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INSIDE AFRICA

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Angola: Country Outlook

Political Stability: Growing discontent with ongoing economic underperformance is likely to lead to increasing protests, particularly in the early part of the 2017-21 forecast period. Indeed, this trend is already apparent--as underscored by public-sector strikes in April (a rare occurrence). There is a clear risk that heavy-handed crackdowns on critics will act as a catalyst for more sustained instability. Nonetheless, whether via pre-emptive arrests and the trials of high-profile critics or the deployment of the security services against demonstrators, the ruling Movimento Popular de Libertação de Angola (MPLA) will continue to act strongly to suppress anything that it perceives as a serious threat to its hegemony, particularly in the run-up to the August 2017 legislative election.

Election Watch: Seven parties and a coalition have been given the go-ahead to compete in the next legislative election, which is scheduled to take place in August 2017. An increasing number of voters--especially young people--feel excluded from the country's post-war oil boom (which, in any case, is now in abeyance).
However, declining levels of support for the MPLA are unlikely to translate into an opposition victory at the polls. The main opposition party, the União Nacional para a Independência Total de Angola (UNITA), lacks dynamism, and although the Convergência Ampla de Salvação de Angola-Coligação Eleitoral (CASA-CE) coalition is popular among younger and more educated voters, especially in urban areas, its networks are not as well developed as those of UNITA and it lacks the older party's financial muscle. Its structure as a coalition is also a potential risk given the various layers of leadership within the individual member parties that make up its whole.

International Relations: Tensions with the international community are likely to rise around the 2017 election, given that the MPLA is expected to adopt increasingly heavy-handed efforts to maintain its hegemony and that any change in head of state will not be the direct result of a popular vote. Despite this, Angola will continue to seek to consolidate relations with key strategic partners and to diversify access to international finance. It will continue to prioritise relations with lusophone states including Brazil and the former colonial power, Portugal--although relations with both will be put under strain by corruption allegations, and Portugal's laying of graft charges against Angola's vice-president, Manuel Vicente. Mr Lourenço has already held a series of meetings with regional heads of state, mainly from Southern Africa. Angola's next president (whoever he may be) will seek to maintain Angola's perceived position as a leading regional power. However, relations with global powers such as the US and China will receive higher priority. Although the economic impact of the election of Donald Trump as US president may be constrained by comparatively moderate levels of bilateral trade and aid flows, there is a serious downside risk that the slowdown in Chinese growth will translate into fewer trade and investment deals.

Policy Trends: A fundamental rebalancing of the economy is needed, but the authorities' commitment to full-scale reform is debatable--as underscored by the ruling-out of a three-year extended fund facility (EFF) with the IMF, which would have been likely to include stringent demands regarding transparency and exchange-rate deregulation. Despite this, the IMF will remain engaged as part of ongoing Article IV negotiations. It will continue to encourage the authorities to restore macroeconomic balances and build up reserves, constrain growth in the public-sector wage bill, take steps to contain public debt--which the Fund estimates has risen by more than 30 percentage points as a share of GDP in three years--reduce the non-oil fiscal deficit and foster greater exchange-rate flexibility, supported by tighter monetary conditions to contain inflation. In the longer term, the authorities will be encouraged to improve the efficiency and transparency of public spending, and to create a business-friendly environment--notably by reducing costs in the non-oil sector--that will enable the private sector to lead economic growth. Progress is likely to be slow, however, and the government is likely to pursue some populist and protectionist measures--

along the lines of moves, announced in March, to protect the local job market and national currency, potentially at the expense of productivity.

Economic Growth: Growth is expected to recover during 2017-21, after registering an estimated expansion of just 0.6% in 2016. As oil prices recover, slightly more solid expansion in government and private consumption should see growth edge up to 2.4% in 2017--slightly ahead of the official forecast of 2.1% (largely because of differences in oil price assumptions)--and 3.5% in 2018. We expect growth to slip back to an average of 2.7% in 2019-21, given more moderate local output increases, compounded by an ongoing slowdown in Chinese growth that will unnerve global markets and lead to a renewed moderation in oil prices in 2019.

Inflation: After a sharp spike to an average of more than 32% in 2016, inflation should trend downwards in 2017-21. We expect the central bank's monetary policy committee to maintain a relatively tight policy stance, as underscored by five interest-rate rises during 2015 and two 200-basis-point increases in 2016. In addition, the government has announced some measures to combat inflation, including the introduction of price controls on some goods, and is reportedly planning a new customs tariff regime that will cut import duties on a number of food and other items. However, it is unclear when this new regime will be implemented, and the decline in price increases is still unlikely to be rapid. The kwanza's continued weakness against the US dollar will push up the cost of imported goods, and high government spending in the run-up to the election in 2017 and a partial recovery of global food and non-food commodity prices in 2017-18 will also generate inflationary pressure. All told, we expect annual average inflation to moderate from 23% in 2017 to 10.7% in 2018 as rising oil prices lead to improved dollar availability and reduce the pressure on the local currency slightly. Thereafter, the rate of decline will slow, with inflation averaging a still-high 7.7% in 2021.

Exchange Rates: The kwanza lost 27% of its value against the dollar in 2016, but we expect the rate of depreciation to slow in the first half of the forecast period. The formal rate of the kwanza has stabilised at around Kz165:US$1, owing in part to the central bank carrying out a series of controlled auctions in recent months. Nonetheless, amid continued shortages of US currency, the gap with the black-market rate remains substantial, with the latter running at around Kz360:US$1 in April--more than double times the official rate, but substantially down from around Kz495:US$1 at end-2016. The ability of the Banco Nacional de Angola (the central bank) ability to support the kwanza through market intervention in 2017 and beyond will depend on the level of foreign-exchange reserves. According to revised official data, international reserves stood at around US$22.7bn in January 2017 (the latest available data)--equivalent to around eight months of import cover, but still well down on the level of US$28bn at the end of 2014. Reserves are likely to continue to decline as the central bank seeks to defend the currency, but will remain well above minimum recommended levels.

External Sector: Angola is expected to run current-account deficits during 2017-21. After their sharp dip in 2014-16, total export earnings--dominated by oil--will bounce back in line with prices, while remaining well below their 2012-13 peak. Imports will also bounce back, reflecting a slight rise in government-led capital investment in the moderately more supportive oil price environment, although the ongoing devaluation of the kwanza is likely to continue to limit consumer demand. The trade surplus as a percentage of GDP will average 11.9% over the forecast period--still less than one-third of the average in 2010-14. *(Economist Intelligence Unit)*

Mozambique: Country Outlook

Political Stability: Mozambique's political stability will remain under threat as the fractious political elite struggle to respond to the economic crisis facing the country. Fierce rivalries within the long-standing ruling party, the Frente de Libertação de Moçambique (Frelimo), will continue to stir political volatility, although efforts by the president, Filipe Nyusi, to assert his authority over a hardline faction of the party will make slow progress. The Economist Intelligence Unit expects Mr Nyusi to retain his position as party president at Frelimo's five-yearly congress in September and to continue quietly replacing state officials allied to former presidents. However, Mr Nyusi lacks the political capital to comprehensively manage the party's dissident factions, signalling that parallel power structures within Frelimo will continue to undermine government stability.

Election Watch: The next municipal elections are scheduled for October 2018, and the next presidential, legislative and provincial elections are due in 2019. The municipal elections will be hotly contested, as the opposition's relative success at a local level is central to its demands for greater regional autonomy. In the 2014 legislative election, the Resistência Nacional Moçambicana (Renamo), an armed opposition party, demonstrated its ability to transform itself from a rebel movement into an electable party and, since it boycotted the 2013 municipal polls, it stands to make significant gains at city level in 2018, albeit at the expense of other opposition parties. Regional disparities will therefore remain intact, with Frelimo dominant in the most populous southern provinces and opposition support stronger elsewhere. We expect Mr Nyusi to secure the nomination as Frelimo's presidential candidate, as his loose alliance of moderates within the party will probably outnumber his rivals. A particularly poor performance for Frelimo in the 2018 municipal polls could dampen Mr Nyusi's prospects for re-selection, but, even in this scenario, we think it unlikely that the party will be able to agree on an alternative. With a semblance of unity prevailing during the election period, and Frelimo continuing to benefit from its influence over state institutions, we expect the ruling party to win majorities in the presidential and parliamentary polls of 2019. Frelimo's share of the vote will probably decline though, amid popular frustrations over the government's economic mismanagement.

International Relations: Following the revelation in April 2016 of secret public borrowing, as well as allegations of state-orchestrated human rights abuses, relations with traditional development partners will remain tense. An independent investigation into the previously undisclosed debt, coupled with the government's re-commitment to the peace process with Renamo, should go some way to improving donor relations.
However, we expect direct budgetary support to be mostly replaced by programme-related aid over the medium term, owing to donors' ongoing concerns about the government's management of its finances. Meanwhile, the government will expedite its efforts to deepen ties with Asian countries--particularly China (a major creditor to Mozambique) and coal- and gas-importing countries (notably India, Japan and Thailand, which have companies that are heavily invested in Mozambique). Despite the government's efforts, though, the poor operating environment in Mozambique, a slowdown in Chinese growth and the glut in global energy markets will limit Asian countries' interest in deepening ties.

Policy Trends: The government's near-term priority is to restore macroeconomic stability, amid an unsustainable external debt burden and a sharp drop in capital inflows. The IMF suspended the country's stand-by credit facility in April 2016, when previously undisclosed loans pushed the country into debt distress, and Mozambique's access to international credit is consequently severely curtailed. Given its dependence on external capital, the government will attempt to secure a new economic programme from the IMF. However, discussions with the Fund will be complicated by delays to the country's debt audit and a lack of progress in negotiations with commercial creditors over proposed debt restructuring. Nevertheless, provided the government does not entirely renege on its efforts to restore debt sustainability, we tentatively expect IMF support to resume before end-2017. Efforts by the authorities to restrict the audit process or government reluctance to accept the IMF's onerous terms could, however, push back this timeline.

Economic Growth: After falling to a 15-year low of an estimated 3.3% in 2016, real GDP growth is expected to recover slightly, to 4.2% in 2017, driven almost entirely by the minerals sector. The coal industry is poised for brisk growth, spurred by firmer international prices, relatively robust demand in India (Mozambique's main export market) and mining companies' recent efforts to boost efficiency. However, economic headwinds will persist elsewhere. Fiscal austerity, tight liquidity conditions and high inflation will stifle domestic demand, and policy uncertainty will prolong the slump in investment. Beyond 2017 we expect the economic recovery to gather pace gradually as market confidence recovers. However, at an annual average of 5.1% in 2018-21, real GDP growth will remain well below the average of 7.4% recorded in 2005-15. Tight fiscal policy will continue to limit growth in the services and construction sectors, which have historically relied on government contracts, but some private investment in these sectors is expected from 2018. The expansion of cash crops will drive agricultural growth, but this will be held back by infrastructure constraints. The gas industry has the potential to be a major driver of growth, with Eni (Italy) and Anadarko (US) planning to develop liquefied natural gas (LNG) export facilities. We do not expect significant LNG production to begin within the forecast period, given the technical and regulatory complexity of the projects, but development work will support growth from 2018.

Inflation: After climbing to an all-time high of 27% in November 2016, the headline inflation rate will trend downwards over the course of 2017 owing largely to base effects. Lower food prices as post-drought production picks up and a stronger currency in early 2017 will support this trend, but inflationary pressure will be exerted by rising global prices and the removal of some subsidies. We therefore expect inflation to remain high, at an annual average of 19.4% in 2017. Beyond this, lower government spending will weaken price pressures, with inflation forecast to average 5% in 2021.

Exchange Rates: After plummeting against the US dollar in 2016, the metical has strengthened in recent months, on the back of an upturn in export earnings and monetary tightening. We think it unlikely that the metical will continue appreciating throughout 2017, as weak capital inflows and sizeable fiscal and current-account deficits exert downward pressure. However, firmer global coal prices and a likely upswing in Mozambique's foreign-exchange reserves will support the metical and we have revised our forecast for annual depreciation in 2017 down, to 11.2%. Thereafter, a tighter fiscal stance and a gradual upturn in capital inflows will slow the pace of depreciation further, with the metical forecast to average MT91.2: US$1 in 2021.

