INSIDE AFRICA

20 January 2017

Now is the time to invest in Africa

EAGLESTONE SECURITIES

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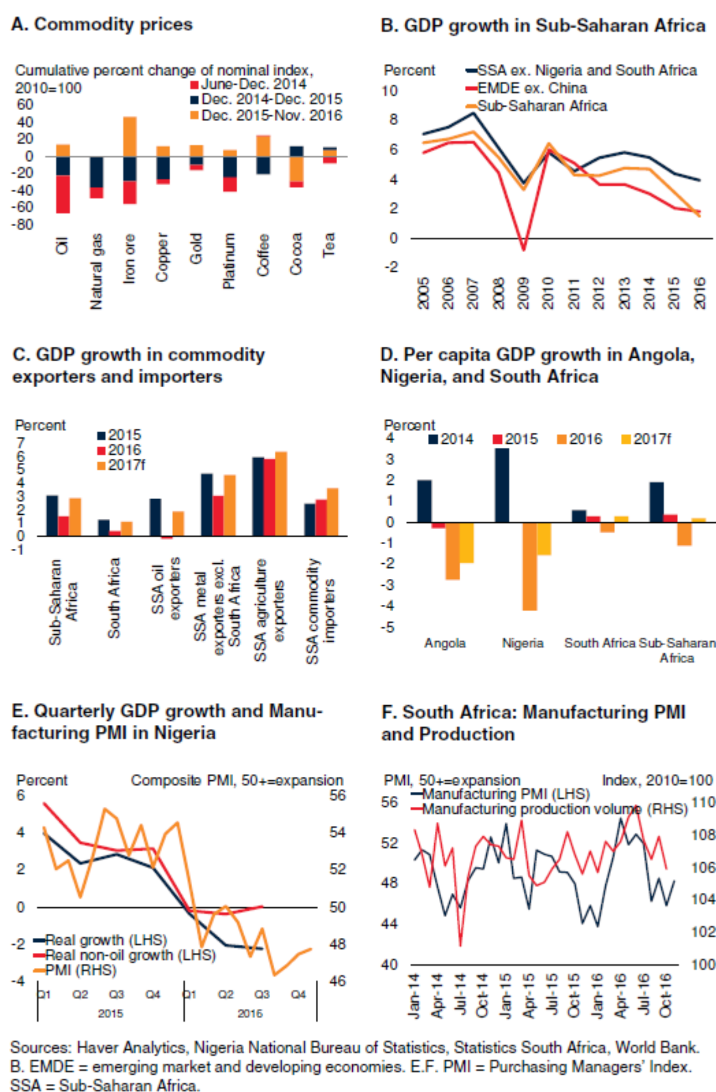
In-depth:
Global Economic Prospects: Sub-Saharan Africa

Recent developments

Growth in the Sub-Saharan Africa region is estimated to have slowed to a 1.5 % rate in 2016, the weakest pace in over two decades, as commodity exporting economies adjusted to low prices1. On a per capita basis, regional GDP contracted by an estimated 1.1 %. South Africa and oil exporters, which contribute two-thirds of regional output, accounted for most of the slowdown, while activity in non-resource intensive economies generally remained robust. In South Africa, growth slowed to 0.4 % in 2016, reflecting the effects of low commodity prices and heightened governance concerns. The region's two largest oil exporters -- Angola, where growth slowed to a 0.4 % rate, and Nigeria, which contracted by 1.7 % -- faced severe economic and financial strains. Other oil exporters were also hit hard by low oil prices, with Chad contracting by 3.5 % and Equatorial Guinea shrinking by 5.7 %.

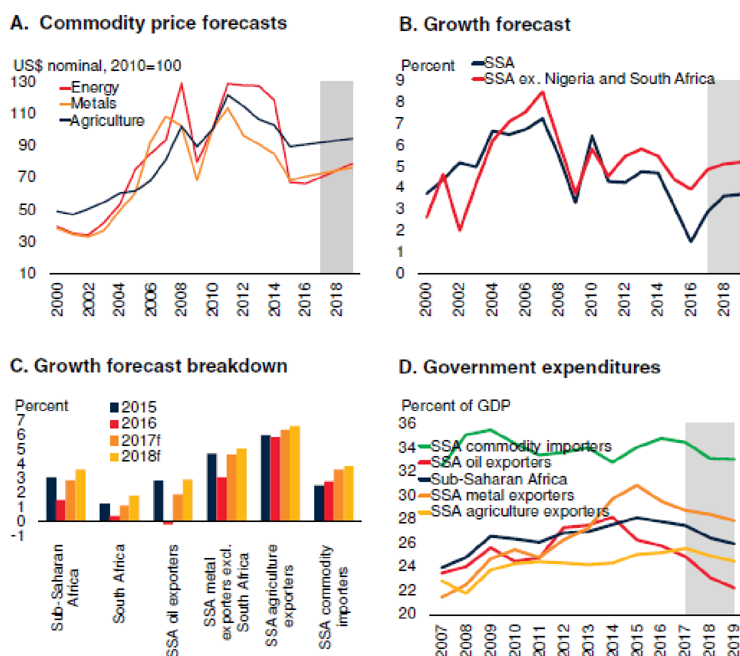


Sources: Haver Analytics, Nigeria National Bureau of Statistics, Statistics South Africa, World Bank.
B. EMDE = emerging market and developing economies. E.F. PMI = Purchasing Managers' Index.
SSA = Sub-Saharan Africa.

Metals exporters struggled with low prices as well. Growth slowed to 2.7 % in the Democratic Republic of Congo and to 3.6 % in Mozambique, where a surge in government debt weighed on investor sentiment. The post-Ebola recovery in Guinea, which accelerated to 5.2 %, Liberia, which picked up to 2.5 %, and Sierra Leone, which expanded by 3.9 %, was hampered by low prices for iron ore. Many agricultural exporters, such as Côte d'Ivoire, which expanded by 7.8 %, and Ethiopia, which grew by 8.4 %, registered strong output on the back of infrastructure investment. Among commodity importers, growth increased to 3.0 % in Cabo Verde, and softened to 3.2 % in Mauritius thanks to tourism.

Outlook

Sub-Saharan African growth is expected to pick up modestly to 2.9 % in 2017 as the region continues to adjust to lower commodity prices. Growth in South Africa and oil exporters is anticipated to be weaker, while growth in economies that are not natural-resource intensive should remain robust. Growth in South Africa is expected to edge up to a 1.1 % pace this year. South African output will be held back by tight fiscal policy and high unemployment that is weighing on consumer spending. Nigeria is forecast to rebound from recession and grow at a 1.0 % pace, as an anticipated modest improvement in oil prices, coupled with an increase in oil production, boost domestic revenues. Angola is projected to expand at a moderate 1.2 % pace as high inflation and tight policy continue to weigh on consumption and investment.



Source: World Bank.
Notes: Non-resource intensive countries include agricultural exporters and commodity importers. The shaded area represents forecasts.

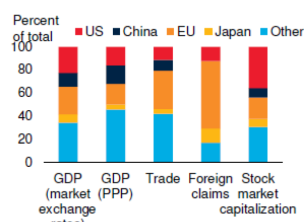
In other mineral and energy exporters, the outlook is generally favorable. Ghana is forecast to surge to 7.5 % growth pace as improving fiscal and external positions help boost investor confidence. Progress in developing Mozambique's energy sector will help spur investment in that country's natural gas production and contribute to an accelerated 5.2 % growth rate. The post-Ebola recovery is anticipated to help Guinea grow by 4.6 %, Liberia by 5.8 %, and Sierra Leone by 6.9 %. Large infrastructure investment programs will continue to support robust growth among agricultural exporters, with Côte d'Ivoire and Ethiopia growing at or above 8 %. However, political fragility will exert a drag on growth in countries such as Burundi and The Gambia.

Among commodity importers, Cabo Verde is expected to grow at a 3.3 % rate, Mauritius to rise moderately to 3.5 %, and Seychelles to slow to a 3.5 % clip as uncertainty in Europe weighs on tourism, investment, and trade flows. Lesotho, which is forecast to pick up to a 3.7 % pace, and Swaziland, which should exit recession and resume growing at a 1.9 % rate, are anticipated to benefit from regional trade and infrastructure investment.

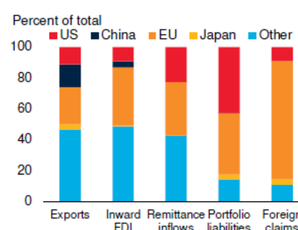
Risks

Risks to the outlook are heavily tilted to the downside. Externally, heightened policy uncertainty in the United States and Europe could lead to financial market volatility and higher borrowing costs or cut off capital flows to emerging and frontier markets. A reversal of flows to the region would hit heavily traded currencies, like the South African rand, hard. A sharper-than-expected slowdown in China could weigh on demand for export commodities and undermine prices. Continued weakness in commodity prices would strain fiscal and current account balances, forcing spending cuts that could weaken recovery and investment.

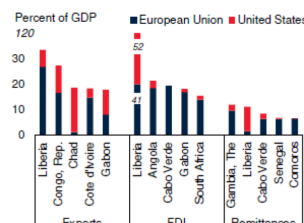
A. Relative size of major world economies, 2010-15



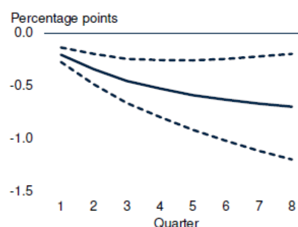
B. Trade and financial exposures to major advanced economies, 2010-15



C. Largest trade and financial exposures to major advanced economies, 2015



D. Impact of 10 percent increase in VIX on EMDE investment growth



Sources: Bank for International Settlements (BIS), Haver Analytics, International Monetary Fund, World Bank.
A.B. Trade (A) includes both exports and imports. Exports (B) includes goods exports only. Foreign claims refer to total claims of BIS-reporting banks on foreign banks and nonbanks. Stock market capitalization is the market value of all publicly-traded shares. "US" stands for United States; "EU" stands for European Union. FDI data only available up to 2014.
C. Goods exports to the United States/Euro Area, remittances from the United States/Euro Area, and FDI from the United States/Euro Area (all in percent of GDP). Chart shows only the countries with the largest exposures to the United States and Euro Area.
D. Cumulative responses of EMDE investment to a 10 percent increase in the VIX. Solid lines indicate the median response and the dotted lines indicate 16-84 percent confidence intervals. Vector auto regressions are estimated with sample for 1998Q1-2016Q2. The model includes, in this order, the VIX, MSCI Emerging Markets Index (MXEM), J.P.Morgan Emerging Markets Bond Index (EMBIG), aggregate real output and investment growth in 18 EMDEs with G7 real GDP growth, U.S. 10-year bond yields, and MSCI World Index as exogenous regressors and estimated with two lags.

Domestic risks include the failure to adjust to low commodity prices and weak global demand. Populist pressures may deter authorities from taking the necessary measures to contain fiscal deficits and rebuild policy buffers. A further deterioration of security conditions in some countries could put strains on public finances.

Sub-Saharan Africa forecast summary

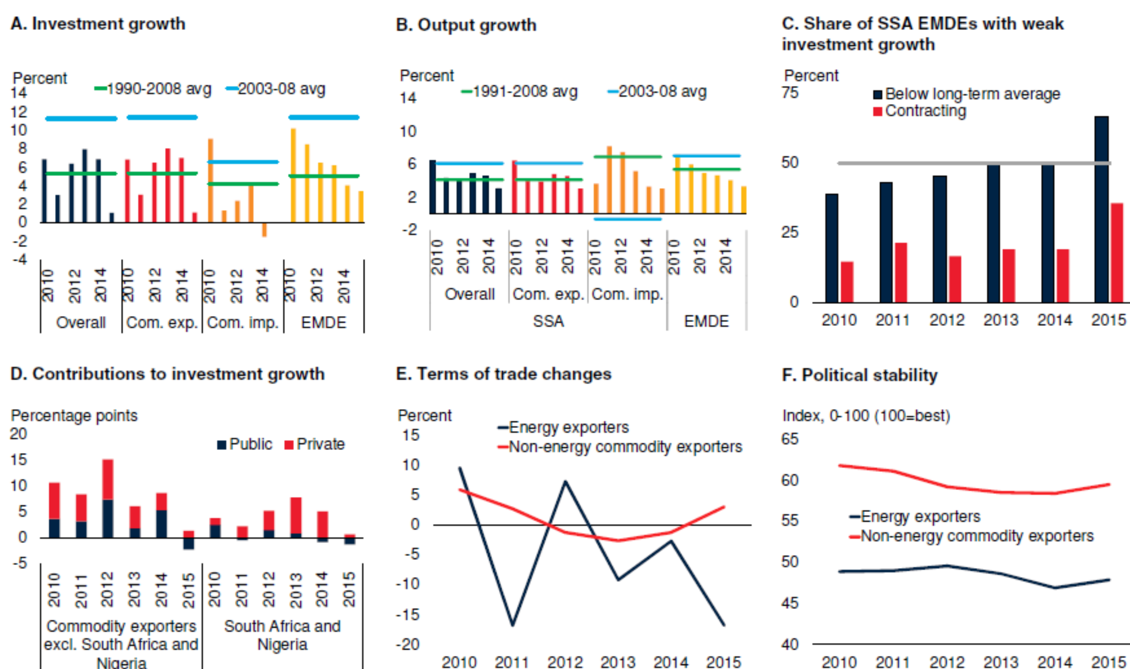
(Real GDP growth at market prices in %, unless indicated otherwise)

