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INSIDE AFRICA

Now is the time to invest in Africa

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In-depth:

Africa's Economic Performance improves in 2017

- Expected GDP growth up to 3% from 2.2% in 2016 but down from projected 3.4%
- Projected to reach 3.7% also down from projected 4.2% in 2018
- Steady domestic demand and public investment in infrastructure

Africa's economic outlook improved in 2017 compared with 2016 and is expected to gain momentum in 2018. GDP growth in 2017 is expected at 3.0% up from 2.2 in 2016 and projected to expand to 3.7% in 2018, the African development Bank said in an updated forecast released in Abidjan on Thursday, 12 October 2017.

"The changes in previous forecasts released in the African Economic Outlook in May 2017 have followed the release of new data by some key countries –Nigeria, Algeria, and Egypt– which account for some 50% of the continent's GDP and which revised their 2017 and 2018 forecasts downwards," said Abebe Shimeles, acting Director, Macroeconomics Policy, Forecasting and Research.

However, the continent's averages compare favorably with Global economic growth projections of 3.5% and 3.6% GDP growth in 2017 and 2018, respectively.

The new set of data attributes Africa's economic rebound mainly to:

- Recovery in the global economy and bottoming out of the commodity price bust that had set in since 2014. "Economic diversification and drive for structural transformation need to proceed with urgency and intensity in order to avoid the repeat of boom-bust cycle in the wake of commodity price volatilities," the **African Economic Outlook** already warned in May 2017.
- Steady Domestic demand and public investments in infrastructure also helped sustain growth in many countries, adding that beyond accumulation of physical capital, productivity of those investments is important for sustainable growth and must remain an area of policy focus.
- Fiscal and current account deficits are expected to narrow due to strong export performance and higher government revenues but African governments must resist the temptation to "catch-up" on the spending that was suspended in the last two years as this will exuberate deficits.

In regional terms, East Africa remains the fastest growing region, with an estimated growth of 5.1% in 2016 projected to grow by 5.4% and 5.8% in 2017 and 2018 respectively. Growth in the Eastern Africa region is mainly driven by strong domestic demand and high public infrastructure spending.

North Africa recorded the second highest growth rate of 3.1% in 2016 buoyed by the recovery in Egypt, with output growth of 4.3% and Algeria at 3.3%. The northern region is expected to grow by 3.1% and 3.6% in 2017 and 2018 respectively, with expected pick up of growth in Morocco of 4.5% in 2017 and 3.9% in 2018. The Bank warns, however, that continued political uncertainties and reduced oil production in Libya continue to drag growth in the North Africa region. Libya is projected to stay in the negative growth territory in 2017 and 2018 with a growth of -4.9% and -3.9% respectively.

Growth in Southern Africa remained tepid at 0.9% in 2016, down from 1.6% in 2015. Projected improvements in the performance of South Africa from 0.3% in 2016 to 1.2% and 1.3% in 2017 and 2018 is expected to boost the Southern Africa regional growth to 2.0% to 2.3% in 2017 and 2018 respectively attributed to increased mining output following moderate rise in commodity prices.

Similarly, Central and West Africa regions, dominated by oil producers, growth was severely constrained at 0.5% and 0.4%, respectively in 2016. In West Africa, the economic recession in Nigeria completely offset the strong gains made in Sierra Leone, Togo, Cote d'Ivoire and Senegal, the latter two being the region's fastest growing economies. Nigeria accounts for 72.4% of the region's overall GDP but contracted by -1.5% in 2016 against an average expansion of 6% for the other four economies, which collectively account for about 10% of regional GDP.

West Africa is expected to record improvements in growth to 2.5% and 4% in 2017 and 2018 respectively mainly attributed to improvements in oil production in Nigeria and rising global commodity prices. Central Africa on the other hand was mainly slowed down by poor performance in Equatorial Guinea and Chad which contracted by -7.3% and -6.4%, respectively followed by Republic of Congo which shrunk by -2.4%. Central Africa republic is expected to record improvements in growth in 2017 and 2018 of 1.6% and 3.1% in the two respective years, the report says. (AfDB)

‘Africa has substantially improved by any metric,’ says Bill Gates

Bill Gates is perhaps better known as one of the richest men in the world and a great philanthropist, but what people often underestimate is his in-depth knowledge and understanding of just about any subject matter you can throw at him. Gates talks to New African about aid, how his Foundation works, what we can learn from China and gives his insights into whether we should be worried about technology taking over our jobs.

We have seen a change in emphasis recently, with the G20, for example, focusing on their new ‘Marshall Plan’ and the UK’s DfID driving development through private sector engagement, while your Foundation puts an emphasis on overcoming the most basic of needs. Are you seeing a shift in priorities in terms of the aid agenda?

Well, the end goal is always to have economies develop. There are middle-income countries that are completely self-sufficient in that their tax collection is funding their health, education and other human development indices.

There are public goods that only the public sector can provide. I think the two biggest impacts that aid has had is that it has funded new tools – like vaccines or in agriculture; and two, it helps these governments build the delivery systems such as a good primary healthcare system. So, yes, you want to enable the private sector, a thriving private sector is far larger than the government.

In terms of the Foundation, though, do you see yourselves retaining focus on similar issues or areas as you have done over the past 15 years or so?

Yeah, we always fine tune it a little bit, but our biggest focus by far has been health, and will be health. Health for us also includes access to contraception and nutrition, as well as tackling the big infectious diseases.

The second biggest area for us is agriculture; but it is a lot smaller – about a sixth of the size of our health spending. Agriculture has been an exciting one for us and that’s where the boundary between the public sector and the private sector is a little more fluid than it is in health.When you build a primary healthcare centre, there’s no return in terms of pure payment. Whereas in agriculture, you enable the smallholder to get higher yields, leading to cash crops that are super valuable.

Then we have a few smaller areas like financial services, water and sanitation where we are investing around over $100m a year. When polio is eradicated, we will be able to ship money out of polio into other activities. If we had infinite bandwidth and money, we’d also go into education infrastructure and justice – but we don’t.

I believe you credited your polio work in Nigeria as one of the reasons why Ebola didn’t spread there, while it did in those three other West African countries.

That’s absolutely right. With polio, the training is to map all the elements and group them together in what is known as the Emergency Operational Centre. You hire teams of people to go out in the community and find cases. You take those biological samples and learn what you can from them. So what you do with an epidemic outbreak, and what you do for polio eradication are absolutely one and the same.

Dr Faisal Shuaib, who was running the Emergency Operational Centre in the North of Nigeria, moved down south with his polio team to prevent the Ebola outbreak and we funded the programme. The beauty of the system is that even though the polio eradication programme has been ongoing since 1989, it was OK to interrupt it for two or three months to tackle Ebola. So, it’s a great use of those people's capacity. Through their skill and a little bit of luck, Nigeria, whose population is over six times the combined population of the three highly affected countries, had very few cases.

Before working in a particular country, do look at its governance history?

In terms of vaccines, we're going to go everywhere. We'll find partners to go to Somalia, DRC, CAR – name the place. Whereas for our agricultural work, we take cases where the government is organised enough for us to go in. Some of what we do is global public good, like making sure a new vaccine gets invented – that benefits everyone. In fact, take sleeping sickness – human African trypanosomiasis, HAT. Most of the cases now are in DRC.

We have three new tools to fight it; a brilliant diagnostic; a brilliant drug, and a brilliant new trap for the fleas that spread it. We are working with NGOs, who are good at getting in there, including MSF [Doctors without Borders] and several others as well.

The single biggest country in the world that we spend money on is India. It has 1.3bn people but per person, we spend a lot less there than we do here in Africa. So, in terms of our delivery programmes, Africa constitutes well over half of what we do. It would be a lot larger than India if you took Africa as a whole. But, in terms of countries, Nigeria is the biggest in Africa, as you would expect. Overall, India, Nigeria, Ethiopia, would be the top three.

Africans want their leaders to deliver and not rely on aid, how do you perceive this?

I wish every election in Africa was about who can run the healthcare system best for everyone; who can run the agriculture system best for everyone. Indexes, such as the Ease of Doing Business Index, or the Corruption Perception Index, don't always immediately cause change but they help a lot. We do report cards on primary healthcare systems called the Primary Health Care Performance Initiative (PHCPI).

We also work with the African Union to do report cards on agriculture, which is part of their Comprehensive Africa Agriculture Development Programme (CAADP) process. So ranking tables help a politician who may not know the domain.

Some people fear that the Gates Foundation might be a Trojan horse for big US agro and GMO crops? How would you respond?

The debate in Africa now is really not about the private sector at all, it's about publicly-funded seeds that happen to use GMO-type techniques to create disease resistance, to improve productivity and use less water. There are some traits, like Bt, that were invented so long ago they are in the public domain now; all the intellectual property related to them is more than 20 years old, so it's all public domain stuff.

There are public crops like maize that Kenya and Tanzania could use that substantially raise maize productivity. There are cassava constructs that avoid diseases that are a huge problem; there are banana constructs that put vitamins, micro-nutrients, including iron and vitamin A actually into the banana as a natural part, and there's a form of rice that has vitamin A fortifications, called Golden Rice. It is not necessary to go into the private sector aspect at all to ask whether or not African countries will decide to take advantage of public domain crops that have used the latest science, so that their farmers can feed their people better and have more output. That to me, is pretty obvious but it's going to be their decision. It's going to be the scientists in the country who look at whatever certain Europeans say, whatever certain Americans say, wherever they want to gather evidence.