External Sector: We expect the current-account deficit to continue its sharp contraction, from a recent peak of 39.4% of GDP in 2015, to 16.7% of GDP in 2017, driven largely by subdued import demand but helped by coal exports. (This is a slight downward revision on our previous forecast owing to higher than expected coal prices.) Import demand will remain weak in 2018, but, with low mineral prices weighing on export earnings, the current-account deficit will widen to 17.8% of GDP. We then expect it to average 21.4% of GDP in 2019-21, as rising import demand and higher primary income debits outpace modest export growth. The deficit will be financed by external borrowing and foreign direct investment. *(Economist Intelligence Unit)*

IMF, WORLD BANK & AFRICAN DEVELOPMENT BANK

African Development Bank approves USD 226.5 Million loan to boost economic governance and competitiveness in Namibia

The Board of Directors of the African Development Bank has approved a loan of US$ 226.5 million (ZAR 3 billion) to finance the Namibia Economic Governance and Competitiveness Support Programme (EGCSP).

The operation is the Bank's maiden policy based operation in Namibia and the first of two programmatic series for the 2017/18 and 2018/19 fiscal years.

The EGCSP was well received by the Board who commended the quality of the operation and was satisfied with the Namibian government's strong commitment to the implementation of reforms.

The programme will support the strengthening of public financial management and improve the quality and efficiency of public sector spending, while laying a solid foundation for industrialization through support to critical business environment reforms. "The EGCSP is designed to address emerging vulnerabilities undermining macroeconomic stability and support the Government's ongoing bold structural reforms aimed at driving long-term job creating growth and reducing income equality," says Senior Vice-President Charles Boamah, who presided over the AfDB Board meeting. It is aligned with the Bank's Country Strategy Paper for Namibia; two of the operational priorities of the Bank Group's Ten-Year Strategy; and the High 5s agenda on industrialization and improving the quality of life.

Namibia registered one of the highest average growth rates in Africa over the past 20 years and made some good progress in reducing poverty.

However, more progress is needed to further reduce unemployment, and income inequality. These challenges are compounded by bottlenecks in public financial management (PFM) and the business environment, which limit the pace of industrialization and economic diversification.

In 2016, Namibia recorded a sharp slow-down in real gross domestic product (GDP) from 5.3% in 2015 to 0.2%. As a share of GDP, the fiscal deficit at 8.3%, the current account deficit at 13.7%, and public sector debt at 39.8%, had also markedly increased, while international reserves at 2.8 months of imports were below the international benchmark of 3 months.

Guided by Vision 2030, the National Development Plan, the Harambee Prosperity Plan and other sector policies and strategies, the Government has embarked on fiscal consolidation and wide ranging PFM and business environment reforms to address these challenges and these are beginning to yield positive results.

The African Development Bank, in collaboration with other development partners, will continue to support the government's bold steps geared towards addressing the country's short, medium and long term development challenges. The approval of the EGCSP is a major step in this direction.

Collaborating Across Continents: Mozambique, Brazil and the World Bank Deepen South-South Cooperation on Sustainable Rural Development

- *World Bank sponsors Mozambique and Brazil's south-south partnership to improve sustainable rural development*
- *The two countries share many similar challenges and opportunities; they are both biodiversity hotspots, and both grapple with resource exploitation challenges*
- *Mozambique is now the largest recipient of South-South cooperation from Brazil in Africa*

Mozambique is richly endowed with natural resources including 40 million hectares of natural forests. Despite their tremendous potential, the country's natural forests are being rapidly depleted at an annual rate of approximately 0.35 % a year, representing an annual loss of almost 140,000 hectares. The threat that the current rate of deforestation in the country poses to rural livelihoods, wildlife and biodiversity habitats, as well as emissions of greenhouse gases generated by deforestation is significant.

The World Bank is supporting Brazil and Mozambique's south-south cooperation on the matter, particularly in sustainable rural development. To that effect, a new Memorandum of Understanding

(MoU) spanning a broad range of issues, from land management and biodiversity to climate change mitigation and adaptation was signed on May 11 in Maputo between Brazil and Mozambique. Some of the specific learning objectives include effective public policy reforms for environment and conservation agriculture; innovative measures to increase land regularization; planting technologies for restored areas; value chain development and the promotion of rural smallholder entrepreneurship; and the potential for public-private partnerships to provide rural credit streams for smallholders and agribusinesses.

"We are pleased with this MoU with Brazil and the World Bank. We look forward to learning from Brazil's commendable efforts to promote sustainable rural development," said Oldemiro Baloi, Mozambique's Minister for Foreign Affairs. "This MoU is also unique in that it is a tripartite agreement between two countries with a long history of collaboration, and a key development partner."

Brazil and Mozambique share many similar challenges and opportunities; they are both internationally recognized for their natural resources, ecological richness and biodiversity hotspots, and both grapple with resource exploitation challenges. With experience in supporting natural resource dependent communities and managing large forest ecosystems, Brazil offers capacity in areas relevant to Mozambique's efforts to enhance the living conditions of its rural population and promote sustainable natural resource management.

Mozambique is now the largest recipient of South-South cooperation from Brazil in Africa. "We are happy to strengthen this relationship through this MoU" says Aloysio N. Ferreira, Minister of Foreign Affairs Brazil (Itamaraty). "We remain available and eager to contribute to Mozambique's efforts towards the promotion of sustainable rural development, and glad to learn about Mozambique's experiences."

The MoU is aligned with the World Bank's supported government of Mozambique priorities in the form of financial and technical support to several operations, including the Mozambique Forest Investment project (MozFIP); the Agriculture and Natural Resources Landscape Management Project (Sustena); the Conservation Areas for Biodiversity and Development (MozBio); the REDD+ Readiness Support Project; the Dedicated Grant Mechanism for Local Communities (MozDGM); and other analytical work and technical assistance.

As Mark Lundell, the World Bank Country Director for Mozambique, Comoros, Madagascar, Mauritius, and Seychelles, put it "This MoU underscores the World Bank's commitment to supporting both Brazil and Mozambique realize their potential in rural development through a landscape approach to sustainable management of natural resources such as forestry and agriculture." He also said that the Bank's overall strategy emphasizes improving the quality of life of the 'bottom 20% of the population', a large portion of which lives in rural areas in both countries. "Hence, agriculture, forestry and land management are key sectors to achieve the Bank's objectives," he concluded. *(World Bank)*

EPSA: 7th loan from AfDB and Japan to support the private sector in Africa

The African Development Bank (AfDB) and the Government of Japan (GOJ) have signed an agreement for a **US $ 300 million facility** under the joint initiative titled Enhanced Private Sector Assistance (EPSA) for Africa.

The loan, worth JPY 34.41 billion (equivalent to approximately USD 300 million) is intended to support private sector operations in Africa through the AfDB's non-sovereign window.

The agreement, which was signed at the AfDB headquarters in Abidjan, Côte d'Ivoire, was in the presence of AfDB Senior Vice President Charles Boamah, AfDB Acting Finance Vice-President Hassatou N'Sele, Chargé d'affaires ad interim of Japan to the Republic of Côte d'Ivoire Yukuo Murata, representing the Cote d'Ivoire Office of the Japan International Cooperation Agency (JICA) Ms. Momo Morioka. Speaking at the signing ceremony, Senior Vice President Boamah thanked the people and government of Japan and the Japan International Cooperation Agency for their continuous support to the AfDB and the African Continent under the EPSA Initiative.

The signature of this Exchange of Notes marks the conclusion of the 2nd phase of the EPSA Initiative and the beginning of the 3rd phase, was announced at the 6th Tokyo International Conference on African Development (TICAD) held at Nairobi, Kenya on August 2016. The 3rd phase has a joint target (Japan plus AfDB) of USD 3 billion over the next three years.
The Senior Vice President emphasized the importance of the EPSA loans-which have so far reached a cumulative 1.5 billion USD since 2007. “Japan is a very strategic partner of the AfDB and a major trading partner for Africa. Your support in promoting private sector growth, quality infrastructure and co-financing operations, has allowed the Bank to grow its private sector portfolio ten-fold. Under the new High 5 priorities, all of which involve the private sector, the Loan will accelerate expansion of our private sector portfolio even further,” he said. Acting Ambassador of Japan to the Republic of Côte d’Ivoire, Yukuo Murata, commended the Bank for its past efforts and shared the intention of Japan in successfully achieving the joint targets of the 3rd phase of EPSA, which was agreed at 6th TICAD.
The first Private Sector Assistance Loan from JICA to the AfDB was signed in 2007 for USD 100 million. This seventh loan brings the grand total to USD 1.5 billion. The Private Sector Assistance Loans are one of three components comprising the EPSA Initiative, the other two being the Accelerated Co-financing Facility (ACFA) for public sector co-financing with JICA, and the Fund for African Private Sector Assistance (FAPA), a multi-donor thematic trust fund administered by the Bank.

INVESTMENTS

Germany pushes G20 plan to lure more private investment to Africa

Wealthy nations must work more closely with Africa to narrow the gap between rich and poor and avoid global instability, German Finance Minister Wolfgang Schaeuble said, setting out a plan to increase private investment in Africa.
Germany, which holds the rotating presidency of the G20 group of the world's biggest economies, has put Africa and inclusive growth high on the G20 agenda to address the root causes of mass migration from underdeveloped to developed countries. Speaking at the World Economic Forum on Africa in Durban, Schaeuble said: "The French election, Brexit - let's set aside the new administration in Washington D.C. - but (these) are not the major geopolitical risks, with all due respect.”I think we have to come back to Africa. We have to tackle the issue of inclusiveness," he said. "If we fail to stabilise the African continent in the years and decades to come, we will face increasing geopolitical risks," he said, citing the pressing problem of African migrants fleeing poverty, natural catastrophes, climate change and war.
The German government wants **African nations to team up with G20 countries and international lenders**, such as the World Bank, to improve their macro-economic framework and attract more private investment to Africa through tailor-made programmes.
The first stage of the initiative, dubbed "Compact with Africa," will focus on Tunisia, Morocco, Ivory Coast, Rwanda and Senegal. More countries are expected to join later this year. **The proposal** is built on the idea that resilient macroeconomic institutions are critical for attracting more foreign direct investment and spurring sustainable growth.
This so-called capacity development includes areas such as implementing fair tax systems and fostering financial stability.
As the population in Africa is projected to double by 2050 to some 2.5 billion people, Germany's campaign to improve living and working conditions of Africans is also part of its broader efforts to reduce migration flows to Europe. South African Finance Minister Malusi Gigaba welcomed Germany's push. "Many African countries are coming on board, expressing their commitment to the compact," Gigaba said.

German companies view African economies as an important market for future growth. In the first two months of 2017, German exports to African countries jumped 26 % on the year to 4.2 billion euros, according to official data.
This followed a yearly increase of 2.5 % to 24.5 billion euros in 2016 while overall German exports inched up 1 % to 1.2 trillion euros. This means exports to Africa accounted for only 2 % of overall German exports. *(By Olivia Kumwenda, Reuters)*

Mozambique and Brazil deepen cooperation by signing several agreements
The Mozambican and Brazilian governments signed a number of legal agreements in Maputo to promote and strengthen bilateral cooperation relations, including one relating to social security, during an official visit to the country by Brazil's foreign minister. **The agreements** were signed by the Ministers of Foreign Affairs and Cooperation of Mozambique, Oldemiro Balói and of Brazil Aloysio Nunes Ferreira Filho, and the Mozambican minister noted the importance of the social security agreement, which establishes that citizens of both countries have the same rights, specifically in relation to old-age and sickness benefits. "This agreement will make Brazilians feel less foreign in Mozambique and Mozambicans also less foreign in Brazil," said Balói, according to Mozambican news agency AIM.
Also as part of the visit of Brazilian Foreign Minister, a Mozambique-Brazil business forum was held in Maputo, to publicise investment and business opportunities in the various sectors of economic activity, as well as the promotion of partnerships between entrepreneurs from both countries.
The opening session was led by the Minister of Industry and Trade, Ernesto Max Tonela, with the participation of Aloysio Nunes Ferreira Filho, the representatives of the Investment Promotion Centre, the Brazilian Embassy in Mozambique and the Confederation of Economic Associations. Among the entrepreneurs, besides the Mozambicans from various sectors, there were 17 Brazilians who are part of the ministerial entourage and have interests in the sectors of industry, agribusiness, health, commerce and others. *(Macauhub)*

