INSIDE AFRICA

Now is the time to invest in Africa

21 December 2018

EAGLESTONE

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In-depth:

South Africa’s Key Economic and Political Risk Events in 2019

- Credit-rating companies will eye Mboweni’s February budget
- Risks from state companies’ debt burden, election in May

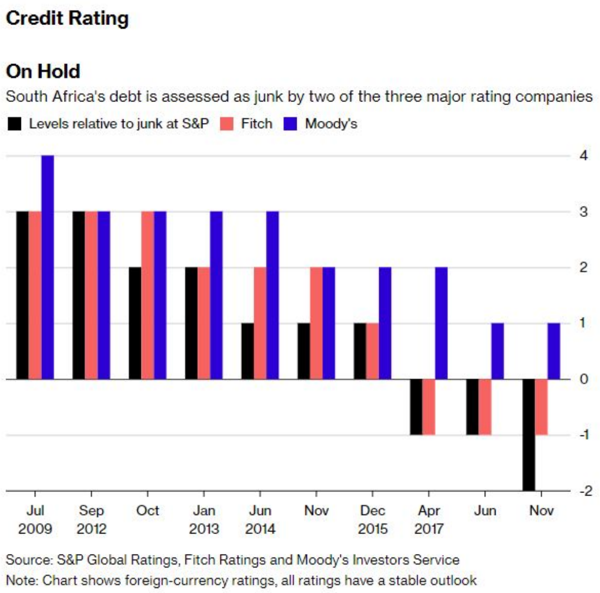
In 2018, South Africa got a new president, two new finance ministers and slumped into a recession. Next year may be even more bumpy.

Here’s a look at the key economic and political risk factors to watch out for in 2019:

The Budget

After Finance Minister Tito Mboweni painted a bleak picture for finances in October, attention will turn to his plans to boost growth and prevent debt from spiraling out of control at the budget presentation in February. The national budget is a “key pressure point,” Intellidex’s head of capital markets research, Peter Attard Montalto, said in a note. The absence of concrete plans to boost economic growth could trigger a change to negative in the outlook on South Africa’s credit ratings.

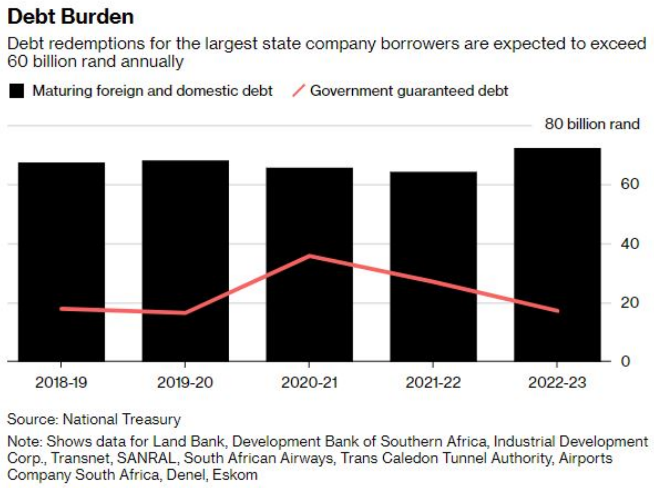
Credit Rating



A downgrade to junk by Moody’s Investors Service would trigger forced selling of bonds by investors tracking investment-grade indexes, including Citigroup Inc.’s World Government Bond Index. That’s “very likely," according to David Hauner, Bank of America Merrill Lynch’s head of cross-asset strategy for Eastern Europe, the Middle East and Africa. Moody’s didn’t publish a review as scheduled in October, while S&P Global Ratings and Fitch Ratings Ltd. have kept their sub-investment grade assessments. Ratings companies may be waiting for the budget data before making another call.

State Companies’ Debts

Troubled state-owned companies will continue to weigh on the country’s finances, with their combined debt of 1.6 trillion rand ($113.4 billion). Almost half that is guaranteed by the government, the Treasury said in October. Power utility Eskom Holdings SOC Ltd. needs 20.1 billion rand to meet its obligations in 2019, national carrier South African Airways needs to repay 14.2 billion rand by March and the state broadcaster has warned it won’t be able to pay staff unless it gets 3 billion rand from the government by February. George Herman, chief investment officer at Citadel Investment Services, predicts a “worst-case scenario” for the companies: the state will have to step in to bail them out, he says.



Expropriation

Lawmakers will report to parliament on March 31 on changes to the constitution to make it easier to expropriate land without compensation. While these steps form part of the ruling African National Congress’s plan to accelerate wealth redistribution, commercial banks that hold farm debt could be hit. Lobby groups are gearing up to fight the process in court and the possible protracted legal wrangling could lead to a period of prolonged uncertainty.

May Elections

South African elections have been mostly peaceful and accepted as free and fair since the first all-race ballot in 1994, but the run-up to next year's vote may see an increase in populist rhetoric and constrain the ANC's room for maneuver. Polls show the ANC maintaining its majority, but the party needs 55 % to 60 % of the vote to put President Cyril Ramaphosa in a position to implement reforms aimed at reviving economic growth, said Old Mutual Investment Group economist Johann Els. Ramaphosa could overhaul -- and shrink -- his cabinet after the election.

Reserve Bank

The current terms of two of the Reserve Bank's most senior officials run out next year. While both could be reappointed, the possibility of changes in leadership will add to uncertainty amid a drive by the ANC to make the central bank state-owned. Deputy Governor Daniel Mminele's second term ends in June and Governor Lesetja Kganyago's first five years at the helm ends in November. The governor and his three deputies are appointed by the president: Kganyago has said he'd be available to serve another term if asked; Mminele hasn't commented.

What Our Economist Says

The increase in foreign participation in the domestic government bond market to 40 % from 23 % in 2011 is a key risk for South Africa. It makes the rand highly vulnerable to negative domestic events as well as changes in sentiment to emerging markets. With interest payments to foreign bondholders accounting for most of the current-account deficit, South Africa is essentially borrowing more from abroad to service its higher debt load. (Mark Bohlund, Bloomberg Economics). (By Prinesha Naidoo, Bloomberg)

America's Moment of Truth in Africa - It's Losing Out to China

- Bolton offers few details in new U.S. strategy toward Africa
- Ivory Coast project got 18 bids, but none from U.S. companies

When a press release announced that President Donald Trump's National Security Adviser John Bolton would unveil a new American strategy for Africa, it raised the question: What was the old one?

From Algeria to Zimbabwe, the U.S. risks losing sway over the 1.2 billion people who inhabit the world's second-most populous continent. Bolton's speech acknowledged as much, as he framed the administration's strategic rethink around countering gains made by the U.S.'s primary geopolitical rivals.

"Africa is incredibly important," Bolton said Thursday 13th December at the Heritage Foundation in Washington. "If we didn't understand it before, the competition posed by China and Russia and others should highlight that for us."

But much of the strategy Bolton laid out, including counterterrorism and overhauling foreign aid, may result in a more narrow focus on the continent. And the administration's trade initiatives -- Bolton said the U.S. will look for bilateral deals -- wouldn't arrive for years to come.

That means the U.S. could miss investment opportunities in a region with the world's fastest-growing middle class, a continent that will account for half of global population growth by 2050. Led by Ghana and Kenya, African nations are stitching together a trade union designed to bolster intra-Africa commerce. The initiative has a long ways to go, but if it can achieve critical mass, the continent's combined GDP would be almost the size of Germany's.

While the U.S. sorts out its priorities, China has spent recent years investing more on the continent -- in physical and financial terms, as well as in so-called soft power. It's ramped up scholarships for African academics, deployed peacekeepers to UN missions in Mali and South Sudan and sent scientists to help address key economic and social needs.

When Ivory Coast put out a tender to build a bridge over the lagoon in its commercial hub of Abidjan, 10 of the 18 companies that expressed interest were either Chinese firms or in partnership with them. None were from the U.S. China State Construction Engineering Corp. got the deal.

Africa is a pivotal part of President Xi Jinping's "Belt and Road Initiative," with Chinese-backed investments ranging from Ivory Coast power plants to a Rwandan airport and a railway in Kenya.

"There is no way that America can really compete with China," said Robert Schrire, a political science professor at the University of Cape Town, who dismissed Bolton's speech as "rhetorical swiping" at China and Russia. "No real resources are going to flow" and those that do will probably be strategic, he said, targeted at places where the U.S. has a military presence or terrorism concerns.

The $191 million Ivory Coast bridge investment highlights how far ahead China is -- now flexing its muscle in a part of Africa that until recently its business people showed little interest in: the French-speaking west. The region's fast-growing economies have also seen a spectacular rise in loans from China.

It's not that the U.S. isn't engaged with Africa. The Pepfar initiative has invested over $80 billion to fight HIV/AIDS and tuberculosis, providing nearly 15 million people with life-saving drugs in fiscal year 2018 alone. Aid programs target agricultural productivity, health care systems and access to clean water. And the U.S. is the single biggest financial contributor to the UN peacekeeping missions China increasingly participates in.

But the U.S. footprint is shrinking: Trump's administration has sought to reduce foreign aid -- Bolton said a review of aid effectiveness is near completion -- and the Pentagon has signaled it is shifting its focus to "great power" standoffs in other parts of the globe. Symbolically, the administration has struggled to get past derogatory statements the president made about African nations last year.

On Thursday 13th December, Bolton criticized what he said was China's "strategic use of debt" to hold African countries "captive" to its demands, but he didn't outline any detailed strategy to counter that with U.S. alternatives.

Russia-Africa Summit

One country that is offering alternatives is Russia, whose president, Vladimir Putin, is planning to host the first ever Russia-Africa summit with more than 50 African leaders next year. Lacking the financial muscle of its main rivals, the U.S., Europe and China, Russia is carving out a niche by shoring up strongmen in unstable but potentially resource-rich states who have a taste for Russian weaponry.

The Kremlin has found its task assisted by the U.S. decision to scale back, said Alexander Zdanevich, an Africa expert at the St. Petersburg State University.

"The diminished U.S. role in Africa has made things easier for us -- we don't have to glance over our shoulders and worry what they are thinking over the Atlantic about Moscow's actions," Zdanevich said by phone. Russia also has the advantage of being a less "overbearing" partner than either the U.S., with its demands for democratic rule, or China, with its policy of leaving nations with debt and pressure to balance those with key assets, he said.

'Tilt' Toward Beijing

Bolton criticized Beijing's engagements are "very systematically designed to tilt whole regions of the world" in China's direction, especially those rich in mineral resources, and said the U.S. must "wake up" and foster independence for African nations. But he also talked about winding down peacekeeping efforts, saying that African governments needed to do it for themselves, and signaled declining foreign aid.

"Bolton talks as if the U.S. strides across the world in a way that the U.S. no longer does, for multiple reasons, and not just Donald Trump, because China is in the ascendancy," said John Stremlau, a professor of international relations at the University of Witwatersrand in Johannesburg. "What's really important is hunger and unemployment and the population boom and demographic implications and climate change and things like that which he doesn't even touch on."

China is focusing on exactly those issues, said Sherri Goodman, a senior fellow at the Wilson Center's Environmental Change and Security Program and Polar Institute. She cited Chinese scientists who have been deployed to look at providing water in drought-stricken regions across much of Africa, something she said would be "a lifeline" for many of those nations.
"They're taking a long view, understanding what the needs of the countries are, whether it's in reducing energy poverty by growing their energy resources or providing water," she said. "We're missing this at our peril." (By Michael Cohen , Samer Al-Atrush , Henry Meyer , and Margaret Talev, Bloomberg)

IMF, WORLD BANK & AFRICAN DEVELOPMENT BANK

Angola Implements the IMF's Enhanced General Data Dissemination System

Angola has implemented the recommendations of the IMF's Enhanced General Data Dissemination System (e-GDDS) by publishing critical data through a "data hub" — National Summary Data Page (NSDP). The page aims to serve as a one-stop-shop for essential macroeconomic data on national accounts, government operations and debt, monetary and financial sector, and the balance of payments. These data will be disseminated in both human and machine-readable formats. The e-GDDS was established by the IMF's Executive Board in 2015 to support improved data transparency, encourage statistical development, and help create synergies between data dissemination and surveillance.
The NSDP is maintained through an open data platform provided by the African Development Bank and the IMF's Dissemination Standards Bulletin Board. The NSDP page contains links to statistics published by official data producers, namely the Ministry of Finance, the National Bank of Angola, and the National Institute of Statistics.
Publication of essential macroeconomic data through the NSDP will reduce data-reporting burdens of Angolan authorities to different agencies and the markets. The NSDP will provide national policy makers and domestic and international stakeholders, including investors and rating agencies, with easy access to information that the IMF's Executive Board has identified as critical for monitoring economic conditions and policies. In addition, publication of timely data according to an Advance Release Calendar will bring positive externality to the markets through enhanced data transparency.
Louis Marc Ducharme, Chief Statistician and Data Officer of the IMF and Director of the Statistics Department, welcomed this milestone in the country's statistical development. "I congratulate the authorities of Angola for the launch of the NSDP, an important step forward in data dissemination. The publication of data on the NDSP will serve as a public good supporting data transparency for the benefit of policy makers, investors, and the public." (IMF)

World Bank Group Announces $100 million in support of Mozambique's Land Administration Project

WASHINGTON, December 7, 2018 — On December 4, 2018 the World Bank approved $100 million for the Government of Mozambique's Land Administration Project. The project directly supports the Government's Terra Segura Program and its effort to strengthen and protect the rights of all land users and to ensure the efficient and effective provision of services to institutions and citizens. The project will strengthen land tenure security and create the conditions for responsible land investments that assure the recognition of rights and the flow of benefits to communities and to the poorest rural households.
Mozambique has made significant progress in the past twenty years to improve access to land and security of land rights for all citizens, particularly by strengthening its land-related policy and legal frameworks and the functioning of its land administration and management system. Albeit fundamental, these reforms have yet to generate the desired benefits. Also, the land sector's capacity to delimit communities and to issue and monitor land use rights titles (DUATs) to

individuals in general and investors in particular remains extremely low, with an estimated ten million land parcels not formally registered yet.