There have been some large-scale experiments, like feeding Americans GMO foods for 20 years, and there's been zero negative effects. But these are sovereign decisions in the end; it's not about the private sector. It's a bit strange for anybody to think we have ulterior motives in giving away tens of billions of dollars! I'm sorry, but there's no ulterior motive you could ever have relative to Africa that would enable you to recoup that money. So, it can't be the case. If we're crazy, it must be for some other reason than pure greed.

Shouldn't the Gates Foundation invest in a medical research centre of global excellence, so we can produce these medicines in Africa?

Well, why don't you make all your cars in Africa? And all your tractors in Africa? There are things that can be made in Africa – in fact, we're funding a new factory for livestock vaccines in Ethiopia and we think that would make sense in several other places in Africa.

Some products are very scale economics and you need gigantic factories. So, most of the vaccines bought by Gavi [an international organisation dedicated to increasing access to immunisation for children in poor countries], are made in India in huge global supply batteries. If you decided to replicate that, the price of the vaccines would be much higher and you could save less lives. You have to decide is it a job creation thing or is it really trying to save those lives?

You have often cited Gavi as a great success. Can you talk us through how Gavi works and the business model behind it to make vaccines available and affordable?

Well, it's fairly straightforward. The poorest countries should not have to contribute to the R&D costs of the vaccines they buy. So, they should get these essentially, at cost of goods (COGS), or marginal-cost type pricing. If there is a vaccine, like the malaria vaccine, that only the developing world needs, hopefully, donor governments and foundations will fund that research and have the expertise on how to manage that type of research.

When it comes to actually buying the vaccines, to get them out to the kids, they shouldn't have to pay back to the R&D. But even the COGS-based price for new vaccines, like parvovirus, pneumococcus, are so high that they weren't going to be introduced into African countries without donor funding.

So, they negotiated with pharma to be able to get these vaccines at the COGS price. But even so, the developing countries, the 73 Gavi-eligible countries, were only asked to pay in 25 cents, [per dose] instead – for the most expensive of these vaccines, pneumococcus – about $3 per dose. Rotavirus HPB which is just being rolled out right now, is around $2.50.

And that's where donors and philanthropy comes in for the rest of the cost?

Yes, all the rest is funded, paid for by Gavi. This includes ourselves, the UK, Norway, Germany, France and the US – it's a good group. We contribute 20%; the UK is actually the biggest, we're the second biggest and the US is the third biggest.

Generally, pharma doesn't have enough capacity to make this break-even stuff. So, we have to make volume commitments to pharma to get the price down. Pentavalent's a great example; when we first worked with pharma on that, it cost around $3 a dose. Now it's less than a dollar a dose. And there's a tendency that manufacturing shifts over time from the original inventors – Pfizer and GSK – to developing country vaccine manufacturers, the biggest of which is the Serum Institute of India.

So yeah, we've got the price of that down dramatically. And the health benefits of those vaccines are really dramatic. You're saving lives for less than a dollar and you're saving a lot of morbidity. It's the best buy there is in health. Thank goodness that in health, the first 10% gets you the first 80% of benefit. If it were linear, then health in Africa wouldn't be affordable but as it is, we can go after these big diseases.

How do you measure innovation? By the number of patents?

I agree it's hard to express this in numbers. But in terms of biological and digital innovation, the US is so far ahead. It's great for the world because these innovative products are often very cheap and therefore you don't have to wait a generation before they become beneficial to the developing world.

Both in biology and digital, the US in terms of company size, patents, number of people working, quality of universities – any metric would show a dramatic gap. However, if you extrapolate the Chinese improvement over maybe a 15-year period, then they start to get into that league.

What are your views in terms of industrialisation from an African perspective, especially as there is an argument that in future, robots will take over industry-oriented jobs?

This is the "Will there be jobs in the future?" question. And the answer is that the tools of efficiency, which we've always had, things like tractors, are developing at a faster pace today than ever and now we call it robotics.

It is a qualitative change in terms of how intelligent the devices will be but we still live in a world of shortage. If you ask do we have enough food, or enough healthcare workers or enough people to do operations, or to take care of handicapped children, the answer is no. Even in the US, we want our class sizes to be smaller; we want more people to reach out to old people. So, we are not yet in the age of excess, where you say, “Jesus, what the heck should everybody do?” We still need skills and contributions.

Africa, of course, is in the world of incredible shortage, where you only have so many good professors; so many good doctors; so many good people who understand how to start businesses and so on. Way off in the future, the robotics will take things over.

It does mean the nature of the job market will be shifting somewhat. So, the peak jobs in manufacturing in an economy like the UK, during the industrial revolution, got to 50%. In China, it got up to 30%. And it will never get up to 30% in any large-sized economy again because manufacturing is so efficient.

Chinese manufacturing automation has destroyed jobs. There are less jobs in China today, even if you add back in all the ones that went to Vietnam and Indonesia and the very, very few that went to Africa, unfortunately. So, manufacturing, as a specific slice of the job market, will be less.

Nevertheless, there is still enough there for some African countries to try and take labour input into exports and see if they can’t add value that way. It is the classic Taiwan, Korea, China, paradigm. There’s a book, How Asia Works, that I’ve given to some African leaders.

Ethiopia, you could say, is on a China, Vietnam-type model, where you improve agricultural productivity, you take that extra labour, you try to put it into manufacturing – ideally, for export manufacturing – and that’s how you move your way up to be middle income. Then you have to have really good education, really good logistics to the seaport and some degree of scale. So, the continued technical innovation will change the nature of jobs and it won’t make the manufacturing cycle that big.

But in Africa, the need for jobs, for teachers, for business experts, is going to way exceed supply over the next two generations, despite the best advances that AI can throw at us. Another aspect of manufacturing is energy, something that you’ve invested in alongside other philanthropists and business leaders. We need a source of energy that’s cheap and green and 24 hours a day and we don’t have it today. And Africa’s a great example of that, where the amount of electricity per person in Sub-Saharan Africa has actually gone down over the last 20 years. The population growth has been greater than the availability of electricity.

But you’re not seeing major developments in the energy sector?

Well, there will be breakthroughs, scientific breakthroughs. I have a nuclear power company called TerraPower that’s working with the Chinese; and I have a fund called the Breakthrough Energy Venture Fund that’s funding a lot of the stages. These are at an early enough stage that it will probably be 10 years before we know which of these innovations really works. In the meantime, car batteries will get cheaper, solar energy will get cheaper, but we need either storage for the solar energy or we need some other large source, like nuclear fission in order to really get that tri-factor of cheap, green and reliable. (African Business Magazine)

IMF, WORLD BANK & AFRICAN DEVELOPMENT BANK

AfDB approves US$200 million to IDC to support industrialisation projects in Africa.

IDC is South Africa’s pre-eminent development finance institution (DFI), owned by the South African government. Its mandate is to promote industrialization in Africa by investing in, and developing the industrial base of South Africa and other RMS, thereby helping to scale-up the AfDB’ s High 5 agenda, particularly “Industrialize Africa”. Fifty percent of the funding (the rand tranche) will be used for projects in South Africa and the balance (the USD tranche) will be directed to regional projects in Mozambique, Malawi, Ghana, Kenya, Namibia, Mauritius, Swaziland and Sudan.

IDC is managed as an independent DFI, operating in a sustainable and self-financing manner with a strong governance structure. The Bank has a good and long-standing relationship with IDC. The current operation is the 3rd non-sovereign guaranteed Line of Credit from the Bank. The recently concluded extended supervision of the previous facility (US$ 200 million) indicated that the Bank's support resulted in creation and retention of over 15,000 jobs by supporting agro-industries, logistics, transport and other industry infrastructure in Senegal, Zimbabwe, Mozambique, and Swaziland.
This project is timely considering current economic challenges in South Africa as AfDB and IDC together can play a countercyclical role. The support is much needed as raising funds is becoming more difficult for South Africa and government owned entities such as IDC due to the country sovereign downgrade. The project will address the IDC's funding gap and reduce asset-liability mismatch.
The LOC is intended to support IDC's 5-year Corporate Plan for the period 2016/17–2020/21. Specifically, it will be on-lent to IDC's clients in key focus areas, including (i) priority industrial value chains such as chemical and pharmaceuticals, metals and mining, agro-processing and agriculture value chains. It will also support (ii) industrial infrastructure, including energy, logistics, water, and telecommunications; (iii) new industries that derive from innovation, science and technology. The LOC will also significant opportunities in high impact labour intensive sectors and assist businesses in distress.