	2014	2015	2016	2017	2018	2019	2015	2016	2017	2018
			Estimates	Projections			(percentage point difference from June 2016 projections)			
EMDE SSA, GDP[a]	**4.7**	**3.1**	**1.5**	**2.9**	**3.6**	**3.7**	**0.1**	**-1.0**	**-1.0**	**-0.7**
(Average including countries with full national accounts and balance of payments data only)[b]										
EMDE SSA, GDP[b]	4.7	3.1	1.5	2.9	3.6	3.7	0.1	-1.0	-1.0	-0.7
GDP per capita (U.S. dollars)	1.9	0.4	-1.1	0.2	1.0	1.1	0.1	-1.0	-1.0	-0.7
PPP GDP	5.0	3.3	1.7	3.1	3.9	4.0	0.1	-1.1	-1.1	-0.7
Private consumption[c]	2.9	2.4	1.5	2.9	3.4	3.4	-0.4	-1.0	-0.7	-0.5
Public consumption	2.2	1.7	2.1	2.7	3.0	3.0	-1.9	-0.9	-0.5	-0.6
Fixed investment	9.4	5.1	3.3	5.4	7.0	7.1	-0.8	-1.8	-1.4	0.1
Exports, GNFS[d]	6.3	2.2	1.5	2.0	2.6	2.6	0.7	-0.3	-0.3	-0.2
Imports, GNFS[d]	3.0	1.4	2.3	3.1	3.7	3.8	-1.9	-1.0	-0.3	0.2
Net exports, contribution to growth	0.9	0.2	-0.3	-0.4	-0.4	-0.4	0.8	0.2	0.0	-0.1
Memo items: GDP										
SSA excluding South Africa	5.8	3.7	1.8	3.5	4.2	4.3	0.1	-1.4	-1.3	-0.9
Oil exporters[e]	5.6	2.9	-0.2	1.9	2.9	3.0	0.2	-1.9	-1.9	-1.3
CFA countries[f]	5.7	4.3	4.3	4.8	5.3	5.5	0.3	-1.0	-0.5	-0.4
South Africa	1.6	1.3	0.4	1.1	1.8	1.8	0.0	-0.2	0.0	-0.2
Nigeria	6.3	2.7	-1.7	1.0	2.5	2.5	0.0	-2.5	-2.5	-1.5
Angola	5.4	3.0	0.4	1.2	0.9	0.9	0.2	-0.5	-1.9	-2.5

Source: World Bank.
World Bank forecasts are frequently updated based on new information and changing (global) circumstances. Consequently, projections presented here may differ from those contained in other Bank documents, even if basic assessments of countries' prospects do not differ at any given moment in time.
a. EMDE refers to emerging market and developing economy. GDP at market prices and expenditure components are measured in constant 2010 U.S. dollars. Excludes Central African Republic, São Tomé and Príncipe, Somalia, and South Sudan.
b. Sub-region aggregate excludes Central African Republic, São Tomé and Príncipe, Somalia, and South Sudan, for which data limitations prevent the forecasting of GDP components.
c. The sudden surge in private consumption in the region in 2013 is driven by the revised and rebased NIA data of Nigeria in 2014.
d. Exports and imports of goods and non-factor services (GNFS).
e. Includes Angola, Cameroon, Chad, Democratic Republic of Congo, Gabon, Nigeria, Republic of Congo, and Sudan.
f. Includes Benin, Burkina Faso, Cameroon, Central African Republic, Chad, Côte d'Ivoire, Equatorial Guinea, Gabon, Mali, Niger, Republic of Congo, Senegal, and Togo.
For additional information, please see www.worldbank.org/gep.

Recent investment slowdown: Sub-Saharan Africa

Investment growth has slowed sharply from about 8 % in 2010 to near-zero in 2015, despite significant public investment until 2014. The slowdown has reflected a severe terms of trade deterioration in commodity exporters as well as long-standing structural bottlenecks and political tensions.



Sources: Haver Analytics; Oxford Economics; World Economic Outlook, International Monetary Fund; World Bank Development Indicators, World Bank; Political Risk Services International Country Risk Guide (ICRG).
A. Weighted averages.
C. Long-term averages are country-specific and refer to available data over 1990-2008.

What are Sub-Saharan Africa's remaining investment needs?

Sub-Saharan Africa's strategic priorities to reinvigorate growth and reduce poverty call for investments in agriculture, infrastructure, and health and education (World Bank 2016z).

In agriculture, which provides the livelihood for almost two-thirds of Sub-Saharan Africa's population, investments are needed to raise farm productivity. Increasing investments in agricultural R&D is not only essential for boosting growth in the region but also for accelerating its transformation. Infrastructure investments are needed to support agricultural productivity growth and potential export diversification. These include investments to build or improve irrigation, road, and storage infrastructure, and to develop higher value chains and markets.

Countries in the region have made progress in improving their infrastructure, although results vary. Improved infrastructure was partly responsible for the region's recent strong growth performance (Calderon and Serven 2008).

That contribution reflected mostly advances in information communication technology (ICT). The region has experienced an unprecedented increase in mobile phone subscriptions. By contrast, progress in the power sector has been far more limited. Only a third of households have access to electricity (World Bank 2016z).

- The deterioration in the quantity and quality of *power infrastructure* has increased the need for investment in renewable energies. These have the potential to improve access to electricity while addressing climate change challenges.
- *Transport infrastructure* development has also been limited. In many countries, only a small proportion of the road network is paved. Railways development is inadequate.

Across the region, investments are needed to improve the quality of education and skills, the health status of the populations, and the coverage of infrastructure services, notably access to improved sanitation. Despite recent progress, Sub-Saharan Africa lags other regions (Figure 2.6.1.2).

The region's infrastructure investment needs are large, estimated at 15 percent of GDP, reflecting insufficient and inefficient spending on capital, operation, and maintenance expenditures (Foster and Briceno-Garmendia 2010). Financing to address these investment needs has increased. The external sources of financing for infrastructure have expanded. Official development finance (ODF)—led by the World Bank and the African Development Bank—has increased appreciably. ODF investments are supporting transport and water and sanitation investments in a number of countries. China emerged as a major bilateral source. Chinese investments have increasingly targeted the energy sector and hydropower in particular. Direct private sector involvement surged. Private participation in infrastructure (PPI) now accounts for more than half of total external finance, with a large share of the investments going to the telecom, energy and transport sectors (Gutman, Sy, and Chattopadhyay 2015).

Which policies can help address the region's remaining infrastructure investment needs?

Financing from multilateral development banks, China, and the private sector tripled between 2004 and 2012 (Gutman, Sy, and Chattopadhyay 2015). External financing for infrastructure grew fastest in the energy sector, with Ethiopia, Ghana, Kenya, Nigeria, and South Africa among the largest recipients. Untapped opportunities remain, including in renewable energy (EBRD 2016) as well as in other investments that can support private sector development. Innovative financing solutions for infrastructure investment that mitigate risk factors for investors have been developed. Tools such as blended finance, co-financing between private investors and development finance institutions, public-private partnerships and climate finance are being deployed in countries across the region (IFC 2016). Nevertheless, financing investment projects remain challenging. Although private investment has become significant and covers a broad range of countries, it has focused more on ICT than other sectors.

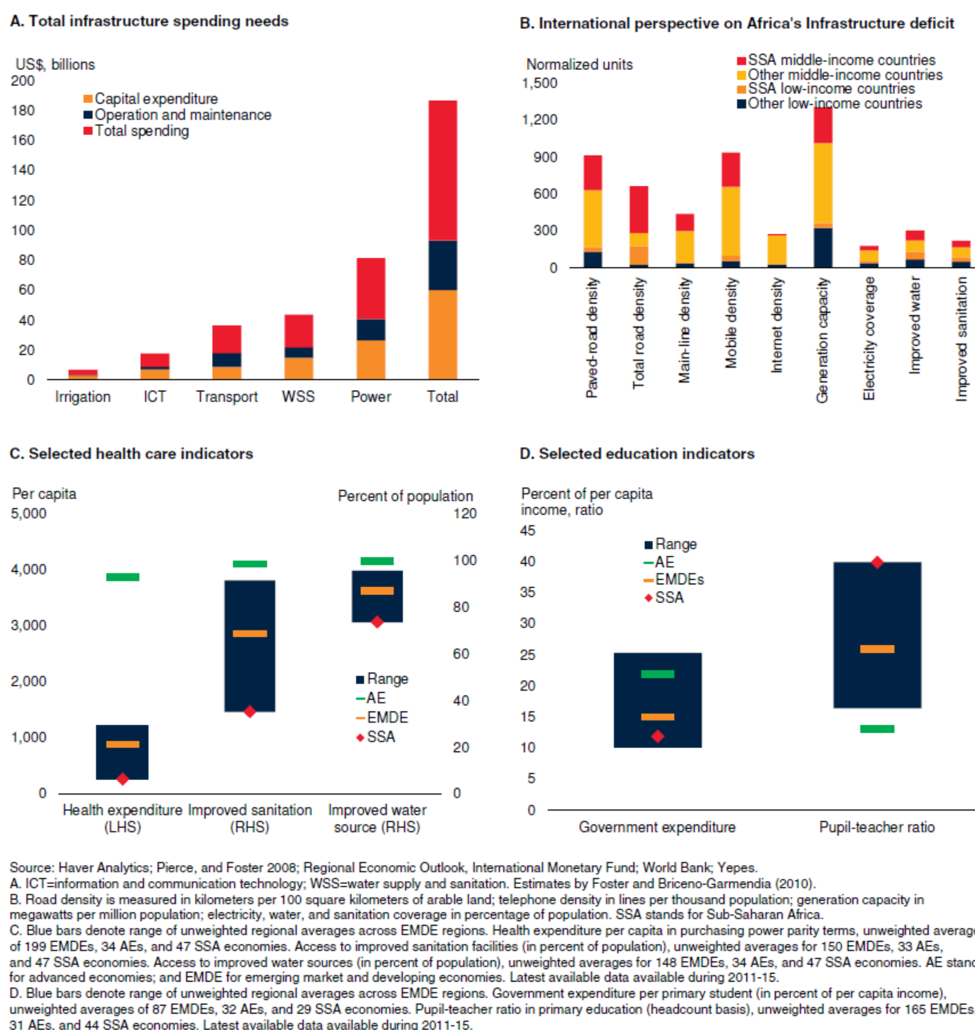
Despite the rising importance of external finance, public sector budgets remain the primary source of funding for infrastructure investments in the region. Countries across the region finance about 65 percent of their infrastructure expenditures with domestic resources (IMF 2014b). In some countries, the fiscal space created by the heavily indebted poor countries (HIPC) debt relief facilitated these expenditures. Others took advantage of low interest rates to issue Eurobonds to finance infrastructure investments. Governments spend most of their resources on transport and energy. Nonetheless, the level of public finance remains insufficient to cover their infrastructure needs. Sub-Saharan African countries need to mobilize more domestic resources to finance infrastructure investment. Tax-to-GDP ratios are far below the EMDE average in a number of countries, reflecting a failure to reform weak tax systems, especially in oil exporters.

Investment needs

Sub-Saharan Africa's investment needs are high across a wide range of sectors. There has been progress in improving infrastructure in the region, but progress has been slow, especially in energy and transport.

The capacity of countries in the region to effectively use resources for infrastructure investment remains a critical issue. The efficiency of public investment in Sub-Saharan Africa lags behind other EMDEs, reflecting poor project selection, weak enforcement of procurement procedures, and failure to complete projects (Dabla-Norris et al. 2012). These weaknesses point to a need to increase absorptive capacity in public infrastructure in the region.

Sub-Saharan Africa's infrastructure development faces major geographic and physical challenges, reflecting its low population density, low urbanization, and large number of landlocked countries. A sizable number of small countries makes it difficult for firms to exploit economies of scale. As a result, Sub-Saharan Africa's infrastructure services are more expensive than in other regions, suggesting that greater gains could be achieved through deeper forms of regional integration.



Source: Haver Analytics; Pierce, and Foster 2008; Regional Economic Outlook, International Monetary Fund; World Bank; Yepes.
A. ICT=information and communication technology; WSS=water supply and sanitation. Estimates by Foster and Briceno-Garmendia (2010).
B. Road density is measured in kilometers per 100 square kilometers of arable land; telephone density in lines per thousand population; generation capacity in megawatts per million population; electricity, water, and sanitation coverage in percentage of population. SSA stands for Sub-Saharan Africa.
C. Blue bars denote range of unweighted regional averages across EMDE regions. Health expenditure per capita in purchasing power parity terms, unweighted averages of 199 EMDEs, 34 AEs, and 47 SSA economies. Access to improved sanitation facilities (in percent of population), unweighted averages for 150 EMDEs, 33 AEs, and 47 SSA economies. Access to improved water sources (in percent of population), unweighted averages for 148 EMDEs, 34 AEs, and 47 SSA economies. AE stands for advanced economies; and EMDE for emerging market and developing economies. Latest available data available during 2011-15.
D. Blue bars denote range of unweighted regional averages across EMDE regions. Government expenditure per primary student (in percent of per capita income), unweighted averages of 87 EMDEs, 32 AEs, and 29 SSA economies. Pupil-teacher ratio in primary education (headcount basis), unweighted averages for 165 EMDEs, 31 AEs, and 44 SSA economies. Latest available data available during 2011-15.

Four key areas of policy priorities to address investment needs and ensure sustainable financing are the following:

• **Sustaining public investments**. Domestic resources—tax and nontax revenue—are likely to remain the dominant source of financing for infrastructure.

Increasing domestic revenue may provide the most sustainable way of financing infrastructure investment. This will require improving tax collection as well as cost recovery. In many countries, debt levels are still BOX 2.6.1 Recent investment slowdown: Sub-Saharan Africa (continued) manageable, and borrowing to increase spending on infrastructure remains a viable option. However, debt sustainability should not be compromised.

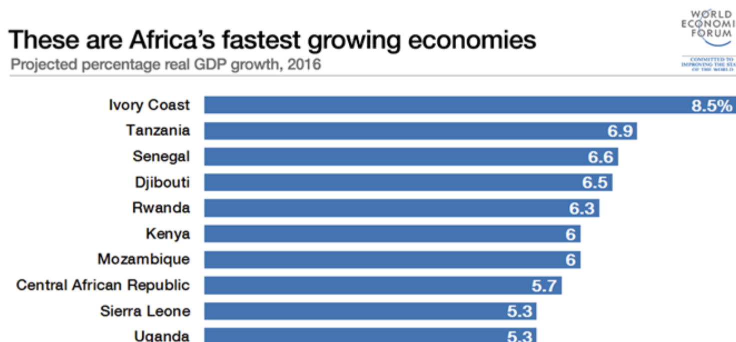
• **Encouraging greater private sector participation in infrastructure**. Countries need to strengthen the pipeline of bankable projects that can meet the financial objectives of private investors. Innovative fund and deal structures, such as guarantees and risk sharing, should be developed. Blended finance instruments that can leverage private sector development financing should be promoted. Publicprivate partnerships (PPPs) are a tested strategy that can be applied to numerous sectors (IFC 2016). However, governments have to establish autonomous regulatory agencies to oversee the private agents. The terms of the partnerships have to be monitored carefully to ensure PPPs deliver a normal return and not a monopoly profit.