"Pressure on land resulting from the expansion of urban centers, the construction of public infrastructure, the development of land-based projects in rural areas, and new pressures on land from climate change all make the goals of this project extremely important," said **Mark Lundell, World Bank Country Director for Mozambique, Madagascar, Mauritius, Seychelles and Comoros.**

Expected results from the project include increased number of communities with delimitation certificates registered in the land information system; increased number of rural beneficiaries, including women, with DUATs registered in the land information system; improved satisfaction of beneficiaries with land tenure regularization; and public access to the national land cadastre data.

"This project addresses the lack of formal documentation and registration of land rights in priority districts that has proven to be a serious disadvantage in protecting land occupancy rights when pressure on land increases due to density and urbanization, in situations of conflict, or when negotiating with potential investors or establishing community based productive associations," said **Anna Corsi, the project's Task Team Leader**. *"The project targets this by adopting a systematic approach to land regularization and community delimitation, by strengthening the legal framework, building institutional capacity in particular the land information system, and by promoting awareness of rights and of the value of formality and availability of tools for land use management at the community level".*

This project was developed in close collaboration with local and central government officials, local communities, and civil society, as well as the Food and Agriculture organization of the United Nations. The project will benefit 700,000 rural beneficiaries and 1,200 communities in the targeted districts across the country's ten provinces (the recipient households in the Project area constitute about 12% of the rural population). Other direct beneficiaries include key government institutions at the national, provincial and district level, specifically from the Ministry of Land, Environment and Rural Development, and the Ministry of State Administration and Public Function.

IMF Executive Board Completes Third Review Under the Extended Credit Facility Arrangement and Approves US$22.0 Million Disbursement for Benin

- The Executive Board's decision enables an immediate disbursement of US$22.0 million to Benin.
- Maintaining a fiscal deficit below 3 % of GDP in 2019 and beyond is key for debt sustainability.
- The arrangement aims at supporting the country's economic and financial reform program and focuses on raising living standards and preserving macroeconomic stability.

On December 6, 2018, the Executive Board of the International Monetary Fund (IMF) completed the third review of the three-year arrangement with Benin under the Extended Credit Facility (ECF).

The Board's decision enables a disbursement of SDR15.917 million (about US$22.0 million) immediately to Benin, bringing total disbursements under the arrangement to SDR 63.668 million (about US$88.1 million). In completing the review, the Board also approved Benin's request to set program conditionality for 2019, and granted a waiver pertaining to the nonobservance of the continuous performance criterion on the non-accumulation of new domestic arrears.

Benin's three-year arrangement for SDR111.42 million (about US$154.2million or 90 % of the country's quota at the time of approval of the arrangement), was approved on April 7, 2017 (see Press Release No.17/124). It aims at supporting the country's economic and financial reform program and focuses on raising living standards and preserving macroeconomic stability.

Following the Executive Board discussion, Mr. Mitsuhiro Furusawa, Deputy Managing Director and Acting Chair, made the following statement:

"Benin's performance under the ECF-supported program remains strong. The fiscal position has improved significantly, mainly as a result of expenditure restraint. The growth momentum continues, and the medium-term economic outlook is favorable, driven by a stronger demand from Nigeria and a better environment for private investment.

"Maintaining the fiscal deficit below 3 % of GDP in 2019 and beyond is key for debt sustainability. The 2019 draft budget, which complies with the WAEMU deficit criterion, foresees an ambitious effort to mobilize tax revenues. This will contribute to enhance the revenue strategy, by reducing the reliance on one-off nontax revenues and prioritizing durable base-broadening tax measures.

"Enhanced public debt management is also key for fiscal sustainability. The authorities should pursue their efforts to lengthen the average debt maturity and reduce interest costs. The recent debt reprofiling operation is a step in the right direction.

"Sustaining high growth will require greater involvement of the private sector in the next years. Benin's economic growth has recovered since 2016, partly because of the scaling-up of public investment. With fiscal consolidation under way, the private sector will have to step in as the main growth driver. This calls for continued improvement in the business environment, further reforms that facilitate access to electricity and finance, and a stronger anti-corruption framework." (IMF)

IMF Executive Board Completes the Third Review under the Extended Credit Facility Arrangement and Approves the Fourth US$34.9 Million Disbursement to Togo

- Togo's program aims to reinforce fiscal and financial stability and promote inclusive growth.
- Program implementation under the ECF arrangement has been satisfactory.

On December 10, 2018, the Executive Board of the International Monetary Fund (IMF) completed the third review of Togo's performance under the program supported by an Extended Credit Facility (ECF). Program performance has been satisfactory. All quantitative performance criteria and three out of five structural benchmarks were met. The completion of the review enables the disbursement of SDR25.17 million (about US$34.9 million), bringing total disbursements since the beginning of the arrangement to SDR100.68 million (about US$139.5 million).

Togo's three-year arrangement was approved on May 5, 2017 (see Press Release No. 17/151) for SDR176.16 million (120 % of quota or about US$241.5 million at the time of approval of the arrangement) to support the country's economic and financial reforms. The program aims to reduce the overall fiscal deficit substantially to ensure long-term debt and external sustainability; refocus policies on inclusive growth through targeted social spending and sustainably-financed infrastructure spending; and resolve the financial weaknesses in the two public banks.

Following the Executive Board's discussion on Togo, Mr. Mitsuhiro Furusawa, Deputy Managing Director and Acting Chair, issued the following statement:

"Togo's performance under the ECF-supported program has been satisfactory despite a challenging environment. The economy shows signs of incipient stabilization, growth is projected to accelerate, and inflation remains within the WAEMU criteria. Meanwhile, the structural reform agenda is advancing. With risks abating but still on the downside, it is important that the authorities remain committed to their macroeconomic adjustment and reform agenda.

"The authorities are determined to reduce public debt to sustainable levels and advance fiscal reforms. The fiscal framework is expected to achieve the debt reduction envisaged initially under the program, and Togo is projected to comply with the WAEMU convergence criteria by end-2019. The authorities are planning to pursue a debt reprofiling operation with appropriate safeguards, aimed at reducing the present value of total public debt.

"Ongoing fiscal reforms aim to create space for much-needed social and infrastructure spending. The authorities are making efforts to improve revenue mobilization in a permanent way, shift the composition of spending in favor of growth-supporting public investment, and enhance the efficiency of overall spending. Further progress is needed to finalize the cost-benefit analysis of public investment projects and strengthen arrears management.

“The authorities have revisited their financial sector strategy and have re-launched the privatization of the two remaining public banks. Implementation of the agreed safeguard measures will be important to ensure that the privatization is in line with international best practices.
“Efforts are underway to implement measures under the National Development Plan and the Compact with Africa, with a view to promoting Togo as a major logistical hub, a dynamic financial center, and a strong manufacturing base. To this end, priorities include fighting corruption, strengthening governance, and improving the business climate more broadly.”

IMF Executive Board Approves the US$19.5 Million Disbursement to Niger to Strengthen Macroeconomic Stability

- IMF Executive Board completes the third review under the Extended Credit Facility.
- It enables the disbursement of SDR14.1 million (about US$19.5 million) to Niger and increasing its access to IMF resources from 75 % to 90 % of quota.
- Niger’s economic program aims to enhance macroeconomic stability and foster growth.

On December 10, 2018, the Executive Board of the International Monetary Fund (IMF) completed the third review of Niger’s economic and financial program supported under the Extended Credit Facility (ECF) framework. The completion of the review enables the disbursement of SDR14.1 million (about US$19.5 million), bringing total disbursements under the arrangement to SDR56.4 million (about US$78.1 million).
The Executive Board also approved the authorities’ request for a waiver of the nonobservance of the performance criterion on domestic payments arrears clearance.
Niger’s three-year arrangement was approved on January 23, 2017 for SDR 98.7 million (about US$134.04 million) in support of the authorities’ national plan for economic development. It aims to enhance macroeconomic stability and foster high and equitable growth, boost incomes and create jobs, while strengthening the foundations for sustainable development. Due to unforeseen financing gaps that arise from security situation, struggling uranium sector and food security needs IMF Executive Board agreed to increase the overall amount of the ECF to SDR 118.44 million (about US$164.1 million, or 90 % of Niger quota).
Following the Executive Board’s discussion on Niger, Mr. Mitsuhiro Furusawa, Deputy Managing Director and Acting Chair, issued the following statement:
“Niger’s overall performance in the first half of 2018 under the ECF-supported program was satisfactory, with strong revenues and a lower than projected fiscal deficit. The implementation of the structural reform agenda also progressed well.
“The program for 2019 is based on a realistic draft budget and macroeconomic framework. Measures to mobilize domestic revenue and improve the quality of expenditure while emphasizing social spending will support the move toward achieving the WAEMU convergence criterion for the budget deficit in 2020. The authorities are committed to eliminating all arrears by the end of the year and avoiding new ones in 2019.
“Niger’s medium-term prospects are encouraging, as several large-scale projects should help raise economic growth over the medium term. It will be important to secure adequate local content and a fair fiscal contribution from these projects. The program of structural reforms aimed at building a more robust private sector and promoting financial inclusion has a pivotal role to play in this regard. State-owned enterprise reform and efforts to strengthen governance and anti-corruption measures will also be crucial. Sustained attention to gender issues and to addressing demographic objectives will be important for longer-term development.
“The continued vigilance on debt accumulation and the priority put on concessional borrowing has helped Niger maintain a “moderate” rating for risk of public debt distress. Strengthening and diversifying exports will help reduce vulnerability to commodity price shocks.”

INVESTMENTS

Siemens to invest additional 500 mln euro in Africa

Siemens will invest additional 500 million euro ($569 million) in Africa to support crucial projects such as the expansion of infrastructure and the education of young people, its chief executive said. “We have decided that Siemens will invest additional 500 million euro in the African continent,” Joe Kaeser said at the Africa-Europe Forum in Vienna without elaborating further. Africa needs reliable infrastructure and energy as well as affordable electricity to benefit from the digital age, he said. ($1 = 0.8783 euros) (By Kirsti Knolle,Reuters)

Government of Cabo Verde prepares to set up competition regulator

Cabo Verde (Cape Verde) is set to have a competition regulator, with its creation scheduled for 2019, the deputy prime minister and finance minister announced on Wednesday in Praia.

Olavo Correia was speaking during a public presentation ceremony of the Administrative Council of the Multisector Regulatory Agency of the Economy (ARME), which resulted from the merger between the Economic Regulation Agency (AER) and the National Communications Agency (ANAC).

The Deputy Prime Minister, quoted by the Inforpress news agency, noted that the Government intended to separate regulatory and competition issues to ensure smooth operation, particularly in a small market like Cabo Verde.

Correia also announced the immediate creation of an installation commission to ensure that within a year the competition regulator can begin to operate.

ARME is an independent administrative authority for technical and economic regulation of communications, energy, water, and the urban and intercity passenger transport sectors. (Macauhub)

Angolan government wants more “Made in Angola” and fewer imports

Rising domestic production and import substitution has become a major concern for the new Angolan government, which now aims to stimulate the economy through new investments and prevent the outflow of foreign exchange.

Within the scope of the recently approved National Production, Export Diversification and Import Substitution (Prodesi) Programme, in recent weeks the Angolan authorities have been presenting the National Production Dissemination Website and the “Made in Angola” application.

Official figures show that the number of registered producers and products are increasing on a daily basis, with more than 270 already registered, mainly from Luanda, Bengo, Lunda Norte, Benguela and Huambo provinces.

The website’s second week of operation was marked by the creation of the provincial and municipal support network for producers, with seminars in the country’s 18 provinces, attended by producers, municipal administrators, provincial directors of the Integrated Economic Offices, Agriculture, Livestock and Fisheries, representatives of the National Institute for Support to Micro, Small and Medium Enterprises, business associations and cooperatives and local producers.

Prodesi aims to “accelerate the diversification of the Angolan economy,” giving priority to this acceleration in the promotion of production and exports in non-oil sectors and in others with strong import substitution potential.

Products set out as a priority (individually and as a group) include rice, soybeans, corn and other grains, milk, meats, eggs, vegetables, sugar, coffee, tea and cocoa, as well as wood and derivatives, cotton, flowers and fish.

The 63 priority products also include asphalt, beverages, various products for the shipbuilding and repairing industry, hygiene and cleaning products, base metal products (iron and others), diamonds, gold and other valuable minerals, bauxite, heavy sands, limestone and plaster, fertilizers, glass, pharmaceuticals, tyres and hotels in various tourist centres in the country.