China, Africa trade, investment 'off to a flying start' in 2017
China's trade with African countries in the first quarter climbed by nearly a fifth from a year earlier, while its direct investment in the continent soared 64 %, the Chinese commerce ministry said.
Trade cooperation between China and Africa is "off to a flying start" in 2017, thanks to policy benefits from a cooperative framework laid down by the Chinese and African leaders in South Africa in 2015, said Sun Jiwen, spokesman at the ministry.
Chinese President Xi Jinping announced **plans to plough $60 billion into African development projects** at a summit in Johannesburg in 2015, saying it would boost agriculture, build roads, ports and railways and cancel some debt. China's total trade with Africa rose 16.8 % to $38.8 billion in the first quarter, its first year-on-year increase since 2015, Sun told a regular news briefing in Beijing. That's mainly due to a 46 % jump in annual imports from Africa in the first quarter with agricultural imports rising 18 %, while Chinese exports recorded a smaller fall of 1 % from a year earlier, Sun said.
China's non-financial direct investment to the continent also jumped 64 % in the quarter, as countries such as Djibouti, Senegal and South Africa all saw a more than 100 % rise in the quarter.
China's growing investment in the region is also likely to have been buoyed by its ambitious global trading strategy known as the Belt and Road Initiative, which appeared to be gaining traction recently, particularly in parts of East Africa where major infrastructure and defence projects are being built.
However, despite the bullish figures, some experts on China-African trade said that sharp price rises in products such as copper since late last year could be a major factor contributing to the impressive gains in trade value in the first quarter. China's trade relations with African countries are often dominated by big natural resource deals. There was also scepticism over Beijing's willingness to

ramp up trade and investment in Africa, as China appears to have been looking at investments in resource-rich markets with better economic performance such as Peru. Chinese firms rushed to court the remote African continent in the past because of stiff competition from savvy western multinationals in traditional resource-rich countries, said Kai Xue, a Beijing-based lawyer and Africa expert at DeHeng Law Offices.
But Africa's strategic significance has been fading as competition lessened with the downturn in global commodities in recent years, leaving a gap for China to fill, while slowing growth in Africa muted some Chinese interest, he said. "There could still be increases (in trade and investment to Africa) every year in a decline scenario, because China's economy is still expanding quite considerably. But a modest growth figure is not comparable to the peak times in the past." Xue added that the Belt and Road Initiative may actually divert some of the Chinese financing away from Africa as China moves increasingly closer to other allies such as Pakistan. Africans broadly see China as a healthy counterbalance to Western influence but, as ties mature, there are growing calls from policymakers and economists for more balanced trade relations. *(By Yawen Chen and Ben Blanchard, Reuters)*

African Export Import Bank to invest up to $500 mln in Gambia
The African Export Import Bank (Afreximbank) will invest up to $500 million in Gambia, its president said, an economic boost to the impoverished West African country ostracized by investors under former president Yahya Jammeh. The money will go towards tourism, infrastructure and agriculture in the tiny riverside country of about 2 million people whose finances are in disarray following what a new government has described as widespread fraud by Jammeh. "We would be doing integrated transport logistics that would lead to the expansion of the sea port so it can have the capacity to carry more goods and link it to the railway that would take goods all the way to Senegal and Mali," Afreximbank president Benedict Oramah told reporters late after meeting President Adama Barrow. The Cairo-based lender was established in Nigeria in 1993 by African governments and investors to finance trade. The timing of the investments was unclear but Oramah said he plans to send a technical team to Gambia soon. Barrow defeated Jammeh in a December election, ending a long rule that human rights groups say was marred by torture and murder of political opponents. Jammeh was forced into exile in Equatorial Guinea in January. He left the economy saddled with over $1 billion in debt -- more than Gambia's annual economic output -- hobbling ordinary government functions. But foreign aid that had been stopped under Jammeh is coming back, a mark of confidence in the democratically elected government. The European Union, which had frozen its assistance after Jammeh's government outlawed homosexuality in late 2014, promised Gambia a 75 million euro (£63.8 million) aid package in February. *(By Edward McAllister, Reuters)*

BANKING
Banks

National Bank of Angola orders closure of NatraBank
The National Bank of Angola (BNA) has begun the process of closing NatraBank, a company with a capital of 2 million kwanzas (US$13,000) which was inaugurated less than two weeks ago, Angolan weekly newspaper Expansão reported quoting a source from the bank central.
The source added that the company had already been warned by the supervision department of the National Bank of Angola that it cannot use the word “bank” in its name, as it is reserved for entities authorised by the BNA to operate as financial institutions.
NatraBank was presented by Celeste de Brito, president of the Board of Directors, as a unique bank in Africa and in the world that focuses natural resources, and is directed at financing farmers, builders and miners.

Article 12 of the Basic Law of Financial Institutions in Angola states that “only entities authorised as financial institutions may include in their firm or denomination, or use in the exercise of their activity, expressions that suggest the activity of banking financial institutions or non-banking financial institutions, namely bank, banker, credit, depository, financial leasing, financial assignment, distributor or securities brokerage or other similar terms.” The source from the BNA quoted by ExpansÃ£o said that, after being informed about the activities carried out by NatraBank, the supervision of the BNA found it “appropriate to outlaw the company” and order its closure. *(Macauhub)*

Barclays and Société General banks interested in buying Mozambican bank Moza

South African banking group Barclays Africa and France’s Société Générale are two of the main players interested in buying a majority stake in the Moza bank, which is currently subject to Bank of Mozambique intervention, the Africa Monitor Intelligence (AMI) newsletter reported.

The Mozambican central bank intervened in Moza in September 2016 due to the continued deterioration of the bank’s prudential situation in order to “protect the interests of depositors and other creditors, as well as safeguarding the normal operating conditions of the Mozambican banking system.”

Moza (formerly known as Moza Banco), which started operations in 2008, is controlled 51% by Moçambique Capitais and the remaining 49% held by Portugal’s Novo Banco, a bank that inherited the healthy assets of bankrupt bank Banco Espírito Santo.

Shareholders met at a general meeting on 23 January 2017, decided to proceed with a capital increase and set a deadline of 23 March 2017 for to exercise preferential rights, but at the end of that period they did not comply with the agreement.

In a statement issued on the same day, the Bank of Mozambique added that the provisional board of directors, in coordination with the evaluation committee, would continue with the Moza capitalisation process.

The branches of the two banking groups – Barclays Bank Moçambique and Société Générale Moçambique – are the main candidates to buy the majority of Moza, increasing their market share through the mergers and acquisitions process.

Both banks have expressed their intention to grow in the Mozambican market, and therefore this acquisition, if successful, will increase Barclays Bank Moçambique’s market share from 6% to 13% and Société Générale Moçambique from the 2% to 8%. *(Macauhub)*

Nigerian Bank UBA Plans First Eurobond as Economy Rebounds

- Central bank’s currency rules heading in the ‘right direction’
- Country’s banking industry is safe, UBA chairman Elumelu says

United Bank for Africa Plc plans to sell its first Eurobond as Nigeria’s economy shows signs of recovering from the worst economic contraction in 25 years. “It’s inevitable,” UBA Chairman Tony Elumelu said in an interview in the capital, Abuja. This would be “more short- to medium-term than long-term," he said, adding that the issuance may happen this year, without giving further details.

UBA is following the lead of its larger Lagos-based peer Zenith Bank Plc, which is marketing $500 million of debt to investors in the U.K. and U.S. this week, as yields on emerging-market Eurobonds fall to their lowest levels since November. Gross domestic product in Africa’s biggest oil producer is forecast to expand 0.8 % this year, according to projections from the International Monetary Fund, after shrinking 1.5 % in 2016.

It also comes amid a rally that last week drove the Nigerian Stock Exchange Banking 10 Index to its highest level since August 2015 after the central bank opened a foreign-exchange trading window, easing a crippling shortage of dollars that has prevented businesses from paying for imports. UBA has climbed 47 % this year, the top performer in the 10-member index. Stanbic IBTC Holdings Plc, which isn’t in the gauge, has gained 77 %.

"Last year was a tough year for Nigeria but things gradually seem to be improving," said Elumelu, who is also the founder and chairman of Heirs Holdings Ltd., an investment company. "The foreign-exchange market has drastically improved. There's predictability in the market now."

Safe Sector

UBA is Nigeria's third-biggest lender, with 3.5 trillion naira ($11.1 billion) of assets, according to data compiled by Bloomberg. Guaranty Trust Bank Plc, Zenith Bank, Access Bank Plc and Diamond Bank Plc are among Nigerian lenders that have previously tapped international capital markets.

Nigeria's banking industry is a "safe sector," according to Elumelu. "If we thought there was a crisis, we would have cut down on our interbank placement, but that's not the case."

The share prices of the country's top tier lenders offer "significant upside to fair value" on the improving operating environment, Exotix Partners LP analysts Jumai Mohammed and Ronak Gadhia said in an emailed report. They upgraded their recommendations on Zenith, Access, FBN and Stanbic IBTC to buy from hold, while rating UBA among their top picks along with Guaranty Trust. "The caveat is asset quality," the analysts said. "This remains the biggest contingent risk to the Nigerian banks' investment case."

Nigeria's central bank expects banks' ratio of non-performing loans to improve to about 10 % by the end of this year from 14 %, Kolawole Balogun, deputy director of banking supervision, said in a May 10 interview. (By Solape Renner, Bloomberg)

Markets

Johannesburg bourse to launch Zambia dollar-denominated maize contract

The Johannesburg Stock Exchange (JSE) is setting up a contract for Zambian maize that will be **denominated in U.S. dollars**. The contract will add liquidity to the Zambian market and provide the South African grain industry with better access to Zambian grain. "We are in the process of launching a contract listed on the JSE, denominated in U.S. dollars, which will be the first foreign currency listed contract in any asset class on the JSE," Donna Nemer, the bourse's director of capital markets, told Reuters on the sidelines of the World Economic Forum for Africa in Durban. "It's for Zambian maize for delivery points in Zambia. That product is ready to go and hopefully we'll get our first trade within the next couple of months," she said. Zambia will allow monitored maize exports this year as the country expects to have a surplus after foreign sales were suspended in 2016 as a drought threatened output and pushed up prices. Zambia's maize crop is seen exceeding the 2.87 million tonnes produced last year but the figure has not been finalised. Annual consumption is 1.8 million tonnes. *(By Ed Stoddard, Reuters)*

Ghana's Cocobod says raises $200 mln through bond for purchases

Ghana's Cocobod raised $200 million in a bond issued via the central bank to cover its operations for the remainder of the cocoa season after its annual syndicated loan ran out early, the industry regulator's chief executive Joseph Aidoo said. The regulator initially needed $400 million but it is not now seeking additional funds because the bond will be "recycled" among buying companies until the end of the 2016/17 crop year when a fresh annual loan will be contracted, Aidoo told Reuters. *(By Kwasi Kpodo, Reuters)*

Funds Flock to Senegal's Eurobond, Placing $9 Billion of Orders

- Senegal's $1.1 billion deal was eight times oversubscribed
- West African nation to grow 6.8 % this year, IMF says

Senegal's $1.1 billion Eurobond was more than eight times oversubscribed, as investors bet on political stability in one of Africa's fastest-growing economies.

The West African nation sold the 16-year securities with a 6.25 % yield, after initially offering 6.5 %. Investors placed $9.3 billion of orders, the Ministry of Economy said in an emailed statement.

The money will be used for infrastructure projects, including a regional commuter train and power supply.
Senegal's economic prospects have been boosted by offshore oil and gas finds. Kosmos Energy Ltd. announced the discovery of a gas field this month that could hold about six times what the U.K. consumes annually. The economy may grow 6.8 % this year, the most in sub-Saharan Africa after Ethiopia and Ivory Coast, according to the International Monetary Fund.