With ALSF support, Guinea-Bissau successfully renegotiates and reduces outstanding debts by 90%

Following an official request for support from the Government of Guinea-Bissau, the African Legal Support Facility (ALSF) has provided creditor litigation support and advisory services to Guinea-Bissau during outstanding debt negotiations with the Export-Import Bank of China (Exim Bank). The support led to a series of settlement and debt-restructuring negotiations concluded in Singapore. Guinea-Bissau and Exim Bank agreed to a 90% reduction in outstanding debt obligations, resulting in savings of over US$45 million for Guinea-Bissau.
The country's debts were reduced in the context of the Heavily Indebted Poor Country (HIPC) Initiative which was launched by the World Bank and International Monetary Fund. The debts originated from 1990, when Exim Bank executed two loan agreements of US$15 million and US$12 million to the Government of Guinea-Bissau and the Central Bank of Guinea-Bissau, respectively. Beginning in 1994, however, both loan recipients were unable to meet payment obligations. The debts were included in the debt reconciliation exercises associated with the HIPC Initiative, but remained outstanding even after Guinea-Bissau successfully completed and exited the HIPC initiative in 2011. This eventually led to a 2016 lawsuit launched by Exim Bank in the Southern District of New York.
Facing legal action, Guinea Bissau reached out to the ALSF for assistance. Exim Bank entered into settlement negotiations with the country to address outstanding debts of US$50 million, with the Bank making substantial efforts to ensure a settlement was reached, The Bank also took into account the financial capacity of Guinea-Bissau and recognized the country's efforts to establish sustainable structural reforms.
On September 12, 2017, the Minister of Economy and Finance of Guinea-Bissau, João Alage Mamadu Fadia, and the Chief Compliance Officer of Exim Bank, Charles Day, signed a Memorandum of Understanding (MOU) which formalized an agreement that the reconciled debt of US$50 million be reduced to US$5 million. Subsequently, on September 18, the compromise and settlement agreement was finalized and signed by the Minister and the President of the Export-Import Bank of China, Pei-Jean Liu.
This 90% decrease in the debt obligation represents an important achievement for the Government of Guinea-Bissau, which has sought to reduce external debt repayments to sustainable levels. Moreover, the ALSF's interventions demonstrate that – with the appropriate legal and financial

guidance and support – the debt-to-revenue ratios of HIPCs may be reduced, facilitating further economic development. With the ALSF's support, Guinea-Bissau was represented by the law firm Medel Sanfilipo, and the financial advisory firm of Millstein & Co.

Bank Group approves second monitoring report on updated Management Action Plan for the Medupi Power Project in South Africa

The Boards of Directors of the African Development Bank Group approved on September 6, 2017 the recommendations of the Second Monitoring Report of the Independent Review Mechanism (IRM) on the Implementation of the Updated Management Action Plan for the Medupi Power Project in South Africa.

The Management Action Plan was endorsed by the Boards of Directors on February 13, 2013. It was designed to bring the Medupi project into compliance with applicable Bank policies and procedures based on the recommendations of the IRM Compliance Review Report. The Compliance Review Report had noted a number of instances of non-compliance with Bank policies. The Boards consequently authorized the IRM to conduct annual monitoring of the Management Remedial Action Plan on February 13, 2013, including the scope of the annual monitoring by the IRM. The findings of the first IRM Monitoring Report were approved by the Board of Directors on November 26, 2015.

This second monitoring report assessed the following: the status of monitoring the implementation of the environmental management plan, the extent of project supervision, progress towards the regional impact assessments of the project, compliance with the integrated water resources management policy of the Bank, efforts made to improve public consultation with the communities and the mitigation measures to resolve other issues. The findings and recommendations contained in the second monitoring report were made on the basis of an analysis of the management supervision reports and a field visit to the project site from February 19 to 25, 2017.

The Boards take note of the progress achieved by the Bank's Management in bringing the Medupi Power Project in compliance with Bank policies and procedures and authorizes the IRM to continue its monitoring of the project. Following the recommendations of the Boards of Directors, the IRM will undertake the third annual monitoring of the Medupi Power Project in 2018 in line with the monitoring process as approved by the Board of Directors on February 13, 2013. The Bank's Management will submit bi-annual supervision reports on progress made in the implementation of the updated Management Action Plan to the IRM for review.

The Medupi Power Project consists of the construction of a 4,764 MW coal-fired power plant in Lephalalae, Limpopo Province, South Africa. On 25 November, 2009, the Board of Directors of the Africa Development Bank approved a loan not exceeding €930 million for the supply and installation of six boilers and turbo-generators in the Medupi project.

African Development Fund Board approves US$ 141 million credit risk participations under Private Sector Credit Enhancement Facility

The Board of Directors of the African Development Fund (ADF), approved on Wednesday, 11 October 2017 in Abidjan credit risk participations in eight loans cumulatively valued at US$ 141 by the Private Sector Credit Enhancement Facility (PSF).

Launched in 2015, the PSF is an off-balance sheet and arms-length vehicle, funded by the ADF, the concessional arm of the African Development Bank Group (AfDB) which participates in the credit risk of the private sector operations of the AfDB. Its mandate is to release capital held against loans in low income countries, to increase private sector financing in those countries. Over the next three years, the Facility is building a portfolio of US$1.5 billion of private sector credit exposures in emerging and frontier African markets.

The eight operations approved include lines of credit to SME lenders in Sierra Leone, Burkina Faso and Nigeria. The proceeds of the loans will support investment projects in the manufacturing, agriculture, construction, services and transport sectors. They also include trade finance lines with a

Mauritanian SME lender and a Nigerian universal bank. Finally, two operations with regional development finance institutions complete the portfolio of approved risk participations, which brings the total portfolio of the facility to 1/3 of its US$ 1.5 billion target size and increase the PSF's footprint to 25 countries.

"In the last 12 months, operations entering the PSF portfolio have been exposures in large infrastructure as well as agro-industry investment projects and programs. The eight operations will rebalance the portfolio across sectors, regions, maturities and risk profile – and deliver on the mandate to provide headroom relief for new financing of investment projects in low income countries. This positions the Facility to share risks with the AfDB in the financing of new investment projects in the real economy and infrastructure sectors – while remaining compliant with its risk framework", says PSF Administrator, Cecile Ambert.

The eight operations were also chosen in light of their expected superior development results and additionality, in terms of job creation and financial inclusion, notably for women and local businesses. The operations with development finance institutions are targeting new power generation and transmission capacity, improved logistics, market access, and support to local value addition. All trade finance lines are targeting the lengthening of tenors for African exporters and importers, in a context of global trade finance contraction away from riskier markets.

INVESTMENTS

Hyatt to double its Africa presence, open six hotels by 2020

Hyatt Hotels & Resorts will open six new hotels in Africa by 2020 underscoring the growth of business and international travel on the continent. The company will open its first hotels in Algeria, Cameroon, Ethiopia, and Senegal and open new hotels in two countries where it already has a presence: Morocco and Tanzania. The hotels will create approximately 2 100 jobs, Hyatt said. Hyatt is looking for more opportunities to expand in East Africa, it said, citing continued government investment in infrastructure, an expanding middle class and a growing international recognition of the region's stability. The new hotels will double Hyatt's presence in Africa. Potential countries for further expansion could include Rwanda, Kenya, Uganda, Mozambique, Ghana and Ivory Coast, Hyatt said. There was 11% growth in sub-Saharan African tourism in the past year, the company said, citing the UN World Tourism Organisation. The first half of 2017 saw a 14% year-on-year increase in international arrivals in East Africa. (By Katharine Houreld, Reuters)

Hilton to add 100 hotels to its chain in Africa over five years

Hilton Worldwide Holdings Inc. plans to spend $50 million over the next five years to add 100 hotels to its chain in Africa joining other chains keen to tap growing business and international travel on the continent. One property will open in the Kenyan capital Nairobi by the end of this year and another in the Rwandan capital Kigali in 2018, it said in a statement.

There was 11 percent growth in Sub-Saharan African tourism in the past year, according to data from the U.N. World Tourism Organisation.

Hilton said the remaining additions to its 39 existing African properties would be operational within the next five years. "The model of converting existing hotels into Hilton branded properties has proved highly successful in a variety of markets and we expect to see great opportunities to convert hotels to Hilton brands through this initiative," said Patrick Fitzgibbon, Hilton's senior vice president for development in Europe, Middle East and Africa. Earlier this week, Hyatt Hotels & Resorts said it would open six new hotels on the continent by 2020. (By George Obulutsa, Reuters)

Mozambique approves 156 investment projects from January to August

Mozambique's Investment and Export Promotion Agency (Apiex) approved 156 investment projects worth US$558 million in the period from January to August, said the national director of Industry, Mateus Mathusse.

