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# BRIEFS

#### Africa

- African economic growth to dip to 1.6 pct this year: World
- East Africa Oil Pipelines Boon to Private Funders, AfDB
- Lafarge Africa raises 60 bln naira in bond issues

#### Algeria

 Algeria plans bank privatisations as oil money dries up Angola

- Angola inflation rises to 38 percent year-on-year in August
- Salt production in Angola below consumption needs
- Angola plans to boost coffee production
- Angola leads oil production in Africa for the sixth consecutive month

#### Botswana

- Botswana cuts 2016 GDP growth forecast to 3.5 percent
- Botswana inflation slows to 2.6 percent y/y in August
- Botswana's July trade balance swings to \$17 million deficit

#### Egypt

Egypt eyes \$10 bln in foreign investment as it upgrades infrastructure

#### Ghana

- Ghana issues fifth Eurobond at 9.25%
- Ghana to receive \$500 mln World Bank guarantee for ENI gas

# Ivory Coast

Ivory Coast 372 MW power plant financed by China build

#### Kenya

Kenyan shilling under pressure, remittances seen offering support

#### Mozambique

- Qatar considers joining Exxon's Mozambique gas move
- Mozambique says economic growth to quicken to 5.5 pct next year

## Nigeria

- Nigerian inflation rises to 17.6 percent in August
- Nigeria to sell \$1 bln worth of Eurobonds by mid-Dec: debt official
- Nigeria in talks with African Development Bank for \$1 bln loan

## South Africa

- South Africa's Q2 current account deficit narrows to 3.1 pct of GDP
- GSK sells anaesthetics to Aspen for up to \$370 mln

#### Zimbabwe

- Zimbabwe to introduce local bank notes end-October: central
- Chinese to design \$2.1 billion Sengwa power plant

# **In-depth:**

# Oil and Natural Gas Companies Could Be Heroes in Africa

"Two out of every three dollars put into the sub-Saharan energy sector since 2000 have been committed to the development of resources for export," International Energy Agency. "Africa's prospects and potential for further oil and gas finds remain exceedingly positive," KPMG

The oil and gas companies are facing major challenges, particularly in a low priced environment that has them struggling to make profits. And the attack on ExxonMobil XOM -0.51% for "climate denial" exemplifies a blight against the industry that must be smashed.

There is, however, a seldom cited opportunity to be the hero and to supply the world's most deprived region with the same energy that has built the rich nations: Africa (see my article on Africa here).

Today, despite horrific poverty and energy deprivation, most of the energy development in Africa is actually to support other nations. Just take electricity, the lifeblood of modern society: Africans in a year use as much electricity as Americans use in just 3 days. Look at the above night picture, starkly illustrating the lightening difference between rich Europe and poor Africa, an absolutely tragic picture especially since Africa has more than twice as many people. Over 80% of Africa's population lives on less than \$2 a day. Lagos, Kinshasa, Nairobi... we have a problem: IEA's 2014 Africa Energy Outlook is some 170 pages of text, and has 191 mentions of the word "export."

Fortunately, **Africa is rich in natural resources and has tremendous hydrocarbon potential**. There are even huge unexplored offshore reserves that will become more attractive as prices increase. And they eventually will: "OPEC Agrees to First Oil Output Cut in Eight Years."

Africa is one of the few relatively unexplored places left in the world, so producers will become even more interested in the continent moving forward. Don't forget that global oil and gas demand will still be increasing 1-3% per year, so the need for more development for the industry remains constant.

Many of Africa's fastest-growing economies are being buoyed by new extensive oil and gas finds, including Mozambique, Tanzania, Kenya, Uganda, and Ghana. East Africa in particular has enormous potential: for every 30 wells drilled in West Africa, only 1 has been drilled in East Africa.

Africa's huge oil and gas deposits are becoming increasingly important because oil and gas are expected to still supply about 55-65% of global far into the future. Let's be clear, there's a reason the richest countries use the most oil and gas. Today, poor Africa is forced to use traditional biomass that kills millions of people every year. Horrifically, Africa's women and their small children are the most vulnerable, breathing in amounts of smoke from biomass equivalent to consuming two packs of cigarettes per day.

The world has no higher goal than catalysing Africa's human development. It's truly the moral imperative of our time. Most of the 20,000 children that die every day from preventable poverty, enabled by a lack of energy, live in Africa. Life expectancy in many African nations is what it was in the U.S. in the early-1920s. And unless the world starts to help in ways we haven't before, it's destined to get even worse.

Africa has the fastest growing population rates, adding 1,200 million people by 2050. Africa has a median age of just 19, which is half of the U.S. rate. Increasingly, without Western assistance, China will become the destination for more of Africa's energy, as China has been extending its influence on the continent via foreign direct investment.

When it comes to oil and gas, there is a delicate balance to be had in Africa for sure. Many of the African nations require much more economic diversification: i.e., they are actually over-reliant on oil and gas sales, which can constitute 80% or more of GDP. Yet, oil and gas brings much-needed infrastructure and jobs, while diversifying will make events such as the oil price collapse far less destructive (OPEC members are learning this lesson as well).

The good news is that Africa remains a very attractive place for investment because the 54 countries that make up the continent have incredible room to grow, especially since more energy access itself will spur economic expansion and outside investment interest. A lack of electricity, for instance, is often cited as the number 1 impediment for investment in Africa.

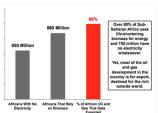
Just take Sub-Saharan Africa with nearly 1,000 million people and a real GDP of about \$1.7 trillion. This is an economy on par with California, which has just 38 million people. Africa though will add \$2 trillion in real GDP by 2030 to reach about \$4.3 trillion. See "6 reasons to invest in Africa" and "Oil and gas: Africa's top 10 places to invest in 2016."

Although there are still enormous challenges, the World Economic Forum cites "solid and ever-improving performances from several African nations" on corruption. And in some African nations we are seeing bribery rates as low as in countries in Europe and North America.

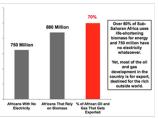
It's hoped that one day soon Africa will have a chance to keep more energy than it exports. It's the Western oil and gas industry that can be the heroes to help to do it.



#### Despite Horrific Energy Deprivation, Most of Africa's Energy Development Gets Exported

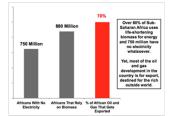


Africa Must Increase its Share of Global Oil and Gas Use



Sources: BP : JTC

Africa is a Resource-Rich Region



Sources: BP : JTC

Sources: IEA: JTC

(Jude Clemente, contributor at Forbes and principal at JTC Energy Research Associates, LLC)

# **Mozambique: Economic Overviews**

<u>POLITICAL STABILITY</u>: Mozambique's political stability is under threat as the fractious political elite struggles to respond to the economic and security crises facing the country. The long-standing ruling party, the Frente de Libertação de Moçambique (Frelimo), is set to remain in power in 2016-20. However, the president, Filipe Nyusi, will struggle to assert his political authority, and a hardline faction within the party (allied to the former president, Armando Guebuza) will seek to retain influence. Parallel power structures within Frelimo will undermine government effectiveness, and international pressure to investigate alleged state corruption will exacerbate the divide between reformists and the old guard. The Economist Intelligence Unit expects Mr Nyusi to remain in power, given the lack of an alternative acceptable to all factions, but he lacks the political capital to restore party unity. Rivalries within Frelimo will therefore continue to stir political volatility, although, given the party's deep-rooted systems of patronage, a split is unlikely.

ELECTION WATCH: The next presidential and legislative elections are due in 2019. Under the continued leadership of Mr Nyusi, we expect Frelimo to secure re-election, with a semblance of party unity likely to prevail during the electoral period. Frelimo will also continue to benefit from a well-oiled party machine, a healthy financial position and influence over state institutions. Regional disparities in electoral politics will persist, with Frelimo dominant in the southern provinces but opposition support stronger elsewhere. Boycotts by the opposition cannot be ruled out but, since the government is keen to be seen to be promoting democracy, we expect it to offer sufficient incentives to ensure that the opposition participates.

<u>INTERNATIONAL RELATIONS</u>: Following the revelation in April of secret public borrowing in 2013 (which, according to Mozambique's attorney-general, was illegal) and the subsequent withdrawal of most foreign aid, relations with traditional development partners will remain tense. It seems unlikely that the government will comply with donors' demands for an independent audit of public accounts, given the culture of secrecy in Frelimo, but the government will have to go some way to improving fiscal transparency if it is to regain access to aid. Aid freezes will remain in place at least until an IMF-led debt reconciliation process is complete, which we tentatively expect in 2017. Direct budgetary support thereafter is likely to be mostly replaced by programme-related aid. Aside from the debt saga, persistent outbreaks of violence, allegations of human rights abuses and claims of political repression will also continue to exacerbate tensions with donors.

<u>POLICY TRENDS</u>: The government's near-term priority is to restore macroeconomic stability, amid an unsustainable public debt burden, a sharp drop in inward investment and a fairly rapid slowdown in economic growth. The IMF suspended the country's stand-by credit facility in May, pending a full debt reconciliation process, and access to international credit and concessional financing will be severely curtailed as a result. This--as well as the suspension of other donors' aid, weak export earnings and the inability of state-owned companies to service their liabilities--has undermined the government's ability to cover its financing requirement.

ECONOMIC GROWTH: We forecast that real GDP growth will slow to 3.6% in 2016, from an annual average of 7.2% over the preceding decade. The expected slowdown reflects a sharp fall in government consumption, a weak export performance amid low global commodity prices, and weather-related disruptions to agricultural production. High inflation, currency volatility and rising political risk will weigh heavily on private-sector activity across sectors, with a further drop in investment likely.

Economic activity in central Mozambique (notably, the coal industry) will also be disrupted by violent insecurity. We expect a gradual acceleration of economic growth after 2016, to an annual average of 5.1% in 2017-20, as macroeconomic stability improves and business confidence recovers. Rising coal production will be a key driver of growth, spurred by an anticipated upturn in international prices in 2017-18, relatively robust demand in India (Mozambique's key export market) and mining companies' efforts in 2015-16 to reduce operational costs. However, coal prices will not rise high enough to attract major investment into infrastructure projects, signalling that the industry will continue to be held back by logistical bottlenecks. Meanwhile, sluggish demand in the global minerals market will stall the development of graphite, titanium and gold resources. Agricultural output should pick up from 2017 as the



effects of El Niño fade, but growth will be restricted by low productivity among smallholder farmers and a relatively weak price outlook for Mozambique's main agricultural commodities.

<u>INFLATION</u>: After the headline inflation rate accelerated to 20.7% in July--its highest level in over a decade-inflationary pressure is expected to persist in the near term, fuelled by the effects of rapid currency depreciation and food shortages in southern Mozambique. We expect average annual inflation to fall from 17.8% in 2016 to 14.3% in 2017, with a gradual normalisation of domestic food prices mostly offset by rising global oil prices and increases to state-regulated prices. Aided by a more stable currency and a tighter fiscal stance, inflation is forecast to fall more sharply after 2017, to an average of 5% in 2020.

EXCHANGE RATES: The metical, which has been among the world's worst-performing currencies in 2016, will remain under pressure. Fuelled by market uncertainty over sovereign creditworthiness, high dollar demand pushed the metical to almost MT75:US\$1 in mid-August, from around MT43:US\$1 a year earlier. Although the rate of depreciation will slow as the market stabilises, downward pressure will continue to be exerted by low foreign-exchange reserves, low inflows of aid and investment, and sizeable twin deficits, with the metical forecast to average MT62:US\$1 for 2016 as a whole. It will continue to depreciate thereafter, albeit at a slower pace, to an average of MT83:US\$1 in 2020. Sharp bouts of volatility will, however, remain a risk throughout 2016-20.

EXTERNAL SECTOR: The current-account deficit is forecast to contract to 25.9% of GDP in 2016, driven primarily by a sharp drop in imports. We expect rising exports to offset higher primary income debits in 2017-18, and financing constraints will continue to curtail growth in the import bill; we therefore forecast that the current-account deficit will contract to 18.1% of GDP in 2018. The deficit will widen in 2019-20, to an annual average of 21% of GDP, as a slump in global trade weakens export growth and an upturn in gas-related activity draws in imported inputs. The deficit will be financed by external borrowing and foreign direct investment inflows. (Economist Intelligence Unit)

## IMF, WORLD BANK & AFRICAN DEVELOPMENT BANK

#### African Development Bank signs Letter of Intent with Mizuho Bank, Ltd

During the Sixth Tokyo International Conference on African Development (TICAD VI) held in Nairobi, Kenya, the African Development Bank (AfDB) signed a Letter of Intent (LOI) for business cooperation with Mizuho Bank, Ltd. (MHBK) on Saturday, August 27, 2016. The signed LOI covers a broad range of financial services, including Treasury, Trade Finance and Project Finance to support the Bank's High 5 development priorities, which are: Light up and power Africa, Feed Africa, Industrialise Africa, Integrate Africa and Improve the quality of life for the people of Africa. The agreement marks the AfDB's commitment to establish strategic partnerships that are catalytic to deliver its ambitious development agenda on the continent. Over time, the LOI will materialize with specific contract agreements that can strengthen the Bank's work and add value to its development mandate. Mizuho Bank Ltd., a well-established international and top tier Japanese Bank with a significant experience in financing various initiatives in Africa, will thus become a key partner towards achieving the AfDB's development objectives in Africa. The African Development Bank is a regional multilateral development bank, engaged in promoting the economic and social development of its Regional Member Countries. Its mission is to mobilize and allocate resources to provide a wide range of investment, loan and guarantee products, and technical assistance to its African member countries for development projects and programs that contribute to poverty reduction in Africa and facilitate its sustainable development.

# IMF Staff Concludes Visit to Mozambique

- The mission initiated discussions on the terms of reference for an international and independent audit of the companies EMATUM, Proindicus and MAM, with the objective of strengthening transparency, governance, and accountability to avoid recurrence of past debt problems
- With inflation still rising and the metical depreciating, further policy tightening is needed to safeguard macroeconomic stability.

An IMF staff team headed by Michel Lazare visited Mozambique from September 22-29, 2016 to assess recent economic developments and discuss government policies to restore confidence and underpin economic stability. The mission also initiated discussions on the terms of reference for an international and independent audit of the companies EMATUM, Proindicus and MAM, with the objective of strengthening transparency, governance, and accountability to avoid recurrence of past debt problems. The mission met with Prime Minister do Rosario, Minister of the Economy and Finance Maleiane, Governor Zandamela of Bank of Mozambique, the Attorney General, other sectoral ministers, senior government officials, civil society, private sector representatives, and the donor community.

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

"Mozambique is facing a challenging economic environment. Growth has been on a declining path and is currently expected to be 3.7 % in 2016 (down from 6.6 % in 2015), which is significantly below levels observed in recent years. Inflation has risen sharply, reaching 21 % on a year on year basis in August, fueled by a significant depreciation of the metical (about 40 % since the start of the year). At the same time, a significant decline in imports has been more than offset by a weakening of exports, foreign direct investment, and donor financing. This has maintained pressure on international reserves, which have continued to decline. The discovery in April 2016 of previously undisclosed debt



worth \$1.4 billion (10.7 % of GDP), combined with the impact of the exchange rate depreciation, has led to a substantial increase in debt ratios and the debt service burden.

"Against the backdrop of these challenging circumstances, and continued significant downside risks to the economy, the mission welcomed the economic policy measures adopted by the government since the last staff visit in June. On the fiscal front, a revised 2016 budget was approved by Parliament in July including measures to contain non-essential spending. On the monetary front, the central bank raised reserve requirements and its benchmark interest rate by 300 basis points to reduce excess liquidity. In addition, it has appropriately allowed the exchange rate to fluctuate to help restore balance between supply and demand for foreign exchange and support the needed ongoing balance of payments' adjustment, while limiting the loss of international reserves. "Nonetheless, with inflation still rising and the metical depreciating, further policy tightening is needed to safeguard macroeconomic stability. Notably, the 2017 draft budget is set to further consolidate the state of public finances while preserving critical social programs. On the monetary side, the mission welcomed the central bank's intent to continue adjusting its monetary stance to help reduce inflationary pressures. "Following the meeting between President Nyusi and IMF Managing Director Christine Lagarde in Washington on September 15, 2016, the mission made considerable progress with the Attorney General's Office on the drafting of detailed terms of reference (TOR) for an international and independent audit of EMATUM, Proindicus and MAM. Drafting of the TOR is ongoing, and is expected to be completed soon. "The authorities have requested the Fund to resume discussions on financial support as soon as possible. A solid track record of implementation of sound macroeconomic policies and an effective initiation of the audit process in the near term would help to create the conditions for a possible resumption of program discussions with the IMF. "The mission thanks the authorities for their hospitality and close cooperation."

## President of Mozambique visits United States for economic meetings

The President of the Republic of Mozambique, Filipe Nyusi is due to start a visit to the United States with an economic and political agenda intended to overcome the difficulties facing the country involving the World Bank and the International Monetary Fund (IMF).

