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Global uncertainties have increased significantly in the wake of the UK's vote to leave the EU and Donald Trump's victory in the US presidential election. The possibility of increased protectionism if Mr Trump decides to follow through with his campaign rhetoric would have negative consequences for Sub-Saharan Africa (SSA), given the region's dependence on international trade. African policymakers will continue to focus their attention on a number of pressing challenges in the short-to-medium term. These include the difficult balancing act of attempting to maintain a policy stance that supports domestic economic growth while combating volatile international commodity prices and uncertain prospects for the world economy. Indeed, there is a risk that a combination of uncertainty about US economic policy and rising US bond yields could draw capital out of emerging markets (including SSA), reviving concerns about the ability of borrowers to service dollar-denominated debt. Countries prioritizing pro-growth investment, notably in infrastructure, education and innovation, will be laying the foundations for increased productivity rates and for competitive economies in the medium-to-long term.

The role of the private sector will continue to grow, but it will be held back by difficult operating environments in many of the region's countries. Government bureaucracy, rampant corruption, skills shortages, severe infrastructure bottlenecks and structural difficulties will remain key challenges. However, there are now an increasing number of companies that have their origins in SSA and operations in more than one country in the region (in either one or a number of sectors).

The slump in oil prices in 2015-16 has been a mixed blessing for the region. It has helped reduce the cost of imports and inflation, but for the region's oil-exporting countries, it has placed increased pressure on fiscal and current-account positions. In the case of Nigeria, the problem of low oil prices has been compounded by a renewed upsurge in attacks by militant groups on oil infrastructure in the Niger Delta.

The Economist Intelligence Unit is forecasting an increase in oil prices to an average of US$56.5/barrel in 2017 and US$60.5/barrel by 2018. Although this will offer some partial respite to the region's oil exporters, it will still leave the price of dated Brent Blend over 45% lower than its average level in 2012. The need to push ahead with greater structural reforms will play an important role for a large number of African countries. The development of infrastructure will remain a priority for fiscal expenditure in the medium term, although African governments will also attempt to promote the role of the private sector in providing the necessary investment. However, unless African governments also tackle the restrictive business operating environment, little progress can be expected in private-sector-led development of infrastructure and other areas.

Despite headwinds, some bright spots

After a difficult 2016, which saw regional growth slacken to just 1.4% (its lowest level for over two decades), we expect the pace of real GDP expansion to pick up to 3.3% in 2017 and 4.1% in 2018. A forecast strengthening in commodity prices, particularly of oil, will help to spur the recovery, together with the pursuit of crucial economic reforms in a number of countries.

Nevertheless, relatively weak growth in the two largest economies, Nigeria and South Africa will continue to hold down the regional aggregate. A further slowdown in the pace of economic growth in China (which has become an increasingly important economic partner of the region over the past decade) will also have a dampening effect on overall activity.

Strengthening oil prices, while having a varied impact across oil producers and oil importers, will clearly have a particularly positive impact on those economies in which oil accounts for a large share of GDP, exports and fiscal revenue. With metals and soft commodity prices also forecast to stage a modest recovery from their recent lows, a number of countries in the region stand to benefit from an improvement in their terms of trade. In addition, an end to the El Niño weather phenomenon-which has badly affected agricultural activity in a number of countries over the last 12 months-will come as a major relief. That said, there is a risk of some residual disruption from La

Sub-Saharan Africa: economic indicators

	2013^a	2014^a	2015^a	2016^a	2017^b	2018^b
Real GDP growth (%)	5.0	5.0	3.3	1.4	3.3	4.1
Population (m)	911.9	936.8	962.3	987.2	1,013.2	1,047.9
GDP (US$ bn)	1,604.8	1,674.7	1,495.3	1,434.1	1,421.6	1,507.5
GDP per head (US$)	1,76	1,788	1,554	1,453	1,403	1,439

^a Economist Intelligence Unit estimates. ^b Economist Intelligence Unit forecasts
Source: The Economist Intelligence Unit

Niña, a weather pattern that often follows closely in the wake of El Niño, and which can lead to droughts and higher than normal storm activity in some parts of the region.

East Africa will record the strongest growth

Of the four subregions into which we divide SSA, growth is expected to be strongest in East Africa, at 5.6% in 2017 and 5.8% in 2018. In Kenya-the subregion's largest economy-economic growth is expected to remain strong, at 5.9% in 2017. The key growth drivers in 2017 will be similar to those in 2016, including investment in infrastructure (from both public and private sources), buoyant household consumption and a further recovery in tourist numbers (assuming no security-related setbacks).

Interest-rate cuts totaling 150 basis points in 2016 (unless reversed) will also support growth, as will the maintenance of a relatively loose fiscal policy. Growth will remain robust in 2018, at 6.1%, helped by a sustained expansion in consumer demand, urbanisation, regional integration and structural reforms. Nonetheless, infra-structural bottlenecks and skills shortages will persist, as will Kenya's dependence on rain-fed agriculture. These factors, combined with the uncertainties surrounding the Brexit process and Chinese growth, will prevent Kenya from achieving an even more rapid rate of economic expansion.

Nigeria, the leading economy, will manage a sluggish recovery

Following an estimated 0.6% contraction in 2016, economic growth in Central and West Africa is forecast to pick up to 1.9% in 2017 and 3.4% in 2018. Nigeria, the leading economy, will post only a weak economic recovery in 2017 from the recession it experienced in 2016. Oil production will pick up a little following the massive disruption caused by militancy in 2016. However, we expect that the government will be unable to secure a permanent end to rebel activity and that lower-level disruption will continue. Much of the non-oil sector will continue to be hindered by the central bank's on-going interference in the exchange-rate system.

Power provision should improve a little, in line with reduced disruption to feedstock from the oil and gas sector, although energy supplies will remain woefully insufficient overall. Real GDP growth in 2017 is therefore forecast at just 0.9%. No significant rise in oil production is expected in the medium term, given the magnitude of the issues faced-including the uncertainty over oil sector legislation, which deterred investors, and the surge in unrest in the main oil-producing region. Elsewhere in the economy, some pro-business policy reforms and a gradual improvement in infrastructure provision will support the non-oil sector. Overall, real GDP growth should pick up to 2.7% in 2018. Nonetheless, such growth levels for a country with a young and expanding population will deliver negligible increases in average incomes and formal-sector employment opportunities.

Côte d'Ivoire's ongoing recovery will support subregional growth

Growth in the Franc Zone will strengthen from an estimated 4.3% in 2016 to an average of 5% in 2017-18. Aggregate growth in the subregion is heavily influenced by the performance of the three main economies: Côte d'Ivoire, Cameroon and Gabon account for around 45% of the Franc Zone's GDP. However, a number of the smaller economies are also benefiting from strong growth. These include those most committed to reform, such as Senegal.

Countries that had previously been benefiting from oil-driven booms, such as Chad, and which have suffered sharp economic contractions over the past year, will also enjoy an improvement in economic activity on the back of a recovery in oil prices.

We expect Côte d'Ivoire's economy to continue growing at a robust pace-with an average expansion of 5.7% a year in 2017-18-provided that political stability is maintained. A credible election in 2015 and a stable political situation, coupled with continued improvements in the investment environment, will continue to encourage investors and donors. Hence, big infrastructure projects (particularly in transport and energy) financed by foreign investment, aid inflows and Eurobond issues will support growth. However, financing constraints (and overambitious targets) mean that not all planned infrastructure projects will be realised and the pace of expansion will not reach double digits, as expected by the government. Strong private investment growth in areas such as agriculture, agribusiness, mining, light manufacturing, housing and services-helped by the government's pro-business reforms and a reliable water and power supply-will also underpin growth. Industries that aim to process the country's raw materials, including cocoa, will expand strongly, as the government offers incentives to develop this sector.

Subregional real GDP growth (%)

	2013^a	2014^a	2015^b	2016^b	2017^c	2018^c
Southern Africa	3.9	2.9	1.9	0.9	2.9	3.6
Franc Zone	4.4	5.8	4.7	4.3	4.9	5.1
East Africa	6.6	6.6	6.5	5.0	5.6	5.8
Central & West Africa	5.8	6.2	2.8	-0.6	1.9	3.4

^a Actual. ^b Economist Intelligence Unit estimates. ^c Economist Intelligence Unit forecasts
Source: The Economist Intelligence Unit.

South Africa's growth will be subdued

Growth in Southern Africa is forecast to recover to 2.9% in 2017, strengthening further to 3.6% in 2018. We expect South Africa's real GDP to edge up to 1.4% in 2017, helped by an easing of some of the constraints that pushed down growth to an estimated 0.5% in 2016. In particular, agriculture will rebound after a crippling drought, provided that rainfall in the approaching wet season returns to near-normal levels (anticipating improved rainfall, farmers are planning to increase maize planting by 26.5% in the 2016/17 season). Tourism, which recovered in 2016 following a two-year contraction, will also support overall growth in 2017. Electricity supply will improve, helped by new plant openings, although the benefits will be offset by a further real-term rise in power tariffs.

Nevertheless, several constraints will persist in 2017, preventing a more rapid economic recovery, including tighter monetary and fiscal policy, high unemployment (which will restrain retail sales), elevated strike risks, large household debts and policy and political uncertainties, which are inhibiting private investment. Higher oil prices will weigh on activity, although South Africa may benefit from a mild upturn in mineral markets. Global risks will remain substantial in 2017, including those linked to Brexit and Mr Trump's election victory, despite a modest improvement in world growth.

We expect growth to accelerate to 2.2% in 2018, although the rate of expansion will stay below the level required to reduce unemployment (as the working-age population rises), and the risks are mainly on the downside. Weak overall job creation will continue to suppress aggregate demand, as will costlier oil and electricity, although real-term pay rises (for those in work) and a further improvement in power supplies will provide some relief. The maintenance of tight monetary and fiscal policy will somewhat restrain growth in 2018. Private investment may recover in 2018, provided that the government clarifies its intentions on a range of controversial legislation.

Despite the rising global risks, economic activity will continue to be supported by the ongoing pursuit of crucial economic reforms in an increasing number of SSA countries, combined with rising investment and a further strengthening of ties with growing economies in Asia and the Middle East. Nonetheless, even if SSA returns to sustained annual growth of 3-4%, this would still be insufficient to have a major impact on poverty levels in most countries. For this, annual real GDP growth would have to accelerate to 8-10% for a sustained period (and be broad-based)-a rise that seems highly unlikely on current trends. *(Economist Intelligence Unit)*

Mozambique: Country Outlook

Political Stability: Mozambique's political stability is under threat as the fractious political elite struggles to respond to the economic and security crises facing the country. Fierce rivalries within the long-standing ruling party, the Frente de Libertação de Moçambique (Frelimo), will continue to stir political volatility, and the president, Filipe Nyusi, will struggle to assert his authority as a hardline faction within the party (allied to the former president, Armando Guebuza) seeks to retain influence. Parallel power structures within Frelimo will undermine government effectiveness, and international pressure to investigate alleged state corruption will exacerbate divides. The Economist Intelligence Unit does not expect Frelimo to lose power, as there is no viable opposition that could threaten its dominance; nor do we expect Frelimo to formally split, since this would require dismantling the deep-rooted systems of patronage that underpin the party. But since Mr Nyusi lacks the political capital to restore unity, factionalism will continue to undermine political stability.

Election Watch: The next presidential and legislative elections are due in 2019. We expect Mr Nyusi to secure the nomination as Frelimo's presidential candidate and, although power brokers in the party may push for alternative nominations, they are likely to be blocked by rival factions. With a semblance of party unity prevailing during the election period, and Frelimo continuing to benefit from its influence over state institutions, we expect the ruling party to dominate the presidential and parliamentary polls.

International Relations: Following the revelation in April 2016 of illegal public borrowing and subsequent aid freezes, as well as allegations of state-orchestrated human rights abuses and recurrent outbreaks of political violence, relations with traditional development partners will remain tense. The government launched an independent investigation into its illegal debt in November, which will go some way to restoring donor relations and should pave the way for a resumption of some aid.

Nevertheless, we expect direct budgetary support to be mostly replaced by programme-related aid over the medium term, owing to lingering concerns over the government's management of its finances.

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

Economic Growth: We forecast that, after falling to a 15-year low in 2016, amid a shortage of hard currency, weak investment inflows and low government spending, real GDP growth will recover slightly, to 4.2% in 2017, driven almost entirely by the minerals sector. The coal industry is poised for brisk growth, spurred by firmer international prices, relatively robust demand in India (Mozambique's key export market) and mining companies' efforts in 2015-16 to boost efficiency. Production of titanium ore is also expected to increase sharply, as mining companies seek to capitalise on higher prices. However, economic headwinds will persist elsewhere. Fiscal austerity and soaring inflation will stifle domestic demand, and financial volatility and political risk will lead to a further drop in investment. Beyond 2017 we expect the economic recovery to gradually gather pace as macroeconomic stability improves and market confidence recovers. However, at a yearly average of 5.1% in 2018-21, real GDP growth will remain well below the average of 7.3% that was recorded in 2005-15. Tight fiscal policy will continue to limit growth in the services and construction sectors, which have historically relied on government contracts, but some private investment in these sectors is expected from 2018. The gradual expansion of cash crops will drive agricultural growth, but this will be restricted by low productivity among smallholder farmers.

Inflation: After the headline rate accelerated to 25.5% in October--its highest level in over a decade--inflation is set to remain elevated in the near term, fuelled by the effects of rapid currency depreciation. Upwards inflationary pressure in 2017, stemming from rising global oil prices, further currency depreciation and higher prices for state-regulated goods (including transport, electricity and wheat), will be only partly mitigated by a gradual fall in domestic food prices as production normalises after drought conditions in 2016. We expect inflation to fall from an average of 24.7% in 2017 to 5% in 2021, aided by a more stable currency and a tighter fiscal stance.

