EAGLESTONE

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In-depth:

How can we make globalization work for Africa?

The current backlash against globalization, most notably from working-class citizens in advanced economies who are worried about stagnant wages and insecure jobs, highlights how the benefits of global economic integration were oversold, and its costs undercounted. But the effects of globalization on Africa and its citizens have received far less attention, even though the continent is projected to account for over 40% of the world's population by the end of this century.

For the past 40 years, the United States and other advanced economies have been pursuing a free-market agenda of low taxes, deregulation, and cuts to social programs. There can no longer be any doubt that this approach has failed spectacularly; the only question is what will – and should – come next.

Making globalization more inclusive will require policies that tackle inequality within advanced economies and boost convergence in living standards between Africa and high-income countries. African policymakers, with support from external partners, can play their part by accelerating regional integration, bridging gaps in labor skills and digital infrastructure, and creating a mechanism to own and regulate Africa's digital data.

Ever since the first industrial revolution led to a surge in international trade, Africa has remained largely on the sidelines of the global economy. The main beneficiaries of early globalization were today's advanced economies, where industrial technologies emerged. This, in turn, led to the "great divergence" in income levels between the Global North and South.

More recently, the advent of new information and communications technology in the 1990s dramatically lowered the costs of distance and ushered in another wave of globalization, characterized by the emergence of complex global value chains (GVCs). These GVCs contributed to the "great convergence" of recent decades by boosting industrial output in countries such as China, India, Indonesia, Poland, South Korea, Taiwan, and Singapore, enabling them to narrow the gap with advanced economies.

Yet African countries have remained excluded from this process. The continent's share of global merchandise trade has stagnated at around 3%, similar to its share of world manufacturing output.

To be sure, globalization has brought benefits to Africa. Rising incomes elsewhere in the world have increased demand for African commodities and natural resources, boosting national economies. Globalization has also supported knowledge transfer, enabling African countries to improve living standards by "leapfrogging" to new technologies.

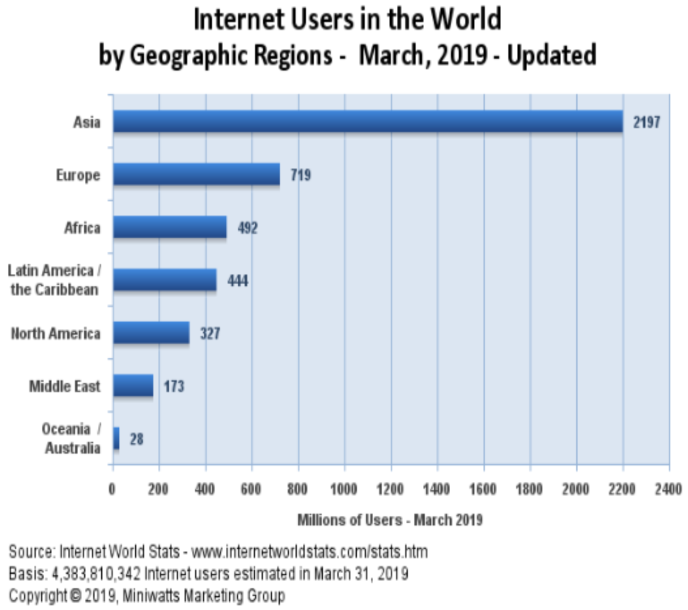
But myriad challenges have far outweighed such benefits. For one thing, globalization has contributed to premature deindustrialization. Because advanced economies can now produce goods more cheaply, African countries have found it difficult to develop local industries that create jobs. Moreover, some multinational corporations operating in the region are dodging taxes through sophisticated – and legal – accounting mechanisms such as profit shifting, depriving governments of much-needed resources for economic development.

Globalization is also contributing to climate change, which has a disproportionate effect on Africa despite the continent's limited contribution to the problem. Cyclones Idai and Kenneth, which recently devastated Malawi, Mozambique, and Zimbabwe, are a tragic example of what is to come.

Unsurprisingly, therefore, the economic disparity between Africa and richer countries has widened in recent decades, with the ratio of African incomes to those in advanced economies falling from 12% in the early 1980s to 8% today. In order to reverse this trend and enable Africa to benefit more from globalization, the region's policymakers should accelerate their efforts in three areas.

First, governments should promote further regional integration to make Africa economically stronger and more effective at advancing its agenda internationally. Progress so far is very encouraging. The African Continental Free Trade Agreement recently obtained the minimum 22 ratifications needed to enter into force, thus creating a single African market for goods and services. The AfCFTA, along with the Single African Air Transport Market and the Protocol on Free Movement of Persons, will help to unlock the region's tremendous economic potential.

Second, Africa must improve its digital infrastructure and technology-related skills to avoid being further marginalized. At present, the cost of Internet access in Africa is the highest in the world, and Internet penetration is only 37%, significantly below the world average of 57%.



Moreover, the low-cost, low-skill labor on which Africa has traditionally relied is becoming less of a competitive advantage, given the advent of the Fourth Industrial Revolution and the higher production standards and infrastructure requirements of GVCs. Education and training programs should therefore focus more on developing digital knowhow, as well as on soft skills such as critical thinking and cognitive and socio-behavioral capabilities.

Third, Africa must create a system for owning and regulating its digital data. In the modern era, capital has displaced land as the most important asset and determinant of wealth. But in the digital economy, data will be key – as demonstrated by the scramble among global technology firms such as Facebook, Google, and Tencent to control it. And, as Kai-Fu Lee argues in his book AI Superpowers, the abundance of data generated by China’s large population is giving the country an advantage over the United States in the field of artificial intelligence.

Africa’s population boom means the continent will also generate large amounts of data, particularly as digitization makes inroads, e-commerce platforms spread, the middle class expands, and consumer spending increases. This new data-driven wealth will accrue to those who actively harvest, own, and regulate such information, leaving latecomers to play catch up.

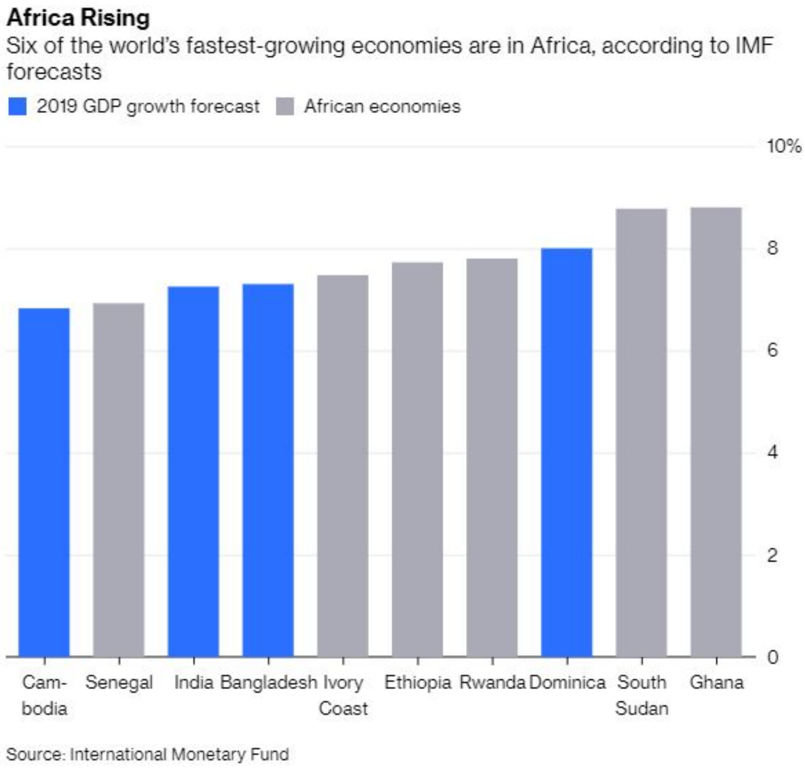
Africa’s potential may be huge, but it faces formidable challenges. By 2030, the continent will be home to almost 90% of the world’s poorest people. Unless globalization works better for Africa than it has in the past, its promise of shared prosperity will remain unfulfilled. (By Ngozi Okonjo-Iweala for World Economic Forum & Project Syndicate)

Maybe Africa Really Will Be the New China

Contrary to expert opinion, manufacturing could lead the way.

