INSIDE AFRICA

Now is the time to invest in Africa

18 August 2017

EAGLESTONE SECURITIES

CONTENTS

BRIEFS

Africa

- Maersk family foundation launches Africa infrastructure fund
- Africa's Richest Man to Invest Up to $50 Billion in U.S., Europe

Angola

- Angola to issue up to US$2 billion in Eurobonds
- Angola hands maintenance of three dams to Brazil's Odebrecht group
- China's Gezhouba Group Co. building Angola's biggest hydroelectric dam
- Angola spends US$114 million on solar power equipment

Bostwana

- IMF revises Botswana's 2017 growth forecast as diamond demand rises

Cabo Verde

- Cabo Verdean gov't announces plan for privatisations and concessions

DRC

- Congo reinstates VAT on imports for mining companies
- Congo injects $20 mln into forex market as franc tanks, inflation rises

Egypt

- Egypt's Beltone Financial to launch $1 bln fixed income fund: CEO

Guinea-Bissau

- French company to build thermal power plant in Guinea-Bissau

Mozambique

- Mozambique's economy grows 3.0 percent in Q2: official data
- Mozambique's foreign reserves increasing
- ENI, Anadarko to build LNG terminals in Mozambique
- Indian group to build new coal terminal at port of Beira, Mozambique

Nigeria

- Nigeria's Lagos raises 85 bln naira in bond issue to fund projects: official
- Nigeria Seeks to Diversify From Oil With $41 Billion of Rail
- Union Bank has sufficent cover for loans to telecoms group 9mobile
- Lafarge to merge Nigerian units to simplify ownership structure

South Africa

- Moody's says South Africa's political tensions constraining growth
- Shoprite shares fall after Steinhoff says could buy controlling stake

Zambia

- China to lend Zambia over $280 million to improve telecoms

In-depth:

Mozambique Economic: A Two-Speed Economy

Mozambique is increasingly a two-speed economy as extractives and mega projects drive growth, whilst other sectors lag behind, according to the third edition of the World Bank Mozambique Economic Update.

Trends in early 2017 show signs of improvement in the Mozambican economy as first quarter growth picked up and the currency stabilized. Much of this improvement is attributed to the country's recovering coal industry, and a great deal of the growth outlook depends on similar such developments in the extractives sector. According to the Update, strengthening prices for extractives along with a post el Niño recovery in agriculture and progress in peace talks could steer growth to 4.6 % in 2017, and towards 7 % by the end of the decade.

But economic conditions remain challenging. Growth is still well below the levels seen in recent years and inflation remains very high at 18 %. Although monetary policy has supported a significant adjustment in the economy, Mozambique's reference lending rate is now amongst the highest in sub-Saharan Africa, and average commercial bank lending rates of about 30 % are prohibitively high for much of the private sector. Hence, more needs to be done to help Mozambique's economy recover, especially the small and medium enterprises.

In a special section of the Update, this edition of the Mozambique Economic Update explores the profile of the formal private sector and the impact of economic downturn on its performance. It notes growth and increased dynamism with the number of firms in the formal sector doubling since 2002, and because the share of small and medium enterprises has grown, a phenomenon that bodes well for productivity growth. These are positive signs. However, economic downturn is likely to have a disproportionately negative impact on the emerging micro, small and medium enterprises.

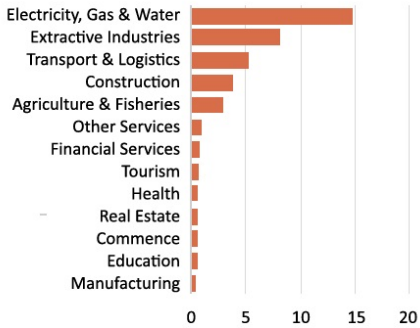
"While extractives and large industries are showing some resilience, the rest of the private sector, the green shoots of the economy, is facing reduced growth in demand, higher costs, and difficulties in access to credit," said **Carolin Geginat, World Bank Program Leader for Equitable Growth, Finance and Institutions.**

Re-establishing macroeconomic stability through a more balanced mix of fiscal and monetary policy is a priority. Slowly easing inflation and lowering credit levels suggest that the monetary policy cycle could begin to loosen as the economy continues to adjust. Making this transition smoothly will require a sharper fiscal policy response to restore the health of Mozambique's public finances. Consolidation reforms to control the wage bill would help to ease pressures on the budget. Much also rests on the outcome of the debt negotiations initiated by the Government of Mozambique.

Equally important for restoring sustainability would be a commitment from the authorities to pursue policies that help Mozambique build fiscal buffers, as well as increasing the resilience of the private sector in the long-term. (World Bank)

Utilities and extractive industries punch above their weight in terms of value added…

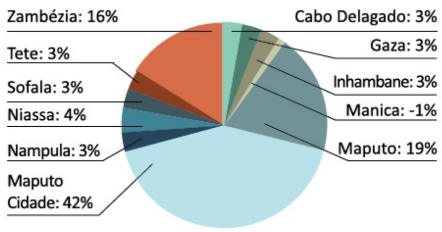
Concentration of value added per sector,[39] 2015



Source: INE, Censo de Empresas (CEMPRE)

… and Maputo has captured a large share of firm growth

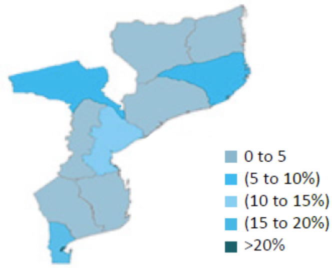
Share of firm growth by province, 2002-15



Source: INE, Censo de Empresas (CEMPRE)

Maputo has also accounted for the largest share of employment created …

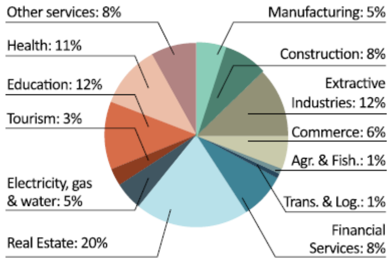
Share of new jobs created by province, 2002-15[40]



Source: INE, Censo de Empresas (CEMPRE)

… and employment growth has been diversified

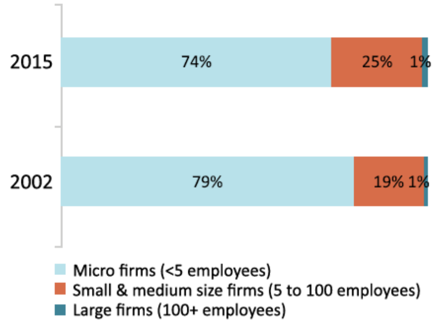
Formal private sector employment by sector, 2002-15



Source: INE, Censo de Empresas (CEMPRE)

The share of small and medium firms has been growing…

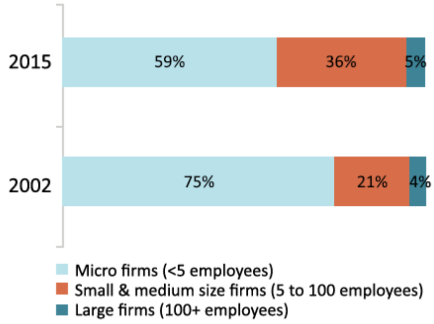
% of total number of firms by firm size



Source: INE, Censo de Empresas (CEMPRE)

…as well as in productivity

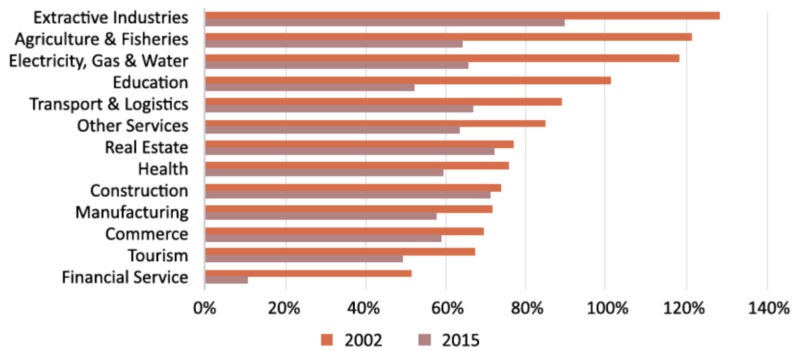
% of firms in the top productivity quartile by size



Source: INE, Censo de Empresas (CEMPRE)

Productivity dispersion within sectors has declined suggesting increased competition

Percentage difference between labor productivity for 90th percentile productive firms and 10th percentile productive firms, 2002 / 2015



Source: INE, Censo de Empresas (CEMPRE)

IMF, WORLD BANK & AFRICAN DEVELOPMENT BANK

Transport projects financed by the AfDB between 1967 and 2017 have benefited 450 million Africans

Over its 50-year history, the African Development Bank (AfDB) has financed over 450 transport projects, changing the lives of close to 450 million people across Africa. Roads, port, airport, and railway projects are all included on a map published as part of the fiftieth anniversary of the first project financed by the Bank, a road project in Kenya, in 1967. This document, viewable here, shows the location of all of these projects and the financing provided in each country. In total, the Bank has loaned and granted more than 30 billion US dollars to improve transport systems in Africa.

While almost all AfDB member countries have benefited from financing, the map shows the countries that have accessed the Bank's financing most often. Morocco and Tunisia, the countries with the most financing for transport over the past 50 years, received US $2.7 billion and US $2 billion, respectively. At the subregional level, the map shows the significance of East African project financing. More than a billion dollars of transport project financing was provided to Kenya, Tanzania and Ethiopia. West Africa ranks next, with Côte d'Ivoire leading the way with the recent urban transport megaprojects.

The map also differentiates between the various types of transport that received funding. Roads projects are the most numerous. Some help open up remote regions and stimulate economic development, particularly in agriculture, such as the Koumra-Sarh road in southern Chad (see the impact study). Others consolidate existing transport patterns, connecting African capitals and linking principal ports, facilitating trade. This was the goal of the first project financed by the AfDB, in 1967, for paving two sections of road in Kenya. The first section of road linking the Kenyan cities of Eldoret to the Timborora region of Uganda, laid the foundation for a road system that is now essential to commerce between the countries of the Great Lakes and Indian Ocean regions. The second connected Nairobi, the Kenyan capital, to the Kilimanjaro region of Tanzania. It has become a major trunk road for commerce and tourism in both countries.

In total, more than 40,000 kilometres of roads have been paved with the Bank's financing, or four times the distance between Tunis, the continent's northernmost capital, and Cape Town, the southernmost.

African ports have also received significant financing. As entry points for international trade, ports are important for African countries' economic competitiveness. Sixteen ports have been created, expanded or modernized through financing provided by the Bank, particularly in West Africa: Cotonou (1979), Banjul (1982), Conakry (1983), Dakar (2009), and Lomé (2011). These ports also handle trade from landlocked countries such as Mali, Burkina Faso and Niger. The Bank also supported shipyard development in Cape Verde, Cameroon and Burundi.

Rail transport plays a fundamental role in the economies and national cohesiveness of many African countries by facilitating the transport of goods and people over long distances. The map demonstrates the relatively advanced state of southern and northern African rail systems: these two regions include nine of the 14 African countries requesting AfDB funding for rail projects. Tunisia (1975) and Zambia (1979) led the way, while the most recent projects concern Transnet in South Africa (2010 and 2014) and a multinational Mozambique-Malawi project (2015). These two projects are supported by the Bank's private sector branch, since rail projects are good opportunities to create public-private partnerships.