On this trip, the President is accompanied by the Ministers of Foreign Affairs and Cooperation, Oldemiro Baloi, Industry and Trade, Max Tonela, and Earth and Environment and Rural Development, Celso Correia. Nyusi's meetings in Washington include one with US Secretary of State, John Kerry, the World Bank President Jim Yong Kim and the director of the IMF, Christine Lagarde.

Mozambican diplomatic sources cited by the press, consider that the bilateral relations between Mozambique and the United States and with the Bretton Woods institutions are good but were somewhat affected by the disclosure of hidden Mozambican public debt. President Nyusi will meet with Gayle Smith, administrator of the US Agency for International Development (USAID), which is currently supporting projects to increase agricultural incomes of small farmers in the provinces of Nampula, Zambezia, Manica and Tete. (Macauhub)

# The African Legal Support Facility signs MoU with IP3

The African Legal Support Facility (ALSF) and the Institute for Public Private Partnership (IP3) have signed a Memorandum of Understanding to enhance cooperation related to capacity building services offered in African countries.

Cooperation between the ALSF and IP3 will facilitate the exchange of knowledge and information exchange on matters concerning legal skills needed for African countries to enhance their capacity in international transactions with international investors.

Both institutions will, through the partnership, also develop joint programs and activities, such as capacity building initiatives intended to promote and strengthen legal, technical and financial expertise within African countries. "This partnership will help us design and deliver targeted training interventions on the ground to address country specific capacity gaps in the area of Public Private Partnerships (PPPs) that will be identified in conjunction with African governments," said the ALSF Director, Stephen Karangizi. "We look forward to collaborating closely with the ALSF in building the capacity of African governments especially their attempts to create legal frameworks and enabling environments that will create a climate that is conducive to investment in social and infrastructure PPP projects, stated David Baxter, IP3 Executive Director.

Together, the ALSF and IP3 bring essential expertise to provide legal advice in contract negotiations in a variety of sectors. This valuable technical experience will be shared between both institutions who are jointly committed to undertaking new initiatives.

## US \$30 billion to benefit farmers, strengthening Africa's agriculture

Weiteithye Farmers Group in Mwala, Eastern Kenya, comprises about 100 small-scale farmers struggling with crop production, value addition and marketing of their produce.

Like other smallholder farmers in Africa, the Weiteithye group lacks access to inputs, financial services and skills in agri-business, efficient machinery for processing produce, market information, new technology, among others. David Mutiso, the group's Chairman, is calling for support to promote agriculture into a profitable sector. "Most of the people



in the rural areas like us depend on farming. The Government must make agriculture work for us; we need to earn proper income from agriculture," he said.

It is farmers like Mutiso who are set to benefit from the US \$30 billion pledged by major development institutions, the private sector and African leaders at the African Green Revolution Forum (AGRF) in Nairobi, Kenya.

The funds will support investments to increase production and income for smallholder farmers and local African agriculture businesses over the next decade. A session on "Making Political, Policy and Financial Commitments to Africa's Agricultural Transformation" saw Kenya's President, Uhuru Kenyatta, pledge US \$200 million to support 150,000 young farmers and agricultural entrepreneurs to access markets, finance and insurance over the next five years. The African Development Bank announced investments of US \$24 billion in the coming decade to drive Africa's agricultural transformation "This is a 400% increase in financing to the agricultural sector by the Bank from its current

The African Development Bank announced investments of US \$24 billion in the coming decade to drive Africa's agricultural transformation. "This is a 400% increase in financing to the agricultural sector by the Bank from its current levels of \$600 million per year," Chiji Ojukwu, Director of the Bank's Agriculture and Agro-industries Department, remarked on behalf of Bank President Akinwumi Adesina.

The Bank's contribution will support the private sector to unlock the potential of African agriculture. In his keynote address delivered on September 8, 2016 during a plenary session on the "Role of Policy in Enabling Public-Private Partnerships to Achieve African Agricultural Transformation", President Adesina said, "Africa must seize this moment and prioritize investments in agriculture. It is time to support African farmers; African farmers cannot fail."

The Africa Agriculture Status Report 2016, launched at the AGRF, highlights the importance of private-sector investment in all aspects of agriculture, such as inputs, as well as the agricultural value chain, including production, processing, marketing and transport.

A fertilizer firm, OCP Africa, committed to investing US \$150 million over the next five years to support local fertilizer distribution, storage and blending, while the World Food Programme promised to purchase at least US \$120 million each year in agricultural products from smallholder farmers through a partnership called the Patient Procurement Platform.

The Bill and Melinda Gates Foundation, for its part, pledged US \$5 billion, a portion of which will go towards crop and livestock research, strengthening data, and improving systems to deliver innovation and information; and to provide better tools to farmers. The next six years will see Africa's agriculture benefit from US \$3 billion pledged by the International Fund for Agricultural Development.

The Rockefeller Foundation committed to contributing US \$180 million towards investments in human resilience to catalyse agricultural transformation, while the Kenya Commerical Bank, East Africa's largest commercial Bank will invest US \$350 million in loans for smallholder farmers, 50,000 of them women and another 50,000 youth.

Targeting women and youth is priority for the AfDB. Through its Affirmative Finance Action for Women (AFAWA), the Bank will help to leverage US \$3 billion for women farmers and entrepreneurs. The Bank is already rolling out its ENABLE (Empowering Novel Agri-Business Led Employment) Youth initiative, in partnership with the International Institute of Tropical Agriculture.

The ENABLE Youth program seeks to bolster youth entrepreneurship in agriculture and agri-business. The initiative will see the Bank train the next generation of agriculture entrepreneurs, also referred to as 'agri-preneurs', in several countries, and provide them with seed money through banks to finance their bankable business plans.

#### Water central to achieving High 5s and Sustainable Development Goals in Africa

The Senior Advisor to the President of the African Development Bank for Inclusive and Green Growth, Prof. Kevin Urama, has underscored the critical role of water in achieving long-term poverty reduction and economic growth in Africa. Speaking at a gathering of world water leaders in Stockholm, Sweden, Urama outlined the new strategic priorities of the AfDB and the centrality of water to these goals.

"Water is central to the achievement of all the Sustainable Development Goals," he said. As the global community pivots to the implementation of these new goals, there is an acknowledgment that without transformative action in the management of water resources in Africa, it will be considerably difficult to achieve the SDGs and the Paris Climate Change Agreement. The Stockholm event called for a Green Water Initiative for Africa to speed up action towards the delivery of these goals in Africa.

Urama told the gathering of about 3,000 water actors that, while Africa stands out as the most vulnerable of the water-scarce world regions, there are many opportunities available to manage water for sustainable economic growth and social progress in Africa. "The technologies and innovations that improve rainwater use efficiency in agricultural production are available and can be quickly deployed to achieve a water-based green revolution, especially in Africa. These technologies, especially rainwater harvesting, micro-dams, terracing, and flood diversion approaches, are both cost efficient and environmentally sustainable."

The 2016 World Water Week, which took place from August 28 to September 2, 2016 on the theme "Water for Sustainable Growth", enabled global water experts and leaders to explore new solutions and emerging perspectives to deliver sustainable growth through better management of water. It emerged from this year's event that investment in water security continues to be a challenge, despite the existence of substantial financial resources available globally. Donors and development financial institutions, it was recognized, should play a catalytic role to bridge this gap through



knowledge-generation and -sharing, identifying risks and developing mechanisms for harnessing market-based financing.

Political leadership, it emerged, is cardinal to develop resilient, sustainable, and inclusive cities. There is a range of innovative technological, institutional and policy options for the management of water resources, water service delivery, waste management, resource recovery and reuse, and disaster management in Africa's urban spaces.

The key role of multilateral development institutions in delivering water services in fragile situations was highlighted. While challenging, these services are essential to cushion the effects of fragility. Here, development partners have amongst other responsibilities – strengthening the capacity of public and private entities involved in the provision of services.

Achieving the new strategic priorities of the Bank will require integrated water resource management approach. "We consider water as a critical resource to realize the hydropower component of the New Deal on Energy for Africa," said Urama "It is essential to the Feed Africa agenda from the perspective of rain-fed agriculture and green water harvesting." On the linkages between water and Industrializing Africa, the Senior Advisor to the President argued that "the blue economy" holds great potential for Africa's industrialization.

"Water also connects many countries and regions of Africa and is a critical resource for Integrating Africa," he said. "Without effective transboundary water management, regional conflicts ensue, and development of water-based transport infrastructure will be in jeopardy. While traditional investments in the sector have mostly focused on water and sanitation intervention projects that directly improve the quality of life for Africans, enormous opportunities exist in all the High 5s for the Bank to scale up water-based structural transformation in Africa."

World Water Week was also attended by leading staff of the Bank's Water and Sanitation Department. In addition to sharing emerging perspectives on how to efficiently and urgently tackle the water challenge in the world in general and Africa in particular, the team met with several development partners to further build a broad water coalition for Africa. Over 340 million people are without clean drinking water, and about 550 million people are without adequate sanitation services.

The AfDB is a leading provider of water and sanitation services in Africa, with a total financing volume of approximately US \$7 billion. In 2006, the Bank created a Water and Sanitation Department to lead and coordinate water-sector activities and to promote Integrated Water Resource Management (IWRM) across all Bank Water Supply and Sanitation interventions.

# Policies on food processing necessary to strengthen Africa's agriculture

The African Development Bank (AfDB) President, Akinwumi Adesina, has addressed the challenge of post-harvest losses in Africa, while outlining the importance of policy regulations to end the losses in a continent that spends US \$35 billion on food imports each year.

"Massive quantities of food crops, fresh fruits and vegetables and dairy products go to waste in rural areas, while Africa depends on food imports," President Adesina said in his keynote address at the African Green Revolution Forum (AGRF) in Nairobi.

Adesina underlined the importance of policies to support the establishment of private sector-driven food processing and manufacturing companies in rural areas to deal with the immense food waste, enough to feed at least 300 million people a year. "That is more than the 250 million people that go hungry each year in Africa," he told a session on the "Role of Policy in Enabling Public-Private Partnerships to Achieve African Agricultural Transformation".

Reports indicate that post-harvest losses (PHL) in Africa are equivalent to the annual caloric requirement of 48 million people, and worth US \$4 billion in lost revenue per year.

The agro-allied industrial zones and staple-crop processing zones in rural areas, supported with consolidated infrastructure, including roads, water, electricity, will drive down the cost of doing business for private food and agribusiness firms, Adesina said. They will also create markets for farmers, boost economic opportunities in rural areas, stimulate jobs and attract higher domestic and foreign investments in the rural areas. "They will turn the rural areas into zones of economic prosperity," he said.

Kenya has instituted policies to accommodate crop processing, such as macadamia nuts, the country's Minister of Agriculture, Livestock and Fisheries, Willy Bett, told the forum. "We have changed our policies to include processing of macadamia nuts. We want production and processing to be done here so that we boost the industry and mostly the local farmers," he stated.

The inability of farmers to access insurance and finance was emphasised as a major setback to agriculture, with Shenggen Fan, the Director General of the International Food Policy Research Institute, blaming this for making farmers susceptible to shocks. He said access to financing was necessary to protect farmers against vulnerability.

This was reiterated by President Adesina, who noted that, despite accounting for some 32% of the GDP, the agriculture sector receives less than 3% of the banking sector's financing. He called on governments to address failures and reduce the risks facing the financial sector that block lending to agriculture.

Nigeria was cited as a country that has successfully developed a national risk-sharing facility for banks to lend to agriculture. Through the Nigeria Incentive-Based Risk Sharing System for Agricultural Lending (NIRSAL), the country



witnessed a 600% increase in lending by banks to the agriculture sector, rising from 0.7% of total bank lending to 5% within four years. This has since led to banks establishing their own agricultural lending desks.

But investments in science, technology and innovation in Africa's agriculture are equally important, according to Dominique Charron, the Director for Agriculture and Environment at the Ottawa-based International Development Research Centre. "If you want to transform agriculture, we need to invest in innovation, ICT, science, and help build the capacity of Africa's farmers in these areas," Charron told the forum.

She called for part of the financial pledges to agriculture made by several organisations at the ongoing AGRF to be channeled toward innovation, ICT and science. A September 7, 2016 session on "Making Political, Policy and Financial Commitments" saw several organisations, including the AfDB, make commitments to agriculture amounting to over US \$30 billion.

# IMF Staff Completes Visit to Guinea Bissau

- IMF team led by Felix Fischer visited Guinea Bissau from September 13–26, 2016 to conduct discussions on the 1st and 2nd ECF reviews
- The program focuses on strengthening budgetary transparency, public investment, debt management and governance
- The new government is making steadfast efforts to improve the management of public finances and to implement key reforms

An International Monetary Fund (IMF) team led by Felix Fischer visited Guinea Bissau from September 13–26, 2016 to conduct discussions on the first and second reviews of Guinea Bissau's IMF-supported program under the Extended Credit Facility (ECF). [1] The program aims to consolidate the fiscal position through better expenditure management and enhanced revenue mobilization, deepen institutional reforms, and develop the private sector to support growth and job creation.

At the conclusion of the visit, Mr. Fischer issued the following statement:

"The political environment in Guinea-Bissau has improved, and the authorities are not only determined to bring the ECF-supported program back on track, they have also reiterated their commitment to the program. The mission met with key political actors, who expressed that they were supportive of a continued IMF program.

"Discussions focused on the key objectives of the government's economic program, that aims to consolidate the fiscal position through better expenditure management and enhanced revenue mobilization, deepen institutional reforms, and develop the private sector to support growth and job creation. The program focuses on strengthening budgetary transparency as well as public investment and debt management, improving the compilation of statistics, and addressing governance issues.

"The security situation has remained stable over the last six months. A good cashew harvest provided liquidity to the economy and brought much needed relief to the numerous small landowners spread across the country. The short and medium-term economic outlook remains positive. Buoyed by rising global market prices, cashew nut output is expected to increase further in 2016 and economic growth to reach close to 5 % in 2016. Consumer price inflation, which averaged 1.5 % in 2015, is expected to remain low.

"The government appointed in June 2016 is making steadfast efforts to improve the management of public finances and to implement some key reforms. During the first four months, transparency of public finances improved through the rigorous organization of weekly treasury committee meetings. The government has declared the expensive bank bailout contracts (5.5 % of GDP) null. As a precautionary measure, the bank bailout has been put on hold by the regional court through an injunction until the courts rule on the validity of the bailout contracts. The mission welcomes these actions to unwind the bank bailout and to safeguard public finances.

"The fiscal situation in 2016 has been under severe strain, mainly owing to a loss of budget support from development partners. In this context, the mission welcomes the Council of Ministers' decision to sell part of the seized wood, which will be an important government revenue for closing the fiscal gap in 2016. Projections for 2017 envisage a tightening of the fiscal stance, which will be supported by vigorous revenue mobilization and cautious spending. This will be underpinned by continued strengthening of tax administration and public financial management procedures.

"Negotiations on fiscal measures needed to close the 2016 fiscal gap, which are needed for the completion of the reviews, are at an advanced stage and will continue in October in Washington during Annual Meetings of the IMF.

"The mission met with President José Mário Vaz, Prime Minister Baciro Djá, President of the National Assembly Cipriano Cassamá, Attorney General António Sedja Mam, Finance Minister Henrique Horta Dos Santos and several Ministers, Central Bank of West African States (BCEAO) National Director João Fadia, senior government and BCEAO officials, representatives of the financial sector, private sector, development partners and civil society.

"The IMF mission wishes to express its gratitude to the authorities for the constructive discussions held during its visit to Guinea Bissau."

[1] The ECF is a lending arrangement that provides sustained program engagement over the medium to long-term in case of protracted balance of payments problems. The arrangement for Guinea Bissau in an amount equivalent to SDR 17.04 million (about US\$23.9 million or 60 % of quota) was approved on July 10, 2015 (see Press Release No.15/331).



#### AfDB approves US \$310 million Trade Facilitation Loan for Ecobank Transnational Incorporated

The Board of Directors of the African Development Bank (AfDB) approved on Wednesday, September 21, 2016, in Abidjan, a US \$310 million trade finance loan for Ecobank Transnational Incorporated, parent company of the Ecobank Group. Through this facility the AfDB will provide critical trade finance funding to support economies in which Ecobank is present.

The intervention comes at a time of falling commodity prices which have caused shortages in foreign exchange supply and led to unmet demand for trade finance instruments to support ongoing structural changes in the respective economies in Sub-Saharan Africa. Through the Ecobank branch network across Sub-Saharan Africa, the project will mainly support small and medium enterprises and local companies involved in import export activity.