• **Strengthening public investment management systems.** An effective public financial management capacity is critical in scaling up infrastructure investment spending. Countries should seek to strengthen capacity for project selection and appraisal, and enhance monitoring of project execution to minimize leakages. Operation and maintenance expenditures for existing infrastructure should be fully integrated in a medium-term expenditure framework to ensure that they receive adequate budgetary resources.

• **Promoting regional integration of infrastructure**. A regional approach to the provision of infrastructure services is needed to overcome the region's geographic and physical challenges. This will require effective regional institutions, setting priorities for regional investments, harmonizing regulatory frameworks and administrative procedures, and facilitating crossborder infrastructure (Kessides and Benjamin 2012). *(World Bank)*

Doing business in Africa? Four things you should know about, from one of the region's most successful entrepreneurs

Africa is home to seven of the 10 fastest-growing economies in the world, and despite the pre-conceived ideas of a continent forever plagued by disease, war and turmoil, it is rapidly becoming one of the most desirable investment destinations.



Of course, the past two years have not been easy for the continent. In 2015, an economic slump saw GDP growth slow to 3.0%, down from 4.5% in 2014. In 2016, low commodity prices continued to impede growth, and expansion decelerated to lows not seen since the 2009 global financial crisis.
But I believe 2017 will be the year the continent bounces back. Here's why.

2017: Africa's year?

While the headlines might be all about falling commodity prices, here on the ground I'm seeing something different: an environment where private sector-led investments is starting to flourish, in large part thanks to government-led far-reaching economic and political reforms

Indeed, the business landscape has been rapidly changing, due to increased regional mobility, rapid urbanization and population growth, all of which has boosted demand for African-manufactured products and services. This, coupled with strong interconnectedness and a sense of pan-Africanism, has brought much optimism for businesses operating in the region. With the public sector facilitating the establishment of Africa's biggest economic bloc – that may culminate in a Free Trade Area spanning Cape to Cairo – the next great investment destination for 2017 may very well be Africa.

Take the example of agri-business, which has and always will be at the centre of growth in the continent. Recently, the continent has seen a surge of innovations that are accelerating agricultural productivity. For example, new platforms are providing farmers with information on commodity prices, the availability of buyers and sellers, and guidance on best practices in harvesting and disease management.

Four signs that things are looking up in Africa

The rise of these innovations speaks to the progress and potential of Africa's economy more broadly, its people and their ability to identify localized solutions for growth. But this isn't the only clue as to Africa's potential.

In fact, I see four key trends driving large-scale private sector growth on the continent. These trends are not only shaping the strategies for existing companies but have also influenced the nature and appetite for joint venture projects across the continent.

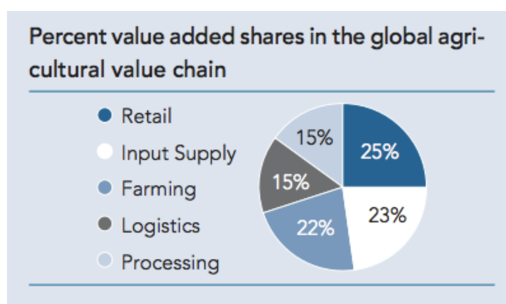
1. Processing and value addition

For a long time, development practitioners have emphasized need to give more attention to the processing of raw agricultural produce rather than exporting unprocessed agricultural commodities.

Indeed, African governments have been promoting value addition for economic development for years, and yet there are still plenty of investment opportunities.

Over 80% of value in the global food industry is in value-added components such as sorting, cleaning and packaging fruits and vegetables. The various forms of value-addition provide opportunities for the private sector to expand their commercial activities and access higher-value markets, either for domestic consumers or exports.

Not only do they provide employment at all levels, but they have proven time and time again to drastically change the economic landscape of countries. A brilliant example of this is Kenya – the export value of fresh vegetables grew by as much as 250% after it stopped simply exporting raw material and started incorporating value-added tasks such as cleaning, packaging and freezing products.



Similar to the fruit and vegetables sub-sectors, Africa's cotton and apparel value chain have joined forces to integrate the global textile supply chain. In South Africa, the Aid by Trade Foundation entered into a partnership with the African Cotton and Textiles Industries Federation to promote the sustainable cotton and textile industry in Sub-Saharan Africa. The objective of this partnership was to increase productivity, competitiveness and sustainability of cotton production, and thus strengthen textile production in Africa.

In Tanzania, the MeTL Group started out with cotton ginning operations for export. We then opened four textile factories for spinning and weaving of cotton in Tanzania and Mozambique. Today, we have launched our first ever garmenting factory which manufactures school uniforms, T-shirts and several cotton-apparel by-products.

With its growing population and increasingly skilled labour force, Africa is ideally placed to benefit from processing and value-addition across the agro-processing sub-sector.

2. Fast-moving consumer goods for Africa by Africa

Africa is home to one of the world's fastest growing populations and an exploding middle class with more disposable income than ever before. As a result, there is high demand for fast-moving consumer goods (FMCG), such as apparel, hygiene products, food and electronics. Currently, almost all these products are still being imported.

FMCG retailers tend to operate in low-margin environments, and as a result, large markets are crucial to their growth and success. With a rapidly growing continent and changing livelihoods, the potential for private sector actors in the FMCG space is promising for 2017 and beyond. McKinsey projects the growth of these consumer-facing industries will surpass $400 billion by 2020. Over the past few years, several African entrepreneurs have started local production using locally available material in manufacturing soaps, edible oils, household cleaning products, and even school uniforms. From local companies like Del Monte Kenya Limited, Tongaat Hulett, to foreign conglomerates like Unilever and Procter and Gamble, Africa's FMCG sector has provided plenty

Breaking down the ARDI top 15

2015 rank	2014 rank	Country	Market attractiveness	Country risk	Market saturation	Time pressure
1	5	Gabon	20.2	13.0	20.7	12.1
2	8	Botswana	22.3	25.0	0.2	15.9
3	12	Angola	16.6	3.5	22.0	15.8
4	2	Nigeria	13.0	4.1	18.4	22.4
5	4	Tanzania	4.9	7.9	19.8	25.0
6	7	South Africa	25.0	22.7	0.0	9.6
7	1	Rwanda	5.7	11.2	21.6	18.2
8	3	Namibia	18.2	21.9	0.0	14.0
9	6	Ghana	10.9	11.3	21.6	8.5
10	14	Senegal	8.9	7.6	21.1	14.6
11	NR	Gambia	7.8	4.4	23.7	13.3
12	13	Zambia	8.8	8.4	13.5	18.2
13	NR	Côte d'Ivoire	8.7	3.0	22.5	13.3
14	10	Ethiopia	4.7	2.9	25.0	14.5
15	9	Mozambique	4.3	6.3	18.2	18.1

of business opportunities, and there are some who say this could be the next "gold rush". US retail giant Wal-Mart's recent $2.5 billion dollar investment into South African retailer Massmart points that way. McKinsey have described this sector as the "single-largest business opportunity in Africa". If these figures from the A.T. Kearney 2015 African Retail Development Index (ARDI) are anything to go by, that prediction is accurate.

3. 'Bottom of the pyramid' consumers

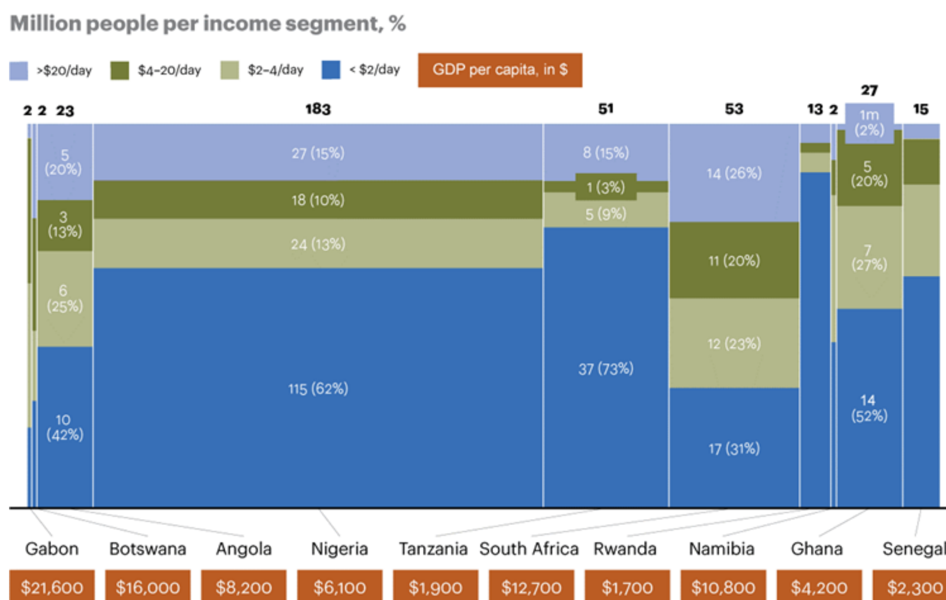
Despite rapid socio-political advancements in Africa, only around half of people there earn more than $4 a day. While in Africa this might be categorized as "middle class", manufactures locally and globally would still label them as low-income consumers, or the bottom of the pyramid (BOP) market.

The competitive advantage of African owned and run businesses is that, unlike their foreign counterparts, they understand the purchasing decisions of the world's more than 5 billion low-income consumers, which gives them a competitive edge.

When CK Prahalad's published The Fortune at the Bottom of the Pyramid, he was speaking directly to the many African entrepreneurs that understood the world's poor and their untapped buying power. Companies on the continent are learning how to serve these consumers while making money in the process. Single-use and/or low-cost products have been experiencing solid demand. Products like SC Johnson's individual mosquito coils for $0.01 and returnable 200ml bottles of Coca-Cola continue to be profitable because these companies have invested heavily in the logistics needed to reach BOP consumers, and have carried out market research on the packaging and disposable income required for poorer consumers to be able to buy their products.

Figure 4

As many as half of people in some countries earn more than $4 per day, highlighting the growing middle class

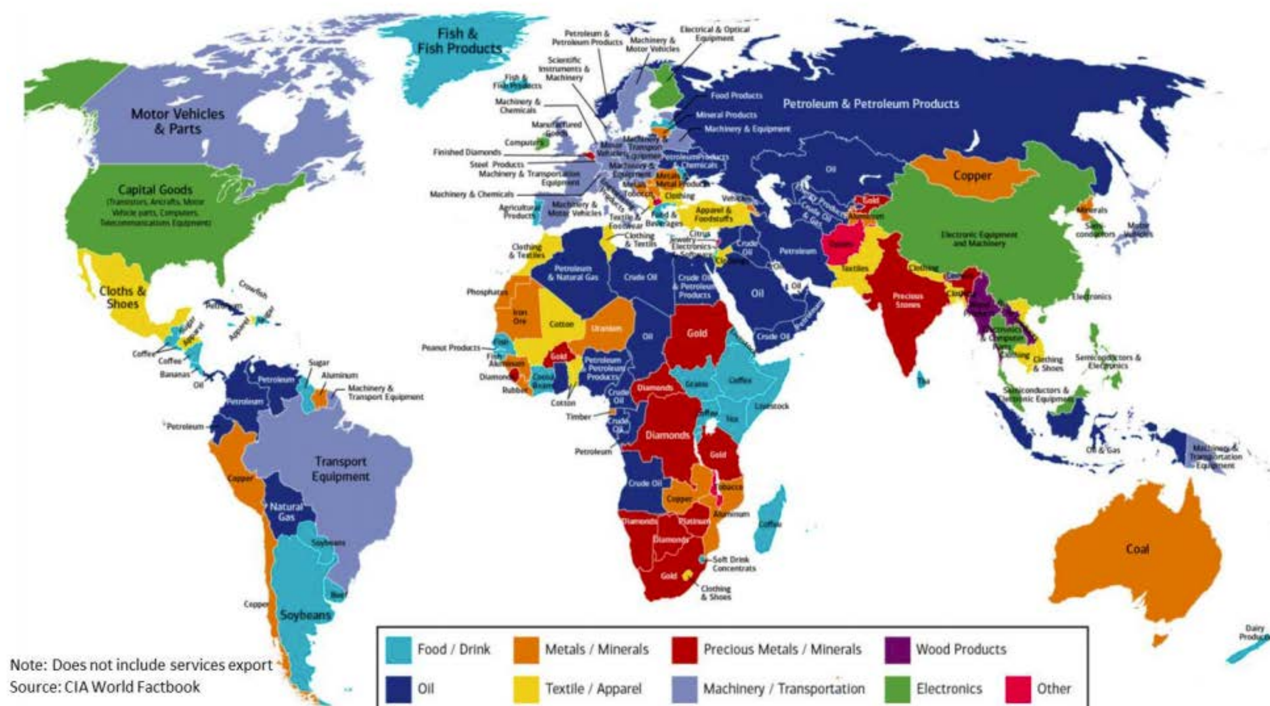


Note: Results in this figure are the sum and interpretation of sources. While these are fair and well calculated estimates, they may differ from actual results.
Sources: The World Bank's PovcalNet database, African Development Bank, 2014; A.T. Kearney analysis

4. African export market

Export-led growth has been a successful strategy for several developing economies. Through incentive programmes and policies, African governments and multilateral donors have encouraged exports, which have allowed companies to further diversity their operations and reap the financial benefits.

For a long time, the continent was not able to meet global export requirements. However, with the multiplicity of opportunities today – increased market linkages, partnership support, consultation, information sharing and tailored training for export trading – we've been able to take advantage of the global demand for African exports. With a growing world population and an imminent danger of global food shortages, Africa is well poised to become the breadbasket of the world. Africa's



exports will be critical to our development as a global society. The graph below illustrates the importance of commodities to different economies (dark blue and orange areas). These exports that continue to dominate many national economies will become extremely important in the growth of Africa's private sector in 2017 and beyond.

These four trends have been a long time in the making, but after a slow 2016, it looks like 2017 could be a good year for all those doing business in what is now one of the most exciting and dynamic regions in the world. *(World Economic Forum)*

IMF, WORLD BANK & AFRICAN DEVELOPMENT BANK

IMF Executive Board Completes the Seventh Review under the Policy Support Instrument for Uganda

- Program implementation has been mixed; inflation kept within target; structural reforms have progressed, with some delays.
- Growth slowed marginally to 4.8 % in FY15/16 but is expected to return to 5 % in FY16/17.
- Enhancing public investment management is essential to achieving the desired growth dividend from infrastructure investment.