In the air transport sector, the Bank has supported investment in some 30web airports across the continent. In large countries such as Nigeria or the Democratic Republic of the Congo, both assisted by the AfDB, air transport provides national cohesion and the ability to deal with emergency situations, delivering food and medical supplies, for example. In financing airports for island nations such as Cape Verde or the Seychelles, the AfDB assists in bringing them into the global flow of trade and tourism. In addition to financing terminal construction, the AfDB has been involved in air security improvement over the past ten years through the establishment of training programs and provision of equipment through regional economic communities, the most recent of which concerns 25 Central and West African countries.

There is something the map doesn't show, however: transport projects have changed over the past 50 years, moving beyond infrastructure construction. "To reach their full potential, transport projects must be supplemented by investments in other economic sectors," according to the evaluators of the first transport project financed by the AfDB (an excerpt from this report is available here). They set the stage for what has become the Bank's holistic approach: support local economic players and associations and strengthen health and education services. Adapted to the local context, such projects help maximize the projects' impacts on people's daily lives (see the 2016 Activity Report) of the Infrastructure, Cities and Urban Development Department).

Started under the leadership of the East African Community, the first project financed by the Bank recalls the importance of the Bank's work as a coordinating body in close collaboration with regional economic communities. Encouraging discussions between political decision-makers, building capacity in public institutions, standardising regulatory environments or simplifying customs procedures are important tasks that cannot be shown on the map, but that play a key role in facilitating the movement of people and goods around the continent.

AfDB to invest US$24 billion in agriculture in next 10 years

The African Development Bank (AfDB) will invest US $24 billion dollars in agriculture as part of its Feed Africa programme- a strategy for agricultural development in Africa. President of the Bank, Akinwumi Adesina, said this in a speech he delivered at the 50th anniversary celebration of the International Institute for Tropical Agriculture (IITA) in Ibadan, Nigeria, Adesina emphasized that the goal of the Bank is to “ensure that Africa feeds itself within ten years, and unlocks the full potential of its agriculture.” The IITA hosted a series of events to celebrate 50 years of excellence in research. Dignitaries attended the event from across the continent. The Institute recognized Adesina’s immense contributions to improving agriculture and named a newly constructed building after him. The US $700,000 Akinwumi Adesina Youth Agripreneurs Building is a new Training Facility for Capacity Development for Youth Agripreneurs funded by the Federal Ministry of Agriculture and Rural Development and IITA. The training facility comprises two major training rooms that can conveniently accommodate 50 trainees each, two big offices for 30 interns each, and 20 standard sized offices. “I am humbled, and deeply appreciative of the opportunity to lend my name to this well-equipped building which will be used by young Agripreneurs to learn, set up and launch their own businesses, and create a prosperous living for themselves, their families and those they will employ,” Adesina said Adesina re-affirmed his conviction that the future millionaires and billionaires of Africa will emerge from the agriculture sector. “Africa is today spending $35 billion a year importing food. That is US$35 billion that should be kept on the continent. This is a US$35 billion market that young people can tap into to create new wealth each year. To do that requires totally changing the lenses with which we look at agriculture. Agriculture should no longer be seen as a way of life or a development sector, but rather as a business for wealth creation,” he emphasized. (AfDB)

A Common Cause for Sustainable Growth and Stability in Central Africa

Six countries in central Africa have been hit hard by the collapse in commodity prices. Oil prices dropped, economic growth stalled, public debt rose, and foreign exchange reserves declined. A delayed response from policymakers, and a regional conflict have worsened the situation further for people in the region. The countries of the Central African Economic and Monetary Community are Gabon, Cameroon, Chad, the Central African Republic, the Republic of Congo and Equatorial

Guinea. They share a common currency—the CFA franc—that is pegged to the euro, and have a common central bank that holds the region's pool of foreign exchange reserves.

In response to their current acute economic difficulties, the countries have devised a strategy to turn their economies around. Success depends on countries' implementation of well-coordinated policies within and across their borders. The countries have also approached the IMF for support. In recent weeks, the IMF has approved new Fund-supported programs for Gabon, Cameroon and Chad, and an increase in funding for the Central African Republic. Discussions are ongoing with the Republic of Congo and Equatorial Guinea.

Oil price collapse

Oil accounts for about 60 % of the regions' exports. Hence, the collapse in oil prices in 2014 was a huge economic blow that cut government revenues from oil exports in half between 2014 and 2016. The region's current account deficit consequently widened substantially from 3.9 % of GDP in 2014 to 9.3 % in 2016. Despite some cuts in public spending to compensate for the decline in government revenues, public debt rose from 29 % of GDP in 2014 to 47 % of GDP in 2016. Economic difficulties have been compounded by security threats from Boko Haram in the Lake Chad region and civil conflict in the Central African Republic. Countries were initially slow to respond to these shocks, and, by the end of 2016, foreign exchange reserves had dropped by US$10 billion, reaching the equivalent of about two months of imports; much lower than needed, especially for a region with a fixed exchange rate.

United front

Recognizing the gravity and urgency of the situation, at a Summit in Yaoundé last December, country leaders decided to take the necessary measures to address their current economic difficulties, and lay the foundations for a gradual economic recovery. A cornerstone of the economic strategy is preservation of the current exchange rate peg. An important decision by the leaders was that all countries would take the necessary actions to fix the collective problem. This decision was critical because only by working together would the region's economy as a whole begin to recover.

While each country will develop its own policies, their overall strategy emphasizes four areas to reform:

- Raise non-oil revenues through fiscal reforms, better prioritize expenditures to help stabilize public debt levels, and strengthen the transparency and efficiency of public spending.
- Protect social spending and introduce new social protection programs to ease the impact of the economic crisis on the poor.
- Strengthen the financial sector to promote stability and inclusion.
- Improve the business environment and promote economic diversification away from the overreliance on oil.

IMF support

The IMF is providing support through financing, policy advice, and technical assistance.

Financing. In conjunction with other development partners, the financing we are providing will allow for a more gradual correction of imbalances than would otherwise be the case. This will also allow more time for countries to implement much-needed economic reforms that will help them become more resilient to future shocks and crises.

While our **policy advice and technical assistance work** covers a broad front, three areas are critical for the success of the reforms:

- ***Policy coordination among countries and with regional institutions.*** All countries need consistent implementation of their reform programs to prevent free rider problems. At the same time the regional central bank needs to remain committed to supporting country programs and raise interest rates as needed to help rebuild external reserves and support the exchange rate peg. The financial sector also needs strengthening, including by enhancing the bank supervision framework and its implementation.

- ***Growth-friendly and inclusive fiscal reforms.*** Countries can mitigate the effects of spending cuts with measures that improve the efficiency of public spending and help protect the poor. People are more likely to support reforms if governments can show that fiscal adjustment is distributed fairly and the vulnerable are protected.
- ***Combating corruption and increasing transparency in the use of public resources.*** Corruption can be a significant drain on scarce public resources and be a drag on economic growth. The six countries can demonstrate that current reforms can overcome past weaknesses with concrete steps. For example, among other policies, we encourage countries to join the Extractive Industries Transparency Initiative which supports the disclosure of information related to commodity revenues.

Ultimately, how well countries implement these reforms and how adroitly they use policies to respond to future shocks will determine the success of their strategy. The IMF stands ready to support the countries' work to improve economic prospects for their people.

Key Features of Country Programs

Cameroon

- Maintain the sustainability of public debt by aligning borrowing plans with capacity to execute investment projects and prioritizing infrastructure projects that will contribute to the development of the country. Increase non-oil revenue by broadening the coverage of the land tax and rationalizing tax exemptions.
- Support private-sector led growth, by addressing high non-performing loans and resolving insolvent banks, and removing administrative obstacles to private sector development.
- Target 3.5 % of GDP for spending for health and education, and expand the coverage of social protection programs.

Gabon

- Contain public spending to stabilize public debt and place it on a downward path over the medium term.
- Increase the transparency and efficiency of public spending through public finance management reforms, including, for example improving the process for public purchases to ensure better value for money.
- Protect critical social programs from fiscal adjustment by ensuring they remain adequately funded, maintain financial stability, and adopt policies to foster economic diversification. Specifically, simplifying procedures and reducing the time it takes to start a business, deal with construction permits, register property, pay taxes, and enforce contracts will support private sector investment and job creation.

Chad

- Reestablish debt sustainability by restructuring external commercial debt.
- Boost non-oil revenue mobilization, improve public financial management and pursue economic diversification efforts, while strengthening the stability of the banking sector.
- Reallocate resources to public investment, clearance of domestic arrears, and social spending, including a target to gradually increase the latter starting in 2017, to reach 4.2 % of GDP.

Central African Republic

- Accelerate payments of domestic arrears and increase social expenditure to support social cohesion and growth.
- Raise domestic revenues by almost 3 % of GDP by 2020 to create room in the budget for social services and critical infrastructure projects.
- Improve the transparency and efficiency of public spending through regular publication of budget execution reports. (IMF)

INVESTMENTS

São Tomé and Príncipe receives new medical team from China

São Tomé and Príncipe's Minister of Health, Maria de Jesus Trovoada, welcomed the second medical team sent by China to the West African archipelago on Wednesday and thanked the members of the first team for the support provided to the population as well as the knowledge passed on to the local medical sector staff. The reception of the second medical team, which replaced the first one that stayed in the archipelago for six months, took place in a ceremony held in São Tomé, which was attended by the Chinese ambassador Wang Wei. The new Chinese medical mission includes seven specialists in the fields of cardiology, stomatology, dermatology and general surgery, and now includes an acupuncture specialist. In addition to providing services in the largest health centre in São Tomé, Ayres de Menezes Hospital, the Chinese team also provided assistance in other health centres in the archipelago. Chinese cooperation in the health sector also includes the intervention of a Chinese team specialising in malaria action, replacing a team from Taiwan, which spent about US$1 million a year on this project. Cooperation between São Tomé and Príncipe and China covers, in addition to health, the agriculture, energy and infrastructure sectors, tourism, fisheries and technical assistance. (Macauhub)

International consortium builds beverage factory in Angola

The Grupo Sun Ocean Lda consortium plans to build a beverage factory in Angola under a deal signed in Luanda with the Technical Unit for Private Investment (UTIP). The project that will require an investment of more than US$50 million, the Angolan press reported. The investment to be made by the consortium is aimed at producing and packaging juices, water and wine, initially estimated at 80 million litres per year, in a factory to be built on the outskirts of Luanda. The consortium is made up of Angolan company Sun Ocean Holding Ltd, Equatorial Guinea company Envasadora de Bata (Embasa) and by QG African Infrastructure 1 LP, the entity that will guarantee the financing. Sun Ocean Holding Ltd is a company with experience in the Angolan market, the Envasadora de Bata operates in the beverage sector, both in production and in the construction and management of factories, and QG African Infrastructure 1 LP is an investment company managed by Quantum Global. The mission of the Technical Unit for Private Investment is to receive and analyse investment proposals in excess of the equivalent to US$10 million in local currency (kwanzas – AOA). (Macauhub)

"Massive investments into agriculture and oil processing on the way", says Dangote's Devakumar Edwin

Devakumar Edwin, Group Executive Director of Dangote Industries Ltd, outlines the Nigerian giant conglomerate's plans to expand into oil refining as well as large-scale agro processing.