JPMorgan Chase & Co., Natixis SA, Societe Generale SA, Citibank Inc. and Standard Chartered Plc arranged the sale, Senegal's first international issuance since 2014. The offering comes as regional neighbour Ivory Coast, which has been rocked by a mutiny, looks to sell almost $2 billion of Eurobonds by early June. *(By Malick Ciss and Paul Wallace, Bloomberg)*

Tech

Nigeria : Stanbic IBTC introduces instant online account service

StanbicIBTC Holdings Plc has introduced Nigeria's first instant online account opening service, in line with its goal of helping to digitalise banking for convenience and seamless service delivery. The one-stop financial service provider said this innovation, apart from expanding its retail banking business, would ensure easy access to millions of prospective banking customers, while driving financial inclusion. The new service involves an instant and easy account opening process and once a simple form is completed and submitted online, the account holder can instantly access their account and begin to enjoy the full benefits of the accounts in real time.
Its Executive Director, Personal and Business Banking, Babatunde Macaulay, said this innovation as well as other digital and non-digital solutions rolled out recently underline the importance of providing seamless customer experience to existing and prospective customers.
"Our appreciation of the need to create access and to continually explore innovative ways of providing world class financial services, when and where our customers want it, is our guiding principle. What we have done is to provide our esteemed customers another novel service that meets the demand for prompt and easy access to financial services. Our customers can be reassured that Stanbic IBTC Bank will continue to evolve in anticipation of their changing needs, with the aim of helping them move forward," Macaulay said.
On how to access the service, Macaulay said interested account applicants can visit Stanbic IBTC Bank's official website (www.stanbicibtcbank.com), complete the simple application process online, and the customer is immediately contacted with feedback and notification of successful on-boarding.
Other benefits of the new service, Macaulay stated, include issuance of debit card, mobile and internet banking, interest earning on savings account, flexibility and opportunity to upgrade account, issuance of cheque book and the opportunity to access credit on the customer's income while investment account holders also enjoy added benefit of watching their money grow. *(By The Nation Nigeria, African Markets)*

“You have to make it easy for people to pay or get paid”, says Paga CEO

The golden coastline of California wasn’t enough to keep Tayo Oviosu from returning to Nigeria to found Paga, **a secure payment system that since 2011 has become one of the country’s most widely used platforms.**

Built on the principle of “appropriate technology” to operate in any environment and on the most basic mobile phone, Paga addresses a critical issue to Africa’s development: the availability of financial services to all. “The opportunity I saw is one that exists around the continent,” Oviosu says. “Traditional banks don’t have the reach to the mass market and so these economies are inevitably cash driven, and it’s difficult to make payments and effect commerce. “So if Nigeria is to be the economic juggernaut it really could be, you have to solve payments and make it easy for people to pay or get paid; and it has to be easy for people to access finance.” Paga’s 5m customers can make such payments through options that range from smartphone supported online apps to simple codes punched into basic phones, or through Paga’s nationwide network of 11,000 agents, which is set to double within a year. At the same time, more than 5,000 merchants and businesses use Paga to facilitate transactions.

Leveraging connectivity

A 2014 report by the Gates Foundation found that 58m adult Nigerians had never opened a bank account, while the World Bank recently reported the country had only 8 ATMs per 100,000 inhabitants. This gives Paga a great opportunity to leverage connectivity and access the internet to drive electronic transactions.

But while the main means to achieve this is the mobile phone, it won’t necessarily stay that way, says Oviosu. When Paga started, almost all its agents conducted business on mobile phones; now only about 30% do, as agents find laptops easier to use for entering the likes of data and customers’ information. “There’s too much emphasis on mobile phones,” he says. “It’s all about connectivity and the form factor will change over time. Most Africans connect via phone today, yes, but it’s important not to overemphasise it as the channel.”

Strategy for growth

Oviosu puts Paga’s success in becoming one of Nigeria’s most widely used payment platforms down to three key factors: a motivated team that remains focused on the vision of what the company is trying to achieve; a group of investors providing the required backing while allowing the company to do the work it needs to do; and a strategic focus on building the company’s agent network to facilitate payments – a process that continues with an eye to the future. “Our strategy for further growth is to continue building that agent network and to roll out digital financial services, such as savings and loans, to the mass market, which will really drive financial inclusion in Nigeria,” says Oviosu.

Currently about 39% of Nigeria’s population are financially excluded, a figure the Central Bank of Nigeria aims to reduce to around 20% by 2020. “The channel that we provide around our agent network and the distribution there will be key to making that happen,” says Oviosu. One of Paga’s merchant partners is Jumia, Nigeria’s largest e-commerce platform. But despite this, e-commerce actually plays a relatively small role in Paga’s affairs. “The bulk of people on Paga use it so send money to others or to pay for utilities; the market’s just not ready for e-commerce in Nigeria. It’s still very young,” Oviosu says. “About 90% of all Jumia’s transactions are cash on delivery, so they don’t have significant volumes paying online.”

Hence, while much digital ink has been spilt on the potential of e-commerce taking over the high street, Oviosu doesn’t see that happening anytime soon in Nigeria. “As elsewhere, Nigerians still want the experience of going out to the store with friends, or with the boyfriend or girlfriend. The malls in Nigeria are packed – that’s where the market is today.”

At the same time, he acknowledges that e-commerce is taking more of a hold in specific segments of the market. “It’s more services such as travel and booking air tickets, and social media that people are ready to be online for,” Oviosu says. “It’s not yet the heavy-lifting Amazon.com-type of business.”

Africa will go where Nigeria leads

During the past few years, global business has resonated with talk of Africa as a tantalising final frontier, but Oviosu is one of those less than satisfied with such a narrative. “My view is it’s not about Africa being the next frontier, rather it’s about Nigeria; the Africa story is the Nigeria story – Africa will go where Nigeria goes, and that story is still being told and has a long way to go.”

He bases this on Nigeria’s colossal scale in economic terms. Why get embroiled in accessing the markets of numerous countries, with all the different and difficult regulatory frictions that entails, when an investor can access one enormous market in Nigeria full of so many opportunities but which is conveniently under one regulatory system? “Kenya is just about the size of Lagos in terms of GDP,” Oviosu says. “So when I ask myself why am I spending so much time here and not in other places, it’s because they don’t have the potential, certainly not any time soon. I want to see Nigeria become the giant of Africa again,” he says. “I know it has the potential, so it’s about us building the foundations to help it achieve that potential.” *(By James Jeffrey, African Business)*

ENERGY

World Bank cautions African utilities against mounting debt

A survey undertaken by the World Bank has shown that less than half of the utilities in sub-Saharan Africa are able to cover their operating expenditures and that several countries lose in excess of $0.25 for every kilowatt-hour that gets sold.

The sobering assessment of the financial health of electricity utilities, including a warning to utilities such as Eskom, was presented at the African Utility Week, in Cape Town, this week.

The survey looked at financial statements and power tariffs from utilities in more than 40 countries, as well as spending data in household surveys for 22 countries. World Bank senior energy specialist Chris Trimble told energy experts that power utilities that increase their borrowings to cover costs could put institutions on “a very dangerous slippery slope”. In response to a question on Eskom’s borrowing, Trimble said it was always better for power utilities to be self-sufficient instead of relying on government subsidies if they wanted to avoid being trapped in a vicious spiral if debt spun out of control. Trimble’s speech follows after concerns were raised over Eskom’s interim results published last November, which showed rising costs and declining profits. The recent credit downgrades by rating agencies have also raised concerns for Eskom’s borrowing ability. Eskom chairperson Ben Ngubane told journalists on the sidelines of African Utility Week that Eskom’s objective was to lower the costs of electricity in South Africa by paying back government guarantees and generating savings through efficiencies.

The World Bank report has highlighted low tariff levels as a major issue for South Africa, particularly with the imperative to move away from ageing coal plants and modernise its generation fleet.

The report points out that South Africa has the most developed and complex electricity sector in sub-Saharan Africa and that its installed capacity alone is equivalent to that of the rest of the continent. The report also indicated excessive operating costs in some countries, for instance Liberia.

While electricity provision is expensive and challenging, the report has suggested several ways of recovering the cost of supply and making electricity more affordable. It said the utilities of a third of countries could become financially viable through improving operational efficiency. The report said the remaining two-thirds of the countries would need to increase their tariffs.

The World Bank has suggested that installing more prepaid meters would benefit both utilities and customers. It says individual meters in poor households could help utilities to better target cross-subsidies.

The report recommends that the regulatory framework needs to be clear and predictable, while privatisation and unbundling could work where conditions are right for this. While the report focused mainly on grid electricity, it said minigrid and offgrid electricity, especially from sources like solar, offered growing potential to electrify homes in many rural areas of sub-Saharan Africa. *(By Kim Cloete, Engineering News)*

African countries look to minigrids to light up rural areas

African countries are increasingly looking towards minigrids to provide people living in remote areas access to electricity. Government officials from Ghana, Uganda and Nigeria have told delegates at the African Utility Week, in Cape Town that minigrids are the way to go for many communities, many of them cut off from the mainland. Some of the projects are still in the pilot stage, but the prospects are very encouraging. In Ghana, the plan is to link a significant number of island and lakeside communities, with populations of between 500 and 2 000, to a minigrid. In these areas, a grid extension, using submarine cables, is not feasible. A minigrid electrification system has been identified as both technically and economically feasible.

A minigrid is an isolated or independent electricity supply system with power generation facilities. It typically uses one or a combination of renewable-energy technologies, from wind and solar photovoltaic (PV) to hydropower and biomass.

GHANA

Ghana Ministry of Power director and project coordinator Andrew Tonto Barfour said 83% of the country's population had access to electricity. Ghana is piloting minigrids in a bid to develop a sustainable business model that ensures a reliable 24 hours of renewable energy-based electricity supply at an affordable cost. The pilot projects are drawing mostly from solar PV panels of 250 W each. Diesel is on standby as a back-up, but so far it has not had to be used. Consumers pay for the electricity through prepaid options, with tariffs similar to that of the national grid for residential and nonresidential connections. Communities in Ghana have been included in the roll-out. Community members have formed community energy management committees in all communities and manage the systems themselves. "People have really embraced the systems. Acceptability is high," said Barfour.

UGANDA

In Uganda, where 82% of people live in rural areas, minigrids are an increasingly favourable option. Most people in rural areas in Uganda do not have access to electricity, with only 16% of people living in Uganda connected to the grid. Minigrids are especially being considered for the islands on Lake Victoria, where 100 000 people live. In these areas, private sector companies have been requested to provide a business plan with proposed targets, a financial model and an environmental assessment. The Ugandan government is looking to tender to the private sector for development, with affordable tariffs being a key factor. Two pilot projects with 30 minigrids will be implemented this year. Government-initiated projects are also on the table. The advantage of these is that the government can choose to consolidate these in a geographical area, so that they benefit from scale and reduced operational costs. The licensing process is also shortened and streamlined in this way. "To achieve universal access by 2030, we estimate 33% of the connections will be offgrid," said Uganda Off-Grid Renewable Energy for the Rural Electrification Agency head Benson Bena.

NIGERIA

In Nigeria, where just over half of the population live in rural areas, minigrids are also being considered. Under a programme called "Light-up Nigeria", two minigrid projects will be commissioned next month. *(By Kim Cloete, Engineering News)*

Certainty needed to drive energy projects in Africa

Private sector players have called on African governments to be reliable and predictable in their energy policies and programmes. "Investors want to know that the rules won't change in the middle of a project," Power Africa coordinator Andrew Herscowitz told delegates at Africa Utility Week. He said the main objective was to take an energy deal to its conclusion. Many projects are abandoned before they reach the end point. Some countries have notched up a good reputation. "Everyone wants to invest in Kenya even though the market is saturated. That's because it's predictable. You can get the deal across the finish line. Nothing is perfect, but you just need to get things done."

Power Africa is a five-year presidential initiative that was launched by former US President Barack Obama during his visit to Africa in July 2013. It has 50 advisers working with power companies on 400 power generation projects across Africa. It aims to add 60-million new home and business connections and over 30 000 MW of cleaner electricity generation capacity.

Despite challenges, Herscowitz said, the project had made great strides since starting four years ago. James Stewart, the global head of Major Projects (Power and Utilities) for KPMG UK, said deals need to be "de-complicated". "We've got risk mitigation measures available to governments and agencies. We need to use these and get deals done quicker. Once you get a deal done, you start to build a record, and then the next one is easier." Stewart was speaking during a plenary at African Utility Week, in Cape Town, which is partly looking at some of the key trends impacting project finance in regional energy markets. He said that there was some reluctance on the part of governments to take a little more risk in the early stage of deals. Panelists expressed concerns about the "sky-rocketing" costs of development as a percentage of construction. GE Energy Connections sub-Saharan Africa CEO Lazarus Angbazo said progress in energy on the African continent was pivotal. "If there is no power, there is no future, not for the country or the leadership either. Most elections in Africa are a referendum over the ability to access power." He said access to electricity was still a huge problem on the continent, with 600-million people still without access. The reliability of power was also not assured, with 22% to 25% translated onto the grid not reaching the consumer. He also called for "investable" projects. "The money is not going to come here until we have projects that are fully developed." *(By Kim Cloete, Engineering News)*

Standard Bank provides $120m debt package to increase energy supply in Zimbabwe

Standard Bank has finalised a $120-million debt package with Zimbabwe Power Company (ZPC) for the rehabilitation of existing power infrastructure at the Kariba South hydropower station and the Hwange thermal power station. The transaction is a continuation of a previous funding arrangement with ZPC, which went towards the 300 MW expansion of the Kariba South hydropower station. "This funding will assist in improving access to power for Zimbabwe and Namibia and, in the medium to long term, benefits of improved power supply and reliability will also extend to other Southern African Power Pool members," Standard Bank investment regional head Tandiwe Njobe said in a statement. She added that the funds would be used to increase capacity and improve the efficiency of the power stations. "This is a landmark transaction in which we could leverage our sector and technical expertise in both markets, as well as our understanding of the regional power dynamics and local regulatory environments, to deliver value to ZPC and Namibia Power Corporation, (NamPower)," Njobe noted. The facility is cross border, placing reliance for repayment on a long-term power purchase agreement between ZPC and NamPower. *(By Anine Kilian, Engineering News)*

INFRASTRUCTURE

Angola - Housing development to be expanded

The government has announced plans for 10,000 new homes with the expansion of a housing development scheme in the capital, Luanda.