When people tell me that Africa will be the new China, I’m not as incredulous as I used to be. The continent is showing potential, and progress could come from what many consider to be a highly unlikely area: manufacturing.

All across Africa, investors -- many of them private entrepreneurs from China -- are building factories. Others from India, Sri Lanka, and Bangladesh are joining in, while car companies from Japan, Germany, and South Korea are declaring their intent to put assembly plants in places such as Ethiopia, Tanzania, and Ghana. Meanwhile, overall African growth is looking impressive. The International Monetary Fund forecasts that 6 of the top 10 fastest-growing economies will be African this year:



Manufacturing is only one factor. A recovery in natural resource prices and urbanization (which creates more demand for local services) also play important roles. That said, there may be a lot more manufacturing going on than official statistics suggest, since only a small fraction of African workers tend to be employed in the formal sector.

So despite myriad policy challenges -- a fragmented patchwork of governments, fragile nations with artificial boundaries drawn by colonial empires of the past, scattered wars and violence -- many African countries might be starting down the well-worn path of manufacturing-driven growth trodden by the developed world. Meanwhile, in South and Southeast Asia, poor countries like Vietnam and Bangladesh are adding factories even more rapidly. Although few expect this process to bring living standards up to the levels of Europe or Japan anytime soon, there's hope that worldwide industrialization will at least alleviate extreme poverty.

Yet many people -- including Nobel prize-winning economist Joseph Stiglitz and researchers at the Brookings Institution -- believe that Africa and South Asia can't follow the strategy that worked so well for Europe and East Asia. Automation, they claim, will soon render large-scale, labor-intensive manufacturing obsolete. They can point to the recent experience of developed countries, which have seen manufacturing work decline as a percent of total employment in recent years. When productivity improvements outpace demand for manufactured goods -- that is, when automation grows faster than production -- the share of workers employed in factories must decline.

Even China is not immune. A new paper by economists Osea Giuntella and Tianyi Wang finds that regions with industries more amenable to the use of industrial robots have seen employment and wages decline more in recent years. But China is already industrialized; the real danger is to the countries that are still poor. Stiglitz notes that in sub-Saharan Africa, manufacturing was lower as a percent of gross domestic product in 2000 than in 1977, and has risen only slightly since then. A 2015 paper by Harvard economist Dani Rodrik makes the case that premature deindustrialization is already hitting the developing world, declaring that "countries are running out of industrialization opportunities sooner and at much lower levels of income compared to the experience of early industrializers."

Stiglitz and the Brookings researchers both suggest that African countries look elsewhere for growth. Their suggestions include tourism, agriculture, natural resource exports, and information technology services -- basically, everything but manufacturing. Yet most of these suggestions offer little reason for enthusiasm. Agriculture tends to automate even faster than industry. Natural resource exports are linked to political dysfunction and trap a country at the low end of the value chain. Tourism is fine, but doesn't lead to the kind of learning-driven productivity enhancements that manufacturing is known for.

One shouldn't dismiss manufacturing so quickly. The longer-term decline in African manufacturing probably has more to do with the failure of mid-20th-century industrial policies and central planning than with automation: It happened in the 1970s, 80s, and 90s -- when industrial robots were still not widespread, and when China and other Asian countries were rapidly gaining manufacturing jobs. Now that countries like Ethiopia, Tanzania, Vietnam and Bangladesh are industrializing more naturally, through integration into global supply chains rather than government-driven efforts at import substitution, a repeat of 20th century deindustrialization seems unlikely.

And even if manufacturing doesn't provide quite as much employment for poor countries as in the past, factories can still have an outsized impact on overall growth. One reason is an effect called local multipliers. When a city or region exports goods to other regions, the incoming revenue gets spent locally, creating extra demand and jobs nearby. Economist Enrico Moretti, for example, finds that "for each additional job in manufacturing in a given city, 1.6 jobs are created in the nontradable sector in the same city." Thus, even if most of the new employment in Ethiopia, Tanzania, or Bangladesh comes from restaurants, shops, hair salons, and so on, factories are still very useful for generating those service jobs.

So poor countries shouldn't give up on manufacturing. On the contrary, they should double down. They should lure foreign investment with quality infrastructure, improved education, and streamlined regulation, while nurturing domestic entrepreneurs with export assistance. Robots may one day shut the door to traditional industrialization, but there is every reason to think that for now, the opportunity is still there for the taking. (By Noah Smith, Bloomberg)

IMF, WORLD BANK & AFRICAN DEVELOPMENT BANK

IMF Executive Board Completes the First Review Under Angola's Extended Arrangement and Approves US$248.15 Million Disbursement

- Executive Board decision brings total IMF disbursements to Angola to about US$1.24 billion.
- Angola's reform program, supported by the IMF, aims at restoring external and fiscal sustainability and laying the foundations for sustainable, private sector-led economic growth and diversification.

On June 12, 2019, the Executive Board of the International Monetary Fund (IMF) completed the First Review of Angola's economic program supported by an extended arrangement under the Extended Fund Facility (EFF). [1] Completion of this review makes available SDR 179 million (about US$248.15 million), bringing total disbursements under the extended arrangement to SDR 894 million (about US$1.24 billion). The Board also approved the authorities' request for a waiver of nonobservance of the continuous performance criterion on the non-accumulation of external arrears,

Angola's three-year extended arrangement was approved by the IMF Executive Board on December 7, 2018, in the amount of SDR 2.673 billion (about US$3.7 billion at the time of approval), the equivalent of 361 % of Angola's quota (see Press Release No. 18/463).

Following the Executive Board discussion of Angola's economic program, Mr. David Lipton, First Deputy Managing Director and Acting Chair, issued the following statement: "The Angolan authorities have demonstrated strong commitment to policies under the Fund-supported program. However, a weakened external environment, notably the heightened volatility in the international price of crude oil, is posing challenges to their reform efforts. The authorities are responding decisively by enacting a conservative supplementary budget for 2019.