The *Dangote Group has plans to invest $3.8bn in sugar, rice and milk over the next three years. What is the rationale for the investment?*

Yes, the conglomerate will be expanding its operations in the country and will be investing heavily in sugar, milk and dairy production. To recap our manufacturing trajectory: we started with textiles (which was closed down) then we moved into construction and food production. The construction segment involved cement production and expanded into granite and other related products. Food production involves a sugar refinery and flour mills; as well as the production of pasta and noodles. We used to invest primarily into the commodities we are trading in. For example, we brought in the salt from Senegal, cement from Benin and Togo, sugar from Brazil and pasta from Italy.

When we went into manufacturing, we adopted backward integration. We wanted to produce pasta locally because we were already trading in it. To manufacture pasta, we needed flour so instead of relying on firms like Flourmill Nigeria, who were already producing pasta and flour and who could have held us to ransom, we realised that we would have to invest in a flour mill. We went into cement production because we were already trading in cement and we went into salt manufacture also because we were trading in salt. This gives us a huge advantage because we already have the consumer, the market, the trading, distribution and logistics networks among others. Our aim is now to replicate the revolution our group brought about in cement production in agriculture, particularly rice and sugar.

Another logic of our strategy is to go into businesses where there is a demand-supply gap. Following on from the construction and food production, our focus is on oil and gas. There is a huge demand for gas, diesel, kerosene, aviation fuel and the rest. There is a huge demand for rice and sugar – most of which is imported in raw form. By producing them locally, we are filling the demand and supply gap.

Also, we chose the right timing to invest. For example, the petroleum pricing is going up in the country because of a shortage of foreign exchange and the loss of consequent loss of value of the naira. Most of the manufacturing companies have closed down due to this shortage of foreign exchange as Nigeria is very heavily import dependent. By refining oil locally, we not only satisfy the needs of the country by closing the demand supply gap, but we also make the economy stronger and more stable by reducing the need for foreign exchange.

Will these new products serve both the Nigerian and export markets?

For the rice and sugar products, we are primarily focusing on the Nigerian market. As we continue to grow in future, we can export. This is just as we did in the cement industry – we continued to expand until we met the full capacity of the Nigerian market and from last year, we started exporting cement. For rice and sugar, our current focus is to meet the local demand, which is huge; the conglomerate plans to increase its production of sugar to 1.5m metric tonnes a year by 2020 from 100,000 tonnes now and is seeking to add 1m tonnes of rice. As other companies also step in to fill the gap, we will continue to expand and export.

Are there any estimates for job creation?

In the sugar business alone, for each of the projects we are going to start in four states, Niger, Nasarawa, Taraba and Adamawa, the direct employment alone will be a minimal of 30,000 people and it will go up substantially during planting and harvest because they are seasonal. Having 30,000 people at each site will add up to 120,000 in the four sites during harvest and plantation time. For rice, we are talking about 1.5m tons from paddies across more than 300,000 hectares of land. This will involve doing business with about 600,000 farmers. And the farmer will also employ other people to assist him; let's say he employs five people – this will add up to millions of jobs.

How will the projects be financed?

Due to the massive scale of the projects, we have a number of ways of financing them: local banks and the Central Bank of Nigeria will provide working capital finance. We shall bring our equity and the export credit agencies shall provide financing for the equipment – sugar mills, coal generation power plant, ethanol distillery, paddy parboiling equipment, rice milling, polishing & sorting equipment, rice husk power plant, silos, etc.

Is the current business climate in Nigeria conducive to expansion?

If the business climate in any country is very conducive for investment, that country will be an export dependent economy and not an import dependent economy. Investors will invest in a place where their investment is secure and generating higher returns. Coming back home, most of our investments are in Nigeria and sub-Saharan African countries with a lot of challenges. In the last two weeks alone, in four countries in which we have invested, there have been legislative changes for absolutely no sound reason except being highly hostile to investors. But we are already there, we can plan how to manage the situation. But the advantages for us in investing in Nigeria and other African countries are that we are better suited to manage these difficult situations. Again, a very fundamental law says the higher the risk, the higher the returns, so if we are confident of managing the risk, we also know the returns are better. Being an African company, we know the long term reality better, we know the challenges better and we are in a better position to manage them and we get better returns.

What government policies would help to facilitate and speed up investment?

In the manufacturing sector for example, the country has not come up with any major policy to attract investors. It has one policy, called the "pioneer status" which grants businesses three years tax free with a possibility of an extension for another two years. In other countries, for example Senegal, it is 10 years tax free. But right now the government is thinking of removing this incentive, which will mean less investment enters the country. On the agriculture sector, if the government can focus more on the infrastructure, it will be helpful. We have never been dependent on government policy, we have always looked at how we can operate without any support or any help from government.

What future plans do you have beyond the sugar and rice operation?

The other areas we are looking at are tomato and dairy milk production. Nigeria is the largest importer of tomato paste, especially from China. We are looking to grow tomatoes locally. Also, the company plans to have 50,000 cattle producing 500m litres of milk a year by 2019. We have done our feasibility studies on the two products. In the long term, another area in agriculture we are looking at is oil seeds; the country is importing about 80% of vegetable oil. A little palm kernel is home-grown but the bulk of it is imported – so we want to go into oil seed production and then have the vegetable oil products produced locally.

What legacy do you think the president of the Dangote Group is looking to leave behind?

The legacy that Aliko Dangote is looking to leave behind is for the companies to be the highest employer of labour, after the government. This is one of the reasons why we are investing heavily in manufacturing so that we can become the highest employer of labour in the private sector. With agriculture, there is going to be massive creation of employment that will engage the rural people and take their mind off evil activities like Boko Haram. (By African Business)

BANKING

Banks

Bank of Mozambique concludes intervention at Moza bank

The Bank of Mozambique concluded its intervention at Moza bank, saying in a statement issued in Maputo that after the capitalisation and normalisation of the bank's financial situation the reasons that dictated the intervention were no longer an issue. The central bank's statement added that completion of the intervention was only "possible through a capital increase involving the entry of a new shareholder in the credit institution concerned." The regulator thus determined "the termination of the extraordinary reorganisation measures imposed on the Moza bank and the discharge of the provisional Board of Directors, with the credit institution operating normally with its own governing bodies." At the end of May the Bank of Mozambique announced the sale of Moza to Kuhanha, which manages the pension fund of central bank workers, after having intervened in September of last year to suspend the Moza's board of directors and executive committee to "protect the interests of depositors." Moza (formerly known as Moza Banco), which started operations in 2008, was formerly controlled 51% by Mozambique Capital, with the remaining 49% owned by Portugal's Novo Banco, an institution that kept the quality assets of bankrupt bank Banco Espírito Santo (BES). (Macauhub)

Bad loans increase in Angola over the last three years

Failure to pay loans has been increasing in Angola over the last three years due to the country's macroeconomic environment, the president of asset management company Recredit – Gestão de Activos said in Luanda. Recredit, founded on 11 June, 2016, in which the rights and obligations of the State, as a shareholder, are exercised by the Ministry of Finance, has been involved in the acquisition of bad loans from public banks, and can acquire problematic loans from all banks in Angola, provided they are related to processes focused on the Angolan economy.

The chairman of the company, Vicente Leitão, said in a meeting with the trade press that Recredit is not a "bad bank", which is to say, it does not buy assets to sell, but rather to recover them in terms

that are of the interest to the national economy and not just of financial interest. Leitão said that Recredit is in the process of negotiating the loans of five commercial banks: Banco de Poupança e Crédito, Banco de Comércio e Indústria, Banco Angolano de Investimentos, Banco Keve and Banco de Negócios Internacional.
The chief executive Filipe Duarte, asked about the mechanisms to be adopted in the process of charging borrowers, said that the company will always try to negotiate a solution with the borrowers, given that they end up owing to Recredit once their loan is transferred.
This negotiation, executive director Angélica Paquete said, is intended to asses the project in question, determining if an additional investment could make it feasible and whether Recredit will intervene directly or indirectly in its management. (Macauhub)

Banco Sol launches services in Mandarin to attract Chinese residents in Angola
Angolan bank Banco Sol agreed to a request by the China-Angola Chamber of Commerce to open personalised service counters in Mandarin to attract the Chinese population living in Angola to the banking system, state newspaper Jornal de Angola reported. The request was made by the president of the chamber of commerce, Manuel Calado, during a seminar on “Business Development and Partnerships” sponsored by Banco Sol. Calado said that Chinese residents have great difficulty in opening accounts at Angolan banks, and this business opportunity led Banco Sol to create specialised services that work and offer products in the Chinese language and physical protection of customers during operations. “We are working with the national banks to begin opening agencies for the Chinese community with some security, ease of communication and the launch of credit lines for young Angolans interested in acquiring housing in projects promoted by the Chinese,” said Calado. The chairman of the Angola-China Chamber of Commerce added that Chinese companies have a large supply of housing and real estate in Angola, but they are unable to sell it because young people have financial difficulties, and therefore there are plans underway for an agreement with Banco Sol to provide loans to interested parties.
At the end of the seminar, the chairman of the China-Angola Chamber of Commerce said Chinese entrepreneurs in the commercial, industrial and agro-livestock sectors have US$6 billion available to invest in Angola. Calado also said that the amount announced is independent of the financing agreements between the governments of the two countries. (Macauhub)

New BRICS bank plans $1.5 bln lending for South African projects
A New Development Bank (NDB) set up by the "BRICS" group of emerging economies plans to lend $1.5 billion to South Africa for infrastructure projects over the next eighteen months. The BRICS - Brazil, Russia, India, China and South Africa - agreed to create the infrastructure-focussed lender in July 2014 as an alternative to the World Bank, launching it a year later.
The bank, headquartered in Shanghai, officially opened its African regional centre in Johannesburg on Thursday 17th August which will identify projects that it can fund. "We have an appetite to do about $1.5 billion of lending to South Africa for the next 18 months and the task before the members of the Africa regional centre is to make sure that this pipeline is rectified into actual lending projects," the bank's president Kundapur Kamath said at the launch.
The NDB was created to address a massive infrastructure funding gap in the member countries, which account for almost half the world's population and about one-fifth of global economic output. It was founded with an initial authorised capital of $100 billion and started lending last year, funding seven projects worth $1.5 billion. "Our target is to end 2018 with a total loan book of about $8 billion for approximately 35 projects," Kamath said, referring to the loan book of the bank as a whole.
South African President Jacob Zuma said the regional office was expected to ease funding access hurdles for African countries, as the bank was working on expanding its membership to other countries outside the BRICS. "We expect that the bank through the Africa Regional Centre will

contribute to accelerating infrastructure investment in energy, transport, water and other productive sectors," Zuma said. (By Olivia Kumwenda-Mtambo, Reuters)

Markets

Zimbabwe boosts 'bond note' parallel currency by $300m

Move raises fears notes are paving way for return of country's dollar. Zimbabwe's central bank said it would more than double the printing of "bond notes" as cash shortages worsen in the dollar-dependent southern African nation. John Mangudya, the governor of the Reserve Bank of Zimbabwe, said that the bond notes, a parallel currency launched last year that is officially equal to US dollars in value but trades at a discount, would be printed "on a drip-feed basis" from the end of August.

The central bank says the $300m boost, which will bring the total value of bond notes in circulation to $500m, is being funded with loans guaranteed by African Export-Import Bank (Afreximbank), a Cairo-based lender.