On January 5, the Executive Board of the International Monetary Fund (IMF) completed the seventh review of Uganda's economic program under the Policy Support Instrument (PSI).1 The Board's decision was taken on a lapse of time basis.2 In completing the review, the Board granted a waiver of the nonobservance of the end-June 2016 assessment criterion on the overall deficit of the central government.

The PSI for Uganda was approved by the Board on June 28, 2013 (see Press Release No. 13/78), and a one-year extension was approved on June 6, 2016 (see Press Release No. 16/263).

Uganda's economy has performed reasonably well in a complex environment. Growth slowed marginally to 4.8 % in FY15/16, reflecting muted sentiment in an election year and adverse global and regional developments. The current account deficit improved by 1 percentage point to 5.9 % of GDP, and the Shilling has stabilized after a sharp depreciation in 2015. Growth is projected to nudge up to 5 % in FY16/17.
Program performance under the PSI has been mixed. Tight monetary policy in 2015 has helped contain inflation in the target range, and the Bank of Uganda (BoU) has started an easing cycle in April 2016. Reserve cover remains adequate. Fiscal revenue and deficit targets were missed, reflecting lower-than-expected growth and election effects. Investment spending fell short, while current expenditure overshot. Structural reforms have progressed, albeit with some delays.
The banking sector remains overall well capitalized, despite elevated non-performing loans. The BoU appropriately took over an undercapitalized bank and is identifying a strategic investor.
Uganda remains at a low risk of debt distress. The scaling-up of infrastructure investment implies a temporary increase in debt, putting a premium on domestic revenue mobilization and ensuring that public investment yields the intended growth dividend.
Looking ahead, priorities include close cooperation with the Financial Action Task Force to ensure Uganda's swift exit from its "gray" list; strengthening domestic arrears monitoring; and amending the Bank of Uganda Act to reinforce central bank independence.
1 The PSI is an instrument of the IMF designed for countries that do not need balance of payments financial support. The PSI helps countries design effective economic programs that, once approved by the IMF's Executive Board, signal to donors, multilateral development banks, and markets the Fund's endorsement of a member's policies (seehttp://www.imf.org/external/np/exr/facts/psi.htm). Details on Uganda's current PSI are available at www.imf.org/uganda.
2 The Executive Board takes decisions without a meeting when it is agreed by the Board that a proposal can be considered without convening formal discussions.

IMF Executive Board Completes the Fifth Review Under the Policy Support Instrument for Tanzania

- Most program assessment criteria and indicative targets were met, though implementation of structural measures lagged
- Recent economic performance has been strong with high growth, moderate inflation, and a narrowing of the external current account deficit
- Authorities should ease the current tight stance of macroeconomic policies and redouble reform efforts to achieve targets in the medium-term development plan

On January 9, 2017, the Executive Board of the International Monetary Fund (IMF) completed the fifth review of Tanzania's economic performance under the program supported by a three-year Policy Support Instrument (PSI). [1] The Board's decision was taken on a lapse of time basis. [2]
In completing the review, the Board also granted waivers for the non-observance of the end-June 2016 assessment criteria on the overall fiscal deficit and the non-accumulation of domestic expenditure arrears on the grounds that the slippages were minor. The PSI for Tanzania was approved by the Board on July 16, 2014 (see Press Release No. 14/350).
Tanzania's macroeconomic performance remains strong. Economic growth was robust during the first half of 2016 and is projected to remain at about 7 % this fiscal year. Inflation came down below the authorities' target of 5 % and is expected to remain close to the target, while the external current account deficit was revised down on account of lower imports of capital goods. Nevertheless, there are risks that could adversely affect economic growth going forward, arising from the currently tight stance of macroeconomic policies, the slow pace of credit growth that may become protracted, slow implementation of public investment, and private sector uncertainty about the government's new economic strategies.
Program performance was broadly satisfactory and most assessment criteria for June 2016 and all indicative targets for September 2016 were met. While progress in structural reforms identified

under the program has been generally slow, the authorities have recently stepped up efforts to advance them. These include measures taken to strengthen public financial and debt management, modernize the monetary policy framework, and improve monitoring of parastatal enterprises. The authorities have committed to further reforms in these areas.
The current tight macroeconomic conditions should be addressed by loosening the short-term policy stance, in line with program targets. After recording a small fiscal surplus in July-September, the government is committed to stepping up budget implementation, particularly in public investment, including by mobilizing external financing. Monetary policy should be eased to address the tight liquidity situation and support credit to the private sector. The Bank of Tanzania's steps in this regard are appropriate, but will need to be fine-tuned when the planned fiscal spending materializes. The increase in international reserves recorded since the beginning of the fiscal year is a welcome step to gradually rebuild buffers.
The authorities are implementing an ambitious development and reform agenda over the medium term, as described in their recently-released second Five-Year Development Plan. The strong drive against corruption and tax evasion has led to higher fiscal revenues, which, if sustained, will provide a good foundation for the envisaged scaling up of infrastructure investment, starting with the 2016/17 budget. The Plan also envisages a significant structural transformation of the economy by nurturing human development. Full involvement of all stakeholders in policy design and implementation—including importantly the private sector—will be crucial.

AfDB signs loan agreements to finance Busega-Mpigi express highway project linking Uganda and Rwanda

The loans will help finance the construction of a 23.7-kilometre four-lane express highway on a new alignment with four grade-separated interchanges. The ceremony was held at the Ministry of Finance and attended by Monica Azuba Ntege, Minister of Works and Transport, officials from the Ministries of Finance and Works and the Uganda National Roads Authority. Matia Kasaija thanked Negatu for expediting the loans signature. He expressed appreciation for the Bank's support and pointed out the strategic importance of the road in improving the transport services in central Uganda and its contribution to regional integration. He urged the executing agency to ensure timely implementation and pledged Government's commitment to meet the counterpart obligations as well as ensuring compliance with safeguard requirements. Negatu thanked the Minister and commended the Government of Uganda's commitment to the development of infrastructure in the country. He pointed out that the Busega-Mpigi express highway project will cost US $192 million, with Bank financing of US $151 million. In addition to the civil works, the project has components for capacity building for Ministry of Works and Transport, training and capacity building for cross-border women traders at Mirama Hills and vendors (mainly women and youth in Busega Market). He further stated that, given the high traffic volume on the project road, the project will have an Operations and Maintenance Concession in order to address the project future maintenance requirements. On the ongoing project, the AfDB Director General called up on for more efforts in order to ensure that the observed delays are avoided in future. With respect to this project, the Director General emphasized the importance of fulfilling the loan conditions for disbursement effectiveness as soon as possible, as this affects the processing of Kapchorwa-Suam. The Minister of Works also thanked the Bank for its support in improving transport in the country.

Burkina Faso wins $4-million loan to invest in farmers' cooperatives to revive sustainable cashew market

With support from the African Development Bank (AfDB), Burkina Faso has been awarded a US $4-million loan from the Climate Investment Funds' Forest Investment Program (CIF FIP) to revive its cashew sector and mitigate climate change, working through an innovative public-private sector business model between the national union of farmers' cooperatives and the government.

The "Climate change mitigation and poverty reduction through the development of the cashew sector in Burkina Faso" project is funded under FIP's innovative Private Sector Set-Aside Program*, and will include three sets of activities:

- Enhancing cashew production through plantations with selected varieties and improved management practices;
- Improving cashew processing capacities; and
- Strengthening the capacities of the national-level Wouol Farmers' Association and its members, especially in terms of agricultural product trade (higher quality, stronger networks) and agroforestry.

Ultimately, the project is designed to: mitigate climate change by sequestering carbon in cashew tree plantations and reducing forest degradation and deforestation; restore degraded soils, the reason for which cashews were originally introduced into Burkina; increase rural incomes, especially for women; and showcase certified organic and fair trade agriculture's economic profitability and environmental sustainability. "The cashew market has a very important dual role in helping Burkina Faso mitigate climate change and reduce poverty," said Laouali Garba, AfDB's task manager for Burkina's FIP program. "The cashew tree is an important reforestation tree for preserving the environment and improving soil fertility. This value, combined with the business model of engaging local farmers and helping them transition to organize farming and sustainable trade, makes this project unique, and at AfDB we are very pleased to partner with Burkina Faso and FIP to help it succeed." The project is particularly critical right now, Garba explained, because the country cannot fully benefit from the cashew market, since local processing companies have trouble accessing funding, and most of the cashews are exported as raw nuts. Addressing both of these concerns is an important part of this innovative private sector based project.

The project is unique because of the business arrangement between the government and the Wouol Farmers' Association, which will serve as the market producer for the cashew industry. In Burkina, the Wouol Farmers' Association is a national level organization uniting 69 farmers' cooperatives with more than 2,500 farmers, of whom more than 70% are women. Although it is a non-profit organization, it generates margins that are 100% reinvested in the business to support members' economic development, and is recognized as a private sector entity by the government. To secure financial success of this unique arrangement, with support of the AfDB, the Government has agreed to guarantee it to the communities by borrowing the loan and investing it for development of the cashew value chain in the form of micro-credits through a financial intermediary, Réseau des Caisses Populaires du Burkina (RCPB). Significantly, the project will not fund plantations that involve clearing forests or cutting trees. Compliance with this measure must be evidenced by the production of a certificate provided by the competent authorities. Plantations will be done on degraded and abandoned land due to their low agricultural productivity or to reinforce existing plantations. The agroforestry plantations will therefore aim to achieve a dual objective of restoring soil fertility for agricultural activities and increasing cashew production through improved yield plantations.

AfDB commits US $40.8 million to reinforce the Lomé–Cotonou Road and protect it against coastal erosion

The Board of Directors of the African Development Bank Group (AfDB) approved on Friday, December 16, 2016 a US $40.8-million loan to the Republics of Benin and Togo to finance the upgrading into a four-lane 30-kilometre road section linking the capitals of both countries, as well as an important program of coastal protection.

The project will reinforce and secure the missing link on the Togolese portion of the Abidjan-Lagos corridor, a strategic route for the movement of people and goods in Western Africa. As a consequence the project will consolidate regional integration and improve living condition of 1.7 million people living in the project area.

Located on the major axis linking Togo and Benin, the Avépozo–Aného road section is particularly vulnerable to coastal erosion and faces a rising traffic volumes. Through this project, the Bank aims to improve the level of service of the transport logistical chain and traffic, as well as strengthen the climate resilience of infrastructure in coastal areas in Togo and Benin. The construction of 28 barriers, or groynes, and reinforcement of sand on exposed beaches aims to reduce erosion of the coastline from 20 metres per year to 1 metre a year.

Like all the coastal countries in the sub-region, Togo and Benin have an interconnected coastal and marine environment, which is densely populated with heavy infrastructure and industries and along with economic centres or capital cities. However, these coastal areas are frequently subject to flooding and erosion, which cause considerable damage. The situation threatens the livelihood of coastal communities and nearby coastal infrastructure, drastically reducing the potential for economic development along the coast. “The combined construction of the road and coastal protection infrastructure will not only improve the level of service between Lomé and Cotonou – it will most of all preserve human lives, the national territory and socio-economic infrastructure of great importance such as the Abidjan–Lagos corridor,” said Lydie Ehouman, Transport Economist at the AfDB.

The coastal erosion works will be completed by an institutional support program for authorities of both countries. The project will finance in particular the establishment of a coastal protection management structure, the launch of coastal protection studies, the setting up of an early warning system alongside sensitization campaigns targeted at the vulnerable populations. “It’s an important step in the protection of the entire Togolese and Beninese coast, as it will enable development of a coherent, comprehensive and multi-dimensional program to fight against coastal erosion in both countries,” said Ehouman. “The project demonstrates the attention paid by the Bank to the questions of resilience and durability of infrastructures, in particular in a context of vulnerability to climate change. This preoccupation is in line with the core mission of the Bank, which is the promotion of an inclusive and sustainable growth,” said Amadou Oumarou, Director of the Bank’s Transport and ICT Department.

Concerning the level of service on the corridor itself, the project will facilitate the activities of the logistic operators, financing also a one-stop border post at the Togo/Benin border, and promoting customs systems harmonization. Once complete in 2020, the average travel time between Lomé and Cotonou is expected to be reduced from 11 hours to five hours for trucks.

The project is jointly financed by the African Development Fund (ADF), the Islamic Development Bank (IsDB), the European Union (EU), the West African Development Bank (BOAD), the Global Environment Facility (GEF), West African Economic and Monetary Union (WAEMU), and the Government of Togo for an estimated cost of US $187.1 million. Bank financing makes up US $40.8 million or 21.82% of the project cost, with an African Development Fund (ADF) loan of US $1.4 million to the Republic of Benin, an ADF loan of US $12.5 million to the Republic of Togo, a US $25.6 million Transition Support Facility (TSF) loan, an ADF grant of US $1.3 million and a TSF grant of US $0.04 million.

Swedish firm wins AfDB contract to develop market-friendly Adaptation Benefit Mechanism for climate resilience

The African Development Bank (AfDB), with support from the Climate Investment Funds (CIF), has awarded a contract to Swedish consulting firm CPMA International to help develop a global Adaptation Benefit Mechanism (ABM). The revolutionary ABM would serve as a business model to encourage private sector investment in climate change adaptation, sending a price signal to project developers that will encourage them to invest in technologies, goods and services which bring verified adaptation and resilience benefits to developing economies.

Under the ABM, project-based technologies and services that deliver supplementary adaptation benefits to developing countries will be able to have those benefits verified and issued as Adaptation Benefit Units (ABUs), and monetized through an Adaptation Benefit Unit Offtake

Agreement (ABOA). ABOAs signed with creditworthy off takers are bankable and, subject to due diligence, may be used to raise debt to finance the projects.

An adaptation benefit can be defined as any activity that makes households, communities or economies more resilient to climate-induced shocks, and includes a wide range of products and activities not immediately recognized as essential to climate resilience. For instance, clean cooking stoves, flood prevention solutions, and access to electricity all help strengthen households, communities and economies by improving health and access to information, reducing women's workloads, improving school attendance, protecting assets, enabling small-scale agro-processing, etc., all functions which ensure a stronger and more resilient society. "At AfDB, we are very excited that the ABM model is beginning to take shape as a reality," said Gareth Phillips, AfDB's Chief Climate and Green Growth Officer and author of the concept. "In fact, it's possible that in the long run financing projects through the sale of adaptation benefits could be equally or more beneficial to developing countries than financing projects through the sale of mitigation units as currently exists under the Clean Development Mechanism (CDM). Lower transaction costs may also make them attractive to donors and Corporate Social Responsibility (CSR) buyers."