"Fiscal consolidation will continue in 2019, under the recently approved supplementary budget. This is supported by a conservative expenditure envelope, which preserves social spending, and by non-oil revenue mobilization, including the adoption of a value-added tax in mid-2019. A prudent fiscal stance and adherence to the recently published debt management strategy are important to ensure debt sustainability. The authorities are committed to gradually eliminating subsidies and to clearing payments arrears. They are also developing a cash-transfer program to mitigate the side-effects of reforms on the most vulnerable. Supported by technical assistance from the IMF and their development partners, the authorities are taking steps to strengthen public financial management, improve the allocation of scarce public resources, and strengthen fiscal policy formulation and implementation.

"Pursuing exchange rate flexibility and eliminating the remaining restrictions in foreign exchange markets are still needed to restore external competitiveness and facilitate market-based price formation. A tighter monetary policy will help support the flexible exchange rate regime and keep inflation in check.

"Safeguarding financial sector stability remains critical for the success of the program. The authorities are about to finalize a strategic restructuring plan for Angola's largest state-owned bank. They are also working on a strategy to determine the State's appropriate footprint in the banking industry; limit fiscal risks and political interference; increase banks' efficiency; and improve governance. An asset quality review for the 12 largest banks will inform possible recapitalization and restructuring needs of public and private banks. Enactment of a new AML/CFT framework is expected to contribute to easing pressures on correspondent banking relationships. The forthcoming Financial Institutions Law will incorporate good international practice to strengthen bank supervision and resolution. A revised central bank law will ensure greater central bank autonomy, a stronger mandate, and strict limits on monetary financing of the budget.

"The authorities are progressing with structural and governance reforms to diversify the economy, reduce fiscal risks and the State's footprint in the economy, foster private sector development, and reduce opportunities for corruption. A Privatization Law has been just enacted, providing the foundations for the Government to implement its privatization program. Publication of audited annual reports of the 15 largest state-owned enterprises will resume in the second half of 2019."

[1] The EFF was established to provide assistance to countries: (i) experiencing serious payments imbalances because of structural impediments; or (ii) characterized by slow growth and an inherently weak balance of payments position. It provides assistance in support of comprehensive programs that include policies of the scope and character required to correct structural imbalances over an extended period.

Cabo Verde - Development Policy Operations
IDA Credit: US $40 million equivalent
Credit Maturity: 40 years Grace: 10 years
Project ID: P165631
Project Description: The program will support the Government's effort to reduce fiscal risks from loss-making state-owned enterprises (SOEs) while improving service delivery in energy, housing and transport infrastructures and strengthen accountability and effectiveness in fiscal management.

Cabo Verde - Disaster Risk Management Development Policy Credit and Loan with Cat DDO
IDA Credit: US $5 million equivalent
Credit Maturity: 40 years Grace: 10 years
IBRD Loan: US $5 million equivalent
Loan Maturity: 20 years Grace: 8 years
Project ID: P160628

Project Description: The project will support the Government to strengthen the institutional and legal framework to ensure risk-informed sectoral and territorial planning; and increasing the financial capacity to manage impacts associated with disaster and climate-related shocks.

Mozambique: African Development Bank offers $50 million for post-cyclone relief

An international pledging conference to finance the reconstruction of parts of cyclone-hit Mozambique took place in the city of Beira on 31 May and 1 June.

Multi-lateral development agencies, international organizations, government representatives, the private sector and civil society gathered at the conference, aimed at soliciting financial support for the effort.

The combined impact of Cyclone Idai in central Mozambique on 14 March 2019 and Cyclone Kenneth in the north a few weeks later, caused widespread destruction and affected the livelihoods of 2 million people in Mozambique alone.

Around 140,000 people were displaced, 240,000 families had their homes totally or partially destroyed, and 1.4million people were left in need of urgent food assistance. Damage to socio-economic infrastructure was significant, with 3,500km of national roads and 10,200 km of electricity distribution lines significantly damaged. Almost 1,400 school buildings were affected.

A post-disaster needs assessment, led by the Government of Mozambique and supported by the African Development Bank, the European Union, the World Bank and the United Nations, assessed the cost of reconstruction at $3.2 billion for Mozambique alone.

In his keynote address, Mozambique President Filipe Nyusi appealed to development partners to support the country's reconstruction: "Mozambique will lead the international efforts to mitigate climate change through better management of its forests and oceans, and will develop financial instruments to reduce climate risk for the communities."

The call received a strong response from development partners, who pledged a total of $1.2 billion to the reconstruction efforts. The African Development Bank will make $50 million immediately available for Mozambique, as part of a regional response program that will also benefit Malawi and Zimbabwe, the other two countries affected by Idai. This contribution is one element of the Bank's multi-layered approach to the recovery effort, which also includes emergency life-saving support; technical support for accessing financial products for climate risk management and advice for a resource mobilization drive.

Speaking on behalf of African Development Bank President Akinwumi Adesina, Pietro Toigo, Country Manager for Mozambique, said: "The current pledge is an initial contribution to reconnect communities to markets and services and kick-start livelihoods. The Bank aims to be a long-term partner for the reconstruction of Mozambique, and to provide intellectual and technical leadership to the reconstruction effort."

DEALS & INVESTMENTS

China's ambassador pledges to continue cooperation with Angola

The Chinese ambassador to Angola, Gong Tao, expressed his country's willingness to continue to cooperate with Angola in the economic area, according to local press reports.

Gong Tao, speaking at the end of a hearing that President Joao Lourenço granted to the vice chairman of the National People's Congress Standing Committee, Wang Chen, said that the willingness to continue to cooperate included the execution of various projects to be financed through the concession of credit lines.

Wang Chen arrived in Luanda heading a delegation of 21 deputies for a three-day working visit as part of a process of strengthening two-way relations between the legislative bodies of both countries.

The vice chairman of the Standing Committee of the People's Congress of China has scheduled meetings with the chairs of the various committees of the National Congress and with the first vice-president of the Angolan parliament, Emília Carlota Dias, as well as visits to some projects built using funding from China. (Macauhub)

Chinese investors spend US$700 million on building a cement factory in Mozambique

Chinese investors will spend US$700 million to build a cement plant with a nominal capacity of 500,000 tonnes in Mozambique, with work expected to start in 2021, daily newspaper Correio da Manhã reported. The newspaper said that the Cimentos de Sofala, Lda. plant is due to be built in Muxúnguè, Chibabava district, in the south of the Mozambican central province of Sofala, and the works will begin in the third quarter of 2019. Zheng Peng, the company's representative, told the newspaper that the investors plan to supply the local market with Portland cement, in addition to exporting the product to neighbouring countries Malawi and Zambia. The construction of the factory is expected to require 600 workers, mostly Mozambicans, and when in operation the unit should have a workforce of 200 people. (Macauhub)

African Free Trade Zone gains momentum

The United Nations Economic Commission and the African Development Bank are actively promoting the treaty establishing free trade in Africa, which has been signed by the Portuguese-speaking countries and already validated.

The agreement, which aims to promote the economic emancipation of the continent, by 30 May had been ratified by more than 22 countries, a legal condition for its validation, and will be officially launched at the end of July at the African Union summit in Niamey, in Niger, by the countries that have ratified it. The signatory countries of the African Continental Free Trade Area (AfCFTA) have agreed to eliminate tariffs, quotas and preferences on goods sold in an estimated 1.2 billion fast-growing market.