The increase would bring the amount of bond notes in circulation to more than half the physical US dollars left in the country, raising fears that the notes are paving the way for the return of the Zimbabwe dollar, which was withdrawn after hyperinflation in 2009. "The inefficient circulation of money is significantly causing shortages of cash in the formal economy and the banks," Mr Mangudya said, blaming "wayward market indiscipline" for a continued drain of physical money from circulation. Afreximbank could not be reached for comment.

Zimbabwe's economy has been haemorrhaging US dollars, the most commonly used of several foreign currencies adopted since 2009, to pay for imports under a trade deficit of $1.5bn, about 9 per cent of gross domestic product. Years of political instability have crippled the economy, triggering a collapse of foreign investment.

The problem has been exacerbated by the turmoil that has flared up in the ruling Zanu-PF, led by Robert Mugabe, who at the age of 94 has resisted naming a successor ahead of presidential elections due next year that he is contesting after 37 years in power. Ordinary Zimbabweans are also piling up dollars at home, despite banks limiting account withdrawals to as little as $50 a day and payments increasingly being made using mobile phones or cards.

The central bank says there are still about $800m in physical US dollars and other foreign currencies in circulation, but the International Monetary Fund estimates that the number of US dollars could be as low as $600m."With its link to the US dollar increasingly tenuous and lacking a strong anchor, confidence in the domestic monetary system could weaken rapidly," IMF economists recently said in a report on Zimbabwe's economy.

The number of so-called "electronic dollars" in the banking system has ballooned with the government financing a fiscal deficit of 9 per cent of gross domestic product using a central bank overdraft and issuing Treasury bills — short-term government bonds — to local banks.

Electronic dollars are worth up to a fifth less than in real dollars in informal parallel market trading versus a 5 to 7 per cent discount for bond notes, according to the IMF. Speculation after the November introduction of bond notes that they would rapidly lose their value has so far been kept in check by their relative scarcity. "Allowing large cash withdrawals would imply a run on the banks which would collapse the financial system," John Legat, chief executive of Imara Asset Management Zimbabwe, said in a recent note to clients. (By: Joseph Cotterill in Johannesburg and Tony Hawkins in Harare, Financial Times)

Angola issues debt to fund public company

Angola's new state-owned land management company Empresa Gestora de Terrenos Infra-estruturados (EGTI), will be financed using 1.240 billion kwanzas (US$7.4 million) raised by issuing Treasury Bonds in national currency, under the terms of a presidential decree. The presidential decree authorising the finance minister, Archer Mangueira, to issue, through the

National Bank of Angola, said the financing will enable EGTI "to fully implement the objectives for which it was created."
The Angolan government justified the creation of EGTI in March 2015 with the need to carry out a "more rational and economic process of urbanisation" in the country, according to the presidential order for founding the company, with an initial capital stock of 2 billion kwanzas.
Portuguese news agency Lusa reported in March that EGTI was expected to post turnover of more than US$770 million just by selling land in two towns built from scratch in the province of Luanda, namely 974 plots with infrastructure in the new cities of Kilamba and Camama.
In March, EGTI was awarded management of the land with infrastructure in the city of Sequele, also in Luanda and 20 other real estate developments in various parts of the country, as well as an extensive area of high real estate potential in the Sambizanga area, in the centre of the Angolan capital. (Macauhub)

Mozambique Stock Exchange expected to end 2017 with eight listed companies
The Mozambican Stock Exchange is expected to have three more listed companies by the end of this year, the president of the institution, Salim Valá, said recently, according to the Mozambican press. The listing of these companies will mean that the Mozambique Stock Exchange has attracted four companies to the stock market this year, after the Manhiça Matadouro company (Manama) floated its shares on the exchange in April. "The use of the stock exchange for economic development is still weak, so the institution is committed to increasing the number of companies and investors who use the bourse as a means to finance the economy," said Valá. The president of the Mozambique Stock Exchange was speaking at a retreat of the Confederation of Associations of Mozambique, held in the district of Bilene, in Gaza province.
The Mozambican Stock Exchange, incorporated in 1999, currently has five companies on the stock market – beer company Cervejas de Moçambique, engineering and construction firm CETA – Engenharia e Construção, energy company Companhia Moçambicana de Hidrocarbonetos, insurer Empresa Moçambicana de Seguros and slaughterhouse company Matadouro da Manhiça (Matama). (Macauhub)

Angola to issue up to US$2 billion in Eurobonds
The Angolan government plans to resume issuing debt in the form of Eurobonds, under a presidential order authorising the Finance Minister to place up to US$2 billion to "improve the composition of the external debt portfolio." The presidential order specifies that the authorisation now granted derives from the need to begin work on gauging the eventual attraction of external financing by means of Republic of Angola government bonds.
The document recalls the successful operation in 2015 when Angola went ahead with a Eurobond issue that "helped establish a new and important channel of access to external financing."
Angola debuted in Eurobond issuance in November 2015, raising US$1.5 billion via a syndicate of banks led by the American Goldman Sachs International and including the German Deutsche Bank and the Chinese ICBC International.
The 2017 indebtedness plan envisages gross financing needs of 4.667 trillion kwanzas (US$28 billion); 75 % of that total is to be raised in the internal market. (Macauhub)

Mozambique's foreign reserves increasing
Mozambique's foreign reserves increased to US$2.446 billion on 9 August, an amount sufficient to cover 6.1 months of imports, excluding those associated to major projects, the Bank of Mozambique has announced.
The increase is due to the fact that although the central bank sold US$264 million in the interbank exchange market from 19 June to 9 August, used to pay for liquid fuel imports, it also purchased US$812.7 million, the statement released at the end of the Monetary Policy Committee meeting also indicates.

The central bank explained that provisional trade balance figures for the first quarter indicate substantial improvement, with exports up by US$673.2 million and "major projects for the external market, especially in the areas of aluminium production and mining, contributing with a larger percentage." During the same period imports rose in value by just US$20 million, the statement adds. Banco de Moçambique cited the National Statistics Institute to assert that the indicators suggest an improvement of economic activity, with the economic climate index improving in June for the third straight month, reflecting rising optimism in the business community regarding demand and future employment. The bank also notes that the significant correction of metical exchange rate appreciation in recent months, along with lower inflation, have helped stave off the decline in external competitiveness recently affecting the economy. (Macauhub)

Bank of Mozambique reduces reference interest rates by 25 basis points
The Monetary Policy Committee of Banco de Moçambique has reduced by 25 basis points the country's three reference interest rates, among them the MIMO rate, which fell to 21.50 %, the central bank informed in a statement released in Maputo. The rate for marginal lending is now 22.50 % and for the deposit facility 16 %, likewise per the decisions resulting from that committee's latest meeting. Mozambique's central bank also announced that it had reduced the reserve requirement ratio for foreign and domestic currency liabilities by 50 basis points to 15.0 %, effective as from the new constitution period beginning on 7 September 2017. These decisions were made as Banco de Moçambique warned that the prevalence of risks for prospects of inflation meant caution was required when setting monetary policy. "The level of internal public indebtedness remains high and represents a risk factor for inflation forecasts. Lower-than-expected public revenue collection in a context of suspended external budget support and high internal indebtedness (97.7 billion meticais) requires more robust fiscal consolidation," reads the statement released by Banco de Moçambique. From the central bank's perspective, other risk factors to take into account are associated to external climatic phenomena (El Niño), price volatility of raw materials and the political situation in neighbouring countries, especially South Africa, which can all impact the desired price trends for various goods and services. (Macauhub)

ENERGY

Angola's Laúca dam starts commercial energy production
The first of the six 334-megawatt turbines of the Laúca hydroelectric project, under construction on the waterfall of the Middle Kwanza, will start producing electricity on Friday 04th August, following load synchronisation tests that started on 9 July, Angolan news agency Angop reported.
In order to make power generation possible at the dam, which has been under construction since 2012, in Malanje, filling of the Laúca reservoir began on 11 March 2017 to collect enough water (2.68 million cubic metres) and drive the dam's six turbines.
This project, Angola's largest civil engineering and hydroelectric power plant, is a US$4.5 billion public investment, producing more than twice the power of the largest currently operating dam, in Cambambe, at 960 megawatts.
The Laúca facility, a structural electricity sector project that is part of the National Development Plan (2012-2017), will inject 2,070 megawatts into the national electricity grid and when fully completed (in 2018) will allow the beginning of the interconnection process of the northern, centre and southern systems in the country.
With Laúca and adding this facility to the 750-megawatt Soyo combined cycle power plant, the Angolan electricity sector will have an installed capacity of 5,000 megawatts in 2018, while the target is to reach 9,000 megawatts by 2025, to respond to domestic demand.
The Laúca project was the result of an inventory study carried out in the 1950s, requested by the then public company Sociedade Nacional de Estudo e Financiamento de Empreendimentos

Ultramarinos (Sonefe) to the Hydrotechnic Corporation (USA), which concluded that seven dams could be built on the Middle Kwanza.
Of the seven dams planned for the Middle Kwanza, three have already been built, namely, the Cambambe, Capanda and now Laúca, and the Túmulo do Caçador, Luime, Zenzo I and Zenzo II dams have yet to be built.
With a height of 156 metres, 1,200 meters in length and an area of 24,000 hectares, including its reservoir, Laúca is the second largest dam under construction in Africa, after the Great Ethiopian Renaissance Dam, which may generate 6,000 megawatts of electricity. (Macauhub)

Angola's Soyo combined cycle plant starts producing electricity
The Soyo Combined Cycle Thermal Power Plant has already started producing and supplying electricity to the city's public grid, led by Sonagás, a subsidiary company of Angolan oil and fuel company Sonangol, the state-owned company said in a statement.
The statement added that the thermal power plant is operated by Luxerviza, a Sonangol group company that manages natural gas plants, and will have a significant role in the development of Zaire province, and will supply electricity to Luanda.
With two turbines in operation, the Soyo plant is producing 22 megawatts of energy for the time being, through the use of natural gas from various national oil blocks and the Angola LNG plant. The commissioning of this thermal power station allows power distribution company ENDE to meet the total energy needs of the city of Soyo, in a more economical way and with fewer emissions of waste with an environmental impact. The Soyo combined cycle power plant will, in a second phase, be integrated into the National Energy Network (RNE) to supply power to the capital, Luanda, and other regions of the country. (Macauhub)

Sale of power to Malawi to undergo public consultation in Mozambique
The project to build a 218 kilometre line to supply power to Malawi will be subject to public consultation on 28 and 29 December in Tete province, central Mozambique, state-owned electricity company Electricidade de Moçambique (EdM) said in a statement.
The statement said this project will include construction of two substations, one in Matambo in Tete province and another in Phombeya, Malawi, and the electricity supplied will be produced at the Cahora Bassa dam. In June the Mozambican press reported that the transmission line may begin to be built in 2018, with a five-year construction period, as part of a 19 year-old project that is currently budgeted at US$120 million.
The first memorandum of understanding signed by the two countries on the interconnection of their respective electricity systems was signed in 1998, but since then changes in the governments of Malawi have delayed implementation.
The high-voltage power line with capacity to transport 200 megawatts of electricity, which is sufficient to power all of Malawi, will be 218 kilometres long, with 140 kilometres being the responsibility of Mozambique and the remaining 78 kilometres that of Malawi. Mozambique sells electricity to South Africa, Zimbabwe, Swaziland and Zambia. (Macauhub)