Exchange Rates: The metical, which was among the world's worst-performing currencies in 2016, will continue to weaken throughout the forecast period. After depreciating rapidly in mid-2016 as market uncertainty fuelled dollar demand, the metical has rebounded slightly in recent months following the government's efforts to restore market confidence. This is, however, likely to be short-lived. Higher prices for coal and aluminium (Mozambique's main exports) will provide some support to the metical in 2017, but downward pressure will continue to be exerted by low foreign-exchange reserves, weak aid inflows and sizeable twin deficits, with the metical forecast to slide to an annual average of MT83:US$1 in 2017. A narrowing fiscal deficit will slow the pace of depreciation thereafter, with the metical forecast to average MT102:US$1 in 2021.

External Sector: We expect the current-account deficit to continue its sharp contraction in the early part of the forecast period, to 18% of GDP in 2018, driven largely by an improvement in the trade balance. We expect it to widen slightly in 2019-20, to a yearly average of 22.5% of GDP, as import demand growth picks up and global prices for Mozambique's main exports soften, before falling back to 21.4% of GDP in 2021 on the back of stronger coal prices. The deficit will be financed by external borrowing and foreign direct investment inflows.

Mozambique: Quarterly economic indicators

	2014		2015				2016	
	3 Qtr	4 Qtr	1 Qtr	2 Qtr	3 Qtr	4 Qtr	1 Qtr	2 Qtr
Prices[a]								
Consumer prices (2000=100)	120.6	121.0	125.3	123.7	123.2	129.7	140.8	146.4
Consumer prices (% change year on year)	2.6	1.9	3.3	1.5	2.2	7.2	12.4	18.4
Financial indicators								
Exchange rate MT:US$ (av)	30.80	32.13	34.23	37.07	40.83	47.80	48.57	56.47
Exchange rate MT:US$ (end-period)	31.10	33.60	37.10	39.00	42.80	45.90	50.90	63.60
M1 (end-period MT m)	162,791	181,602	178,323	185,02	194,884	218,394	210,418	236,302
M1 (% change year on year)	19.3	24.4	24.3	16.8	19.7	20.3	18.0	27.7
M2 (end-period MT m)	235,47	264,47	265,473	281,212	298,693	333,465	328,971	352,563
M2 (% change year on year)	17.2	22.2	22.7	22.8	26.8	26.1	23.9	25.4
Foreign reserves (US$ m)								
Reserves excl gold (end-period)	3,198	3,01	2,567	2,683	2,414	2,411	2,06	2,163
[a] Maputo.								

Sources: IMF International Financial

(c) The Economist Intelligence Unit 2016

(Economist Intelligence Unit)

Nigeria economy: The challenges of ending oil dependency

There are some important contradictions in Nigeria's trade profile and the government's policy agenda. The large depreciation of the naira since June 2016 should have boosted export demand, given higher local competitiveness, and anecdotal reports support this. However, official trade data show big falls in non-oil exports. This is almost certainly due to the authorities' confused policy stance, including overambitious efforts to both boost self-sufficiency for key commodities and diversify exports away from the moribund oil sector.

The value of Nigeria's non-oil exports, including agricultural products, fell sharply from N4.41trn (US$14bn) in 2014 to N2.78trn in 2015, according to the National Bureau of Statistics (NBS). In the first nine months of this year these exports amounted to only N975.2bn (US$3.1bn). However, this decline appears to contradict complaints of local manufacturers that they have been denied locally produced raw materials, because farmers and commodity traders have preferred to sell them abroad where they fetch more money in naira terms following the de-pegging and depreciation of the local currency in mid-2016. Furthermore, in a recent radio interview Garba Shehu, a spokesman for the president, Muhammadu Buhari, warned that Nigeria risked famine in 2017 because of high global demand for its grain following a good harvest in the country. He said that the Ministry of Agriculture had expressed concerns about the high rate of grain export, which could lead to domestic shortages.

The contradiction

Herein lies the contradiction: have non-oil exports plunged over the past two years, as per the NBS data, or has the devaluation of the naira spurred local producers to sell more abroad as economic theory would imply? It is difficult to ascertain the precise state of Nigeria's international trade, as national statistics tend to be unreliable, partly owing to much of the economic activity in the country occurring in the shadow economy. Indeed, what seems to be the case is that official data have not captured the growth in unrecorded exports by traders and other businesses wishing to circumvent the Central Bank of Nigeria's capital controls, including requirements on the repatriation of export proceeds. Since the start of 2014 the value of the naira against the dollar has dropped from N155.7:US$1 to N305.5:US$1 in the official market, while in the parallel market it has crashed from around N173:US$1 to N485:US$1. So over this period the differential between the two markets has widened from 11.1% to 58.8%. Under these circumstances farmers and other producers stand to gain more by exporting their products through unofficial channels, including via neighbouring ports, and changing their hard-currency earnings in the black market. In September the agriculture minister, Audu Ogbeh, told Bloomberg that most of Nigeria's exports were not being recorded as exporters bypass official channels to gain from the exchange-rate gap between the official and parallel markets.

A lack of progress on diversification

Although the NBS trade statistics probably present an overly gloomy picture of Nigeria's non-oil exports, there is no evidence to suggest that the country has made significant progress towards diversifying away from dependence on oil and gas sales. Reliance on hydrocarbons for government revenue and foreign-exchange supplies remains a fundamental weakness of the economy, which subjects it to boom and bust cycles. Successive governments have sought to return Nigeria to the days prior to the oil boom when the country was a major exporter of agricultural commodities, such as cocoa, rubber, groundnut and palm oil.

Officials say that ending reliance on oil is one of the main objectives of the National Economic Recovery and Growth Plan to be announced by Mr Buhari later in December. The diversification agenda will focus on agriculture and mining, as well as establishing industrial parks where investors will be given incentives to produce for export. The administration has already declared its aim to make Nigeria self-sufficient and an exporter of rice and wheat by 2018 and 2019 respectively. It has also promised sweeping reforms, including a price guarantee scheme for farmers and private-public production boosting programme, to lift agricultural exports.

However, most of the economic policies and ambitious targets articulated by the administration have been tried, without much success, by previous interventionist Nigerian governments. There have been countless schemes to raise production and encourage private investment, including tax breaks, cheap credit and subsidised inputs, but none has been transformational. The current administration is likely to struggle to finance its plans to improve Nigeria's poor infrastructure, especially power and transportation, and seems to lack the political commitment to pursue market-oriented reforms that could encourage more private investment to boost productivity.

Another important disconnection

Another issue that we would expect to hamper diversification is policy incoherence stemming from the tension between the drive for national self-sufficiency and prioritising of local industries on the one hand and the desire to expand exports to generate more foreign exchange on the other. The

complaints of some manufacturers that raw materials needed for domestic production are being exported suggest that they believe that local industries should not have to compete with the global markets. Manufacturers are also unhappy with farmers, who are now better informed about world market conditions thanks to the Internet and base their price demands on international levels.
For example, the president of the Nigerian Textile Manufacturers Association, Grace Adereti, told the Lagos-based Guardian newspaper in December that local cotton growers were demanding a price based on the international market price, which, if paid, would make her members' output uncompetitive. She called for the revival of commodity boards as a way to ease manufacturers' access to raw materials. Resurrecting price-fixing government commodity boards, scrapped in 1986 as part of the structural adjustment programme, is unlikely to benefit farmers. Indeed, it would probably depress output.
There are many who believe that a country like Nigeria with a weak industrial base and widespread poverty should prioritise production for domestic consumption. Responding to the newspaper report that consumers may face higher prices owing to commodity exports, the head of the National Bureau of Statistics, Yemi Kale, commented on Twitter on December 4th that this is what happens when an export expansion agenda is pushed before local production is increased to meet domestic demand. However, it is the case that, unless non-oil exports are substantially increased, Nigeria will be unable to end reoccurring foreign-exchange crises that have plagued the country for decades and ultimately end up hurting consumers. This disconnection, and the government's struggles to get around it, is likely to continue to hinder Nigeria's development in the coming years. *(Economist Intelligence Unit)*

IMF, WORLD BANK & AFRICAN DEVELOPMENT BANK

AfDB commits USD 74.9M to reinforce road connexion between Mozambique and Tanzania

On Friday 9th December of 2016, the Board of Directors of the African Development Bank Group (AfDB) approved USD 71.8M grant and USD 3.1M loan to the Government of Mozambique for the construction of an asphalted 70km road section in Northern Mozambique, to improve connectivity with Tanzania. The project will open up that isolated part of the country, contributing to the economic growth and the eradication of poverty, as well as foster cross border trade and reinforce regional integration.
The road segment Mueda – Negomano represents a missing link on the transport corridor between Mozambique and Tanzania. The Bank will finance the paving of the road for phase I. This phase, approved today, finances a 70km road section which starts at Negomano, located adjacent to the Ruvuma River, the natural frontier with Tanzania. The section ends in the locality of Roma. The improvement of the road will reduce from three to one hour the time to travel between the two localities. That first phase will be complemented by a second one, planned to start in 2019, which will connect Roma to Mueda and includes the construction of a one stop border post. “The project is key for traders and road users, who transport goods between Tanzania and Mozambique. Following the completion, they will benefit from more direct and shorter journeys to the ports of Pemba in Mozambique and Mtwara in Tanzania, effectively enhancing regional trade” said AfDB Chief Transport Engineer, Aymen Osmannn 7 Ali. The new road will extend the paved road recently built in the Tanzanian side, financed by an AfDB project approved in 2012. “The Bank is well positioned to support such development of regional corridors and road infrastructure due to its ability to coordinate programs and projects across countries. The outcomes of the project will significantly contribute to attaining the goals of the Bank’s High Five (Hi-5s) in the regions concerned, contributing to “Integrate Africa” explained Amadou Oumarou, Director of Transport and ICT department of the AfDB.
The project includes the development of a masterplan for transport infrastructure and connectivity for the Northern regions of Mozambique (Niassa, Cabo Delgado and Nampula provinces). The

Masterplan will target the various sub-sectors such as maritime, railways, roads and bridges, and will act as an update to existing national plans, in light of the anticipated major economic transformation in the Northern region.
Part of the financing will also be dedicated to improve the living conditions of the population in the project area and the preservation of wildlife, through a Social Inclusion and Biodiversity Program (SIBP). The program includes i) increasing accessibility to the transport system for locals, ii) the construction of basic infrastructure for villages along the corridor, such as electricity, wells, social services, etc. iii) Biodiversity protection program, iv) improved health and education services and v) increased economic opportunities for locals. On that last point, the program will include capacity building for the different entities in the roads sub-sector.

African Development Bank to sink US $20 million in Port Sudan urgent water and sanitation project

In collaboration with the UK Department of International Development (DfID), the African Development Bank (AfDB) concluded a project identification mission to Port Sudan on December 13, 2016. The mission sought to hold discussions with authorities and stakeholders on the possibility for the AfDB to finance the Port Sudan Priority Water and Sanitation (PSPWS) project as part of its joint efforts with DfID to address Port Sudan's short-, medium- and long-term water needs. The PSPWS, which the Bank plans to finance with approximately US $20 million from the Bank's Transitional Support Facility, is based on the Strategic Investment Plan (SIP) study undertaken by DfID.
The SIP defines the urgent, medium- and long-term water and sanitation interventions in Port Sudan. In addition to financing the SIP, DfID has also committed GBP 6 million for capacity building and technical assistance, among others, to support activities identified in the SIP. The objective of the PSPWS project, within this SIP, is to improve the availability and quality of water supply and sanitation services in Port Sudan.
The identification mission met with the Governor of Red Sea State, the Ministers of Health as well as the Minister of Physical Planning and Public Utilities and other State officials to discuss the water resource requirements. During the mission, the Governor of Red Sea State, Ali Ahmed Hamid, underscored the importance of the AfDB's possible support given the acute water shortage and sanitation needs in Port Sudan.
For his part, AfDB's Country Programme Officer in Sudan, Kenneth Onyango, who represented the Bank, expressed the institution's commitment to continuing the collaboration with the Government and other development partners in the water and sanitation sector. He specifically acknowledged the strategic importance of the Bank's collaboration with DfID, adding that more emphasis will be given to such collaborative efforts in the future.
The State Minister of Health, Hatim Ahmad Elias Daak, emphasized the need for improving sanitation through support for waste disposal. He further mentioned that AfDB's support will complement the ongoing work by other development partners. At the Ministry of Physical Planning and Public Utilities, Mustafa Mohamednur, the State Minister welcomed the mission and expressed appreciations for the Bank's potential intervention in the water and sanitation sector. The Bank expressed its willingness to continuously dialogue with all stakeholders to ensure focused intervention for maximum impact.

African Development Bank approves US$ 500 million 2nd tranche of budget support loan to Egypt

The Board of Directors of the African Development Bank (AfDB), has approved a loan of US$ 500 million to finance Egypt's economic governance and energy support program phase II. The loan is the second tranche of a three year, US$ 1.5 billion programmatic series, covering the fiscal years

2015/16 to 2017/18 (July-June). It builds on the first phase of the operation, a US$ 500 million loan that was approved in December 2015 and was fully disbursed in early January 2016.
The economic governance and energy support program is designed to support strong, sustainable and inclusive growth in Egypt by providing a financing incentive for reforms that will help drive fiscal consolidation, improved governance and efficiency in the energy sector, and strengthening of the business operating environment. Overall, the current tranche will provide a significant contribution towards meeting the Government's financing requirement in 2016/17.
The specific objectives of the operation are to: (i) advance fiscal consolidation through higher tax revenue collection, and improved fiscal transparency and management; (ii) ensure sustainable energy supply by improving governance in the power and gas sectors, reforming energy subsidies and rationalization of tariffs, and enabling private sector investments in cleaner forms of energy to promote green growth; and (iii) strengthen the business environment by improving investment and industrial sector regulations, and supporting open competition, transparency, and financial inclusion. The loan operation's cross-cutting themes are also important and aim to indirectly help: (i) increase support for the poorest by ensuring more pro-poor spending is directed via targeted social safety nets; and (ii) raise growth and job creation especially for youth by supporting more business- and investment-friendly policies and regulations.
The Egyptian Authorities have recently demonstrated their continued commitment to the implementation of reforms by liberalizing exchange rate policy in early November. A market determined exchange rate is already leading to higher capital inflows, increased foreign exchange reserves, and an improvement in external competitiveness. The earlier effort this year to switch to a value added tax is also delivering an improvement in fiscal strengthening, which will help reduce the fiscal deficit and the domestic debt stock over the medium term to a sustainable level. Energy sector reforms are another crucial component of the authorities' reform agenda and annual electricity tariff and fuel price adjustments are expected to continue to complement the fiscal consolidation over the coming years. A range of business, investment, and industrial sector reforms are in the pipeline, which, when approved into law will complement the above efforts, helping underpin Egypt's economic turnaround with a clear focus on helping support the poorest via improved targeting of social spending on health, education, and job creation.
"The Bank's support through this operation will contribute to sustaining the government's reforms agenda, provide further fiscal space to improve the targeting of public action to the most vulnerable segments of the population, and support Egypt in improving the quality of life and well-being of its citizens".