In the case of the Portuguese-speaking countries, they signed the treaty, but the national parliaments have not yet ratified it, which has led the UN Economic Commission for Africa (ECA) to actively promote the conclusion of the process, according to the ECA regional director for Central Africa, António Pedro, in statements to UN News. According to Pedro, the ECA is in contact with the authorities of São Tomé and Príncipe, Angola and Cabo Verde, so that the countries can also prepare for the transition. "It is necessary to do these studies, diagnoses, country by country, to identify their comparative advantages and therefore to create the strategy around that. This is what we are doing for all countries, including (…) Angola and Cabo Verde and São Tomé and Príncipe," said the head of the ECA.

In Angola, he said, the AU initiative will catalyse the creation of national industries, with the creation of value chains, within the regional and continental context. "Countries have to determine now the list of products that will fall outside the exemption scheme that is the basis of the free trade area. 10% of products, of which 7% may be on the protected list and 3% completely excluded, that for a certain time may benefit from protection. And it is on these 10% of the list of sensitive and excluded products that many countries want to base their industrialisation policies," said Pedro. Currently, inter-African trade is estimated to be between just 16% and 17% of the total. (Macauhub)

BANKING

Banks

Bank of Cabo Verde reduces interest rate to boost credit to the economy

The Bank of Cabo Verde (BCV) decided to reduce the interest rate of the marginal lending facility by 1.5 percentage points to "improve the effectiveness of the monetary transmission mechanism," the central bank said in a statement.

The remaining interest rates – principal, permanent liquidity-absorbing facility and rediscount – remained unchanged at 1.50%, 0.1% and 5.50%, respectively, under the decisions of the BCV, meeting in an ordinary session on 31 May. The BCV hopes that this decision will be followed by commercial banks, noting that the measure "… has the potential to strengthen the monetary policy stance towards a greater stimulus to credit and economic growth." The central bank said in the statement that the rate cut could lead to a marginal increase in credit to the economy in 2019 and 2020 and more significantly in 2021. (Macauhub)

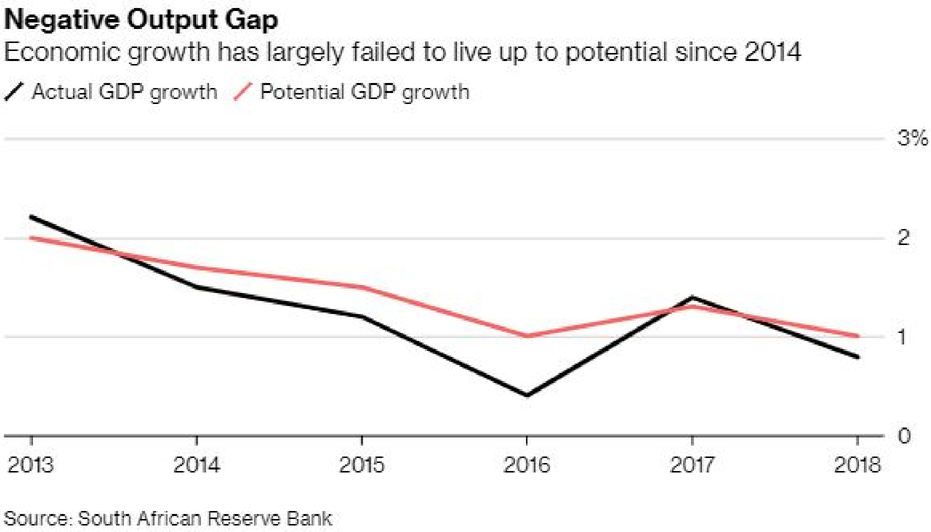
Oil companies operating in Angola will sell currencies directly to commercial banks
Oil companies operating in Angola will sell foreign exchange directly to commercial banks under a proposal that is being prepared, the governor of the National Bank of Angola (BNA) said in Luanda. "We want to ensure that these companies can directly sell foreign currency to the banks that operate in the country," noted José de Lima Massano, speaking at the Oil and Gas 2019 conference, opened by President João Lourenço and due to end.
The governor, quoted by the Angop news agency, also said that the central bank is working with the Association of Oil Operators to set a timetable, as there were some situations in which the almost voluntary organisation of the market for purchasing foreign currency put pressure on the exchange rate.
Lima Massano added that the central bank, when returning these transactions to commercial banks, wants to make sure that they take place within a stable framework and contribute to the development of the economy.
Referring to the country's foreign reserves, which can be divided into three categories, including resources of the central bank, the Treasury and the commercial banks that are supervised by the BNA, the governor acknowledged that they originated in the oil sector. "In light of this, any slowdown in production and price reduction has a direct impact on the country's reserves," he said, adding that the component that most affects the amount of foreign reserves is its use by the Treasury to honour state commitments. (Macauhub)

Bank of Mozambique removes Gapi directors
The Gapi Investment Company has no executive directors, after the Bank of Mozambique (BdM), on 4 June cancelled the special registration of the executive directors of the institution, António Souto and Anabela Mucavele, Mozambican news agency AIM reported.
This intervention on Gapi follows similar positions in 2016 on Mozambican credit institutions, when the BdM revoked the operating license of Nosso Banco and also intervened in Moza Banco, which at the time was considered to be the fourth the most important credit institution in the Mozambican financial system.
The BdM justifies the decision to dismiss the executive directors of Gapi based on, "not meeting the requirements for suitability," as since 2007 the Investment Company has had "systematic non-observance of the rules governing the operation of credit institutions," particularly with regard to reporting financial and prudential information and failure to comply with the recommendations issued by the central bank following an inspection carried out on 12 June 2012.
The BdM said Gapi is in technical bankruptcy, has negative equity, the solvency ratio is below the established minimum of 8%, it has a deficit of regulatory provisions and excessive concentration of risk. Gapi's shareholders met to discuss the restrictions and accusations made by the Bank of Mozambique, including the removal of directors António Souto and Anabela Mucavele.
The Community Development Foundation (FDC), Graça Machel (10.55%), the Mozambican Red Cross (8.91%), the Institute for State Participation Management (IGEPE) (10.25%), Gapigest (25.64%), the CTA (19%) and GTT (Managers, Technicians and Workers) (25.64%) are the shareholders of Gapi. (Macauhub)

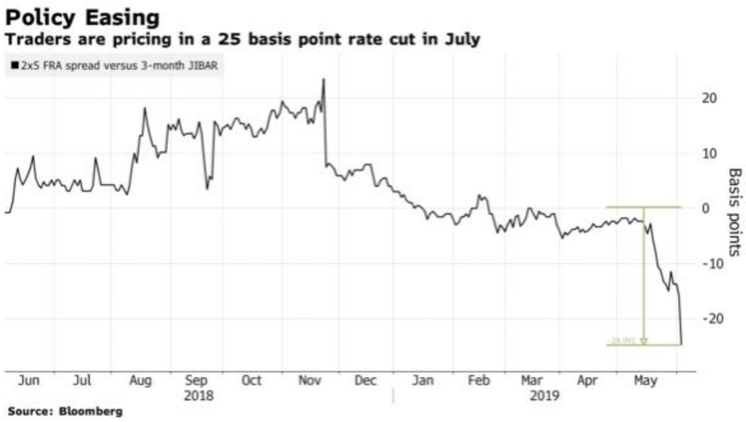
Markets

South African Rate Cuts No Sure Thing Even as Economy Contracts
- GDP contraction may reduce potential growth, Kganyago says
- Price stability is necessary for sustainable growth: governor

South Africa’s deepest quarterly economic contraction in a decade won’t automatically move the Reserve Bank to cut its key interest rate because this may drag down the country’s potential growth rate.
The difference between potential growth and actual expansion is one of the four elements in the central bank’s quarterly projection model. This gap has largely been negative since 2014 and won’t close in the next two years, according to central bank forecasts.



