loading and unloading required by national and international trade. The area linked to the concession of the referred Port is attributed the status of Free Zone, a delimited territory where some tax benefits are enjoyed. The implementation of the respective investments, including the protection and expansion zones were reserved a total of 197.287 square kilometers and a perimeter of 76.56 kilometers, according to the document.

The city of this new port will include several services, including a special economic zone, with a view to boosting the process of improving the administration of the State, economy and life of the population. (Angop)

Mota-Engil Group awarded contracts in Angola and Mozambique

Brazilian group Vale has awarded Mota-Engil Africa, a subsidiary of Portuguese group Mota-Engil, a contract for the supply of mining services worth US$445 million, the Portuguese group said in a statement to the market. Under this contract, Mota-Engil Africa will provide services that include drilling, supplying explosives, loading and transport of coal, in Vale’s coal mining project in Moatize. Brazilian group Vale is one of the largest mining groups in the world and is still the largest private company in Latin America, headquartered in Rio de Janeiro, Brazil, and operating on five continents. In Angola, Mota-Engil Africa was hired by the provincial government of Luanda to carry out the third phase of the project to renovate the streets of Luanda. This contract, worth US$76 million, includes the repair of potholes, pavements and curbs, the installation of road signs and cleaning bins, among other services and supplies. (Macauhub)

MINING

Gem Diamonds recovers 115-carat diamond from Letseng mine

Gem Diamonds said it had recovered a high-quality 115-carat diamond from the Letseng mine in Lesotho. The company, which has diamond mining operations in Lesotho and Botswana, said the find follows the recovery of five other diamonds of over 100 carats so far in 2017 from Letseng. Gem Diamonds owns 70 % of the Letseng diamond mine, which is located in the Maluti mountains of Lesotho and is renowned for its recovery of large, high-quality, exceptional Type II diamonds. The government of Lesotho owns the remaining stake. Weaker demand from China and the United States has hurt diamond prices, while India’s surprise move to abolish high-value bank notes in November also dented demand for diamonds in the Asian country. Gem Diamonds reported a 14 % drop in half-year revenue in August, hurt by lower production and a decline in average diamond prices, and said it received an acquisition offer for its mine in Botswana. (By Noor Zainab Hussain, Reuters)

Mining's Biggest Mystery Is What Agarwal Plans to Do With Anglo

- Self-made Indian billionaire to own about 20% of mining giant
- Analysts say he may push for South Africa break-up or merger

As Anglo American Plc's board met at the lavish Vergelegen wine estate in South Africa evening as part of a 100-year celebration, executives were blindsided by news headlines: Indian mining tycoon Anil Agarwal was becoming the biggest shareholder.

After Anglo's managers partied to honor the past, the company now faces an uncertain future. Agarwal is now in a position to push for major change, but his intentions are still secretive, leaving analysts to guess at the billionaire's plans for the blue-chip mining institution.

Agarwal said that he plans to spend as much as 1.5 billion pounds ($2 billion) to increase his holding, lifting his total position to about 20 %. The 63-year-old investor, who runs a mining empire including Vedanta Resources Plc and Hindustan Zinc Ltd., said his interest in Anglo is a family investment and he doesn't intend to make a takeover offer. But the unusual structure of the deal suggests that Agarwal won't simply buy and hold.

Agarwal amassed his stake in Anglo through a mandatory exchangeable bond issued by his Volcan Investments Ltd. unit and secured by Anglo shares. Effectively, he rents the shares until the bond matures in 2020 and doesn't benefit much from a rising stock price, a sign to some analysts that Agarwal may force Anglo to break up or merge.