AfDB approves USD 159 million corporate loan to Ethiopian Airlines to finance expansion plan and fleet modernization program

The Board of Directors of the African Development Bank (AfDB) has approved a financing package of USD 159 million to partly finance Ethiopian Airlines' expansion plan and fleet modernization program. The package comprises two tranches, with the first tranche (85% of the financing) being covered by African Trade Insurance, Africa's export credit agency, which will be providing credit risk insurance to the transaction. The investment is a reflection of the Bank's new strategic thrust to achieve its five operational priorities and is rooted on the necessity to integrate Africa and improve air connectivity in the continent.
Ethiopian Airlines is the flagship airline for Ethiopia, 100% owned by the government of Ethiopia. Its operations are covering all aspects of aviation services including passenger services, cargo services, maintenance, ground handling, catering and training with the aviation academy. With 93 destinations served, it is connecting the continent through its pan-African routes and it is also connecting Africa to the rest of the world. The Bank's support will allow Ethiopian Airlines to keep the momentum on its expansion plan and be on track on its route operating roadmap. Ethiopian

Airlines is setting the standards for the aviation sector in Africa and operates a modern and fuel efficient fleet.
This corporate loan complements previous interventions approved by the African Development Bank in support of developing the aviation sector on the continent, both from its public and private sector windows. It is also a testimony of the Bank's catalytic role in improving the operating environment and financial soundness of the aviation sector in the continent. The African Development Bank has a long-lasting relationship with Ethiopian Airlines and newly approved intervention is the second corporate loan to Ethiopian Airlines processed under the Bank's private sector window.

Partners join forces to improve wastewater management and sanitation in Africa
A new project has been launched to improve wastewater management and sanitation provision in Africa.
The project, led by the African Development Bank, UN Environment and GRID-Arendal, will improve knowledge on wastewater management and sanitation provision. By assessing management of wastewater, including its impact on human health and the environment, the three-year project will focus on wastewater, sanitation services and safe drinking water.
The lack of wastewater management and sanitation facilities are challenges for many countries in Africa. As a result, some countries on the continent are witnessing the re-emergence of fatal and yet preventable water-borne diseases such as typhoid and cholera. It is expected that the project will result in a shift towards good practices while also pointing to the vast opportunities for private and public sector investment in wastewater management and sanitation provision in Africa.
The Abidjan-headquartered African Development Bank is supporting infrastructure development in Africa through its Partnership for Infrastructure Development in Africa. Some of the initiatives that the bank is supporting include the Africa Water Facility and the Rural Water Supply and Sanitation Initiative, which are having some positive impacts on human health and the 'environment. "When the right policies are effectively implemented, they can catalyse private and public sector participation in wastewater management and sanitation provision in Africa, with positive transformation of peoples' lives," said Osward Mulenga Chanda, Manager of the African Development Bank's Water and Sanitation Department. "Sharing proven best practices on wastewater management and sanitation provision will inform policy dialogue and engender change. The three project partners bring together complementary in-depth expertise on water resources management," Chanda further said.
The project will provide data and knowledge on some of the indicators for tracking progress torwards achievement of the United Nations' Sustainable Development Goals. Through a range of products that include news and policy briefs, maps, graphics, and an atlas, the project will engage experts across Africa as well as provide a platform for regular discussion and sharing of ideas. "The need for sustainable wastewater management practices in Africa is steadily rising, and this requires supportive policies, appropriate technologies and innovative financing mechanisms," noted Birguy Lamizana, Programme Officer, Global Programme of Action for the Protection of the Marine Environment from Land Based Activities at UN Environment. "Improving wastewater management and sanitation provision will have positive benefits on both human health and the environment across the continent", Lamizana added. "Therefore it is gratifying to see the joining of forces by UN Environment, the African Development Bank and GRID-Arendal in working towards a better understanding of the state of wastewater and sanitation in Africa. Up-to-date information will allow us to make better decisions. The comprehensive package of knowledge products proposed under the project will definitely provide positive insights and shifts in mindsets on matters of sanitation and wastewater management." "Established by the government of Norway to support the work of UN Environment, GRID-Arendal is excited to partner with the Africa Development Bank in activities

that support some of Africa's pressing needs, including sanitation provision and wastewater management," said Peter Harris, Managing Director, GRID-Arendal.

The African Development Bank Group approves Africa Renewable Energy Initiative (AREI)
The Boards of Directors of the African Development Bank (AfDB) have endorsed the proposal by the Bank's Management to serve as Trustee to administer and manage the resources of Africa Renewable Energy Initiative (AREI), and also to host the AREI Independent Delivery Unit as requested by African Heads of State and Government.
The AREI is an Africa-owned and Africa-led initiative of the African Union. It aims at harnessing Africa's abundant renewable energy resources to help achieve the Sustainable Development Goals, enhanced well-being, and sound economic development by ensuring universal access to sufficient amounts of clean, appropriate and affordable energy; as well as help African countries leapfrog towards renewable energy systems that support their low-carbon development strategies while enhancing economic and energy security. In so doing the Initiative will ensure access to energy while addressing climate change. It is indeed Africa's bold effort at transitioning to green growth.
AREI was launched at COP21 in Paris in December 2015 and is receiving strong international support from development partners who have committed to mobilizing at least $10 billion cumulatively between 2015 and now to harness Africa's renewable energy potential and expand energy access across the continent.
AREI will have a governance arrangement consisting of a Board of Directors, a Technical Committee, an Independent Delivery Unit and a Trustee who shall serve as the Host of the Independent Delivery Unit. The Bank is grateful to France and Germany who have already committed Euro 6 million and Euro 2 million respectively to supporting the Independent Delivery Unit.
The Bank will consequently host AREI as an Open Access Global Fund within the Bank's Power, Energy, Climate Change and Green Growth Complex. As an Open Access Global Fund, accredited Implementing Agencies operating in Africa will be able to access the Fund. It will be functionally independent from the Trustee's decision-making structures. The Bank's New Deal on Energy for Africa is a partnership-driven effort. AREI will be a strong partner in ensuring that Africa achieves universal access to energy and that the share of renewables in Africa's energy mix is significantly ramped up.

AfDB approves USD 80 million loan and USD 20 million equity to Kainji and Jebba Hydro Power Project in Nigeria
The Board of Directors of the African Development Bank (AfDB or the Bank) has approved a financing package of USD 100 million, comprising USD 80 million loan and USD 20 million equity for the rehabilitation of the Kainji and Jebba hydro plants to increase available capacity from the current available capacity of 917 MW to installed capacity of 1,338.4 MW. The Kainji and Jebba plants are one of Nigeria's cheapest and steadiest suppliers of electricity.
The Bank's financing is rooted in the New Deal on Energy for Africa, which is founded on the Bank's High 5 strategy on Lighting up and powering Africa. It is also aligned with Nigeria's national strategic priorities and Vision 2020 on improved access to electricity and diversification of energy sources.
The AfDB, through this inaugural private sector power transaction in the country, aims to play a role in not only increasing generation capacity, but also, and more importantly, contributing to the addition of green power to the grid in a country traditionally dependent on thermal power. It is noted that, with the support of the Bank and other development finance institutions, the Federal Government of Nigeria's ongoing broad power sector reforms are expected to enhance successful private sector participation in the sector.

The project is expected to deliver strong development outcomes in the country, including but not limited to increased generation capacity and diversification of energy resources; governance and fiscal effects from substantial government revenues; positive environmental effects through power generation from a renewable resource; and private sector development arising from improved business environment, local linkages and knowledge transfer. By relaxing energy infrastructure constraints in a high-deficit country, the project has the potential to contribute to the Bank's inclusive growth objective. The contribution to green growth is potentially high, as increased use of a renewable energy resource like hydro power will lower the carbon emission intensity for the power generation system.

Africa50 to Develop Solar Power in Nigeria

Africa50, the infrastructure fund for Africa, has signed a joint development agreement (JDA) for an 80 MW (AC) solar photovoltaic independent power project in Nigeria. The project, near Dutse in Jigawa state, will be co-developed with Scatec Solar, a Norwegian integrated independent solar power producer, and Norfund, the Norwegian Investment Fund for Developing Countries.

The project includes the construction of a dedicated 132 kV overhead transmission line that will connect the plant to the Dutse substation. The electricity will be sold to NBET, Nigeria's bulk purchaser of electricity, under a 20-year power purchase agreement. Under the JDA, Africa50, Scatec Solar, and Norfund commit their resources and funding to complete the development phase of the project and prepare it for financial close.

Benefiting from excellent irradiation, the plant will help to alleviate Nigeria's significant power deficit and diversify the country's energy mix. This will improve energy security and provide more reliable electricity to businesses and households, contributing to Nigeria's sustainable economic growth and greenhouse gas emission reduction objectives. "I am pleased that, a mere five months after its first Annual General Meeting, Africa50 is already making its first investment," said Dr. Akinwumi Adesina, President of the African Development Bank (AfDB) and Chairman of Africa50's Board of Directors. "This investment fits in squarely with one of the High 5 priorities that I laid out for the AfDB Group – to 'light up and power Africa.' I look forward to more Africa50-supported projects that will promote Africa's economic development, as the fund ramps up its infrastructure investments." Africa50 CEO, Alain Ebobisse added: "Access to reliable energy is one of the most critical needs in Africa, including in Nigeria, where it is a government priority. I look forward to deepening the relationship with the authorities of Nigeria, one of our key shareholder countries, and to supporting more projects in this and other infrastructure sectors."

African Development Bank Group approves €769.78 million to improve urban transport in Abidjan

- ***87.9 kilometers of developed urban motorways and a fourth bridge in Abidjan***
- ***60 young engineering jobs created for young Ivoirians***
- ***The African Development Bank, a major partner for Côte d'Ivoire***

The Board of Directors of the African Development Bank Group (AfDB) has approved a loan of 769.78 million euros to Côte d'Ivoire aimed at significantly improving urban transport in the city of Abidjan.

This financing will contribute to improving the living conditions of the people living in Abidjan through the development and rehabilitation of road infrastructures. More specifically, the project involves the development of 87.9 km of fast urban roads, a 1,400-meter bridge, six interchanges, the rehabilitation of traffic lights at 89 intersections, urban waste management, and the strengthening of existing capacity for traffic control, urban planning, local revenue enhancement, road safety and the protection of natural ecosystems. "The project will be implemented from March 2017 to December 2021 and will improve traffic flow, reduce road accidents, strengthen urban management, improve air quality, increase household revenues, recycle waste, reduce greenhouse gases and improve the

quality of life of the people," said Amadou Oumarou, Director of Transport and ICT department at the African Development Bank.
Abidjan is the economic hub of Côte d'Ivoire and a port city with an estimated population of 4.71 million (21% of the country's total population in 2014), projected to reach 8.5 million by 2030. This city is the main supplier of products and services that make Côte d'Ivoire the third largest exporting country in Africa, after Egypt and South Africa. With the combined effect of population growth, rapid rise of vehicular traffic and the decline of public transport systems, the road network and the traffic control systems have proved inadequate to ensure free flow of traffic. Due to the socio-political crisis of the last fifteen years and the strong demographic pressure, the accessibility of urban areas, transport systems, traffic control, waste management and urban planning have deteriorated. This is a major constraint to the city's economic potential.
Almost all intersections have severe congestion and road conditions are slowing down traffic, leading to road accidents, air pollution, and a slowdown in economic activity not only in the city of Abidjan but also in the West African sub-region. Abidjan is a port city and a dynamic economic center, not only for the country, but also for West Africa in general, with an estimated GDP growth rate of 8% in the short term and 7.7% in the long term. It is the services sector that, through the transport and strong urbanization of the country (the total urban population of the country rose from 28% to 51% between 1970 and 2010), which supports these economic performances.
The Bank's added value in financing the project is threefold. It participated in the elaboration and validation of the master plan for urban transport in Greater Abidjan (SDTUGA), which is the benchmark tool for all donors. Secondly, the objectives of the project are in line with the Bank's 2012-2022 Decade Strategy and its five operational Priorities (High 5s) and focus on building infrastructure to support industrialization, stimulate agricultural production, improve the living conditions of the urban population and mitigate the effects of climate change. Finally, by supporting this project, which is the first operation of the SDTUGA, the Bank affirms its leadership in the urban development sector in Côte d'Ivoire.
Addressing the Board, AfDB President Akinwumi Adesina underlined the importance of this funding, whose outcomes will benefit the entire population, in particular state and local institutions, women's associations, industrialists, transporters and agricultural producers.
At the request of the Government, the African Development Bank Group also brought together many partners to complete the financing of the HKB Bridge (named after former President Henri Konan Bédié) and thus contributed to a significant resolution of the problems of transport and urban planning in the city of Abidjan.

Focus on the fourth bridge

With a total length of 1,400 meters, the 4th bridge in Abidjan will span a stretch of the Ebrié lagoon to connect the communes of Plateau and Adjamé with Yopougon. With a population estimated at nearly two million, Yopougon is the most populous municipality of the Abidjan conurbation, and also an important industrial center. The communes of Adjame east of the Plateau are the main poles of the country's business and administration. "The bridge and the access roads associated with it will facilitate the daily travel of hundreds of thousands of Abidjanese and help to decongest the existing roads. It is estimated that more than 70,000 vehicles will pass through the bridge," said Jean Noël Ilboudo, Transport Engineer in charge of coordinating the project at the African Development Bank. The construction is expected to start in 2017 and end in 2020.
A port city, the 6th metropolis of the continent and economic powerhouse for West Africa, Abidjan has experienced in recent years strong demographic and economic growth which strained its transport network. The annual cost of malfunctions in the transport system in Abidjan (accidents, congestion, air pollution, greenhouse effects, noise) is estimated at 8% of national GDP. "Reducing urban congestion will in particular contribute to strengthening the city's economic competitiveness. The 4th bridge will facilitate the movement of goods between the southern part of the city where the

port and industrial zone of Vridi are located and the western and northern zones, where new industrial zones are rapidly developing," Ilboudo further said.
From a regional perspective, the 4th bridge will be a privileged transit route between the port of Abidjan and the international road corridors, especially to Burkina Faso in the north and to Liberia in the west. The accessibility to the port will support integration in the sub region by stimulating exchanges with the countries in the hinterland.