“If the output gap is negative, like what we have now, it could suggest to you that monetary policy should be accommodative,” Governor Lesetja Kganyago said in an interview in Pretoria, the capital. The first quarter’s 3.2% annualized contraction might bring down potential growth, which would narrow the gap, he said.
When the Reserve Bank kept its key interest rate on hold last month, the Monetary Policy Committee’s statement -- read by Kganyago -- suggested some bias toward easing, with two of five MPC members favoring a cut. The last time any MPC member voted for lower rates was in March 2018.
After the release of the gross domestic product figures, forward-rate agreements, used to speculate on borrowing costs, slumped and contracts due in July are pricing in a quarter-point decrease at the next monetary-policy meeting. The central bank’s model currently predicts one 25 basis-point cut by the first quarter of next year.



“If we were to mechanically follow the quarterly projection model, we will just wait until the first quarter of next year and when it arrives, we will cut by 25 basis points,” Kganyago said. “But we might get to September and the variables had moved and the quarterly projection model might spew something else, it might even say ‘cut by 50 basis points’ or it might say ‘keep the rate the same’.”
The central bank targets inflation in a range of 3% to 6% and the rate has been inside this band for more than two years. The bank’s mandate -- enshrined in the constitution -- is to pursue price

stability "in the interest of balanced and sustainable growth. However, labor unions and political parties have over the years called on the institution to do more to support expansion and cut the 28% jobless rate.
Later on Tuesday 04th June, the ruling African National Congress said it would push for changes to the mandate, so that it includes growth and unemployment. "Price stability is a necessary condition for balanced and sustainable growth, but it is by no means a sufficient condition," Kganyago said before the ANC's announcement. "You have other things that have got to be brought to bear to get growth going," such as removing structural constraints, he said. (By Rene Vollgraaff , Prinesha Naidoo , and John McCorry, Bloomberg)

Mozambique's top court says state-guaranteed Eurobond illegal 050619
Mozambique's top court has ruled that a government-guaranteed $850 million Eurobond issued by state-run tuna-fishing company Ematum in 2013 was illegal, court documents showed.
Mozambique has been battling to restructure its finances after the emergence in 2016 of about $1.4 billion of undisclosed borrowing that prompted the International Monetary Fund and foreign donors to cut financial support, triggering a currency crisis and a sovereign debt default. "The Constitutional Council declares the nullity of the acts inherent to the loan contracted by Ematum SA, and the respective sovereign guarantee granted by the government in 2013, with all legal consequences," the Constitutional Council said in a ruling dated Monday 3rd June. It said that "no expenditure can be assumed, ordered or carried out without being duly registered in the budget of the approved state ... which was not the case."
Government officials were not immediately available to comment on the ruling. Civil society advocates and creditors were at odds if the ruling would have any impact on the government's current efforts to restructure its debts.
The $850 million Eurobond was dubbed the "tuna bond" as it was supposed to finance a tuna fishing fleet and had been presented to investors as funding for "fishing infrastructure". But much of the cash was later designated for maritime security and reallocated to the defence budget.
In 2016, Mozambican officials agreed to swap the tuna bond's outstanding $697 million for a sovereign Eurobond. But the emergence of hidden lending, including a loan to Mozambique Asset Management (MAM) and a facility for maritime security projects at Proindicus, undermined the relationship between Mozambique and its lenders.
The case was launched by a civil society coalition called Budget Monitoring Forum, which is leading a campaign against the undisclosed loans.
The Forum's Denise Namburete said the ruling was "a huge victory". "The Constitutional Court has the final decision. The government of Mozambique cannot appeal, therefore we are all curious to learn how and what the government of Mozambique will tell the creditors," Namburete said. "It means that as a result and consequently all previous acts associated with this loan and its bonds must be considered illegal and therefore null and void," she said. "It also means that the agreement of principles drawn up by the Minister of Finance with the creditors should be considered void as well as all the guarantees granted by the government," Namburete added.
The Finance Ministry said it had reached a restructuring deal in principle with holders of the bond issued in 2016.
Reacting to the ruling, Thomas Laryea, legal adviser to the Global Group of Mozambique Bondholders (GGBM) - a group of investors in the 2016 bond - said he did not expect any impact on the restructuring process currently under way. "The Eurobonds constitute new legal obligations from the Mozambique government - a different debtor from Ematum - with substantially different creditors," Laryea told Reuters, adding the bonds had been approved by the country's parliament in line with the constitution and within the limits of the budget law. "They were issued in public markets, based on legally approved documentation in accordance with English law. Given that the Mozambique court ruling has no legal bearing on the Eurobonds, we expect that the restructuring of the Eurobonds will proceed as agreed."

The GGBM is made up of four creditors - Farallon Capital Europe LLP, Greylock Capital Management LLC, Mangart Capital Advisors SA and Pharo Management LLC - who control around 60 % of the 2023 bond. The issue indicated around 1 cent lower at 98 cents on the dollar. (By Manuel Mucari in Maputo and Karin Strohecker in London, Reuters)

ENERGY

Sonangol and ENI produce renewable energy in Angola

Angola's national oil company Sonangol and Italian group ENI have set up a renewable energy production company, which will start operating in early 2020, the deputy director general of ENI Angola announced in Luanda. João Silva said that the project will be executed in two phases in the region of Caraculo, Namibe province, southern Angola, and part of the energy produced will be channeled to the province of Huíla. The deputy director general of ENI Angola said these two provinces had been chosen because they are the region with the highest amounts of sun because they offer greater potential and also because their electricity distribution system is not connected to the Northern Electricity Transmission System.

Silva, who was speaking on the sidelines of the Angola Oil and Gas 2019 conference, also said that although the project is not yet quantified, each phase should produce 25 megawatts of electricity.

One of the main objectives of the project that partners Sonangol with the ENI group is to reduce diesel consumption by the thermal power stations in operation in the south of Angola. (Macauhub)

China builds electricity grid for Luanda and Bengo in Angola

Leaders of Chinese company Power Construction Corporation of China (PowerChina) announced that by the end of August they will complete the last connections that will allow the electrification of more than 300,000 houses in Luanda, benefiting more than 2.5 million people.

Li Xunfeng told the XInhua news agency that since October 2016, nine substations have been built and all are now operational.

The electrification project, located in the provinces of Luanda and Bengo, cost about US$675 million.

China's ambassador to Angola, Gong Tao, said the project is a small example of Sino-Angolan cooperation in the financial and infrastructure sectors and has allowed the construction and repair of over 2,800 kilometres of railway lines, built more than 100,000 social houses, 100 schools and 50 hospitals. (Macauhub)

INFRASTRUCTURE

Mozambique to build new Locumue dam in Niassa province

The Mozambican Minister of Public Works, Housing and Water Resources, João Machatine, laid the foundation stone for the construction of the new Locumue dam in Niassa province in northern Mozambique.