Seat at the Table

"That's a pretty expensive personal investment," said Paul Gait, an analyst at Sanford C. Bernstein Ltd. in London. "It feels to me like he is positioning for, post-ANC elections, post-South African parliamentary elections, a seat at the table for some kind of restructuring." Spokesmen for Anglo American and Agarwal declined to comment. Anglo shares rose as much as 3.7 % in London. Agarwal repeatedly said this year that he doesn't plan to be an activist. Still, in 2016, he proposed merging Hindustan Zinc with Anglo, saying the combination was a "good match" and that "one and one wasn't going to be two, but 11." The proposal was quickly rejected by Anglo. Now the spurned suitor is the company's largest owner. Under U.K. takeover rules, Agarwal is prevented from making an approach to Anglo for six months. That restriction doesn't apply to the target company if it wants to approach the potential acquirer. Agarwal would need to make a cash offer to all shareholders if he buys shares with 30 % or more of the company's voting rights.

African Mines

Much of the current speculation is focused on South Africa. Agarwal may want to buy Anglo's assets in the country, such as Kumba Iron Ore Ltd. and export thermal coal, wrote analysts at Barclays Plc.

During the crisis Anglo announced plans to cut its exposure to South Africa, where it owns iron, coal, diamond and platinum mines. The company's other major shareholder, South Africa's Public Investment Corp., has long pushed for the creation of a domestic mining champion. But Anglo has since toned down plans to exit some South African assets as commodity prices recovered. Cutifani said in July that the company is happy with the mines and would make a decision on future strategy in 2018. There's also speculation that Agarwal's plans are grander then just South Africa. He has spoken about wanting to use his stake to increase India's role in the diamond industry. Anglo owns De Beers, the biggest producer, and about 90 % of the world's diamonds pass through India at some stage of the cutting and polishing process. "Agarwal made his money through leverage and riding the cycle and it looks like he still likes putting everything on red," said Ben Davis, an analyst at Liberum Capital Ltd. in London. It's unclear "whether he's attempting to form a coalition of shareholders to force a break-up bid. A break up that maybe Vedanta could take advantage of?" he said. (By Thomas Biesheuvel , Thomas Wilson , and Ruth David, Bloomberg)

Endiama Mining and Associates to invest USD seven million

Over USD 7. 4 million are the amount of the investment that Endiama Mining and its associates will carry out to prospect and evaluate diamond deposits in eastern Lunda Sul province, ANGOP learned. The mining investment agreement regarding the allocation of mineral rights to prospect and evaluation of secondary diamond deposits was approved in an Executive Decree of the Ministry of Geology and Mines, published on September 11 in the State Gazette. This agreement awarded to

Endiama Mining involves the companies Muapi and Artcon that participate with 55 and 25 % in terms of investments, for prospecting and evaluation of secondary diamond deposits. For a renewable period of five years, investors will conduct their prospecting and evaluation in an area of 1.284 square kilometers in Lunda Sul. The diploma considers the need for the sustainable use of the country's mining resources, which implies in the current context the strengthening and acceleration of the diversification of exploration and mining activities, involving both the public and private sector. (Angop)

OIL & GAS

Citi Says Get Ready for an Oil Squeeze

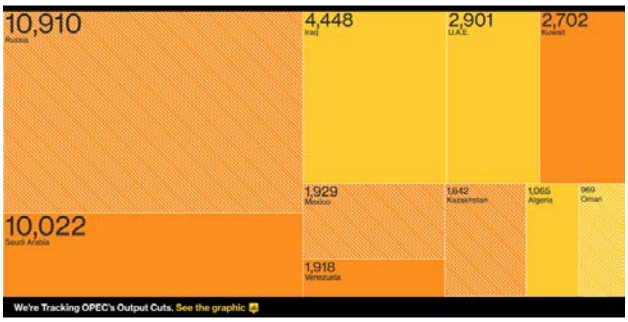
- Some nations including Iraq may be pumping at maximum capacity
- Supply gap could emerge in market as early as 2018: Ed Morse

Those in the oil market fearing a flood of OPEC supply next year will probably be better off preparing for a shortage, according to Citigroup Inc.

Five countries in the group -- Libya, Nigeria, Venezuela, Iran and Iraq -- may already be pumping at their maximum capacity this year, Ed Morse, the bank’s global head of commodities, said in an interview. Rather than a surge in output, there’s a risk of a market squeeze emerging as early as 2018, driven by those nations because of weaker investment in exploration and development, he said. “Fear in the market has been that OPEC production will rise dramatically,” said Morse. However, “there could be a supply gap emerging, which could point to a tighter market,” he said in Singapore on the sidelines of the S&P Global Platts APPEC Conference.