The project will help address critical market demand for trade finance and dollar liquidity by supporting vital economic sectors such as agri-business, chemicals, construction, and engineering, food processing, manufacturing and non-traditional exports. It will foster financial sector development, provide a platform to support intra-Africa and regional trade and support financing of medium term infrastructure projects, creating robust industries and employment opportunities for youth. It will enhance support to local enterprises in Sub-Saharan Africa, whose trading activities are being constrained by shortages in dollar funding. When fully utilised, including roll-overs, the interventions are expected to facilitate circa US \$2 billion of trade over a three and a half-year period.

The facility will contribute to the attainment of AfDB's five operational priorities – its 'High 5s' namely: Light up and power Africa, Feed Africa, Industrialise Africa, Integrate Africa and Improve the quality of life for the people of Africa. The project also aligns with AfDB's Ten Year Strategy, particularly the Bank's Financial Sector Development Strategy, which seeks to increase access to financial services for the underserved and broaden and deepen Africa's financial systems. It also aligns with the AfDB's Private Sector Strategy by contributing to the improvement of the investment and business environment in Sub-Saharan Africa, subsequently promoting regional trade. It will also promote enterprise development through increased access to appropriate levels of trade finance for small and medium enterprises and local corporates.

Ecobank Transnational Incorporated is registered and headquartered in Lomé, Togo, as a pan-African bank holding company. It has presence in 36 African countries, and has representative offices in Beijing, Dubai, Paris and London. ETI's shares are listed on the Ghana Stock Exchange, the Nigeria Stock Exchange and the Bourse Régionale des Valeurs Mobilières (BRVM) serving countries of the West African Economic and Monetary Union (UEMOA). The Ecobank Group has over 19,000 employees spread across 1,305 branches and offices. More information about ETI and the Ecobank Group can be found at: ecobank.com

# AfDB aims to lend Nigeria \$4.1bn for power and farming

The African Development Bank is looking to provide a total of \$4.1-billion to Nigeria over 2016 and 2017, its president said, as Africa's biggest economy seeks to bridge its budget deficit and improve weak infrastructure.

Akinwumi Adesina said the funds would be used to develop the power and agriculture sectors in the West African country, which has slipped into recession for the first time in over 20 years, largely due to low oil prices. He was speaking after holding talks with the finance minister, Kemi Adeosun, and Vice President Yemi Osinbajo in the capital, Abuja. Oil sales, the economy's mainstay, generate 70% of government revenues. Attacks on energy facilities in the Niger Delta have cut crude production by around a third since the start of the year.

The OPEC member has been left struggling to fund a record 6.06-trillion naira (\$18.6-billion) 2016 budget that aims to stimulate growth by tripling capital expenditure. Adeosun said Nigeria had asked for a \$1-billion loan to help cover its 2016 budget deficit. She said it would be concessional and carry an interest rate of 1.2%. Adesina later said the pan-African lender was looking to provide \$4.1-billion over 2016/2017. He said "deepening the level of diversification in critical sectors" such as agriculture, solid minerals and manufacturing, was of particular importance.

Aside from a wealthy elite who have profited from oil wealth, most of the 180-million people in Africa's most populous nation live on less than \$2 a day. Development has been held back for decades by a poor power, road and rail network. "I expect that our portfolio in Nigeria will not decrease - it will actually grow. We expect to invest in Nigeria, by 2019, a total of \$10-billion," said Adesina, a former Nigerian agriculture minister.

The finance minister said the country was not over-borrowing. "What we are trying to do is to ensure that this money we are borrowing, we use it on the key infrastructure that will drive the economy," she said. The central bank left its benchmark rate at 14%, defying calls from Adeosun to lower rates so that the government could borrow domestically to boost the economy without increasing debt-servicing costs. Adesina said the AfDB had "asked for the need for better synergies between the macro policy side and monetary policy side and also the fiscal policy side of the economy". (Engineering News)

## IMF returns to Angola in October for regular consultations

A mission from the International Monetary Fund (IMF) is due to return to Angola in the second half of October, as part of regular consultations of the institution, according to an official statement issued in Luanda. The same statement said Angola will attend from 4 to 9 October in Washington the annual meetings of the IMF and the World Bank and from 18 to 31 October the usual meetings with the IMF mission under Article IV (regular monitoring) will take place. The Angolan Finance Ministry reported on 11 July that the government had decided to do without financial support from the



IMF following an official request for assistance in April, justifying the decision with the rise in the price of oil. "In light of recent economic performance and access to sufficient funding, Angola will not ask for funding from the IMF. Angola will continue its technical assistance programme with the IMF," the Ministry of Finance said at the time, adding that talks with IMF representatives would only continue in October. The IMF mission will mainly be dealing with the new finance minister Archer Mangueira, who replaced Armando Manuel after a government reshuffle. (Macauhub)

#### **INVESTMENTS**

#### Angola New public procurement law

A new public procurement law simplifying bidding procedures for state contracts came into force on September 16th. The new Lei dos Contratos Públicos, which was initially approved by the National Assembly in June, replaces the existing, 2010 legislation. In a move to ensure a smooth transition to the new law, the Serviço Nacional da Contratação Pública (National Service of Public Procurement), a body within the Ministry of Finance, has drawn up new regulations to help companies and state entities understand the new procedures.

The main difference in the new law, which applies to all state-owned entities, is that it simplifies public procurement with a view to cutting time and costs. One example is that "qualifying rounds" for companies seeking approval to tender for state contracts have been removed. Firms will still need to be pre-qualified to bid for government work, but this will be done systematically, rather than each time a contract comes up for tender. Another novelty is allowing negotiation to take place at the proposal stage, cutting out the need for a separate negotiation round later. There are, moreover, new rules governing the award of consultancy and service contracts. Reducing the number of procedures around public procurement should help to cut wasteful expenditure, something that Angola's poorly run parastatal entities urgently need to do.

The government has little money to spare as a result of the low price of oil, which accounts for more than 90% of export revenue. In mid-September parliament gave its final approval to a revised budget (initially approved in August). The new measure sets an oil reference price assumption of US\$41/barrel-down from US\$45/b in the original budget-and aims to trim non-essential spending while still maintaining capital investment to promote economic growth. However, although speeding up procurement should help to bring down costs of delivering state contracts, it is important that there is clear oversight and that tenders are awarded on the basis of best value, rather than to politically well-connected entities, since such bids may end up costing more in the longer term. (Economist Intelligence Unit)

#### Barack Obama promises \$9.1bn US investments to Africa

US President Barack Obama has announced on September 21 that \$9.1 billion would be invested in Africa, promising to work to boost trade exchanges with the continent. "The United States is determined to be that partner -- for the long term -- to accelerate the next era of African growth for all Africans," he told many of his African counterparts during the US-Africa business forum held in New York on the sidelines of the UN general assembly. "This is a U.S.-Africa business forum. This is not charity," he added indicating that US firms have invested \$15 billion in Africa since the first edition of the forum in 2014. US's 44th president also said he was pleased with Africa's economic and political situation, since his arrival at the White House, 8 years ago. "As President, I've worked to transform our relationship with Africa so that we're working together, as equal partners. I'm proud to be the first American President to visit sub-Saharan Africa four times; the first to visit Ethiopia and speak before the African Union; the first to visit Kenya," he said. More like a farewell to his African pairs, Obama pledged to keep working to boost trade exchanges between Africa and the United States, even after his term ends. "I think you should anticipate that I will be continuing to work with all of you in the years to come," he said highligthing that only about 2% of US exports currently go to Africa. (Ecofin Agency)

#### **OPIC Opens Third Office in Sub-Saharan Africa**

The U.S. Overseas Private Investment Corporation has opened an office in Kenya to service the "fastgrowing" East African region. "East Africa is a fast growing region and need for investment in power, infrastructure, water, agriculture and other development sectors is growing," OPIC said in an e-mailed statement on Sept. 23. The agency made its first Kenyan investment in 1974 and has provided \$845 million in finance and political risk insurance for 52 projects to date. OPIC currently has about \$700m of active financing, political risk insurance commitments in Kenya, the statement said. (By Eric Ombok, Bloomberg)

#### Inhambane Province, Mozambique seeks investors in Fujian

A delegation from the Mozambican province of Inhambane, headed by Governor Daniel Chapo, visited Fujian province in southern China, looking for potential investors for the infrastructure sector, according to Mozambican newspaper Noticias. The mission, which included heads of the fisheries, sea, tourism, culture and trade sectors as well as the head of Investment Promotion Centre seeks investors for the construction of the Mapinhane-Pafúri road, on the border with South Africa, whose investment is estimated at US\$700 million, and for a cement factory in Pambara. The construction of a fishing port is also on Inhambane's list of priorities, along with the installation of a fish processing plant, as well as the installation of a unit for fruit processing. Governor Chapo said the visit had enabled contacts for investments in the



Limpopo Development Corridor, in projects in the fisheries, horticulture and agricultural sectors in particular, with the possibility of installing processing units. Fujian province, with an area of 121,000 square kilometres and a population of about 38 million is one of the richest provinces in China and is home to factories owned by Boeing, Dell, GE, Kodak, Nokia, Siemens, Swire, TDK and Panasonic . The province's main industries are rice production, fishing, fruit and sugar. (*Macauhub*)

#### Jacobs Capital, partner invest R300m in recapitalising KZN hardboard manufacturer

Durban-based private equity firm Jacobs Capital and its partner Black Bird Capital are confident that investment of around R300-million will place struggling hardboard manufacturer Masonite back on its feet in the short to medium term. The troubled company was placed in business rescue in December 2015 after poor market conditions prevented it from recovering after an explosion at its 68 000 m² wood based fibre pulp mill in Escourt, KwaZulu-Natal, in June 2014.

The business rescue process, which ended in mid-August, culminated in the acquisition of the Masonite mill by the Millco consortium, comprising Jacobs Capital and Black Bird Capital. They hold 49% and 51% of the company respectively. Masonite's forestry assets were bought by Forestco which is owned by R&B Timbers. An agreement was concluded to ensure a guaranteed timber supply to the mill.

In terms of the agreement, all 1 000 jobs across both operations were saved. The mill, which is the largest in the southern hemisphere, is a significant employer in the Estcourt region.

Jacobs Capital CEO Wessel Jacobs says a lack of investment and product development are just two of the factors that brought a fundamentally sound company to its knees. He has spent over 20 years developing, acquiring and selling multimillion-rand enterprises. Since 2002, Jacobs Capital has completed over 50 restructuring projects including the successful turnaround of the Da Gama textile mill in East London.

Masonite is one of four major investments by the group in 12 months. Jacobs Capital's portfolio, valued at close to R2-billion, includes MB Workwear, Da Gama, Gelvenor Textiles, Summit Crane Hire and automotive component supplier, Connectco Fasteners. "Extensive recapitalisation of the production lines and careful management of costs are essential if we are to ensure that Masonite returns to sustainable profit," he explains.

The acquisition was structured to ensure that all creditors were paid out, leaving the company with a debt-free balance sheet and working capital of R85-million, as well as R100-million in stock holding.

An additional R300-million recapitalisation of the mill is already under way. This will include significant upgrades to the boilers and presses. The existing hardboard production lines will be upgraded, while new automation and monitoring equipment will be added. "Initially, we thought we would need to close down and restart from zero on the back of auxiliary infrastructure. Now we know that we can work with what we have. However, extensive recapitalisation of the production lines is necessary to ensure that the mill runs at full capacity. A possible new product line is also among plans to ensure that Masonite keeps up with market trends," he says.

According to Jacobs, Canadian multinational Hatch, a multidisciplinary management, engineering and development consultancy, will manage the modernisation of the line and look at both people and processes to improve throughput and efficiencies. He believes that, from the outset, it is important for the company to put in place a sound and competitive business model, a clear and focused strategy and good corporate governance and risk management structures. It is not yet clear whether the company will continue to be listed on the JSE.

Since the acquisition was rubber stamped by the Competition Commission in June, a number of teams have set to work. What they found was surprisingly positive, Jacobs admits. "The business was distressed and, initially, we had to decide whether or not it was fundamentally sound enough to break even in the medium term. Only then could be look at the longer-term prospects. It has a good energy at the moment and a lot of positive work is going on," he says.

There was a "lot of low hanging fruit" that could be harvested to produce almost immediate gains, facilitating the introduction of a new waste reduction programme and an energy savings programme.

The accounting system is being replaced while the inventory management model is being upgraded to include automated scanning and tracking. This is expected to improve service, lead times and customer relations management.

Failure to address these fundamentals was probably due to a lack of support from the company's former parent, the Masonite International Corporation, which had a 78.3% stake in the local operation. This could be attributed to Masonite International Corporation's own brush with bankruptcy. In March 2009, it filed for Chapter 11 protection in the US and Companies' Creditors Arrangement Act protection in Canada in an attempt to restructure its \$2.64-billion debt. The end result was that there had been no investment in Masonite Africa for ten years. "A business such as this is capital intensive. It is not raw material but capital driven and, if you do not invest in technology or staff training, you can't expect a return," Jacobs says. Other shortfalls include a poor understanding of local market conditions by a distracted offshore parent.

# Improved product portfolio

He also believes the Masonite product portfolio was not properly developed. He points out that, up until now, a "strong brown commodity" rather than a product with an identity has been marketed. Nevertheless, Masonite's products have outperformed competitors in a challenging local market. As with many other South African producers, Masonite has had to contend with the dumping of cheap product. Its main markets – furniture and construction – remain depressed in



an underperforming economy. Consistency of supply and price have helped Masonite retain a 45% to 50% local market share even though there is a 15% to 20% price differential. Most competitor products are imported from Portugal, Spain, Malaysia, China and Brazil. "This is fundamentally a product that has been undersold. We were surprised to find how much life there was still in the product. For me, the most exciting part will be expanding the product range through innovation and value addition and creating products that will differentiate this company from its competitors," Jacobs adds. This means Masonite will develop a range of end-user products that could include floor tiles and ceiling components. This will go hand-in-hand with the almost inevitable rebranding of both the company and its products.

The new owners can operate under the Masonite name until early 2017 before having to pay the company's former US parent for use of the brand name. Although it is too early to provide any specifics, initial analysis indicated that the value of the brand did not warrant the large outlay required.

There will also be opportunities to grow Masonite's market both locally and globally further down the line once new products and production lines are in place and the plant is again operating at full capacity. The starting point is a whole new look at the broader construction market. "The hardboard market makes up just 10% of the overall market for thin board. We don't play in 90% of the market, so we think there is definitely an opportunity for us," Jacobs says. With a weak rand and a ready timber supply, there are also global markets for Masonite's products. At present, 25% of production goes to Australia, Malaysia and the East. An already positive response to the acquisition from these and new markets could increase export volumes in the near future. (By Shirley Le Guern, Engineering News)

# China to back Integrated Vocational Training Centre in Angola

China will build an Integrated Vocational Training Centre (Cinfotec) in Huambo province in 2017, the minister of public administration, labour, health and social security announced in Luanda, reports the newspaper Jornal de Angola. Minister Pitra Neto spoke during a visit by China's ambassador to the Luanda Cinfotec. He said preparations were already under way and that Angolan and Chinese personnel had visited Huambo twice to begin the process. Ambassador Cui Aimin explained that the personnel training would help Angola overcome current financial difficulties and that the project's cost was still being assessed. He also reiterated his country's commitment to cooperating with Angola in all sectors already identified. Cinfotec was conceived in 2008 as a centre for excellence in applied technologies, meant to provide technical qualification and training for professionals in the labour market. It offers technical, qualification and skill-perfection courses in the areas of metrology, mechanics and production, electricity and mechatronics, and information and communication technologies, including courses with international certification. The Luanda Cinfotec has capacity for 901 trainees and counts 16 classrooms with 50 seats each, 2 videoconference rooms, 1 auditorium with 100 seats and 22 laboratories, 15 of them for theoretical teaching and 7 that focus on technological services. (Macauhub)

# Cabo Verde and European Union to sign development support programme

Cabo Verde and the European Union (EU) will sign on 17 October in Brussels the agreement on budget support for the island country from the 11<sup>th</sup> European Development Fund, the EU's ambassador in Cabo Verde announced in Praia. Portuguese diplomat José Manuel Pinto Teixeira specified that the agreement will be signed by Cabo Verdean Prime Minister Ulisses Correia e Silva after a meeting with European Commission President Jean-Claude Juncker during the EU/Cabo Verde summit meeting in the second week of October. The next European financing fund, to be made available to Cabo Verde (Cape Verde) in the form of budget support for the next five years, will favour support for the special partnership and improving competitiveness of the country's economy, said Pinto Teixeira, cited by the local press. The 10<sup>th</sup> European Development Fund, signed in 2008 and now in the final implementation stage, counted a financial envelope of 51 million euros. (*Macauhub*)

## China invites Mozambique to attend the 5th Ministerial Conference of Forum Macau

China has invited Mozambique to attend the 5th Ministerial Conference of Forum Macau, a meeting between China and the Portuguese-speaking countries to be held next October in Macau, and the invitation was made by the Chinese ambassador to Mozambique, Su Jian.