The approved projects include almost all economic sectors, but predominantly industry, with 47 initiatives, followed by services, 34, and those related to agro-industry and transport and communications, 22, with 11 for construction and 18 for tourism and hospitality.
Mathusse gave assurances that the proposals have all the necessary conditions to be carried through, as they were approved under the new Industrial Policy and Strategy that defines seven subsectors considered by the government as priorities.
Priority areas include food and agro-industry, clothing, textiles and footwear, non-metallic minerals, wood processing and furniture production, chemicals, rubber and plastics, metallurgy and metal products manufacturing, and the paper and printing subsector.
One of the approved investment projects is from Dutch brewery Heineken, with a production forecast of 80 million litres per year. A plot has already been identified for the Heineken factory in the district of Marracuene, Maputo province, with changes made to the law which governs the Specific Consumption Tax (ICE) and other necessary documents now being processed.
In the non-metallic minerals sector Mathusse mentioned several investments for construction of cement factories, including in Niassa province, where US$20 million will be invested, as well as Cabo Delgado, where the investors of Mehiua Cimentos will apply US$120 million.
Also on the list of large-scale projects is Yara, which intends to produce fertilizers, Shell is interested in producing liquid fuels and Baobab Resources wants to produce 1.3 million tonnes of iron and steel per year.
Apiex is the result of the merger of three institutions – the Investment Promotion Centre (CPI), the Office of Economic Zones of Accelerated Development (Gazeda) and the Institute for the Promotion of Exports (Ipex). (Macauhub)

French group produces grain in Angola for beer production

French group Castel, the owner of Nocal brand and beer factory, has invested US$50 million in grain production on a 3000-hectare plot in Angola’s Malanje province to reduce dependence on imported raw materials, the managing director of Nova Empresa de Cerveja de Angola (Nocal) said.
Gilles Leclerc told Angolan news agency Angop that grain planting had started at the beginning of the year on about 80% of the 3,000 hectares and recalled that imports of raw materials is a difficulty throughout the country’s beverage industry.
In the case of Nocal, the factory, with monthly production of about 10 million litres of beer, depends on imports of of malt and hops, as well as the parts needed to maintain the production and filling lines. The managing director said that it is possible to obtain almost all the raw materials for the beer trade in Angola, as the group locally produces glass, cans, labels, cases and bottle tops and purchases rice and sugar. Grains is the product that needs to be imported.
Leclerc also said that, despite the difficulties, he plans to increase production by the beginning of the first quarter of 2018, from 10 million to 11 million litres.
Nocal’s shareholders are Brasseries Internationales Holding Limited (BIH) and the União de Cervejas e Bebidas de Angola (Ucerba), controlled by the Gema group, both with a stake of 50%.(Macauhub)

Shalina Healthcare Group invests in health sector in Angola

The Dubai-based Shalina Healthcare group will invest US$16.2 million in Angola in the acquisition of Angolan company Africa Pharmacy, under a contract signed with the Technical Unit for Private Investment (UTIP), the Angolan press reported.
The investment agreement provides for the acquisition of 99% of the share capital of Africa Pharmacy by Shalina Healthcare and 1% by Afinco, while estimating cumulative capital gains of US$147.5 million by 2024.
The group plans to open a drug factory and a new distribution centre in Luanda “in the not too distant future,” the director general of Africa Pharmacy, João de Barros, told trade publication Jornal da Saúde. The Shalina Healthcare Group is a market leader in the production and distribution

of affordable pharmaceuticals and medicines in the African market, where it has been operating for over 30 years and is present in nine countries, Nigeria, the Central African Republic, Kenya, Cameroon, Gabon, Congo Brazzaville, Democratic Republic of the Congo, Zambia and Angola. (Macauhub)

BANKING

Banks

Ghana's new banking regulations shake up sector

On 14th August, the Bank of Ghana (BoG), the country's central bank, approved a deal which saw Ghana Commercial Bank (GCB) take over the deposits and some of the assets of UT Bank and Capital Bank. The BoG announced that it had revoked the licences of the banks due to "severe impairment" of their capital. Their collapse sent shockwaves across the financial sector in the West African nation, with some analysts concerned that this was just the tip of the iceberg and other banks were at risk of contagion. The BoG, which moved quickly to investigate the liquidity levels of the remaining 34 commercial banks in the country, found that seven banks failed to meet the minimum capital requirement of C120m ($26m). The vulnerable banks were eventually able, with the assistance of the BoG, to prove that they could recapitalise to the minimum requirements and avoid the same fate as the two liquidated banks.

However, following the scare, the Bank of Ghana mandated that all commercial banks in the country would need to set aside by the end of December 2018 a minimum of C400m in capital or have their licences revoked. This figure is three times more than the previous minimum capital requirement.

Only four banks – GCB, Zenith Bank, Barclays Bank and Standard Chartered Bank – currently have the required capital reserves to meet the target, and it is still unclear whether the other banks could raise the capital by the deadline, according to Sam Bediako-Asante, managing director of financial market consultancy firm Sambed Consult. "The banks are currently meeting with their investors and shareholders to figure out if they can raise the capital," he says. "If some of those smaller banks are not in the position to meet the figure then the only way is arranging for some of the bigger banks to acquire or merge with the smaller banks. "In my opinion, this development would be a positive one for the sector because we already have too many banks and if we can get into a situation where we have no more than 10 strong banks, like in Nigeria and South Africa, then it will benefit our economy."

Additionally, according to credit consultant Emmanuel Akrong, the new minimum requirements would have three main benefits for the sector: "Banks will be able to better absorb adverse shocks; there will be a reduction in bank risk-taking incentives; and a strong banking sector will boost economic growth and attract foreign direct investment." While many analysts have welcomed the BoG's decision to ramp up the minimum capital requirements for banks, some voices have raised concerns that the changes could have negative unintended consequences.

Ready for change?

The changes currently underway in Ghana's banking sector are the most significant in a decade. In 2008, the BoG increased the minimum capital requirement from C7m to C60m. Ghanaian banks last recapitalised in 2012, when the Bank of Ghana raised the capital levels from C60m to C120m.

The move to treble the capital level for banks has caught many of them unprepared and it could lead the financial institutions to adopt a more conservative approach, according to Vish Ashiagbor, senior country partner at professional services firm PwC in Ghana. "The feedback received [from banking industry players] generally paints an image of an industry not quite ready for the implementation of the proposed risk-based method of capital management," he warns in a statement. "As banks go through a transition phase during which they try to master the art of keeping their ships on an even keel, this new capital management regime may lead to banks being overly cautious resulting in suppressed credit growth."

Ghanaian banks need to raise over C8.6bn ($1.9bn) by December 2018, according to Ashiagbor. There will be immense pressure on the country's banking system over the coming year as the institutions seek to comply with the new regulations.

Among the various policies that the banks might adopt, enhancing their credit appraisal systems could have the most significant effect on the economy, as fewer borrowers – especially SMEs – will be able to secure loans. The stifling of credit growth could also scupper President Nana Akufo-Addo's ambitious economic strategy, which has already faced setbacks related to the high level of public debt.

Risks to economic growth

When Akufo-Addo entered the presidency in January, the country's total public debt stood at C122.3bn. But, only a month later, it was revealed that the public finances were in a worse state than expected due to the discovery of C7bn of unattributed spending by the previous administration. The revelation immediately put a dent in President Akufo-Addo's economic strategy to reduce debt, create jobs and boost the economy. Ghana was forced to secure a $918m IMF loan, which had a series of conditions including slashing public spending and ensuring the banks were properly capitalised.

The economy has stabilised over the year and some analysts are upbeat about the medium-term outlook for the country, especially after the August launch of the president's flagship "One District, One Factory" programme, which aims to establish at least one factory or enterprise in each of Ghana's 216 districts.

However, the ambitious programme, together with other policies such as the "Planting for Food and Jobs" scheme, will require significant capital flows and it is expected that the banking sector will provide a significant amount of the required capital. But if, as expected, the banks are going to tighten their lending policies, President Akufo-Addo's grand economic scheme may collapse just as it is starting. "There has been an attitudinal change on the part of business since Akufo-Addo has become president and the mood is positive," Bediako-Asante says. "But if there is a major banking crisis then the mood will become pessimistic, which could cause our economy to slow down again." (By Taku Dzimwasha, African Business)

African Development Bank releases second Trade Finance in Africa survey report, "Overcoming Challenges"

The African Development Bank (AfDB) has released its second Trade Finance in Africa survey report: "**Trade Finance in Africa: Overcoming Challenges**". Building on the findings of the **maiden 2013 survey**, this new report (covering the period 2013–2014) goes even further to gauge other aspects of bank-intermediated trade finance, such as the challenges encountered by SMEs and first time trade finance clients. The report is therefore based on the combined data from the 2013 and 2015 surveys. The report's main findings are outlined below:

- The value of bank-intermediated trade finance in Africa in 2013 and 2014 is estimated at US $430 billion and US $362 billion, respectively. Put differently, banks support about one third of total trade in Africa.
- The share of bank-intermediated trade finance devoted to intra-African trade is still modest. In 2014, only 20% of bank-intermediated trade finance was devoted to intra-African trade. This compares favourably to the estimated 18% in 2011. Banks in East and Southern Africa reported the highest share (25%) while those in North and Central Africa reported the lowest, around 5% and 4%, respectively.
- The value of the bank-intermediated trade finance gap in Africa remains significant at an estimated US $91 billion in 2014, although it has nudged down slightly from an estimated US $94 billion in 2013.
- Trade finance continues to be a relatively low-risk activity for commercial banks in Africa. The estimated default rate on trade finance transactions in 2011 and 2014 were 4 and 5%, respectively, compared to 9 and 12% Non-Performing Loan (NPL) ratios for all bank asset

classes. The trade finance default rates are lower for banks in Southern (2%), East (3%), and North (4%) Africa compared to banks in Central (9%) and West (7%) Africa.
- SMEs account for only 28% of banks' total trade finance portfolio. The relatively low share could be attributed to the higher risk perception associated with this client segment. Indeed the average trade finance default rate of SMEs was 14% in 2014, far higher than the overall trade finance default rate of 5% for the same period.
- First time applicants face significant challenges in accessing trade finance facilities from banks. Only 15% of banks' trade finance portfolio is composed of new applicants, although the default rate attributed to these clients was only 3% in 2014.
- The report also reveals that the major reasons why banks reject trade finance demands include poor creditworthiness and lack of adequate collateral.