INVESTMENTS

Ministry of Industry of Angola approves investments of US$150 million in 2016

The Ministry of Industry of Angola signed private investment contracts worth US$150 million since the beginning of the year, the Industry Minister, Bernarda Gonçalves Martins said in Luanda. The minister, who was speaking at a signing ceremony for private investment contracts in the amount of US$33.3 million for the implementation of projects in the sub-sectors of beverages, construction and manufacturing, said that they are in accordance with the new policy on private investment and respond to the various objectives identified in the National Development Plan (NDP) 2013/2017.
The contracts – a total of eight – were signed with representatives of Purangol, Leek View and Coastline (drinks), Embalang and Reem Plastics (plastic), Karam (wood and plywood), Sika Portugal (construction materials) and Judona Africa (transformers). Gonçalves Martins said that seven of these projects will be carried out in Luanda and one in Benguela. “The contracts are intended to ensure the development of national production, the promotion of employment and qualifications of national labour, provide the effective supply of the domestic market and import substitution,” she said. *(Macauuhub)*

Angola: AfDB releases USD 325 million to support small-sized companies

At least USD 325 million were availed to the Angolan Savings and Credit Bank (BPC) to support the micro, small and medium-sized enterprises segment in the country, in an action of the African Development Bank (AfDB).

The fact was announced in Luanda by the resident representative of the AfDB, Septime Martin, during the signing ceremony of a financing agreement between the two financial institutions, in the premises of the Ministry of Finance, stressing that the referred amount has a multiplier effect to benefit the Angolan economy.
According to the official, the signing of this credit facility will also serve as a driving force in the acceleration of economic activity for micro, small and medium-sized companies, which are the economic agents that create wealth in any economy in the world. He said that small and medium-sized enterprises are crucial in job generation, job creation, professional skills, learning, innovation, invention and support of a dynamic and diversified economy.
The signing of the BPC/AfDB financing agreement was done by the Angolan Minister of Finance, Archer Mangueira, Zinho Baptista, chairman of the BPC Executive Committee, as well as by the resident representative of the AfDB, Septime Martin. On that occasion, the chairman of BPC Executive Committee, Zinho Baptista, thanked the AfDB for its gesture and ensured that that his bank will fulfill the implementation of the funded project, as well as continued cooperation with this African financial institution. According to Zinho Baptista, this amount of money will also serve to support the women entrepreneurship sector in Angola and small initiatives in the most remote communities. He assured that the BPC has a period of ten years for the repayment of this line of credit to the AfDB. *(Angop)*

New beverage plant in Luanda, Angola, to produce water and beer

The Angolan beverage company Sociedade de Distribuição de Bebidas de Angola (Sodiba) announced the opening from January 2017 of a drinks factory, located in Bom Jesus, in Luanda, with a production capacity of 144 million litres per year. The chief executive of Sodiba, José Carlos Beato said the plant, with an area of 40 hectares, represents an investment of US$150 million. Jose Beato said that besides the production and distribution of beer the new plant will produce Sodiba bottled water, spirits, soft drinks, squashes and concentrates. The first drink to be produced will be Sagres beer with the approval and indication of Sociedade Central de Cervejas (SCC) and the Heineken Group, as part of a Trademark License Agreement.

Sodiba will also launch a new beer called Luandina, which will be available in the Angolan market at the end of the first half of 2017. *(Macauuhub)*

LeapFrog Investments to mobilize $800mln for its third African financial services fund

Private equity firm LeapFrog Investments plans to raise $800 million for its third Africa-focused fund dedicated to financial services, Bloomberg reported on December 13, citing one the firm's officials. "Overseas Private Investment Corp., the Washington-based development financing unit of the U.S. government, has approved an investment of as much as $200 million in the fund, the buyout company's third," said Karima Olokun-Ola, a partner at LeapFrog in London. She added that the investment fund seeks stakes in African banks, insurance brokers and payment companies. "LeapFrog is betting there's greater scope for investments among companies that target Africa's emerging consumers because they are more than four times the size of the continent's middle class," she continued.

Africa's emerging consumers earn between $2 and $10 each day. They represent about 66% of the African population. Middle classes for their part represent less than 15% of the continent's total population. Mrs Olokun-Ola also said the LeapFrog Investments' new fund would target mainly Kenya, Nigeria and Ghana. "New regulations requiring insurance companies in Kenya to hold more cash will create buyout opportunities, while the continent's largest population in Nigeria and more sophisticated consumers in Ghana make those markets attractive," she said. Specialized in financial services in Africa and Asia, LeapFrog invest mainly in companies that operate in the insurance, savings, pension, and payment services and with customers that earn less than $10 per day. The firm whose majority shareholders are US billionaire George Soros and the JP Morgan bank invests average $30 million. Its investments generate in average a 25% return. *(Ecofin Agency)*

Morocco: Islamic Development Bank invests $100M to develop High-Speed train project

The Islamic Development Bank (IDB) and Moroccan authorities signed on December 15, loan agreements for a total of 980 million dirham ($101 million) to partially finance the High Speed Train project, currently being developed in Morocco. The agreements, which were signed by the IDB and Morocco's Ministry of Finance and Economy, specifically concern the funding of Casablanca, Kenitra and Tangiers stations. Tangiers' already existing station will be expanded by 10,600 m², while Kenitra will receive a new station which will be built on a 13,000 m² area. Same goes for Casablanca where a new station will be built over 10,000 m². *"The new generation stations will be buzzing with life as it will have stores and businesses all around,"* said ONCF's managing director, Mohamed Rabie Khlie. Construction works for the first line of the High Speed Train in Morocco are 85% complete, according to the ONCF. It should be commissioned in 2018. *(Ecofin Agency)*

BANKING

Banks

Bank of Mozambique takes steps to control inflation in 2017

The Bank of Mozambique will continue to implement measures to bring inflation down to the set target of 14 % in 2017, with economic growth of around 5.5 %, the head of the central bank said in comments regarding the closing of financial year 2016. Inflation currently stands at around 27 %. The central bank has forecasted a downward trend that will continue in 2017, owing to monetary policy measures implemented by the institution. Those monetary policy measures will enable the Bank of Mozambique to constitute international reserves of US$ 1.760 billion, enough to cover 3.5 months of goods and services imports, excluding major projects. The head of the central bank, Rogério Zandamela, quoted by AIM news agency, said that the metical exchange rate has been more stable and is tending to appreciate. The US dollar was worth about 72 meticais until 16 December, a nominal appreciation of 9 % compared to the highest value recorded. "Accumulated depreciation has eased substantially to 54 %," he added. Zandamela explained that beyond strengthening coordination of monetary and fiscal policies, he would continue working to improve the domestic and international reputation and credibility of the country and its institutions. *(Macauhub)*

Bank of Mozambique injects US$111 million into bankrupt bank Moza

The Governor of the Bank of Mozambique, Rogerio Zandamela, said in Maputo that an injection of about eight billion meticais (US$111 million) in Moza Banco had been made to prevent the collapse of the

Mozambican financial system. Speaking at a press conference after the meeting of the Monetary Policy Committee of the Bank of Mozambique, Zandamela said that "if we had stopped (capitalising Moza Banco), we would have an earthquake, a tsunami, (because the bank) penetrates companies, families, and there would be an unprecedented rush of depositors and creditors."

According to Zandamela, since the intervention of the Bank of Mozambique, in September, the amounts injected in Moza Banco (part-owned by Portugal's Novo Banco) should be reimbursed as soon as the bank is sold or recapitalised. The Bank of Mozambique guaranteed all deposits of Moza Banco, the fourth largest Mozambican bank, replaced its board of directors and took over the daily management of the bank. Moza Banco ran into difficulties at the beginning of the year due to the rapid expansion of its banking network and lack of recapitalisation by the shareholders. *(Macauuhub)*

Banks from Angola and Mozambique included in the list of the largest in Africa

Banks from Angola and Mozambique are included in the list of the top 100 banks in Africa, according to the latest issue of African Business magazine.

The list of the largest African banks is led by Stanbank (Standard Bank Group) and First Rand both from South Africa and the list includes eight banks from Angola and three from Mozambique. With regard to Angola Banco de Poupanças e Crédito is in 25th place, followed by Banco Angolano de Investimentos (27th), Banco de Fomento de Angola-BFA (34th), Banco BIC (39th), Banco Millennium Atlântico (51st), Banco de Desenvolvimento de Angola (62nd), Banco Caixa Geral de Angola SA (69th), and Banco de Negócios Internacional (92nd). Millennium Bim (Banco Internacional de Moçambique) is in 56th place in the list of 100 largest banks in Africa, Banco Comercial e de Investimentos – BIC in 93rd place and Standard Bank Moçambique in 98th

In the list of top 25 banks in Southern Africa Banco de Poupanças e Crédito de Angola is in 6th place followed by Banco Angolano de Investimentos (7th), Banco de Fomento de Angola (BFA) in 10th place, BIC in 11th and Banco Millennium Atlântico in 12th place.Banco de Desenvolvimento de Angola, Banco Caixa Geral and Banco de Negócios Internacional were in 17th, 18th and 22nd place, respectively.

With regard to Mozambique, Millennium Bim (Banco Internacional de Moçambique) is in 14th position followed by Banco Comercial e de Investimentos (BIC) and Standard Bank Moçambique respectively in 23rd and 24th place. African Business magazine said that the list of the biggest banks in Africa was based on the capital of banks measured according to the Core T1 Ratio. *(Macauuhub)*

Morocco set to issue sukuks before the end of Q2 2017

Morocco plans to issue sukuks before the end of the first half of 2017, minister of economy and finance, Mohamed Boussaid announced on December 8, highlighting that the operation is part of a program to establish the appropriate environment for upcoming Islamic banks in the kingdom.

"The new financial instruments should contribute to the growth of the participative bank by, depending on the needs, either being invested as liquid funds, or used for its activities," Boussaid said at a symposium on economy and Islamic finance. The minister added that sukuks or Islamic bonds are funding alternatives for projects both by the State and the private sector. According to rating agency Standard & Poor's, Islamic finance could represent 10-20% of Morocco's banking system by 2020. *(Ecofin Agency)*

Angola: BPC credit granting must comply with legal principles

Luanda - The resumption of the credit granting in the Angolan Savings and Credit Bank (BPC) must comply with the national criteria and international legal principles, as well as the rules of financial institutions interested in investing in Angola to avoid the deficit of the national economy.

This statement was made in Luanda by BPC Executive Committee Chairman Zinho Baptista, saying that the resumption of credit granting may be soon if until the first quarter of next year the priority areas are defined so as to meet the demand of the national banking. "Our customers can rest assured that there will be a credit granting in the BPC, but it is necessary to redefine the criteria of credit allocation to customers to avoid the deficit of the Angolan economy", he added. Speaking to the press, after the signing of AfDB/BPC financing agreement, valued at US $ 350 million, Zinho Baptista stated that the process of restructuring BPC is taking place in a phased way. Currently, this process is still in the intermediate stage, he said.

As for the signing of the agreement between the two financial institutions, he explained that it aims to support the national economy following the diversification of the economy in its many facets, namely in the agricultural, industrial and entrepreneurship sectors promoted by women.

On his turn, AfDB resident representative, Septime Martin, said that the signing of this credit line will also serve as a driving force in the acceleration of economic activity for micro, small and medium-sized companies, which are the economic agents that create wealth in any economy in the world.
Referiu ainda que, no quadro do relacionamento estratégico entre Angola e o BAD, a instituição financeira que representa no país está a actualizar a sua estratégia para o período 2017/2021, que se vai basear essencialmente em dois pilares, nomeadamente, o crescimento inclusivo, através da transformação agrícola e o apoio ao desenvolvimento sustentável, através do financiamento nas infra-estruturas económicas. He also mentioned that, within the strategic relationship between Angola and AfDB, his financial institution is updating its strategy for 2017/2021, which will be based essentially on two pillars, namely, inclusive growth, through agricultural transformation and support for sustainable development through financing of economic infrastructures. This strategy, he continued, will facilitate financing for the agricultural sector in an integrated way, including all infrastructures necessary for sustainable and competitive development.
According to Septime Martin, it is also the purpose of the AfDB to continue supporting the energy sector, following the project carried out by its financial institution in 2015, which led to several reforms in the electrical area. The signing of the BPC/AfDB financing agreement was done by the Angolan Minister of Finance, Archer Mangueira, Zinho Baptista, chairman of the BPC Executive Committee, as well as by the resident representative of the AfDB, Septime Martin. *(Angop)*

Markets

IMF advises Zambia to delay re-financing $2.8 billion of Eurobonds

Zambia should delay its planned re-financing of $2.8 billion worth of Eurobonds until financing conditions ease, an International Monetary Fund representative said. "We would caution the government not to tap into the international markets at this time," the IMF's resident representative, Alfredo Baldini, told reporters during the release of an IMF report on growth in sub-Saharan Africa.
The Eurobonds were issued from 2012 to 2015, and the Zambian government planned to re-finance them with longer-dated bonds at a lower cost, Finance Minister Felix Mutati said on Dec 7. "The financing conditions are pretty tight right now, and it will be very expensive," Baldini said.
In fact, the bonds would only fall due in 2022, 2024 and 2025, so the government didn't need to rush into re-financing them, Baldini said. The Zambian government has relied on external financing as its spending rose over the past few years while revenue remained almost the same, which has put pressure on its exchange rate, Baldini said. Mutati said last week the equivalent of 19 % of Zambia's gross domestic product was being used to service debt and the government wanted to reduce that to about 15 %. Zambia issued a $750 million Eurobond in 2012, followed by a $1 billion issue in 2014 and another worth $1.25 billion last year, mainly for infrastructure projects. *(Macauuhub)*