Among the main imports into Angola in 2015 were beverages (US$402 million), poultry meat (US$341 million), other meats (US$310 million), and rice (US$285 million).
In total, the country spent more than US$2.9 billion on agro-industrial products and US$2.86 billion on products from other industries, including construction materials and medicines.
Excluding oil and diamonds, Angolan exports stood at US$142 million in 2016, according to figures quoted by Prodesi.
The document defines a set of quantitative targets for each of the axes, namely to increase total sales of priority groups – by 15% in 2018, 25% in 2020 and 50% in 2022 – to reduce the expenditure of foreign exchange resources with the "basic basket" of goods, increase entry and diversify foreign exchange sources, increase sources of foreign investment, but also improve the business environment (by 5 places in 2018 and 10 places in 2020). (Macauhub)

Angolan government seeks companies to advise on privatisation process
Angolan state asset management and investment institute IGAPE 's is contacting consulting firms to advise on the process of privatisation of state holdings, the chairman of the board of directors announced.
Valter Barros told Angolan National Radio that IGAPE wants the consulting companies to provide financial, operational and equity assessments of the companies selected to be privatised.
The process, Barros said, is rather complex, so prior assessments make it more transparent, according to Angolan daily newspaper Jornal de Angola.
At a capital markets forum in late November Barros announced that the non-core companies and stakes held by national oil company Sonangol would be part of the first and second phases of the privatisation programme, which will run from this year until 2020.
These will be followed by insurance companies, Angola Telecom, banking and transport companies, but also assets from the hotel and tourism sectors, from the Special Economic Zone, and from companies in the agricultural sector, including state farms and agribusiness industries.
Finance Minister Archer Mangueira, speaking in parliament, said that the government will caution the efficiency and transparency of the privatisation process when it is carried out through the stock exchange, unlike in the past when awarding directly was the standard process.
Mangueira, who presented the proposal for a Basic Law on Privatisation, which was generally approved by majority, also gave assurances that the process of selling to public companies will be transparent and made known to the general public.
The finance minister informed members of parliament that public energy and water utilities are not included in the first phase of the privatisation process and should remain in the state business sector. (Macauhub)

Sao Tome and Principe wants to increase tourism revenues
Sao Tome and Principe has all the attributes to be a niche destination for wealthier tourists and could never be a mass tourist destination due to its diminutive size, the Lusophone Brief (CLBrief) has reported.
Natural attractions include lush forests, spectacular waterfalls, a dream coastline and long sandy beaches, which include Banana beach on Principe Island and the Tamarindos beach on the island of São Tomé, as well as a 663 metre-high magma column, which is proof of the volcanic origins of the archipelago.
The country's various governments, including the present one which took office on 3 December, have sought to develop the tourism sector, both for the income it provides and the jobs it creates, but most importantly because of the economic diversification it represents, in a country that is almost totally dependent on cocoa and to a lesser extent, on coffee.
Sao Tome and Principe currently receives only 13,000 tourists a year, which is not enough to provide the economic growth of 6.0% mentioned by the International Monetary Fund (IMF) as the minimum rate to reduce the country's poverty levels.

The latest IMF forecasts point to economic growth of 4.0% in 2018 and 5.0% in following years, which, however, is dependent on the introduction of reforms by the government, including increased tax revenue and reform of the banking sector in order to reduce the high level of bad debt.
In order to receive more tourists Sao Tome and Principe needs more and better infrastructure, with the World Bank saying it was very important to expand or replace the existing airport passenger terminal and to extend the airport runway, and adding that it is necessary to invest at least US$35 million in the modernisation of the port of Santo António.
There are also problems in the supply of drinking water and electricity, and the state-owned company that manages these two areas, Empresa de Água e Electricidade, has has run at recurring deficits, such as in 2016, when power supply provided revenue of US$11.6 million, with expenditure amounting to US$24.9 million.
The government has been waiting for Beijing to provide funding for infrastructure projects, such as the international airport and the port, after resuming diplomatic relations with China in December 2016.
Last January, Foreign Minister Wang Yi, visiting the archipelago, said the Chinese government was willing to invest in the construction of a deep-water port and other infrastructure projects, but made such funding dependent on completion of economic feasibility studies. (Macauhub)

Countering Russia and China in Africa

The U.S. has a new focus, but it can’t neglect the terror front.

The Trump Administration announced that competition with China and Russia will become a new American focus in Africa, rather than terrorism. The broad policy, as outlined by National Security Adviser John Bolton, is encouraging. Its success depends on the details of America’s economic relationship with the continent.
Washington wants to offer African countries an alternative to partnership with Beijing and Moscow. “America’s vision for the region is one of independence, self-reliance and growth—not dependency, domination, and debt,” said Mr. Bolton. The U.S. plans to counter its rivals by reforming foreign-aid programs while deepening economic and security ties.
This new emphasis makes sense. The United Nations estimates that Africa’s population could double to 2.5 billion by 2050—a huge market of human potential and natural resources. Friendly relations with a stable Africa are critical to U.S. economic and military interests, lest poverty and political dysfunction radiate instability through mass emigration or security threats.
Chinese investment in Africa was $6.4 billion in 2016-17, including billions on railways, oil refineries, ports and public works. Beijing says its partnerships are based on “sincerity, friendship and equality.” Yet it offers predatory loans that let it later seize strategic resources.
Consider how Djibouti fared as it deepened ties with China. The government’s external debt-to-GDP ratio rose to 85% in 2016, from 50% in 2014, largely thanks to Chinese loans. Beijing has used this economic leverage to gain a military base from which China harasses U.S. pilots. Chinese state-owned companies could soon take control of a strategic port in Djibouti along the Red Sea.
As an economic backwater, Russia has less to offer. But it still has established a foothold in countries like the Central African Republic, where it sells weapons and trains the military. European diplomats accuse Moscow of ties to antigovernment militias.
The U.S. can reject such transactional self-interest in favor of shared economic opportunity. Mr. Bolton stressed the new “Prosper Africa” initiative is not foreign aid. Instead, it will “support U.S. investment across the continent, grow Africa’s middle class, and improve the overall business climate in the region.”
The best approach is through trade rather than loan guarantees or other subsidies, and Mr. Bolton says the U.S. will pursue bilateral trade deals in Africa. Expanded opportunities for U.S. firms can foster economic growth and encourage better governance. Even better would be encouraging intra-Africa trade by opening the door for a multilateral deal linked to a continental free-trade area.

Terrorism won't disappear despite a U.S. pivot to economics. The Pentagon is preparing to remove 10% of its 7,200 service members in Africa, as Mr. Bolton wants Africans to "take ownership over peace and security in their own neighborhood." This is reasonable, but the U.S. needs to assist in that effort lest terror pockets reassemble as jihadists did in Iraq.
President Trump has shown little interest in Africa, and Africans haven't forgotten his vulgar description of poor countries. But Mr. Bolton makes a good case for the continent's strategic value, and Mr. Trump can help persuade Africans the U.S. is their best partner in promoting development and peace. (By The Editorial Board, Wall Street Journal)

BANKING

Banks

Bank of Mozambique signs agreement with Euronet – AIM report

The Bank of Mozambique signed an agreement with the US-based provider of electronic payment services, Euronet, for the licensing, implementation and maintenance of the computer system for interbank payments.
The agreement was signed by the director of the central bank's legal office, Luisa Navele, and Euronet Managing Director, Cindy Ashcraft, and witnessed by the governor of the Bank of Mozambique, Rogerio Zandamela.
Navele said the Euronet system will be used by the Mozambique Interbank Company (SIMO), which connects most of the commercial banks in the country. "This is a licence for an indefinite period", she said. "It is certified and it meets the requirements of the international payments system". But she did not reveal how much the licence cost.
Euronet will thus replace the Portuguese company Bizfirst, which developed the electronic platform Ponto24, to which most Mozambican banks were connected.
Relations between SIMO (which is 51 per cent owned by the Bank of Mozambique) and Bizfirst were extremely poor. Bizfirst claimed that SIMO had not paid the licence fee for over two years, while SIMO denied there was any debt, and accused SIMO of blackmail.
In November, Bizfirst cut off SIMO's access to the electronic system. No bank linked to SIMO could handle electronic payments – which mean that the debit cards, ATMs, and POS (Point of Sale) card readers of these banks stopped working. Fortunately, the country's largest bank, the Millennium-BIM (International Bank of Mozambique) had never joined SIMO, so its payments systems were unaffected.
The Bizfirst blackout lasted for five days – until the commercial banks, with the authorisation of the central bank and the government, negotiated with Bizfirst and agreed to pay the Portuguese company 3.5 million euros (about four million euros).
The Bank of Mozambique had already been looking for alternatives to Bizfirst, and must have been in contact with Euronet well before the November blackout.
No date has yet been announced for the installation of the Euronet system in SIMO. (Club of Mozambique)

Angolan SMEs given access to US$1 billion credit line

The African Export and Import Bank is available to open a US$1 billion credit line to finance projects of small and medium-sized companies in Angola, a consultant from the bank said in Cairo.
Consultant Paulo Gomes, at the end of a visit to Angola's pavilion at the 2018 Intra-African Trade Fair (IATF) held in that city from 10 to 17 December, said that financing for projects in the industrial and energy sector will be offered through commercial banks operating in Angola.
Afreximbank, which is the promoter of the trade fair in Cairo, intends to sign financing agreements worth over US$25 billion with African entrepreneurs, with a three-year payment period.
Gomes also said that Angola was one of the first countries to position itself for this credit line, according to Jornal de Angola. (Macauhub)

Sputtering Oil Industry Puts Brakes on Nigerian Bank Loans

- Borrowing costs are climbing as U.S. raises interest rates
- Opportunities to fund crude projects are waning with oil drop

Nigerian lenders are in retreat. Rising costs and declining appetite to lend is prompting banks to repay dollar borrowings.

Brent crude prices near their lowest levels in a year have slashed earnings from Nigeria's main source of foreign income, reducing the amount of foreign exchange banks need to fund deals. At least four of seven Nigerian lenders have either paid up their Eurobonds or are weighing early redemptions as banks struggle to grow loans in an economy battling to gain momentum.

The lenders are also facing uncertainties around what is shaping up to be a close presidential election in February, the ever-lurking risk of a currency devaluation and a surge in soured loans following the 1.6 % contraction in the economy in 2016. Gross domestic product in Africa's most population nation rose by 1.8 % in the three months through September from a year earlier, less than economists had predicted.

"The opportunities to deploy dollars and earn risk-adjusted returns have reduced because lending opportunities to the oil and gas sector dried up and pressure on the central bank to defend the naira also waned," said Bunmi Asaolu, a banking analyst at Lagos-based FBNQuest. Lenders will only go back to issuing Eurobonds if there is a "sustained high oil-price environment for maybe two years."

BANK	APPROACH TO EUROBONDS
Access Bank	Plans to redeem a $400 million 2021 dollar bond two years early
Diamond Bank	Aims to exit the Eurobond market after repaying $200 million debt next year
Guaranty Trust	Opted against refinancing $400 million Eurobond due to a lack of lending opportunities
First Bank of Nigeria	Evaluating whether to redeem a bond callable in 2019 after repaying $300 million of debt last year

Fidelity Bank Plc, a mid-sized Nigerian lender, issued $400 million of five-year Eurobonds late last year at 10.75 %, at the time the most expensive debt issued by an emerging market before the U.S. started tightening rates. Fidelity was the third Nigerian lender to tap the market in 2018 after United Bank for Africa Plc and Zenith Bank Plc issued $1 billion of bonds between them.

Rethink Strategy

The pace of loan growth to the oil and gas industry was little changed in the third quarter at about 3.6 trillion naira ($9.9 billion) from a year ago, according to the statistics agency, even as output rose from a one-year low in the previous quarter. The naira is also trading near an all-time low, adding to the cost of repaying offshore debt.

Although Access Bank sees the currency between 361 and 364 naira per dollar, there might be a 10 % devaluation in the long term, Managing Director Herbert Wigwe said on an investor call in October. The currency has weakened 1.2 % this year and closed trading at 364.77 against the U.S. currency.

Banks that provided loans near, or at the peak, in oil prices "may have to rethink that strategy," said Akinbamidele Akintola, a Lagos-based equity analyst with Stanbic IBTC Stockbrokers.

There has been only a slight improvement in troubled credit. Non-performing loans stood at 12.5 % at the end of June, down from 14.8 % at the end of 2017, according to the central bank.

"If, for example, a bank raises money at 8 %, it has to deploy it at 12 % so it can make a margin," Akintola said. "If the bank cannot find any opportunities for the funds it has raised, then there is no point of it sitting on money it doesn't need." (By Emele Onu, Bloomberg)

Nigeria's Access Bank to buy rival Diamond Bank to create Africa's biggest bank

Nigeria’s Access Bank has agreed to takeover mid-tier rival Diamond Bank, the lenders said, in a deal both said would create Africa’s largest bank by customers.

Nigerian banks have been trying to raise fresh capital after huge loan losses worsened by an economy that is recovering from its first recession in 25 years.

U.S. private equity firm Carlyle owns a 17.75 % stake in Diamond Bank which it bought for $147 million in 2014 when the bank was trading at 0.6 times book value as against 0.15 times now.

“The board of Access Bank PLC today announces it has signed a memorandum of agreement with Diamond Bank PLC regarding a potential merger of the two banks that will create Nigeria and Africa’s biggest bank by customers,” Access Bank said in a statement to the Nigerian stock exchange.

As part of the deal, Diamond Bank said its shareholders would receive 3.13 naira per share, comprising of 1.00 naira per share in cash and the allotment of 2 New Access Bank ordinary shares for every 7 Diamond Bank ordinary shares.

Diamond and Access Bank both gained nearly 10 %.

Diamond Bank said the board believed the move was “in the best interests of all stakeholders”. The bank also said its chief executive officer would step down after the merger.

Nigeria’s Security and Exchange Commission (SEC) issued a statement in which it said: “It is a notice to merge, they have not merged yet. SEC is awaiting their application on the matter.”

The takeover follows weeks of speculation about Diamond Bank in the wake of the unexpected resignations of its chairman and three other directors in October.

Previous bank mergers in Nigeria have been imposed by the regulator. It was not immediately clear how this deal was agreed.

Diamond bank has been managing its capital since 2016 after huge loan losses worsened by a weak economy forced it to sell its foreign subsidiaries. (By Alexis Akwagyiram in Lagos, Chijioke Ohuocha and Felix Onuah in Abuja, Reuters)

Penal Code limits financial transactions

The proposal of the Penal Code foresees limiting the transactions of money in hand up to 3 million kwanzas for the people and 5 million kwanzas for the companies, in order to prevent the circulation of large amount of Money outside the financial system of the country.

This aspect, which until then was not covered by the legislation, will discipline and punish some practices that undermine the financial market, according to the Deputy Attorney General, Mota Liz, who spoke to the press after discussing the diploma in the specialty, in the National Assembly, focused on corruption in the private and commercial sector.