The report recommends that a win-win partnership and a collaborative approach involving development partners is needed to overcome the challenges of access to trade finance faced by financial institutions and the private sector in Africa.
Commenting on this second report, AfDB Director of Financial Sector Development Department Stefan Nalletamby explained that the Bank's Trade Finance Program (TFP) was set up in 2013 to help address some of the challenges once again highlighted in this report. The African Development Bank has so far supported more than US $5 billion of trade involving 90 banks in 25 African countries. The key sectors supported are agriculture (22%) and manufacturing (25%). Intra-African trade represented at least 20% of total trade supported. These achievements, he concluded, "are clear indications that trade finance can be an effective vehicle for driving the Bank's **High 5** priority goals such as 'Feed Africa', 'Industrialise Africa' and 'Integrate Africa', respectively."

Markets

Guinea-Bissau secures funding through a new public debt issue

Guinea-Bissau raised 4.505 billion CFA france (US$8.057 billion) with the placement of a three-year bond issue, the West African Monetary Union treasury bond agency said. The issue was made at the request of the General Directorate of the Treasury and Public Accounts of Guinea-Bissau and the transaction is part of the Guinea-Bissau public debt issuance programme under the long and medium term strategy for debt management, the statement said. This issue, totalling 5 billion CFA francs and a value date of 9 October 2017, pays an interest rate of 6.50% and matures on 11 April 2020. The last issue of Guinea-Bissau public debt occurred in April 2017. (Macauhub)

AfDB issues its first "Light Up and Power Africa" theme Bond

The African Development Bank (AfDB) has issued the first "Light Up and Power Africa" Bond for SEK 733 million (approximately JPY 10 billion) sold to the Dai-ichi Life Insurance Company, Limited, the sole investor in the transaction.
The "Light Up and Power Africa" Bond supports AfDB's ambition to achieve an important goal of realizing Africa's energy potential and bridging the continent's energy deficit.
Over 645 million Africans have no access to energy. The electricity access rate for African countries is just over 40 percent, the lowest in the world. This undermines efforts to lift Africans out of poverty. Access to energy is crucial for the attainment of health and education outcomes, reducing the cost of doing business, unlocking economic potential, and creating jobs. Over 90% of Africa's primary schools lack electricity while 600,000 Africans die each year due to a lack of clean cooking energy. Insufficient energy access handicaps the operations of hospitals and emergency services; compromises educational attainment; and drives up the cost of doing business.
Energy access for all is therefore one of the key drivers of inclusive growth as it creates opportunities for women, youth, and children in urban and rural areas. The aspirational goal of this priority area is to help the continent achieve universal electricity access by 2025 with a strong focus on encouraging clean and renewable energy solutions. This will require generating 160 GW of new

capacity, 130 million new on-grid connections, 75 million new off-grid connections and providing 150 million households with access to clean cooking solutions.
As part of this effort, “Kenya's Last Mile Connectivity Program II", an energy project that provides access to electricity in Kenya, aims to provide electricity to 1.5 million people mainly from low-income groups and micro-enterprises that improve living standards and support economic growth.
Hassatou N’Sele, Acting Vice President, Finance and Treasurer of the AfDB Group, says - “Our mission is the sustainable development of Africa and our core priorities are the High 5’s: “Light Up and Power Africa”; “Feed Africa”; “Industrialize Africa”; “Integrate Africa” and “Improve the Quality of Life for the People of Africa”. We would like to thank Dai-ichi Life for their interest and investment in “Light up and Power Africa” Bond. Their role in this transaction is helping towards our goal of attaining universal electricity access by 2025, with a strong focus on encouraging clean and renewable energy solutions.”
The AfDB will use its best efforts to direct an amount equal to the net proceeds of the issue of the Notes to lending projects within the strategic “Light Up & Power Africa” priority, subject to and in accordance with the AfDB’s lending standards. The proceeds of the Notes will be included in the ordinary capital resources of the AfDB and will be used for the general operations of the Issuer in accordance with the Agreement Establishing the African Development Bank.
The Bond was offered to Dai-ichi Life in a private placement format with Deutsche Bank AG as the sole arranger of the bond.

Summary Terms of the Bond

Issuer:	The African Development Bank (AAA/AAA/Aaa)
Notional Amount:	SEK 733 million (approximately JPY 10 billion)
Tenor:	10 years
Settlement Date:	21 September 2017
Maturity Date:	21 September 2027
Sole Lead Manager:	Deutsche Bank AG

About Dai-ichi Life Insurance Company

Dai-ichi Life Insurance Company is the third-largest life insurer in Japan. Through its history of more than 110 years, Dai-ichi Life has faced a great number of changes in both the times and society. To practice their management philosophy of “Customer First,” which they have emphasized through all of the stages of their long history, they have been working to “change what needs to be changed” in response to changes, in addition to maintaining their tradition. The Group companies will contribute to comfortable lives with peace of mind and the
Development of local communities in their respective regions and countries, providing life insurance and related services by sharing the Group’s principles (Mission, Vision and Values).
Dai-ichi Life will continue to fulfill its social responsibilities as a responsible institutional investor by actively engaging in ESG investments that include providing funds to businesses and companies that deal will social challenges, while they secure investment returns through sophistication and diversification of investment methods.

Fund

Africa Real-Estate Investors Had Strong Fundraising, Then a ‘Pause’ in Deployment

Slower growth for economies including Nigeria has affected investment activity for firms like Actis
Last year Actis, a London-based investor with a focus on emerging markets, closed its Africa Real Estate Fund with more than $500 million, surpassing its $400 million target.

But then the real work began. The fund buys and develops retail, office and industrial real estate in capital cities across sub-Saharan Africa, according to Funke Okubadejo, director of real estate for the Actis Lagos office.

But slower growth for some African economies, particularly in Nigeria, has made capital more difficult to deploy. “The slowdown in projects is due primarily to capital drying up both for debt and equity and also the weakening of demand for space as a direct consequence of the recession,” Ms. Okubadejo said. “There’s been a pause as investors allow the economy to come back.”

Actis is not the only one facing this problem. A number of other investment firms targeting real estate in sub-Saharan Africa have found the fundraising climate to be relatively benign lately.

Firms raised $4.5 billion and $3.8 billion in 2014 and 2015 respectively to invest in Africa real estate, infrastructure and other investments, according to a 2016 report by the Emerging Market Private Equity Association, or EMPEA. That amount “easily [eclipsed] the previous high-water mark of $2.7 billion,” the report said.

But it has been tricky for these firms to find investments with the right combination of local partners, economic outlook and political stability necessary to produce the returns in the 20% range they often target.

Disclosed investment activity hasn’t kept pace with fundraising for the region, the EMPEA report stated. “Though many fund managers have now entered the investment phase of the capital cycle, the fall in commodity prices and currency volatility may be delaying the deployment of the $8.3 billion raised for the region in 2014 and 2015.”

Executives at investment firms say the challenges have continued through 2017. For example, this year Eris Property Group, of South Africa, closed a $170 million Africa real-estate fund with London-based firm Momentum Global Investment Management. But spending the money has been a slower process. “Even in favorable jurisdictions, it’s taking a little longer,” said Warren Schultze, chief executive officer of Eris.David Lashbrook, head of Africa real estate at Momentum, pointed out that Africa as a whole has had “a tough 24 months” with falling commodity prices. “It’s made it very hard.”

Like Actis, Eris had hoped to find numerous opportunities in Nigeria, considered one of the most diversified and stable countries in sub-Saharan Africa. “When we raised the funds, we expected that given the size of the Nigerian economy, we would invest 30 to 40% of the fund there,” said Mr. Lashbrook. “We had projects there—large and exciting—but then Nigeria was off-limits for us for a year-and-a-half because of the dollar shortage. It forced us to focus elsewhere.”

Africa’s investment appeal is obvious considering its rapidly growing population and move toward urbanization. The growth of cities has increased demand for modern retail, office and residential space in places like Lagos, Nigeria and Accra, Ghana.

Success stories include the Airport Junction shopping mall developed by a venture led by Eris in Gaborone, Botswana, in 2012. Located near the airport, with a building design similar to the wings of a plane, the complex has attracted a number of retailers—from cafes to health clubs—to the country for the first time.

The venture, which also included the Botswana Insurance Fund Management, spent roughly $43 million on Airport Junction’s development and another $6 million on a later expansion.

According to Mr. Schultze, the value of the property has risen to about $93 million—excluding a second, $22 million expansion now under way. The firm—which holds a 24.85% stake in the property—is now in discussions about cashing out, Mr. Schultze said.