Crude is still trading more than 50 % below mid-2014 levels amid concern over whether output curbs by the Organization of Petroleum Exporting Countries will be enough to eliminate a global glut. A gathering in Vienna last week between OPEC and its allies ended with no decision on an extension or deepening of the cuts beyond the first quarter of 2018, while the potential revival of U.S. shale production is also weighing on the outlook for prices.

If the output reductions are prolonged, that would only hasten the prospect of a tighter market, said Morse, adding that the source of the supply squeeze will probably be OPEC rather than producers outside the group. “There’s no room for them to do more,” he said, referring to the five nations. “We’re seeing more and more evidence that it’s not the international oil companies, it’s not the independent oil companies that are lagging new investments, but it’s OPEC countries lagging, particularly those five,” he said.



In Iran, investors may be vulnerable to U.S. sanctions on dealing with companies owned by the Middle East nation’s Revolutionary Guards, the premier security force that dominates the domestic services sector, said Morse. The OPEC producer is shipping a combined 2.6 million barrels a day of crude and the ultra-light oil known as condensate, and expects to export more at the end of 2017, according to the National Iranian Oil Co.

Morse said Iraq’s contract terms weren’t competitive, while major energy companies such as Lukoil PJSC and Royal Dutch Shell Plc had either pulled out of projects or bemoaned the drop in investments. Libya and Nigeria have brought back as much production as they can, he said. Brent crude in London rose 0.5 % to $59.33 a barrel at 12:50 p.m. Singapore time. The benchmark for more than half the world's oil is extending gains from the highest close in more than two years reached on Monday 25th September. West Texas Intermediate gained 0.2 % to $52.30 a barrel in New York. (By Sharon Cho and Serene Cheong, Bloomberg)

South Africa Sees No Hurry for New Coal and Gas Projects

- Integrated Resource Plan needs update first, minister says
- Minister seeks 'middle ground' on renewable energy projects

South African programs to add coal and gas power generation from independent providers should wait until policies are updated and the nation's future needs are clearer, said Energy Minister Mmamaloko Kubayi.

The government is also seeking a "middle ground" with developers in a program to add renewable-energy projects, she said in a phone interview. Kubayi announced earlier this month that the long-delayed contracts must be signed by the end of October, but not before pricing was renegotiated to make the deals more attractive to state-owned power utility Eskom Holdings SOC Ltd.

South Africa expanded the so-called independent power-producer programs to diversify its energy mix and ease the burden on Eskom, which was forced to implement rolling blackouts in 2015 after seven years of shortages hindered economic growth. However, the country now has surplus capacity after growth in demand stalled and more units from Eskom's new coal plants came online.

"Let's look at how much capacity do we need, and when," Kubayi said. The calculations should include economic growth estimates and determinations of how much generation is required from each technology, she said.

The gas-to-power program included plans for about 3,000 megawatts of capacity from proposed plants on South Africa's coast, the department said in October last year. Its coal program was designed to add 2,500 megawatts of capacity.

South Africa needs to conclude the revision of its Integrated Energy Plan and Integrated Resource Plan, which set long-term policy, before moving ahead with additional programs to procure electricity from gas and coal, Kubayi said.

Can't Proceed

"For those, we can't proceed right now," she said. While the country's program to add renewable energy from private developers has drawn more than 200 billion rand ($15 billion) of investment, the most recent bidding rounds have stalled as Eskom refused to sign new power-purchase contracts. While developers welcomed Kubayi's announcement on Sept. 1 that the deals would be signed by the end of October, industry lobby groups have questioned her comments that pricing must be renegotiated. South Africa's cabinet and Eskom recommended a maximum price of 0.77 rand per kilowatt-hour.