The law augurs to retain currency, transactions with large amounts of money, and prevent people from keeping money withdrawn from the official financial circuit in warehouses, large containers or other improper sites.

This will give greater security to the currency, as well as to the economies of the people who own them, but will also allow the national financial system to be fluid.

"If there is a payment system, if the companies are official, they pay taxes, they have (bank) accounts, why do not they accept payments made to the banks? Why do not they use the official financial means to make large-amount of payments? "Asked the Public Prosecutor.

MPs, who closed with only a few technical adjustments, discussed the proposal of the Penal Code of 475 articles, recommended that the monetary reference in the document be in kwanza and not in US dollars, as it stands.

Regarding the protection of fauna and flora, the proposal of the Penal Code foresees punishing, with fines, the practices of slaughtering animals in places without sanity for commercial purposes.

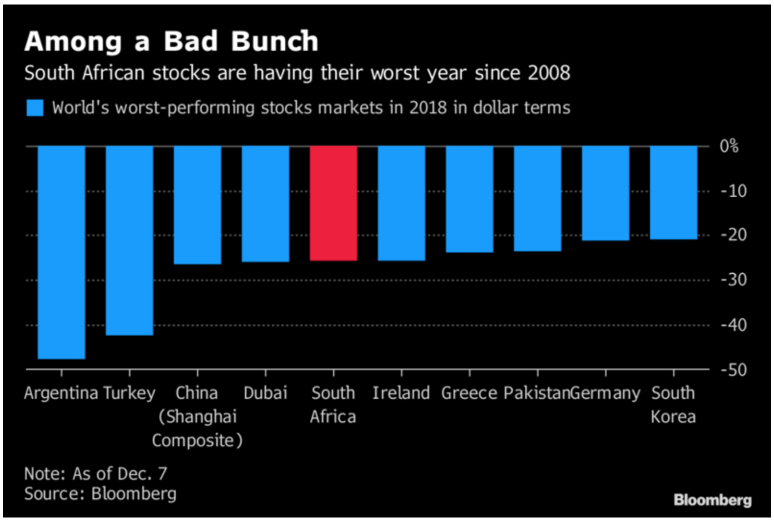
"The Criminal Code is fundamentally humanitarian. The restrictions on freedoms are justified as guarantees of their own liberties or to create a healthy social coexistence, "he concluded.

The Angolan Penal Code in force dates from 1886. The process of revision of this one has been going on since 2004, with the objective of adapting to the new social reality of the country. (Angop)

Markets

After Ugly Year, Biggest Africa Stock Market May Rally

- Big flows into U.S. ETF tracking South Africa hint at rebound
- UBS says analysts predict signicant earnings growth in 2019



It's been a rough year for South African stocks, but signals are emerging that they're set for a rebound in 2019.

Cheap valuations, flows into U.S. exchange-traded funds and optimism among global analysts are some of the factors that suggest South Africa's $445 billion equities market may recover from its worst year in the past decade.

Year to Forget

A rally can't come soon enough for investors. The main index in Johannesburg is down 16 % this year, the most on an annual basis since 2008. The return looks even uglier in dollar terms, with the gauge

having lost 26 %, the fifth-worst performance globally, according to data compiled by Bloomberg. Foreigners have sold a net $3.3 billion on the stock exchange since January.

The euphoria after Cyril Ramaphosa become president in February -- ending Jacob Zuma's crisis-ridden tenure -- proved short-lived, with South African assets and the rand battered as a strengthening dollar and worsening trade relations between the U.S. and China buffeted emerging markets. Sentiment soured further when the economy fell into recession and investors fretted about the debt mountain of 419 billion rand

($30 billion) at state power company Eskom Holdings SOC Ltd.

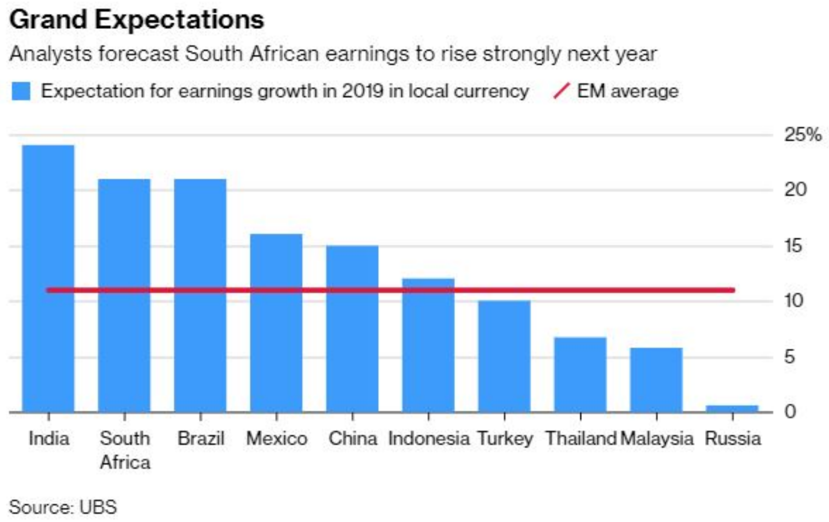
More Attractive

But thanks to this year's slump, Johannesburg-traded stocks are now much less expensive. Relative to developing nations overall, they haven't been this cheap in almost seven years. The forward price-to-earnings ratio for the FTSE/JSE Africa All

Shares Index has dropped to 11.4 times from 15.5 at the start of the year. That's reduced its premium over MSCI's gauge of emerging-market equities to the lowest level since early 2012.

ETF Inflows

Flows in the ETF market hint that global investors are becoming more bullish. The $461 million-iShares MSCI South Africa ETF, the biggest such fund in the U.S. dedicated to tracking the nation's equities, had net inflows of $79 million in November, the most for any month since March 2016. That suggests traders are anticipating that when emerging markets rebound, South African stocks will outperform.



Lending credence to this view is the improvement in the economy, which emerged from recession in the third quarter and grew faster than analysts had expected.

Global Optimism

The upshot is that global analysts are optimistic on how South African companies will perform in 2019. They're predicting a 21 % increase in local-currency earnings, compared with this year, the highest among major emerging markets after India, according to UBS Group AG.

Bank of America Merrill Lynch is among those recommending that clients go long South African equities, saying the rand will benefit if, as it expects, global trade tensions ease.

"The stage is set for a relief rally in SA equities," Mary Curtis, RMB Morgan Stanley's chief stocks analyst in Johannesburg, said in a note on Dec. 3. "Year-to-date outflows have been significant, technicals are supportive, valuations are cheap and the policy measures in China plus recent détente between China and the U.S. on trade indirectly support South Africa via the resource sector and China-exposed stocks."

Still, there are plenty of risks. Political tensions are rising before South African's general elections in May. Should Ramaphosa fail to win a significant majority, he may be forced to delay economic reforms including revamping state companies by retrenching workers. Investors are also on edge about the ruling African National Congress's attempts to change the constitution and make land expropriation easier.

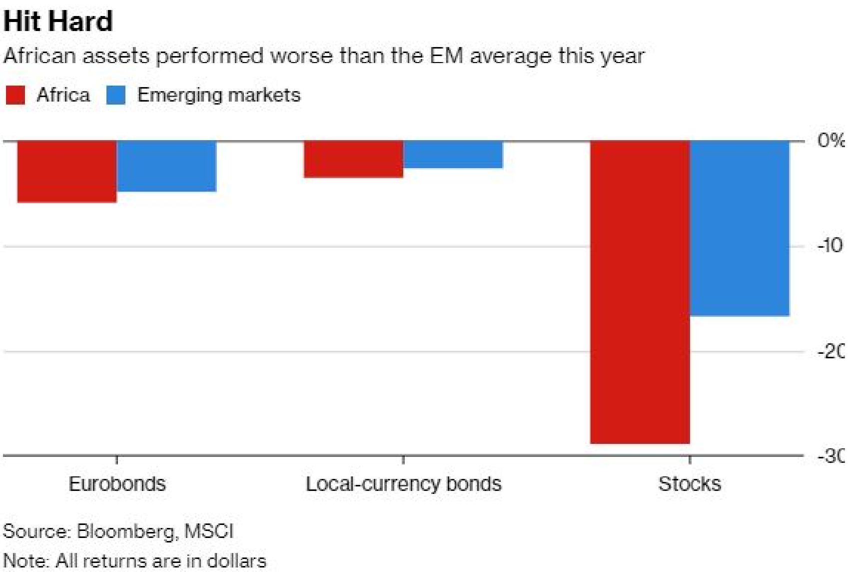
And then there are external factors. Among the world's most liquid currencies, the rand is at the mercy of global events and would likely suffer from any renewed rout in emerging markets. Risk reversals, which are derivatives measuring the premium of contracts to sell a currency over those to buy it, suggest the rand is the world's most vulnerable currency over the next three months after the Turkish lira and Russian ruble. (By Paul Wallace, Bloomberg)

There Are Signs Africa's Market Rout Is Not Over Yet

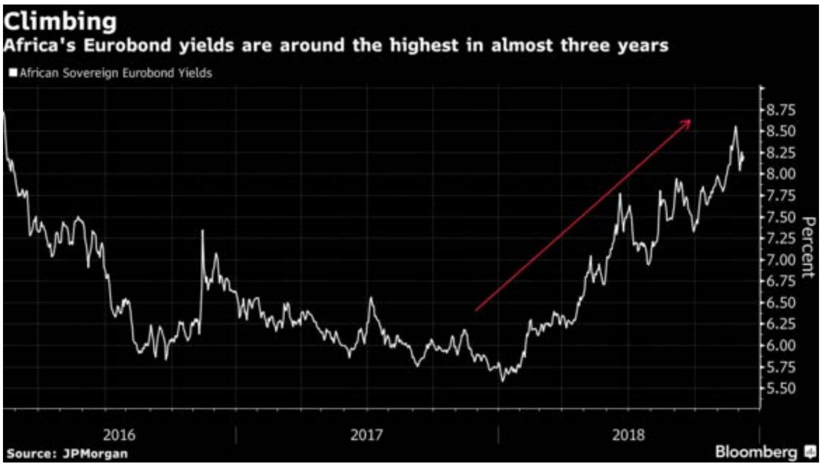
- Continent's stocks, bonds did worse than EM average in 2018
- Risks for next year include elections in South Africa, Nigeria

Traders in African markets have had a year to forget, and there are signs the rout's not over yet.

The continent's stocks and bonds have performed worse than those of all other emerging-market regions in 2018, reversing their outperformance of last year.



The selloff has left equities in nations such as South Africa, Egypt, Nigeria and Kenya at or near their cheapest levels in years. And the yields of Eurobonds issued by governments have soared to a point last seen in early 2016, when investors fretted China's economic slowdown was gaining momentum.



But bargain-hunters won't necessarily jump in next year. Risks abound from tense elections in the two biggest economies -- Nigeria and South Africa -- to low oil prices, potential credit-rating downgrades and the prospect of sovereign defaults.

Here's what investors should look out for:

Angola

The OPEC member is desperate to boost an economy that will contract for the third year running in 2018, according to the International Monetary Fund. This month, the government signed a $3.7 billion three-year loan with the Washington-based lender that it hopes will end severe shortages of foreign exchange, which have forced the central bank to devalue the kwanza by almost 50 % against against the dollar since January. State energy company Sonangol, meanwhile, is trying to attract foreign investment in oil fields and increase production that's at the lowest in about a decade.

Egypt

The central bank took a big step early this month when it ended a repatriation mechanism guaranteeing foreign-exchange availability for overseas investors. That will leave the Egyptian pound more exposed to market forces next year as bond and stock traders switch to using the interbank market. Their response so far has been "extremely positive" and few are exiting their positions, according to Citigroup Inc., which recommends that clients buy three-month T-bills yielding almost 20 %. With a fiscal deficit of about 10 % of gross domestic product, Egypt needs the investment.

Ethiopia

Abiy Ahmed has pledged a raft of reforms since becoming prime minister in April, including opening up the telecommunications and power industries to private investors. That could further boost an economy the IMF reckons will grow 7.5 % this year, the most in sub-Saharan Africa. Still, foreign-exchange shortages are acute, putting pressure on the birr. Issuing another Eurobond would increase the Horn of Africa nation's low reserves, but the IMF warned this month that it's at high risk of debt distress.

Ghana

West Africa's second-biggest economy is set to exit a bailout program with the IMF at the end of this year. That's helped fix the nation's finances and drive the inflation rate down to its lowest since 2013. Still, investors are wary about the finance ministry's plan to sell billions of dollars of century bonds and hope it isn't a sign the government will revert to unsustainable spending without the guiding hand of the IMF.

Kenya

With growth of around 6 % expected next year, the Kenyan economy remains one of Africa's most buoyant. But Moody's Investors Service has warned about the government's rising debt levels and said they'll probably reach 60 % of GDP in the medium term. The IMF has also said that, due to central bank meddling, the shilling is almost 20 % overvalued and no longer a floating currency, which Governor Patrick Njoroge has denied.

Mozambique

The southern African country may have been in default for almost two years, but its Eurobonds are the best performers in emerging markets in 2018, making a price return of 15 %. Much of that's down to the government agreeing, in principle, a restructuring deal with most of its bondholders. If other investors give their consent early in 2019, it could pave the way for Mozambique to get an IMF bailout.

Nigeria

Nigerians go to the polls in mid-February, with 75-year-old President Muhammadu Buhari trying to fend off a challenge from Atiku Abubakar, 72, a former vice president. Buhari says he'll continue to fight against corruption. Abubakar's long been dogged by allegations of graft. But many foreign investors think his policies -- including ending a system of multiple exchange rates and selling part of the state oil company -- are more likely to revive an economy still reeling from the 2014 crash in crude prices.