Mozambique's state power company plans to light up the whole country by 2030
Mozambique's state-owned electricity company Electricidade de Moçambique (EdM) intends to light up the whole country by 2030, a project expected to cost over US$16 billion, chairman Mateus Magala said recently.
The project is part of a "sustainable development strategy, which is intended to provide electricity to around 300,000 families per year," said the chairman of EdM, quoted by daily newspaper Folha de Maputo. This year EdM plans to conclude the project to provide electricity to new districts in the provinces of Zambézia and Tete, created under the new administrative division. Magala, who spoke at a meeting in the central province of Zambézia, recalled that Mozambique has abundant natural

resources that have yet to be explored, and that electricity is needed to allow projects that make use of these resources to move forward.
The chairman of EdM referred to planned or ongoing power generation projects, including the construction of the Mphanda Nkuwa and Cabora Bassa Norte dams and thermal power plants in Bengo, Moatize, Moamba, Kuvaninga and Ressano Garcia. "Realistically, I think the Mphanda Nkuwa dam will be ready around 2019, with electricity produced there for both domestic consumption and export," Magala said. (Macauhub)

INFRASTRUCTURE

Construction of Moamba-Major dam in Mozambique will be completed, minister says
The Moamba-Major dam in the southern Mozambican province of Maputo is a project that will be completed, said Minister Carlos Bonete, speaking on the sidelines of the Third Coordinating Council of the Ministry of Public Works, Housing and Water Resources. The minister, quoted by Mozambican news agency AIM, said the government's idea is to continue to seek resources through public-private partnerships, since, he added, "Moamba-Major has to be made."
The project schedule indicates that the dam should start operating in 2019, but, given the current situation, the date for completion of the work is not known. Construction of this dam in the bed of the Incómati river basin was suspended following the corruption case in Brazil known as Lava Jacto, which involved several construction companies, such as Andrade Gutierrez, which was the contractor or the Moamba-Major project. The Brazilian National Bank for Economic and Social Development announced in October 2016 the suspension of the financing of 25 projects executed by Brazilian companies in foreign countries, which included Angola and Mozambique. In October 2016, the Brazilian ambassador to Mozambique, Rodrigo Soares, said his country would honour its promise to finance the construction of the Moamba-Major dam, despite the fact that Brazilian projects in Mozambique and other countries were being re-evaluated.
The Moamba-Major dam, whose foundation stone was laid in 2014, will have capacity to store 760 million cubic metres of water, control the flow of the Incomati river, increase water supply to the cities of Maputo, Matola and Ressano Garcia and have a power plant to produce 15 megawatts of electricity. The construction of this dam has an estimated cost of US$466 million and Brazil had promised to provide 320 million dollars. (Macauhub)

Completion of Mozambique's Maputo/Catembe bridge now set for December
The completion date of the Maputo/Catembe bridge has once again been pushed back, this time to December, indicate reports in various Mozambican newspapers citing the South Maputo Development Company (Empresa de Desenvolvimento de Maputo Sul). The new postponement is due to the delayed arrival of the ship carrying the 57 metal pieces comprising the bridge's main deck from China to Maputo. They will be welded into place at the site. Each piece is 12 metres wide, 26 metres long and 3 metres thick and weighs 125 tons. The bridge is about 3 km long with four traffic lanes. Its estimated cost is US$725 million, financed by a loan from the Export-Import Bank of China. The ship with the metal deck components is now expected to arrive in September, whereby the South Maputo Development Company has assured that the bridge will be completed by December. The bridge's construction, awarded to the China Road and Bridge Corporation, is part of the larger project to build the 209 km Maputo/Ponta de Ouro road. The South Maputo Development Company is tasked with promoting construction of the Maputo/Catembe bridge and adjacent roads, as well as the entire Maputo Ring Road project; it is the public enterprise responsible for managing the overall construction process. (Macauhub)

Abu Dhabi Ports in Talks for Africa Deal; Signs China Accord

- Chinese firms invest $300 million in Abu Dhabi industrial zone
- Africa deal would be second venture in continent after Guinea

Abu Dhabi Ports is discussing a possible deal in Africa to take advantage of the continent's growing trade with Asia, Chief Executive Officer Mohamed Juma Al Shamisi said, as the government-run terminal operator got a $300 million investment from China.

Shipping between Africa and Asia is "booming," Al Shamisi said in a Bloomberg Television interview from the company's headquarters in Abu Dhabi. He declined to identify who else is involved in the talks or where the venture might be. "There are big volumes moving from Africa to the east, so we're capitalizing in the east-east market which is still booming," Al Shamisi said. "We see big potential moving forward."

A possible deal in Africa would expand the company's footprint on the continent, where it operates a terminal in Guinea, the West African country holding about a quarter of the world's reserves of bauxite, a raw material used to make aluminum. Emirates Global Aluminium, which is starting an alumina smelter at Abu Dhabi Ports' Khalifa Industrial Zone, is also building a bauxite mine in Guinea.

Separately, the industrial zone, known as KIZAD, signed an investment agreement with Jiangsu Provincial Overseas Cooperation & Investment Co. to lease 2.2 square kilometers through its United Arab Emirates unit.

The investment will open doors for further negotiations with Chinese companies, said Al Shamisi, who seeks to lease an additional 10-square-kilometer space to them. KIZAD, which spans 52 square kilometers, currently has an occupancy of more than 50 %, he said.

Abu Dhabi Ports last year signed a $738 million deal with China's Cosco Shipping Co. to build and operate a second terminal at the Khalifa port. The deal with the unit of China's biggest shipping group will help reduce freight costs and increase the number of vessels and routes linking Khalifa port to other terminals, Al Shamisi said. Cosco will start with initial capacity of 2.5 million 20-foot containers in 2019 and has an option to increase that to 3.5 million.

Abu Dhabi Ports is considering an initial public offering, joining a growing list of state entities in the U.A.E. seeking to sell shares, according to people familiar with the matter. Al Shamisi said last week "there are no immediate plans to go public." When asked if the Saudi-led trade ban on Qatar has affected its business, he said volume in container shipping, general cargo, bulk and cruise passengers is rising year over year at Abu Dhabi Ports. (By Deena Kamel, Bloomberg)

DBSA committed to funding infrastructure projects throughout SADC

With low levels of electrification hindering economic growth and development in sub-Saharan Africa – where 78% of the population is reliant on biomass as their main energy source – $57-trillion will be required until 2030 to fund the continent's infrastructure and energy projects, according to Development Bank of Southern Africa (DBSA) strategy group executive Mohan Vivekanandan. "There has, however, been a lot of progress regarding energy in the region," he said, addressing delegates at the Southern African Development Community (SADC) Industrialisation Week, in Johannesburg. "The SADC region has moved from a deficit [of power capacity] to a surplus, with the latest figures from the Southern African Power Pool showing that there is 1 000 MW of excess capacity as a region," he said.

The challenge now, he noted, was strengthening the interconnectivity of the transmission grid. "The DBSA is working closely with SADC counterparts on the area's infrastructure agenda. According to the SADC master plan, the region has to invest R33-billion a year to develop the energy and transport sectors," he said.

Vivekanandan added that South Africa had brought a significant amount of energy onto the regional grid with megaprojects such as State-owned power utility Eskom's Medupi, Kusile and Ingula power station projects. "The DBSA has also invested a lot of capital into bringing renewable energy projects onto the grid," he said, adding that the bank played a significant role in the establishment of the Renewable Energy Independent Power Producer Procurement Programme (REIPPPP). He pointed out that, to date, the DBSA had committed funding to 21 projects involved in the REIPPPP, which essentially funded the generation of 2 550 MW.

Vivekanandan added that 18 of these projects are currently operational and delivering power to the grid, while three were under construction. He noted that the DBSA had committed about R15.1-billion to rounds 1 and 3.5 of the REIPPPP, with R12.6-billion committed to senior debt and about R2.5-billion to black economic empowerment parties and local community trusts. "The DBSA will continue to support broad-based black economic-empowerment entities and local community trusts with funding to acquire equity stakes in REIPPPP projects," he said. Vivekanandan further noted that, on top of funding various renewable energy programmes, the DBSA has been funding project preparation studies to strengthen transmission grids to interconnect regional power grids throughout the SADC region.

TRANSPORT

Looking at the SADC region's transportation sector, Vivekanandan noted that, by 2030, traffic for landlocked SADC countries will increase from 50-million tons to 148-million tons by 2040 – an 8.2% yearly growth rate.

Port traffic will expand from 92-million tons to 500-million tons by 2027 and port expansion projects at Dar-es-Salaam, in Tanzania, will only sustain shipment traffic through 2020. "OR Tambo International Airport in Johannesburg, South Africa, will add two-million passengers a year by 2030 and three-million a year by 2040, while Kenneth Kaunda International Airport in Lusaka, in Zambia and N'djili International Airport in Kinshasa, in the Democratic Republic of Congo, currently operate at 70% of capacity, but expect traffic to expand well over 100% of capacity by 2020," he said.

Meanwhile, Vivekanandan noted that the DBSA was in the process of providing funding to preparation studies aimed at improving the North–South Corridor (NSC), which runs from Durban, South Africa, to Dar-es-Salaam. "We are allocating $1-million for a preparation study to improve the rail linkage that will lead to about $700-million of capital expenditure over the next two years," he said. He stated that the signing of the NSC initiative by SADC Transport Ministers in July was a big step to ensuring the project moves forward. "The NSC will be one of the largest transnational corridors and has massive regional importance. It will connect eight countries, 252-million people and generate $458-billion of collective gross domestic product," he said. (By Anine Kilian, Engineering News)

Angolan government uses Polish credit line to pay for work at new Luanda airport

The Angolan government will use US$113 million from a credit line opened by Poland's BGK bank to award two work contracts for the new Luanda international airport under construction in the municipality of Icolo e Bengo 30 km from the capital, per the terms of a presidential order.

The first work contract, worth US$93.3 million covers finishing and equipping the protocol section of the VIP terminal and the manufacture and supply of external infrastructures and equipment for the new airport. The second is worth US$19.7 million and covers building and equipping the aeronautic training centre. The presidential order authorises the transportation minister to sign the respective contracts with the companies Quenda Business Initiative and Cipro. "The Finance Ministry is authorised to proceed to frame the aforementioned contracts in the scope of the financing programme with the credit line from Poland's BGK bank and to create conditions to assure financial implementation of the respective work contracts," the presidential order also specifies.

According to estimates by Lusa news agency, based on the sum of several contracts already signed, the cost of building Luanda's new international airport has already surpassed US$6.4 billion. Construction of the airport, under way since 2004, was contracted to the China International Fund Limited company for US$3.8 billion. The equipment to be supplied by the China National Aero-Technology International Engineering Corporation costs US$1.4 billion.

A consortium led by China Hyway Group Limited was contracted in 2015 to build the railway branch line from the current Baía station on the Luanda Railroad to the new international airport (a total of 15 km) for US$162.4 million plus US$255 million for five stations. Finally, the programme for construction and other work on road accesses to the new airport is assessed at US$692.7 million, likewise involving Chinese companies. (Macauhub)

Nigeria Seeks to Diversify From Oil With $41 Billion of Rail

- China's Eximbank is funding key aspects of rail development
- GE taking concession to rehabilitate old narrow-gauge lines

Nigeria has started a $41 billion railway expansion to reduce dependence on oil and diversify its struggling economy by improving transport links to allow the movement of goods around the country and to ports. "The plan we have now will go to every nook and corner," Transport Minister Rotimi Amaechi, 52, said in an interview in the capital, Abuja.