Bidders will need to consider the legal, financial, and credit-risk implications on their projects if deals are renegotiated, according to the South Africa Photovoltaic Industry Association. Setting a price ceiling on the renewable projects "actually removes all of the legitimacy of that program," said Niveshen Govender, program manager for Sapvia. "It's become actually difficult to understand where we're moving towards." It's also unclear how the recommended price cap was settled on, said the South African Wind Energy Association. "Undertaking negotiation after a duly concluded procurement process goes against South Africa's procurement rules," association Chief Executive Officer Brenda Martin said in an emailed statement. "We would hate to think that the extended delay and related job losses are set to continue for much longer, on the basis of an unachievable target." About 20 of the projects that the government plans to renegotiate can be completed for below the 0.77 rand level, Kubayi said. She said she isn't biased for or against any particular type of generation. While the government "seems to be in its legal rights to stipulate a price cap," the uncertainty may deter investors in the future, Jason Harlan, CEO of Fieldstone Africa, a

Johannesburg-based, energy-focused investment bank, said in an emailed reply to questions. (By Paul Burkhardt, Bloomberg)

South Africa's Sasol to write off $900 mln from 2008 empowerment deal

South Africa’s Sasol will write off $900 million of debt used to bring in black investors in a 2008 deal that foundered after a fall in oil prices hit its shares, the petrochemicals maker said. The 28 billion rand ($2.10 billion) deal - at the time the biggest so-called “black economic empowerment” transaction in South Africa, was part of corporate efforts redress the imbalances of apartheid, which ended in 1994. More than two decades after the demise of white-minority rule, much of South Africa’s wealth remains in white hands.

Sasol said it would buy back the outstanding 12 billion rand of shares from its black investors, effectively cancelling them and allowing the company to write off the shortfall. Sasol said it expects there will be no distribution of Sasol shares to participants, given the closing Sasol ordinary share price of 389 rand on 4 September, below break-even levels to pay back debt. For more than 250,000 Sasol Inzalo investors the share should have reached at least 462 rand by 2018 to break even. The stock, which closed at 398 rand, looks unlikely to reach that level. Sasol’s share price has seen dampened growth since the transaction due to oil prices which have fallen by more than 40 % since 2008.

The scheme paid 7.6 billion rand in dividends, 5.1 billion rand of which was used to pay down debt and the rest as payouts to shareholders and employees in the scheme. That still left the scheme with around 12 billion rand in debt. Sasol will unwind the Inzalo transaction in favour of a new 21 billion rand scheme that will run for a further 10 years until 2028, giving at least 25 % black ownership of Sasol’s wholly owned subsidiary, Sasol South Africa. The new transaction, Sasol Khanyisa, will only be funded by the company and will not depend on share price fluctuations. “Sasol Khanyisa’s success is not dependent on Sasol Limited’s share price fluctuations. As no external funding will be used, there will be no cash outflows from Sasol,” said joint president and chief executive officer Bongani Nqwababa in a statement. ($1 = 13.3085 rand). (By Tanisha Heiberg, Reuters)

Angola exports 10% of Indian crude oil

Luanda - Angola exports at least 10 % of the oil consumed in India, a country considered as a strategic business partner of the Asian state. This was said to the press in Luanda by the Indian ambassador to Angolan, Sushil Singhal, after the closing ceremony of the business capacity building on international business and exports, held by the Agency for Promotion of Investment and Exports of Angola (APIEX), in partnership with the Internation Trade Institute of India. He also considered positive the trade between the Angolan and Indian businesspeople, stressing the existing of more than four thousand Indians doing business in Angola. The ambassador equally said that trade between the two countries was around 7.5 trillion US dollars, but due to the situation of the financial and economic crisis dropped to 3.5 trillion.