After passing on the invitation from the Chinese Prime Minister Li Keqiang, to his Mozambican counterpart, Carlos Agostinho do Rosário, at a meeting, the ambassador stressed that Mozambique's attendance is of "paramount importance to the success of the ministerial meeting." "The presence of a high-level official delegation from Mozambique is very important to the success of the summit," said Ambassador Su Jian.

The ambassador announced at the meeting in Mozambique that an industrial park to be financed by the Chinese government was planned, "in order to create more jobs, increase exploration of natural resources and allow the development of Mozambique's foreign reserves." To carry out this investment a group of Chinese specialists is due in 2017 to study the location of the park as well as the industries that will be established in it. "The government of Mozambique has already analysed several possible locations, so when there is a defined location we can start inviting Chinese, or Mozambican companies, to launch the first phase of the industrial park," the Chinese ambassador said. Data released by the Investment Promotion Centre shows that investment by Chinese companies in the first half of 2016 totalled almost 60% of foreign direct investment (FDI). The ambassador also said that China is examining the



possibility of writing off some interest-free loans to Mozambique in order to help the local government overcome the crisis facing the country. Su Jian noted that China had pardoned ten interest-free loans to Mozambique since 2001, that another US\$5 million loan was recently pardoned and that the two sides are now examining more debt pardons. (Macauhub)

## Angola plans to double export of decorative stone

The government of Angola plans to increase exports of decorative stone from 20,000 to 38,000 cubic metres next year, the minister of Geology and Mining, Francisco Queiroz said in Luanda. The minister, who concluded a visit to Angolan iron and steel company Ferrangol, said that in order to reach that goal another nine projects had been selected to increase that number to 23, specifically in the provinces of Huila, Namibe, Kwanza Sul, Benguela and Zaire. "Next year (2017) we anticipate increasing production of decorative stone to 67,000 cubic metres and exporting 38,000 cubic metres," he said, quoted by Angolan news agency Angop. The minister said the main destinations for granite processed in the country were the United States, the UAE and Europe and added that the decorative stone quarrying projects have a major economic impact, in particular because of their focus on export markets. Queiroz recalled the decorative stone complex, namely black granite, with 45,000 square kilometres in the provinces of Huila and Cunene which was discovered during the surveys carried out under the National Geology Plan (Planageo). The said the complex is larger than what has so far been considered the largest area of black granite in the world, in Canada, with approximately 20,000 square kilometres. (Macauhub)

# **BANKING**

#### Banks

#### South Africa's Capitec Bank cuts back lending to poorer workers

South Africa's Capitec Bank warned that it was cutting back on lending to cash-strapped consumers from lower income groups as it posted a 19 % rise in half-year profit on steady growth among more affluent clients.

Weak economic growth in South Africa, where Capitec does nearly all of its business, has cost many casual workers their jobs and firms have cut back on overtime pay and bonuses, Chief Executive Gerrie Fourie told Reuters. "We have limited credit extension to lower income earners," the bank said in a statement accompanying its results, adding that workers in industries such as mining and small scale retail are "at high risk of having unstable income".

A large number of South Africans do not use formal banking services and for many their first contact with regulated financial institutions is when they get a microloan without having to provide collateral. This unsecured lending grew for years until Capitec's rival African Bank was rescued in 2014. Capitec, which is also known for lending to poorer borrowers, has in recent years worked on attracting more well-to-do clients, who do more transactions. The bank said its net transaction fee income rose to 37 % of its net income, compared to 32 % a year ago. "Our transactional banking continues to grow rapidly in line with the increased client numbers and increased transactions by clients," the bank said. The lender grew active clients to 7.9 million from 6.7 million in August last year. Many of these new accounts are for consumers who earn more than 10,000 rand (\$740) after tax per month, Fourie said. "We would like to grow our market share of that group to 20 % in the next two to three years, so that is where our focus is," said Fourie, adding that it stood at 11 %. Around 90 % of South African workers take home less than 20,000 rand per month, he said. South Africa has a working age population of 36 million and a labour force of 21 million, with unemployment above 25 %. Official data says there are about 15 million people of working age who are not economically active in the country. Capitec's headline earnings per share, the main profit measure in South Africa which strips out certain one-off items. increased to 1,517 cents for the six months ended in August, from 1,271 cents a year earlier. The bank increased its interim dividend per share by 20 % to 450 cents and its shares were up 0.9 % at 609.50 rand by 0907 GMT, compared to a 0.6 % fall in the Johannesburg Stock Exchange's benchmark Top-40 index. (\$1 = 13.5513 rand) (By TJ Strydom, Reuters)

# BPI's problem in Angola resolved to the satisfaction of all sides

The general meeting of Portuguese bank BPI's shareholders approved the removal of limitations on voting rights, with Spanish bank CaixaBank increasing the price per share that it is offering in the Takeover Bid (OPA) for the bank, reported the Portuguese press. Shareholders gave permission for the CaixaBank to take a controlling stake in BPI, as despite having a 44.81% stake in the bank its voting rights were limited to 20%, by imposition of the shareholder agreement. With the end of the limitation of voting rights, which was a condition for the voluntary takeover bid launched by the Spanish bank of BPI, CMVM considered that the CaixaBank now has a dominant position. With this change, the Catalan bank began is now required to launch a new tender offer, which, as it has different rules to the voluntary offer, requires a slight price increase, from 1.113 euros to 1.134 euros per share, or an additional two euro cents.

To meet the requirements of the European Central Bank, BPI will sell 2% of its position in the capital of Banco de Fomento Angola, reducing its stake in the Angolan bank from 50.1% to 48.1%, giving control of the bank to Angolan company Unitel, the only other shareholder of the Angolan bank. The share capital of Banco de Fomento Angola is currently split between two shareholders – Banco BPI with 50.1% and Unitel with the remaining 49.9%. In addition to majority control of the capital, the agreement involves "the transfer of the political rights of the stake," which means



that BPI's stake becomes purely financial, and the Portuguese bank will only received the corresponding part of the results generated in the form of dividends. (Macauhub)

## Banco BPI proposes to hand over shareholder control of Banco de Fomento Angola

The board of Portuguese bank BPI Bank has proposed the sale of 2% of the share capital it owns in Angolan bank Banco de Fomento Angola to Angolan company Unitel, which would then have a majority stake in the Angolan bank, according to a letter sent. In return BPI would receive 28 million euros and Unitel would vote in favour of removing limits on voting rights in the bank, which are currently limited to 20%, regardless of the amount of capital that a shareholder may hold. The general meeting to decide the future of the tender offer (OPA) launched by Spain's CaixaBank for the Portuguese bank is due to be held in Porto, according to the financial press, and a condition for the deal to go ahead is bringing an end to limits on voting rights. CaixaBank wants to ensure that its power within the bank is identical to its stake, in order to proceed with the takeover bid, which offers 1.113 euros per share. The share capital of Banco de Fomento Angola is split between two shareholders – Banco BPI with 50.1% and Unitel with the remaining 49.9% – and Banco BPI's main shareholders are CaixaBank (44.81%), Santoro Finance – Prestação de Serviços (18.576%), Allianz (8.425%), Violas Ferreira Financial (2.681%) and Banco BIC (2.284%). (Macauhub)

#### Markets

## Ghana economy: New Eurobond

Ghana issued a US\$750m Eurobond on September 8th, a month after stepping back from an initial attempted sale over cost concerns.

Since delaying a planned US\$1bn bond issuance a month ago, because of a reportedly high coupon requested by investors, secondary-market yields on Ghana's previous Eurobonds have fallen to under 10% amid a rally in emerging-market bonds as investors hunt for yield. The authorities thus took advantage of the situation to issue the new bond, a US\$750m issue at 9.25% for five years.

The bond's order book was reported to be in excess of US\$4bn, and the coupon it attracted is also lower than the 10.75% Ghana paid for its 2015 Eurobond (which had a longer maturity of 15 years). These features have inspired official claims of revamped investor confidence and a high appetite for Ghana's credit. There's a more subtle truth to be analysed from the transaction, however. First, that the amount and maturity of the bond are lower than the government's earlier plans, and the country's recent issues, suggests that the more favourable yield it got is reflective not just of high market interest but also the reduced debt size and maturity. Second, from a historical perspective, the 9.25% coupon is still costly (the yield is the second-highest of Ghana's five Eurobonds issued to date) and does little to ameliorate the country's heavy debt-interest burden, which stood at almost 6.5% of GDP in 2015.

On the positive side, the sale moves the government closer to successfully financing this year's fiscal deficit, to which US\$350m of the bond will be applied. The remaining US\$400m will be used to buy back Ghana's 2007 bond ahead of its maturity in 2017. Most of the US\$350m going into the budget is earmarked for planned capital projects, which in general represents a prudent use of such costly funds. However, with three months to what we forecast to be closely fought elections, the government of the president, John Mahama, could be tempted to throw in some politically favoured, but not necessarily high-return, projects for execution, ultimately diminishing the economic impact of the use of the funds. (*Economist Intelligence Unit*)

#### Angolan sovereign fund targets 8 pct return with farm investments

Angola's sovereign wealth fund has started investing in local state-owned farms to make them commercially viable for producing and exporting soft commodities, the fund's chairman Jose Filomeno dos Santos said.

The fund, known by its Portuguese acronym FSDEA, has recently secured a concession of seven large farms in the country covering some 72,000 hectares, it said in a statement on its first quarter investment update. "We have to add new management to each of the farms, determine which crops will be produced, expand irrigation systems - basically making them as efficient as possible so they can produce competitively and allow us to have products that can compete within Angola and even outside," dos Santos told Reuters in a telephone interview.

The farms, which currently produce oil seeds, grains and meat, should yield a return on investment of 8 % or more over 10 years on an annualized basis, dos Santos said. "Soft commodity prices are recovering, and that reflects how the world is: a growing middle class ... that creates additional demand. We will look at those aspects when we decide which crops to choose."

While the FSDEA investment relates to domestic farmland, some sovereign funds have purchased agri-businesses overseas, while many Gulf investors have snapped up African farmland in order to secure access to food production. Angola aims to model the FSDEA on sovereign wealth funds such as Singapore's Temasek, which took over a number of assets such as the city state's port - one of the largest in the world - that were previously held by the government. "We are getting a wider pool of assets that were once state-owned transferred to the sovereign wealth fund for commercial management and which are very interesting because they can generate a lot of revenue but also because they can help the country in its social and economical development," dos Santos said. The FSDEA expects to take over more such state-owned assets by year-end, he added, but declined to give details. The fund had \$4.56 billion under management at



the end of the first quarter of 2016, according to the statement. FSDEA had \$2.7 billion of its portfolio allocated for investments in private equity - unlisted securities and debt - in infrastructure, real estate, agriculture, timber, healthcare, mining and mezzanine capital, at the end of the period. (by Karin Strohecker, Reuters)

#### Lafarge Africa raises 60 bln naira in bond issues

Lafarge Africa said it has raised 60 billion naira (\$184 million) by issuing three and five-year bonds through book building. The local unit of the world's biggest cement maker, Lafarge Holcim, issued a three-year bond at 14.25 % to raise 26.38 billion naira and sold a five-year bond at 14.75 % to fetch 33.62 billion naira, it said in a statement. The cement and clinker mixer said in April that it was marketing the bond to refinance some dollar-denominated debt at subsidiary United Company of Nigeria (UNICEM), which it bought a year ago. The refinancing would include a \$300 million loan from Lafarge Africa's parent company. Lafarge Africa has said it wanted to refinance some of its debt to cut interest rates on its domestic loans by about 4 to 5 percentage points. Short-term bank rates have risen in Nigeria as the central bank mopped up naira liquidity to shore up treasury bill yields and try to lure foreign investors into an economy hit by chronic dollar shortages caused by a slump in oil prices. (\$1 = 325.75 naira) (By Chijioke Ohuocha, Reuters)

#### **ENERGY**

## Moody's: South Africa's renewables debt market supported by positive credit developments

South Africa's debt market for renewable energy projects is supported by several credit positive developments, including a significant fall in renewable electricity costs, the growth of independent renewable power producers and the likely increased participation of institutional investors, Moody's Investors Service (Moody's) said in a report.

The report, "EMEA Project Finance -- South African renewables are less dependent on subsidy, a positive for project finance issuers", is now available on www.moodys.com. Moody's subscribers can access this report via the link at the end of this press release. The research is an update to the markets and does not constitute a rating action. "The South African renewable energy market has grown rapidly over the last five years or so and there is rising demand for renewables debt," said Christopher Bredholt, a Moody's Vice President -- Senior Analyst and the report's author. "South Africa was the continent's largest renewables market in 2015 in terms of asset finance for utility-scale projects, and it saw the highest year-on-year growth globally."

South Africa's renewable energy projects are becoming less dependent on high levels of subsidy, helped by reductions in the price of equipment and installation costs and the country's abundant natural resources, particularly solar power. Although coal still provides around three-quarters of South Africa's energy, the government aims to increase the country's renewable capacity to around 17.8 gigawatts by 2030, compared to 1.9 gigawatts in June 2015. The development of South Africa's renewables sector will be shaped by the country's transmission infrastructure, which needs additional capacity, as well as the broader sovereign credit environment. While local banks and development finance institutions have played a dominant role in financing South Africa's renewable energy projects, Moody's expects increasing participation of institutional investors in the sector. The South African government has stated its long-term policy commitment to renewable generators and to the extent it builds a longer term track record of administering its support programme, it will be positive for project issuers. Mr. Bredholt added, however "Eskom has raised questions about the broader electricity generation mix and cost-reflective tariffs are yet to be implemented in the face of Eskom's rising costs from power purchase agreements, considerations which may influence the government's programme." (Moody's)

# BioTherm Energy secures 20 MW solar project in Ghana

Independent power producer BioTherm Energy has won the tender to develop a 20 MW solar project in Ghana. The company will build, own and operate the facility under a 20-year power purchase agreement. The project will be one of the first of its kind at a utility scale for the West African country and paves the way for future developments in the renewable-energy sector. It will add much-needed power to the Ghanaian grid, where power interruptions are frequent. It will also provide jobs for members of the local community. BioTherm also recently secured 34 MW of solar projects in Burkina Faso and 284 MW of wind and solar projects in South Africa. "BioTherm Energy is growing from strength to strength and this latest award is a significant milestone achievement. "We are committed to producing clean and sustainable power at competitive pricing, ensuring benefit for local communities. [We] look forward to concluding the necessary agreements with the government to take this project into construction," says CEO Jasandra Nyker. (By Anine Kilian, Engineering News)

# Zambia, Zimbabwe Pick AfDB Advisers for \$4 Billion Hydro Dam

Zambia and Zimbabwe have appointed the African Development Bank as lead financial advisers for the construction of the 2,400-megawatt Batoka Gorge hydro-power project that's expected to cost \$4 billion, an official said.

The two southern African nations face severe power shortages as years of under-investment are amplified by low water levels at the Kariba dam hydro-power station that they each rely on for about half of total supplies. "Only yesterday, we were talking to the AfDB after Zambian and Zimbabwean governments appointed them as the lead financial arranger on this project," Munyaradzi Munodawafa, Chief Executive Officer of Zambezi River Authority, said in Victoria Falls



after touring Batoka Gorge. The authority intends to build it on the same arrangement as the Kariba Dam was constructed, which involves loans, grants, with the two governments also funding it, he said.