The ABM concept is based on experience from the mitigation-based CDM set up under the Kyoto Protocol, the UN's former global climate change treaty, and also draws on the Payment for Ecosystem Services (PES) business model. Under an ABM, project developers will be incentivized to change their behaviour from business-as-usual to invest in adaptation technologies, thus beginning to make adaptation solutions marketable and adaptation projects profitable. Significantly, ABUs arising from projects will be defined in formal monitoring and reporting methodologies, so buyers can see what they are getting. ABUs, which will be denominated in units which are appropriate to the project in question, will not necessarily be fungible with one another. The price of an ABU will be determined, not by a supply and demand curve, but instead based on allowed costs, plus a profit margin, transparently displayed and verified in a "Project Design Document". Un-quantified mitigation co-benefits will be left in the host country to help them meet their emission targets defined in the Nationally Determined Contributions which form the heart of the Paris Agreement on climate change. Helping countries meet their targets will encourage them to raise their ambition and take the world closer to the 2°C target which was set in a global agreement in Paris last year.

As envisioned, the ABUs would be transacted in commercial agreements between willing buyers and sellers with no international environmental compliance obligations. The lack of compliance regulation is significant, as it simplifies the process, removes unexpected interference in domestic policies, reduces liability and eliminates speculator-driven secondary markets. "While the ABM could run in parallel to the CDM, or another mitigation instrument with similar modalities and procedures," explained Phillips, "ultimately, climate finance and private sector finance would flow to the countries with the most compelling adaptation needs rather than to those countries who have the most emitting technologies and the cheapest costs of abatement. At the Bank, this front-line resilience solution stands as one of our principal commitments to African nations."

This revolutionary approach can potentially help make serious inroads in the significant under-funding which exists for adaptation, as opposed to the stronger trend toward funding for renewables and other mitigation technologies. This is particularly significant for Africa, which has among the lowest rates of greenhouse gas emissions on the planet and a much greater need for adaptation support. As much as 70% of Africa's 2050 infrastructure still needs to be built and hundreds of millions of people, who need to move out of poverty and subsistence farming, remain highly exposed to changing climates and extreme conditions. While the international community has set a goal of directing 50% of its committed US $100 billion towards adaptation, adaptation projects and technologies offer little or no financial incentive to the private sector. A mechanism like the ABM will open the door for early investors to enter into adaptation-based projects.

INVESTMENTS

AfricInvest to invest €17.3M in Azalaï Hotels

Investment group AfricInvest said it will inject €17.3 million in the capital of Azalaï Hotels, a hospitality group present in many West African countries, with a total of 1,000 rooms. The investment came through the AfricInvest III LLC fund. It aims to help the group in its expansion across the region, but also boost its capacities and improve its services. Azalaï Group wishes to exceed a total capacity of 1,600 rooms through the extension and modernisation of its existing hotels and by rapidly opening new hotels in West Africa (Conakry, Dakar, Lomé and Niamey). "In addition to AfricInvest's financial support, we plan on contributing to the growth of Azalaï in the hospitality sector," said Cheikh Souleymane Diallo, Senior Director at AfricInvest. Azalaï Hotels is the third investment of the Africinvest III LLC fund, after that in car retailer Salvador Caetano Auto Africa which is present in about 15 African nations across the Western, Central and Southern regions. The fund also invested in Kenyan firm Silafrica which makes plastic packaging, and impacts various East African markets. *(By Idriss Linge, Ecofin Agency)*

Angola hires Chinese company to build civil registration system

The China National Electronics Import & Export Corporation has been hired to provide the technology solution for management of civil and criminal identification in Angola, as well as the issue of registration of birth and identity cards, under a presidential order. The contract, which will cost Angola US$243 million, will be signed by the Ministry of Justice and Human Rights, arises from the need to "implement the Integrated Management Platform of Civil and Criminal Identification" and requires the Chinese company to "supply goods, facilities and technical support." The presidential order also authorises the Ministry of Finance to cover the framework of this contract with a commercial credit line due to be negotiated with a financial institution in China. The government said in August 2016 there were 96 registration offices in Angola to issue identity cards, 36 of which are in Luanda, 24 fixed and 12 mobile, but according to Portuguese news agency Lusa, thousands of Angolans have never had any identification, which explains the fact that the electoral registration underway includes a solution for those who do not have identity cards. A recent report by the United Nations Children's Fund (UNICEF) showed that only 31% of children under five in Angola have a birth certificate, which is due "largely to the shortcomings of the registration services and standards and social practices that limit the demand for registration." *(Macauhub)*

China helps pay for electronic governance in Cabo Verde

China will lend US$13 million to Cabo Verde (Cape Verde) for the second phase of the Electronic Governance programme (E-GOV II), a project that involves the installation of a local network in schools, public institutions and hospitals, as part of an agreement signed in the Cape Verdean capital, Praia. Pan-African news agency PANA said the preferential loan was intended to finance the construction of a Training Centre for Information and Communication Technologies (ICT). China will also provide US$2 million in grants, to be applied in the same programme. Completion of the second phase of E-GOV II includes repairing existing networks and their expansion, Wi-Fi coverage in schools, hospitals and other institutions, as well as the installation of 18 kilometres of fibre optic cable, new equipment and video conferencing systems on all the islands. The Cabo Verde National Director of Political Affairs and Cooperation, Manuel Ney Cardoso, said the first phase of the Electronic Governance project, also developed in partnership with China, was "well carried out" and contributed to improving the efficiency and effectiveness of public administration on the archipelago. *(Macauhub)*

BANKING

Banks

Angola and Polish state-owned bank sign memorandum of understanding

The government of Angola and Polish state Bank Gospodarstwa Krajowego (BGK) plan to sign a memorandum of understanding to facilitate private investment in Angola and exports, under a presidential order. The order signed by President Jose Eduardo dos Santos said that Angola and Poland "want to expand economic, business and diplomatic cooperation for peaceful purposes on the basis of equality and mutual benefit." The Memorandum of Understanding will be signed between the Ministry of Finance of Angola and BGK in order to "facilitate private investment and business in terms of exports," also according to the order cited by Portuguese news agency Lusa . Bank Gospodarstwa Krajowego will finance the construction of the Academy of Fisheries and Marine Sciences of Namibe, southern Angola, with the support of the Polish

government, and which is expected to cost 59.7 million euros. The Academy, scheduled to open later this year, with capacity for about 500 students, will have courses in electricity, electronics, coastal management, navigation, operation of ports and fleets, computing, technical drawing, fish processing, aquaculture and oceanography, among others. *(Macauhub)*

China's financing still essential to Angola

Angolan public finances remain under pressure, despite improvements in the oil market and the country's economic diversification efforts, with funding from China to remain key source of funding, according to Angolan economist Alves da Rocha.

Speaking on 13 January in Lisbon at a conference organised by the Africa Intelligence Monitor and the AIP Foundation, the economist from the Catholic University of Angola stressed that GDP growth rates expected until 2022 are "low" when compared with the 2002-2008 period – the "mini-golden age of the Angolan economic growth," an annual average rate of 11% – and state revenues will remain under pressure in the period. "Except for the cases of China, possibly except in the case of Brazil, from which the authorities have called for a review of financial relations with the release of closed credit lines (…) we have this problem of obtaining external financing, with interest rates that the country is able to pay afterwards," he said. Budget deficits, he added, will have to be financed by creating public debt, subscribed mainly by banks and large companies, and foreign debt, in this case "led by China through the credit lines that have recently increased," with a new line worth almost US$9 billion. State debt is expected to reach 75% to 80% of GDP at the end of the year, excluding public enterprises, among which the "big question is Sonangol," a state oil company that is undergoing restructuring with debts of about US$9 billion, which there has been "an attempt to cover with the support of China," worth about US$5 billion, which did not materialise. The latest edition of the Africa Intelligence Monitor claims the impact on Sonangol's revenues is limited – particularly for relieving current oil liquidity constraints – due to the current price of Brent crude oil rising to about $ 55, after production cuts by the Organization of Petroleum Exporting Countries (OPEC).

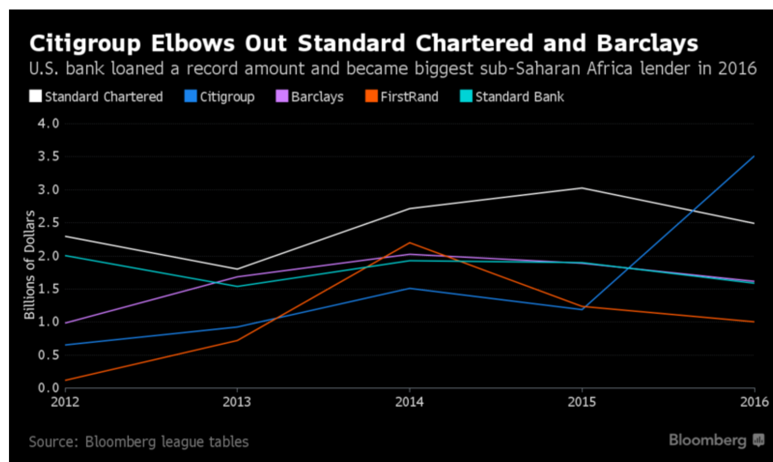
The limitations, AIM said in an article published on 12 January on the outlook for the oil sector, are the result of downward pressures on prices, which are preventing prices from climbing to US$60 per barrel, which is considered to be the minimum level for the oil company to have some room to manouevre and also for payments in oil credits already incurred, in particular with China. The 2017 State Budget, the year of general elections in Angola, was drawn up based on a value of US$46 per barrel and expected oil production of 1.8 million barrels per day. The Economist Intelligence Unit reported that China "will continue to be an extremely important partner" for Angola, in the current economic and financial context. "The government will continue to seek out China's loans to allow it to continue with much needed capital expenditure programmes – building roads and power plants, for example," the EIU said in one of its recent reports on Angola. Other sources of funding for the Angolan State include international financial institutions credit facilities and soft loans from the African Development Bank, as the use of eurobonds market is "unlikely in the short and medium term," it said. *(Macauhub)*

Banco BPI's stake in Banco de Fomento Angola will be reduced

Spanish bank CaixaBank will draw up a plan to reduce Banco BPI's stake in Banco de Fomento Angola, in which it holds a minority stake of 48.1% according to the prospectus of the takeover bid (OPA) launched on the Portuguese bank. In the prospectus published through the Portuguese Securities Market Commission, CaixaBank said that the European Central Bank, when it accepted the launch of a takeover bid and the acquisition of control of Banco BPI, made a "non-binding recommendation (…) to gradually reduce BPI's stake in BFA in a reasonable period of time." Accepting the ECB's recommendation, CaixaBank said it will prepare a divestment plan for the BFA, "which may be total or partial." BPI's stake in Banco de Fomento Angola led to a conflict between the two major shareholders – CaixaBank, with 45% and Angolan company Santoro, with 18.9%. For two years BPI tried to find ways to comply with the ECB's rules that required it to reduce exposure to the Angolan market, and in December shareholders approved the sale of 2% of Banco de Fomento Angola to Angolan telecommunications operator Unitel, for 28 million euros, and control of the bank passed on to this company, with 51.9%. The end of the control of the BFA by BPI and the fact that this bank is the target of a takeover bid by CaixaBank has led to the ECB accepting that this transaction met conditions of reducing exposure to Angola. *(Macauhub)*

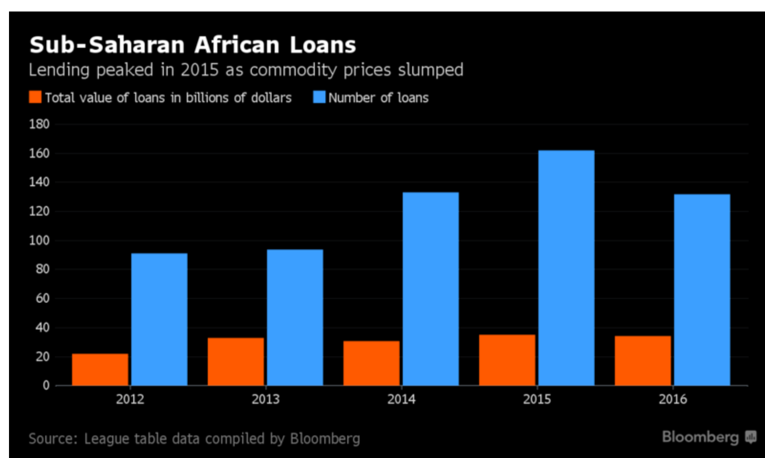
Citigroup, Top Africa Loan Arranger, Sees M&A Boosting Lending

Citigroup Inc., sub-Saharan Africa's top loan arranger in 2016, expects increased sovereign demand and mergers and acquisitions to drive lending in the region this year as low valuations spur deals. "Lots of financing activity is expected in 2017," Aziz Rahman, the bank's head of corporate finance in the region said in an interview. Loans to sovereigns and corporates will increase as M&A deals rise and infrastructure spending picks up, he said. A total of $34.3 billion in loans were arranged for borrowers in the region last year, according to data compiled by Bloomberg.



Citigroup reclaimed its position as the top loan arranger in sub-Saharan Africa for the first time since 2008, edging out Standard Chartered Plc, which held the top spot since 2011. The U.S. lender, which operates in 12 countries in the region, helped arrange $3.5 billion in loans, while the London-based bank arranged $2.5 billion, the data showed.