Africa's biggest oil producer is going through its worst economic slump in 25 years following a plunge in the price and output of crude, which accounts for more than 90 % of foreign income and two-thirds of government revenue. President Muhammadu Buhari's Economic Recovery and Growth Plan, presented in March, seeks to boost agriculture and manufacturing by developing the country's transport network and power infrastructure.

Key projects include building a second railway line connecting the nation's two biggest cities, the commercial capital, Lagos, and Kano in the north. The 1,100-kilometer (680-mile) line will carry freight and passengers. The government also wants to construct a coastal railway that connects Lagos to the eastern city of Calabar.

The two new railways are expected to cost $20 billion, with most of the funding coming from the Export–Import Bank of China, which has so far released $5.9 billion. China's Civil Engineering and Construction Co. is building the project and both railways should be ready by the end of 2019, Amaechi said in an interview last week.

GE Concession

General Electric Co. is leading a group that's rehabilitating Nigeria's 3,505 kilometers of century-old, narrow-gauge railways linking the coastal cities of Port Harcourt and Lagos with the north. The group, including SinoHydro of China, South Africa's Transnet SOC Ltd. and the Netherlands' APM Terminals BV will fund, revamp and operate the railways for a period to be decided in negotiations with the government, the minister said. They won the concession in May.

The group plans to invest $2.2 billion, Sabiu Zakari, permanent secretary in the Transport Ministry, said at the time. Nigeria will then have two links between Lagos and Kano, with the new Chinese-built one allowing trains to travel twice as fast as they can on the existing link.

The West African nation is opening up its rail system to private investors following decades of government control. Years of neglect while the nation was in political flux during military rule cut freight-rail capacity to 15,000 metric tons a year in 2005, from 3 million tons four decades earlier, according to the Transport Ministry. Most goods are now transported on worn-out and congested roads. By comparison, Transnet has the capacity to move more than 70 million tons of coal to one South African port annually. "The rail in Nigeria was neglected for too long," said Oke Maduegbuna, managing partner at transportation and logistics consultancy Pete, Moss & Sam Ltd. "There's a new awareness among government officials of the economic benefits of a good rail network," the Abuja-based expert said by phone, adding that the new projects would succeed only if there is consistency in their planning and execution.

Interstate Network

Another $16 billion will be invested in additional rail routes to link up all the country's state capitals and extend across the northern border into neighboring Niger's southern city of Maradi, according to the Transport Ministry. Amaechi said it was too early to share a timeline or funding details as the government is still talking to investors for this public-private project. The government is also trying to complete a $3 billion line from Abuja to the southern oil hub of Warri by 2018, the minister said.

With rail links to the existing and planned deep-sea ports, Nigeria hopes to substantially reduce logistics costs and facilitate exports and imports. The GE concession will provide rail infrastructure that will decongest roads and improve cargo traffic, Nigerian Ports Authority Managing Director Hadiza Bala Usman said in an interview last month. "There's no economic development or growth without logistics, and for logistics to be efficient, you have to deal with the issue of railways," said Amaechi. (By Dulue Mbachu, Bloomberg)

MINING

China Investment Fund negotiates exploration of iron ore deposits in Angola

The Angolan government and the China Investment Fund (CIF) are negotiating a project to mine iron ore deposits associated with a steelworks in Kwanza Norte province, said the provincial director of Industry and Geology and Mining. Emanuel de Sousa said this project was expected to be located in the Dondo industrial hub and added that feasibility studies are being carried out for the Cerca steel project, covering the municipalities of Golungo Alto, where the communes of Cerca and Cambambe are located. "The project of the CIF group is located in the municipality of Cambambe, in the Muchau area, near Nova Oeiras," Sousa said in a statement to Angola's National Radio. The region of Nova Oeiras was the site where, in 1771, Portugal's Francisco Inocêncio Coutinho built his first iron smelting factory, also the first of its kind in Africa.

Last July, the Angolan Minister of Geology and Mines announced that exploration of the Cassinga iron ore deposits could be resumed this year, with negotiations between state-owned Empresa Nacional de Ferro de Angola (Ferrangol) and a foreign company under way. The Cassinga integrated project, located in the municipality of Jamba, 315 kilometres from Lubango, Huíla province, includes mines in Cassinga and Cateruca, with a potential of 15 million tonnes of iron, to be explored over ten years, producing 1.5 million tonnes per year. (Macauhub)

Endiama to explore niobium deposits in Angola

The Blue Mining company is partnering Angolan state-owned diamond company Endiama to explore niobium deposits in Huíla province, southern Angola, under a government authorization. The authorisation signed by the Minister of Geology and Mines, Francisco Queiroz, approves the mining investment contract and the rights granted for the Quilengues concession to the two companies in the form of a new company to be set up to explore the niobium deposits, "taking into account the mineral's strategic interest."

The initial investment planned for this mining project, which covers an area of 160 square kilometres, amounts to US$20 million, according to official information quoted by Portuguese news agency Lusa. Brazil has the largest – and virtually only – world reserves of niobium, estimated to total 842 million tonnes, spread across the states of Minas Gerais, Amazonas and Goiás. Niobium is one of the world's rarest minerals and is used to manufacture turbines, spacecraft, aircraft, missiles, electronics and power plants, but also to produce steel alloys and superconductors. (Macauhub)

Angolan government organizes gold trade

Four Angolan companies received in Luanda contracts from the Ministry of Geology and Mines granting them the right to commercialise gold extracted by artisanal producers in Angolan territory.

The companies are: Socassoma – Prestação de Serviços, Comércio Geral, Importação e Exportação; BY-AE Produção de Artigos de Joalharia; Alcra – Gestão e Participações; and TKE – Prestação de Serviços Mercantis. Minister Francisco Queiroz said on the occasion that the appearance of companies with gold trading contracts is the first step in the organisation of small-scale production as a specific component of the gold exploitation value chain in the country.

Organised trading of gold from artisanal production also helps combat illegal possession of gold and its illegal export to other markets, without benefit for the country, Queiroz added. The president of the Gold Agency, Moisés David, said that about 40 licence requests had been received by the agency since it was established in 2014. "The licensing of these companies means it should be possible to register and formalise the informal operators in the near term, and also to finish work associated to regulation of the gold market, specifically the legal system governing precious metals," David said. Illegal gold prospecting currently takes place mainly in Cabinda province, although there are reports of such activity in Cuanza Norte, Huíla and other regions of the country. (Macauhub)

Odebrecht sells stake in diamond mine in Angola

Brazilian group Odebrecht has agreed to sell its 16.4% stake in Angolan company Sociedade Mineira de Catoca to one of its remaining shareholders, the Brazilian press reported. The aim of this sale, similar to others that the Brazilian group has been making, is to raise cash to meet legal commitments resulting from the corruption scandal known as "Lava Jacto" and strengthen its cash position ahead of future business deals.

The group agreed to pay US$3.5 billion and to undertake a thorough restructuring following a leniency agreement reached with the Brazil, United States and Swiss authorities. Financial news agency Reuters reported that the stake put up for sale by the Brazilian group was acquired by state-owned diamond company Empresa Nacional de Prospecção, Exploração, Lapidação & Comercialização de Diamantes de Angola (Endiama) with the help of the remaining shareholders. The agency cited banking sources as saying that the Brazilian group's stake is estimated to be worth US$300 million, based on an estimated value of US$1.8 billion for the whole diamond mine. Before this deal the shareholders of Sociedade Mineira de Catoca, which operates the fourth largest diamond mine in the world, were Endiama with 32.8%, Russian group Alrosa with 32.8%, LL International Holding (of the Israeli Lev Leviev group) with 18% and Odebrecht Mining Services, with the remaining 16.4%. (Macauhub)

Xtract Resources begins exploration of gold deposits in Manica, Mozambique this month

The start of exploration of alluvial gold deposits at the Manica concession in central Mozambique is expected to begin later this month, said Xtract Resources, which is listed on the London Stock Exchange's Alternative Investment Market (AIM). The company also announced on Wednesday that the activity of the companies contracted to carry out mining operations is progressing "favourably" in particular with regard to facilities and equipment. Explorator, the Mozambican subsidiary of Xtract Resources, signed contracts with mining companies Omnia Mining and Moz Gold in June and Sino Minerals Investment Company in July to explore alluvial deposits. Omnia Mining and Moz Gold have exclusive rights to explore the western half of the mining concession, while Sino Minerals Investment Company has the eastern half. These contracts are valid for a period of 10 years or until alluvial deposits are exhausted, with a five-year extension if deposits have not been exhausted. By November, contracted companies are expected to process 220,000 tonnes of materials per month under contracts that stipulate processing of 2.64 million tonnes of alluvial materials per year. (Macauhub)

Resource nationalism moves up a gear in Tanzania

The Tanzanian government has asked Acacia Mining, a subsidiary of the world's largest gold mining company Barrick Gold, to pay approximately USD$190bn in revised taxes, interest and fines. This latest development is a game changer in a dispute that pits mining companies against President John Magufuli's government. It makes both nationalisation and mine closures more likely.

Until this revised tax notice was served, the overhaul of Tanzania's mining regime had a great deal going for it. Previous policy had given miners an easy ride. Low taxes and generous licence terms were sweetened by further tax breaks and exemptions.

Tanzania's mining sector contributes nearly 3% to GDP annually. Tanzanite and diamond mines are scheduled to be joined by large uranium, coal and iron projects which are under development, but the largest operational mines produce gold. Acacia and AngloGold Ashanti run four large gold mines between them that extracted 37 tonnes of gold last year. According to the World Gold Council, Tanzania is the fourth-largest gold producer in Africa.

Recently three laws were passed that squeeze the mining companies for revenue. They include shareholding entitlements, higher royalty rates and further tax rises.

The new legislation introduced sweeping new requirements intended to support the country's industrial goals. Mining companies are now required to train Tanzanians, give preference to local suppliers and to source from joint ventures between domestic and foreign firms if domestic suppliers cannot be found. These rules mean additional costs for miners, but a boost for Tanzanian employees and firms that could become nascent industries.

While the new requirements were all painful for mining companies, they promised significant benefits for Tanzania and merited a try. Ultimately, engineers and economists will have to calculate whether mining companies can make those concessions without operating at a loss.

But the questions are technical and the answers are not well-established. It's possible that the mines could still be economically viable even after this policy overhaul. Whether its tactics were good or not, the Tanzanian government had reasons for adopting a brazen approach to negotiations with the mining companies too. After it announced a series of changes in 2016, it was confronted by mining company intransigence. Their development agreements enshrined protections against all manner of intrusions and impositions. They seemed resolved to impede changes by resorting to delaying tactics, legal obstacles and arbitration.

But Magufuli's decision to scrap development agreements between the government and mining companies and to prohibit international arbitration sent a clear message: companies didn't have a lot of choice. His unilateral and combative approach smacks of domestic politics. But it could also serve to dissuade the mining companies from a course of resistance. It showed mining companies how far the Tanzanian government was willing to go and how much they wanted. It quickly provoked concessions. Acacia agreed to some of the terms two weeks ago. But if it hoped these would placate Magufuli, they were wrong.

Counting to $190bn

Until the tax bill was tabled, it seemed as though Magufuli wanted a new settlement with the mining companies. Now it looks as though he wants new mining companies. To put the $190bn figure in context, all the proven and probable gold in Acacia's mines is worth just over $10bn at today's prices. Including sites under exploration and the further inferred and estimated deposits, there is a further $24bn worth of gold, and further deposits of silver and copper.