East Africa Moving Toward Monetary Union

Five East African countries have joined forces with the aim of forming a single currency area by 2024.
Since the project’s inception in 2000, Kenya, Uganda, Tanzania, Burundi, and Rwanda have been laying the groundwork for greater economic integration. Measures such as establishing a Customs Union has helped streamline border clearances, simplify work permit issuance, and ensure the recognition of professional agreements by member countries. As a result, regional trade has increased by over 40 % in the last five years.
Speaking at a conference on regional integration in Arusha, Tanzania, Abebe Aemro Selassie, head of the IMF’s African department, said while GDP growth in the East African Community is well above average for sub-Saharan Africa, the challenge will be how to sustain this strong growth over the medium-term, how to ensure that scaled-up public investment and borrowing translates into durable growth and not unserviceable debt, and how to make the growth felt by a wider segment of the population. “Faster economic integration within the East African Community is a potential game changer, as it holds the promise of improved productivity, competitiveness, and welfare gains,” Selassie said.
Monetary unions and common currency areas are not new to Africa. The West African Economic and Monetary Union, for one, was formed in 1994 and shares the CFA franc among eight West African countries, while Namibia, Swaziland, and Lesotho have been linking their currencies to the South African rand under a Common Monetary Area established in 1986.
Roger Nord, IMF deputy director of the African department, in his presentation, drew from past experiences in Africa and, more recently, in the euro zone, and emphasized the need for a greater focus on

macroeconomic convergence—safeguarding regional economies from excessive fluctuations caused by external factors. “Fiscal deficits remain high and international reserves in most of the East African Community countries fall short of the agreed targets set by central banks,” Nord said.
Participants also discussed the need for a robust framework to deal with potential financial sector risks associated with a monetary union. Standardizing monetary policy regimes, moving toward inflation targeting, and integrated payments systems using financial technology such as mobile money, were all seen as essential parts of the ongoing reform agenda.
Some participants expressed concern, however, whether supervisory and regulatory capacity could keep pace with financial integration and innovation in the region. The experience of existing monetary unions has shown that reaching agreement on financial supervision and union-wide resolution frameworks can be difficult. The IMF said it will continue providing technical assistance to design and implement an appropriate financial sector regulatory and supervisory architecture for the region that will help ensure a successful transition to a monetary union. *(IMF)*

Angola does not need FX devaluation at present -cenbank governor
Angola does not need to devalue its currency at the moment but will work on measures to lessen the gap between the formal and informal exchange rates, central bank governor Valter Filipe da Silva told Reuters. Angola's economy has been suffering from the drop in crude prices and an acute hard currency crunch, fuelling a thriving black market for the currency of Africa's second largest oil exporter after Nigeria.
The bank currently quotes the kwanza at around 165 per dollar, although the currency typically trades at much weaker levels in the black market.
The kwanza devalued by more than 30 % last year and in January was allowed another 15 % weakening to 155 after which it has slipped gradually lower.
Speaking to the sidelines of a meeting at think-tank Chatham House, da Silva said policymakers had needed to focus first on stabilising hard-currency availability for food, medicine and raw material imports, then on managing the monetary base but also on synchronising fiscal and monetary policy. "What we will do this month in the monetary policy committee of the central bank is to discuss the matter," said da Silva, speaking in Portuguese. "But ... because we are having a very positive monetary policy, the inflation rate is slowing, the differential gap is narrowing - therefore, we understand that it isn't necessary at this moment to devalue the currency," said da Silva. In November, the central bank kept its benchmark lending rate unchanged at 16 %, citing slowing price increases. Inflation rose by 2.14 % in September month-on-month, but that was a slowdown from the more than 4 % increase in July.
Speaking about recent oil price rises, da Silva said it was more important for the southern African country to concentrate on overhauling the state oil firm Sonangol. "It is evident that this rise in oil prices may not be structural. More important for Angola is that the country does profound work in restructuring Sonangol - what is taking place is positive and should reduce the cost of oil exploration."
Isabel Dos Santos, daughter of Angolan President Jose Dos Santos, took over as CEO of the state energy giant in June and has pledged to spin off non-core investments such as banking and real estate and to focus on the bottom line. *(By Karin Strohecker, Reuters)*

ENERGY

AfDB approves USD 50 million equity investment and USD 50 million convertible loan to seed the establishment of the multi-investor USD 500 million Facility for Energy Inclusion (FEI)
The Board of Directors of the African Development Bank (AfDB) has approved a financing package of USD 100 million, comprising USD 50 million equity and USD 50 million convertible senior loan, to seed the Facility for Energy Inclusion (FEI), a pan-African renewable energy debt fund. The investment, which is expected to catalyze energy access for an estimated 3 million people, is rooted on the Bank’s New Deal on Energy for Africa and increasing global recognition on the importance of energy access in Africa.
FEI will focus on providing senior and mezzanine debt to off-grid, mini-grid and small scale Independent Power Producers (IPP), i.e. projects with total costs under USD 30 million. The Fund will provide hard and local currency financing.
The Bank’s approval opens the door to a formal fundraising process, which seeks to raise up to USD 400 million in additional investment from like-minded DFIs, impact investors and commercial banks. In

preparation for this, the AfDB has held informal discussions with potential investors from the UK, US, Germany, Japan, and South Africa. A first closing is expected by mid-2017.

FEI has been structured by the Bank in consultation with other DFIs and in close collaboration with Dalberg, a globally reputable investment advisory firm, and Hunton & Williams, expert legal advisors with previous experience in fund creation. The structuring effort was made possible through generous financial support from the Sustainable Energy fund for Africa (SEFA), a multi-donor trust fund anchored by the Governments of Denmark and the United States – to support Africa's renewable energy sector.

The Facility for Energy Inclusion will process eligible projects with relative speed through a highly specialized and focused external Fund Manager (FM). To this effect, the Bank has undertaken an international open tender inviting debt and equity fund managers with proven track-record in Africa. In November 2016, six prospective fund managers were shortlisted, from an initial pool of sixteen. The Bank expects to formally appoint the FM by February 2017.

FEI aims to create a significant number of jobs, new connections, and new opportunities for broader energy access, thus benefiting millions of citizens in underserved areas across Africa. It is well-documented that women bear the brunt of inadequate energy access based on distribution of responsibilities in the majority of African households. As a result of the Fund's interventions, it is expected that the quality of life of many of them will be significantly improved. *(AfDB)*

City of Mbanza Congo, Angola, to improve electricity supply in 2017

The city of Mbanza Congo, northern Zaire province, will start to be supplied with electricity from the national grid and the combined cycle gas combined cycle under construction in Soyo district from 2017, announced the provincial director of the Empresa Nacional de Distribuição de Electricidade (ENDE). Pedro Estevão Buca said ENDE, as well as the construction of an electric substation in the town of Tuku, is implementing a series of works for the placement of new power transformer stations as well as to recover the medium and low voltage network. Among the actions to be implemented in the short and medium term, the director of ENDE noted the installation in the city of Mbanza Congo, of 90 new power transformer stations with an expected 20,000 links, work on which will be carried out by a Spanish company. These and other projects in the pipeline are intended to prepare the city of Mbanza Congo for receiving electric power to be produced by the combined cycle power plant in Soyo, from next year, as well as power from the national grid. The city of Mbanza Congo, with a population of 155,000 people, is currently supplied with electricity by the Kianganga power station, benefiting just over nine customers. *(Macauuhub)*

Africa's largest solar farm

De Aar, South Africa (CNN)In the sleepy, sun-blasted town of De Aar in central South Africa, a mighty force is stirring. The largest solar plant in Africa, Middle East and the Southern hemisphere was inaugurated here earlier this year, a 175-megawatt facility that spreads over almost 500 hectares. The facility is the brainchild of Solar Capital, led by hotel magnate turned solar evangelist Paschal Phelan, which ploughed $400 million into the venture.

The plant supplies power to the National Grid, but when the heat is fiercest it produces far more than the Grid can use, and the excess power goes to waste. "It's like you have a Ferrari and you run a small car," says Massimiliano Salaorno, plant manager of Solar Capital De Aar.

Breaking through

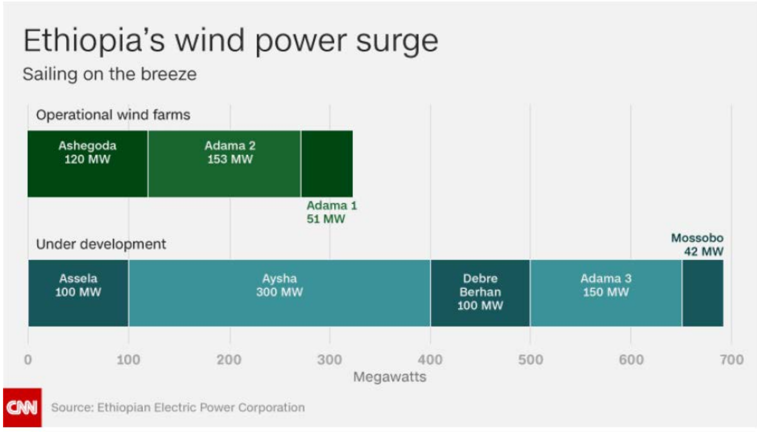
Solar and wind power account for just 2% of South Africa's energy needs, according to research from the Council for Scientific and Industrial Research (CSIR). But experts argue this represents encouraging progress. "It is still relatively small but we have to see where we came from," says Dr. Tobias Bischof-Niemz, head of energy at the CISR. "Just two or three years ago we had 0% of renewables on the grid...and to bring (the proportion) to 2.5% is actually quite fast." South Africa has the capacity to produce 45,000 megawatts of power, the largest capacity in Africa. But even greater demand has led to ongoing blackouts, and the government is supporting a wave of renewable energy projects as part of its response. The cost of renewable energy is 40% less than coal, says Dr. Bischof-Niemz, and he sees potential for rapid advances. "We can go for a 70% renewable energy share by 2040 at the lowest cost," he says.

The path ahead

Renewable sources will not solve South Africa's energy shortage alone. Two new coal plants are imminent, and there are plans to build nuclear energy capacity. Solar facilities such De Aar will also require greater resources to flourish. Solar Capital has been forced to import solar panels and Phelan is determined to build domestic capacity. "(We have imported) 700,000 panels for this farm alone and in terms of volume it is only going to increase," he says. "I reckon we can produce 75,000 jobs based on manufacturing these simple items here." The plant is already producing 15% profits per year, the CEO says, with vastly more potential for growth. As South Africa's green energy revolution accelerates, De Aar is providing the engine. *(CNN)*

Riders on the storm: Ethiopia bids to become wind capital of Africa
After a decade of rapid growth, Ethiopia's bubble is not bursting. Dubbed the 'African Lion' by economists, Ethiopia is the home of booming industry, new infrastructure, and showpiece summits. It has become a powerful force in the region and beyond. To maintain this golden age, the East African state is pressing ahead with ambitious development plans, and renewable energy is core to the mission. Ethiopia was among the most daring signatories to the Paris Agreement on climate change, committing to cut carbon emissions by 64% by 2030. The government has ploughed billions of dollars into hydropower megaprojects such as the Grand Renaissance Dam -- which will be the largest dam in Africa -- and the freshly-inaugurated Gibe III Dam. The next target is to become the wind power capital of Africa.

Breezing ahead
Ethiopia inaugurated one of the continent's largest wind farms in 2013 -- the $290 million, 120-megawatt (MW) Ashedoga plant. This was followed by the even larger 153 MW Adama II facility in 2015. But wind accounted for just 324 MW of Ethiopia's total output of 4,180 MW at the end of 2015, with the vast majority coming from hydropower. This picture is set to change with the government's second "Growth and Transformation Plan," which will see total output pass 17,000 MW by 2020, and a vastly increased share from the air.



The government has plans for at least five further wind farms, and potentially many more, aiming to deliver up to 5,200 megawatts from wind power within four years. The cost is officially calculated at $3.1 billion, although other estimates place it over $6 billion. "We are conducting research and studying the data to see the number of plants we can connect (to the National Grid)," says Misikir Negash, head of communications for the Ethiopian Electric Power company. "It is important to have different energy sources for a reliable system. Wind is a big focus and we need it."

A 1,000% increase
The target of increasing wind output by more than 1,000 % within four years has been greeted with skepticism in some quarters, but there are reasons to believe. "The government has already taken on far bigger projects," says Zekarias Amsalu, director of Ethiopia Operations at market research group Asoko Insight, referencing the $6 billion Grand Renaissance Dam project. "I don't doubt it can be achieved." Amsalu says that three factors are driving Ethiopia's shift to wind; the devastating droughts that have diminished the value of hydropower energy, the falling cost of wind power technology, and growing evidence that Ethiopia is blessed with ideal sites for harvesting wind.
The government has enlisted the Danish Energy Agency (DEA) as a partner, the Danish government agency that serves as one-stop shop for large-scale wind projects across the world, and special advisor Henrik Breum agrees that Ethiopia has vast potential. "Their capacity should enable them to be a dominant wind nation in the region," he says. "They have very good winds in the dry season which is normally when you would like to top up electricity production...From a wind perspective this is one of the most promising countries in the continent."