Kilamba City is located on the dusty periphery of Luanda and sprawls across 1,000 ha, with 20,000 apartments in 700 eight-storey blocks. Financed by oil-backed credit lines from China and built by Chinese construction firms, the development was supposed to be the showpiece in Angola's post-war reconstruction programme, but it has been dogged by controversy since its inception. Not only did it create few construction jobs for Angolans (most of the labour was carried out by imported Chinese workers), but the city also took years to fill, due to initial overpricing and the subsequent mismanagement of sales and rentals. Many people were also deterred by the location, 40 km from

the centre of Luanda at the end of congested roads, with few supporting services and poor utility connections.
Despite these issues, the site, which has gradually filled, is to be expanded, with 10,000 new homes built over a new 720-ha area. The construction will again be led by the state-owned China International Trust and Investment Corporation, and the US$607m project is due for completion within 28 months. According to a state-owned newspaper, Jornal de Angola, the second phase will involve more direct private investment than the first. There is a proposal, for example, for some plots to be sold off-plan to real-estate companies, rather than the government carrying all the upfront costs.
The lack of adequate housing for a rapidly growing population is a major problem in Angola, contributing significantly to the country's poor health and development indicators. In urban areas, where millions live in slum-style conditions with limited access to water and electricity, frustration is running high, raising the potential for social unrest. New homes are needed particularly badly in Luanda (home to around 25% of the population), but basic construction is only part of the solution; developments need to be carefully planned to ensure they create quality living environments rather than transporting social problems or creating new ones. It is also important that Angolans are given construction jobs, for the sake of both remuneration and domestic skills development. *(Economist Intelligence Unit)*

Nacala coal terminal, Mozambique, starts operating in full on 12 May
The coal terminal at the port of Nacala-a-Velha, in Mozambique's Nampula province, will officially start operating, marking a new phase in the process of transportation and export of coal mined in Moatize, Tete province, the northern logistics corridor company CLN. The coal terminal is linked to a railway line linking Moatize to the coastal port on the Indian Ocean, which passes through neighbouring Malawi, with an approximate extension of 900 kilometres.
The construction of both the terminal and particularly the railway line, which started in 2012, cost about US$4.5 billion and included the construction of some new sections as well as the reconstruction of others in both Mozambique and Malawi .
The line is owned by CLN, a partnership between the Mozambican ports and railways company CFM, Vale MoÃ§ambique, a subsidiary of Brazilian group Vale and Mitsui & Co, of Japan. Mozambican daily newspaper Noticias reported that after the inauguration at least 21 trains will run on that line on a daily basis at one to two hour intervals. Metallurgical coal as well as thermal coal extracted in the mines of Moatize is destined for the markets of Brazil, China and Japan and, to date, about 6.5 million tonnes have been exported through Nacala. The target is to reach 18 million tonnes per year, which is the installed capacity of the port and the railway line. *(Macauhub)*

Exports from Mozambique to increase with inauguration of the Nacala coal terminal
The inauguration of the coal terminal at the port of Nacala-a-Velha and the railway line to transport ore mined at Moatize is expected to increase exports and even make coal the main product exported by Mozambique, the Economist Intelligence Unit (EIU) reported recently.
According to the Mozambican press, the ceremony was attended by the President of the Republic of Mozambique, the Minister of Foreign Affairs of Brazil, Aloysio Nunes Ferreira Filho, the heads of the Brazilian group Vale and the state-owned Portos e Caminhos-de-Ferro de Moçambique (CFM), the two main shareholders of the Nacala Integrated Logistics Corridor.
The Moatize-Nacala railroad stretches over 900 kilometres and required an investment of US$4.1 billion, which was spent on the construction of new sections and the reconstruction of others, both in Mozambique and in the 200 kilometres in Malawi.
The railway is intended to allow the annual export of 18 million tonnes of coal and will be used by twenty trains which will drop off coal in Nacala will to be loaded onto ships. "Moatize's coal is well positioned internationally to supply, at a competitive cost, the markets of Asia, Europe and even Brazil," the Vale mining group said. The EIU recently wrote that the increase in production

from the Moatize mine, from 8.7 million tonnes in 2016 to 13 million in 2017 and 18 million in 2018, would probably be enough for coal to overtake aluminium as the largest source of export revenues in Mozambique. *(Macauhub)*

Mombasa-to-Nairobi rail line set for commissioning

Kenya is gearing up for a new era in railway transport with the impending commissioning of a standard-gauge railway (SGR) line on June 1. The East African nation has depended on a dilapidated 1-m-gauge railway system for more than a century, but that is about to change, following the completion of the $3.8-billion 472 km SGR line from the coastal city of Mombasa to Nairobi, the capital city. “The SGR line is the largest infrastructure project in post- independence Kenya. It’s commissioning will mean low freight transport costs, which is a good development for the economies of the region,” Kenya Railways MD Atanas Maina tells Engineering News.

The line, constructed by China Communications Construction Company (CCCC), has the potential to reduce transport costs by as much as 35%. Australia-based construction company John Holland, a subsidiary of CCCC, has been contracted to operate the SGR line. “The SGR line will assist in lowering the logistics costs associated with freight storage and delivery, which will lead to low freight transport costs for the business community,” says Maina.

The completion of the Mombasa–Nairobi line, which forms the first phase of a broader railway investment programme, is testament to Kenya’s determination to become East Africa’s transport hub. Apart from the new line, Kenya intends to construct a 3 500 km SGR network under the Railways Master Plan that will connect the country to Uganda, South Sudan and Ethiopia. Maina says the Mombasa–Nairobi line is critical for the development of Kenya because it will provide a more efficient mode of transport for freight in the northern corridor, the main transport route for cargo destined for not only Kenya but also Uganda, Rwanda and parts of the Democratic Republic of Congo.

Trains will travel at 80 km/h, which will significantly reduce transit times for cargo. The line has a haulage capacity of up to 4 000 t a trip. Struggling Currently, cargo transport along the northern corridor, which competes with Tanzania’s central corridor, is mainly by road, at 97%. Rift Valley Railways, the operator of the 1-m-gauge line between Kenya and Uganda, has been struggling to operate profitably. “The SGR line will play a vital role in decongesting the Port of Mombasa, thus enable it to increase cargo throughput to the inland,” says Maina.

The commissioning of the line comes at a time when cargo traffic at the Mombasa port is increasing, having gone up by 2.4% from 26.7-million tons in 2015 to 27.3-million tons in 2016. The SGR line is designed to carry 22-million tons of cargo a year, equivalent to 40% of the Mombasa port’s throughput.

In anticipation of increased container throughput at the port, the Kenya government is modernising and expanding the inland container depot (ICD), in Nairobi. When completed, by August, the ICD will have five additional SGR lines serviced by six gantry cranes for offloading and loading containers, a staking yard for at least 5 000 twenty-foot equivalent units (TEUs) and a yearly throughput of 405 000 TEUs. Currently, the depot has a yearly throughput of 180 000 TEUs.

The second phase of the SGR project will see the **line being extended from Nairobi to Naivasha**, a distance of 120 km, at a cost of $1.5-billion, funded by a loan from the Chinese government. Kenya has also signed construction agreements with CCCC covering Phase 2B, from Naivasha to Kisumu, and Phase 2C, from Kisumu to Malaba, on the Uganda border. *(By John Muchira, Engineering News)*

Four bidders shortlisted for Blantyre water project

Malawi’s Blantyre Water Board (BWB) has shortlisted four bidders for a project to tap water from the Likhubula river to the city, the country’s commercial capital. **The project will be financed by a $23-million loan from the Export and Import (Exim) Bank of India**.

BWB CEO Henry Bakuwa says the four shortlisted bidders comprise a joint venture of WPIL and SMS Paryavaran, Megha Engineering & Infrastructure, SMC Infrastructure and Technafab Engineering. Bakuwa reports that the four bidders were selected after Exim Bank had scrutinised ten applications from several interested contractors.

The main components of the project include the construction of an intake structure on the Likhubula river; the laying of a 50 km pipeline from the river to Nguludi, which is close to the city of Blantyre; the construction of a storage tank at Mpingwe Hill, in the city; and the laying of supply mains from the storage tank to two locations in the city. "The importance of [this project] cannot be overemphasised. Firstly, it will supplement the existing water supply systems by adding 20 000 m3 (20-milllion litres) of water a day, thus meeting the present demand for water," says Bakuwa. "Secondly, it will assist in reducing exorbitant electricity costs, as the system will largely be operated under gravity – specifically, the raw water transmission mains."

The project is aimed at curbing water shortages in Blantyre, which are the result of increasing demand caused by rapid population growth. Malawi will also implement a project to tap water from Lake Malawi to supply the city of Lilongwe. The contract for the project has been awarded to South Africa-based Katho Civils in a restricted tendering process. *(By Marcel Chimwala, Engineering News)*

MINING

AMG Graphite relaunches graphite mining in Mozambique in May

German company Graphit Kropfmuhl GmbH, an operating division of the Advanced Metallurgical Group NV of the Netherlands under the name AMG Graphite, is scheduled this month to relaunch graphite mining at the Ancuabe mine in northern Mozambique, the group said in a statement issued in Amsterdam. The statement also said that AMG Grafite is currently the only graphite producer in the region of Ancuabe, Cabo Delgado province and that the project is expected to produce around 9,000 tonnes of graphite per year. The assets of AMG Graphite in Mozambique include a mining concession that includes the graphite processing plant in that district and a prospecting license in Nipacué, where there is a graphite deposit with reserves estimated at 900,000 tonnes. The AMG Group's main business is metal production and it has operations in countries such as Germany, the United Kingdom, France, the Czech Republic, the United States, China, Mexico, Brazil and Sri Lanka, and sales and customer support in Russia and Japan. *(Macauhub)*

Angolan company plans to export 1,500 cubic metres of limestone blocks

Marmogranitos, a company dedicated to the **exploration and transformation of ornamental rocks**, plans to produce at least 1,500 cubic meters of limestone blocks this year at its quarry in Sumbe, Kwanza Sul province, said the managing director. Sérgio Lamas also said the company already has interested customers in the main import markets of the product in Europe,including in Spain, Portugal and Italy, as well as in the United States of America, according to Angolan news agency Angop. The quarry managed by the company under a five-year operating license, which has been in operation since last year, after an initial investment of US$20 million, was inaugurated by the Minister of Geology and Mines, Francisco Queiroz.

The administrative director said **the project will be executed in four phases**, with a total investment of US$100 million, after the first one began three years ago with the exploration, land clearing and creation of the conditions for the beginning of the exploration of the mine and the second, when it started production, over the past year. Lamas said that in a third phase the company will produce 150 tonnes of granite and limestone for agricultural purposes, in order to correct soil acidity and increase farmers' incomes. Marmogranitos Lda. changed its name from Hipermáquinas Angola, part of the HM group, which is dedicated to the exploration and transformation of ornamental rock, as well as its import and export. *(Macauhub)*

Mozambique: Vale reports increased coal output as revenues grow in 2016

Mozambique's biggest coal exporter, Vale Moçambique, has recorded much-improved results for 2016. **It transported 8.7m tons of coal along the Nacala and Sena railways to the Indian Ocean ports of Beira and Nacala last year, up from 4.1m tons in 2015**. At the same time, plans for a giant coal export port have been improved, suggesting that the development of the country's coal industry is getting back on track. At the same time, plans for a giant coal export port have been improved, suggesting that the development of the country's coal industry is getting back on track.

Vale was able to make the most of its stockpiles in Tete Province that had built up because of a lack of transport capacity in 2015 and the suspension of rail services because of attacks on trains by Renamo rebels. As a result, it needed to mine just 2m tons of thermal coal and 3.5m tons of coking coal last year.