With 12 deals versus Citigroup's six in 2016 "we have been the book runner on more transactions in sub-Saharan Africa than most other lenders," Ben Constable, head of loan syndication and distribution for Standard Chartered in Europe & Africa, said on Tuesday. "Sovereign demand may be higher in 2017 as governments increase infrastructure spending and we're hopeful of more corporate activity outside of South Africa." International lenders operating in sub-Saharan Africa are adapting as the region's economies struggle with a commodity rout, depreciating currencies and widening government budget deficits. Standard Chartered cut jobs and closed branches, while Barclays Plc sold the first slice of its controlling stake in Barclays Africa Group Ltd. last year as part of a plan to cut its holding to 20 % or less. The league tables don't always reflect a bank's commitment to funding across the continent, Barclays Africa said. "We're making progress in executing our strategy," the bank said. "Whenever you have a competitor revising its strategy, there's an opportunity," Citigroup's Rahman said. "Our strategy is clear -- we want to be very close to our clients and multinational clients." Citigroup last year helped to arrange a total of $1 billion in loans for Africa's largest mobile operator MTN Group Ltd. and $666 million in lending to South African-born retailer Steinhoff International Holdings NV. The New York-based bank held 16 % of the region's market share, while Bank of America Corp. held a 12 % share and Standard Chartered accounted for 11 %, according to the data. Still, lending in Africa doesn't come without risks. Mozambique said on Monday that it won't honor a $59.8 million coupon payment on Jan. 18, which would be Africa's first sovereign default in five years. *(By Renee Bonorchis, Bloomberg)*



Funds

Carlyle to become largest shareholder in South Africa's Global Credit Ratings

Carlyle Group has agreed to become the largest shareholder in Johannesburg-based Global Credit Ratings (GCR), the U.S. buyout fund said on Tuesday, looking to broaden the pan-African ratings agency's services. Terms of the deal, which was first reported by the Financial Times, were not disclosed. Carlyle is set to buy around half of the equity in GCR from its management founders and German development finance business DEG, which will remain invested in the company, Carlyle said. GCR serves 400 customers across 20 countries and is the only ratings agency to have a strong presence in multiple geographies across Africa. "The business plays a critical role in deepening African capital markets and we look forward to working with

management to continue to develop and broaden the company's service offerings," Steve Burn-Murdoch, a Vice President on the Carlyle Sub-Saharan Africa team, said in a statement. Carlyle raised $698 million (579.45 million pounds) for its Africa buyout fund in 2014, exceeding its $500 million target. In November, Carlyle, which has $169 billion of assets under management, agreed to buy a majority share of CMC Networks, a pan-African telecommunications business. In September, it agreed to buy a majority share of Amrod, a supplier of promotional products and clothing in South Africa and neighbouring countries. Carlyle is already invested in the sector, having partnered with private equity fund Warburg Pincus and a consortium of Canadian-based individual investors to acquire the world's fourth largest global credit ratings agency DBRS in 2015. Founded more than two decades ago as the African arm of the New York Stock Exchange-listed Duff & Phelps, GCR expanded through acquisitions, alliances, and organic growth, and says it assigns more credit ratings in Africa than S&P, Moody's and Fitch combined. *(By Dasha Afanasieva, Reuters)*

Markets

National Bank of Angola meets with European Central Bank in 1st quarter

The meetings between the National Bank of Angola (BNA) and the European Central Bank to give the BNA central bank equivalence with supervision is due to take place in the first quarter of 2017, reported the press office of the BNA.

Initially scheduled for 2019, the evaluation process follows the package of measures in place to prevent the BNA being put on the fringes of the international financial system and to restore the sale of foreign currency to the country, which was stopped in mid-2015 by correspondent banks in the United States.

Earlier that same year, the European Central Bank excluded Angola from the list of third countries with equivalent regulation and supervision to the European Union, increasing the risk of investing in Angola.

In the second quarter of 2016, the BNA presented the "project to adjust the Angolan financial system to the prudential standards and best international practices," in order to strengthen its position as a supervisory authority, imposing itself as an entity that dictates the rules of the financial system and that monitors it.

Jornal de Angola reported that the earlier date is a result of recent trips by the BNA governor's team to Europe, where Valter Filipe met with financial regulatory institutions.

The process of recognition as a supervising entity involves following a set of measures and challenges, including security in banking transactions in national and foreign currencies. For enterprises and households, the concern is about using informal channels to satisfy foreign exchange needs.

The European Central Bank requires that Angola put an end to the informal foreign exchange market, improve the management of transactions in US dollars and combat money laundering and terrorist financing. *(Macauhub)*

African Development Bank - AUD 55,000,000 3.500% Notes due December 2031
Bond-Terms-Summary Transaction Highlights:

- On Tuesday, December 6, 2016, the African Development Bank (AfDB) launched its inaugural Kangaroo Green Bond. This transaction follows successful outings in USD and SEK Benchmark formats.
- The 15-year maturity, maturing 15 December 2031, marks an extension of AfDB's existing Kangaroo curve (June 2026) and represents the longest SSA Kangaroo bond currently in the market.
- The bond was priced at mid-swaps +53 bps, equivalent to a yield of 3.6025% and a spread of 58.25 bps over the ACGB 3.250% April 2029.
- This transaction marks the third Green Bond by an SSA borrower in the Kangaroo market, following 5-year outings by the International Bank for Reconstruction and Development (IBRD) and Kreditanstalt für Wiederaufbau (KFW) in 2013 and 2014, respectively.
- The new bond is AfDB's sixth Green Bond transaction under its Green Bond framework: **http://www.afdb.org/en/topics-and-sectors/initiatives-partnerships/green-bond-program/**.
- Nomura was the sole lead manager for the transaction.

"We were very excited to be involved in this landmark transaction in the AUD market and it's a great way to finish off the year. We have increasing ambitions in terms of climate finance and this was an excellent opportunity to broaden investor support in order to further help the African continent's gradual transition to green growth."**– Keith Werner, Chief Treasury Officer, African Development Bank**

"Following successful Green Bond outings in USD and SEK Benchmark format, the AfDB has now provided a new maturity bucket to SRI investors in the Kangaroo market, with an increasing number of accounts attracted by the lengthening of duration theme. Nomura were delighted to have facilitated this

transaction for both the AfDB and SRI investor clients." – **Mark Yeomans, Executive Director, DCM SSA at Nomura**.

Issuer	African Development Bank
Rating	Aaa/AAA (All Stable)
Issue Amount	AUD 55,000,000
Issue Date	6 December 2016
Settlement Date	15 December 2016
Maturity Date	15 December 2031
Coupon	3.500%, Fixed, Semi-annual, RBA Bond Basis
Reoffer Price	98.820 %
Reoffer Yield	3.6025%
Format	Kangaroo, Issued off the Issuer's Global Debt Issuance Facility
Use of Proceeds	Eligible projects according to AfDB's Green Bond framework
ISIN	AU3CB0240661
Settlement	Austraclear / Euroclear / Clearstream
Sole Lead Manager	Nomura

ENERGY

We can bring electricity to all of Africa in just 10 years

This article is part of the World Economic Forum Annual Meeting 2017

While Western nations complain of a failure to introduce super-fast broadband quickly enough, African cities, towns and villages still struggle with access to basic electricity to light their homes and power their businesses.

Across 36 African countries it's estimated that just two in five people have a reliable supply of energy throughout the day. In some countries less than 10% of people have access to electricity at all. But things look set to change. The advent of more affordable renewable energy, combined with a new determination by African leaders to work together, means we may be on course to achieving something we have so far collectively failed to achieve - finally electrifying Africa.

Since taking the coordinating role for renewable energy within the African Union, I've sensed a growing mood of impatience from political leaders, which is at last in tune with the frustration of our people. In my lifetime, I have not seen Africa's political leaders so determined to unite and overcome the challenges that stand in the way of our goal of ensuring everyone has access to reliable and affordable energy by 2025.

Reliable and affordable energy is not simply a way of lighting schools, hospitals and homes for millions of people, but if done properly, could be transformative, creating jobs and opening the continent to intra-continental and global trade.

Where it was once too expensive to exploit our vast renewable assets, technology is providing deliverable solutions. The continent has an extraordinary 10TW of potential solar energy, 350GW of hydroelectric power, 110GW of wind power and an additional 15GW of geothermal energy. We now have a chance to harness and utilize those resources.

Two years ago people in our capital city of Conakry couldn't light their homes for more than six hours a day and businesses went without the power they needed to trade. Now, thanks to the construction of the state-of-the-art Kaleta hydroelectric dam, families and businesses can rely on power for up to 24 hours a day.

And Guinea isn't alone. From similar hydroelectric projects in Sierra Leone, wind farms in Kenya to solar projects in Rwanda and Tanzania, African countries, large and small, are harnessing their natural resources to produce clean and affordable energy.

What's perhaps even more exciting is that these projects are not happening in isolation, but are being planned alongside a wider push to see a network of grid-scale and off-grid power across the continent.

In conjunction with international partners, a groundbreaking electricity interconnector in West Africa will allow power exports from Cote d'Ivoire to Liberia, Sierra Leone and Guinea. It's the first of a number of new public and private sector initiatives that will see a transformation in the way Africa delivers power. It means that with the construction of a second and larger hydroelectric dam in Souapiti, Guinea will not only have the capacity to provide electricity to homes and businesses throughout our country, but could soon be exporting power to neighbours in the region. Together, the determination of African countries and the rapid development of affordable renewable technologies means we can genuinely begin to transform the prospects

of Africa for the better. If we get this right, we could be looking at a much brighter Africa in 10 years from now. *(World Economic Forum)*

IPPs want solution for all 26 outstanding renewables projects, not only some

The South African Renewable Energy Council (Sarec) indicated on Friday that, while it welcomed indications that Eskom was willing to reopen lines of communication on 26 outstanding renewables projects, it could only entertain a solution that remained faithful to the procurement process already concluded and dealt with all outstanding contracts, not only some of them.

In an interview with Fin24, acting Eskom CEO Matshela Koko indicated that, following consultations with the National Treasury and the Department of Energy, Eskom and the Department of Public Enterprises were preparing to present a solution to facilitate the signing of outstanding power purchase agreements (PPAs).

However, Koko also indicated that Eskom might only consider immediately signing contracts with 13 preferred projects selected on with tariff offers of 62c/kWh of less. "Let us first sign the 62c/kWh bids," he told Fin24. "We would sign 13 immediately. That would be a move in the right direction. Those that are more than 62c/kWh must sharpen their pencils."

Sarec chairperson Brenda Martin told Engineering News Online that the solution should cover all the projects that had prevailed by adhering to the strict processes of the Renewable Energy Independent Power Producer Procurement Programme (REIPPPP). "Due process has to be followed," she said, adding that Sarec could not entertain a scenario whereby robust and transparent processes were circumvented in favour of a negotiated settlement with Eskom, which is designated as the single buyer, but not the procurer, of renewable energy. There was also some uncertainty about the 62c/kWh figure quoted by Koko, which has been widely publicised as the average tariff achieved during the fourth REIPPPP bid window in 2015. However, the final contracted tariff for each project is set at financial close and is subject to budget quotes from Eskom (which have since expired) and the prevailing exchange rate. "And in addition, is Eskom talking about 62c/kWh in 2015 rands of 2017 rands," Martin queried.

Nevertheless, she stressed that Sarec, as well as all the affected independent power producers (IPPs), were keen to resume discussions, having sent requests for meetings last year to Eskom, as well as the three government departments involved.

The IPPs, which have decided to act collaboratively under the Sarec banner in a bid to address the impasse, were also keen to avoid a legal resolution to the dispute, which had led to much uncertainty about the future of the hitherto much vaunted REIPPPP.

To date, the REIPPPP has facilitated nearly R200-billion worth of investment across projects with a combined capacity of over 6 000 MW. The 26 outstanding projects procured under the fourth bid window, which was expanded, as well as the so-called expedited round, are said to have a combined investment value of R50-billion. The IPPs have, however, also secured a legal opinion in order to understand their legal position. The opinion indicates that they have a strong case for having the PPAs enforced. The opinion covers not only the legal position of the IPPs with regard to South Africa's energy legislation, but also in terms of the current policy and regulatory instruments under which renewables projects were procured.

Separately, the South African Wind Energy Association has lodged a complaint against Eskom with the National Energy Regulator of South Africa (Nersa) to seek its intervention. Nersa was initially expected to make a determination in late 2016, but recently confirmed that its review had not been finalised.

Interestingly, news of Eskom's plan to re-engage with the renewables IPPs came amid a forceful denial by the utility that the Cabinet's decision to name it as the procurer (as well as the owner and operator) of any new nuclear capacity could "usurp" the Department of Energy's (DoE's) policymaking position. "It defies all shades of logic to suggest that Eskom can successfully rise against our own shareholder representative, which is technically the case owing to the fact that we are State-owned," divisional executive of corporate affairs Chose Choeu wrote in response to a Business Day article. "DoE has the national mandate to decide on the nuclear new build programme; this falls within their purview and cannot be extricated by Eskom, or any entity for that matter. This is a non-negotiable policy matter and Eskom cannot reasonably, or otherwise, stake a claim thereof," Choe added.

However, this position is arguably at odds with Eskom's refusal to sign the PPAs for selected renewables projects, despite several statements by government leaders, including Energy Minister Tina Joemat-Pettersson that the programme should continue. *(By Terence Creamer, Engineering News)*

Nigeria: LCCI urges private companies to invest into the power sector

The Lagos Chamber of Commerce and Industry (LCCI) has urged private company owners to invest into the power sector so as to boost the country's power supply this year. According to the LCCl Director General, Muda Yusuf (photo), the provision of a stable power supply could make Nigeria become self-reliant and attract foreign investors into the country. The Nigerian power sector lost an estimated N1.578 billion at January 7, 2017 as a result of gas and water constraint, according to daily operational report of the Nigerian Electricity System Operation. Gas constraint was put at 3137MW, while the water management constraint was 150MW. Yusuf advise the Federal Government to ensure the quick payment of all debts owed to power firms as stipulated in the 2017 budget, in order to be able to address the problems in the sector and reduce unemployment. "*Liquidity in the power sector should be enhanced to ensure improvement in power supply. It is equally important to ensure adequate capitalization of the Electricity Bulk Trader to provide liquidity to the GENCOs and the Gas suppliers. The private sector owners of the power firms should also inject greater equity finance into their investments*," he told *Guardian news. (By Anita Fatunji, Ecofin Agency)*

Tanzania seeks $200m World Bank loan to clear arrears of state utility

Tanzania is seeking a loan of $200 million from the World Bank for debt-ridden state power supplier TANESCO, the country's energy ministry said on Monday, two weeks after the president refused to allow the utility to hike prices to cover costs. President John Magufuli wants cheap electricity to drive industrialization, but the World Bank is likely to insist the loss-making utility increases prices so it can cover the cost of producing power and begin much-needed reforms. Any struggle to secure that loan would underline the constraints faced by Magufuli, who is nicknamed "The Bulldozer", as he tries to push through an ambitious economic reform agenda 14 months after he arrived in office. The Tanzania Electric Supply Company (TANESCO) has debts of$363 million, the ministry said in a statement, up from $250 million at the end of 2015. "As part of efforts to reduce TANESCO's arrears ... and improve its operations, the World Bank has held talks with the government through the Ministry of Energy and Minerals for a $200 million loan," the ministry said in a statement. It also said there was no agreement at this point with the World Bank to raise tariffs in return for the loan. The World Bank was not immediately available for comment. Tanzania's energy regulator approved on Dec. 31 a tariff hike of 8.53 %, less than half of what the utility said it needed to cover the losses. But the next day, Magufuli sacked the head of the state electricity company, saying the price hike would stymie his plans to ramp up industrial output.