Senegal

The West African nation has presidential elections in late February but investors aren't perturbed, given its history of political stability. That's one reason, along with economic growth of 7 %, why Citigroup says its Eurobonds could be in for a rebound after selling off heavily this year. The Wall Street bank's analysts recommended to clients on Dec. 11 that they buy the government's 2024 dollar notes, which yield around 7 %.

South Africa

South Africa faces a bumpy 2019, not least because of general elections in May. Should President Cyril Ramaphosa's African National Congress fail to win a significant majority, he may be forced to delay market-friendly reforms such as revamping debt-laden state companies by retrenching workers or selling assets. Conversely, he could accelerate others that investors are nervous about, including changing the constitution to make land expropriation easier. Crucial, too, will be an assessment by Moody's -- the last ratings company to judge South Africa as investment grade -- soon after the February budget. A downgrade to junk would trigger the country's exclusion from the World Government Bond Index and outflows of as much as $7 billion, according to Citigroup.

Zambia

Next year could be make or break for Zambia, whose Eurobonds have tanked more than those of any other sovereign in emerging markets in 2018 and trade at spreads of around 1,200 basis points above U.S. Treasuries. Bank of America Merrill Lynch says there's an "increasing risk" it'll be forced into a debt restructuring if it can't negotiate friendlier terms on bilateral loans from China or get an IMF bailout. (By Paul Wallace, Bloomberg)

ENERGY

Tanzania to sign deal this week for $3 bln power plant: president

Tanzania will sign a deal this week for the construction of a $3 billion hydroelectric power plant, the president said in remarks broadcast on state television.

President John Magufuli did not name the company awarded the contract for the power plant and dam to be built in the Selous Game Reserve, a U.N.-designated world heritage site in southern Tanzania. Government sources told Reuters the contract would be signed with Egypt's Arab Contractors.

Magufuli said the East African country was moving ahead with the project due to improved revenue collection by the government, without giving details.

The 2,100 MW project would more than double the country's power generation capacity. But the project's location is in a World Heritage site and has faced opposition from conservationists. They have said the construction of a dam on a major river that runs through the Selous Game Reserve could affect wildlife and their habitats downstream.

The government invited bids in August last year for the project at Stiegler's Gorge which is in the Selous Game Reserve.

Egypt's El Sewedy Electric Co has said it will also participate in the construction of the dam. Arab Contractors will have a 55 % stake in the project and El Sewedy 45 %, Ahmed Hassouna, El Sewedy's head of marketing, said.

Covering 50,000 square km, the Selous Game Reserve is one of the largest protected areas in Africa, according to UNESCO. It is known for its elephants, black rhinos and giraffes, among many other species.

The World Wildlife Fund conservation group said in a report in July last year the proposed large-scale hydropower dam "puts protected areas of global importance, as well as the livelihoods of over 200,000 people who depend upon the environment, at risk."

"The impact on Tanzania's largest river would affect many ecosystem services it provides. It would affect tourism in Selous downstream in some of the most abundant wildlife areas in the game reserve," it said. (By Duncan Miriri, Reuters)

Mozambique signs solar power agreement with France's Neoen

The Mozambican government has signed an agreement with French company Neoen to build a solar power plant north of the country capable of serving 150,000 people, it was announced during an official ceremony.

The investment is around 50 million euros and will be installed in Metoro, Cabo Delgado Province, and work is expected to start in the second half of 2019, said Max Tonela, Minister of Mineral Resources and Energy.

"The Mozambican government considers this project a priority, ensuring greater security and reliability in the country's energy supply," said Tonela, adding that "during the construction phase, the project will create 380 jobs"

Cyril Perrin, director of Neoen in Mozambique, welcomed the work done with the government and local communities since 2015.

This is equivalent to the consumption of 150,000 people and 75 per cent of the needs of Pemba, the provincial capital, and is expected to contribute to the increase in rural electrification, given the growing demand for energy in the northern region.

The plant will also support the Ancuabe and Balama graphite mines and the Moma heavy sand extraction project.

The project will occupy an area of 70 hectares, where various equipment will be installed, including photovoltaic modules that will capture sunlight.
According to information from Neoen, the French Development Agency (AFD) has financed the project, with the company holding 75 per cent of the plant while EDM holds the remaining 25 per cent.
The contract signed provides for a concession of the state to the new company for 30 years.
According to the company, the project would also inject 52,000 euros per year into the local economy and social initiatives. (Club of Mozambique)

European banks finance hydroelectric facility in Angola
A banking syndicate made up of German bank Commerzbank and Italy's UniCredit will grant a loan of 1.06 billion euros to Angola to finance the construction of the Caculo Cabaça hydroelectric facility, according to a presidential order.
The order, which approves the loan, said that "there is a need to guarantee financing for the supply and installation of electro-mechanical equipment for the Caculo Cabaça Hydroelectric Plant, which is included in the Public Investment Programme."
The hydroelectric project in Kwanza Norte province, within five years will be the largest dam in Angola, generating 2,172 megawatts of electricity.
With 103 metres of maximum height, the dam will store 440 million cubic metres of water and will include a plant with four generator sets and a hydraulic circuit for a projected flow of 1,100 cubic metres of water per second.
Last October, Standard Bank Angola Chief Executive Luís Teles said the Standard Bank group and the Industrial and Commercial Bank of China (ICBC) were available to finance the construction of the Caculo Cabaça facility.
On the sidelines of a forum on the relationship between Angola and China, which analysed the current economic situation considering the new exchange policy of the National Bank of Angola, Teles said that in the last eight years Standard Bank and ICBC have financed projects in Angola and that there is a strong interest in supporting investments in infrastructure and energy. (Macauhub)

Ivory Coast Signs Deal for Thermal-Power Plant With Eranove
Ivory Coast said it signed an agreement with the local until of France's Eranove SA for the construction of a thermal-power plant with a capacity of 390 megawatts.
The gas-fired Atinkou plant, which will cost 248 billion CFA francs ($431 million), is to be based in Jacqueville, 61 kilometers (38 miles) southwest of the economic capital, Abidjan, according to a statement from the company and documents provided by the Energy Ministry. Once completed, it will be owned by Cie Ivoirienne de Production d'Electricite, known as Ciprel.
"This plant is part of the government's desire to strengthen the power generation capacity in the region through new units entrusted to experienced private partners to enable Ivory Coast to double its energy capacity," Energy Minister Abdourahmane Cisse said in the statement.
The world's number one cocoa producer has an installed generation capacity of 2,200 megawatts and exports to neighboring countries such as Ghana, Burkina Faso and Liberia. (By Leanne de Bassompierre, Bloomberg)

INFRASTRUCTURE

Mbanza Kongo to build new airport
Luanda - The capital of the northern Zaire province, Mbanza Congo, will have a new airport, as recommended by UNESCO on World Heritage Site issue.
The fact was announced in Luanda by the provincial governor of Zaire province, Pedro Makita.
Makita announced this at the end of second Meeting of National Multi-sector Commission for Safeguarding World Cultural Heritage, chaired by vice president Bornito de Sousa.

He also spoke of the provincial authorities in Zaire engaged in mobilising national and international businessmen to invest in the hotel sector in the region.
The Luanda-Mbanza Kongo and Nzeto-Soyo roads also benefited from a new asphalt.
On rehabilitation of historic monuments, the minister of Culture Carolina Cerqueira has identified a list of historic monuments in the country whose rehabilitation has been approved, as part of public investment programme (PIP).
They are fortresses of São Pedro da Barra (Luanda), São Nicolau (Namibe), Catumbela, Benguela, Missombo (Cuando Cubango), Massangano Historical Village, Ngola Cemetery in Malange and Archaeological Museum of Benguela.
Carolina Cerqueira said that the 2019 PIP also covers the construction of Cassanje Lower memorial, Ebo memorial, as well as Ambuila battle.
The meeting also discussed the continuation of scientific studies on DNA research to allow the African Diaspora, especially those in the American continent, to find their family tree in Angola (genealogy study, based on their origins in some countries of Africa, including Angola.
Carolina Cerqueira said that most of the 12 million slaves who left the coastline of Africa to the American continent were Angolan. (Angop)

MINING

Zimbabwe May Let Foreigners Own Majority Stakes in Diamond Mines

- Government considering waiving local-ownership legislation
- Zimbabwean president has pledged to revive mining industry

Zimbabwe's government may allow foreign investors to hold controlling stakes in diamond mines on condition that part of their output is reserved for domestic downstream industries.
Removing a limit on foreign ownership would signal to investors that President Emmerson Mnangagwa is serious about his pledge to revive mining, which suffered years of decline under his predecessor Robert Mugabe. The government is targeting diamond production of 12 million carats by 2023, compared with a forecast of 3.5 million carats this year.
The state is considering waiving a requirement that diamond mines be 51 % owned by domestic investors, Information Minister Mangaliso Ndlovu told reporters in the capital, Harare. The southern Africa nation scrapped the rule for most mines last year, but kept the regulations in place for diamond and platinum producers.
"Government may waiver that local ownership threshold subject to a submission of satisfactory submissions and due diligence," including that gems be submitted to the state-run Diamond Value Management Centre for clearing, sorting and valuation, Ndlovu said. Private companies must also reserve 10 % of their gems for "local value addition," he said.
Zimbabwe has two diamond-mining companies -- Murowa Diamonds, a unit of RioZim Ltd., and the state-owned Zimbabwe Consolidated Diamond Mines. Zimbabwe's Chamber of Mines, which represents most miners, has urged the government to relax ownership rules for PGM-metal and diamond mines in line with other minerals, citing the high cost of investment for most local producers. (By Godfrey Marawanyika, Bloomberg)

Syrah Resources achieves graphite extraction target in Mozambique in 2018

Syrah Resources is expected to reach the planned target of 101,000 – 106,000 kilogrammes of graphite concentrate by the end of the year, the Australian company said in a market filing.
In the statement, which announces significant improvements in the graphite extraction project in Balama, northern Mozambique, the company points out that in November it achieved an average level of 74% in graphite recovery, compared to 53% in the third quarter and 54% in September.
Syrah Resources said it was looking at the supply chain to reduce inventory, particularly at the port of Nacala.

"The results obtained at the Balama mine are proving to be solid," the statement said, recalling the significant improvements introduced in the process of exploring graphite deposits.
Syrah informed the market last November it had signed two more graphite sales contracts, one of which with Chinese company Qingdao Freyr Graphite Co., Ltd, to supply 6,000 tonnes of coarse graphite flakes over the next 12 months.
The Australian company had announced a week before it had signed a contract to supply graphite to China's Qingdao Taida-Huarun New Energy Technology Co. Ltd. under a binding contract to supply 20,000 tonnes.
Taida-Huarun New Energy Technology Co. Ltd., based in Qingdao, in China's Shandong Province, develops and manufactures carbon-based products including graphite beads for battery production.
Syrah Resources is involved in a graphite extraction project in Balama, Cabo Delgado, northern Mozambique, which since the beginning of exploration and processing in November 2017 has produced more than 160,000 tonnes of graphite, much of which has already been exported through the port of Nacala, in the province of Nampula. (Macauhub)

Sale of diamonds at auction introduces transparency in the Angolan market
An auction of diamonds extracted at the Lulo mine, to be held in January 2019, will reinforce commitment to innovation and transparency in the sector, said a source at Angola's national diamond company Sodiam.
The source also told the Angop news agency that with this auction of high carat stones, the new marketing policy for the diamond sector, approved by the Council of Ministers on 27 July, 2018, is beginning to be applied, thus ending the monopoly of preferred customers in place before.
The implementation of the new marketing policy, intended to encourage foreign investment in prospecting and exploration, the installation of cutting factories and securing higher revenues for the State, results from the approval, on 4 December, by the Council of Ministers of the Technical Regulation on Marketing of Rough Diamonds, which generally ends the monopoly on the sale of the mineral.
In order to boost revenue, among other measures, the introduction of alternative methods of selling diamonds, including contract sale, sale in restricted procedures and auctioning, are planned.
In January, the first auction will be held, in which seven diamonds of superior quality and size from the Sociedade Mineira do Lulo will be sold. (Macauhub)

Angolan government eliminates monopoly on the sale of diamonds
The Angolan government approved the Technical Regulations for the Sale of Rough Diamonds and formally created the National Oil and Gas Agency (ANPG), during a meeting of the Council of Ministers on Wednesday in Luanda.
The statement issued after the meeting said that the regulation is a "legal instrument" that establishes ways of buying and selling diamonds, with the aim of "achieving the strategic objectives of the mining sector and the sales policy defined by the government, aiming to increase prospecting and exploration, drive foreign investment, set up cutting factories and garner more revenue for the State."
The Minister of Mineral Resources and Oil of Angola, Diamantino de Azevedo, recalled at the end of the meeting that the diamond policy had been approved for some time, "which is based first on the elimination of the monopoly on the sale of rough diamonds that existed in the country . "
The Angolan Council of Ministers approved the final report of the oil sector restructuring working group, launched by an August presidential order, creating the agency and its organic statute, as well as a draft bill on the taxation of oil activities.
The National Oil and Gas Agency will be the new national concessionaire, replacing the Sociedade Nacional de Combustíveis de Angola (Sonangol), which under an ongoing restructuring process will concentrate its activities on research, production, refining and distribution of oil products. (Macauhub)

Angolan company invests US$330 million in new diamond mine

Angolan mining company Sociedade Mineira da Catoca plans to invest US$330 million over the next three years in large sample collection works in the area of the future Luaxe mine, the company's director general announced in Saurimo.

The start of the work is scheduled for the first half of 2019, allowing for the collection of data on the quality of diamonds and, consequently, their price, based upon which the economic and financial feasibility study will be carried out as well as the exploration project.

Director general Benedito Paulo, summarising the 2018 fiscal year, added that the company had already invested about US$114.4 million in Luaxe, since the start of geological prospecting.