This translated into a loss for the year of $105m, down from $508m the previous year, as expenditure fell by $344m and revenue jumped $140m. Its financial position should improve further as production increases. It is now mining and moving coal on the Moatize project alone at a rate of about 15m tons a year and this figure is set to rise to 22m tons a year.

Vale Moçambique was previously almost entirely owned by Brazilian firm Vale, which is one of the biggest mining companies in the world. However, following two years of debate and uncertainty, it finally sold big stakes in its Mozambican assets to Mitsui at the end of March. The Japanese company has bought a 15% stake in the Moatize mine plus 50% equity in the Nacala Logistics Corridor for $770m. The price was renegotiated following the long period of low coal prices. Aside from developments within Mozambique, Vale Moçambique's long term prospects will depend on the financial health of its parent company. In common with almost all other mining companies, the Brazilian firm has suffered from low commodity prices over the past few years. Its recent financial results have also been below expectations, with net income of $2.5bn for the first quarter of this year.

However, this was up from $1.8bn for the same period last year, as the company brought debt levels under control and benefitted from higher prices for its most important commodity, iron ore. It produced a record 86.2m tons in the first three months of the year. The **growth of the Mozambican coal industry** has been held back by the lack of transport capacity. The country's proven, commercial coal reserves are almost entirely located in Tete Province in the far northwest and railways have had to be developed to move the coal to the coast for export. At the same time, low prices for both thermal and coking coal over the past three years have hit investors hard. However, the required transport capacity is now in place and prices have substantially recovered.

With **coal export terminals being developed in phases at both Nacala and Beira**, the government has now approved plans for the construction of a third terminal. The project will be built at Macuse, near the mouth of the River Zambezi and will also encompass the construction of the new railway from Tete to the port. It is to be operated by Thai Mozambique Logistics (TML), a consortium of Italian Thai Development (60%), the state owned port and rail utility Portos e Caminhos de Ferro de Moçambique (CFM) (20%) and Zambeze Integrated Development Corridor (Codiza) (20%).

Macuse had been considered a decade ago, when plans for the development of the country's coal sector were first drafted. It had been hoped that coal could be transported to the site down the Zambezi by barge but the port plans were shelved when river transport was rejected.

A tender for the contract to build a new railway from the Tete mines to Macuse has been won by a consortium of *China Civil Engineering Construction* Corporation (CCECC) and Mota-Engil of Portugal. With a bid of $2.3bn, the joint venture overcame rival bids from Andrade Gutierrez of Brazil, China Railway Construction Corporation, China Harbour Engineering Company, GS of South Korea and Turkish firm Yapi. At 500km, the railway should offer the shortest travel time to the coast. It had originally been planned that Beira and Nacala would be the two main export points for Tete coal but the government is now clearly keen to make Macuse the biggest of the three. The new port will initially be able to handle 30m tons a year, increasing over time to 100m tons a year. The port and railway are scheduled to come into operation in 2021. *(By Neil Ford, African Business)*

OIL & GAS

Natural gas exploration in Mozambique to have final investment decision

The projects that could transform Mozambique into one of the world's largest producers of natural gas are about to begin, with some of the largest groups in the sector, such as the China National Petroleum Corporation, looking to Asia as the market for their products. The Africa Monitor Intelligence (AMI) newsletter wrote that the final investment decision for the Coral FLNG (Area 4, Rovuma basin) project should be made in the short term, after the consortium members – ENI of Italy, China National Petroleum Corporation, Galp Energia from Portugal, Kogas from South Korea and Mozambican state-owned Empresa Nacional de Hidrocarbonetos – made individual announcements in 2016.

The individual decisions depended on obtaining financing conditions, now practically secured, which according to the newsletter published in Portugal depended in turn on obtaining marketing contracts for at least 80% of the natural gas production, which has already been achieved.

US group ExxonMobil last March became one of the consortium members after it agreed to purchase 25% of the block for US$2.8 billion from ENI East Africa, a subsidiary of the Italian group working as the operator, a deal which raised expectations regarding the development of the project due to the size of the new partner.

The Area 4 block should contain close to 140 billion cubic feet of natural gas, and its exploration will involve construction of a floating liquefaction unit.

The project, according to Africa Monitor Intelligence, involves the construction of a floating natural gas liquefaction unit, an intermediate project to speed up gas revenues, built by the KD consortium, which brings together US companies KBR Inc. and South Korea's Daewoo Shipbuilding & Marine Engineering (DSME) Co. Ltd.

The project also includes a 45-kilometre gas pipeline that will transport the gas from the extraction platform to the onshore processing plant, currently being planned by the ENI and Anadarko Petroleum groups and it is also estimated that ExxonMobil will acquire part of the consortium that will manage the process of transport/export of the processed gas onshore.

Africa Monitor Intelligence also reported that ExxonMobil is now a potential buyer of the assets of Anadarko Petroleum, the main shareholder of the other major development project in the Rovuma Basin – Area 1 – and in the medium term is expected to become the main gas player in Mozambique.

The Anadarko Petroleum group owns 26.5% of the consortium, which is also owned by ENH, with 15%, Mitsui E&P Mozambique Area 1 Ltd. (20%), ONGC Videsh Ltd. (16%), Bharat PetroResources Ltd. (10%), PTT Exploration & Production Plc (8.5%) and Oil India Ltd (4%).

The AMI newsletter reported that the US group has little vocation for selling production, focusing its activity on the prospecting and subsequent sale of assets, but it is expected that it will keep a minority position in the bloc.

The final investment decision for this project has been delayed far beyond the initial plans, with a construction period of four years until natural gas production and export begins. The Asian market, where consumption of natural gas has been registering higher levels of growth, has been the target of the two major natural gas projects in the Rovuma basin. *(Macauhub)*

Renewed interest in delayed Uganda oil refinery plan

The much-delayed crude oil refinery in Uganda is back on track after eight international companies expressed interest in implementing the **$4-billion project**. **Four of the bidders have been shortlisted**, and the Uganda government intends to select one of them before July, eight months after the Russian consortium that was initially awarded the contract to build the facility walked away in unclear circumstances, Uganda Energy Ministry spokesperson Irene Muloni says the Uganda government is currently undertaking technical and financial evaluations of the bids submitted by the shortlisted companies.

Russia's RT Global had won the tender to finance, build and operate the 60 000-bbl/d-capacity refinery, which was slated for completion in 2018. Completion has now been rescheduled to 2020.

Although Uganda entered into negotiations with SK Engineering & Construction-led consortium, of South Korea, which was named the alternate preferred bidder, after the Russian pull-out, the talks broke down, prompting the authorities to seek fresh bids. "We hit a snag last year when we were about to sign with the Russians, who then pulled out. Now we have four consortia from which we will pick the winner to build the refinery," she says. Muloni declined to reveal the identities of the four shortlisted companies. However, the companies that have expressed interest in the project include China's China Petroleum & Chemical Corporation (Sinopec) and Guangzhou Dongsong Energy Group; IESCO, of Turkey; Profundo, of Spain; SNC Lavalin, of Canada; Maire Tecnimot, of Italy; and Yatra Ventures, of the US.

The refinery, which will be located in Hoima district, in western Uganda, is a high priority project, owing to its importance in addressing the country's energy needs and saving Uganda the $1-billion-odd it spends on petroleum product imports each year.

Uganda is determined to implement the refinery project to refine its huge crude oil deposits, estimated at 1.7-billion barrels and has partnered with Tanzania to build an export pipeline to the Port of Tanga. *(By John Muchira, Engineering News)*

Cobalt International Energy sues Angola's Sonangol for US$2 billion

Oil exploration company Cobalt International Energy (CEI) has filed an arbitration suit with the International Chamber of Commerce demanding more than US$2 billion from Angola's state oil company Sonangol for breach of agreement, the company said.

The action concerns the cancellation by Sonangol of an agreement to buy the 40% stake it owns in two oil blocks, for which the Houston-based company was due to receive US$1.75 billion. In August 2016, CEI announced that there had been a meeting in late July between Chief Executive Tim Cutt and Sonangol Chief Executive Isabel dos Santos to discuss the sale of those two holdings, and it was agreed that the company would seek to sell the controlling interests in blocks 20 and 21 to "third parties." Noting that it would only have a stake in Block 9, the company said that "the buy-and-sell agreement ensures a smooth transition to a new entrant and underlines the commitment of the parties to a final investment decision for (…) production to begin at the end of 2018." CEI now argues that the cancellation of the agreement as well as the uncertainty surrounding the deal has made it impossible to find a buyer for those two oil holdings in the Angolan sea. In addition to Cobalt International Energy, with 40%, both blocks have Sonangol as a partner along with BP, with 30% each. The Angolan government has not yet ruled on this lawsuit brought by CEI, a company with activities focused on the exploration of oil and assets in the Gulf of Mexico and the west coast of Africa. *(Macauhub)*

Kubayi expresses support for 3 700 MW gas-to-power vision amid IPP uncertainty

Energy Minister Mmamoloko Kubayi expressed her support for the country's proposed gas-to-power programme, assuring delegates to a conference in Cape Town that government intended proceeding in line with the existing "vision and policy objectives" for gas infrastructure. "Over the past few months we have indicated our indication to launch gas infrastructure development though the Section 34 determination under the Electricity Regulation Act, in pursuit of an initial 3 700 MW of power plants," Kubayi said in an opening address to the Gas to Power Conference. Her speech came amid significant uncertainty about the future of South Africa's independent power producer (IPP) programmes, owing to Eskom's refusal to conclude power purchase agreements (PPAs) for 37 outstanding renewable-energy projects and fresh questions about the legal standing of the Ministerial determinations providing the framework for the procurement of new generation capacity. Kubayi made no reference to the status of the gas determination, but confirmed recently that all determinations would need to be reviewed in light of the recent ruling by the Western Cape High Court, which set aside two nuclear determinations as “unlawful and unconstitutional” on the basis that they had not been subjected to public consultation ahead of concurrence by the National Energy Regulator of South Africa (Nersa). Likewise, determinations for renewable energy, coal, gas and hydro had not been subjected to Nersa-led public consultations, which, Kubayi said, meant that remedial steps would have to be taken to ensure that these determinations were also not open to legal challenge. The department was still considering its options in this regard.

Nevertheless, the Minister’s support for the gas programme in it current form suggests that a procurement process should still arise in line with a Liquefied Natural Gas Independent Power Producer Procurement Programme (LNG IPPPP) project information memorandum published in May last. The memorandum states that South Africa will initially build gas infrastructure at Richards Bay, in KwaZulu-Natal, and Coega, in the Eastern Cape, for use by electricity generators, as well as by energy-intensive industries. The Department of Energy envisages separate procurement processes for each site.

Initially it was anticipated that a request for qualifications would be released before the end of 2016, followed by a commercial tender in early 2017. However, the LNG IPPPP process was now not expected to proceed until PPAs for the outstanding renewables projects had been signed by Eskom.

Prior to President Jacob Zuma’s March 31 Cabinet reshuffle, former Energy Minister Tina Joemat-Pettersson set an April 11 deadline for the signing of the PPAs. However, following her appointment to the position, Kubayi postponed the signing to allow her time to consult with Public Enterprises Minister Lynne Brown. The new Energy Minister confirmed recently that no new signing date had been set, arguing the issues arising from the nuclear judgment should first be addressed so as to avoid a situation where “we are in court every day”.

In a reply to a Parliamentary question, Kubayi said she had taken the time to understand the implications of signing or not signing and would make a decision in due course. "I have met with Minister Brown and we have put together teams composed of the Department of Energy and the IPP Office, as well as the Department of Public Enterprises and Eskom, that [will] help resolve some of the challenges revised from both sides so that we are able to move together as the department and respective entities." *(Engineering News)*

TELECOM

Angolan company invests in telecommunications technology hub

Angolan company ACS – Angola Comunicações e Sistemas Lda plans to invest US$19.5 million in the construction of a telecommunications technology hub, under the terms of a contract signed last week in Luanda with the Technical Unit for Private Investment (UTIP). The director of ACS, Edgar Martins, said the investment project will contribute to the development of the telecommunications sector in Angola and it aims to ensure the increase of the quality of infrastructure supporting information and communication services.