Home and away
Despite Ethiopia's grand plans, development has been slow to arrive for many of the country's poor. Just 26.6 % of the population have access to electricity, according to the latest World Bank figures. Negash disputes this figure, and insists there is no contradiction between pressing ahead with new technology and supporting wider access. "We have different departments working towards parallel goals," he says. "We have a program

to provide 90 % of people with (electricity) access within five years." Wind power is also expected to deliver wider benefits for struggling communities through training and job opportunities around the new sites. Further, the plants are likely to strengthen Ethiopia's position in the region through trade. The country is already an exporter of energy to neighbors such as Sudan and Kenya, and wind power will offer new options. "They can use wind to feed their local grid and export from their hydropower resources," says Amsalu. "Most of these are on the border so they are (ideal) for exports and gaining foreign currency." Ethiopia's partners are hoping that the successful adoption of wind will drive a wider trend in the region. "I think Ethiopia can be a very good showcase for renewables," says Breum. "Hopefully this can show neighboring countries that low carbon development of the power sector is possible." *(By Kieron Monks,CNN)*

Field of steam: How Kenya has become a geothermal superpower

Kenya is a global superpower of the flower trade, and Oserian, one of the largest fair-trade flower farms in the country, is a major reason why. The company's 200-hectare site on Lake Naivasha produces 700,000 flowers each day, which are exported across the world. Oserian is also leading change in the country's energy sector, by running its operation largely on geothermal power. The company pipes steam from the ground to heat a water recirculation system that maintains its mighty greenhouses. "Before we had the geothermal power we had to have a lot of backup generators and we were using a lot of diesel," says Alasdair Keith, Engineering Manager of the Oserian Development Company. "Our electrical savings are probably $750,000 a year compared to before." Until recently, Kenya has largely relied on hydroelectric power, which has proved fallible under strain such as during drought. Looking underground could provide a more reliable alternative.

Field of steam

The Olkaria field just outside Nairobi is the nation's largest geothermal operation. The site is estimated to contain 1,000 megawatts of power that could supply much of the Kenyan population's needs. Energy prospectors are racing to exploit this lucrative resource. "We have a program to drill as many wells as we can," says geologist Victor Otieno. "There are still areas within the geothermal field which have not been fully explored." The initial drilling process is costly at around $6 million per well, but leading figures of the industry believe the returns justify the outlay. "With geothermal, once you develop it, it's there for you all the time," says Albert Mugo, CEO of the KenGen Company. "Geothermal is very capital intensive because you have to drill the wells to get the fuel -- the steam. But once you connect the wells to the power plant then you are ok. It's a very small cost in terms of running."

New era

Over the past 15 years, Kenya's geothermal output has rapidly increased: from 45 to 533 megawatts according to KenGen figures. This accounts for around half of the power on the National Grid, and the proportion continues to increase. A fifth major power plant is being added to the Olkaria field at a cost of $408 million, through a loan from Japan, which will be fully operational by 2018. Mugo expects the additional power will be a major boost for business in Kenya, and also to attract new business by consigning the country's energy struggles to the past. "We do not want to turn away any investor who wants to come to Kenya because there is not enough electricity," he says. "We would rather have excess, which in any case will be there for a short time...and (to) ensure that anyone coming to set base in Kenya can be assured of getting enough electricity." *(CNN)*

The $7 a month plan bringing solar energy to rural Africa

In sub-Saharan Africa, over 600 million people do not have access to electricity -- that's 68 percent of the population, according to the International Energy Agency. That's because the power distribution infrastructure -- plants and the grid -- is severely underdeveloped, requires large investments to improve and ultimately can't keep up with the growth in demand. One solution to the problem is to go "off the grid," mimicking the rapid distribution of mobile phones: over 90 percent of Africans have one -- more than have access to clean water -- but only a fraction of them owns a landline. In the energy sector, the cellphone equivalent is the solar panel, which is easily installed and can provide power to a household or small business. Off Grid Electric, an African startup, is applying this formula to rural areas of Tanzania and Rwanda yielding both commercial success and life-transforming results for the recipients.

125,000 households

The company is backed by Elon Musk's SolarCity, one of the largest solar energy providers in the US, and Helios, Africa's largest private equity firm. In November, at the UN's climate change conference in

Marrakech, it won the 2016 Momentum for Change Award, which focused on projects that are addressing climate change in innovative ways. It already powers 125,000 households and employs around 1,000 people -- about a third as salesmen who offer the energy packages door to door. "Most of these families were burning kerosene to make light, with a negative impact on their health and wellbeing," Bill Lenihan, Off Grid Electric's President, told CNN. Kerosene produces smoke and can't power anything but a lantern: "Now they have access to clean energy that can also power radios and TVs." The system includes a solar panel, installed on a roof, and lithium-ion battery which provides electricity around the clock: "Kids can study at night, entrepreneurs can increase their income because their phones work all day and farmers can better protect their cattle -- it's like night and day," said Kim Schreiber, the company's chief of staff.

$7 a month

There are three different sizes of photovoltaic panels, the smallest of which can power four lights and charge one mobile phone. "We also provide all the energy efficient accessories that go with these, from lights to chargers, to radios and TVs," said Lenihan. Customers pay 10 percent of their package upfront, the rest is financed through monthly installments. The costs are competitive, according to Off Grid Electric: "Just connecting to the grid can cost $300 to $400, whereas our system is $7 a month and after three years you own it and never have to pay again," said Schreiber.

Larger packages cost more: for eight lights, a radio and a 24-inch TV, the monthly fee is about $20. In comparison, a month's supply of kerosene typically costs $4 to $5. The payments are collected via mobile phone transactions, a popular method in the continent, and a five-year service plan is included if something breaks. The battery can last seven years, and the panel itself up to 20.

In case a customer can't keep up with the plan, Off Grid Electric says it offers "room for flexibility," and ultimately the system will be removed after several months of missed installments. But most customers stay on board, according to Lenihan: "The uptake has been very strong, people continue to pay, and the growth has been really good."

A trillion dollar challenge

Providing electricity to people in sub-Saharan Africa is "a cottage industry and a trillion dollar challenge," said Lenihan. "We can solve a problem and do it in a way that delivers a return to shareholders, which is the biggest challenge in an industry that, as a whole, has addressed less than 1 percent of this market," he said.

For small businesses, the company offers a package called Zola, which contains everything needed to run a business on solar power, including appliances and entertainment systems. Off Grid Electric has recently signed a partnership with EDF, the world's largest utility, to expand the program to the Ivory Coast, with a goal of providing clean energy to 2 million people by 2020. *(By Jacopo Prisco, CNN)*

INFRASTRUCTURE

Falling Water Levels Hurt Biggest Sub-Saharan Hydro Plant

Sharply falling water levels at Mozambique’s Cahora Bassa dam, sub-Saharan Africa’s biggest hydropower plant, are threatening electricity supplies to countries including South Africa, which buys about a third of its output. Levels are the lowest Phil Bezuidenhout, a lodge owner at the dam, has seen in the 24 years he’s operated on its shores in the country’s northwest. “This is definitely the lowest it’s been in my time,” he said by phone. “These levels are ridiculously low.”

Southern Africa’s worst drought in 35 years has cut inflows from rivers including the Zambezi and prompted Zambia and Zimbabwe to last year more than halve power production at the Kariba dam, which is upstream from Cahora Bassa. Levels at the Mozambican reservoir have plunged by more than 8.8 meters (29 feet) since the start of the year, according to data from its operator, Hidroelectrica de Cahora Bassa. Both dams are counting on forecasts of above-normal rainfall in the wet season currently under way to keep their turbines turning.

Kariba Drop

Kariba, which provides about half of Cahora Bassa’s water, is at 16 % of capacity and falling. That’s lower than 12 months ago, before levels bottomed at 11 % in early 2016. Cahora Bassa was 34 % full at the start of the month, Maputo-based news website Zitamar reported Dec. 2, citing a document from the National Water Directorate. “Both Kariba and Cahora Bassa have quite low water levels and they will continue to gradually decrease over the next months until the seasonal flood arrives at Kariba and Cahora Bassa,” Harald Kling, a hydrologist at Poyry Hydropower in Vienna who’s co-authored studies on the dam, said by e-mail. “The water levels in June 2017 will very much depend on how high the 2016-17 seasonal flood will be.”

Tripartite North-South Corridor

Source: *Ernst & Young's 2012 Africa Attractiveness Survey.*

HCB, as the utility is also known, has already cut electricity supplies to South Africa's Eskom Holdings SOC Ltd. by about 13 % because of the drop. Eskom, Africa's biggest power producer, bought more than two-thirds of the power Cahora Bassa generated in 2015, according to HCB's annual report. The plant has capacity to produce 2,075 megawatts. This week, the dam's operator reduced generation by a further 18 % because of a technical fault, after some insulating material ruptured, it said in an e-mailed statement, without providing more information.

Kariba, the world's largest man-made fresh-water reservoir, according to the International Commission on Large Dams, has three times the storage capacity of Cahora Bassa, at 180 cubic kilometers (43 cubic miles). While the flow of the Zambezi, that feeds both dams, has started to increase upstream from Kariba, it's still more than 10 % lower than 12 months ago, according to data posted to the website of the Zambezi River Authority, which regulates the dam that straddles Zambia and Zimbabwe's border.

In 2015, only 4.1 % of Cahora Bassa's generation went to Mozambican power utility EDM, according to HCB's annual report. Zimbabwe's state-owned electricity company, ZESA Holdings Ltd., bought about 27 % of Cahora's supply in the period. Zambia is buying as much as 120 megawatts of power from EDM. About 20 % of Mozambique's citizens had access to power in 2012, World Bank data show. HCB's revenue climbed 23 % to a record 4.3 billion rand ($317 million) in 2015 from a year earlier. The utility invoices using the South African currency. HCB didn't respond to e-mailed requests for comment.

Increased Volume

Despite Kariba's low and falling levels, the authority has increased the volume of water Zambia and Zimbabwe can use to generate power at the dam in 2017 by 50 % over this year, basing the decision on regional weather forecasts projecting normal to above-normal rainfall in most parts of southern Africa. Cahora Bassa also gets its water from the Luangwa and Kafue rivers, which both receive most water from rains in Zambia. "The logical thing for Cahora Bassa to do is to keep the present power production and monitor carefully what is happening in the basin," Alvaro Vaz, a professor in hydrology and water resources, said in reply to e-mailed questions from Maputo, Mozambique's capital.

The dam's water level of 312 meters above sea level as at Dec. 11 is still 17 meters higher than the minimum operating level for the hydropower turbines of 295 meters, according to HCB's website. If the above-normal rains forecast for this season don't materialize, this could cause problems. "For Cahora Bassa, I do not think there is much risk during the 2016-17 rainy season," that the dam will reach the minimum level, Poyry's Kling said. "However, if the upcoming 2016-17 flood is again as low as in 2014-15 -- which was extremely low -- then a real problematic situation might develop later on." *(By Matthew Hill, Bloomberg)*

These giant infrastructure projects are set to reshape Africa

Africa's population is exploding.

By the United Nations' estimate, the continent will see its current population of 1.2 billion double by the year 2050. That's an expected growth of 42 million people — basically a brand-new Argentina — every year.

A number of important infrastructure projects are underway to make room for all those people, including railways, dams, and clean energy solutions such as solar arrays. Here are some of the largest projects coming to Africa in the next several decades. In 2009, the Common Market for Eastern and Southern Africa began work on the North South Corridor — a series of roadways and railways spanning more than 6,000 miles across seven countries. Its total cost is approximately $1 billion. Tanzania's Bagamoyo Port will become Africa's largest port, capable of handling 20 million containers per year. With an estimated cost of $11 billion, a Chinese government construction firm expects to complete the port by 2045.

In 2013, Chinese development firm Zendai Property Limited announced it was building an $8 billion city outside Johannesburg, called Modderfontein New City. It will become a hub for Chinese firms investing in African infrastructure.

Not to be outdone, Kenya is getting Konza Technology City, a $14.5-billion software hub outside Nairobi. The government is calling it "where African silicon savannah begins." In 2013, Morocco launched a $420-million urban development project in the Bouregreg Valley. Building up the area will link Rabat and Salé, two of Morocco's most vibrant towns currently split by the valley. Earlier this July, China and Nigeria agreed to a $11-billion contract to build the Lagos-Calabar coastal railway. It'll stretch for 871 miles and is expected to open in 2018.
At a cost of $4.8 billion, the Grand Ethiopian Renaissance Dam will provide hydroelectric power to Ethiopia and nearby countries. There is some criticism, however, that the dam forces the relocation of nearly 20,000 people.
At an average output of 39,000 MW per year, the Grand Inga Dam will become the largest energy-generating body in the world. Its total development cost is an estimated $100 billion. Developers expect to finish the project by 2025.
Opened in South Africa in 2014, the Jasper solar farm produces roughly 180,000 megawatt-hours per year, capable of powering 80,000 homes. It is the largest solar power project on the continent.
Construction began on an extension to the existing Suez Canal in 2014. The "New Suez Canal" adds 22 miles in a new shipping lane beside the original 102-mile canal and is expected to double annual revenue with the room for added ships.
Dangote Cement, Africa's largest cement producer, signed contracts worth $4.3 billion in 2015 with a Chinese engineering firm to increase its capacity to 100 million tons across 15 countries by 2020. The deal will enable the construction of many other projects around the continent. *(World Economic Forum)*

Medupi’s second unit powered for first time, generates 796 MW
State-owned power utility Eskom revealed that the second unit of its Medupi coal-fired power station, in Limpopo was loaded to full capacity over the weekend and generated 796 MW of electricity.
Eskom interim CE Matshela Koko said that this was Medupi’s most “significant achievement” since its successful synchronisation on September 8 and indicated that Unit 5 was getting closer to reaching commercial operation.
He said that the full load demonstrated the plant’s ability to meet design output after commissioning of all major plant [equipment] and the integration of this plant through the unit control system. “We are pleased with this significant milestone and believe that power from this unit will go a long way in strengthening the power supply to the country. We commend the project team for their hard work and level of commitment in delivering the project and this achievement confirms our quest to ease the pressure on the national power grid,” Koko enthused.
Medupi Unit 5 is being progressively commissioned and optimised to ensure that the power it delivers is stable, consistent and reliable. Koko elaborated that during this final optimisation and testing phase, the unit was not expected to stay on load for long periods of time and would deliver power intermittently.
Medupi is a green field, coal-fired, dry-cooled, base load power station comprising of six units rated at 4 800 MW od installed capacity. Once completed, the power station will be the fourth largest coal-fired plant and the largest dry-cooled power station worldwide. “Unit 5 will progressively be tested and fine-tuned further until the project team is satisfied that the systems are fully operable and reliable for final handover. This is also to ensure that the unit is safe to operate and will perform exactly as designed for the next 50 years,” Koko concluded. *(By Ilan Solomons, Engineering News)*

Sanral embarks on R226m road resurfacing project
The South African National Roads Agency Limited (Sanral) has announced a R226-million road resurfacing project between the Eastern Cape towns of Grahamstown and Fort Beaufort.
Resurfacing of the R67 from Grahamstown to Fort Beaufort will commence in January and is set to be completed by October, 2018. The length of road to be resurfaced is about 70.7 km, extending northwards from the intersection to the N2 near Grahamstown to the intersection with the R63 at Fort Beaufort. “This road provides a regional link between various smaller towns in the middle part of the Eastern Cape,” noted Sanral southern region’s manager Mbulelo Peterson on Sunday.
He said that Sanral had already appointed a contractor to “repair, patch and resurface” the R67. Peterson commented that the road was being repaired where required, resurfaced and new road markings and road studs would be installed.