The Luaxe mine, which is 25 kilometres from Catoca and is expected to start operating this year, will cover an area of 100 hectares and will be 400 metres deep, and may produce up to 350 million carats of diamonds.

Paulo said the company had posted turnover of more than US$700 million in 2018, and paid taxes to the state of US$217 million, against US$198 million in 2017.

The company extracted 8.415 million carats of diamonds, which were sold at an average price per carat of US$110, up from US$89 per carat in 2017.

SMC's shareholders are state-owned diamond company Endiama and Russian group Alrosa, with equal holdings of 41%, with the remaining 18% held by LL International Holding B.V.

Headquartered in the municipality of Saurimo, Lunda Sul province, the company is the fourth-largest producer of diamonds in the world and the Angolan leader with a share of 86.3% by volume and 60.3% by value. (Macauhub)

Gold exploration in Chipindo, Angola, expected to resume in January 2019

Gold exploration in the municipality of Chipindo, which is 456 kilometres north of Lubango, the capital of Angola's Huíla province, will resume in January 2019, the local administrator recently announced.

Daniel Salupassa, speaking during a visit that the provincial governor, Luís Nunes, made to the exploration area, noted that following completion of prospecting work in 2017 the project is in the final phase of an economic feasibility study.

João Nunes, project manager for mining company Demang, the company that will explore the concession, said holes had been drilled in an area of 674 square kilometres, and equipment is already being built in South Africa.

The investment made by Demang is currently estimated at US$5 million, according to Nunes, quoted by the Angop news agency.

With an area of 3,898 square kilometres, the municipality of Chipindo has an estimated population of 64,700. (Macauhub)

Gemfields auction of rough rubies in Singapore

Montepuez Ruby Mining announced the results of a Gemfields auction of rough rubies in Singapore from 10 – 14 December 2018: Highlights –Ruby Auction: • Auction revenues of USD 55.3 million; • Of the 90 lots offered, 88 were sold (98%); • Average price of USD 84.32 per carat; • 655,623 carats sold out of the 685,363 carats offered (96%); and • The eleven Gemfields auctions of MRM rubies held since June 2014 have generated USD 462.6 million in aggregate revenues. "The proceeds of this auction will be fully repatriated to MRM in Mozambique, with the production tax due to the Government of Mozambique being paid on the full sales price achieved at the auction." said Sean Gilbertson- CEO- Gemfields Since February 2012, MRM has invested over USD 182 million in building and operating the mine, and paid a total of USD 107 million to the Mozambican government in the form of corporate and production taxes, representing 26% of its revenue, as well as investing over USD 2.7 million in local community development across health, education and livelihoods as well as conservation projects. (Montepuez Ruby Mining)

OIL & GAS

The Angolan Ministry of Mineral Resources and Oil before the end of the year will finalise the strategy for exploration and auctioning of new oil blocks for the 2019/2023 period, the minister announced in the city of Soyo.
Diamantino Azevedo, who made statements on the sidelines of the 2nd sector advisory council, acknowledged that most of the oil fields are in the process of maturation and another is already in decline, adding that it is necessary to recover some blocks to maintain the level of oil production in the country.
However, he added that companies operating in the oil sector have forecast maintaining the level of production at 1.49 million barrels per day, as set out in the National Development Plan (PDN) for the 2018/2022 five-year period, according Angolan news agency Angop.
The minister also referred to the ongoing reform process in the oil sector, namely the restructuring of state oil company Sonangol, aimed at focusing the group on its core activity of oil and derivatives exploration, processing, distribution and storage. (Macauhub)

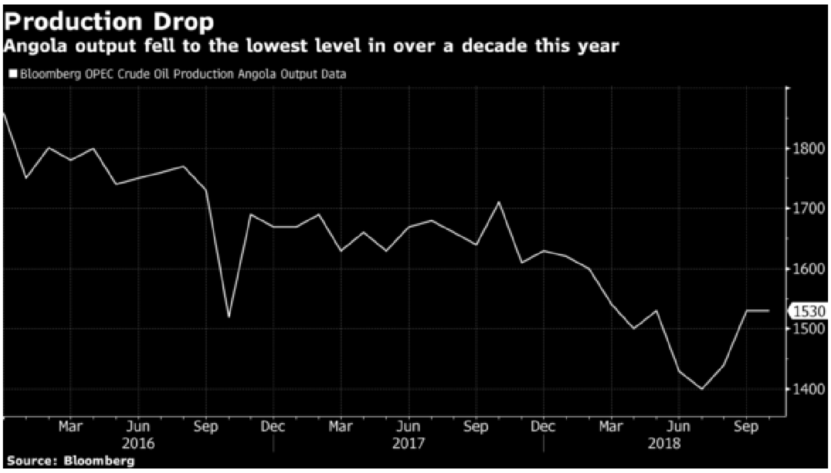
Sonangol, BP sign new agreements to expand activities in Angola

The Angolan State-owned oil firm Sonangol and British Petroleum (BP) signed, in Luanda, two agreements for the development of Platina field project and to extend oil exploration in block 18, as well as a memo to enter talks on financing, construction of a terminal, for the storage of refined oil products, at Barra do Dande locality, northern Bengo Province.
The agreement to extend the production licence for BP-operated Greater Plutonio Project on Block 18 until 2032, still to be submitted to the Angolan government's approval, will enable Sonangol Research and Production sector to have eight percent share in the referred block.
BP and Sonangol Sinopec International Limited have 50 % share in the said block.
Platina project will be the first new development to be operated by BP in Angola since the onset in the year 2013 of the PSVM (Plutonium, Saturn, Venus and Mars) production project in the same block.
The agreements signed by the chairpersons of Sonangol, Carlos Saturnino, and British Petroleum (BP), Bob Dudley, pave the way for the planned investment for the development of Platina project to kick off in the second trimester of 2019, while the production is expected to begin in the end of 2021 or beginning of 2022.
BP has already made investments in Angola estimated at USD 30 billion and its intervention in this African country currently represents 10 % of the firm's overall output.
BP chairman emphasized that the company will continue betting on the Angolan market, mainly in the present context that the Angolan authorities are improving business environment.
Carlos Saturnino thanked the confidence the BP has placed on the Angolan market and pledged full cooperation for the development of further projects. (Angop)

Angola Tries to Jump Start Oil Exploration to Halt Output Drop

- Exxon, Eni, Equinor, BP in negotiations over blocks: WoodMac
- Sonangol plans to lure new investment to Angola's upstream

Angola's state-run oil and gas company is ramping up efforts to lure foreign investors and halt a decline in crude output.
Once Africa's biggest oil producer, output has tumbled in recent years due to under-investment in new projects and natural declines at aging fields. If it fails to halt this decline it will put severe strain on an economy heavily reliant on revenue from oil exports, already dealing with a weakening kwanza and about to receive a financial bailout from the International Monetary Fund.



Angola emerged from a civil war in 2002 to become one the world's fastest-growing economies, mostly because of oil. The days of sky-high growth in sub-Saharan Africa's third-largest economy came to end after the 2014 oil-price crash. President Joao Lourenco, who came to power last year, is attempting to revive the economy by tackling corruption, attracting foreign investment and selling assets.

New Rounds

State-run oil producer Sonangol is seeking investment through talks ahead of a license round next year. The company is targeting exploration in as many as 10 offshore blocks in 2019 -- the first tender for exploration rights since 2011. The government also transferred the role of concessionaire from Sonangol to a new agency earlier this year and offered tax breaks to companies developing marginal fields.

Angola was pumping around 1.49 million barrels a day last month, down from around 1.87 million barrels a day in September 2014. Without investment in new projects, output could fall as low as 1 million barrels a day by 2023, the oil ministry says.

Oil Minister Diamantino Azevedo said in an interview that the country plans to keep production stable at around 1.4 million barrels a day through 2022. To do that he's going to need investment from international oil companies, willing to take potentially costly bets on unexploited reserves in deep and ultra-deep water.

Upstream Boost

Exploration activity in the country fell to a single offshore rig earlier this year, a level last seen in 2005, according to Baker Hughes data. Production followed, dropping to a 12-year low.

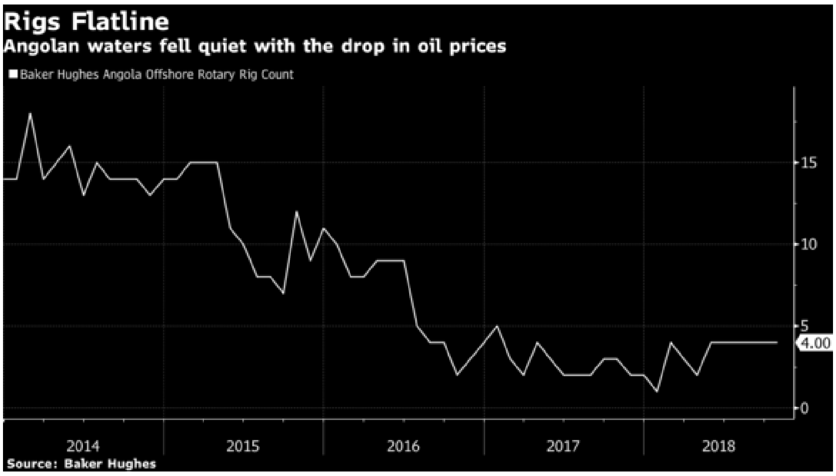
Since then, Sonangol has been in discussions with some of the world's biggest oil companies over more than a dozen blocks, according to analyst Adam Pollard at consultant Wood MacKenzie Ltd. Pollard said this indicates "a marked change and also a reflection of the more investor-friendly approach of the current administration."

Below are some of the companies in discussions with Sonangol or already operating:

Companies	**Blocks**	**Status**
Bp, Eni, Equinor	46, 57	In negotiations
Exxon Mobil	6 blocks in Kwanza, Namibe basins	In negotiations
Eni	15/06, Vandumbu field	Production started
Total	48, Lower Congo Basin	Exploration restart planned
Total	32, Kaombo Norte FPSO	Started up in July
Total	32, Kaombo Sul FPSO	Planned 2019 startup

Sources: Wood Mackenzie, companies

BP and Eni declined to comment however Eni announced that it had started production from the Vandumbu field. Total did not immediately respond to a request for comment.



Equinor spokesman Erik Haaland declined to confirm any specific details but said the company is "interested in maintaining long-term production in Angola," and is "considering new business opportunities in light of that."

Over the medium-to-long-term, the country's oil production will likely fall because of lengthy periods of under-investment and natural declines in maturing oil fields, Bloomberg Intelligence analyst Patricio Alvarez said.

Meanwhile, the government said its actions will stabilize output.

"We are committed to maintaining a certain balance of our production, in creating the environment so that there is more investment in Angola -- essentially in exploration," Azevedo said. "We took action in the legislative point of view, we are taking action in the organizational models," Azevedo said. "All of these measures combined will contribute to greater stability in oil production." (By Paul Burkhardt and Candido Mendes, Bloomberg)

ENI group finds more oil in Angola

Italian group ENI has made a new oil discovery at the Afoxé-1 NFW field in Angola's 15/06 block, which could lead to an increase in production of 170 million to 200 million barrels, according to a statement released in Milan.

The Afoxé-1 NFW field is located in the southeastern area of block 15/06, approximately 12 miles west of the Kalimba-1 discovery, with expected production of 230 million to 300 million barrels, which the group announced last June.

The new discoveries of Kalimba and Afoxé-1 NFW together have a potential to produce 400 million to 500 million barrels of high-quality oil, according to the statement.

The ENI group has been in Angola since 1980, where it already produces the equivalent of 150,000 barrels of oil per day and has signed a contract to operate, modernise and expand production at the Luanda Refinery, the only oil refinery in the country.

Block 15/06 is being developed by a consortium made up of the ENI group, as an operator with a 36.84% stake, Sonangol Pesquisa e Produção, also with 36.84% and SSI Fifteen Limited with 26.32%.(Macauhub)

Partners seek funding for gas exploration in the Area 1 block in Mozambique

The process of securing funding from international banks for the project to explore natural gas deposits in the Rovuma Area 1 block in northern Mozambique has begun, the Mozambican minister of Mineral Resources and Energy announced in Maputo.

Minister Max Tonela, speaking at a meeting in the Mozambican capital on Wednesday with officials from export credit agencies, said that the process had finally be launched and was, "a milestone that represents the maturity of the enterprise," according to the international press.

These agencies will guarantee the financing of US$12 billion needed for the first two liquefaction lines to be installed in the Afungi peninsula, in the province of Cabo Delgado, with a production capacity of 12 million tonnes per year of liquefied natural gas (LNG) by the consortium led by US group Anadarko Petroleum.