On the other hand, the diplomat assured that India will work together with Angola so that the African country may reduce the number of its imports by setting up an internal production chain. On his turn, the Angolan Secretary of State for Foreign Trade, Francisco Fernandes, considered the event of paramount importance, since it allowed the economic agents to discuss trade issues and strengthen economic relation between the two countries. The event, which took place on 19-23 September at APIEX facilities, aimed at building the capacity of economic agents, as well as sensitize the public and private entities, in order to reinforce the outlined goals, under the national economic diversification process, thus boosting the exports of national products. (Angop)

Angola’s Sonangol sells stake in real estate company

Angola’s national oil and gas company Sonangol plans to sell the 51% stake it owns in real estate company Kora Angola through its Sonangol Imobiliária e Propriedades (Sonip) subsidiary, under a presidential order published in the official gazette. Sonip is one of several subsidiaries of the Angolan oil company, in this case for real estate and assets, like Kora Angola, a company that in 2013was awarded a contract by the Angolan state to build 17,000 houses in several areas of the country. The order quoted by Portuguese news agency Lusa authorises Sonip to sell the 51% stake in Kora Angola to Diembo, Limitada, without giving a value for the deal.

The document also said that the “current economic situation of the country requires a reduction of the intervention and weight of the Angolan State in the economy,” as well as “reorganisation of public sector companies.” In June 2016, Isabel dos Santo became chairwoman of Sonangol, with the mission of reorganising the company, which is the largest business group in Angola. “The company’s coffers were empty, we had a lot of difficulties, but this year we are overcoming these difficulties and step by step start thinking about the future,” said Isabel dos Santos, after the investiture ceremony of João Lourenço as President of Angola. (Macauhub)

Sonangol to restructure its Board of Directors

The Angolan State-owned Oil Company of Sonangol announced in Luanda that it has made some changes of its Board of Directors, by expanding the management team, aiming for the success of the ongoing transformation process in the company. According to the press release, which Angop had Access to, the restructuring that has been underway for 17 months now enters a new phase, with well-defined challenges and requiring not only reinforcement, but also a greater specialization of the Board members. The enlargement of the management team and its specialization will allow a greater daily involvement in the operations and a faster intervention in the face of the challenges faced by the company. The new Board members are Emídio Pinheiro, who take up the managment of Sonangol Holdings and Industry, Ivan Sá de Almeida, for production and exploration áreas, Susana Almeida Brandão, responsible for the coordination of the legal department. The other executive directors will remain in their former offices at a time Sonangol is looking forward to being stronger more dynamic. Isabel dos Santos is the chairperson of Sonangol’s Board of Directors. (Angop)

Thai state group buys natural gas in Mozambique

The state-owned PTT group, formerly known as the Petroleum Authority of Thailand, has signed an agreement to buy 2.6 million tonnes of natural gas per year to be extracted by US group Anadarko Petroleum in Area 1 of the Rovuma basin, northern Mozambique, the Bangkok Post reported.

Anadarko Petroleum is the operator of the Area 1 block with a 26.5% stake, the remaining partners being Mozambican state-owned Empresa Nacional de Hidrocarbonetos (15%), Mitsui E&P Mozambique Area 1 Ltd. (20%), ONGC Videsh Ltd. (16%), Bharat PetroResources Ltd. (10%), PTT Exploration & Production Plc (8.5%) and Oil India Ltd. (4.0%).

PTT Exploration & Production Plc, a subsidiary of Thai group PTT, acquired the 8.5% stake held by Ireland’s Cove Energy, by acquiring the entire share capital of this company for US$1.9 billion.

Partners in the Area 1 block are expected to make a final investment decision by the end of 2017 so that the start of natural gas extraction can begin between 2022 and 2023. (Macauhub)

ENI East Africa hires RINA Services to ensure quality of platform in Mozambique

ENI East Africa has hired Italian company RINA Services to certify the quality of the design and production of the underwater structures and equipment to be used in the floating platform to process natural gas extracted at the Coral Sul project in northern Mozambique, the company said. The floating platform will be one of just three in the world and will be installed in the south of the Area 4 block in the deep waters of the Rovuma basin. Exploration of natural gas in the area is expected to help develop the Mozambican economy. Discovered by ENI in 2012, the Coral field contains about 450 billion cubic meters (16 trillion cubic feet) of natural gas and in the first phase, scheduled for 2021, around 5 billion cubic feet of gas are expected to be extracted. The floating platform has a capacity of 3.4 million tonnes per year and RINA Services will ensure that all equipment functions properly. This is the first time ENI is using a floating platform. The platform, which was awarded to a consortium made up of Samsung Heavy Industries, France's Technip and Japan's JGC, will be 439 metres long, 65 metres wide, have a draft of 38.5 metres and weigh 210,000 tonnes. (Macauhub)