After these minerals are mined and processed, profits will be just a fraction of that. And even if there is as much gold as guessed, it will take decades to liberate it. In short, Acacia can never make enough to pay $190bn in taxes. It would close the mines before they paid a sum that tall. The sum of $190bn was reached in fines, interest and backdated tax revisions in light of two presidential committees. The first reported that Acacia had grossly under reported the amount of gold in containers of copper-gold concentrate bound for export. The second estimated the revenue that the government had lost over the years, and the tax demand takes that into account.

If the committee findings were correct, Acacia might be sitting on enough gold to pay up, but this is not likely. If the committee's conclusions were true, Buzwagi and Bulyanhulu mines would be the second- and third-largest in the world. Tanzania would have produced not 55 tonnes of gold last year, but 154 tonnes. That would represent approximately 5% of world gold mine production. Sums of that scale affect shares, currency appreciation and even the world gold price, and that makes it unlikely that past production was kept secret as the committee suggests.

What next?

There are any number of reasons for the Tanzanian government's decision to submit the tax demand – even if it doesn't think that Acacia will ever pay. It could be a further bargaining ploy, a plea for attention, a failure of coordination or a strategic miscalculation.

But the most likely explanation is that this is part of a mounting campaign to drive the miners out of Tanzania altogether. Last week, Magufuli announced that if the mining companies continued to

delay negotiations, *I will close all mines and give them to Tanzanians.* With every new development, this threat seems less and less an idle boast.
Dan Paget is completing a DPhil in election campaigning in sub-Saharan Africa at the University of Oxford. This article was originally publish by The Conversation.

South African miner Harmony Gold reports full-year profit up 35 pct
South African miner Harmony Gold reported a 35 % rise in full-year profit, helped by steady year-on-year production and gains from rand gold hedges that lifted revenue. Headline earnings per share (HEPS), the main profit measure in South Africa that strips out certain one-off items, rose to 2.98 rand ($0.23) for the year to June 30, from 2.21 rand a year earlier. The figure was in line with figures the firm previously flagged to the market. Harmony said revenue rose 5 % to 19.3 billion rand ($1.47 billion) after year-on-year production remained stable and helped by the inclusion of realised gains of 728 million rand from rand gold hedges. But headline earnings were hurt by a provision of 917 million rand before tax for a possible settlement with miners who contracted lung diseases at work and impairments from Kusasalethu, Target 1 and Tshepong operations. Gold Fields and Anglo American have also said they would set aside more than $130 million between them for a possible settlement. Harmony declared a final dividend of 35 cents per share for the year ended June 30, up 70 % from a year earlier. ($1 = 13.1331 rand) (By Tanisha Heiberg, Reuters)

Gem Diamonds half-year revenue falls, gets offer for Botswana mine
Gem Diamonds Ltd reported a 14 % drop in half-year revenue, hurt by lower production and a decline in average diamond prices, and said it received an acquisition offer for its mine in Botswana. The company, which mines diamonds from the Letseng mine in Lesotho, said its revenue fell to $93 million for the six months to June 30, from $109 million a year earlier. The average price per carat fell to $1,779 for the period, from $1,899 in the same period last year, while carats recovered fell 12 % to 50,478, Gem Diamonds said. Weaker demand from China and the United States has hurt diamond prices, while India's surprise move to abolish high-value bank notes in November also dented demand for diamonds in the Asian country.
Gem Diamonds said cost-cutting measures are underway and that it identified savings of $15 million to be implemented from October. The company, which placed its Ghaghoo mine in Botswana under maintenance in February, added the board was considering the mine's purchase offer. (By Sanjeeban Sarkar and Rahul B in Bengaluru, Reuters)

OIL & GAS

Anadarko Petroleum takes another step in natural gas exploration in Mozambique
US group Anadarko Petroleum has signed two agreements with the Mozambican government authorising “the design, construction and operation of offshore facilities for the natural gas project in northern Mozambique,” the group said in a statement released in Houston. Mitch Ingram, the group’s vice-president, said in the statement that these two agreements are a milestone on the road to a final investment decision for the project, “as it marks the completion of the key parts of the framework agreement with the Mozambican government.”
Once these two agreements have been signed, Ingram said, “the group can start the process of re-housing the population to allow for construction of the natural gas processing unit to begin.” The group’s vice-president said that at the same time contacts will be made to secure sales contracts for liquefied natural gas and efforts will be intensified to ensure the necessary funding for the project to go ahead. “We must make a final investment decision as soon as the sales contracts and the necessary financing have been guaranteed,” Ingram said.
The Anadarko Petroleum group is the operator of the Rovuma Basin Area 1 Block with a 26.5% stake, with the remaining partners being Mozambican state-owned Empresa Nacional de Hidrocarbonetos (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. (4.0%). (Macauhub)

Anadarko Petroleum and ENI groups sign maritime terminal concession contracts in Mozambique

The American Anadarko Petroleum and Italian ENI groups signed with the Mozambican government in Maputo the concession contracts for the liquid natural gas maritime terminal and material unloading installations on the Afungi Peninsula, reports the Mozambican press.

The contracts result from the Council of Ministers’ approval last 21 July of the terms and conditions governing those instruments, which are part of the contractual and commercial package for the liquid natural gas projects in northern Mozambique’s Rovuma Basin.

The documents were signed by the Mozambican Minister of Mineral Resources and Energy, Letícia Klemens, and the representatives of ENI East Africa, Fabio Castiglioni, and Anadarko Moçambique Area 1 Lda, John Bretz. Klemens said on the occasion that the contracts’ signing marked an important step in the process which should culminate when those projects become operational, thereby helping consolidate the Mozambican economy. “I’m referring to the start of liquid natural gas production in Areas 1 and 4 of the Rovuma Basin, as well as the implementation of other projects that depend on natural gas as a raw material, especially the production of fertilisers, liquid fuels and electric power,” she said. Special licences for the liquid natural gas project were also signed at the same ceremony. They will allow operators to conduct activities within the special protection zone, namely to resettle populations living in the intervention areas.

Those documents were signed by the Minister of Mining Resources and Energy and also by the Ministers of Land, Environment and Rural Development (Celso Correia), the Sea, Interior Waters and Fisheries (Agostinho Mondlane) and Transport and Communications (Carlos Mesquita). (Macauhub)

Gunvor offers E.Guinea funding help in bid for LNG

Gunvor has offered to help Equatorial Guinea with financing as the Swiss commodity trader looks to edge out rivals bidding for supply from Africa's first deepwater floating liquefied natural gas (FLNG) plant. Gunvor, Vitol and Royal Dutch Shell have been shortlisted for an LNG off-take deal from the $2 billion Fortuna project with a decision expected this month. Industry sources say Gunvor is looking to help state-run Sonagas finance a 30 % stake in the project in return for selecting it to export gas from it. "It is now between Vitol and Gunvor, and Gunvor is the front-runner," said one anonymous source aware of the talks, which are still under way. "Gunvor is going to finance the Sonagas 30 % equity. Sonagas is very happy with Gunvor as they will also work on building a joint venture to do government-to-government LNG trading," the source said. Another industry source confirmed both aspects of Gunvor's proposal. Gunvor declined to comment. Pre-financing deals where players with funding lend it to companies or countries for projects in exchange for supply later on are common in oil but still rare in LNG.

A successful deal would make Gunvor one of the first trade houses to secure a mid- to long-term LNG supply deal, showing the aggressive steps traders are taking to gain a foothold in production. Gunvor itself would not own a stake in Fortuna under its proposed deal. Instead, Sonagas would take a stake and could potentially also take profits on LNG exports via a joint venture with Gunvor, sources said. First though, Fortuna's current owners would have to dilute their stakes to make way for Sonagas' entry. The OneLNG consortium comprising shipping firm Golar LNG and oil services provider Schlumberger owns a 66.2 % stake in the project. Ophir Energy owns the remainder. Ophir Energy declined to comment, citing ongoing evaluations of the three LNG off-take proposals.

CASH IS KING

With ample supply holding spot LNG prices at multi-year lows, Fortuna's owners are refraining from selling its entire output, betting prices will rise by the time they start production in 2020, industry sources said. The size of Gunvor's proposed supply deal is unclear. But sources say

Fortuna will likely sell only as much LNG as it needs to secure bank financing - roughly half the plant's output - in order to keep the rest to trade. Chinese funders, including China State Shipbuilding Corp, are providing $1.2 billion in loans to Fortuna. Gunvor has landed several major deals this year in key LNG growth markets.

In January it outbid rivals to win a tender to supply about 60 LNG cargoes to Pakistan over a five-year period. In March it agreed a swap deal with Gail India, giving it access to cheap U.S. supply. At a news conference in June, Equatorial Guinea Oil Minister Gabriel Obiang Lima said the main criteria for deciding on the Fortuna off-take deal would depend on who offered the highest price and best terms. "Whoever provides the biggest cash and good terms and alternatives to the state," he said. Fortuna will be Africa's first deepwater floating liquefaction facility with production capacity of 2.2 million tonnes per year and start-up expected in 2020. (By Oleg Vukmanovic and Wendell Roelf, Reuters)

TELECOM

Submarine cable linking Angola and Brazil to begin operating in July 2018

The fibre-optic undersea South Atlantic Cable System (SACS) that will link Luanda, Angola, to Fortaleza, Brazil, will begin operating in July 2018 and lower the costs of access to telecommunication services, the SACS project manager said on Wednesday.

The project, an initiative of the Ministry of Telecommunications and Information Technologies in partnership with the Angola Cables company, will make Angola the first country to establish a submarine cable connection between Africa and South America, with a length of 6200 km.

Project manager Clementino Fernando said that besides linking the two continents by sea, the SACS will help make Angola a telecommunications hub for the African continent, assuring an Africa/USA/Europe traffic route via the fibre-optic West Africa Cable System (WACS), which links eleven African and three European countries. “Plans call for installation of the SACS to be completed in the first quarter of 2018. In June of that same year the Japanese group NEC will transfer the infrastructure to the managing entity Angola Cables,” he added, cited by Angop news agency. The submarine cable will be laid at depths of up to 7 km in the deep sea, avoiding damage that might result from shipping and marine resources, Fernando said. The ceremonial initial laying of fibre-optic cable in water was carried out by Angolan Telecommunications and Information Technologies Minister José Carvalho da Rocha and witnessed by Science and Technologies Minister Cândida Teixeira and the Governor of Brazil’s Ceará state, Camilo Santana. Minister Carvalho da Rocha said on the occasion that the installation of this submarine cable will help attract investment to Angola, given the improved speed and quality of services that the infrastructure should provide to the telecoms sector. (Macauhub)

AGRIBUSINESS

Pescanova to renew fishing fleet for Namibia and Mozambique

The management of Spanish vertically integrated firm Nueva Pescanova wants to complete an order for three fishing vessels for Namibia to start the renew of its fleet, La Voz de Galicia reported. The firm will invest €42.5 million ($46.3m) to renew its fleet in Africa, as part of its 2020 strategic plan, Ignacio Gonzalez Hernandez, the firm’s CEO, had told Undercurrent News.