Still, investing in Africa is not for the faint of heart. Economic and political uncertainty across emerging economies changes the outlook of investments year-to-year. Fund managers say they analyze risk by looking at such factors as political stability or the existence of public debt or equity markets, alongside more specific, project-based risks, like any bottlenecks in supplies that have to be imported for construction. Though funds have targeted returns as high as 25%, Mr. Schultze felt that number to be unrealistic. “Returns closer to 16% might be a more realistic target than 20 to

25%," he said. Eris and Momentum's latest $170 million fund expects to deliver a return around 18%, according to Mr. Schultze.
Investors in economies like Nigeria say they have no plans to exit. "The recession has obviously impacted real estate, but we still feel that the market has compelling opportunities that haven't been addressed," said Obi Nwogugu, a principal of African Capital Alliance, a private-equity manager focused on West Africa. African Capital's investments include $38 million that it spent in 2013 on a Lagos office building that has attracted international companies. "When the market comes back, we believe there will be an uptick in interest from tenants—not just locally, but international companies that have put off coming to Nigeria," Mr. Nwogugu said. (By Emily Nonko, Wall Street Journal)

ENERGY

Angola: Lauca starts testing second turbine

The commissioning tests of the second Turbine of Lauca Dam, meant to increase the production capacity, started on October 1st. This is expressed in a note released by National Electricity Network, delivered to Angop. The tests are causing some disruptions, with stress to power cuts, voltage fluctuations in power supply networks. In its note, the National Electricity Company, apologises the consumers for any inconveniences the testing period is causing. Estimated at USD 4.5 billion, the northern Malanje province-based Lauca Dam, under construction on the Kwanza River is the first generating unit with a capacity of 334 MW.
The project started on August 5 and is expected to come into full operation in 2018. Lauca will produce 2,070 megawatts. (Angop)

Cuanza Norte: Energy Minister checks Cambambe dam operation

The Minister of Energy and Water, João Baptista Borges, assessed on Sunday the degree of operation of the Cambambe dam in the northern Cuanza Norte province, after recently benefiting from modernization and expansion works in the light of a programme of the government of raising the levels of electricity generation in the country.
This is part of a visit that the official is paying to the region since last Friday aimed at assessing the various hydroelectric plants built in the middle Kwanza, namely the Capanda, Lauca and Cambambe dams.
At the Cambambe dam and with a large delegation of his ministry, the official visited the hydroelectric dam at a very late stage, which saw its production potential rise from 260 to 960 megawatts of electricity after the start of production plant number 2, last June.
At the site, the minister received explanations from technicians of PRODEL (Public Electricity Generation Company), despite the low flow of the Kwanza River due to a long drought, the complex fed by two power stations that have four generating units/each, has a level of energy production of 100 per center. João Bapstista Borges, who did not speak to the press, was informed of the lack of any constraints that could hinder the normal functioning of the hydroelectric complex, which is currently operated by Angolan and mostly young technicians.
It is worth noting that the modernization of the Cambambe dam, marked by the start-up of Central II, is intended to increase the supply of electricity to the provinces of Luanda, Cuanza Norte, Malanje and Cuanza Sul, in a project that also included the construction of new (400 kV), Cambambe/Lauca (400 kv), Cambambe/Gabela (220 kv) and Cambembe/Dondo/Cassoalala substation.
The investment also included the rehabilitation and expansion of distribution lines in Cassoalala/Zenza/Massangano in the light of the Angola Energy Security Plan, approved by the Executive in 2011, which provides for more than 14 million Angolans to have access to electricity by 2025.
The Cambambe Dam is the first hydroelectric dam built in the middle course of the Kwanza River. Located 180 kilometers east of Luanda, it was inaugurated on October 6, 1963, by the then

Portuguese admiral, Américo Deus Rodrigues Thomaz, and was designed with a reservoir of water retention of 80 million cubic meters. (Angop)

Zambezia province to have Mozambique's first solar power plant

The financing of the construction of Mozambique's first solar power plant to be built in the Mocuba district of Zambézia province will be completed this month, the president of state power company EdM said in Maputo. "The negotiations for the release of funds and the start of the project are in the final phase," said Mateus Mogala, according to Mozambican newspaper Notícias, and the European Union, through the Trust Fund for Africa, will contribute 4 million euros.

Magala said that the Mocuba power plant, with an installed capacity of 40 megawatts, is expected to start commercial activity in August 2018, contributing to improving the quality of power supplied in the district and elsewhere in Zambézia province. The president of EdM, speaking at the launch ceremony of the Renewable Energy Auctions Promotion Programme (Proler), said that negotiations for the construction of the Metoro solar power plant in Cabo Delgado were also at an "advanced stage of development." The Metro plant will also have an installed capacity of 40 megawatts of electricity.

The Proler programme is intended to stop direct concessions of electrification projects using photovoltaic systems through the Ministry of Mineral Resources and Energy, and the process will now be conducted through public tenders launched by EdM. State-owned EdM, which has the support of the European Union and the French Development Agency, should identify the region that can be electrified on renewable energy, commission studies and hire contractors through the best technical-financial proposal. (Macauhub)

South Africa grants environmental authorisation for new 4,000 MW nuclear plant

South Africa's department of environmental affairs has granted authorisation to state-owned power utility Eskom to build a new 4,000 megwatt nuclear power plant in the Western Cape, a letter to Eskom showed. The construction at Duynefontein, close to South Africa's only existing nuclear site Koeberg, will only go ahead once the National Nuclear Regulator has granted an installation site license, the letter from government to Eskom said. South Africa plans to build 9,600 megawatts of nuclear capacity, a project that could be one of the world's biggest nuclear contracts in decades, has been halted by court amid concerns over its cost and transparency.(By Wendell Roelf, Reuters)

INFRASTRUCTURE

CRBC starts laying deck of Maputo-Catembe Bridge, Mozambique

The China Road and Bridge Corporation (CRBC) has placed the first module of the 57 that will make up the main deck of the bridge that will connect the city of Maputo to the town of Catembe, on the other side of Maputo bay, at a ceremony on 1 October. Mozambican state news agency AIM news cited the Minister of Public Works, Housing and Water Resources, Carlos Bonete, who said the deck was expected to be completed within a month, "if the weather is favourable."

The deck, which will cover a 600-metre suspension span, is estimated to weigh more than 7,000 tonnes. Each module is 12 metres wide, 26 metres long and 3 metres thick. Bai Pengyu, head of China Road and Bridge Corporation, which was awarded the contract, said on the same occasion that the bridge will be completed by the end of this year.

Construction of the bridge is part of the Maputo-Ponta de Ouro road construction project, over a distance of 209 kilometres. The project is divided into three parts – the first section from Maputo to Katembe, over 35 kilometres; the second section comprising Katembe-Ponta de Ouro (109 kilometres) and includes the repair/construction of roads between Katembe/Bela Vista and Bela Vista/South Africa and the third section of 63 kilometres covering the repair of the Bela Vista/Boane road.

This project is budgeted at US$725 million, and its financing was secured through a loan from Mozambique from the Export-Import Bank (ExIm) of China. (Macauhub)

Mozambique's first inland port starts operating in 2018

Mozambique's first inland port is due to come on stream in 2018, with a land-based intermodal terminal directly linked to two national highways and the Beira/Machipanda railway line in the provinces of Sofala and Manica respectively, according to Mozambican daily newspaper Noticias.

The inland port will be installed at Inchope, where the two roads linking the southern, central and northern areas of the country meet, according to the head of that administrative post. Augusto Roque said that the inland port, officially known as the Inchope Interior Customs Station, will be an international cargo terminal, allowing the concentration of containerised goods to be exported and imported out of and into the port of Beira and to countries in the interior of the continent such as Zimbabwe, Malawi, Zambia and the Democratic Republic of Congo.

At a national level, the inland port of Inchope will store cargo coming from the south, central and northern regions of the country for export and import, and will relieve the port of Beira of some of its cargo processing work.

The inland port is an intermodal land terminal directly connected by road and/or railroad and perhaps by air, and a bonded warehouse is located in the secondary zone (outside the port), generally in the interior.

It also receives consolidated cargo and can process it for customs purposes immediately or work as a customs warehouse. In this way, the inland port stores importers' goods for the period the importer wants, under a tax suspension system, and can carry out customs processing in stages. The same process can be put in place for exports as part of a system that allows the exporter to use the inland port to store cargo and from the moment it enters all the transaction documents can be negotiated normally as if the goods have already been shipped. (Macauhub)

Ivory Coast Starts Alstom Rail Talks After Hyundai Edged Out

- France to fund entire $1.6 billion plan: transport minister
- South Korean companies were asked to exit the project

Ivory Coast is talking to French train equipment suppliers Alstom SA and Thales SA about taking part in a 1.4 billion euro ($1.6 billion) urban-railway project to be funded by France, pushing out South Korean manufacturers that were part of the deal.

The West African nation is about to amend an initial 2015 concession agreement for the project with a French-South Korean consortium known as STAR, and expects to sign a fresh deal with only French companies this month, Transport Minister Amadou Kone said in an interview. Talks will get underway with Alstom and Thales next week, he said. "Alstom has positioned itself. Thales has positioned itself. But we're going to conduct discussions next week in Paris to definitively pick the companies," the minister said.

The 2015 agreement fell through because a consortium of four businesses -- French firms Bouygues SA and Keolis SA, and South Korea's Hyundai Motor Co. and Dongsan Development Co. Ltd. -- failed to get financing, prompting the government to take control of the project, Kone said. Bouygues and Keolis will stay in the consortium. "It has become clear that the financial structuring didn't allow the consortium to mobilize the financing that was part of its commitments," Kone said. "We negotiated with the Korean companies so that they accept to exit the group."