AGRIBUSINESS

BNI bank supports producers in the Zambezi valley, Mozambique

The Zambezi Valley Development Agency and the Banco Nacional de Investimento (BNI) are launching a financing and technical support programme for producers in the central region of Mozambique to promote the production and sale of agricultural products, Mozambican daily newspaper Notícias reported.

During a recent meeting in Nampula to present this funding program, it was announced that more than 420 million meticals (about US$6.6 million) would be available to support farmers as well as students who have completed their agronomy degree. "Our intervention arises because we understand that one of the biggest difficulties that graduate students and finalists face is the lack of funding to develop their projects to generate income and job creation for other young people," said the BNI representative, Gabriel Nhampossa. Alves Vicente, director of the Zambezi Valley Development Agency, said that the initiative will boost agricultural production and sales in the region and invited producers and young people who want to become entrepreneurs to present sustainable projects. Initially formed as a partnership between Mozambique and Portugal, through the National Treasury Department and the Caixa Geral de Depósitos financial state group, respectively, Portuguese participation was acquired in 2012 by the Institute of State Participation Management (Igepe), with BNI becoming the first and only Mozambican investment bank. (Macauhub)

Top cocoa producers to create buffer stock to influence world prices

Ivory Coast and Ghana, the world's top cocoa producers, plan to create a buffer stock of beans with the aim of exerting more influence over world prices, a senior Ivorian government official told Reuters. The two West African neighbours produce over 60 % of the global supply of the chocolate ingredient but have been hit hard by a sharp drop in world prices cause mainly by a glut resulting from bumper crops this season. The International Cocoa Organization (ICCO) forecasts a global surplus of 371,000 tonnes this season. "The countries agreed that we needed specialised warehouses to allow us to conserve cocoa so that we can regulate supply and push up prices," Narcisse Sepy Yessoh, chief of staff to Ivory Coast Trade Minister Souleymane Diarrassouba, told Reuters. He said the two governments submitted a request in May to the Abidjan-based African Development Bank for a $1.2 billion loan to pay for the infrastructure. They hope the financing will be approved before the end of this year to allow for stocking in the 2018/19 season, he added.

Under the plan, Ivory Coast will build six warehouses with total capacity of 250,000 tonnes near to the main growing areas. Yessoh declined to comment on the infrastructure planned for Ghana.

Ivory Coast is on track to produce a record 2 million tonnes of cocoa this year, but Yessoh said the government planned to limit output going forward and focus its efforts on improving quality. "Must we continue on this path, flooding the market with beans in abundance and driving down prices to the detriment of our economies and people? We don't think so," he said on the sidelines of an ICCO meeting. The two nations along with Africa's third-largest producer Cameroon said they would seek to modify the International Cocoa Agreement, the founding document of the ICCO - the world body of producer and consumer countries. The ICCO's Executive Director Jean-Marc Anga said the body would open talks between the producers and the European Union in partnership with the cocoa and chocolate industry to reach a deal on a revised agreement The declaration made by the three nations at the ICCO meeting did not offer details. But Yessoh said the countries would seek to reinstate a clause creating a buffer stock that was included in the original agreement signed in 1973 but later removed. "How much are we going to stock? These are quotas to be defined between producer countries. These questions are still with the politicians. We're waiting for them to decide," he said. (By Joe Bavier, Reuters)