Decades of mismanagement and political meddling means the utility sells electricity below cost. It also struggles to cope with transmission leaks and power theft.

Despite reserves of over 57 trillion cubic feet (tcf) of natural gas, Tanzania faces chronic power shortages due its reliance on hydro-power dams in a drought-prone region for about a third of its 1,570 MW of installed capacity . TANESCO has to resort to costly fuel oil or diesel plants to fill the shortfall during dry spells and many of its arrears are due to the costs of private power and fuel suppliers. Most oil plants are being shut or converted to use natural gas. Tanzania aims to add about 2,000 MW in gas-fired generation by 2018. *(By Fumbuka Ng'wanakilala, Reuters)*

Loeriesfontein, Khobab wind farms edge closer to completion

Around 750 loads of wind turbine component sections are expected to be delivered to the Loeriesfontein and Khobab wind farms, near Calvinia, in the Northern Cape, between January 12 and September. The components are being transported from the Port of Ngqura, outside of Port Elizabeth, in the Eastern Cape, with the 53-m-long wind turbine blades, tower sections, nacelles and hubs for the combined 122 wind turbines being transported on the N10 through Uitenhage, Graaff-Reinet, Beaufort West, Three Sisters and Carnarvon onto Loeriesfontein. "The blades, towers, hubs and nacelles are transported a distance of around 1 158 km and take around three days, travelling at maximum speed of 50 km/h to 70 km/h," explained Khobab wind farm project manager Kevin Foster. Transportation is prohibited at night, during the school holiday period, on public holidays, during festivals or other special events. In Graaff-Reinet and Beaufort West, transportation will be avoided during peak traffic hours, as far as possible. Travel schedules are provided on the wind farms' project websites to assist commuters. Foster noted that while every effort was being made to reduce traffic disruptions, he urged road users to exercise extra caution when close to the abnormal loads and to obey all traffic management instructions. "Extra care should be taken if passing the vehicles as the total length is up to 57.5 m." Khobab and Loeriesfontein wind farms, which together span 6 653 ha, will produce a combined 280 MW. Transportation of the various wind turbine components started on April 18, 2016, and, to date, about 500 loads have been delivered to site. The wind farms are owned by a consortium comprising

Lekela Power, the Khobab Community Trust, the Loeriesfontein Community Trust, Thebe Investment Corporation, Old Mutual's Ideas Managed Fund, Futuregrowth Asset Management and Genesis Eco-Energy, in partnership with Lereko Metier Sustainable Capital. Both wind farms are expected to be operational in late 2017. *(By Megan Van Wyngaardt, Engineering News)*

INFRASTRUCTURE

Ghana: Work underway on $1.5bn Tema Port Upgrade

Construction work has begun on the new $1.5bn container terminal at the Port of Tema in Ghana at the start of January. The terminal will be operated by Meridian Port Services (MPS), which is mainly owned by two giants of the African port sector, Bolloré Transport & Logistics and APM Terminals, plus Ghana Ports and Harbours Authority. It is scheduled for completion by the end of 2019.

The work will mainly be financed by the World Bank Group subsidiary International Finance Corporation (IFC), which has provided $667m, and MPS shareholders, who have fronted $333m. The IFC will contribute $195m out of its own reserves and has borrowed the remaining $472m from Bank of China, Dutch development finance company FMO, South Africa's Standard Bank and Industrial and Commercial Bank of China. The new Ghanaian government of President Nana Akufo-Addo has promised to proceed with the project, which was sanctioned by his predecessor John Dramani Mahama. The principal contractor on the project is China Harbour Engineering Company, which is developing four berths, a 1.4km quay, a breakwater, container yard and new deepwater access channel.

Triple capacity

US engineering firm AECOM is overseeing construction and providing design and procurement management services. The project will triple the port's container handling capacity to 3m TEU, or standard sized containers, a year. This will make it the biggest container port in West Africa, much bigger than any existing port in Nigeria. MPS handled 646,000 TEU at Tema in 2015, about 80% of all containers that passed through the port.

Project manager David Hanly says that AECOM will deploy managers from around the world on the venture, who "will work with our local Ghanaian specialists, who are well qualified in project controls, contract administration, construction management and environmental management. We have a truly multinational staff, representing nine nations and five continents."

Ultra large container ships

The berths will have a draft of 16m, allowing access for bigger vessels than any other port in the region. Tema will be able to handle vessels of up to 18,000 TEU, in comparison with 5,000 TEU at present, allowing access for what are termed ultra-large container ships (ULCS). The CEO of MPS, Mohamed Samara, said: "Bigger vessels means reduced freight charges, with significant savings and a tremendous benefit to the shipping community of Ghana." The CEO of the IFC, Philippe Le Houerou, commented: "This investment will have significant ripple effects on trade, economic growth, and job creation, and is an example of how private sector engagement can open doors for transformative improvements in transport infrastructure." It is the IFC's biggest ever infrastructural investment in Sub-Saharan Africa. The IFC highlights the project's main benefits as "increased trade flows and improved transport links across West Africa". A new six lane highway is also to be constructed between the port and Accra. On a more negative note, however, it has been reported in Ghana that MPS and Ghana's Maritime and Dockworkers' Union (MDU) have been unable to reach an agreement on salary increases and bonuses for 2016. Talks have been ongoing for eight months but there was a brief strike on 28 December.

Transhipment role

The terminal will position Tema is the most important transhipment port anywhere on the west coast of Africa and should encourage investment in export-orientated businesses in Ghana. Speaking at the project opening ceremony in October, former Ghanian President Mahama said: "The overall economic impact of this project will translate into 400,000 jobs along the logistics chain." The terminal will directly create 5,000 jobs.

However, Tema will have competition from other emerging deepwater ports for regional transhipment business, particularly Lomé Container Terminal in Togo, Kribi in Cameroon and Abidjan in Cote d'Ivoire. Two new ports are planned in Nigeria on greenfield sites, Badagry and Lekki, both close to Lagos, but the two projects have been delayed, partly by the downturn in the Nigerian economy. *(By Neil Ford, African Business)*

The rising cost of Kenya's new railway

The journey by road from Nairobi to Mombasa is a long, 283km drive. In a normal car, it can take approximately 12 hours, averaging around 20km per hour. The route is hot and dusty, following hundreds of cargo trucks along a single carriageway for the most part, with the odd tyre in the middle of the road or zebra crossing to keep drivers entertained.

The train journey isn't much better, with regular delays on the antiquated line meaning passengers can sometimes arrive at the train station in Nairobi on Friday for a 5pm departure, and not make it to the coast until Sunday lunchtime.

Aware of the impact this out-dated system was having on GDP, the government decided to build a brand new standard gauge railway (SGR) line. Its vision was of a line that would simultaneously transport greater volumes of cargo more quickly, take the pressure off the roads and improve transport for tourists. Building of the new line began in October 2013 and it is scheduled to be complete in December 2017. "This project is transformative," says Kenya's cabinet secretary for transport and infrastructure, James Macharia. "[It will] reduce the number of hours for cargo and passengers from Mombasa to Nairobi. We anticipate that upon completion it will … improve GDP by at least 1.5%." Benefits also include job opportunities – approximately 30,000 jobs have been created in building the new line – and upping the amount of cargo that can be transported. As Irungu Nyakera, principal secretary of the Ministry for Transport, says: "[With the new line] we'll be able to move up to about 22m tonnes of freight on an annual basis. That in itself is removing a significant number of trucks from the road, but at the same time also lowering the costs of transportation by 60%." Yet the new railway line has been met with a mixture of criticism, particularly in respect to the huge cost of the build. The SGR is on track to cost approximately $14bn according to latest reports, which is nearly four times the original estimate. It is being funded 90% by the Exim Bank of China, with the Kenyan government covering the remaining 10%.

Many are concerned that this new line does not represent good value for money. Development economist Anzetse Were notes that Kenya is being charged $1.7m more per km than Ethiopia is for its new railway. "As early as 2013, experts raised questions about the costing of Kenya's SGR … This is particularly a concern because, as experts have pointed out, there are no major rivers or lakes or big hills to justify the high cost of the SGR," she says (see p. 52 for more on Ethiopia's railway).

Questions are also being asked about how big an improvement the new line will actually represent. "The SGR freight will have an average speed of 80kph while [Ethiopia's railway] will go up to 120kph; experts state that it is doubtful those speeds will be reached by the SGR because it is a single track and stoppages will be needed to allow other trains to pass," says Were.

Cost to wildlife

Beyond the large economic cost of the new line, there are mounting costs to wildlife. According to Paula Kahumbu, chief executive of Kenyan conservation organisation Wildlife Direct, "[The new line] is up on an embankment. It's completely altered the accessibility from Tsavo East National Park to Tsavo West National Park. Elephants are confused and disorientated … finding themselves on farms, destructing crops and angering farmers." Kahumbu says that there is no doubt human-wildlife conflict has risen as a result of the new line. "Elephants are being killed, and that's a 'cost' that is not being talked about very much at all." The future, she says, looks bleak for these creatures in a country hell-bent on development.

New plans are now in place to drive the SGR through the middle of Nairobi National Park, which has conservationists and locals up in arms. Kenyan Oscar-winning actress Lupita Nyong'o most recently waded into the debate: "We as Kenyans are so fortunate to be the custodians of a large biodiversity that exists in our national parks … Urge [the government] to construct around the park, not through it!" Yet despite their best efforts, concrete pillars are already being constructed in the park for the SGR, which can be seen from miles around. Kenya Wildlife Service Director General Kitili Mbathi said of the move, "We were between a rock and a hard place – either give up 50 hectares and increase the cost by 50%, or have the least obtrusive bridge across the park."

Also under fire is the cost to individuals, whose homes have been bulldozed for the new line, sometimes without adequate compensation, and whose livelihoods have been disrupted. In Mombasa, for example, the dredging and building for the new station has cost fishermen their jobs. Mohammed Said, a fisherman at the Kenyan coast says that the new line has "covered the portion of the ocean that we were using. Previously, we used to do our fishing very well but since the project started it has affected us. We have not been compensated, but they keep on encouraging us that they will."

And there's the cost to the environment. Ruth Birgen, Legal Researcher at Natural Justice, a legal firm focusing on environmental law and human rights, talked of the impact the sand harvesting for the line has

had on the country and the locals living in the affected areas. "There are massive challenges at the moment. The new line requires a huge amount of sand for the build. This has to be taken from rivers or the sea. Across the country, rivers have been devastated, farms have been affected by the lack of water, livelihoods at the coast are being lost and communities are being pitted against one another."
With all these mounting costs, some have quipped that the SGR is just as much a "lunatic line" as the old one. The current railway was nicknamed the Lunatic Express due to the gigantic cost of the build, and because man-eating lions killed a number of the construction workers along the way. Yet the government and Kenya Railways Association (KRA) are certain the line will have a positive impact on the country, despite all the challenges and criticism faced. One KRA representative said, "We are serving the people of Kenya and East Africa. This is not the lunatic express; this is the sanity express." *(By Harriet Constable, African Business)*

China Road & Bridge Corporation expresses interest in building port in São Tomé and Príncipe
The China Road & Bridge Corporation (CRBC) expressed interest in taking part in projects aimed at building a deep water port and modernising the airport São Tomé and Príncipe, a company representative said on Thursday in São Tomé. Zhang Weimin made the announcement at the end of an audience granted to him by the President of São Tomé and Príncipe, Evaristo Carvalho and stressed his company was also interested in participating in other infrastructure projects. The statement from the representative of the CBRC, who was accompanied by Chinese businesses attache in São Tomé, Wu Yi, came 48 hours after the Sao Tomean Prime Minister announced the arrival of nine major companies from China in the archipelago to analyse in large infrastructure projects. With an estimated cost of about US$800 million, the first deep water port in the country will be built in the Fernao Dias area, Lobata district 12 kilometres from the São Tomé capital, while the modernisation of the international airport is estimated to cost just over US$15 million. São Tomé and Príncipe and the Republic of China re-established diplomatic relations about two weeks ago, at the expense of Taiwan who previously supported the archipelago with a financial package estimated at US$16 million dollars annually. *(Macauhub)*

Italian consortium wins $95 mln bridge contract in Botswana wildlife refuge
Botswana has awarded a 1 billion pula ($95 million) contract to a joint venture between Italian companies Itinera and Cimolai to build a bridge in the remote Okavango Delta, a major tourist draw renowned for its wildlife.
The project, which will be fully funded by the government and involves the construction of a 1.1 km long road bridge and pedestrian walkways, is expected to be complete in July 2019. It will replace a pontoon service across a section of the Delta. "An environment impact assessment was done since the Okavango Delta area is a UNESCO World Heritage Site. We will make sure construction will not disturb the environment," Elias Magosi, Permanent Secretary in the Ministry of Transport and Communications, told a media briefing. At certain times of the year, the Okavango Delta is home to some of the greatest concentrations of African wildlife, and development has generally been kept to a minimum there. It floods during Botswana's winter dry season, making it a magnet to herds of elephants and other animals. ($1 = 10.6610 pulas) *(By Susan Thomas, Reuters)*

Chinese bank grants loan to Angola for construction of Soyo power plant
The Industrial and Commercial Bank of China will provide a loan of US$837 million for the construction of a combined cycle power plant in Soyo, Angola, an amount equivalent to 85% of the cost, according to a government document. The document quoted by Portuguese news agency Lusa said the agreement between the government of Angola and the Chinese bank had been signed in the first half of 2016, two years after the work began. The contract, awarded to Chinese companies, is valued at US$985 million, with the power plant due to start producing electricity for the public grid, from natural gas, in the first quarter of 2017. With an installed production capacity of 750MW, the project also involves the construction of a power line to the capital over a distance of more than 400 kilometres, with 1,500 pylons. The first generator in this power plant is due to start being tested in early 2017 and the remaining three generators will be tested throughout the year, and it is estimated that the connection between Soyo and Luanda will be completed by May. The contract for the project was signed by the Ministry of Energy and Water and the China Machinery Engineering Corporation (CMEC) in 2014. *(Macauhub)*