Executives from both nations have been to Beijing and met officials from the China Export & Credit Insurance Corp, known as Sinosure, Export-Import Bank of China, contractors and individual financiers, Munodawafa said. Officials were also in France where there was "good reception and a lot of interest" during meetings with representatives from BNP Paribas SA, Societe General SA, the European Investment Bank, he said. In South Africa, there were talks with DBS Holdings Ltd., Barclays Africa Group Ltd., the International Finance Corp. and a consortium of local investors. Financial mobilization for the project is scheduled to start in 2018, but could begin earlier than that, he said. The dam will have a capacity of 1.2 billion cubic meters of water on completion. Kariba, the world's biggest man-made reservoir by volume, holds 181 billion cubic meters of water. "After we have completed Batoka Gorge, we will start planning for something at Devil's Gorge," Munodawafa said of the valley that's further upstream on the Zambezi River. "This is still a plan." Other hydro plans in Africa include four dams for a total 850 megawatts in Cameroon, a 147-megawatt dam in Togo and the Democratic Republic of Congo is working on a 240-megawatt facility at Busanga. (By Godfrey Marawanyika, Bloomberg)

# Uganda to spend \$2 bln on power connections, grid: Umeme executive

Uganda plans to spend at least \$2 billion in the next five years to connect more people to its electricity grid and raise connection rates, a senior executive at sole power distributor Umeme Ltd said. Ugandan officials say they want to boost electricity supply rapidly to power an industrialisation drive. In recent years they have cut subsidies for consumers and introduced a tariff adjustment mechanism. The country said in 2015 it planned to increase its electricity generating capacity to at least 1500 megawatts (MW) over the next three years from 850 MW. Sam Zimbe, deputy managing director of Umeme, said to go hand in hand with this, the country aimed to increase the number of electricity connections to 3 million in the next four years from about 900,000 at present. "We intend to spend at least \$800 million just on that activity alone, constructing low voltage lines, and looking at last-mile connections," Zimbe told an East African power industry conference. "Right now we have started the programme. In the first two years for that matter, we plan to spend at least \$400 million, half that amount," he told Reuters after his presentation. He said the increased connections would raise the access rate to 40 % of the population from 20 % at present. Zimbe said Uganda planned to spend another \$1.2 billion over the next five years to improve other infrastructure on the grid. "That is for the backbone infrastructure, in addition to the access programmes. The backbone infrastructure entails new substations, upgrades of the medium voltage lines," he said. Uganda's peak power demand is about 550 MW but is growing 10-12 % annually. Uganda, which expects to start producing oil in the next four years, has an economic growth forecast of 5.5 % for the fiscal year that started July 1, and forecasts it to rise to 6 to 7 % in the 2017/18 fiscal year. (By George Obulutsa, Reuters)

# Senegal: OPIC to provide \$228 mln to Taiba n'Diaye 158 MW wind park

The Overseas Private Investment Corporation (OPIC) will financially support Lekala Power develop the Taiba N'Diaye wind station in Senegal. The US finance institution has revealed during the African Business Forum in New York it would provide \$250 million in financing and \$70 million in reassurance to the 158 MW project. "OPIC partnering with Lekela illustrates the opportunity for renewable resources to make a significant contribution to total energy needs," said OPIC president Elisabeth L. Littlefiel. "Energy is critical to the African continent and its continued growth. Lekela is uniquely positioned as a long term investor to provide clean, secure, reliable and competitive renewable energy in Senegal and across Africa," said Lekela CEO Chris Antonopoulos With this project, Senegal's power capacity will increase by 24%. It will also help boost renewable's share in the national energy mix in which 90% of power comes from fossils. (Ecofin Agency)

#### **INFRASTRUCTURE**

# Egypt eyes \$10 bln in foreign investment as it upgrades infrastructure

Egypt hopes to attract \$10 billion in foreign direct investment (FDI) next year and will automate the process of establishing a company, its investment chief said, highlighting efforts to revive the economy and earn much-needed hard currency. The most populous Arab country has been scrambling to attract investment needed to restore growth since the 2011 uprising, which ushered in protracted political turmoil and scared away tourists and foreign investors key sources of hard currency. Mohmmed Khodeir, CEO of the General Authority for Investment and Free Zones (GAFI), said Egypt drew over \$6.8 billion in FDI in the 2015-16 fiscal year and hoped for \$10 billion in 2016-17 after big upgrades to ageing road and power infrastructure. Khodeir said that not all the targeted FDI might come in dollars but all of it would be fresh investment. "Egypt has had a very difficult five years preceded by a historical baggage of things that needed to be done and were not done, and Egypt has taken a decision to confront this," he told Reuters in an interview. "So you have issues such as subsidies being tackled, issues such as electricity infrastructure, files that have been left alone for so many years." Egypt's cabinet approved a long-awaited draft law on investment last year aimed at making deals less vulnerable to legal disputes or changes in government, and reducing stifling bureaucracy. But the law was widely criticised over a lack of clarity on issues including taxes and the role of GAFI. Khodeir said authorities were seeking feedback on the law, and this could form the basis for possible amendments. "Learning from experience, we are



adopting a very inclusive approach, making sure our stakeholders contribute their thoughts. We asked investors for their wish list..." Khodeir would not say which aspects of the law might change. "There will be amendments if there is consensus within the market and the stakeholders that a new law is needed." The government hopes a raft of new legislation will help slice through notorious red tape and make it easier and quicker for investors to do business. Khodeir said the process of incorporating a company had been simplified through the introduction of a one-stop-shop, though securing regulatory licences remained slow. "If you're a factory, you need certain specific regulatory approvals...That's the second phase that we're trying to embed into the one-stop-shop." Khodeir said it would also be possible to incorporate a business online as early as next year. "We're working and doing everything we can to have it automated in 2017." (By Lin Noueihed, Reuters)

# Port of Maputo, Mozambique, will receive ships of up to 85,000 tonnes

The port of Maputo will be able to receive ships of up to 85,000 tonnes in February 2017, when dredging works begun last May are completed, said the engineer responsible for the project. Paulo Mata, the engineer for the project, which is expected to cost around US\$100 million, and is being carried out by Jan de Nul Dredging Middle East FZE, said that the port currently has capacity to process 25million tonnes of cargo per year. "When the work to increase the depth and width of the access channel has been completed the port will have capacity to process over 40 million tonnes of cargo by 2020," said the official, according to Mozambican news agency AIM. In addition to dredging of the port, there also plans to deepen the coal dock in Matola, expand the container terminal as well as build another dock. "The access channel currently has a depth of 11 metres, after the dredging carried out in 2010, but to reach 40 million tons by 2020 it proved to be necessary to increase the depth to 14 metres," said Mata. (Macauhub)

## Chinese company supplies equipment to railway companies in Angola

The China Railway International Group will supply equipment for the workshops of the Angolan railway companies of Luanda (CFL), Benguela (CFB) and Moçâmedes. The contract to supply equipment to the three Angolan public railway companies will cost Angola US\$46.1 million according to an order of the President of the Republic dated 5 September. The refurbishment of 2,612 kilometres of Angola's railway network ruined by nearly 30 years of civil war, between 2005 and 2015, cost about US\$3.5 billion and was carried out by the China Railway Construction Corporation, China Railway 20 Bureau Group Corporation and China Hyway. (*Macauhub*)

# Cost of the new airport in Luanda, Angola, reaches US\$6.3 billion

The new international airport in Luanda, which should become operational in mid-2017, has so far cost US\$6.3 billion according to a study by Portuguese news agency Lusa. The news agency reported that the airport's construction is in the hands of the China International Fund (CIF), hired by the Angolan government for US\$3.8 billion. The Angolan government has hired China National Aero-Technology International Engineering Corporation (US\$1.4 billion), China Tiesiju Civil Engineering Group (ETSC) (US\$695 million) and China Hyway Group Limited (US\$255 million) for other complementary works at the airport. The airport works are located in the municipality of Icolo e Bengo, 30 kilometres from Luanda, and due to be completed in April next year. The new international airport, with a capacity to accommodate 15 million passengers a year, is set in an area of 1,324 hectares and will have two double runways, with capacity to receive the largest commercial aircraft in the world, the Airbus A380. The airport has been under construction since 2004 and is funded by China under credit lines granted by Beijing. (Macauhub)

## MoU signed for 1,600-km Mozambique-Zimbabwe-Botswana railway

The governments of Botswana, Mozambique and Zimbabwe have signed a Memorandum of Understanding (MoU) for a long-dormant plan to build a 1,600-km railway, named the Port Techobanine Inter-Regional Heavy Haul Railway Project, which would stretch from Techobanine, a planned port (which Botswana has offered to finance the construction of) in Mozambique, to Francistown in eastern Botswana, via Zimbabwe.

For Botswana, the railway would provide a much-needed transportation outlet for its coalfields in the east of the country, which has hampered the development of a coal mining industry there despite superabundant reserves. For Zimbabwe the railway offers re-export growth opportunities, and for Mozambique it will see the development of a new and potentially thriving port. Each country intends to put some US\$200m towards the scheme-a small proportion of the project's total estimated cost of US\$7bn-11bn (although Mozambique and Zimbabwe may struggle to raise this even much capital). The remainder would need to be sourced from private investors. Similar infrastructure schemes indicate that securing this financing will not be easy. Most notably, a US\$15bn

Trans-Kalahari Railway (TKR)-linking Botswanan coalfields with a Namibian port at Walvis Bay-has been in abeyance for years because of insufficient investor interest. The reason; coal prices have not warranted it. When the MoU for the TKR was first signed in 2010, construction was expected to start in 2012-when coal prices were 40% higher than at present. It stands to reason that if private investors were not particularly forthcoming then, they are even less likely to be for a similar project now. As we expect coal prices to be only 4% higher by 2020, a drastic improvement in sentiment is unlikely in the medium to long term. The railway could be used for other goods traffic, but if this became the primary use of the railway it would be uneconomical. Heavy haul projects are highly expensive to develop, and used



almost solely for bulk commodity transportation of coal and iron. All things considered, the government of Botswana has tried to keep both the TKR and the Port Techobanine projects alive (often simultaneously, although it would only need to choose one), and the latest MoU can ultimately be seen as a means of keeping its options open. (Economist Intelligence Unit)

## West Africa seeks funds from China for transport projects

A lack of roads is seen as one of the greatest barriers to the development of inter-African economic relations and for the Economic Community of West African States (ECOWAS), China's financing may be the solution. The main joint projects of West African countries in the areas of transport, and energy, agriculture and health were reviewed during a meeting at the end of August at the ECOWAS Commission in Abuja, Nigeria, between the presidency of the regional organisation and a delegation from the China Development Bank (CDB). Among the projects identified by the president of ECOWAS, Marcel de Souza, is the second phase of the regional highway linking Abidjan, Ivory Coast, Dakar, in Senegal, and also includes plans to go through Bissau, with a total of 3,260 kilometres. The road is expected to cost US\$25 billion. According to ECOWAS, Souza also called for financial support for feasibility studies underway for the Lagos-Abidjan road, an US\$8 billion project to connect five of the coastal cities of the region, over more than 1,000 kilometres. The president of the regional organisation drew attention to the fact that only 12% of trade in West Africa is between neighbouring countries as a result of lack of road, rail, air and sea links between them. Souza also called for support from the BDC for initiatives in the energy sector and rice production, the staple food of the region's countries, but which they produce at a deficit. Zeng Liqing, head of the BDC delegation expressed interest in strengthening cooperation with countries in the region, stressing that the bank's efforts have led to financing of more than US\$46 billion for 43 African countries to develop infrastructure, mining and energy, among other sectors. Special bank credits for small and medium businesses are being used in 47 African countries, some of which are members of ECOWAS, said the head of the BDC. A member of ECOWAS, Guinea-Bissau is one of the countries that currently has higher economic growth forecasts - 4.8% in 2016 and 5% in 2017 - as well as ample opportunities, as, besides the need for infrastructure and having available resources to explore (such as bauxite), is part of the regional West African market. Agriculture is the main source of the country's income, particularly cashews, which are also one of the identified investment opportunities.

The Africa Intelligence Monitor newsletter reported that a recent Chinese technical study confirmed the country's suitability, particularly with regard to soil, for large-scale production of rice, a product that the country currently imports to supply the domestic market (around 200,000 tons/year). The study, according to the same source also points out the prior need for restoration of floodplains (bolanhas) suitable for rice growing, most of which have lain unused in recent years or abandoned altogether. The Chinese ambassador in Bissau, Wang Hua, has noted the excellent climate and soil in Guinea-Bissau to produce and supply its population and restated its people and reaffirmed China's support to achieve this objective. In April, Guinea-Bissau first received the "Meeting of Businesspeople for Economic and Trade Cooperation between China and Portuguese Speaking Countries", alongside which it was announced that the China Machinery Engineering Corporation (CMEC) will build the new Bissau International Airport, expand the old terminal, build the Pikil fishing port in northeastern Guinea-Bissau, the deepwater port at Buba, in the south, as well as roads, bridges and even social housing. Guinea-Bissau was this year the theme of a seminar organised by the Macau Institute for Trade and Investment Promotion (IPIM), together with the Permanent Secretariat of the Forum for Economic and Trade Cooperation between China and Portuguese-speaking Countries (Macau). ECOWAS also includes Cabo Verde (Cape Verde), where in April the refurbishment of the Presidential Palace was completed, in Praia, a project financed entirely by China, along with government buildings, the National Assembly, the National Stadium and other iconic facilities such as the Poilão dam. At the time, President Jorge Carlos Fonseca told Macao magazine that Cabo Verde's relations with China had been "privileged since independence," with a tendency to become "increasingly important". (Macauhub)

## **MINING**

## Another large diamond discovered in Angola

Australia's Lucapa Diamond Company has discovered at the Lulo concession in Angola yet another very large diamond, weighing 172.67 carats (35.534 grams), the company announced in a statement. The company specified that it is the fifth stone over 100 carats discovered at that concession in Angola and that it is nearly colourless and almost entirely without impurities. Last February the Lucapa Diamond Company announced the discovery of the largest diamond ever found in Angola, weighing 404.2 carats or about 80 grams. It was later sold for US\$16 million. Early this September the company discovered a 38.6 carat pink diamond, the largest coloured gemstone found at the concession located 630 km east of Luanda. The company's partners at the concession are the state-held Empresa Nacional de Diamantes de Angola (Endiama) and the private company Rosas & Pétalas. (Macauhub)

# Vale Group approves new terms for deal with Mitsui & Co in Mozambique

Brazilian group Vale expects to receive US\$768 million dollars from the sale to the Japanese Mitsui & Co of stakes in the Moatize coal mine and Nacala Logistics Corridor in Mozambique, under the new terms of an agreement originally



signed in 2014. The new terms, disclosed to the market, include the payment of US\$450 million, including US\$225 million for a 15% stake in the Moatize coal mine, in which the Brazilian mining group owns 95% and an additional payment of up to US\$195 million, the final amount of which will depend on a set of criteria. Mitsui & Co Group will also pay US\$348 million for a 50% stake in the Nacala Logistics Corridor and also undertook to open a credit line of US\$165 million for that corridor, which connects the Moatize coal mine to the deep water port of Nacala In a statement published in Rio de Janeiro, the mining group said the new terms of the agreement showed the commitment of both Vale and Mitsui in the transaction and reinforce the efforts of the parties to bring the project to finance the mining and logistics operations to fruition. The two groups intend to raise around US\$2.7 billion from financial institutions to expand the business in Mozambique. (Macauhub)

# Gemfields increases ruby production in Mozambique

The British company Gemfields has increased production and reduced the cost of operating a ruby mine at Montepuez in Mozambique's Cabo Delgado province, indicates the annual report and accounts for the financial year that ended on 30 June 2016. The report specifies that ruby and corundum production during that financial year amounted to 10.3 million carats, compared to 8.4 million carats produced in the previous financial year. Production recorded during the financial year that ended on 30 June 2016 led to income of US\$73.1 million, at an average price of US\$45.50 per carat. Production costs fell very slightly from US\$2.57 to US\$2.54 per carat. Gemfields also reported in the document that the Montepuez mine has probable reserves of 432 million carats and an operational life of 21 years. Gemfields controls 75 % of the share capital of Montepuez Ruby Mining Ltd. The remaining 25 % is held by the Mozambican company Mwiriti. The British company is involved in other Mozambican projects via Eastern Ruby Mining Limitada, Mozambique, and Megaruma Mining Limitada, Mozambique, ruby mining companies in which it also holds a 75 % stake. (Macauhub)

## Coal India asks Mozambique for new coal prospecting blocks

The Coal India Limited Group (CIL) has asked the government of Mozambique for alternative coal blocks because it has not found coal in the blocks it was given as a concession a few years ago, the president of the group told Indian newspaper the Economic Times. "We have requested the government of Mozambique to hand over alternative blocks as we have not find commercially viable coal in the that have been delivered to us," explained Bhattacharya Sutirtha in statements to the newspaper. The CIL group received two blocks for prospecting coal with a combined area of 224 square kilometres in Tete province, central Mozambique, in August 2009. The group then set up a 100%-controlled subsidiary – Coal India African Limited (CIAL) – to explore the two blocks. Prospecting activities have revealed that of the total area 170 square kilometres contained no coal to a depth of 500 metres but the group retained the remaining 54 square kilometres, for which the government of Mozambique issued a new exploration license valid until August 2019. The group later discovered that the area was not economically viable for coal mining and returned all of the two blocks to the government of Mozambique, and is now waiting for alternative blocks. (Macauhub)

#### Rising coal prices improve prospects for infrastructure projects in Mozambique

Coal prices on international markets have more than doubled since the beginning of the year, allowing mining projects to resume and improving the prospects for infrastructure projects in Mozambique.

Due to international production cuts over the past months, coal prices rose from almost US\$80 per tonne to around US\$190 per tonne this month, which has led India's Jindal Steel & Power Ltd. to resume its operations at the Chirodzi mine, achieving a monthly production of 300,000 tonnes. The slowdown of infrastructure projects, coupled with the drop in commodity prices and austerity measures implemented by the government to deal with budget problems, are considered by economists to be the main factors of a slowdown of the Mozambican economy – to 3.6% growth in 2016, according to an Economist Intelligence Unit (EIU) report, to which Macauhub had access, compared with an annual average of 7.2% in the last decade. Low commodity prices, which have since started to recover, have diminished confidence in the rapid implementation of infrastructure projects such as the one recently signed by Mozambique, Botswana and Zimbabwe to build a 1,600-kilometre railway line the deepwater port of Techobanine in southern Maputo province, connecting it to Francistown in eastern Botswana through Zimbabwe.