The new venture, which will double the capacity of the province's water supply system, will cost about US$8 million.

The Locumue dam was built in the 1960s for irrigation purposes, but 10 years later it became the main source of water for the city of Lichinga, the capital of Niassa province. Machatine said the idea is to increase the volume of water in the reservoir by more than twice the current 1.76 million cubic metres to 3.4 million cubic metres."

Construction of the new dam is expected to be completed in March 2021. The project is being carried out as part of the Pravida programme, an initiative to accelerate the rehabilitation and/or construction of new water supply, sanitation and storage infrastructure, which was recently launched by the Government. Under the programme, water and sanitation systems are also being renewed in the cities, towns and villages of the province, benefiting 187,000 people, Machatine said. (Macauhub)

Cargo handled by Kenya's Mombasa port up 6% in eleven months to May

Kenya's main port of Mombasa handled 6.3% more cargo in the last eleven months thanks to higher efficiency, a surge in imports and greater capacity after the port was expanded, the facility's management said. The rise in cargoes came despite uncertainty after 75 tax agency staff including customs workers were arrested last month over allegations of fraudulent clearance of merchandise among other charges.

Mombasa, a gateway to east and central Africa, processes imports and exports for Kenya and several other countries including Uganda, Rwanda, Democratic Republic of Congo, South Sudan and Burundi.

Cargo handled by the port was up 6.3% to 29.8 million tonnes in the eleven months ending May this year compared to the previous period, data released by the port's management showed. "The positive performance was mainly driven by increased handling (of) cargo for Uganda, D.R.C and South Sudan," Daniel Manduku, the port's managing director, said in a report.

Container traffic increased by 13.1% to 1.27 million Twenty feet equivalent units (TEUS) over the eleven-month period while cargo destined for other countries was up 10%. Mombasa port underwent expansion works in 2012 that included construction of a new container terminal and dredging to enable bigger vessels access to the port. The first phase of the expansion project partially-financed by Japan was inaugurated in 2016. Kenya is also building a second port in Lamu, north of Mombasa, with a capacity of 23 million tonnes per year. (By Elias Biryabarema, Reuters)

MINING

Zambia's Mopani Copper Mines shuts down smelter

Zambia's Mopani Copper Mines (MCM) has shut down its Mufulira smelter for major refurbishment, the Glencore-owned company said. "The majority of the programme is expected to last until the end of the year and will result in a total shutdown of the plant. The investment in the new shafts will not be impacted," it said in a statement. Mopani could not immediately say what impact the shutdown would have on production, which totalled 119,000 tonnes of finished copper in 2018. It said it had informed the Zambian government and labour unions of its plan would "continue to engage with its stakeholders throughout the refurbishment programme". "Employees affected by the shutdown will be re-assigned as appropriate and/or placed on paid leave," it added, without saying how many workers would be affected. (By Chris Mfula, Reuters)

Swiss refiner Metalor to stop processing artisanal gold

Switzerland's Metalor, one of the world's biggest gold refineries, said it would work only with gold from large industrial mines in order to reduce the risk of illegality in its supply chain. Informal methods of gold production, known as "artisanal" or small-scale mining, have grown rapidly in recent years as demand for gold has boomed, pushing prices higher.

Artisanal mining provides a livelihood to millions of people, often in poorer countries in South America, Africa and Asia. But it often leaks chemicals into rocks, soil and rivers, working conditions can be appalling and the gold such mining yields is often smuggled or used to launder money.

Metalor said it would stop working with artisanal mines or collectors and aggregators - companies which collect and resell gold from artisanal mines - because of the difficulty of ascertaining the mines' legality and the origin of the gold. "The increasing resources to secure compliance and the challenging conditions at the mining regions have forced Metalor to reassess its approach to artisanal mining," Metalor said. "As a result of this decision, Metalor will cease its operations in

Colombia, after having already announced its decision to stop any business relationship with collectors/aggregators of gold dore in Peru."

Gold dore is non-refined mined gold.

Most large refiners that supply gold to major Western banks, central banks and jewellers are wary of taking gold from artisanal mines, leaving them to find other buyers. A Reuters investigation in April found that gold worth billions of dollars was being smuggled from Africa to the United Arab Emirates, a gateway to other global markets. Metalor processes around 500 tonnes of gold a year at refineries in Switzerland, the United States and Asia, its chief executive Antoine de Montmollin told Reuters. Gold from artisanal mines and collectors accounted for less than 5% of this, he added.

Metalor stopped working with artisanally mined gold from Africa in 2015. It said it has not been using artisanal gold from any countries other than Colombia and Peru.

Metalor is one of four large refineries that together refine around 2,500 tonnes of gold a year in Switzerland, data from the United States Geological Survey shows – worth more than $100 billion at today's prices and equal to around 60% of the world's annual supply of gold.

More than 40 million people around the world work in artisanal and small-scale mining of resources including gold, according to a report by the World Bank and development organisation Pact in April. (By Peter Hobson, Reuters)

OIL & GAS

Angola Courts Investors With Oil-Block Auction, Fuel Boost

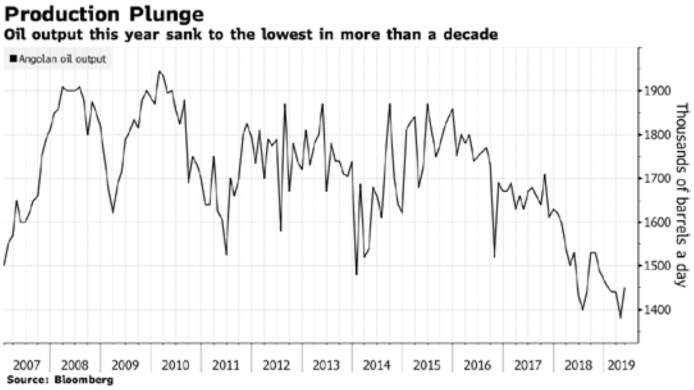
- President promises to step up oil output, build new refineries
- Nation seeks to revive industry that shrank amid crude's crash

Angola unveiled plans to boost refining and auction oil blocks as it seeks to attract investors back to its struggling energy industry.

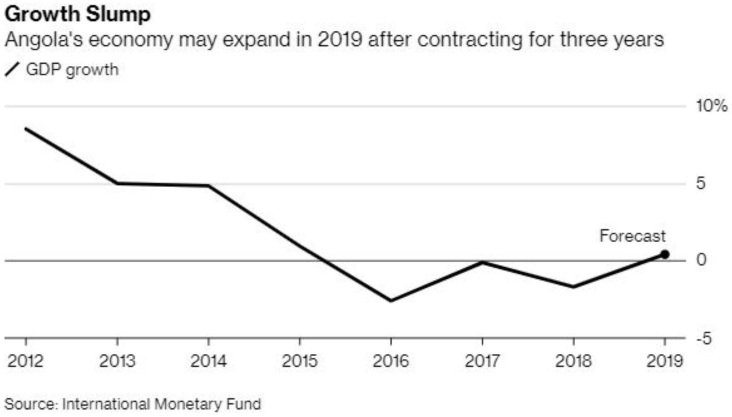
Crude output in the southern African country dropped steeply after investment dried up during oil's 2014-2017 crash. And despite being the continent's No. 2 oil producer, Angola imports most of its gasoline, with its sole refinery meeting just 20% of fuel demand. President Joao Lourenco has vowed to change that.