The director of UTIP, Norberto Garcia, quoted by Angolan news agency Angop, said this project will promote technological development, business efficiency, quality of services, job promotion and qualification of the Angolan workforce. ACS – Angola Comunicações e Sistemas Lda. Is one of the companies registered with the Angolan Association of Internet Service Providers. *(Macauhub)*

Telekom Networks Malawi to invest $30m in 4G network

Telekom Networks Malawi (TNM), the country's second-largest mobile network operator, said it is to spend an additional $30-million on improving its 4G broadband service. TNM, whose main rival is the local unit of India's Bharti Airtel, said it aimed to give better 4G coverage in Malawi's four main cities. "The upgrade aims to improve the agility, speed and stability of our mobile internet services," it said in a statement. The additional spending follows an initial 9.17-billion kwacha

($12.78-million) investment which TNM made in 2016 in 4G LTE technology, coverage expansion, fixed and mobile broadband technology and various other technical improvements, it said. TNM, majority-owned by Malawian conglomerate Press Corporation, has more than 3.3-million subscribers, of a national population of about 17-million. It posted a 52% jump in net profit to 8.2-billion kwacha in 2016. *(By Frank Phiri, Reuters)*

Rwandan authority fines MTN subsidiary $8.5m

The Rwanda Utilities Regulatory Authority has fined MTN Rwanda $8.5-million owing to its noncompliance with directives prohibiting the inclusion of MTN Rwanda in the MTN South and East Africa information technology hub, based in Uganda. MTN Rwanda is studying the notification of the fine and says it will continue to engage with the regulator on the matter. MTN Group in 2016 posted a R1.4-billion headline loss – its first annual loss in 20 years – in part as a result of a massive fine issued by the Nigerian communications regulator against MTN Nigeria for failing to disconnect unregistered SIM cards. MTN Nigeria in June last year agreed to a $1.67-billion settlement with the Nigerian Communications Commission (NCC). This follows after the NCC in October 2015 fined MTN $5.2-billion. In addition to the settlement, MTN had agreed to take steps to ensure the listing of its shares on the Nigerian Stock Exchange. *(Engineering News)*

Vodacom to Buy 35% Stake in Kenya's Safaricom From Vodafone

The $2.59 billion deal is aimed at expanding mobile money service M-Pesa across the continent. Vodacom Group Ltd, South Africa's largest mobile operator by subscribers, is buying a $2.59 billion stake in Kenya's Safaricom Ltd. in the hope of popularizing the highly-touted East African mobile money service M-Pesa across the broader continent. Vodacom said it has agreed to acquire a 35% stake in Safaricom, Kenya's biggest mobile operator, from Vodafone International Holdings B.V. by issuing 226.8 million new ordinary shares. **The deal is a reshuffling of the pack for Vodafone, which has big stakes in both companies, in Africa.**

Based on Vodacom's closing price *Friday* of 152.49 rand per Vodacom share on the Johannesburg Stock Exchange , the deal is worth 34.6 billion rand ($2.59 billion), a 5.9% discount to the Safaricom share price on the Nairobi Securities Exchange at closing ahead of the announcement. Vodacom shares are up 0.1% year-to-date, while Safaricom shares are up 5.7%. "Acquiring a strategic stake in Safaricom will provide our shareholders with access to a high growth, high margin, high cash generation business operating in a high growth market," Shameel Joosub, chief executive of Vodacom, said in a statement. He added that he hopes the closer cooperation between the two companies will help drive the adoption of M-Pesa in Vodacom's other markets.

Analysts have previously said that M-Pesa, which has struggled to gain traction in some of the continent's more developed economies such as South Africa, doesn't hold much value for consumers who are already included in the formal banking sector. Vodacom scrapped the service in South Africa altogether last year amid poor uptake by consumers.

Vodacom, which is majority-owned by Vodafone Group Ltd., VOD 2.38% plans to acquire 87.5% of the issued share capital of Vodafone Kenya Ltd., which holds a 40% interest in Safaricom and is wholly owned by Vodafone. Vodafone will retain a 12.5% interest in Vodafone Kenya, and about a 5% interest in Safaricom, after completion of the proposed transaction. Vodafone will subscribe for new Vodacom shares, and its interest in Vodacom will rise to 70% from 65% currently. Vodacom says it hopes to "create further value through closer cooperation between both companies, including best practice sharing; replication of Safaricom's success in M-Pesa in Vodacom Group's other territories; and the creation of new Pan-African enterprise solutions in contiguous markets in East Africa." **Vodacom, with 66.8 million customers on the continent**, expects the interest in Safaricom to contribute about 15% of its earnings, based on Vodacom's net profit for the year ended March 31, which rose from a year earlier, reflecting strong customer additions in South Africa where the company added 3 million subscribers. Net profit rose 3.9% to 13.42 billion rand. Revenue rose 1.5% to 81.28 billion rand.

The company declared a second-half dividend of 4.35 rand a share, making the total dividend for the year 8.30 rand a share. Vodacom said its international operations continued to be affected by currency volatility as well as new customer registration processes. In 2015, Nigerian authorities fined MTN Group Ltd. , Africa's largest telecommunications company, billions of dollars after it failed to disconnect improperly registered SIM cards by a government-imposed deadline, under regulations meant to combat terrorism. Other governments have since ordered similar disconnections of unregistered users under new subscriber registration legislation. Still, Vodacom said its international operations added 2.5 million customers for the year, with international data revenue up 2.3% to 4.11 billion rand, thanks to a 29% increase in customers that use data to 13 million. *(By Alexandra Wexler, Wall Street Journal)*

Opera Software opens Kenya & Nigeria offices, pumps $100M to grow African digital economy

Opera, the developer of the most popular mobile browser in Africa, has announced plans to open offices in Kenya and Nigeria as it invests $100 million (10.3 billion Kenyan Shillings) over the next two years to facilitate the growth of African digital economy. The company will use the investment to speed up internet adoption in Africa and strengthen the internet ecosystem with local partners. Currently, Opera has operations in Cape Town and Johannesburg, South Africa and the new offices in Lagos, Nigeria and Nairobi, Kenya will support business and product development. The company said the plan is to hire around 100 people for these offices over the next three years.

Recently, the company celebrated 100 million monthly users in Africa and is now focusing on making the next generation of web browsers to cater the needs of African internet users. Developing AI-powered news engine with compression technology for Africa

According to a GSMA Intelligence report, the biggest consumer barriers to internet adoption in most African countries are the lack of digital skills and awareness, locally relevant content and affordability. To bring more first-time internet users without the fear of high data costs or lack of local relevant content, Opera invests in developing a state-of-the-art artificial intelligence engine for smartphone users that will ensure content discovery is at the heart of the browser. Opera users in Africa will get fully personalised and localised content delivered to their browser, the entry point for their internet experience while the data usage can be reduced up to 90%.

On the other hand, Opera is now working with over 47 top tier African publishers covering 107 web sites on this initiative. Opera will seek local partners to integrate value-added services, mobile payment and data bundling into its browser product. This will grant consumers access to quality content and services, giving them the ability to transact more easily on their mobile devices. The range of services to be added over the next 12 months will create a content and services hub that will provide African users with a truly unique experience. “Africa is a very important market for Opera. Nine of the top 20 Opera Mini user countries are from Africa,” says Richard Monday, Vice President of Africa, Opera Software. “We aim to invest heavily in Africa, to build a local platform and grow with the local business partners. This platform will expand the user base for content providers, e-commerce businesses, operators, OEM's and others to strengthen the African internet ecosystem.” *(By Kenyan Wall Street, African Markets)*

RETAIL

SA supermarkets beat the downturn

Despite the economic tensions tearing at the fabric of the nation, these are dynamic times for the South African supermarket sector. Pick n Pay has announced a substantial rise in earnings during a period of heightened competition in the industry, while Shoprite is seeking to sustain its rapid growth with overseas expansion. Pick n Pay announced a 17% rise in earnings in its full year results to R2.58 a share for the year to 26 February. Apart from being the second biggest supermarket chain in South Africa, the company also operates across Anglophone Southern Africa, with the exception of Malawi, trading in Zimbabwe as TM Supermarkets. Although its results were below market expectations, the company announced a 7% rise in sales to R77.5bn, suggesting a reasonable performance.

A big factor in supermarket performance has been deep seated economic weakness. The economy is stagnating, inflation has reached 6% and unemployment stands at 27%, while many more work in the informal economy and are underemployed. All this means that consumers are seeking lower cost retail options, such as Shoprite supermarkets, shopping in markets and generally spending less. CEO Pick n Pay Richard Brasher said: "At all income levels, people are finding it harder to make ends meet – they are demanding consistently lower prices and better value. In our low growth economy, competition for the hard-pressed customer is going to be the new normal."

The company has responded by introducing far more low cost lines in an attempt to retain customers. It is also expanding its network of Express stores: it will soon have 120, up from just 60 in 2015. As in other more sophisticated supermarket sectors, big South African chains are investing heavily in small, local shops. Similarly, more supermarkets, including Woolworths, are opening outlets in highway service stations.

The economic crisis is certainly affecting the consumer goods sector. Pioneer Foods had expected investment from an unnamed multinational but this option evaporated with the sovereign credit rating downgrade and the dismissal of Finance Minister Pravin Gordhan [link to my story on this]. Pioneer CEO Phil Roux said: "Panic ensued and news flow was terribly negative abroad and consequently they advised that while they are a massive organisation they just cannot, given the state of investment required, deepen their risk in any shape, manner or form."

Customer satisfaction

In terms of customer satisfaction, Pick n Pay seems to be middle of the pack. The most recent South African Customer Satisfaction Index for supermarkets once again put Woolworths in top spot. Almost 3,000 customers were interviewed by analysts Consulta, with the results collated to give each chain a mark out of 100. Woolworths with 82.2 had a big lead on the rest, which were all fairly tightly packed. Checkers took second spot with 77.2, followed by Pick n Pay (76.5), Shoprite (75.5) and Spar (75.2). For the uninitiated, Woolworths is a high quality, higher cost supermarket, akin to Marks & Spencer in the UK. The CEO of Consulta, Adré Schreuder, said: "In tough economic times, the price of goods is likely to influence consumers' loyalty even though they are satisfied customers. But price- motivated 'loyalty' is not permanent so while customers may display less brand loyalty now, supermarkets cannot afford to stop investing in positive shopping experiences."

Shoprite has become the biggest retailer in Africa, partly because it offers low prices but also by pitching its brands at the right markets. In particular, it has opened supermarkets in parts of South Africa that were previously unserved, while competitors continued to focus on more prosperous areas, shopping centres and retail parks. It has also aggressively expanded into the rest of the continent and now operates in 15 African countries. It has more than 2,600 outlets, only a quarter of which operate under the Shoprite brand. It also owns Checkers, Usave and a number of more niche retailers, such as LiquorShop and OK Furniture. Christo Wiese, the chairman of Shoprite, is reported to be keen to expand the company more quickly still. He owns a 16% stake in the company, as well as 18% in furniture retailer Steinhoff International, and wants to merge the two businesses, not just to benefit their African operations but to expand in Europe and North America. *(By Neil Ford, African Business)*

AGRIBUSINESS

"Africa must start by treating agriculture as a business", says AfDB president

No region of the world has ever moved to industrialised economy status without a transformation of the agricultural sector. Agriculture, which contributes 16.2% of the GDP of Africa, and gives some form of employment to over 60% of the population, holds the key to accelerated growth, diversification and job creation for African economies. But the performance of the sector has historically been low. Cereal yields are significantly below the global average. Modern farm inputs, including improved seeds, mechanisation and irrigation, are severely limited.

In the past, agriculture was seen as the domain of the humanitarian development sector, as a way to manage poverty. It was not seen as a business sector for wealth creation. Yet Africa has huge potential in agriculture – and with it huge investment potential. Some 65% of all the uncultivated arable land left in the world lies in Africa. When Africa manages to feed itself, as – within a generation – it will, it will also be able to to feed the 9 billion people who will inhabit the planet in 2050.

However, Africa is wasting vast amounts of money and resources by underrating its agriculture sector. For example, it spends $35 billion in foreign currency annually importing food, a figure that is set to rise to over $100 billion per year by 2030.

In so doing, Africa is choking its own economic future. It is importing the food that it should be growing itself. It is exporting, often to developed countries, the jobs it needs to keep and nurture. It also has to pay inflated prices resulting from global commodity supply fluctuations. The food and agribusiness sector is projected to grow from $330 billion today to $1 trillion by 2030, and remember that there will also be 2 billion people looking for food and clothing. African enterprises and investors need to convert this opportunity and unlock this potential for Africa and Africans. Africa must start by treating agriculture as a business. It must learn fast from experiences elsewhere, for example in south east Asia, where agriculture has been the foundation for fast-paced economic growth, built on a strong food processing and agro-industrial manufacturing base. This is the transformation formula: agriculture allied with industry, manufacturing and processing capability equals strong and sustainable economic development, which creates wealth throughout the economy.