MINING

Angolan diamond company Endiama produces more but income falls

Angolan national diamond company Endiama recorded diamond production of over 9.0 million carats, almost identical to the target set by the Ministry of Planning and Regional Development, said the chairman of the state company. Antonio Carlos Sumbula, who spoke in Lunda on the 36th anniversary of the national diamond dealer, said the company's turnover last year was US$1.079 billion, US$130 million less than in 2015 "because higher production led to lower prices per carat." The chairman of Endiama said he had received guidance to reverse this situation, so in 2017 the company will seek to produce fewer diamonds in order to raise the price in the main markets. However, Sumbula said the company had carried out flights in some regions of Angola "in order to discover more diamond reserves," and added that this year a small mining operating would begin "called CAT 42, a small mine near Catoca." The provincial governor of Lunda Sul, Cândida Narciso, said that artisanal cooperatives had contributed to an increase in employment in the region and had managed to integrate all illegal diamond miners. Endiama was founded on 15 January, 1981. *(Macauhub)*

Kenmare Resources posts record ore production in Mozambique in 2016

Irish mining company Kenmare Resources achieved record production in 2016 in the exploration of heavy sands deposits in Moma, Nampula, Mozambique, according to a statement released in Dublin. The press release said the company saw record production in annual, quarterly and monthly terms (December) for all the main products extracted in Moma: ilmenite, rutile and zircon. Ilmenite production increased by 18% to 903,300 tonnes and zircon rose 32% to 68,200 tonnes. Overall ore export increased 28% to a record of 1.024 million tonnes. Managing Director Michael Carville said in the statement that world demand for ilmenite grew strongly in 2016, which led to higher prices per tonne from the second quarter onwards. The company, which did not provide financial data, said its liabilities had fallen by 87% to US$44.9 million. Carville also said that production this year is expected to grow further due to the use of faster process for ore recovery from the heavy sands and the product already extracted. *(Macauhub)*

EITI implementation in Mozambique costing over one million dollars

Mozambique needs to spend at least US$1 million a year to fully implement the Extractive Industries Transparency Initiative (EITI), the national coordinator of the EITI said in Maputo. Custodio Nguetane was speaking at the end of an audience granted by Mozambican Prime Minister Carlos Agostinho do Rosario, to the president of the International Council of EITI, Fredrick Reinfeldt, who is visiting Mozambique, according to Mozambican news agency AIM.The National EITI coordinator said implementation of the initiative has been over 90% financed by international donors, a process led by the World Bank, and Mozambique's contribution is a modest US$42,000.The costs related to the implementation of EITI are basically related to dissemination of information, "so that the reports are accessible to everyone, especially those who are in mining areas," said Nguetane.Mozambique was granted the status of Transparent Extractive Industry State in 2012, and the reassessment of that status, a process that takes place every three years, is due in February.Mozambique has published six reports since it has joined the initiative in 2009, with the next report due to be published by the end of this year, a document that should include data for the 2015 and 2016 fiscal years. *(Macauhub)*

DR Congo plots $700m mining sector investment

Gecamines, the state-owned company of Democratic Republic of Congo (DRC), has drawn up ambitious plans to reinvigorate its role in the country's mining industry. The firm is $1.6bn in debt and its role was greatly diminished during and following the long Congolese civil war. However, chairman Albert Yuma Mulimbi is now banking on Chinese investment to re-establish it as a mine operator in its own right.

Although the DRC has a wide range of mining resources, it is the copper industry that generates most income. It has overtaken Zambia as Africa's biggest copper producer, although the two countries continue to vie for top spot, and is the fifth biggest producer in the world, with output of 990,000 tonnes in 2015. Private firms such as Glencore and Freeport-McMoRan dominate the industry.

Gecamines produced just 17,000 tonnes in 2015 but expects this to have increased to 24,000 tonnes in 2016, with a forecast of 50,000 tonnes for 2017. Total investment of $717m over five years is intended to boost annual output to 100,000 tonnes by 2020. This is still just a tenth of the parastatal's output in 1986 but represents at least a partial recovery after years of being sidelined. The increase is being achieved by investing in new machinery at Gecamines' Kambove mine.

The firm was in talks with China Nonferrous Metal Mining Group over the development of a mining joint venture and it is now confident that the venture can proceed. Gecamines is unhappy with the terms of existing joint ventures, in which it has minority stakes. However, critics, including NGO Global Witness, argue that the firm needs to operate in a more transparent manner if it is to play a full role in the development of the sector.

Political stability at risk

Alongside all other stakeholders in the country, mining firms will be watching political developments in Kinshasa with great interest. President Joseph Kabila's efforts to stay in power beyond the current constitutional limit of 19 December met with widespread opposition. Clashes between the security forces and protestors left dozens dead and it appeared that the country could slide back into civil war.

The political, economic and security situation in the country remains fragile and the progress has been made on all three counts over the past 15 years could be undone by a political crisis. The terms of the constitution have already been broken, as a presidential election was supposed to have been held by 27 November.

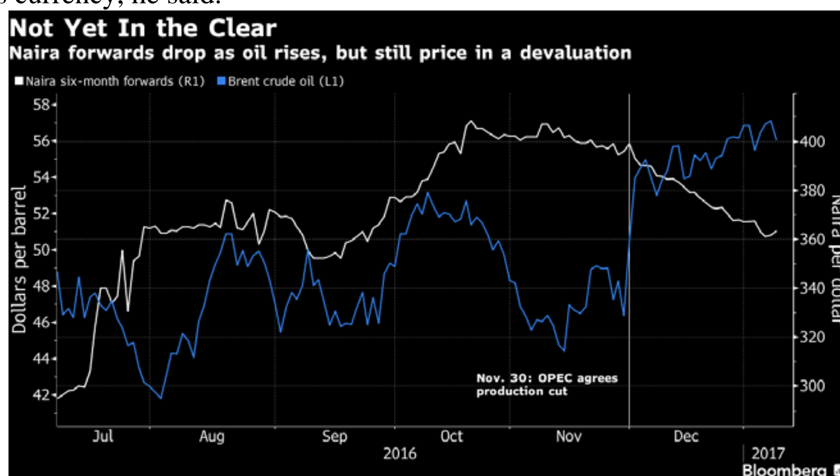
An agreement was struck in December, whereby Kabila would stay in power until the end of 2017 when the election would finally be held. Under the terms of the deal, Kabila is barred from trying to change the constitution to allow him to stand for a third term and extend his presidency, which is already into its 16th year. Yet the deal lacks two important signatures: that of Kabila himself and his main political rival, Etienne Tshisekedi, although their respective negotiators have said that they will abide by it.

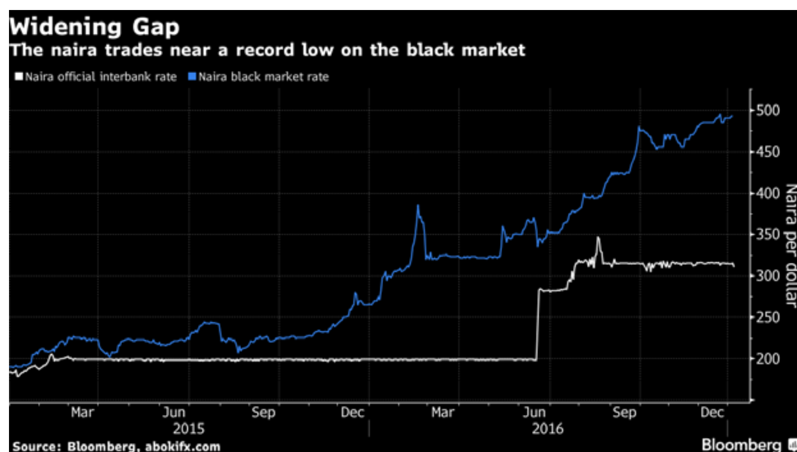
Political machinations in Kinshasa are a very long way from the country's main mining centres, including Katanga, and in any case, central government has limited influence over such distant provinces. Yet a political collapse could trigger renewed local, regional and even international conflicts that would deter mine investment and particularly the construction of the transport infrastructure required to get mining commodities out of the country. The railway from Katanga through Angola to the Port of Lobito is being rebuilt. A mine executive who has worked in the DRC, but who preferred not to be named, said that security is not just important in relation to keeping the mines operating but in keeping mines within the formal economy. Many armed groups seized territory inside the DRC during the civil war in order to take control of particular mines. Any step in this direction could deter Chinese investment. *(By Neil Ford, African Business)*

OIL & GAS

Devaluation Looms for Nigeria Even as Forwards Ease on Oil

The Nigerian naira's recovery in the forwards market may be deceptive. The currency is destined to weaken, however long policy makers hold out. Six-month contracts declined to their lowest level since September last week as crude oil, Nigeria's top export, advanced about 20 % after OPEC agreed a production cut in November. A drop in forwards would typically be a sign of growing confidence in a nation's economy and currency, but not this time. Even as oil prices advance, Standard Chartered Plc and London-based Duet Asset Management say the nation needs to devalue the naira and loosen capital controls. With dollars becoming scarcer and the economy on the brink of its first full-year recession since 1991, Nigerian businesses are being forced into the black market. There, each dollar costs 493 naira, almost 60 % more than the official rate. "Oil's rise isn't enough to eliminate the need for a change," Ayodele Salami, who oversees around $450 million of African stocks as chief investment officer at Duet, said by telephone. Nigeria won't attract inflows until it weakens its currency, he said.





While the naira has plummeted almost 40 % since central bank Governor Godwin Emefiele in June ended a 15-month peg to the dollar, traders say it's still being managed by the government. President Muhammadu Buhari, who has likened devaluation to "murder" in the past, said in a speech on Dec. 30 that he was still against floating the currency, Lagos-based Cable Newspaper reported.

"Eventually, they'll have to revert to a more flexible currency regime," said Samir Gadio, the London-based head of Africa strategy at Standard Chartered, which forecasts the official exchange rate will be steady for at least the first half of this year. "But for the time being, there's no indication from policy makers that this will happen." Forward contracts maturing in one month rose 0.1 % to 318.75 per dollar as of 1:54 p.m. in London, narrowing the their spread over the official spot rate of 314.25 to 4.5 naira from 34 naira in October. Six-month contracts traded at 363.5, suggesting the naira will depreciate 14 % in that time. *(By Paul Wallace, Bloomberg)*

Nigeria's NNPC proposes changes to increase deepwater oil revenues

Nigeria's state oil company has proposed legal amendments aimed at enabling the government to increase royalties and other revenues from deepwater oil production. OPEC member Nigeria has been hit hard by a slump in crude oil prices in the last two years, which helped to push the country into recession. And militant attacks in the southern Niger Delta throughout 2016 have hampered production. The proposed amendments relate to the Deep Offshore and Inland Basin Production Sharing Contract (PSC) Act. The Nigerian National Petroleum Corporation (NNPC) said the calculation of what was due to the government should be "based on production and price to guarantee fairness and balance between PSC contractors and government". In a presentation to the lower house of parliament, NNPC's chief operating officer for upstream operations, Bello Rabiu, said the current graduated royalty scale should be removed. "It is our opinion that the proposal to increase the royalty rate for terrains beyond 1000 metres, from zero % to 3 %, is commendable but it is necessary to also make corresponding adjustments in other categories," he said. NNPC also said the petroleum minister should have powers to intermittently set royalties payable for acreages located in deep offshore and inland basin production-sharing contracts. The company also said some incentives should be removed, including the investment tax credit, investment tax allowance and capital allowances to PSC contractors. *(By Camillus Eboh and Alexis Akwagyiram, Reuters)*

New contracts to prospect for hydrocarbons in Mozambique signed by June

Negotiation of contracts for oil and natural gas exploration areas in Mozambique resulting from the fifth international tender launched in 2014, could be finalised by the end of next June, according to government forecasts. The government of Mozambique approved model contracts for hydrocarbon areas but foreign oil companies are still not sufficiently familiar with the document, which is why they have been asking for further clarification on specific aspects. An spokesman quoted by daily newspaper Notícias, said details about exchange rates have been the main requests for information sent to the government by the majority of companies awarded concession in the fifth hydrocarbon exploration tender. "Only after completion of the negotiation will the government sign exploration contracts with the companies," the spokesman aid, acknowledging that the hydrocarbon sector involves very complex matters, which is why the contracts should be viewed in full detail so that in the future neither party is negatively affected. The fifth tender for research areas was launched simultaneously in Maputo and London in 2014 and ended at the end of the following year, covering three maritime areas in the Rovuma basin, two in Angoche and six in the Zambezi delta and onshore areas, namely three in Pande/Temane and one in Palmeira region, totalling close to 77,000 square kilometers. The consortium led by ENI Mozambico was awarded the A5-A area in the Angoche region and the A5-B area was awarded to ExxonMobil E&P Mozambique Offshore Ltd. This group will also lead research in the Zambezi region, in areas A5-C and A5-D, while Sasol Petroleum Mozambique

Exploration leads research in the Pande-Temane zone in areas PT5-C and Delonex Energy will work in P5-A of the Palmeira area. *(Macauhub)*

AGRIBUSINESS

Angola starts exporting mangoes to Portugal

A ship moored at the port of Namibe, southern Angola, within the next few days will travel to Portugal carrying a shipment of 35.7 tonnes of mangoes produced at a farm in the municipality of Baía Farta, in Benguela province, said farmer Victorino Marques. The farmer told Angolan news agency Angop that exports of the fruit to the Portuguese market is the result of a partnership with a Portuguese company linked to international trade in horticultural products. The farm covers an area of 92 hectares and has a production of between 1,500 and 1,600 tons, said Marques, adding the project had started in 2010 and currently has 18 varieties of mango. "In 2010 we planted 18,000 mango seedlings, in the second year we had the first harvest on a small scale and, from the third year, the target was the domestic market," the farmer explained that the shipment heading for Portugal is a surplus of production. In May 2016 Angola began exporting bananas to Portugal, a process that began with shipping fruit produced on the Bacelinho Agro-Industrial unit, located in Lobito. *(Macauhub)*

UPCOMING EVENTS

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

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

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

Powering Africa Summit Washington, DC 08-10 March 2017
http://www.energynet.co.uk/event/powering-africa-summit-2016

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

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

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