The country will "intensify the replacement of reserves in order to smooth the deep decline of oil production, ensure self-sufficiency in refined products by building new refineries and increase production capacity" at existing plants, Lourenco said at a conference in the capital, Luanda.

The strategy includes constructing a new refinery in the northern city of Soyo, which would be the third proposed plant following plans for a 200,000 barrel-a-day refinery in Lobito and a smaller facility in Cabinda. The country also intends to initially auction 10 oil-exploration blocks in early October, with more to follow.



Angolan oil production was about 1.45 million barrels a day last month, ticking up after dropping to the lowest in at least 12 years. Without investment in new projects, the Oil Ministry has said output could fall to as low as 1 million barrels a day by 2023. "A lot of investment dried up in 2014 when oil prices fell," said Adam Pollard, an analyst at consultant Wood MacKenzie Ltd. "It's starting to come back now with a few projects being sanctioned, but you had a few years with very little money being spent." French major Total SA and Italy's Eni SpA began pumping from new areas in Angola in the past year. However, the government will need to secure further investment in the industry to bolster an economy that's limping after three years of decline.



Lourenco took office in 2017, with an agenda to revive finances by attracting foreign investment, tackling corruption and selling assets. A series of presidential decrees followed, showing a "really quick" move toward reforms, according to Pollard. However, the pace "has slowed a little bit," with few investments materializing apart from Total's Kaombo project, he said. Ensuring that Angola's energy industry thrives once again is certainly a significant undertaking. The country has suffered persistent fuel shortages lately, some of the worst in its history, which state oil company Sonangol attributed to a lack of foreign-currency reserves for imports. Lourenco fired Sonangol's chairman last month as he sets a course to revamp a company that's the focus of his pledge to fight corruption, and the main engine of the oil-focused economy. (By Paul Burkhardt and Candido Mendes, Bloomberg)

Block 15 of Angola is the focus of agreements with Esso Angola and ENI grou

An agreement related to Block 15 in the Angolan sea was signed between the National Agency for Oil, Gas and Biofuels (ANPG) and Esso Angola, of US group ExxonMobil, according to an announcement. The document was signed by ANPG President Paulino Jerónimo and Esso Angola Chief Executive Andre Kostelnik at the Angola Oil & Gas 2019 conference, which took place from 4 to 6 June at the Talatona Convention Centre in Luanda. This block was the focus of a separate agreement between Angolan oil company Sonangol and Italian group ENI. Block 15 is located in the basin of the Lower Congo south of the Zaire river, in deep waters in the Angolan sea at a depth that varies between 400 and 1,500 metres.

The ENI group, for example, has already made five oil discoveries in that block, with the most recent, Agidigbo, after Kalimba, Afoxé, Agogo and Ndungu, announced. The five discoveries contain an estimated 1.8 billion barrels of light oil, with the latest expected to contain between 300 million and 400 million barrels. (Macauhub)

Angola's Sonangol divests 72 companies

Teventy-two companies that are part of the business unit of Angola's state oil company Sonangol will be divested under an ongoing restructuring process, the group's chairman announced on Tuesday 4th June in Luanda. Sebastião Pai Querido said that the process of divestment will be conducted by Sonangol itself, given the specific nature of some of the 72 companies, "but always taking into account the criteria and principles approved by the State structure that is coordinating this activity."

The sale of these companies of the Sonangol group is part of a more comprehensive government programme under which many public companies will be privatised through the stock exchange, a process to be conducted by the Institute of Asset Management and State Participation (IGAPE).

The chairman of the group, who was speaking at the "Angola Oil & Gas 2019" conference, said that following the splitting off of the group's previous concessionaire role, the assets that are part of Sonangol's core business have been identified and selected.
The divestiture is part of the Sonangol Restructuring Programme, which began in 2018, and aims to make Sonangol more competitive and profitable, focusing on the primary value chain (oil surveying, prospecting, exploration and refining). (Macauhub)

Oil exploration in Angola should have more local content
Angola's Minister of Mineral Resources and Oil said in Luanda he expected the financial system to support oil companies to get more local content in the sector. Diamantino Azevedo, after saying that local content should be reflected in competitive and efficient companies, said that the debate on the issue follows a timetable drawn up by the Ministry, started some time ago. Figures quoted by the Angop news agency showed that domestic companies' share in the oil and gas exploration industry in Angola accounts for just a 10% share. The contribution of national companies to local content reached US$3.5 billion between 2013 and 2014, and 2014 was the most significant period due to high turnover.
The minister, who delivered the closing speech at the Angola Oil and Gas 2019 conference, said that the event demonstrates the importance that the government gives to the creation of opportunities for local entrepreneurs so that everyone can have joint intervention in the oil and gas sector in Angola.
At the opening session, the Angolan President called on national oil companies to recruit Angolan staff and ensure the training of workers for the "Angolanisation" of oil production.
Lourenço said that as oil exploration is a capital-intensive sector that uses advanced technologies, "its importance will be even greater if it incorporates more national workforce." The President pointed out that the government has sought to encourage oil companies to comply with plans to train, promote and integrate Angolan staff and technicians at different levels of the oil industry hierarchy, increasing the degree of "Angolanisation" of the sector. (Macauhub)

Sonangol and United Shine sign agreement for construction of Cabinda Refinery in Angola
Angolan oil company Sonangol and United Shine signed a partnership agreement for the construction of a refinery in Cabinda province, the state-owned company said in a statement.
The statement added that the choice of United Shine followed a tender process launched by Sonangol in 2017 for the construction of a refinery that is expected to have a processing capacity of 60,000 barrels of oil per day for the production of derivatives such as diesel, gasoline, fuel oil and Jet A1. The construction of the Cabinda refinery is among Sonangol's priorities and is part of the National Development Plan under the government's strategy of reducing the cost of importing oil derivatives. The refinery will require an estimated investment of US$2 billion, to be financed by Russian bank VTB, and construction is expected to start in the next two months and is scheduled for conclusion in 2022. Sonangol, in partnership with Italy's ENI group signed a contract with Kinetics Technology, a subsidiary of Italian group Maire Tecnimont, to build a new gasoline production unit at the Luanda Refinery, quadrupling current capacity to 1,200 tonnes per year. (Macauhub)

Nigeria's Oil Thieves Roar Back Even as Militants Kept in Check
- About 100,000 barrels of crude are being taken daily: SBM
- Oil-theft is now an industry employing thousands in Nigeria

Just as Nigeria gets to grips with militants who brought the nation's oil industry to its knees a few years ago, another group of longstanding foes are slowly making a comeback: thieves.
Saboteurs including thieves caused an 80% increase in the number of spills in 2018, Royal Dutch Shell Plc, the largest international producer in the West African country, said in a report last month. By contrast, there have been no militant-related halts to operations since 2016.