The objective is to renew a total of eight ships by 2020, down from ten as previously planned. Three vessels, the “most urgent ones”, will be about 50 meters in length and will operate in Namibian waters, while the five remaining ones, will be not more than 30m and will fish shrimp in Mozambique. Pescanova would like the first three new vessels to be ready in 2018, but they will be more likely to be operational in early 2019. Shipyards to build the new vessels are likely to be chosen in Galicia, Spain, according to Hernandez. The commissioning will depend not only on the quote from each shipyard, but on their availability to meet specially adjusted delivery times. Among

Galician shipyards, Freire, Armon and Cardama might find more complicated to deliver the new vessels in less than two years, while Vulcano could be quicker. An option could be as well to split the contract among different shipyards. (Further Africa

Angolan companies invest in agricultural production

Four Angolan companies will invest US$310 million in the production of grains, vegetables, fruits and meat at the Capanda Agroindustrial Centre (PAC), in Malanje province, under investment contracts signed on Wednesday in Cacuso. The companies, Cimagro Lda, Odebrecht Angola Lda, APB Lda and Sagia will produce these products in an area of 35,000 hectares, which covers the municipalities of Cacuso, Malanje and Cangandala, regions included in the PAC. The president of the Capanda Agroindustrial Hub Development Company (Sodepac), Carlos Fernandes, said at the signing of the contracts that with the start-up of the four companies the hub's production will increase by about 5 million tonnes of products . Carlos Alberto Jaime, the Angolan Secretary of State for Agriculture for the business sector, gave assurances that the government will create conditions for clearing brush and ensure the supply of electricity in agricultural areas and technical assistance to producers. The Capanda Agro-industrial Hub occupies an area of 411,000 hectares, of which 292,000 is land with agricultural potential. (Macauhub)

High hopes for cocoa farmers in Africa, as AfDB plans big for producing countries

Cocoa production in Africa is set to take a turn for the better, as the African Development Bank (AfDB) begin plans to support producers of the crop on the continent. Among other planned interventions, the Bank is considering support to Ghana and Côte d'Ivoire to reduce the volatility of the international prices of cocoa. Côte d'Ivoire leads the world in the production and export of cocoa. Ghana and Côte d'Ivoire are now at the final stages of discussions for AfDB support. A final deal is expected to be announced in the days to come.

But following high-level meetings between the governments of both countries and the AfDB President, some key agreements have already been made. The Bank has agreed to assist the countries to establish a Cocoa Market Stabilization Fund and a Cocoa Exchange Commission for the management of production.

The AfDB has also agreed to work with them to establish a Cocoa Industrialization Fund to further grow the cocoa industry. The Fund will help in developing the regional markets for by-products and domestic processing for targeted African regional markets. The overall objective is to stimulate and expand consumption.

In line with this, the two countries have jointly requested for US $1.2 billion for mutually identified projects: to tackle the cocoa swollen shoot virus disease; build storage and warehousing facilities; promote processing and consumptions; establish the Africa cocoa exchange; and to establish the stabilization fund.

The President of the African Development Bank (AfDB), Akinwumi Adesina, stressed the commitment of the Bank during a three-day visit to Ghana, August 1-3, 2017. Adesina stressed that although Ghana and Côte d'Ivoire produce 64% of the world's cocoa, they play no role in controlling the market. He spoke about the Bank's plans to support Ghana and Côte d'Ivoire to transform the cocoa industry and create more jobs and wealth from the produce. "AfDB has received a request for $1.2 billion from Ghana's Minister of Agriculture and from the Cocoa and Coffee Board of Côte d'Ivoire. We are looking at building warehouses so you can store the cocoa and not have to sell immediately after harvest," he said. He said the planned establishment of a stabilization fund is to deal with the volatility of prices and also to recapitalize old cocoa plantations. Part of the loan will also finance the construction of modern storage facilities, farm rehabilitation and disease control, including compensation to owners of cocoa trees ravaged by swollen-shoot viral disease, Adesina explained. Ghana has to move to the top of the cocoa value chain by processing and adding value to what it produces, Adesina said. He also noted that Ghana has to work closely with other countries, particularly Côte d'Ivoire, to ensure that Africa plays a greater role in the cocoa production process. “We must use agriculture to create wealth for our farmers. To do this, we must make sure that we add value and process everything that we produce. Agriculture is not a way of life. Agriculture is a business.”

Chief Executive Officer of the Ghana Cocoa Board (COCOBOD) Joseph Boahen Aidoostressed the need to stimulate local consumption as part of efforts to enhance production. He spoke when the AfDB President visited the Cocoa Processing Company (CPC) in Tema, a city near Accra, Ghana. Africa consumes very little of cocoa. Ghana is an example of a cocoa-producing country where local consumption is very limited. “Value addition is the only way we can have a say in the market. As it is now, international prices are determined either at the New York Stock Exchange or the London Stock Exchange. We do not have any say.” He stressed how the price of cocoa had fallen by 40% in the past six months, dropping from about US $3,000 per ton to an average of about $1,900 per ton. The only way out of the price volatility, he explained, is to improve upon processing and local production.

Ghana’s Minister of Finance, Ken Ofori-Atta, called for support to increase the country’s earnings from the commodity. “Between us and Côte d’Ivoire, we control 60-70 per cent of cocoa in the world. But we have remained price takers. That should not happen. That is because our leaders have not been working together. We are excited that the President of the AfDB is stepping in to help us. We are now working together to see how we can transform this industry.” He stressed that both countries should work together to change the cocoa narrative.

Ofori-Atta pointed out that though the cocoa seeds alone generate US $140 billion worth of business, Africa earns very little from it. “Ghana and Côte d’Ivoire are putting together a package to see how we stabilize and ensure that we get better deals in the future and change the fortunes of our farmers. We should be able to pay our farmers competitive prices,” he noted. Ghana’s Minister of Agriculture, Owusu Afriyie Akoto, said the government was working on the restoration of existing warehouses to provide storage space to private traders to promote the purchase of produce at the farm gate and he welcomed the AfDB’s help. Adesina assured of the Bank’s support and promised that support would eventually extend to other cocoa producers such as Nigeria, Cameroon and Togo.

Cocoa is a strategic crop because of its high contribution to Ghana’s export earnings. It is cultivated predominantly by smallholder farmers with an average of 2 hectares per farm. Only 10% of the estimated 800,000 hectares under cultivation are large-scale commercial farmers. The grinding of cocoa to produce the primary cocoa product used for confectionaries and manufacturing is done outside the country, aside from small-scale domestic grinding including the Cocoa Processing Company, a subsidiary of the COCOABOD. The cocoa sub-sector is currently adversely affected by policy failure, market failure and under-provision of critical domestic and regional public goods, leading to low and volatile global and farm gate prices. Production is worsened by cocoa swollen shoot virus disease.

Indeed, all the benefits from reforms such as yield increases, are diminished in light of low prices and result in reform measures benefiting consuming countries at the expense of local farmers. Trading and processing activities are dominated by few firms, while the production of the cocoa beans is dominated by many small-scale producers.

Cocoa bean prices are determined in the trade houses (since there are only a few buyers), this creates a favourable condition for traders and processors to influence prices. The attendant effect is low revenue from cocoa farmers.

Governments of both countries have been meeting at the ministerial levels to swiftly act on addressing the volatility in the international price. Issues being discussed include enforcing minimum value addition rather than outright sales of cocoa beans; stimulating/encouraging local and regional consumption of cocoa; and exploring the regional market dimension by promoting cocoa products other than chocolate. The AfDB is mobilizing experts to undertake an assessment mission in the two countries.

UPCOMING EVENTS

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

Nigeria Mining Week 16-19 October 2017 NAF Conference Centre and Suites Abuja, Abuja, Nigeria
www.power-nigeria.com

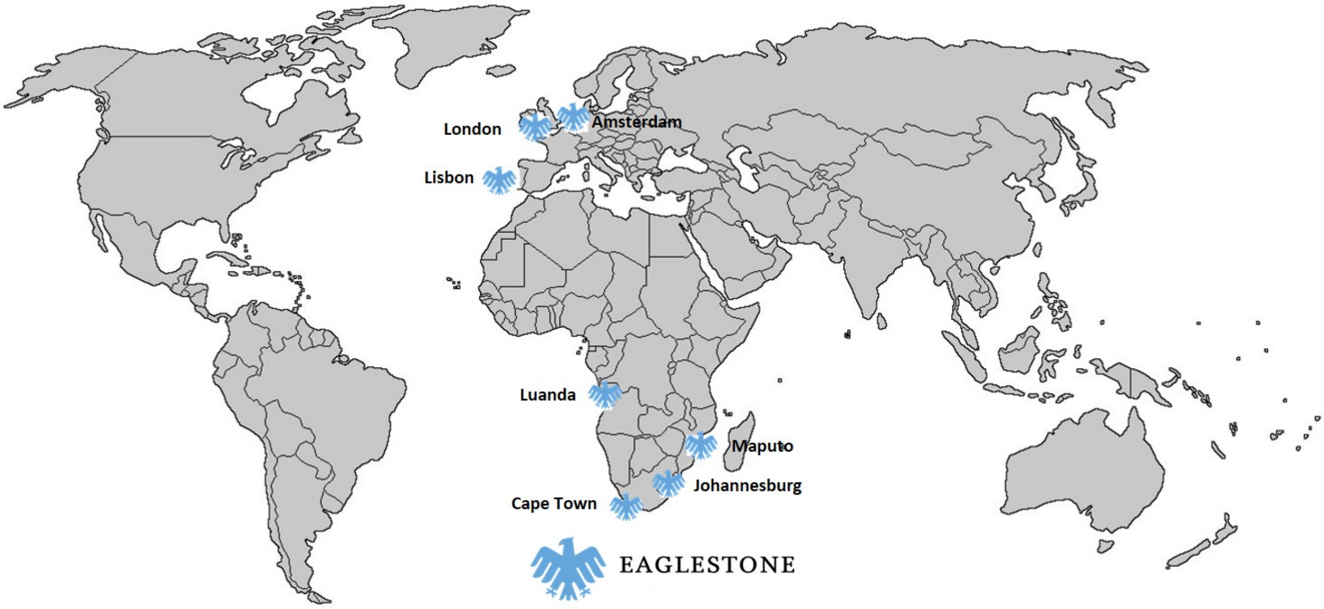
2nd Ethiopia International Mining Conference & Exhibition 25- 26 October 2017, Intercontinental Hotel Addis Ababa, Addis Ababa, -, Ethiopia
http://ametrade.org/miningethiopia/

African Real Estate & Infrastructure Summit 2017 25- 26 October 2017, Sandton Convention Centre, Johannesburg, South Africa
http://www.african-real-estate-summit.com/

24th Africa Oil Week 23-27 October 2017 Cape Town International Convention Centre - Cape Town
www.africa-oilweek.com

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

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



LONDON-28 Dover Street- T: +44 20 7038 6200

LUANDA-Rua Marechal Bros Tito n° 35/37 - 9th Floor B- Kinaxixi, Ingombotas-T: +244 222 441 362

LISBON-Av. da Liberdade , 131, 6th Floor- T: +351 21 121 44 00

CAPE TOWN-22 Kildare Road Newlands 7700- T: +27 21 674 0304

JOHANNESBURG -Unit 4, Upper Ground, Katherine & West 114 West Street, Sandton – T: +27 11 326 6644

MAPUTO-Rua dos Desportistas Edificio JAT 5, 4th Floor -T: +258 82 055 17 04

AMSTERDAM - Herengracht 450-454 1017 CA - T: +31 20 240 31 60

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.

EAGLESTONE SECURITIES

Business Intelligence
Caroline Fernandes Ferreira
(+351) 211 214 430
caroline.ferreira@eaglestone.eu

Research
Tiago Bossa Dionísio
(+351) 211 214 431
tiago.dionisio@eaglestone.eu