Africa must not miss opportunities for such linkages whenever and wherever they occur. We must reduce food system losses all along the food chain, from the farm, storage, transport, processing and retail marketing.

To drive agro-industrialization, we must be able to finance the sector. Doing so will help unlock the potential of agriculture as a business on the continent. Under its Feed Africa strategy, the African Development Bank will invest $24 billion in agriculture and agribusiness over the next ten years. This is a 400% increase in financing, from the current levels of $600 million per year. A key component will be providing $700 million to a flagship program known as “Technologies for African Agricultural Transformation” for the scaling up of agricultural technologies to reach millions of farmers in Africa in the next ten years.

Finance and farming have not always been easy partners in Africa. Another pillar of the Bank’s strategy is to accelerate commercial financing for agriculture. Despite its importance, the agriculture sector receives less than 3% of the overall industry financing provided by the banking sector. Risk sharing instruments may resolve this, by sharing the risk of lending by commercial banks to the agriculture sector. Development finance institutions and multilateral development banks should be setting up national risk-sharing facilities in every African country to leverage agricultural finance. And the African Development Bank is setting the pace based on a very successful risk sharing scheme that I promoted while Agriculture Minister in Nigeria.

Rural infrastructure development is critical for the transformation of the agriculture sector, including electricity, water, roads and rail to transport finished agricultural and processed foods.

The lack of this infrastructure drives up the cost of doing business and has discouraged food manufacturing companies from getting established in rural areas. Governments should provide fiscal and infrastructure incentives for food manufacturing companies to move into rural areas, closer to zones of production than consumption. This can be achieved by developing agro-industrial zones and staple crop processing zones in rural areas. These zones, supported with consolidated infrastructure, including roads, water, electricity and perhaps suitable accommodation, will drive down the cost of doing business for private food and agribusiness firms.

They will create new markets for farmers, boosting economic opportunities in rural areas, stimulating jobs and attracting higher domestic and foreign investments into the rural areas. This will drive down the cost of doing business, as well as significantly reduce the high level of African post-harvest losses. As agricultural income rises, neglected rural areas will become zones of economic prosperity.

Our goal is simple: to support massive agro-industrial development all across Africa. When that happens, Africa will have taken its rightful place as a global powerhouse in food production. It could well also be feeding the world. At this point the economic transformation that we are all working for will be complete.

Dr Akinwumi Adesina is President of the African Development Bank. The 2017 AfDB Annual Meetings in Ahmedabad, India, 22-26 May, will focus on 'Transforming agriculture for wealth creation in Africa'. (African Business)

Agricultural activity in Angola has a very low level of mechanisation

Only 100,000 hectares of arable land, out of Angola's 5 million hectares, are annually prepared using machinery and/or animal traction for sowing and harvesting agricultural products, the agriculture minister said in Luanda. Minister Marcos Nhunga also said that the rest of the available land is still tilled using hoes, which is worrying and reveals the low level of agricultural mechanisation in Angola. Because of this situation, the Ministry of Agriculture held a meeting with economic agents related to commercial banking, companies in the agricultural sector, construction, telecommunications, and insurers, among others, to disseminate information on development policies in the agricultural sector and raise awareness of business opportunities and investments in the agricultural, livestock and forestry sectors. The minister recalled that Angola has the potential to achieve high levels of agricultural production, and may in the short term start exporting products such as corn, rice, pulses, oil seeds, vegetables, tubers, tropical fruits, coffee, honey and wood and their derivatives. "We have soils with a high agrarian potential, abundant water resources and a significant amount of the population dedicated to working in the field, but domestic production still does not meet consumption needs for many crops," he added, quoted by Angolan news agency Angop. *(Macauhub)*

Why don't African resource exporters collaborate more?

In mid-April Ghana and Côte d'Ivoire announced plans to coordinate their cocoa production strategies to combat price volatility following a meeting between the two countries' respective cocoa boards in Abidjan. The head of Côte d'Ivoire's Conseil du Café-Cacao, Massandjé Touré-Litsé, told reporters after the meeting that "it's become imperative that our countries take decisions on points concerning production and sustainability and on points concerning the prickly question of the volatility of prices."

Ghana and Côte d'Ivoire are the world's top two cocoa producers, and both have seen their economies hit this year due to a slump in prices for chocolate's raw ingredient. After getting back from the Abidjan meeting the CEO of Ghana's cocoa board, Joseph Boahen Aidoo, told the press that the country had lost almost $1bn in revenues this year due to prices hitting their lowest point for years.

This comes as the country grapples with a $1.6bn budget hole discovered when the newly elected government of president Nana Akufo-Addo took power in January. Meanwhile, Côte d'Ivoire has had to slash its planned spending for 2017 purely due to falling prices. Under such circumstances, the case is obvious for deeper collaboration to reduce the countries' vulnerability to fluctuations in price. Yet despite Africa accounting for a massive 75% of global production, exporters wield little to no influence over where the price goes. This is not to mention the continent's paltry 2% share of the estimated $98bn global chocolate market, dominated by companies in non-cocoa producing countries like Switzerland and the US. It is a familiar African story – the exporting of precious materials, with all their value extracted elsewhere.

Passive actors

The pattern is repeated across the continent, with major hydrocarbon and mineral producing economies like Angola, Nigeria and South Africa more often than not passive actors in a global market largely defined by actors outside the continent. In these sectors too, the benefits of value addition are almost entirely out of the hands of Africans. But it arguably need not be so. If acted upon, the collaboration between the two West African producers would be a rare example of countries taking steps for more effective collaboration on managing their resources. Given the reliance of many African economies on commodity exports it is surprising there are not more efforts like this.

Moving beyond talk

It remains to be seen if actions match rhetoric – the two countries have provided little detail. But resource-rich countries in Africa have long underplayed their position as strategic commodity producers. The crucial thing is to move beyond talk, and simply get on with the hard work of implementation. Whilst there are no guarantees countries will achieve better prices, or be able to move up the value chain of their respective industries, there appears to be little downside to more collusion. *(African Business)*

Mauritian sugar producer Alteo upbeat on full-year prospects

Mauritian sugar producer Alteo's full-year results will be significantly better than last year, helped by a strong performance by its farming business, the company said after posting a 55 % third-quarter profit leap. Pretax profit rose 55 % year on year to 583.88 million rupees ($16.66 million) in the three months to March 31, driven by higher sales and favourable prices. Group revenue was up 21 % at 2.34 billion rupees. "Group results for the year are expected to be significantly better than last year's," the company said, citing strength in agribusiness and sugar, as well as a growing contribution from the group's East African operations. Alteo is the largest sugar miller on the Indian Ocean island of Mauritius and also has interests in property development and hotels. ($1 = 35.0500 Mauritius rupees) *(By Jean Paul Arouff, Reuters)*

Japan pays for cotton production feasibility study in Angola

An economic feasibility study for the production of cotton in Angola's Malange province is being carried out by Japan as part of its cooperation with Angola, the Japanese ambassador in Angola, Hironori Sawada, said in the city of Malange. The ambassador told Angolan news agency Angop at the end of an audience with the governor of Malange, Norberto dos Santos, that the project, details of which he did not disclose, was underway, with the respective costs being paid by the Japanese International Cooperation Agency (JICA). Sawada pointed out that the province of Malange is very rich in land, water and mineral resources, and the intention is to take advantage of this potential for production of cotton and other initiatives. Angola has been benefiting from agriculture, education, health, infrastructure, and energy and landmine clearance projects in several provinces, paid for by JICA. (Macauhub)

Huambo to have animal protein production factory

The central Huambo province will soon have an animal protein production plant, with the aim of increasing the supply and quality of chicken, eggs, pork and goat meat products to the population.

The announcement was made by the Minister of Agriculture and Rural Development, Marcos Nhunga, at the meeting aimed at preparing the agricultural campaign. He explained that the future plant has already been approved by the Cabinet Council and is equivalent to the Quiminha project in Luanda. According to the official, work is currently underway to identify an area of 5.000 hectares for its implementation, in order to provide the animal proteins production on a large scale. "It is an integrated and sustainable project that can mitigate some of the difficulties that Huambo province still lacks in terms of egg, chicken, pork and goat meat production", said the minister. But for the successful implementation of this project, the official considered fundamental the province to produce maize and soybeans from this year to serve as a base in the production of animal feed. *(Angop)*

UPCOMING EVENTS

World Economic Forum on the Middle East and North Africa, Dead Sea in Jordan on 19-21 May 2017, in partnership with the King Abdullah II Fund for Development (KAFD)
https://www.weforum.org/events/world-economic-forum-on-the-middle-east-and-north-africa-2017

2017 AfDB Annual Meetings 22-26 May, Ahmedabad, India
Agriculture, agri-business and agro-industries will dominate the knowledge events
www.afdb.org/am

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

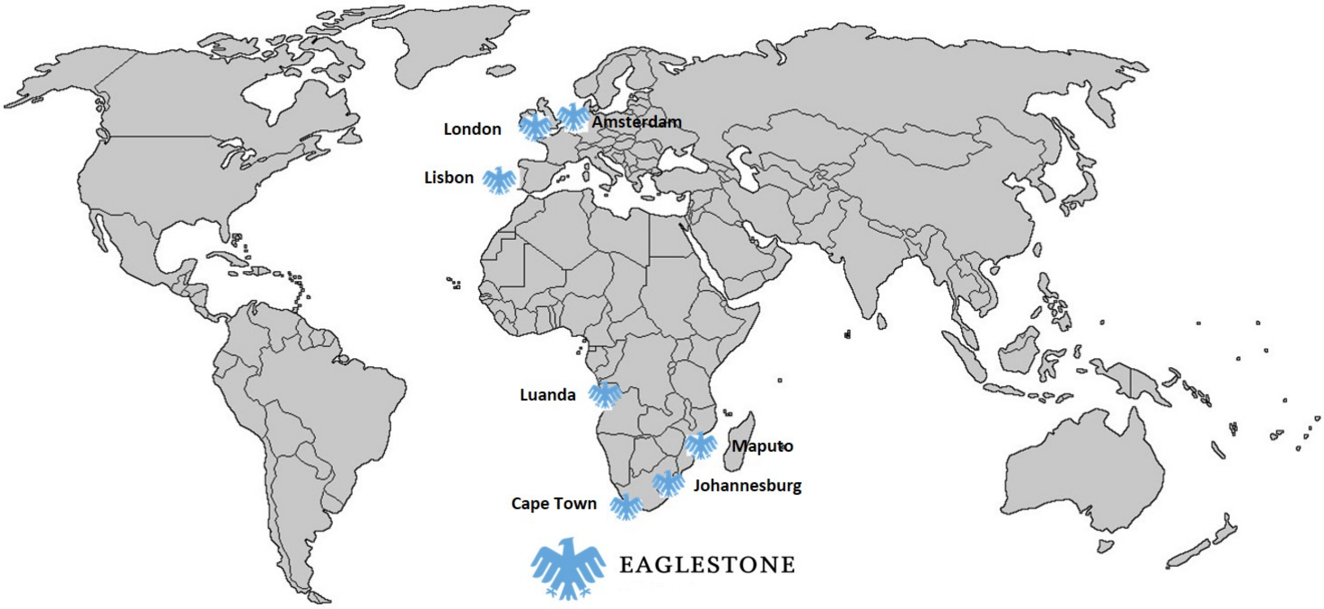
The Infrastructure Revolution 15-16 May - Transcorp Hotel, Abuja, Nigeria *https://afc-live.com/*

AfDB's 53rd Annual Meetings, in Busan, Korea, from May 21-25, 2018
The Korea-Africa Business Forum and Cultural Exchange in Busan, has the specific goals of making the Bank's 53rd Annual Meetings successful by promoting the Korean general public's and private sector's interests in Africa. *https://www.afdb.org/en/news-and-events/the-korea-africa-business-forum-and-cultural-exchange-16819/*

4th Mining on Top- Africa Summit (MOTA) 6th -7th July 2017 Frankfurt Germany
http://ametrade.org/miningontopafrica/

Africa Hotel Investment Forum 11-12 October 2017 Radisson Blu & Kigali Convention Center – Kigali, Rwanda *www.africa-conference.com*

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



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Disclosures

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

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

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

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

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