Ghana: Big ambitions for cocoa industry

The state-owned Ghana Cocoa Board (Cocobod) has announced radical changes to the country's cocoa strategy. West African and indeed global output has risen steadily over the past 20 years but this has largely been achieved by bringing more land into production rather than through higher yields. However, Cocobod has now announced plans to boost yields in order to achieve a step increase in production. This may not yet be sufficient for Ghana to challenge Côte d'Ivoire's position as the world's biggest producer, but it should be sufficient to retain Ghana's second placed ranking in the face of Indonesian competition. New Cocobod chairperson Hackman Owusu-Agyemang announced the new strategy at the West Africa Fertiliser Agribusiness Conference in July. The organisation is to encourage the use of more pest and disease control, soil fertility management, artificial tree pollination and the planting of improved strains. "To preserve the environment and to optimise returns from fertiliser application," he said, "Cocobod is taking steps to ensure that fertiliser formulation in Ghana is made site-specific and to build the capacity of farmers on integrated soil fertility management."

It takes at least four years for a cocoa tree to generate fruit, so the impact of planting will not be felt immediately. However, Cocobod and the government are targeting a massive increase in production from 840m tonnes in the 2016–17 harvest to 1.5m tonnes in 2020–21.

At the same conference, Namanga Ngongi, chairman of the board of trustees of the African Fertiliser and Agribusiness Partnership, said of African farmers in general: "They are constrained by poor rains and lack of access to better inputs, improved and resilient crop varieties, better farming methods and low uptake of other technologies to trigger agricultural enterprise. Value addition is the key we need to turn and open the door to Africa's new agri-preneurs."

Production figures have long been difficult to verify because of the proliferation of cocoa smuggling between Ghana and Côte d'Ivoire. Prices are regulated by the two countries' marketing boards and so price differentials can make it attractive to smuggle a consignment across the border for sale.

Ivorian prices have been higher in recent years, so the direction of smuggling has been from Ghana into Côte d'Ivoire. However, the Ivorian government has cut its prices over the past year because of a one-third fall in international prices over that period.

Ghana's previous goal, set 18 months ago, was for 1.6m by 2026, but this was largely to be achieved through increasing the acreage under cultivation. The change in strategy appears to have been driven by Owusu-Agyemang himself. He told delegates at the conference that Ghana "plays an important role in the provision of employment for about 800,000 farm families. It also serves as a major source of foreign exchange and government revenue for the provision of socio-economic infrastructure. In short, this country has been built on the back of the cocoa industry."

Rural benefits

The crop's 5% contribution to GDP underplays its importance to the national economy. It accounts for 24% of export revenues and provides the backbone of the rural economy across wide swathes of the country at a time when there has been some criticism of the gap in development between the urbanised southern coastal strip of the country and the rural centre and north. In addition, the fact that a large proportion of cocoa is produced by smallholders helps to support rural businesses.

About 70% of the world's cocoa comes from small independent farms in West and Central Africa, mostly of less than two hectares in size. A far greater proportion of the crop in Latin America and Indonesia is grown on large plantations. Even if the production targets are achieved, Ghana does not risk overdependency on the crop as it has a relatively diverse economy. Côte d'Ivoire is more vulnerable as cocoa accounts for 60% of its export revenue.

Aside from the Cocobod strategy, the government is keen to ensure that more of its cocoa is processed inside the country. President Nana Akufo-Addo held talks with the Swiss government in June over support for Ghanaian cocoa processing, presumably via Switzerland's large chocolate industry.

The president announced: "Ghana, under my presidency, will no longer become mere producers and exporters of cocoa beans, and will continue the policy of processing more and more of our cocoa." The government offers a range of financial incentives for processing and manufacturing investment under its "One District, One Factory" programme. Cocobod hopes that this will encourage fertiliser producers and cocoa processors to set up plants in rural areas. The government has subsidised fertiliser consumption since 2008. Côte d'Ivoire is still the global cocoa superpower with production of 1.7m in 2015-16. Global consumption is currently increasing by about 2.5% a year. Indonesia is the only non-African country among the world's five biggest producers, which also includes Nigeria and Cameroon. Uganda, Togo, Sierra Leone and Madagascar are also significant producers, while production from São Tomé and Principe is considered among the world's highest-quality cocoa.