The minister reiterated the state's strong commitment to the Area 1 project and announced that the government approved a plan last week to support the project, which includes the approval of

licenses, work permits and visa issuance within the legal deadlines as well as the necessary documentation to export goods and services efficiently.
The Area 1 block is operated by Anadarko Mozambique Area 1, Ltd, a wholly-owned subsidiary of the Anadarko Petroleum group, with a 26.5% stake, ENH Rovuma Area One, a subsidiary of state-owned Empresa Nacional de Hidrocarbonetos (ENH), with 15%, Mitsui E&P Mozambique Area1 Ltd. (20%), ONGC Videsh Ltd. (10%), Beas Rovuma Energy Mozambique Limited (10%), BPRL Ventures Mozambique B.V. (10%), and PTTEP Mozambique Area 1 Limited (8.5%).(Macauhub)

Mozambique aims to take spot among global LNG leaders
Mozambique's first liquefied natural gas export project is under construction, two much larger developments are targeting final investment decisions in 2019, and the impoverished African nation of 30 million people could go from zero to the sixth-largest LNG producer in the world by the mid-2020s.
The two mega-projects — one led by ExxonMobil and Eni and the other led by Anadarko — have a combined development cost of $55 billion and would bring 28 million tonnes of annual liquefaction capacity on stream by 2025, Paul Eardley-Taylor, head of oil and gas for Southern Africa at Johannesburg-based Standard Bank, told a London audience Nov. 22.
Those two ventures, plus the smaller floating LNG project under construction and scheduled to enter service in 2022, also led by Italy's Eni, would total almost 32 million tonnes annual capacity. That would put Mozambique just behind 35-year LNG exporter Malaysia and world leaders Qatar, Australia, the United States and Russia.
Eardley-Taylor gave the keynote presentation at the Africa Petroleum Club's annual fundraiser dinner for wildlife and conservation projects: "Mozambique, Gas Supplier to the World?"
Global LNG trade is predicted to grow twice as fast as gas demand overall, the banker said, showing a chart of 12 different LNG demand forecasts stretching out as far as 2040. Starting with actual demand in 2017 of almost 300 million tonnes per year, the forecast average approaches 500 million tonnes by 2030.
Mozambique, with offshore gas discoveries of 150 trillion to 200 trillion cubic feet since 2010, is well positioned to serve the growing Asian market, Eardley-Taylor said.
The expectations for Mozambique go beyond start-up of the two onshore LNG plants, with the bank forecasting that expansions are likely.
"We expect four or five additional onshore (liquefaction) trains could be operational by 2029-2030."
The first project to come online will be Coral South, which Standard Bank put at $10 billion for the all-in cost. Construction of the floating liquefaction and storage unit started in a South Korea shipyard after Eni, the project operator, and its partners made the final investment decision in 2017. BP has a 20-year contract to take 100 % of the output from the 3.4-million-tonne-per-year project.
Of the onshore plants, Anadarko is the lead for the Mozambique LNG project, at 12.88 million tonnes per year, with the company committing to make an investment decision in the first half of 2019. The bank estimated the all-in development cost at $25 billion.
Anadarko is working to sign up enough LNG customers to sell its decision to project-finance bankers. As of mid-November, the company had announced sales to gas suppliers and utilities in Japan, Thailand, France and the U.K., totaling more than half the plant's output, though not all the contracts have been finalized. Talks also are underway on LNG sales to Shell, Total and China National Offshore Oil Corp., the Natural Gas Daily reported Dec. 4.
The project already has started resettling residents to prepare the site for construction, according to the bank's presentation in London.
India's state-run Bharat Petroleum Corp. is a partner in the Anadarko project and will invest as much as $800 million equity for its 10 % stake — the company's largest investment in an upstream project overseas — Indian news media reported in October. Other partners with Anadarko include companies from Japan, India and Thailand.

At an initial capacity of 15.2 million tonnes and a $30 billion all-in price tag, the ExxonMobil/Eni-led Rovuma LNG project looks to take bids in the first quarter of 2019 for engineering, procurement and construction, the bank said.
ExxonMobil's country manager in Mozambique has publicly confirmed that the company expects to make a final investment decision mid-2019. Partners in the development also include China National Petroleum Corp., Korea Gas and Galp Energia of Portugal.
By selling some of the plant's output to their own affiliates, the partners could speed up financing for the development, the bank said.
"We expect sufficient interest from affiliate buyers to launch the project and support the financing," ExxonMobil spokesperson Julie King told Reuters in July.
The company took over the lead role in the joint venture this summer for construction and operation of the LNG plant, while Eni will manage gas field development. To reduce production costs, ExxonMobil has decided to build the largest liquefaction trains in the world outside Qatar, at 7.6 million tonnes each.
Mozambique's National Hydrocarbons Co. is a partner in both onshore projects and will need to borrow $2 billion to finance its participation, according to news reports in October. The country's minister of economy and finance said the government wants to issue a sovereign guarantee for the $2 billion loan and has put it into its draft 2019 state budget.
However, the return of Mozambique to international capital markets will not be easy. Rating agencies classify Mozambique as in "selective default" because in 2013 and 2014 the government issued sovereign guarantees, also for about $2 billion, for loans taken out from European banks by three newly created security-related companies.
All three companies are now effectively bankrupt, and the government has defaulted on the loan repayments, arguing that creditors must agree to restructure the loans.
Mozambique reached an agreement with creditors to restructure some of the debt, including extending maturities and sharing future revenues from the LNG projects, the finance ministry said Nov. 6. Under the deal, creditors would receive 5 % of Mozambique's future revenues from the gas projects, with payments capped at $500 million.
Mozambique is one of the world's poorest countries, having suffered through a 15-year civil war that ended in 1992, according to Standard Bank.
The country hopes that production of its offshore gas resources will provide increased supplies for domestic needs and spur development of fertilizer and petrochemical manufacturing plants along with construction of gas-fired power plants and pipelines to serve industry and households.
South Africa's Sasol has been producing gas in Mozambique since 2004, sending most of it by pipeline to power plants in South Africa. (Club of Mozambique)

Qatar Petroleum enters oil prospecting in Mozambique
Qatar Petroleum has signed an agreement with US group Exxon Mobil to acquire a 10% stake in three maritime exploration blocks in Mozambique, the company said in a statement.
The consortium involved in the three blocks in the Angoche and Zambezi basins is now made up of ExxonMobil, as operator with a 50% stake, the Mozambican state-owned Empresa Nacional de Hidrocarbonetos with 20%, Russian group Rosneft, also with 20% and state-owned Qatar Petroleum with the remaining 10%.
Block A5-B in the Angoche basin covers an area of 6,450 square metres with a depth between 1,800 and 2,500 metres and blocks Z5-C and Z5-D in the Zambezi basin cover an area of 10,200 square kilometres with a depth of between 200 and 2,000 metres.
The statement from Qatar Petroleum said that this agreement signed with US group Exxon Mobil represents the first time the company has operated in the oil sector in Mozambique. (Macauhub)

Government of Mozambique grants state guarantees to public companies

The Mozambican state's business sector will have state guarantees to take on debt of up to 151.25 billion meticals (US$2.439 billion), according to the State Budget for 2019.
The largest state guarantee, almost 90% of the total, aims to secure a loan that Empresa Nacional de Hidrocarbonetos (ENH) will seek to raise in international markets to cover its participation in natural gas projects in the Rovuma basin, in the northern province of Cabo Delgado.
ENH also plans to raise 136.13 billion meticais (US$2.195 billion) for its contribution related to the 15% stake it holds in the Area 1 block, whose operator is US group Anadarko Petroleum.
Mozambican daily newspaper Notícias reported that this government decision aims to facilitate the final investment decision, which is expected to be taken by the consortium in the first half of 2019.
The remaining part of State backing and guarantees, amounting to 15.13 billion meticais, is intended to support other areas of the state business sector. (Macauhub)

Anadarko Petroleum plans to contract insurance for operations in Mozambique
Anadarko Mozambique Area 1, Lda. Intends to contract insurance for natural gas extraction operations in northern Mozambique, according to an announcement published in the print edition of Maputo daily newspaper Notícias.
In the announcement published in the largest daily newspaper in Mozambique, the subsidiary of US group Anadarko Petroleum said that the insurance to be contracted is for both works on land and off the coast of the Afungi peninsula in the province of Cabo Delgado.
The company also plans to contract sea cargo insurance, covering physical damage to the materials during transportation, according to the announcement published in the newspaper's Wednesday edition.
At the end of November, the US group announced that its subsidiary in Mozambique, on behalf of the associated partners in the Mozambique Offshore Area 1, had selected the consortium made up of TechnipFMC and VanOord for the engineering, acquisition, construction and installation of the submarine system at the natural gas project in Mozambique.
The Area 1 block is operated by Anadarko Mozambique Area 1, Ltd, a wholly-owned subsidiary of the Anadarko Petroleum group, with a 26.5% stake, ENH Rovuma Area One, a subsidiary of state-owned Empresa Nacional de Hidrocarbonetos (ENH), with 15%, Mitsui E&P Mozambique Area1 Ltd. (20%), ONGC Videsh Ltd. (10%), Beas Rovuma Energy Mozambique Limited (10%), BPRL Ventures Mozambique B.V. (10%), and PTTEP Mozambique Area 1 Limited (8.5%).(Macauhub)

RBR Group to commence skills roadshow to support Anadarko Petroleum LNG project in Mozambique
Labour hire and training specialist RBR Group (ASX: RBR) has won what it calls a "pivotal" contract to conduct a nationwide skills assessment program in Mozambique.
The contract has been struck in preparation for construction of the giant Anadarko Petroleum-led liquified natural gas (LNG) project in the country.
RBR announced that it would hold a "skills roadshow" directed by the CCS Joint Venture, a consortium of contractors acting on behalf of US petroleum and natural gas exploration giant Anadarko Petroleum.
Anadarko received official approval from the Government of Mozambique for its highly anticipated Golfinho/Atum Field development plan in March this year and has been avidly preparing a range of logistics to advance the onshore LNG project ever since – including the preparation of suitably trained personnel.
The signed deal represents a significant step in RBR's strategy to play a key role in supplying assessment, training and labour hire services to the impending LNG construction boom in Mozambique.
Earlier this year, RBR signed a binding memorandum of understanding with global manpower services supplier Kuiper International, in order to expand the database of staff it can offer to companies such as Anadarko.

The move is designed to verify, and where required, raise the competency of personnel working on Anadarko's exploration projects.

All staff employed on Anadarko's project must meet prescribed Engineering Construction Industry Training Board (ECITB) standards, a target RBR has been tasked to help achieve with its skills assessment programme.

At the current time, RBR has around 250,000 Mozambicans on its database – the largest database of its kind in the country.

RBR has confirmed that it intends to use this database to identify potential candidates for employment on LNG projects within Mozambique to "address any skills gaps via training and assessment, and then match them with employment opportunities".

"This is crucial because the use of Mozambican labour is a prerequisite for businesses operating in-country, and a key metric in their overall local content obligations," the company said.

Raising training standards

The initiative announced this morning is reportedly a joint venture put forward by the Mozambique Government and Anadarko, as US resources company looks to make headway in developing significant LNG resources and open up a critical source of supply for Mozambique.

The venture was officially launched last week after a joint announcement by the Mozambique Government and Anadarko Petroleum, at an event held in the Mozambique capital Maputo.

Under the contract, RBR will play a key role in the skills roadshow which will see job applicants assessed in five core technical disciplines – namely scaffolding, rigging, pipe-fitting, steel erecting and noncritical welding.

To complete its remit and carry out the skills initiative, RBR has said it will deploy mobile training units for a period of around 3 weeks, transporting them across Mozambique as the company conducts various personnel assessments early next year.

News of RBR's confirmed role in conducting its skills roadshow helped the company's shares add 25% up to $0.015 per share. (Club of Mozambique)

TELECOM

Liquid Telecom gets $180 million from UK for pan-African fibre network

African fibre company Liquid Telecom has won a $180 million investment from British development finance agency CDC Group, which the firm said it will use to deliver high-speed broadband further into central and western Africa.

The Mauritius-based, privately owned firm said in a statement that the money will allow it to accelerate the expansion of its pan-African fibre network, which it says is already the largest on the continent, stretching from Cape Town at the southernmost tip of South Africa to Cairo in Egypt.

Nic Rudnick, Liquid Telecom's CEO, said this will bring a fast and reliable connection and cloud services to communities and businesses in some of the most remote parts of Africa.

"Once completed, it will bring significant social and economic benefits - from providing access to online educational resources to supporting national economies, creating more jobs and driving the adoption of new technologies," he said.

Africa currently has the lowest rates of fixed and mobile broadband subscription penetration in the world, at 0.6 per 100 inhabitants and 29.7 per 100 inhabitants respectively, according to data published last week by the United Nation's International Telecommunication Union.

That compares to 31.3 fixed broadband subscriptions per 100 inhabitants and 93.6 mobile subscriptions per 100 inhabitants in Europe, leaving Africa with some way to go before it enjoys the same benefits from the digital economy.

"Digital infrastructure is still a major problem for Africa's governments, people and it's businesses," said Nick O'Donohoe, CEO of the CDC Group, adding that quality internet is central to the continent's development and economic growth. (By Emma Rumney, Reuters)

Fourth telecom operator known by 2019

Luanda - The fourth global telecommunications operator (mobile & fixed network and pay-TV service) will be known in the first quarter of 2019.

The assurance came from Secretary of State for Telecommunications, Manuel Homem.

Manuel Homem announced this to the press at presentation ceremony of the Forum and Global Exhibition of Information Technology and Communication (ANGOTIC 2019) to take place on 18 – 20 June 2019.

The process related to the public tender, which will give access to one more operator in the Angolan market, will be completed in 2019.

This includes the modernisation process of e-governance infrastructure and the broadband programme.

On the other hand, he also spoke of the continuation of privatisation of Angola Telecom in 2019.

Both Angola Telecom and the fourth operator are still within the parameters established by the said public tenders, whose announcement will go ahead before the first quarter of 2019.

With startup of the new operator, the Angolan State will be a shareholder of 45 % of the capital.

The move is part of restructuring of the Telecommunications sector in Angola aimed to boost the local market.

The mobile telecommunications market has the following Global operators: Angola Telecom (public), Unitel and Movicel (privates). (Angop)

AGRIBUSINESS

World Bank grants $55 million for Mozambique's Smallholder Irrigated Agriculture and Market Access Project

World Bank arm, the International Development Association, has approved a US$55-million grant to support the Mozambican government's Smallholder Irrigated Agriculture and Market Access Project that aims to improve rural livelihoods through increased productivity, production, and access to markets.

The World Bank said in a statement that the project will target farmers in the four provinces of Manica, Nampula, Sofala, and Zambezia, all of which endowed with significant agricultural potential.

"I believe this new investment and others such as in rural infrastructure, landscape management will ultimately result in an economy that is more inclusive, broad-based, and sustainable," said Mark Lundell, World Bank country director for Mozambique, Madagascar, Mauritius, Seychelles and Comoros.