He stated that the contract started in November and would be complete by September 2018. “The works are located within the boundaries of two district municipalities – including Dr Beyers Naude (previously known as Sarah Baartman) and Amathole, and in the local municipalities of Makana and Raymond Mhlaba (previously known as Nkonkobe),” said Peterson.
He pointed out that the roadworks comprised “proactive preventative maintenance” and would include, but would not be limited to, the accommodation of traffic; excavation; shaping and trimming of drainage; pavement repairing, pretreatment and texture slurry; double seal resurfacing; ancillary works and surfacing of existing shoulders. “Motorists are requested to observe and obey warning signs and reduced speed limits. Exercise extreme caution when travelling through the construction work zones,” Peterson emphasised. *(By Ilan Solomons, Engineering News)*

MINING

Kibo secures $2.9m forward payment facility for Mbeya project

Tanzania-focused mineral exploration and development company Kibo Mining has entered into a binding term sheet with UK-based private equity provider Sanderson Capital Partners for a new $2.9-million forward payment facility.
The facility provides for Kibo to be advanced part of the $3.6-million development cost recovery, which is payable to the company by Chinese contractor Sepco III on achieving financial close of the Mbeya coal-to-power project (MCPP), in Tanzania. The facility has the effect of forward selling the MCPP at a 20% discount.
The cash payment will be paid in five tranches, with the last one scheduled to be transferred in June 2017. The company will issue new ordinary shares to Sanderson to the value of $732 036 – which is the difference between the amount of the MCPP and the funds to be provided under the facility – at the volume weighted average price (VWAP) for Kibo shares over the 30 days prior to the date of signing of the term sheet, which was signed.
Kibo is under no obligation to draw the full amount available under the facility, but will forfeit any payments not drawn against on the due date of the relevant tranche and it will repay to Sanderson the amounts drawn down on the facility on receipt of the the MCPP payment from SEPCO III. Sanderson has the right to convert up to £1.5-million of the amount drawn down on the facility into Kibo shares at the 30-day VWAP prior to the repayment date of the total facility amount.
In addition, Kibo will also pay a £71 442 corporate advisory fee to the company's broker Beaufort Securities. This advisory fee is payable on signing of the term sheet in Kibo shares at 6.97p for a total of about one-million shares. Kibo CEO Louis Coetzee said the company was pleased with the facility, as it enabled Kibo to create short- to medium-term funding certainty in a market that remained challenging for capital raising. He commented that it had also provided Kibo with a “creative way” of leveraging the deferred Sepco III payment and provided a funding solution with minimal dilution to shareholders. “The funds which have been made available will satisfy our cash requirements for a significant time, allowing management to focus all their time and energy on bringing the MCPP to a successful financial close as early as possible in 2017. We also aim to conclude the Opera transaction and complete the planned feasibility work on the Imweru gold project as scheduled,” Coetzee added *(By Ilan Solomons, Engineering News)*

Morocco: Pala and Kasbah ink agreement to advance Achmmach tin project

Kasbah Resources signed an agreement with mining investor Pala Investments to advance the Achmmach tin project, in Morocco. The firms said proceeds of the agreement will be used to advance the project to exploitation stage which is expected to begin next year. Under the agreement’s terms, Pala Investments will buy 138 million shares of Kasbah Resources, at $0.027 a share, thus $3.7 million. With this, it will get a 19.9% interest in the firm. Last August, definitive feasibility study (DFS) for the project brought down its development cost, which now stands at $61.7 million. Ore reserve at the project was estimated at 6.56 million tons, grading 0.85% tin for 55,500 tons.
Kasbah Resources plans to develop the project in two stages, in the first to mine 1.89 million tons of ore, grading 0.96%, in the second, 4.67 million tons at 0.80%. The project will be carried out over 10 years and has been estimated to cost overall $11,541 per ton of tin. The Achmmach tin project is a joint venture between Toyota Tshusho (20%), Nittetsu (5%) and Kasbah Resources (75%). *(By Louis-Nino Kansoun, Ecofin, Agency)*

Gemfields earns US$30 million from Mozambican ruby auction
A new Gemfields auction in Singapore to sell rubies mined in Mozambique has earned US$30.4 million, the British company indicated in a statement released by the Alternative Investment Market of the London Stock Exchange. Gemfields controls 75 % of Montepuez Ruby Mining Ltd (the other 25 % belongs to the Mozambican company Mwiriti). Since June 2014 it has held seven Mozambican ruby auctions, bringing in revenue of US$225.7 million. Company executive director Ian Harebottle said he was very satisfied with results of Gemfields' seventh auction of Montepuez rubies, "even though some of our clients cannot participate while they adjust to regional demonetisation policy changes occurring in recent weeks" – an allusion to the monetary changes under way in India. Gemfields asserts that it is one of the world's leading suppliers of coloured gemstones. It specialises in emeralds from Zambia and amethysts and later rubies from Mozambique. *(Macauhub)*

Konkola Copper Mines to pay Zambian state mining investment firm $100m
A British court has ordered Konkola Copper Mines (KCM), Zambian unit of Vedanta Resources, to pay Zambia's state-owned mining investment company about $100m for a claim related to the copper price, according to two people familiar with the case. ZCCM Investments Holdings, in which the government has a 77% stake, filed the application in June for outstanding payments under a 2013 copper price participation deal. A KCM spokesman did not respond immediately to a call or e-mail seeking comment, and nor did Vedanta. The state-owned company won a default judgment on December 16, according to the people, who asked not be to named as the outcome was not yet public. Zambia is Africa's second-biggest copper producer. ZCCM-IH, which has a 20.6% shareholding in Konkola, said in its 2015 annual report that KCM had not paid the money because of "operational and financial challenges". Steven Din, KCM's CEO, said on November 10 that the Vedanta unit was in talks with ZCCM-IH and the government to pay the claim, which had to be settled from available cash flows. The company was at that point hoping to resolve the matter out of court, he told investors. The case was heard in the High Court of Justice, Queen's Bench Division, Commercial Court. *(By Matthew Hill and Taonga Clifford Mitimingi, Business Day)*

OIL & GAS

Swiss-Angolan partnership invests millions of dollars for fuel tanks in Angola
The Angolan private company Pumangol will invest US$295 million to build, starting in 2017, aircraft fuel storage and distribution units at airports in Luanda, Huíla, Benguela and Cunene, indicates the official investment contract signed in Luanda.
The investment contract was signed with the Technical Unit for Private Investment (UTIP). Pumangol is a partnership between Puma Energy, whose shareholders are the Swiss group Trafigura and Sonangol Holdings, and the Angolan private group Cochan.
The project also aims to build a storage and distribution terminal for oil products at the fishing port of Luanda, with several tanks and total capacity of 300,000 cubic metres, including acquisition and installation of a conventional traction buoy (mooring system used to transfer products such as oil and gas between oil tankers and coastal facilities) and construction of a harbour quay in Luanda. UTIP deputy director-general Cláudia Pedro said the project would contribute to Angola's growth by creating direct and indirect jobs with a major impact on the population's living standards. *(Macauhub)*

Sonangol will not pay dividend to the state in 2016
Angola's state-owned oil company, Sonangol, says that its 2016 debt is set to grow to US$9.85bn. According to Sonangol's board president, Isabel dos Santos, falling revenue (due to low oil prices) and poor management practices have left Sonangol in a "precarious financial and operational situation". Ms dos Santos, appointed earlier this year by her father, the president, José Eduardo dos Santos, referred to "inconsistencies in accounting", a "questionable investment policy" into non-core businesses such as hotels, real estate and healthcare, and "problematic projects", such as the long-planned new refinery at Lobito and marine terminal at Dande. Between 2013 and 2015, Sonangol's revenue fell from US$40.1bn to US$16.2bn and is forecast at just over US$15bn this year. Over the same period, profit has slipped from US$3.1bn to US$278m, and this year Sonangol says that it does not expect to be able to pay any dividends to central state accounts.

Although Sonangol has been at pains to dismiss local media reports that it has fallen behind with some of its debt repayments, Ms dos Santos admitted that the company was facing "limited access to financing" owing to failure to comply with some financial covenants and conditions in 2015. As a result, the firm is at an "impasse with international creditors", and more than US$1.5bn of its debt projection for 2016 still needs to be financed.

These financing needs are significant, and although substantial efforts are under way to improve the way Sonangol is run, the size of the company-which has more than a dozen subsidiaries and a complicated portfolio of overseas and domestic investments-means that it will take time for meaningful change to take effect.

Since the appointment of Ms dos Santos, Sonangol has made concerted efforts to be more transparent. However, simply talking about challenges will not make them go away, and it could be some time before the company-once regarded (perhaps wrongly) as an oasis of efficiency within Angola's government-returns to the level of profits seen in 2013. Moreover, like Angola's wider economy, the nature of its core business means that it will remain highly vulnerable to fluctuating oil prices. *(Economist Intelligence Unit)*

Angolan shake-up of fuel imports to hit Trafigura

State-controlled Sonangol looks to use more commodity traders to supply petrol. Angola is set to become abattleground for thebiggest commodity traders as Sonangol, the country's state- controlled oil company, seeks to inject much greater competition into fuel imports. The move will be ablow to Trafigura, the Switzerland-based commodity trader that has enjoyed a near-monopoly over the supply of fuel to Angola for more than a decade.

Angola, which has become one of Africa'slargest energy markets since the end of along-running civil war in 2002, isattractive for oil traders because thecountiy lacks local refining capacity and has to import Bo per cent of its fuel. Isabel dos Santos, chair of Sonangol, told the Financial Times that the company was planning to overhaul theway itbuys petrol, diesel and cooking gas. She said Sonangol, which has been hit hard by theoil downturn and isscrambling to raise cash, would hold tenders for all its imports next year in an effort to reduce its fuel bill and boost profits. "Myvision isto make Sonangol very profitable,"said Ms dos Santos, thebillionaire daughter of Jose Eduardo dos Santos, Angola'spresident. "For that, one thing that Ihave to do is make sure ...that we acquire products at the most competitiveprices. We want toincrease competitiveness, increase the quality and decrease prices."Trafigura declined to comment.

Ms dos Santos, often described as Africa'srichest woman, was named chair of SonangolinJune by presidential decree and charged by the company's board of directors with restoring its "financial sanity". Sonangol has to find about $t7om a month to finance its purchases of refined oil products but it has been struggling to make payments because of difficulties obtaining foreign currency. Ms dos Santos said Sonangol had begun discussions with new suppliers of fuel. These are understood to include Vitol,the world's largest independent oil trader, which has startedtoimport some petrol and cooking gas into the country. Analysts estimate that Angola'sfuel needs have increased fivefold in the past decade,reaching about 160,000 barrels a day this year.

Sinceher appointment as Sonangol chair, Ms dos Santoshas moved to restructure the company, cutting operating costs and capital expenditure.

Ms dos Santos said Sonangol would not put any more cash into Puma Energy, a fast-growing fuel storage and petrol station business that it has invested in alongside Trafigura. "When we look at the amount of profit and revenue generated by the company it didn'tjustify capitalising it any further," she added, explaining a decision to shun a recent $soom fundraising at Puma, which is based in Switzerland and has substantial operations in Africa. "Our hope now isto see a future for Puma where it will become more attractive to investors," said Ms dos Santos, who would like to see Puma take a stock market listing. In 2013, Sonangol increased its stake in Puma from 20 per cent to 30 per cent a deal that placed a $5bn valuation on the company. *(By Neil Hume, David Sheppard and Tom Burgis, Financial Times)*

BP seals $tbn West Africa gas tie-up 'With Kosntos

BP has agreed to invest almost $ibn in a partnership with Kosmos Energy of the US to develop gas resources in West Africa. The deal adds to a series of spending commitments by BP in recent weeks as the UK group steps up efforts to replenish its portfolio after years of retrenchment. It follows a $2.4bn agreement over the weekend for BP to take a 10 per cent stake in Abu Dhabi'slargest onshore oilfields. The latest deal yesterday will give BP a 62 per cent stake, and operating control, of Kosmos's exploration blocks in Mauritania and a

32-49 per cent stake in the Texas-based company's prospects in Senegal. Bob Dudley, BP chief executive, said the region was emerging as a world- class hydrocarbon basin with the potential to become an important new liquid natural gas hub for Africa. Whereas Saturday'sAbu Dhabi investment promised to refresh BP's oil reserves, the Kosmos deal was in keeping with the group'sincreasing focus on gas.
Gas accounts for about half of BP'sbusiness and Mr Dudley has said this will rise towards 60 per cent by the end of the decade as he bets on it playing a bigger role in the global energy mix.Although also a fossil fuel, gas produces about half the carbon emissions of coal when burnt to generate electricity. BP last month bought a 10 per cent stake in Egypt's huge Zohr gasfield from Eni of Italy and earlier thisyear gave the go-ahead to an $8bn expansion of the Tangguh LNG project in Indonesia.
The spate of commitments highlights BP's renewed focus on growth after shedding $4obn of assets in the past six years to cover liabilitiesfrom the Deep-water Horizon oil spill. The Kosmos deal involves about 33,000 sq kilometres of acreage. BP will pay Kosmos $i62m on completion of the deal and contribute $221m towards the cost of appraising the resources and $s33m towards development. *(By Andrew Wardenergy, Financial Times)*