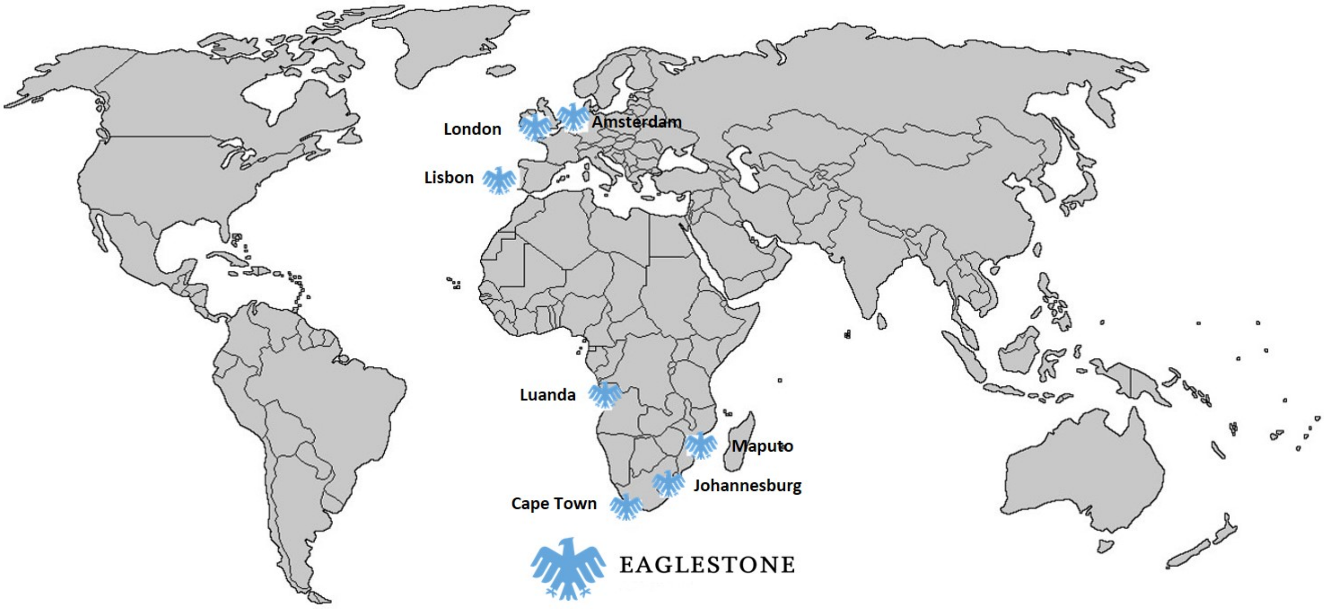
Nigerian production is rising but Cameroon desperately needs more investment in planting new trees and the yields from most of its established trees are falling. Deforestation is a threat across Africa's cocoa producing regions, so a variety of schemes have been launched to protect forest areas near cocoa farms. For instance, US confectioner Mondelez International has set up its Cocoa Life sourcing programme to promote sustainable purchasing. "The Cocoa Life programme has contributed immensely to ongoing national efforts to make the cocoa sector economically and environmentally sustainable through the promotion of climate-smart approaches to cocoa farming," said Yaw Kwakye, head of the climate change unit of Ghana's Forestry Commission in June. "Spearheading the uptake of innovation and best practices in major cocoa communities in Ghana, the programme remains a leader in advancing a new way of cocoa production that addresses deforestation and forest degradation." (By Neil Ford, African Business)

UPCOMING EVENTS

FT Mozambique Summit – Reducing investment risk through better business pratices, 9 November 2017, Polana Serena Hotel, Maputo
https://live.ft.com/Events/2017/FT-Mozambique-Summit

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

Workshop on Sustainable Rural Biofuel Strategy in Africa 2018 - Workshop to be held at 21st Session of the African Forestry and Wildlife Commission, in early 2018 (TBC) - In cooperation with the World Agroforestry Center (ICRAF) and Japan International Research Center for Agricultural Sciences (JIRCAS)



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Disclosures

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

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

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

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

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