The international consortium responsible for the port project, costing an estimated US\$1 billion, is part of the China Harbour Engineering Co, in addition to Bela Vista Holdings (BVH) and Transnet, a public railway company from South Africa.

Mozambique and Botswana initially agreed to this project in 2010, providing total financing of US\$7 billion, the construction of 1,100 kilometres of rail link, with capacity to process 200 million tons of cargo per year, ranging from general bulk to ores, fuel and passengers.

According to the Economist Intelligence Unit, Botswana has said it is available to finance construction of the railway line, which would create "much needed distribution capacity for its coal mines in the east, which has affected the development of the coal industry, despite its superabundant reserves."



For Zimbabwe, the facility also opens up opportunities for export growth, while for Mozambique it allows "the development of a new and potentially vibrant port," which is expected to involve private investors, said the EIU, adding it has doubts about its ability to attract investors, however.

In addition to coal prices, natural gas prices, to which some of the major infrastructure projects in Mozambique are connected, have been rising, particularly since July, and in September reached the highest values of 2016. This upward movement has strengthened the confidence of the Mozambican authorities in a final investment decision being made by the companies leading natural gas exploration consortia in Rovuma – ENI and Anadarko Petroleum, whose chairman met with Mozambique's President, Filipe Nyusi last week in the United States. ENI is in talks with ExxonMobil to sell part of its stake and there is the possibility of Qatar Petroleum taking a stake in the same consortium, as it plans to acquire part of the Italian company's share. (*Macauhub*)

#### **Diamonds: Nothing lasts forever**

# A tradition-bound industry is trying to adapt as jewellery sales fall and consumer tastes change

Gahcho Kué is found deep in the Canadian tundra where the winters are cold enough to shatter steel. But nature has left something in this hostile environment that the world finds irresistible: diamonds.

De Beers, the dominant supplier of rough diamonds for more than a century, has spent \$1bn with a joint venture partner to develop Gahcho Kué into Canada's newest mine, hauling equipment to the site, deep in the Northwest Territories, during the few weeks each year when engineers can build a temporary ice road to Yellowknife, 440km away. Around the clock, trucks capable of carrying 215 tonnes haul rock from a broad pit to a vast processing plant, which crushes and sifts diamond-bearing ore and delivers rough stones into a high-security "red zone" for final sorting and shipping.

Two decades in the planning, Gahcho Kué is De Beers' most significant bet on the long-term health of the diamond market for years — the largest new diamond mine in a decade and the company's biggest outside its home region of Africa. Yet the first carats to emerge from Gahcho Kué come at a time of upheaval and volatility for the diamond industry — and for De Beers.

Global sales of diamond jewellery fell in 2015 for the first time in six years, declining 2 per cent to \$79bn. Sales of rough diamonds fell 30 per cent. De Beers' revenues fell by one-third and operating profits fell by more than half.

Diamonds are marketed on the idea that they will forever represent a pinnacle of luxury and materialist desire. But industry executives and business owners acknowledge that the battle for the luxury dollar is intensifying, with diamonds competing with everything from must-have consumer devices to expensive holidays. In response, the industry is looking to boost its marketing spend. "There is no question that diamonds are losing their share of luxury spending," says Des Kilalea, an industry analyst at RBC Capital Markets.

One concern is whether a younger generation of millennials will have the same allegiance to the products as their parents and grandparents — an allure honed by decades of marketing.

Another challenge is from synthetic or lab-grown diamonds — chemically identical to a mined diamond but created to order in weeks. Still with a minor market share, they pose multiple potential threats to the industry, as a cheaper alternative for ethically minded consumers or an imitation that erodes trust in "real" stones. "The diamond industry is at a crossroads. There are strong forces that could lead to change," said ABN Amro this year in a research note entitled "Nothing is Forever" — a gloomy nod to the famous phrase that has helped to sell diamonds for more than 60 years.

Bruce Cleaver, a long-time De Beers executive who took over as chief executive in May, rejects the idea that his company, or the industry as a whole, has hit an inflection point. He insists the market will improve after a cautious sales recovery this year. But he acknowledges that the sector is set to be more volatile and that the company needs to adapt as innovative competitors emerge. "The diamond business generally has been quite slow to adapt," he says. "People need to think very differently in the future."

## African pressures

From its 19th-century origins in South Africa, De Beers was one of the world's most driven and successful monopolies, snapping up new mines and maintaining a stranglehold over the supply of rough diamonds, the raw material for the polished stones. But after antitrust action in the US and Europe, and diamond discoveries in regions where De Beers had little sway, its hold over the sector has loosened.

Last year the company that enjoyed a 90 per cent share of the market in the 1980s supplied just 31 per cent of global rough diamonds. Smaller rivals have built their businesses on mines or projects that De Beers sold off. At one, Botswana's Karowe mine, Lucara Diamond last year found the biggest rough diamond in a century — 1,109 carats, which failed to sell at auction in June.

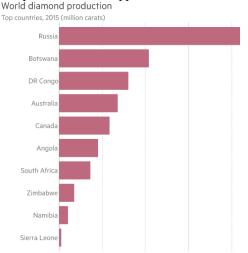
As De Beers' influence has narrowed, the range of those with a stake in its future has widened. De Beers' performance has become central to the future of Anglo American, the diversified miner that took control from the Oppenheimer family in a \$5.1bn deal in 2011. Anglo, which raised its stake from 45 per cent to 85 per cent, has been involved with De Beers since the 1920s but has now made diamonds one of three products on which it will focus. De Beers is also under increasing pressure from the countries where it mines. In 2013, the company made a landmark shift to accommodate Botswana, a 15 per cent shareholder, by moving its main sales operation there from London. De Beers faces tough negotiations over its next contract with Botswana, from 2020, and the country — the world's largest diamond producer after Russia — exerted influence on Mr Cleaver's appointment, preferring him to Anglo's initial



candidate, according to several people aware of the process. Namibia, another key diamond producer, this year won its best deal from De Beers, securing the right to a greater share of diamonds from its mines for 10 years. "We are taking charge as a country," says Obeth Kandjoze, Namibia's mines and energy minister. "It is a transfer of power, a degree of freedom."

#### The fragile midstream

Mr Cleaver is not the first De Beers chief executive to insist that the insular world of diamonds should embrace change. His predecessor, Philippe Mellier, came from the world of cars and heavy industry — an outsider chosen in 2011 to



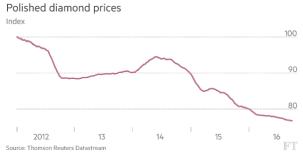
bring fresh ideas. His targets for reform included De Beers' longstanding relationships with its customers — a group known as sightholders, who have access to the company's vast supply of rough stones from its mines on condition that they commit to regular purchases. This "midstream" of the diamond industry — dealers, cutters and polishers who sit between the miners and the jewellery retailers — is the most financially fragile part of the trade, especially since the global financial crisis of 2008. Margins have shrunk and banks have shunned the diamond trade, unwilling to shoulder what they perceive as its risk and lack of transparency.

Concerned by the financial weakness of some sightholders, Mr Mellier introduced requirements demanding they present internationally compliant accounts and more rigorous corporate governance. But by appearing to dismiss sightholders' gripes about their slim profit margins, Mr Mellier, who resigned this year, irritated some dealers accustomed to a more paternalistic approach from their main supplier. "You cannot alienate people who are spending \$250m a year with you," says an industry insider. Shorn of

credit in last year's faltering market, De Beers' customers staged what amounted to a buyers' strike, forcing it into providing new levels of financial flexibility as it departed from its previous "take it or leave it" stance. "De Beers found it cannot dictate terms to its clients any more. The dam has burst," RBC's Mr Kilalea says.

Mr Cleaver acknowledges the sightholders' struggles in the past two years but says they were "grateful" for De Beers' flexibility. The company expects periodic pressure on the midstream but Mr Cleaver insists long-term contracts with customers will stay as the core of De Beers' sales system. "That is the way you drive demand best ... We can build long-term brands in their own businesses if they have security of supply," he says.

Marketing — or the lack of it — has been another source of concern within the diamond industry. For years the sector relied on De Beers to lead the promotional push that helped to sustain consumer demand. When the company sold most



of the world's diamonds it spent \$200m a year on marketing. But with De Beers now one of many diamond suppliers, its willingness to fund marketing for the whole industry has waned, leaving a vacuum. "This industry had a comfortable life. De Beers did everything. Now they have to pick it up themselves," says a financier in Antwerp, where most rough diamonds are traded. De Beers' marketing spend is down to about \$120m.

A belated response emerged last year when De Beers and six other miners, representing 90 per cent of rough supply, formed the Diamond Producers Association to fund joint

marketing. Its first campaign slogan launched this year, "Real is Rare", is premised on the idea that, in a world of transient social relationships and shortlived gadgets, consumers will remain attracted by the enduring authenticity of diamonds.

Stephen Lussier, chief executive of Forevermark, De Beers' branded diamond business and the chairman of the DPA, says the "integrity" of a natural diamond will continue to distinguish it from competitors.

This idea is epitomised by the diamonds mined at Gahcho Kué, formed in the depths of the earth half a billion years ago. De Beers points to initiatives to mitigate the effects of shifting 330m tonnes of rock over the life of the mine. It highlights partnerships with six indigenous groups and the \$6bn that will go into the local economy. Canadian gems have the advantage of being free of any taint of "blood diamonds" — stones whose profits fund conflict, an accusation associated with diamonds sourced from some countries in Africa.

"Millennials are more interested in [ethical sourcing] than their parents were. That doesn't surprise us ... we can never forget the integrity of the product issue," says Mr Cleaver.

Miners, unsurprisingly, argue that the supply and demand dynamics remain in their favour. The industry produces about 127m carats a year, about 50m less than a decade ago. There will be a rise in production as Gahcho Kué adds about



4.5m carats a year to supply and other smaller projects come online. Johan Dippenaar, chief executive of Petra Diamonds, a rival to De Beers, says the world has seen peak diamond production.

On the demand side, there are many more uncertainties. De Beers and the diamond trade are still sustained by sales in the US, the largest market. The hope is that China and India will adopt the jewellery buying habits of Americans, but Diamond iewellery value

Global growth (rebased\*) China 200

India

Rest of World 100

Japar

De Beers assumes this will happen at a slower pace.

As for the hard-to-reach millennial demographic, Mr Cleaver says young consumers are interested in diamonds — but are still a decade away from their most affluent stage of life. "They are not the same as their parents or their parents' parents," he says. "All of us in the diamond industry, in order to grow that millennial base, are going to have to think differently."

Gahcho Kué's opening during a soft patch in the market is not an omen for the future of the industry, he adds. "You don't pick the exact moment a mine comes on stream ... there is little doubt in my mind that over the medium to long term we will be selling into a more robust diamond market."

## Synthetics: Lab-grown gems make bid for acceptance

What takes nature billions of years — shaping pure carbon into gem-quality diamonds — can now be done in a factory in a matter of weeks.

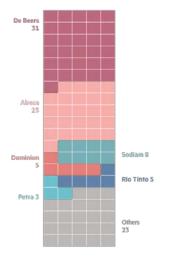
The technology to make synthetic diamonds, which are chemically identical to the real thing, is developing beyond making small

stones for industrial use. Swarovski has launched a range of what it calls "created diamonds" and makers of lab-grown gemstones are proliferating. "There are more of them, they are getting cheaper and they are being very clever in their market positioning. And the traditional diamond industry has been slow to respond," says Des Kilalea, analyst at RBC Capital Markets.

Companies making lab-grown diamonds use some of the arguments made in favour of mined diamonds — provenance

Rough diamond sales

2009



and scarcity — to make their own case, saying synthetics are more ethical and environmentally friendly. "What we can offer is a diamond with guaranteed origin in California," says Martin Roscheisen, the chief executive of Diamond Foundry — a Silicon Valley start-up that counts Leonardo DiCaprio, star of the film Blood Diamond, among its investors. "There is nothing intrinsically rare about mined diamonds. Ours is the real rare product."

A diamond is an "intensely thoughtful" purchase, Mr Roscheisen says. "Any thoughtful person who knows about our diamonds inevitably chooses us."

Both camps say synthetics and mined diamonds can coexist. But the traditional trade is adamant that consumers must know which is which. Elaborate tests have been developed to trace synthetics.

A recent Morgan Stanley report considered scenarios for miners ranging from synthetics posing no threat to complete substitution. They concluded the most likely outcome was that lab-grown diamonds would find a niche and increase the overall jewellery market — but warned that diamond miners still needed to spend more on marketing. "People will still want to own a real Louis Vuitton or Hermès ... it is the same

with diamonds," says Amit Bhansali, managing director of Rosy Blue, a big diamond dealer and polisher. (By James Wilson, Financial Times)

#### OIL & GAS

## US company plans to prospect for oil and gas in Mozambique

The government of Mozambique is negotiating with US oil company Dionnex Energy the terms under which the company could prospect for oil and gas in the Palmeira region, in Maputo province, Mozambican daily newspaper Notícias reported. The newspaper also wrote that the company has said it is prepared to invest US\$100 million in the first phase for seismic and aerial surveys. Any increase in the amount of investment will depend on the results of these surveys. Warburger Pincus, President of the company, was received by the President, of Mozambique Filipe Nyusi this week in New York, and requested a personal intervention to speed up conclusion of the contract currently under negotiation. The international tender for oil and gas exploration in Palmeira was completed in July 2015, under the direction of the National Petroleum Institute. The first oil and gas exploration work in Palmeira dates back to the



colonial period, and it is believed that with the use of modern technologies new conclusions may be reached about the potential of the area. (Macauhub)

## Mozambique and Anadarko Petroleum about to sign agreement on gas

The government of Mozambique and US group Anadarko Petroleum are close to reaching an agreement which will allow the start of natural gas extraction operations in the Rovuma basin, in Cabo Delgado province, according to Mozambican daily newspaper Notícias. The newspaper cited statements by Al Walker, chief executive of the oil company at the end of a visit of the President of Mozambique, Filipe Jacinto Nyusi, to the premises of the US company in Houston, Texas. The agreement to be signed between the parties will resolve problems relating to contracts and the legal framework, which are critical elements to ensure security for the project and economic value in the long term.

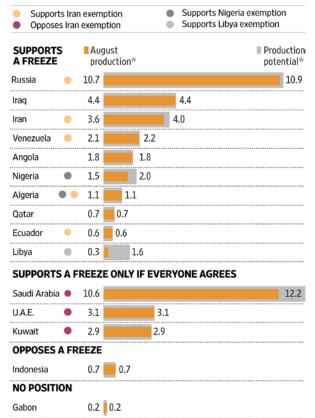
Walker did not mention dates, and recalled that it is also necessary to take into account the uncertainties caused by the low liquid natural gas (LNG) prices on the international market. Mozambican oil and gas company ENH advised an acceleration of the natural gas extraction process, otherwise the country may miss the opportunity, having set 2016 as a crucial year for establishing solid foundations for the start of operations. Since the discovery of natural gas in the Rovuma basin, six years ago, US group Anadarko Petroleum has o make a final investment decision, which is the last step before moving ahead with the project. (Macauhub)

## **OPEC Considers Cutting 1 Million Barrels a Day**

Proposal sets up a showdown between Saudi Arabia and Iran

OPEC plans to discuss Wednesday 28th September a proposal that would cut almost 1 million barrels a day of the

Big producers are meeting to discuss limiting oil production at current levels, called a 'freeze'.



\*Millions of barrels a day, average Sources: International Energy Agency (production for all countries; potential production except for Iran, Libya and Nigeria); oil ministries of Iran, Libya and Nigeria (these countries' potential

cartel's production over one year, said people involved in the discussions, setting up a showdown between Saudi Arabia and Iran in Algiers.

Under the proposal, Saudi Arabia would carry out the bulk of the reduction, cutting 400,000 barrels a day from record highs of almost 10.6 million barrels a day in August, the people said. In return, Iran would have to agree to freeze at 3.7 million barrels a day-slightly above its August levels, the people said. The plan isn't expected to be agreed to on Wednesday 28th September when the Organization of the Petroleum Exporting Countries plans an informal gathering on the sidelines of an energy conference in Algiers. The scenario is meant to start discussions that could pave the way for an agreement when the producer group meets again in November, the people said.

The proposal, if eventually agreed to, would represent the 14nation cartel's first concrete action to prop up the market since oil prices crashed beginning in 2014. It would also represent a departure for Saudi Arabia, which has opened the spigots wide during the market slump in a fierce competition for customers with U.S. oil producers and others.

The people said the proposal could be discussed as soon as Tuesday afternoon between Saudi Arabia and Iran, two bitter rivals for power in the Middle East whose disagreements have scuttled other OPEC attempts at reaching a production deal. Iran's reaction to the Saudi-backed plan isn't yet clear, but the proposal wouldn't allow Iran to carry out plans to increase its production to over 4 million barrels a day.