The project is expected to directly benefit 9,000 smallholder farmers from poor households in a country where only about 2.5 % of the country's cultivated land is irrigated.

It will invest in capacity building for farmers on improved agricultural practices, technologies, inputs and marketing, functional literacy, nutrition, and irrigation infrastructure management to ensure long-term sustainability of agriculture.

The project will also include capacity building for government staff and skills development programs for service providers, including non-governmental organisations involved in the provision of agriculture services. (Club of Mozambique)

Mozambique: tackling flooding through climate-resilient agriculture

Thanks to the combined actions of the African Development Bank, the Climate Investment Funds – for which the Bank is one of the implementing agencies – and other development partners, Mozambique, the third-ranked African country for exposure to climate hazards, has decisively embarked on the path towards a climate-change resilient future.

One particularly urgent issue for Mozambique is that it is the only country in Africa at high risk of every one of the principal negative impacts of global warming: drought, flooding and coastal cyclones. These hazards have cost the country an average of 1.1% of GDP and have produced repercussions that go beyond the economic to the human: every year from 2000 to 2013, three out of four Mozambican farmers lost harvests or livestock.

Beyond the figures, human suffering

In 2000, Mozambique suffered its worst flooding in 150 years, causing the deaths of nearly 800 people, the displacement of 540,000 people and the loss of 20% of GDP. Eleven years later, Mozambican Deputy Minister for the Coordination of Environmental Affairs, Ana Chichava, sounded the alarm. "Our projections for the future confirm that if nothing is done, about a million people will be displaced from coastal areas over the next thirty years. Looking beyond these figures, there will be human suffering on an unimaginable scale."

In support of the Climate Investment Funds, which provide accelerated funding procedures for emergency situations like these, in 2012 the African Development Bank invested US$35.2 million in support of populations threatened by flood, in the form of a $23.4 million loan under the African Development Fund and US$11.8 million under the Pilot Program for Climate Resilience (PPCR). The purpose of this funding was to support agricultural production in the south of the country and improve the quality of life of some 8,200 farming families (a total of some 40,000 beneficiaries), while helping them tackle the impacts of climate disruption.

Filomena Alfredo Xandlala is a market gardener in Chongoene district in southern Mozambique, a few kilometres inland from the ocean. Her community suffered terribly from the record floods of 2000, with 50 dead and more than 50,000 people displaced. That year, hundreds of families were left without food aid, due to the difficulties rescuers had in accessing areas badly hit by the floods. Filomena lost her entire rice crop and, seeing no way back, decided to leave agriculture for good. A difficult period followed when she only survived thanks to an emergency aid programme set up by the Government.

Ten years later, this mother with 18 children, and many grandchildren, is being taught by members of her community about the implementation of the Pilot Program for Climate Resilience project and how it is possible to get back into farming. There is one condition: to be trained in sustainable agriculture.

Climate-smart agriculture

Climate-smart agriculture is one of the elements of the programme launched in 2012 within the Baixo Limpopo Climate Resilience Pilot Project, which organises training in smart agriculture, enabling small farmers to learn how to adapt to climate change. The project also provides for the introduction of new climate-resistant seeds, the improvement of rural roads, the climate-resilient refurbishment of irrigation and drainage infrastructure and facilities for the processing and storage of vegetables.

Thus, in 2013, Filomena and 479 other farmers from Chongoene enrolled on one of the training courses, which taught them how to manage their crops all year round, how to irrigate in the event of flooding, maintain water levels, combat weeds, and use fertilizer. Six months later, this proud grandmother had gained new skills. And now that she has returned to agriculture, she is convinced that her new knowledge will help her achieve better yields.

"This project taught us a lot about agriculture and we are keenly looking forward to better harvests. I am optimistic for the future," she said, with a smile on her lips.

Indeed, her optimism seems to echo the project's results on the ground: the refurbishment of irrigation and drainage infrastructure over a 2000-hectare cultivation area and the development of 1050 hectares of land enabled Mozambique to produce 754,287 tonnes of vegetables in 2016, half of it in the southern regions of the country. This was a commendable performance and a model of success that the African Development Bank wants to continue and expand to other regions. Accordingly, in August 2018, the Bank helped the Mozambican Government to raise $44 million in support of the horticultural sector.

This funding is intended to boost production and promote the storage and processing of vegetables in the Lower Limpopo irrigation system area. The Government's intention is to ensure the operation

of the irrigation system and the management of water infrastructure and land and water resources for vegetable production throughout the year.
As part of this project, a vegetable-processing unit with a daily capacity of 20 to 25 tonnes, currently under construction, is due to come into operation in June 2019. The plant will buy vegetables from producers, which it will then wash, select, size, pack, and store. It is being built in Xai Xai; 400 of its 2114 square metres will be for offices and warehouses and it will help 8,000 growers enjoy new opportunities for the sale of their produce.
At long last, an outstanding mobilisation of all the country's development partners, including the African Development Bank, has gradually helped the country to mitigate the damage regularly caused in Mozambique by the effects of climate change. (AFDB)

Guinea-Bissau has already exported cashew nut production from the 2018 campaign
Farmers in Guinea-Bissau have already sold all of the cashew nuts harvested this season, at an average price of 500 CFA francs (86 cents) per kilogramme, said the Inspector General for Trade.
Alberto Mendes Pereira told the ANG news agency that 147.41 tonnes of cashew nuts had already been exported in the current campaign, but added that total exports could reach 150,000 tonnes.
“Many people thought that we would not reach 100 thousand tonnes, but with great effort and dedication from all of us, we managed to reach the desired amount,” said Pereira, quoted by ANG.
Pereira also said there were still some cashew nuts to export, but that their shipment had been temporarily suspended due to the export of logs.
Official figures show that more than 80% of the population of Guinea Bissau depends directly on the cultivation of cashews for their subsistence. (macauhub)

Angola spends US$230 Million on Commercial Agriculture Development
The Commercial Agriculture Development Project (PDAC), an initiative to be implemented in two phases over a six-year period and launched on Wednesday in Luanda, will cost US$230 million, said the Angolan Secretary of State for Agriculture.
Carlos Alberto Jaime Pinto also said that the initiative, which has the financial support of the World Bank and the French Development Agency, will increase productivity and access to markets, support the diversification of the economy, help generate revenues and promote the emergence of a sustainable agribusiness.
The project will have four components, the first being the development of agribusiness, valued at US$80 million, split into US$55 million to support agricultural production and marketing, and US$25 million to support partial credit guarantees.
The second is focused on the development and improvement of infrastructure, and is valued at US$100 million, particularly focused on improving rural roads, irrigation channels and public power grids.
The third area is linked to the improvement of the business environment and institutional strengthening, valued at US$35 million, and lastly, the fourth component is project management, monitoring and evaluation, valued at US$15 million.
The first phase should cover areas with agricultural potential in the Malanje, Kwanza Norte and Kwanza Sul provinces, while the second phase will include the provinces of Huambo, Bié, Uíge, Bengo, Benguela, Luanda and Huíla.
The selection criteria were greater concentration of commercial agriculture, favourable agro-climatic conditions for growing coffee, corn, soybeans, beans and other products such as peanuts, fruit and vegetables, as well as poultry and livestock breeding. (Macauhub)

IFAD supports Angola’s rural development programme
The implementation of Angola’s rural development programme will be financed by US$200 million from the International Fund for Agricultural Development (IFAD), officials announced in Luanda.

IFAD President Gilbert Fossoun Houngbo said at the end of a hearing granted by Angolan President João Lourenço that the financing will contribute to the implementation of that programme, which is based on the promotion of agriculture, livestock and fisheries.

Houngbo travelled to Angola to assess the degree of implementation of IFAD-financed programmes, which since its creation on 30 November 1977 have had projects under development worth an estimated US$250 million.

The projects most notably include support to the Development of Family Agriculture, underway in the provinces of Kwanza Sul and Huíla, with financing of US$38.8 million, which benefits 60 thousand family farmers.

Of this amount, US$28.8 million is financed by IFAD, US$8.2 million by the Angolan government and US$1.1 million in beneficiary participation, Angolan news agency Angop reported.

During a meeting with the Minister of Agriculture and Forestry, Marcos Alexandre Nhunga, Houngbo announced US$7.6 million in funding for the Agricultural Recovery Project, which is being implemented in eight municipalities of the provinces of Benguela, Cunene and Huíla.

With more than 35 million hectares available, the agricultural sector has prepared more than 5 million hectares nationwide for the business and family sector for the 2018/2019 agricultural year to produce grains, tubers, fruit, vegetables and oilseeds, with a view to reducing imports. (Macauhub)

Sugar Industry: A successful business in a skewed market

Punished during the Mozambican civil war (1977-1992), with almost all the destroyed factories and abandoned cane fields, the sugar industry has recently repositioned itself in terms of gross domestic product (GDP) contribution of the agricultural sector.

After the major setback in the so-called “16-year war”, the turnover of the sugar industry in Mozambique reached record levels, thanks to government assistance and a series of foreign direct investments that catapulted the sector.

Between 2011 and 2015, the turnover of this industry corresponded to an average of nine per cent of agriculture’s GDP.

Despite this effort, the support of the government is increasingly essential for the national sugar industry, given the distorted world market, which opens the door to unfair competition in the sector.

In view of the distortion on the international sugar market, the KPMG report issued in 2016 stated that without maintaining the current levels of additional intervention of the Executive, “domestic sugar mills would be unable to compete with each other and in international markets, of the Marromeu and Mafambisse sugar mills”.

KPMG noted that this scenario would ultimately lead to a decrease in production levels, resulting in socio-economic losses.

Most sugar-producing countries have incentive-state mechanisms and subsidies on production and the expulsion of surpluses (via export subsidy).

“Unprotected markets against the effects of the elimination of surpluses are vulnerable to disruptions of domestic sugar industries,” the report says of the positive contribution of the sugar industry in Mozambique, which the government should continue to stimulate for its sustainability and competitiveness on the international market as it prepares for future market normalization.

A withdrawal of compensatory measures may affect the positive results already achieved by players in the sector, such as a decrease in production levels.

At least two sugar mills (Tongaat Hulett-Açucareira de Moçambique and Tereos-Companhia do Sena) will not maintain their operations, as they are more susceptible to considerable losses.

In terms of socio-economic impacts, if the government opts for the withdrawal of incentives, it foresees job losses (almost 17,000 people fell into unemployment), less income and investments in social areas may decrease by 65 per cent.

Sugar importation regime in SADC

While some current opinion supports the elimination of incentive mechanisms and subsidies to the Mozambican sugar industry, Southern African Development Community (SADC) countries have been strengthening measures to protect their industry.

South Africa maintains a price-based regime with tariffs based on the difference between the world price and a reference price. The reign of eSwatini (Swaziland), on the other hand, maintains a regime based on the reference price in dollars, with tariffs based on the difference between the world price and a reference price.

Tanzania maintains import controls by restricting imports to deficit levels and applies a duty of 100 per cent or $460 per tonne.

Zimbabwe applies a rate of 10 per cent and over $100 per metric tonne. Imports are furthermore restricted by means of an import licensing agreement.

Malawi restricts imports through import control measures and also charges a 25 per cent import duty on world market imports. Angola, a country with a significant sugar deficit of around 80 per cent, still limits imports through import control measures and also charges an import tax of 20 per cent, plus a two per cent import tax on sugar. (Club of Mozambique)

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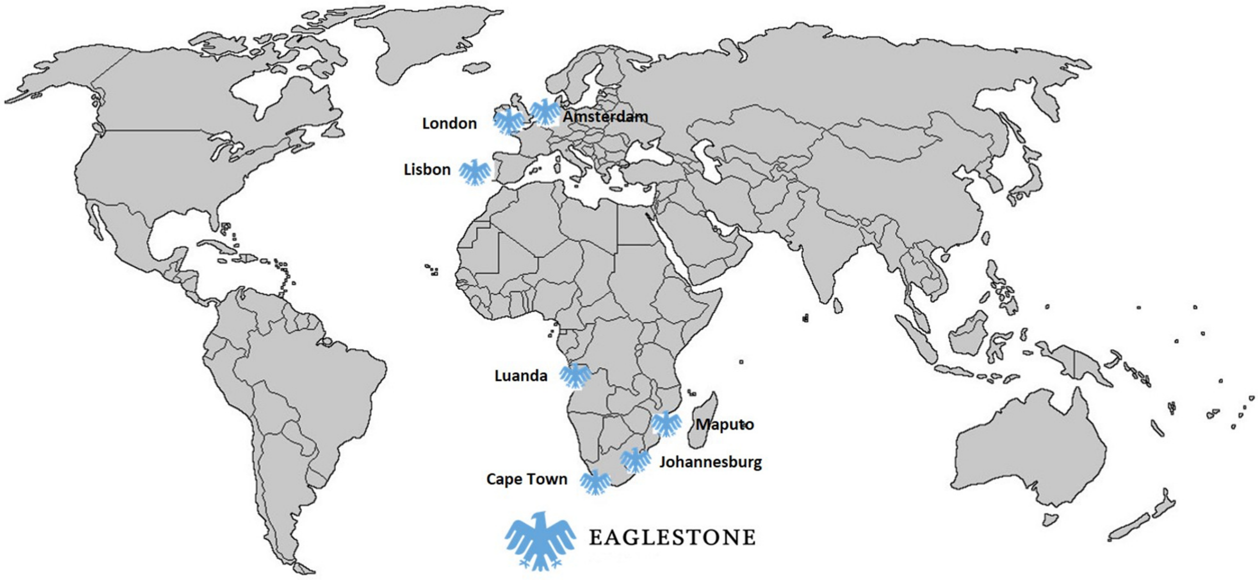

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Disclosures

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

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