Biggest Project

France agreed to fund the entire project as part of a 2 billion-euro package of mainly concessional loans on the condition that the commuter line in Abidjan, the nation's biggest city with at least 5 million people, is built by French companies, he said. The Abidjan Metro, as the line will be called, is the government's biggest urban infrastructure project since it completed a central toll bridge that has helped ease traffic jams in the city. The first line will span almost 38 kilometers (23 miles) and connect the northern neighborhood of Anyama to the international airport in the south. A second

east-to-west line will be constructed later. “The train will completely reshape the city,” Kone said. “We’re very happy to see the project finally happening. It’s a very important project for the residents of Abidjan.”
Construction should start at the end of next month and will take four years, Kone said. Since Ivory Coast is due to host the 2021 Africa Cup of Nations soccer tournament, the government wants part of the commuter rail completed by 2020, he said. The metro will be able to transport an estimated 530,000 passengers a day. The French government owns almost 26 percent of Thales. Alstom is in the process of combining its train business with Munich-based Siemens AG. (By Olivier Monnier, Bloomberg)

MINING

Public-private consortium prospects for gold in Cabinda province, Angola

A public-private consortium plans to prospect for gold in a concession with an area of 195 square kilometres in the province of Cabinda, with an initial investment of over US$4.2 million, under an order signed by the former minister of Geology and Mines of Angola. The order, signed by Francisco Queiroz, approves a mining investment contract with Mongo Mongo Mineração Limitada, which is owned by Angolan iron company Ferrangol, with 20%, Grupo Southwind, with 60% and Sofispa, Lda., with the remaining 20%, assigning the mining rights for gold prospecting in the area to be granted.
The concession is granted for a period of up to five years, renewable for up to 35 years, and the company is responsible for paying a surface fee for the duration of the exploration phase, of between US$5 and US$35 (833 and 5,836 kwanzas, respectively) from the first to the fifth year of prospecting.
Two of the companies involved in Mongo Mongo – state-owned Ferrangol and private company Sofispa – are involved in another gold mining venture, Lombe Mining Limitada, which is looking for gold in an area of over 381 square kilometres, also in Cabinda, with a planned investment of more than US$5.6 million. (Macauhub)

OIL & GAS

Sonangol appoints new directors under new government: statement

Angola’s Sonangol has appointed three new board members to help restructure the state oil company, the same week President Joao Lourenco was sworn into office after 38 years of rule by Jose Eduardo dos Santos.
The former president’s daughter Isabel dos Santos remains the head of Sonangol. She announced plans last year to split the company into three units: exploration and production, logistics and a division handling concessions to international oil firms. Its non-oil interests will be placed in a fund.
“The 17-month restructuring process is now entering a new phase, with well-defined challenges requiring not only reinforcement but also greater specialisation of the council’s elements,” the company said in a statement on Friday.
Angola is a member of OPEC and produced 1.65 million barrels a day in August, making it the second biggest oil producer in Africa behind Nigeria.
Sonangol said the new members would, “strengthen our adaptability, agility and proactivity, through a greater division of responsibilities and thus greater capacity to act”. Under the changes, Ivan Sá de Almeida will focus on production and exploration, Emídio Pinheiro will manage Sonangol Holdings and other non-core businesses and Susana Almeida Brandão will coordinate legal functions, the statement said. Almeida has 18 years of oil sector experience, including at Sonangol itself and at Esso Exploration in Angola as well as its offices in Brazil, Mozambique and Houston, Texas. Pinheiro is the former chief executive of Banco de Fomento Angola and a board member of Portuguese bank Caixa Geral de Depósitos. Brandão has more than 20 years legal experience, including in investment projects, corporate restructuring and mergers and acquisitions,

Sonangol said. The statement did say whether other board members would leave or whether the board's leadership structure would change. It said, "other directors who remain in office will see their positions maintained or readjusted". (By Libby George, Reuters)

São Tomé and Príncipe launches public tender for oil prospecting

São Tomé and Príncipe's National Petroleum Agency (ANP) has launched a public tender to receive expressions of interest in oil prospecting blocks 10 and 13 of the Exclusive Economic Zone, according to an official statement. The decision to launch a tender was based on the interest shown by the consortium made up of US company Kosmos Energy and BP to prospect in those two blocks, "under the framework law of oil operations," said the chief executive of the ANP, Orlando Sousa Pontes, in a statement sent to Macauhub in São Tomé. "The National Petroleum Agency, following the request submitted by the British Petroleum and Kosmos Energy consortium, invites companies or consortia eligible to express their interest in the areas corresponding to blocks 10 and 13 of the São Tomé and Príncipe Exclusive Economic Zone, under the terms of the framework law on oil operations," the statement said. This joint interest comes four weeks after oil company Kosmos Energy announced the completion of seismic research in four oil blocks – 5, 6, 11 and 12 – of the São Tomé and Príncipe EEZ under a production sharing agreement.

In addition to the exclusive area, São Tomé and Principe also has another joint area shared with Nigeria based on a treaty signed in 2001 establishing 60% of revenues for the Nigerian state and the remaining 40% for the São Tomé archipelago. (Macauhub)

Tullow buys 90 pct stakes in four onshore blocks in Ivory Coast

Tullow Oil plc said it on Thursday it had bought 90 percent stakes in four onshore blocks in Ivory Coast while state oil company Petroci holds the remaining 10 percent. The four blocks cover 5,035 square km and are located on the coast, mostly to the west of Abidjan. Tullow, which currently holds a non-operated position in the Espoir offshore field in Ivory Coast, said it intends to initiate work immediately on the four new licences to allow surveying to start in early 2018. (By Arathy S Nair, Reuters)

Natural gas market sees exponential growth in Mozambique

Demand for natural gas has grown exponentially in Mozambique over the past 13 years, Deputy Minister of Mineral Resources and Energy Augusto de Sousa Fernando said on Tuesday in Durban, South Africa. The deputy minister, speaking at the International Gas Co-operation Summit, said that Mozambique and South Africa are working to develop new projects related to natural gas. For years South African group Sasol has explored natural gas deposits in Pande and Temane, Inhambane province, which is exported to South Africa via an 865-kilometre pipeline. Andrew Herscowitz, a coordinator of Power Africa, a United States Agency for International Development (USAID) programme, said the gas market is growing at a very slow pace in Africa, including in the region where Mozambique and South Africa are located. Referring specifically to Mozambique, Herscowitz said the country is expected to raise US$160 billion over a 20-year period through investments in natural gas-based infrastructure.

The World Economic Outlook report, released on Tuesday in Washington by the International Monetary Fund (IMF), project economic growth in Mozambique of 14.0% in 2022, a year in which the exploration of natural gas deposits in northern Mozambique is expected to begin. (Macauhub)

AGRIBUSINESS

Angolan company launches exports with sale of cotton thread to Portugal

Angolan textile company Alassola has invoiced US$500,000 through the export of its first 15 containers to Portugal containing 156 tonnes of cotton thread, company chairman Tambwe Mukaz said recently.

The businessman said in Lobito that the sale of thread to Portuguese textile factories will allow the company to overcome the lack of foreign currency in Angola and to import raw material and guarantee continued production. This export of textile products to Portugal, the first time this has happened in Angola since independence from the European nation, is due to be repeated within four weeks, with the shipment of more containers filled with thread.
Alassola is based in the municipality of Benguela, on Angola's central coastal region, and it is based on the recovery of the former textile factoryÁfrica Têxtil, which was inaugurated in 1979 and which came to a standstill in 1998 and declared bankruptcy in 2000.
There followed a process of recovery, expansion and modernisation of the unit, which took five years with an investment of US$450 million. The industrial unit is dedicated to the production of yarns, fabrics, towels, bed sheets and blankets, pillowcases, tablecloths, napkins and other similar products. It is built in a plot of 120,000 square metres and has a total construction area of 70,000 metres, employees 170 workers, five of whom are foreigners. (Macauhub)

Ivory Coast sets cocoa farmer price at 700 CFA/kg for 2017/18 main crop
Ivory Coast, the world's top cocoa producer, set its guaranteed price for farmers at 700 CFA francs ($1.27) per kilogram for the 2017/18 main crop season, the Coffee and Cocoa Council (CCC) marketing board said. Lambert Kouassi Konan, the chairman of CCC's board, announced the price at a ceremony marking the start of the season, adding the cocoa registration tax had been eliminated in order to boost the farmers' price. "I can tell by your silence that you are worried by this decision. But I would like you to know that this isn't easy. If we had relied simply on our theoretical calculations, we should have paid even lower than this price," Konan said.
Ivory Coast was hit hard last season by a steep drop in London and New York cocoa prices that provoked a wave of contract defaults and forced the CCC to slash the farmer price by more than a third to 700 CFA/kg for the April-to-September mid-crop. Neighbouring Ghana, the world's number two cocoa grower, maintained its price throughout the last season and has hinted that it will keep it unchanged or even raise it in 2017/18. That would open a significant price gap with Ivory Coast, raising the risk of large-scale smuggling of Ivorian beans into Ghana. (By Ange Aboa, Reuters)