Before news of the proposal emerged Tuesday 27th September, Iranian Oil Minister Bijan Zanganeh said that this week's meeting in Algiers was only for consultations and that his country had no plans to limit its oil production. Iran is trying to ramp its production back up now that Western sanctions that crippled its oil industry have ended. The proposal comes as OPEC tries to find a consensus this week

on how to react to oil prices that have stayed stubbornly low for two years. OPEC Secretary-General Mohammad Barkindo said informal gathering could be turned into an emergency formal meeting if the cartel finds consensus. Mr. Zanganeh, however, said this week represented consultations that pave the way for a deal at the group's next meeting on Nov. 30 in Vienna. Saudi Arabia's energy minister, Khalid al-Falih on Tuesday called this week's OPEC meeting "consultative" and suggested it could take months for the oil-producing cartel to find consensus. "The market recovery



is slower than we thought. But we remain optimistic," said Mr. Falih, who oversees Saudi oil policy and is among the most influential voices in the energy industry. OPEC members appear deeply divided. In talks last week in Vienna, Saudi and Iranian officials couldn't agree on basic details of a production deal. Similar efforts were scuttled in April after Saudi Arabia backed out because Iran wouldn't participate. "In the room where the Saudis and Iranians meet, there will always be burning-hot political tensions," said one of the people familiar with the plan.

OPEC This time, there is more pressure to reach an agreement, and Mr. Barkindo told reporters that OPEC has made progress since the breakdown of talks in April. Iran is closer to clawing back the share of the oil market it says it enjoyed before Western sanctions crippled its petroleum industry, and Saudi Arabia has been pumping oil at record highs, helping send oil prices lower.

The proposal to be discussed is intended to be a dramatic action, the people said. If enacted, the people said the plan would take enough production off the market that oil buyers would begin drawing down the record-high levels of oil inventories that built up when supplies were abundant and cheap. Without providing details about the proposal, Mr. Barkindo told reporters that over 340 million barrels of production must be taken out from the market to bring stored crude levels to acceptable levels. Under the proposal, OPEC would cut about 350 million barrels from the market over one year. Mr. Falih said Tuesday that the oil market now is "trending in the right direction." He said crude oil, which has been stockpiled in record amounts over the past two years, is being drawn out of inventories in the U.S. He said global supply and demand were beginning to converge. "I am quite confident about the fundamentals," Mr. Falih said. He said higher oil prices would be needed soon to make investments in new oil projects to satisfy demand. (By Summer Said in Riyadh, and Benoit Faucon and Selina Williams in Algiers, Wall Street Journal)

#### Angola leads oil production in Africa for the sixth consecutive month

In August, for the sixth consecutive month, Angola was the largest African oil producer, with 1.775 million barrels of crude oil a day, higher than the 1.468 million barrels a day in Nigeria, according to the Organization of Petroleum Exporting Countries (OPEC). The OPEC September report notes that Nigeria, which began 2016 leading the African list with 1.853 million barrels per day (against Angola's 1.742 million), saw production go down to 1.444 million in May, the lowest value this year due to problems with armed groups in the country, affecting oil operations. A recent International Energy Agency report predicts that Angola will continues to lead oil production in Africa until 2020. The latest OPEC report also notes that China once again bought less oil from June to July (-2%), down to an average of 7.3 million barrels per day. In July Angola returned being China's leading supplier, equivalent to 1.1 million barrels of crude oil per day (an increase of 207,000 barrels per day compared to June), overtaking Saudi Arabia and Russia. On average, in the first half of the year Angola produced 1.77 million barrels of oil per day, according to the Ministry of Finance data. (Macauhub)

# Qatar considers joining Exxon's Mozambique gas move

Qatar Petroleum is interested in the Mozambique gas business of Italian energy group Eni and could opt to join Exxon Mobil in buying a multibillion-dollar stake, sources familiar with the matter said.

State-controlled Eni is looking to reduce a 50 % stake in its giant Mozambique gas acreage as part of plans to sell 5 billion euros of assets over the next two years. Last month sources told Reuters Exxon had reached a deal that could give it an operating stake in the onshore liquefied natural gas (LNG) export plant, while leaving Eni in control of the Area 4 gas fields feeding it. Qatar Petroleum is in talks with Exxon and Eni on some kind of involvement in Mozambique which could involve a joint investment with the U.S. major, one senior QP source said, adding the deal was not a classic joint venture structure. A second Doha-based source, who declined to be named as not authorized to speak publicly, said Qatar Petroleum had been looking at Eni's Area 4 field as well as adjoining acreage of Anadarko Petroleum Corp but added the focus was on Eni. "The expectation is that Qatar Petroleum and Exxon will go in on this together," the source said, adding a Qatar Petroleum delegation planned to visit Mozambique before the year end. The sources cautioned no decision had as yet been taken by the Qatari company. Qatar Petroleum did not respond to requests for comment and Exxon and Eni declined to comment. Saad al-Kaabi, Qatar Petroleum CEO, recently confirmed the group was looking at assets in Africa.

Located in Mozambique's Rovuma Basin, Eni's Area 4 is one of the biggest discoveries of recent times, holding about 85 trillion cubic feet of gas. Eni CEO Claudio Descalzi, who has spoken of selling a stake of up to 25 %, said earlier this month a detailed agreement had been reached with a partner. In 2013 Eni sold 20 % of Area 4 to China's CNPC for \$4.2 billion but since then oil and gas prices have dropped by more than half. A banker with knowledge of the matter said a 25 % stake in the field could be worth in the region of 2 billion euros. Exxon and QP are already close business partners in Qatar, where Exxon's technical know-how helped the tiny Gulf state to develop its gas resources and become the world's biggest as well as lowest-cost LNG producer.

Since then, both companies have jointly moved to exploit international LNG growth opportunities, including plans to build the Golden Pass liquefaction plant in the United States and bidding for exploration acreage in Cyprus. A moratorium on new Qatari gas production since 2005 has hobbled domestic expansion opportunities at a time of intense competition for global LNG market share as new producers such as Australia challenge Qatar's dominance. "The (Mozambique) gas will go east and so having Qatar on board with all its experience makes a lot of sense," a banker with knowledge of the matter said. (By Ron Bousso and Tom Finn, Reuters)



#### Eni asks banks for billions to finance Mozambique gas project

Italian oil firm Eni has approached banks for billions of dollars to finance a huge offshore gas development in Mozambique, a significant step in getting a long-delayed project off the ground, the company and sources said. Eni confirmed it met bankers in London last week about project financing to develop the Coral field, part of the huge reserves discovered six years ago in the Area 4 concession off the Mozambican coast. "It's running into billions of dollars," one source familiar with the financing told Reuters, adding banks were also looking for credit guarantees from foreign governments, including Britain and China. Banks are likely to respond within three to four weeks with terms of loans they are willing to provide, one of the last stages before Eni can make a final investment decision (FID) on the project, two sources close to the deal said. Eni said it hoped to announce a FID by the end of this year.

Some lenders may be concerned about involvement in a project in Mozambique, given recent clashes between opposition guerrillas and government forces and financial scandals. The International Monetary Fund (IMF) is in Mozambique this week to try to restore trust between President Filipe Nyusi's government and international lenders after more than \$2-billion in secret loans came to light this year. The IMF has suspended its own lending to the southeast African country, insisting on external scrutiny as a precursor to resuming financial aid. "The biggest challenge is Mozambique country risk," one of the sources said.

Reserves discovered in Mozambique's Rovuma Basin in recent years amount to some 85-trillion cubic feet, one of the largest finds in a decade and enough to supply Germany, Britain, France and Italy for nearly two decades. The gas offers Mozambique an opportunity to transform itself from one of the world's poorest countries into a middle-income state and a major global liquefied natural gas (LNG) exporter. Negotiations with operators Eni and US firm Anadarko have dragged on for years due to disputes over terms and concerns about falling energy prices.

However, there have been several signs of significant progress in recent months. Eni has struck a deal with Samsung Heavy to provide a floating LNG platform to process the gas from the Coral field, which will be sold to BP. Eni has also wrapped up long-running talks to sell a multi-billion dollar stake in other fields in Area 4 to Exxon Mobil, sources told Reuters last month. In 2013, Eni sold 20% of its Area 4 licence to China's CNPC for \$4.2-billion but since then oil and gas prices have come down by more than half. Anadarko's \$24-billion onshore LNG project is expected to lag Eni's and its FID is unlikely this year. (By Joe Brock and Ed Cropley, Reuters)

#### **RETAIL**

# Portuguese group buys two supermarkets in Mozambique

Sonae MC, of Portuguese group Sonae, has bought two food retail stores in Mozambique in partnership with Satya Capital, the group said in a statement released by the market regulator. The statement sent by the Sonae group to the Portuguese Securities Market Commission (CMVM) said total investment was US\$6 million and will be "shared between Sonae MC and Satya Capital in a ratio of 30/70, respectively." The statement from the group says nothing about the size or location of the stores covered by this partnership, but notes that Satya Capital is an "independent investment firm founded by Mohamed Ibrahim, focused on providing capital for investment in Africa."

The Sonae group entered Mozambique in December 2014, with the opening of its MO fashion store, and a year later added to its presence in the country by opening its first Zippy store, retailing children's clothing. The Satya International website says that Mohamed Ibrahim was the founder of Celtel, an African telecom operator established in 1998. The company was sold in 2005 to MTC Kuwait for US\$3.4 billion, in what was one of the most successful business deals in Africa. (Macauhub)

## South African discount tycoon says Steinhoff, Shoprite tie-up "natural"

It would be a "natural development" for international retail group Steinhoff to take over Shoprite, Africa's biggest supermarket chain, South African retail tycoon Christo Wiese told Reuters. Wiese is the largest shareholder in budget store Shoprite as well as lower-end furniture, apparel and household goods retailer Steinhoff. Bringing the two together would allow him to add groceries to his sprawling discount empire.

The merger, if it happens, would also pull together Wiese's retail assets under one roof following Steinhoff's nearly \$6 billion acquisition in 2014 of the magnate's budget clothing retailer Pepkor and create a global retail giant worth at least 400 billion rand (\$30 billion). "People will speculate about that," he told Reuters in a rare interview at his modest offices overlooking factories in the dusty northern Cape Town industrial suburb of Parow. "People know that I am 75 years old, and I fortunately have a son who is in business with me, but as a family we are continually looking at consolidating our business interests. So, it would be, in a way, a natural development." Since Steinhoff's Pepkor acquisition, some analysts have wondered if Wiese, along with Shoprite's chief executive Whitey Basson and Steinhoff's Markus Jooste were working on a tie-up. Wiese, who describes himself as a "realist, pragmatist", started Pepkor in the 1960s, in Upington on the southern edges of the Kalahari desert, after spotting an opportunity to bring cheaper clothes to the poor. He then transformed budget chain Shoprite from a six-store company in the 1970s to one with hundreds of stores across Africa, from South Africa to the Democratic Republic Congo, dwarfing rivals including Wal-Mart's South African unit Massmart. His discount strategy, which also now includes investments in clothes retailer New Look, has catapulted him to the cover of Forbes magazine as one of Africa's richest businessmen. "Why is it so



successful? ...The people who earn a lot of money are a small portion and then at the base is where your mass market is, where people have limited disposable income and we're aiming at that market," he said. Wiese studied law in Stellenbosch, a close-knit town dominated by Afrikaans-speaking whites, but lives in Clifton, an area of Cape Town overlooking the Atlantic Ocean with some of South Africa's most expensive properties. He owns a high-end vineyard near Stellenbosch, an area dotted with executive golf clubs, but said he "finds playing golf boring."

#### New Look

Wiese is also a top shareholder and board member in South African investment heavyweight Brait SE, which last year bought gym chain Virgin Active, a relative outlier in his business model as it targets middle-class consumers. More in line with the low-cost theme, was Brait's purchase of no-frills retailer New Look. Wiese said Brait's "most obvious" growth trajectory was through its existing businesses that also include U.K. supermarket chain Iceland Foods and South African staples foods maker Premier. "There is plenty of scope (to grow). It's got a strong management team and the biggest scope lies within the existing businesses. New Look for instance, our clothing retail operation in the UK, has identified China as a major growth area," he said. Wiese said New Look was looking to open 500 stores within three years in China, where it already runs 90 outlets. "China is an enormous market," Wiese said, describing the New Look's store expansion plan as a "drop in the ocean" given the size of the Chinese population. Virgin Active, which has taken top spot market in Italy and its biggest chain is located in South Africa, has identified Asia-Pacific as the next growth market thanks to a growing population of health-conscious consumers, he said. Wiese was optimistic for the outlook for Europe despite gloomy economic forecasts but was cautious about the idea of snapping up cheaper assets in Britain following its June vote to leave the European Union. "Undoubtedly it does offer opportunities but there are greater risks because none of us know how it (Brexit) is going to play out," he said. "There are studies that show that by 2040, Britain will have a bigger economy than Germany and a population of over 80 million people, that's a market you can't ignore."

#### **Political Damage**

In South Africa, several businessmen, including the outspoken chief executive of gold miner Sibanye has called for President Jacob Zuma to resign after a series of scandals. Wiese said as a businessmen rather than a politician, he would like to stay out of politics. However, he said that the country's leadership was hurting Africa's most industrialized economy, which is expected to grow below 1 % this year. "It is clear to a blind man that today the top leadership in the government is seen as a problem. It is not helping our economy. That is a fact of life," he said. But Wiese also dismissed suggestions by some analysts that he was looking to preserve his wealth by moving assets abroad during the political turbulence that has also drawn in Finance Minister Pravin Gordhan. On the contrary, he said he expected business to continue to expand, including its interests in South Africa, with Virgin Active for example having its head office in London but earning more than 60 % of its EBITDA, or core profit, in South Africa. "There is no bias to disinvest - in fact the very opposite," he said. (By Tiisetso Motsoeneng and Wendell Roelf, Reuters)

## Uber expands food delivery business into South Africa

Uber Technologies starts its UberEats food-delivery service in South Africa before expanding in the rest of the country and into the continent, it said. It will begin delivering meals in the northern suburbs of Johannesburg, South Africa's largest city, before moving across the Gauteng province and to Cape Town in 2017, Uber Operations and Logistics Manager Dave Kitley told reporters. Uber is making an aggressive global drive into takeaway meal deliveries, gearing up with a big staff recruitment campaign to enter at least 22 more countries. UberEats already operates in six countries and will launch in Amsterdam. Uber launched its ride-hailing service in South Africa in 2013 and since then the service has grown to over 4,000 drivers in Johannesburg, Pretoria, Cape Town, Durban and Port Elizabeth. "Johannesburg was the first city in Africa to have Uber launch and based on the success of launching in Africa as well as the characteristics of Jo'burg and where we are right now in terms of our maturity it is really about testing the product and being the first city in Africa," Kitley said. Kitley said Uber would look to expand UberEats into Africa "as quickly as we can, but right now no imminent plans for that". (*By Ngobile Dludla, Reuters*)

# Uber launches global assault on takeaway meals market

Uber Technologies is making an aggressive drive into takeaway meal deliveries, with the U.S. firm gearing up with a big staff recruitment campaign to enter at least 22 more countries. Reflecting its fierce determination to expand beyond its core taxi-hailing business, Uber will launch its UberEats service in Amsterdam, the first day of trading in the Dutch market leader Takeaway.com's [IPO-TAAY.AS] shares. And according to current job listings on Uber and other recruiting websites, UberEats is advertising 150 roles ranging from general managers to sales staff and delivery couriers that show it plans to enter at least 22 new countries globally in the near future. The company already operates in six countries.

In addition to Amsterdam UberEats says it is also due to launch services in Dubai, Johannesburg and selected areas of Tokyo and plans to be in Brussels, Stockholm, Hong Kong, Taipei, Jakarta, and Bangkok in the coming months. "There's a lot of momentum in the organisation behind UberEats ... We definitely are investing in this space," said Simon Rossi, general manager at UberEats Asia Pacific at a launch event in Tokyo. "I definitely feel it's one of the most important focuses in the (Uber) organisation," he said. As recently as May, Uber executives were signalling that



UberEats' international ambitions were a modest extension of its core business of transporting people. But staff recruitments, increased investments and more aggressive service offerings in recent months suggest something more ambitious is taking shape. "UberEats is one (business) we feel incredibly confident is resonating across the world and resonating across the footprint of the cities in which Uber operates the transport business," Jambu Palaniappan, head of UberEats for Europe, Middle East and Africa, told Reuters.

#### Sub-Scale

Currently Europe is home to many of the most active international players in the online food takeaway business and they are counting on their local ties, established customer bases and extensive restaurant networks to fend off new competition from the likes of Uber and Amazon.