Morocco and Nigeria sign pipeline agreement
On December 3rd the Moroccan and Nigerian governments signed an agreement "to study and take concrete steps toward the promotion" of the Trans-African Pipeline, which would transport Nigerian gas to Europe via Morocco. The project would be developed by a Moroccan sovereign investment fund, Ithmar Capital, and the Nigeria Sovereign Investment Authority.
The project appears to be based around the extension of the existing West African Gas Pipeline-which currently transports gas from Nigeria to Benin, Ghana and Togo-through Senegal and Mauritania, up to Morocco. The construction of a pipeline linking Africa's largest economy to Europe via the kingdom would be a substantial coup for Morocco's efforts to boost its regional and international importance. This is therefore one of the most politically significant agreements signed during King Mohammed VI's recent tour through Sub-Saharan Africa, which was aimed at developing Morocco's economic ties to the region, likely with a view also to move some countries closer to Morocco's stance on the Western Saharan issue.
The fact that the pipeline would almost certainly pass through Western Sahara or its waters would at least complicate Nigeria's relations with the Sahrawi Arab Democratic Republic-the self-declared authority representing the regional independence movement, the Polisario Front-which Nigeria currently recognises. The agreement also represents something of a victory for Morocco over its long-standing regional rival Algeria (Polisario's main backer), as it probably buries a 2009 agreement to build the Trans-Saharan Gas Pipeline between Nigeria and Algeria.
Yet it is far from clear that the enormously ambitious project will go ahead. The agreement is to study and promote the pipeline rather than build it, and the fact that it would have to pass through several countries to reach Senegal and then Morocco would complicate construction. So too would its likely passage through Western Sahara, which is not internationally recognised as Moroccan territory, posing potential problems regarding financing and the agreement of local residents. *(Economist Intelligence Unit)*

Shell nears North Sea and Gabon asset sales
Deals would help inject momentum into efforts to cut group's debt load. Royal Dutch Shell is closing in on asset sales in the North Sea and Gabon that will increase confidence that its $30bn asset disposal programme is gaining momentum. The Anglo-Dutch energy group announced yesterday that it had completed the $1.4bn exit from its Japanese refining joint venture, Showa Shell, locking in an important part of the $5bn of divestments agreed so far.
However, the potential deals in the North Sea and Gabon pose a bigger test for Shell because they involve upstream exploration and production assets that have proved hard to sell. Shell is aiming to raise $30bn from asset sales by the end of 2018 to reduce its large debts following its £35bn takeover of BG Group, completed in February.
The disposal programme is crucial to Shell's efforts to defend its prized dividend, which is the biggest in the oil industry and has not been cut since the Second World War. Progress has been slow, with only $i.7bn of divestments completed by Shell at the end of the third quarter, and a further $3.3bn agreed. Most of these relate to downstream refining and marketing assets, such as the 31.2 per cent stake in Showa Shell sold to Idemitsu Kosan, a rival Japanese refiner.

Reaching agreement on deals involving upstream assets has been more difficult because the downturn in oil prices since mid-2014 has depressed valuations below the level at which Shell is willing to sell. But the recent rebound in prices to around $55 a barrel -almost double the 12-year lows hit in January -has opened the way for transactions to be struck.

Shell is in advanced negotiations over the sale of a package of North Sea assets -a combination of older and newer fields -to Chrysaor, a small private North Sea explorer backed by EIG Global Energy Partners, a US private equity company, according to people briefed on the process. The assets could be valued at more than $2bn. Shell would nevertheless remain a significant investor in North Sea exploration and production. In Gabon, Carlyle Group, the US private equity fund, and Perenco, an independent European oil and gas company, have been vying for Shell assets valued at about $700m. People briefed on the matter said both transactions could be finalised early in the new year -in line with Shell's target to have agreed or be "progressing" $6bn to $8bn of disposals by the end of 2016. Shell declined to comment. Shell also yesterday announced the sale of its Australian aviation fuel unit to Viva Energy Australia for $250m. *(By Andrew Ward, Financial Times)*

World Bank units add $517 mln to Ghana oil, gas project financing

The World Bank Group said it two of its units would provide another $517 million to Ghana in debt and guarantees to support the $7.7 billion Sankofa oil and gas project developed by Italy's ENI SpA and upstream trader Vitol Ghana.

The financing adds to a $700 million World Bank guarantee package announced in July and brings the institution's total financing to around $1.217 billion for the offshore project, whose gas component is set to open in 2018, a statement said. The bank's commercial lending arm, the International Finance Corporation (IFC), has committed a loan of $235 million to Vitol Ghana and is arranging another $65 million in debt. Guarantees by the Multilateral Investment Guarantee Agency, another bank institution, will support Vitol Ghana's commercial borrowing needs for the project and will be issued for up to 15 years. The new pledges bring the World Bank Group's financing share of the Sankofa project to about 16 %. "Sankofa is expected to generate $2.3 billion in revenues for Ghana's government per year and provide a stable, long-term source of domestic gas that will solve Ghana's chronic gas supply constraints," an IFC statement said. ENI holds a 44.4 % stake in Sankofa, Vitol holds 35.6 % and Ghana National Petroleum Corporation holds a combined carried and participating interest of 20 %. Ghana first began pumping oil in 2010 at the offshore Jubilee field operated by Tullow Oil Plc, a British company that this August opened a second field called TEN. Sankofa is expected to generate about 1,000 megawatts of power for Ghana and, combined with gas from two other new fields, could eliminate the need for Ghana to import gas from Nigeria through the West African Gas Pipeline Co. *(By David Lawder and by Matthew Mpoke Bigg, Reuters)*

Oando implements $115m Helios partnership deal

Oando, the Nigerian and Johannesburg-listed oil and gas group, has implemented the $115.8m deal announced in September to bring Helios Investment Partners into subsidiary Oando Gas and Power, it said.

Under the transaction, 49% of Oando Gas and Power’s voting rights have been divested to a Helios special purpose vehicle, Glover Gas and Power. Oando retains 49% of the voting rights and the other 2% is held by a local Nigerian entity. Oando group CEO Adewale Tinubu said the partnership would enable its unit to expand by linking its local knowledge with Helios’s global network and financial capabilities.

Helios managing partner Tope Lawani said the transaction was in line with its strategy of investing in businesses that provide energy solutions in Africa. Oando Gas and Power is Nigeria’s largest private-sector distributor of gas. At peak it delivers 70-million standard cubic feet a day to more than 175 industrial and commercial customers. It has 260km of pipelines. Oando shares dropped 11.11% to 32c on the JSE morning. *(By Charlotte Mathews, Business Day)*

AGRIBUSINESS

Less Oil and More Farms Is What Africa Needs, UN Agency Says

African countries need to increase their focus on agriculture investment and lessen emphasis on oil and mining to improve food security for their citizens, a United Nations agency said.

Most African governments have focused on growth in extractive industries such as oil and mining, resulting in some neglect of agriculture, said Kanayo Nwanze, the president of the United Nations’ International Fund for Agricultural Development, based in Rome. That's heightened food insecurity and crippled opportunities for the majority of the continent's population that lives in rural areas, he said in a telephone interview from London. "Oil hasn't fed people," Nwanze said. "It has enriched the pockets of a few people and the majority have become poorer. A vibrant agricultural sector not only feeds your population, it creates jobs, it generates wealth and it will keep people on their land."

Countries such as Nigeria, the continent's most-populous nation, Angola and Zambia rely on exports of commodities such as oil, natural gas and copper for revenue. Their vulnerability to price swings was laid bare last year as commodity prices collapsed, leading some nations to seek help from the International Monetary Fund. Agriculture comprised about 17 % of sub-Saharan Africa's gross domestic product in 2015, while industry, which includes mining and manufacturing, accounted for about 25 %, World Bank data show.

Minimum Allocations

While each nation is different, "there is no doubt that African countries in general are not providing the minimum allocation of resources as agreed in the Maputo Declaration of 2003," Nwanze said. The agreement, signed by most African states, obliges countries to allocate 10 % of their budget to agriculture development. There are probably eight countries that have done it consistently, according to Nwanze. "Africa's development is not going to be sustained or maintained by the extractive industries or non-farm sector," Nwanze said last week. "The rural agriculture communities are the backbone of development."

There are signs of change. Nigeria, which relies on oil for two-thirds of state revenue and 90 % of foreign-currency earnings, is turning to farming as dwindling oil income has driven the economy to the brink of its first full-year contraction in 25 years and more people go hungry. The government plans to capitalize the state-owned Bank of Agriculture Ltd. with 1 trillion naira ($3.2 billion) so it can lend to farming projects at less than half the commercial rate.

About 45 % of IFAD's investments in loans and grants go to sub-Saharan Africa, which has 25 % of the world's arable land, but generates only 10 % of its agricultural output, according to IFAD. The organization's investment on the continent more than doubled to $2.7 billion in 2015 from 2009. Nwanze was in London last week to give a speech at All-Party Parliamentary Group on Agriculture and Food for Development in the U.K.'s House of Lords. Seventy-five % of the world's poorest people live in rural areas and depend on agriculture and related activities.

Many southern and eastern African nations' harvests have been hurt by an El Nino-induced drought. This includes output from South Africa, which is the continent's biggest producer of corn and whose white variety is used to make a staple porridge eaten throughout the region. *(By Agnieszka de Sousa, Bloomberg)*

African Development Fund Board approves a loan of USD 93.51 million to support the agriculture sector in Tanzania

The Board of Directors of the African Development Fund (ADF) has approved a loan of UA 67.27 million (USD 93.51 million) to the United Republic of Tanzania for on-lending to the Tanzania Agricultural Development Bank (TADB). The funding will contribute to supporting Tanzania's agriculture sector and achieving the country's development goals.

The TADB is a national development finance institution, the mission of which is to develop the agriculture sector in Tanzania. The sector provides employment for about 67% of the population and has a very big potential for expansion given the abundance of arable land and the availability of inland water resources. However, the sector needs to be developed if Tanzania is to achieve sustainable economic development and poverty reduction. Specifically, in order for the country to achieve the Sustainable Development Goals and its Tanzania Development Vision 2025, the agriculture sector must sustainably grow at over 10% per annum. Unfortunately, over the past ten years, the sector has grown at an average of 4.4% per annum and contributed an average of 29.3% of Gross Domestic Product (GDP). These rates have recently declined to 3.2% per annum and 26% of GDP (Q2 2016), respectively.

A major problem facing the country's agriculture sector is the unavailability of medium to long-term finance to support, among other things, agricultural production, processing and marketing. The TADB is designed to address this through the provision of much-needed funding to a sector that is key to the country's development.

Concluding his remarks following the Board discussions, the AfDB President Akinwumi Adesina underscored that: "The TADB is expected to play a key role in facilitating attainment of sustainable food self-sufficiency and food security in Tanzania and in promoting and supporting the transformation of agriculture from subsistence to commercial farming in order to effectively and sustainably contribute to inclusive economic growth and poverty reduction.”

Nigeria's Biggest Miller Says Dollar Shortage Boosting Sales

- Company sees corn prices more than double due to higher demand
- Plans to start sorghum mill with 75,000 tons capacity a year

Flour Mills of Nigeria Plc, the country's biggest miller by market value, said a shortage of dollars in Africa's most populous nation is boosting sales as buyers starved of the U.S. currency buy more food products locally. "Everyone is trying to see how to source locally and that is good" for Nigerian farmers and processors, Managing Director Paul Gbededo said in a Dec. 16 interview at the company's corporate headquarters in Lagos, Nigeria's commercial capital. "We have almost tripled production in refinery of palm oil, palm kernel and soy bean," he said. Prices have risen alongside demand, Gbededo said. "Fifteen months ago, one ton of corn was sold for 60,000 naira ($190). Today it is 125,000 naira," he said.
Nigeria's U.S. dollar reserves dwindled after authorities tightened capital controls and restricted banks' ability to trade foreign-exchange as part of a plan to prop up the naira after it plunged alongside crude prices.

In addition, the Central Bank of Nigeria banned importers of 41items, including palm-oil and rice, from accessing official foreign-exchange markets in June 2015. Although authorities allowed the naira to float in June in a bid to attract inflows, the U.S. currency remains scarce as most foreign investors that exited the country are yet to return. The economy has shrunk every quarter this year and is forecast by the International Monetary Fund to contract by 1.7 % in 2016. Inflation accelerated to 18.5 % in November, the highest rate in 11years, according to the statistics agency. Flour Mills' sales jumped 44 % to 255 billion naira for the six months through September, according to an Oct. 31filing to the Nigerian Stock Exchange. Profit after tax dropped to 6.5 billion naira from 24 billion naira due to foreign exchange losses, it said. The shares have declined 11% this year, compared with a 7.3 % fall on the Nigerian Stock Exchange Main-Board Index. That values the company at 49 billion naira.
The company, which has a milling capacity of 12,000 tons per day, also faces challenges from the lack of dollars as it imports about 1.7 million tons of wheat a year, which is processed into flour and sold to makers of bread, cookies, pasta, noodles and confectionery, according to Gbededo. Flour Mills plans to mitigate against that by growing more of the crop locally and starting a sorghum plant next year that will mill 75,000 tons of sorghum flour annually, Gbededo said. "Our goal is to depend less on the import of food into the country," he said. "I want imports to end today, but it will take time." Flour Mills is expanding in the cultivation and processing of "six key crops" includi ng sugarcane, cassava and maize to sell locally and export to markets in Africa and Europe, according to Gbededo. It has invested 40 billion naira in a sugar mill plant in the country's Niger State and is developing 5,000 hectares of cassava farm and 10,000 hectares of maize farm, he said. "We are talking with equity and technical partners for expansion in those crops," he said, without disclosi ng the partners. *(By Eme e Onu and Tope A ake, Bloomberg)*

UPCOMING EVENTS

Power Tech Africa 2017 30th 31th January 2017 Nairobi Africa
http://infraoutlook.com/events/Power-Tech-Africa-2017/

World Economic Forum Annual Meeting 17-20 January 2017 Davos-Klosters, Switzerland

https://www.weforum.org/events/world-economic-forum-annual-meeting-2017

Project Financing Options for Energy and Energy Related Infrastructure Projects in South, East and North Africa - 23-24 January 2017, Dubai
http://www.energynet.co.uk/event/growing-economies-project-financing-forum

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

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

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

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

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

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

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

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Disclosures

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

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

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

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

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