Ghana plans to open 2017/18 cocoa season on Oct 13 - Cocobod officials
Ghana's industry regulator Cocobod plans to open the 2017/18 cocoa season on Oct 13, later than usual, after receiving part of a syndicated loan it signed this month to cover its purchasing needs, two company officials said on Saturday. The world's second-largest cocoa producer does not plan to lower the producer price at which it buys beans from farmers, however, despite calls from top grower Ivory Coast for it to do so, the officials told Reuters. In recent years Cocobod has opened its crop year in the first week of October. Ghana has maintained its price at $1,914 per tonne since a year ago, creating a price gap of more than $700 per tonne that exporters said has fuelled a wave of cross-border smuggling. "The PPRC (producer price review committee) will meet soon and it's very obvious there will be no price cut," one official said. Cocobod chief executive Joseph Boahen Aidoo told Reuters this month that Ghana would not lower the farmers' price, saying the decision was "non-negotiable".
The regulator signed a $1.3 billion loan with international lenders this month for the new season's purchases, estimated at around 850,000 tonnes. The first tranche of the money is expected to arrive in the regulator's account next week, one official said. Ghana closed its 2016/17 crop year on Sept. 14 with output expected to total around 950,000 tonnes, the highest since a record 1 million tonnes in 2010/11. (By Kwasi Kpodo, Reuters)

How farmers can benefit from boom in quality coffee
Climate change is an issue for coffee farmers around the world and the area that is hardest hit is the equatorial belt – that's where coffee grows.

The result is either intensely long, dry periods and drought or very heavy rainfall – and both of them are as devastating as the other, but it is not a uniquely African problem. While climate change will always be an issue, what seems to affect African coffee most is productivity. One factor is how much each country prioritises its coffee production.

What is interesting is that in some countries we are starting to see more and more coffee production. I think there are two trends – there are countries that see coffee as a real opportunity and they're investing in it and then there are countries where even though the prices are very high for the coffees – because they are exceptional coffees – there has been so little investment for so long that the level of productivity is very low and farmers aren't making much money.

Our Nespresso AAA Sustainable Quality Programme offers free training to farmers to help them to grow better quality coffee and to improve their productivity, in a way that protects the environment – so they can sell their coffee at a premium, and earn more money. In this way we can make an enormous difference, not just environmental and socially sustainable, but also to the high quality and productivity of African coffee and coffee farms.

We believe that coffee can be a vehicle for positive social change. Let me explain: Coffee is a really interesting crop particularity in an African context where farm sizes are very small. That means that there are a very large number of small farms involved. As a result, when you get income into a community at that level, it then recirculates many more times within the whole community and ultimately creates a lot of local GDP.

This then leads to social change; when the farmers start to have more money of course they can then start to do things like sending their kids to school, pay for healthcare and maybe, they can start up a small business on the side. So the benefits of living in a coffee community can be enormous.

We see the effects of this even more where women are involved, either because they are running the coffee farm for the family, or because they are heavily involved in the training. Interestingly, farms run by women seem to have a higher uptake of best practice – the productivity is increased and also the sustainability.

Our Positive Cup strategy recognises how coffee can be a medium for social change, with a high transformational element, and it is our ambition that every cup of Nespresso has a positive influence in the world.

Coffee as a development tool

One area that has caught the world's attention in particular is South Sudan, especially following Hollywood star, George Clooney's involvement in the project. The suggestion to consider South Sudanese coffee came from George Clooney, our brand ambassador.

Because of his challenge, we went there and what we found was exceptional coffees. South Sudan sits in a region that is very much the cradle of coffee: coffee grows wild in the area and we also found varieties that we hadn't found anywhere else.

Our goal is to create a legacy for farmers in South Sudan, helping them to diversify the economic base of the country. The project began in 2011 and we were making solid progress until last year, when the situation deteriorated. However, we'll resume our work as soon as peace returns.

One of the reasons that coffee is good for peace is because coffee farming takes effort and time. So it's quite difficult to walk into a coffee area and take away the value in the same way that you could with cows or capture the harvest from corn fields in two days and then take all that value and wealth.

Historically, also, coffee production is smallholder based farming and the farmers are actually quite busy working on their coffee all year round. That brings a sense of peace to the community. They are selling a small amount very consistently and this builds resilient communities.

These days, consumers are becoming increasingly conscious of the environmental and social impact of the products and brands that they choose, and are increasingly demanding the private sector to act sustainably. Sustainability has been at the heart of Nespresso's approach since the start, however we have never really communicated on it. This is changing, and will change more in the future.

It is important that consumers understand that when they choose a brand of coffee, their coffee should have been very sustainably sourced and that it's actually bringing help to communities that we work with – so they can be really proud of their own contribution to development.
We invest in agronomy, resources and training because that's the way we believe you drive change. We developed our programme with the Rainforest Alliance, and we're celebrating our 14-year partnership by putting their seal on our packs for the first time.

The power of trees

Essentially one of the objectives of the AAA programme is to promote shade grown coffee. We believe trees are great for growing coffee for a number of reasons: One, coffee is a forest crop and when it grows under trees, it matures more slowly which leads to higher quality coffee.
The second benefit is that increasing the number of trees on a coffee farm brings great environmental benefit, in that in periods of drought, the trees help to retain moisture on the ground. On the flip side if you get heavy rain, having a higher density of bigger trees on the farm actually enables the earth to be much more anchored on the farm, so there's much less likelihood of there being a landslide in torrential downpours.
Finally, the trees could be fruiting trees or timber trees so this gives the farmer another potential source of income. We call it agroforestry and we've been investing quite heavily as it is an effective way of insetting our carbon emissions.
Investing in trees insets all of our scope one and scope two emissions – which are from the moment the coffee gets into our hands to the moment it is consumed and recycled by the consumer – and that has a benefit both for us as a business and equally for the farmers. The World Bank Group saw this going on and became interested because they want to amplify tree planting programs in these parts of Africa, particularly in Ethiopia.
The World Bank Group came forward and put together a really interesting mix: a commercial loan used to finance part of our operation which comes from the International Finance Corporation (IFC), which is the private part of the World Bank, and then alongside that, the BioCarbon Fund gave us a grant because they knew that we already had these very robust management processes in place and very strong supporting mechanisms. They were really confident that that money was going to deliver on the ground.
It's incredibly synergistic and the loans have basically amplified enormously the efforts that we were making on the ground, and have enabled the tree planting to be on a much broader scale. In fact it involves a million trees in an area roughly the size of Italy. The money from the World Bank amplified it to that level of scale, which can make a real difference. (African Business)

UPCOMING EVENTS

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

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

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

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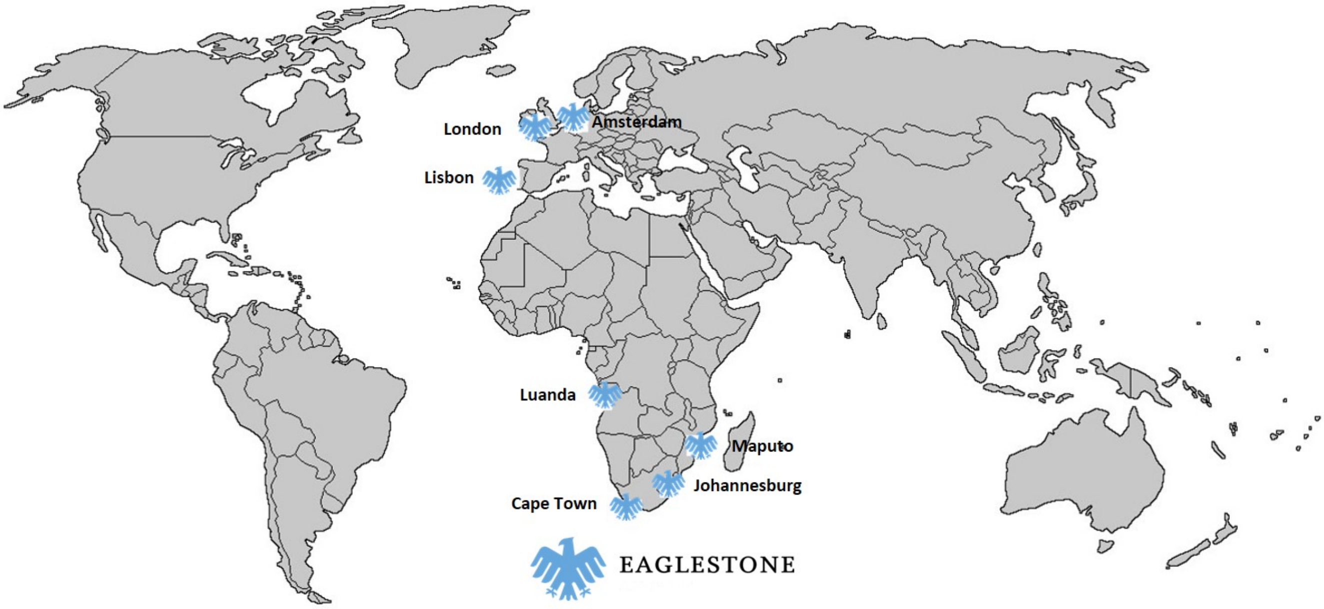

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Disclosures

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

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

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

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

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