The biggest international players - Britain's Just Eat, Germany's Delivery Hero and Takeaway.com - focus on advertising local takeaways and booking orders for nearby users, while leaving deliveries to be made by the restaurants themselves. But they have also been raising fresh capital and consolidating in preparation for Uber's arrival in their markets

Meanwhile some smaller players have shut down as new funding has grown scarcer, such as Belgium's Take Eat Easy, which operated in 20 European cities, and London-based Pronto, which cooked meals as well as delivered them. Investors have poured nearly \$10 billion (8.9 billion euros) into 421 food delivery deals since the start of 2014, but funding dropped by more than half in the first six months of 2016, according to research from CBInsights. Adding to pressures on existing food delivery players, Amazon launched its international expansion of Amazon Restaurants by entering the London market earlier this month, building on its existing 11-city base in the United States. "The problem for many of the remaining players is that they are sub-scale: They can't compete without superior logistics," said Neil Campling, head of global research for the tech industry at fund manager Northern Trust Capital Markets. Since launching in London in June, Uber has promised to cut delivery times to within a 30-minute window, with no minimum order size or extra delivery fees. You can order a cupcake made in Kensington and have it driven across town to Whitechapel for the price of the cupcake in the shop. In contrast, many rivals promise orders will take anywhere from 30 minutes to an hour, while requiring minimum orders and charging customer delivery fees. UberEats also benefits by being promoted through Uber's existing, very popular car hire app.

# Stronghold

Later this week, Takeaway plans to raise 350 million euros (\$390 million) in an initial public offering that would give it a market value of around 1 billion euros. Some newer entrants like Deliveroo of Britain and Foodora, a unit of Delivery Hero, have their own drivers - but few can rival Uber or Amazon's deep pockets and vast customer bases around the globe. To bolster their respective local and regional positions, Takeaway and Just Eat traded assets in August, with Takeaway exiting Just Eat's British stronghold in exchange for Just Eat's Benelux properties. London-listed Just Eat expects its revenue to rise around 50 % this year and says its 66,000 restaurant partnerships can ensure its growth for years to come. Delivery Hero co-founder and CEO Niklas Oestberg says his firm has built a market-leading position in 28 countries around the world, signing up close to 300,000 restaurants - from Asia to Europe to Latin America - by acquiring local rivals, swapping assets and exiting tougher markets such as China and Russia. Dominance is not assured for Amazon and Uber, for whom meal delivery - a highly localised business that must be won city by city from local players - is but one of several big initiatives. A swing factor could prove to be how willing restaurants, such as pizza chains, are willing to allow the big e-commerce players to come between them and their customers - an issue Amazon has faced with brand-name retailers and Uber with taxi associations. (By Eric Auchard, Reuters)

# **AGRIBUSINESS**

# Africa could feed the world - if it overcomes these key challenges

Nigeria's fledgling food export business was dealt a serious blow last year when the EU put a ban on beans imports - after over four times the acceptable amount of pesticide residue was detected. This comes after a previous ban on melon seeds for unacceptable levels of aflatoxin.

The EU placed this sanction because within two years, more than 50 shipments from Nigeria were rejected at the EU border. The temporary ban which was meant to be lifted in June 2016 was extended by an additional three years for failure by the Nigerian government to set up systems that will guarantee such problems do not reoccur.

The impact of this was not only huge revenue losses for the nation, but a ruined reputation internationally for other exported commodities. The story of Nigerian agriculture should serve as a lesson for African governments seeking to grow their agribusiness: they must not just focus on increasing their food production but on creating quality products that can compete globally.

Today, as major African economies struggle due to plummeting revenue from natural resources such as oil, gold and coal; the argument for a diversified economy and food security has incited an increased donor, government and private sector interest in investing into agri-business. Also, with agriculture currently employing more than half of the labour force in Africa and a projected global population growth to more than 10 billion by 2050, some investors talk of the potential for Africa to feed the world.



However, despite this increased investment, the food industry in most Africa nations has yet to maximise its potential. Like every other industry, to maximise our returns on investment, we must meet international standards. Until we do, we will be hobbled as a continent by trade bans and the low pricing of our food exports.

To build a competitive agricultural sector, lessons can be learned from countries in South America who have committed themselves to providing the world with quality food products. For example, Uruguay is known for premium beef exports which accounts for more than 1.6 of every 10 items exported from the country. They knocked their competition (Argentina and Brazil, which both have a larger capacity) out of the game, to gain the EU, US, and Chinese markets. This feat did not come cheap; it took decades of branding, food safety and quality reforms, and investment.

In fact, in 2014 Uruguay was the only country in the world with a fully computerised traceability system that allowed consumers to know precisely where their beef comes from and how it was raised. This system ensures cattle farmers are held accountable as unwholesome products can be traced back to their farms. Setting up this system cost their government over \$70 million, but it gained them a reputation as the world's foremost producer of quality beef and revenues of over \$1.6 billion annually.

What we must learn from Uruguay is that a critical step in scaling up investment in food production and making it more profitable is 'branding' Africa's agriculture. To do that, we must integrate food safety management systems from the farm to table and we must make it seen by consumers. Until we do, with the current reputation for substandard products, the value of our produce will remain below market price.

To be sure, beyond the economics, there is also a vital health rationale for food safety. It is the right of every citizen to have access to safe food, hence a moral duty of their government. It is especially important that we do not have double standards for the quality of the food that is exported and what is consumed within the continent.

Implementing food safety regulations in Africa will take time, and is further limited by the large informal sector. Therefore, as part of our strategy to increase food production, cultivation and processing practices must conform to global standards. This will involve controlling access to and enforcing appropriate use of pesticides, fertilisers, antibiotics and other farm inputs. It also requires a focus on proper postharvest handling to reduce contaminants and spoilage, and proper inspection at the point of export. Farmers and prospective exporters should also be adequately educated on international standards and the health and economic implications of poor practices.

For example, it might be necessary to provide small-scale farmers, agro-collection/storage centres and food inspectors with affordable handheld chemical detecting devices that allow rapid tests for pesticide residues without needing to send samples to a laboratory. Similar to Uruguay, these rapid tests will encourage accountability, where products from uncooperative farmers can be promptly rejected if they are unsafe.

This campaign to improve our food quality will need the help of agriculture extension workers and the private sector. As a lead consultant at a food system advisory firm, I am playing my part in building the quality control capacity of entrepreneurs in agriculture. I have learnt that we must equip food businesses with the right information; and that mentoring on standards improves their product quality. This sets an example of how the private sector can be involved in developing an agribusiness that consistently produces quality products. Further, lessons can be learnt from several initiatives introduced by the European Union to build the food safety capacity of developing countries. We must take advantage of all those who can help us to improve our agriculture.

Invariably, Africa's potential to securely feed itself, the world and gain huge returns on its agribusiness will depend significantly on a commitment to improve food quality. Across Africa, we should seek to emulate Uruguay's adherence to quality rather than the cautionary tale of Nigeria. The first step on this path is to focus on creating a brand that meets the trade conditions that govern global food export. (World Economic Forum)

## Flagship agricultural initiative to be remodelled

Programa de Aquisição de Produtos Agrícolas (Papagro)-the flagship agricultural initiative aimed at improving small producers' access to market-is to be remodelled, according to the commerce minister, Fiel Constantino.

Papagro is the latest in a long line of centralised agriculture schemes in Angola that have made substantial promises but delivered little. Launched in 2013 amid much fanfare, it provided centralised points for farmers to take their goods and sell at fixed prices to commercial buyers. The initiative was designed to help smaller producers find new markets and give them access to refrigeration and storage units to help prolong the life (and value) of their goods. However, since its outset Papagro has been beset with problems. In the first instance, many farmers struggled to get to the selling points because of bad roads in rural areas and a lack of adequate transport. Another issue has been delays in payments to the sellers, who have in some cases been made to wait months at a time for reimbursement. Moreover, the fixed prices set by the scheme were often below informal market rates, meaning that farmers felt they lost out on sales value. According to Mr Constantino, a technical group has been set up to review the programme. It is due to report back byend-October with suggestions on remodelling the scheme, and with just a year to go until the next general election, the ruling party will be keen to keep rural voters on side.

Angola has significant potential to become a major agricultural producer given its large land mass, good rainfall and varied terrain. However, factors including weak supply chains (as a result of bad roads and poor organisation) and a lack of electricity for processing and storage continue to hold it back. Improving links between small-scale farmers and commercial buyers is very much needed in Angola. However, top-down, state-backed schemes-especially those that



involve fixed prices-often choke economic development. Allowing market forces to create a more sustainable ecosystem is a better approach in the longer term. According to the Ministry of Commerce, the new-look Papagro will see more tie-in with the private sector, which is a positive development. (Economist Intelligence Unit)

#### Angola plans to boost coffee production

The Director General of the Angolan National Coffee Institute of Angola (INCA), João Ferreira Neto announced the launch of a programme to triple annual production of coffee in order to support diversification of the economy. Speaking to Jornal de Angola Ferreira Neto said that coffee production in 2015 was 12,000 tonnes, or 20 times less than in 1974, but added this figure could increase to 17,000 tonnes in 2016. Exports in 2015 reached US\$2 million compared to US\$650 million in 2013.

The destruction of the coffee industry was a result of civil war and a change in the workforce, which in colonial times, were hired from the South of Angola to work in the north of the country. "The price of coffee tripled from one year to the next and this is encouraging for producers, who appear to have some difficulty in finding coffee because some traders have been taking out harvest loans, that is, they pay for the harvest before the producer harvests it, which shows that coffee crop is a good business", said the director general of INCA. Ferreira Neto also said that with the budget approved by the government of 1 billion kwanzas for the sector, as of 2017 it will be possible to plant 25 million coffee seedlings increasing the area of cultivation by between 500 and 1,000 hectares. Coffee is now produced in 10 of Angola's 18 provinces including Cabinda, Bengo, Kwanza Sul and Kwanza Norte, Uíge, Benguela, Huambo, Bie, Malanje and Huíla. The production structure comprises about 50,000 producers registered throughout Angola, of which 98% are family farms. The coffee farms are located in the provinces of Bengo, Kwanza Sul and Uíge, with about 10,000 registered coffee growers. Ferreira Neto also told the newspaper that Angolan coffee, currently exported to Spain, Germany, France, Italy, Portugal, the Netherlands and Lebanon, is also attracting the interest of the United States, Middle East and Russia. (Macauhub)

## Salt production in Angola below consumption needs

Angola's Secretary of State for Fisheries, Fidelinha Costa said in Moçamedes in the first half f the year produced 41,000 tonnes of salt, which is far below the country's needs. Angola annually consumes about 250,000 tonnes of salt. Costa, who was speaking at a forum on the salt sector and the diversification of the Angolan economy, said that Benguela province was the largest producer of Angolan salt with 150,000 tonnes followed by Namibe, Bengo, Kwanza Sul, Zaire and Luanda. Angola exports salt to Italy, China, Brazil, Belgium, Germany, France and the United States. (Macauhub)

#### Angolan company invests in expansion of its fishing fleet

The Uniangola Company will expand its resources for catching, freezing and packaging fish out at sea through an investment of US\$3.75 million signed in Luanda with the Ministry of Fisheries. The director of the Technical Unit for Private Investment (UTIP), Paula Correia, said that under the contract Uniangola will purchase a new boat, increasing its fishing fleet from two to three units. The director of Uniangola, António de Oliveira, said the purchase of a new fishing boat, which will arrive in Angola in the next few days, will create 40 jobs, including 34 for national workers and six for workers from Spain, Portugal, Indonesia and other countries. Uniangola is an Angolan company dedicated to sea fishing and has its headquarters in Luanda, with its current fleet of two ships, it catches between 400 and 600 tonnes of fish. The planned investment in the contract signed with the Ministry of Fisheries is divided into US\$2.62 million in cash and US\$1.12 million in loans. (Macauhub)

# Angola re-launches production of canned fish

The production of canned fish will be re-launched in Angola with the opening, in October, of a factory in the city of Tômbwa, Namibe province, where the PesSul Company has invested about US\$4 million, said the factory's manager. Enrique Flores told Angolan news agency Angop that the factory should start operating with a production line of 200,000 cans of tuna a day and another for 50,000 cans of mackerel, with estimated production by the end of year of 3 million 120-gram cans of pelagic species and 9 million units of 80 grams of tuna. The launch of activity in October, after testing the equipment and trial production at the beginning of the year, will mark the return of production of canned food to Angola, at a standstill for several years. The destination of production is expected to be the national market and, at a later stage and once production increases, export markets. The canning industry in the province of Namibe (formerly Moçâmedes) dates back to 1930 and the first unit was known as Fábrica Africana (African Factory), which canned not only fish, but also other products. After independence in 1975, the sub-sector was revived in Namibe and Benguela, and in the latter, there was a larger factory, called Mampesa. (Macauhub)

## Nigeria Plans 2023 Sugar Self-Sufficiency Even as Woes Mount

Nigeria, sub-Saharan Africa's biggest sugar importer, remains on target to become self-sufficient in the sweetener in seven years even as foreign-exchange shortages and insurgents pose a risk to the goal, an industry body said. Refiners Dangote Sugar Refinery Ltd., BUA Refinery Ltd. and Golden Sugar Co., which rely on raw-sugar imports from Brazil, joined a government program in 2013 seeking to meet annual demand of about 1.5 million metric tons within a decade. While output has reached just 14,000 tons so far this year, the target should still be met by 2023, according to the



National Sugar Development Council, based in the capital, Abuja. Progress has been slow because it takes a minimum of three years to get an average sugar refinery up and running, said Samuel Kwabe, acting executive secretary of the council. Efforts to build plantations and cane-crushing mills have been hurt by a shortage of foreign exchange due to lower prices and output of oil, Nigeria's main export, making it harder to import plant components, he said. Fighting by Boko Haram Islamist militants in northeastern cane-growing areas has also made some territories less attractive to investors.

# **Facing Challenges**

"The scarcity of foreign exchange and the insurgency in parts of the country have all affected the program," Kwabe, whose agency is helping oversee the self-sufficiency plan, said in a Sept. 21 interview in the capital. "But we're on course to meet the target." Dangote Sugar, based in Lagos and owned by Africa's richest man Aliko Dangote, a Nigerian citizen, has 7,000 hectares (17,300 acres) of sugar cane under cultivation and bought another 33,000 hectares to be cultivated in the coming months, said Abdullahi Sule, the firm's managing director. Brazilian specialists are helping Dangote, producer of all of Nigeria's sugar this year, to expand capacity and while there have been setbacks, it plans to boost sugar output to 700,000 tons by 2021. Getting access to dollars has been a challenge "since all components for setting up a sugar factory have foreign-exchange needs," Sule said in an interview in Lagos on Sept. 23. Sugar imports cost Nigeria, Africa's most populous country with some 170 million people, at least \$500 million a year, according to the council.

#### **Boko Haram**

While the dollar scarcity is a chronic problem caused by a 15-month peg of the naira to the greenback, which has persisted even since the local currency was allowed to float on June 20, the army has pushed Boko Haram out of many of the areas the militants occupied in the past year. Nigerian sugar self-sufficiency is achievable, though it might take longer than the authorities' plan, Tubonimi Lawson, a Lagos-based agricultural consultant on sugar farming, said by phone. "At the current pace of expansion, it would seem that the three companies in the forefront of the sugar program will reach at least 80 % of the target by 2023," he said. BUA has a new mill able to crush 12,000 tons of cane daily and Golden Sugar's Sunti factory, built on the ruins of a former state-owned sugar firm, has a daily capacity to crush 5,000 tons, Kwabe said. It produced 800 tons of raw sugar during a test run in May. Officials at BUA weren't immediately available for comment and calls to numbers listed for Golden Sugar didn't connect. The council is also backing several smaller operators to set up cane plantations and mills, Kwabe said. The African Development Bank's president, Akinwumi Adesina, said in Abuja the lender will invest in agriculture and finalize a \$1 billion loan for Nigeria next month to help it shore up its budget. (By Dulue Mbachu and Tolani Awere, Bloomberg)

#### **UPCOMING EVENTS**

Africa Hotel Investment Forum Rwanda 5-6 October 2016 Radisson Blu Hotel & Convention Center - Kigali, Rwanda

http://www.africa-conference.com/rwanda/

Private Equity in Africa Summit - Creating Value and Market Growth - London 26 October 2016 https://live.ft.com/Events/2016/Private-Equity-in-Africa-Summit

FT Mozambique Summit - Accelerating a return to growth and stability - Maputo 02 November 2016 <a href="https://live.ft.com/Events/2016/FT-Mozambique-Summit">https://live.ft.com/Events/2016/FT-Mozambique-Summit</a>

The Africa Renewable Energy Forum – 2-4 November 2016, Marrakech, Morocco at Four Seasons Resort Marrakech

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

23<sup>rd</sup> Africa Oil Week – Africa Upstream – Cape Town 31<sup>st</sup> October – 4<sup>th</sup> November 2016 <a href="http://aow.globalpacificpartners.com/events/?fa=overview&id=966">http://aow.globalpacificpartners.com/events/?fa=overview&id=966</a>

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

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



## **Inside Africa**

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

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

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