The disruptions underscore how hard it will be for Nigeria to fully rid itself of security challenges that have plagued the nation for decades. Overseas crude shipments represented by far the nation's largest source of export income, with about $43.6 billion of sales last year, according to ITC Trade Map, a venture between the WTO and the UN. "Oil theft is a severe drain on Nigeria's revenue," said Cheta Nwanze, the head of research at SBM Intelligence, a Lagos-based consultant. "The losses to theft could easily fund Nigeria's budget deficit."

Eight Times

On one level, theft is probably a more palatable option for Nigeria and the companies operating there than attacks by militants. About 100,000 barrels a day are being taken out of pipelines, whereas militancy halted at least eight times times that amount at one stage three years ago.

The increase reflects a belief among local communities that multinationals don't really own the barrels in the first place, according to Ledum Mitee, a lawyer and minority rights activist. "They believe the oil is theirs and the government is the thief," he said. "People now realize that instead of just cutting pipelines to spite the government, they can make money out of it."

Big Employer

It's also akin to an industry. Theft employs at least 500,000 people in the country, according to Mitee, former head of the Nigeria Extractive Industries Transparency Initiative. Much of the stolen crude is processed in tiny, makeshift refineries comprising hundreds of cauldrons, each of which can hold as much as 150 barrels of oil, according to Nwanze. The world's biggest refineries handle more than 1.2 million barrels each day. Unlike politically-driven militancy, where fighters say they represent impoverished people in the Niger Delta region, stealing crude is considered a less risky option for those involved. Multiple incidents of force majeure, a legal measure that allows companies to forgo their contractual supply obligations, have happened this year in Nigeria -- even if the precise causes often remain unclear.

Nembe Creek

Aiteo Group, operator of the Nembe Creek Trunk Line to Shell's Bonny export terminal, has been one of the hardest hit this year, halting flows through the link at least three times since January. And the challenges doesn't appear to be getting easier. Shell lost an average of 11,000 barrels a day to theft in 2018, it said. That's up from losses of 9,000 barrels of crude a day in 2017. Chevron Corp. has also reported problems with third-party interference on its production facilities. The rogue refineries, essentially scaled up versions of widespread gin distilleries in the region, typically employ about 100 people working in shifts. Yields from a single cauldron will include 7,500 liters of diesel, 2,000 liters of gasoline and 500 liters of kerosene a day. It costs about 4 million naira ($11,100) to construct a boiling pot.

Crude Operators

Oil producers often take their own security measures, deploying daily helicopter surveillance with infrared cameras while simultaneously pushing state authorities to do more. But large-scale theft persists. Addressing the challenge requires a "holistic approach," Nigeria's Oil Minister Emmanuel Kachikwu said after attending a cabinet meeting in Abuja last month. "Oil theft is rife because there is an economic gain to be made from it," Kachikwu said. "So we want to shut those illegal gains by creating positive and legal economic opportunities." (By Elisha Bala-Gbogbo, Bloomberg)

Nigerian petroleum regulator revokes six oil block licences

Nigeria's petroleum regulator has revoked six oil block licences due to "legacy debts", it said in a public notice.

The notice, carried in some Nigerian newspapers, said the move by the Department of Petroleum Resources was "in furtherance of the presidential directive". The action comes as Nigeria takes a more aggressive approach to collecting taxes and royalties that the country says it is owed. Oil industry sources said Nigeria has also been increasingly vocal about rescinding licences that are not being actively developed. The notice said oil mining lease (OML) 98 was revoked from Pan Ocean Oil Corporation, OML 120 and 121 from Allied Energy Resources Nigeria Limited, OML 108 from Express Petroleum & Gas Company Limited and OML 110 from Cavendish Petroleum Nigeria Limited.

The notice also said oil prospecting licence (OPL) 206 was revoked from Summit Oil International.

Details of the size or value of the blocks were not immediately available. A spokesman for the president declined to comment. A petroleum ministry spokeswoman did not immediately respond to a request for comment. (By Alexis Akwagyiram and Christian Merenini, Reuters)

Mozambique: Government approves financing structure of Rovuma gas project

Mozambique's cabinet meeting approved a financing structure of liquefied natural gas (LNG) that the consortium led by US Anadarko is to develop in the Rovuma basin, northern region.

The cabinet meeting spokesperson, Augusto de Sousa, said in a press conference that the executive approved the proposal for the project of LNG Golfinho Atum to be funded in $14 billion (€12.8 billion) by bank funds and $11 billion (€9.7 billion) by the concessions' shareholders equity. "This project is estimated at $25 billion (€22 billion)," said Sousa. Sousa said that the consortium of Area 1 of the Rovuma basin is to make an announcement of the final investment decision (FDI) on the 18 June in Maputo. Anadarko leads the first onshore LNG project in Mozambique. The group of companies will explore the natural gas found in the depths of the Earth's crust, under the seabed, 16m off the province of Cabo Delgado.

After extracted, through wells, the gas is to be routed through pipelines to the industrial zone (which has had been building infrastructures for a year and a half), in the Afungi Peninsula, where it is to be transformed into a liquid and shipped out of the country on cargo ships with special containers for export.

The plan foresees two liquefaction lines, installed ashore, and with an annual production capacity of 12 million tonnes per year of LNG.

In addition to Anadarko, which leads the consortium with 26.5%, the group operating Area 1 includes Japan's Mitsui (20%), India's ONGC (16%), Mozambican oil company ENH (15%), with smaller holdings to other two Indian companies, Oil India Limited (4%) and Bharat Petro Resources (10%) and Thailand's PTTEP (8.5%). (Club of Mozambique)

Anadarko announces investment plan for natural gas exploration in Mozambique

US oil company Anadarko is due to formally announce its investment plan for exploration of natural gas in Mozambique. The development plan for Area 1 of the Rovuma Basin in Cabo Delgado province is estimated to cost US$25 billion to prospect for natural gas that will latter be channeled to a plant that will transform it into liquid on the Afungi peninsula, in the district of Palma. Alongside the liquefaction plant a dock will be built for special cargo ships to be filled with liquefied natural gas (LNG).

According to daily newspaper Notícias, a smaller portion of LNG will remain in Mozambique, which will be channeled to electricity production, and transformed into liquid fuels and fertilisers.

The Area 1 plan initially projects two gas liquefaction lines with a total production capacity of 12.88 million tonnes per year (mtpa), and the project may increase to up to eight production lines.
Area 1 has more than 75 trillion cubic feet (tcf) of off-shore gas deposits.
Anadarko believes that the Area 1 deposits are equivalent to double the gas and oil, available in the British North Sea area and classifies the Rovuma basin as the next large hydrocarbon exploration zone in the world.
In addition to Anadarko, which leads the consortium with 26.5%, the group exploring Area 1 consists of Japan's Mitsui (20%) and Mozambican state oil company ENH (15%), with smaller stakes held by India's ONGC (10%) and its subsidiary Beas (10%), Bharat Petro Resources (10%) and Thai company PTTEP (8.5%).
Anadarko is expected to hand over the leadership of the consortium to France's Total by the end of the year, after being bought by another US oil company, Occidental, which in turn entered into an agreement to sell assets in Africa.
Natural gas projects in Mozambique are expected to go into production in about five years and drive the Mozambican economy to grow by more than 10% a year, according to the International Monetary Fund. (Macauhub)

CCS joint-venture signs contract for natural gas project in Mozambique
CCS, a joint-venture between the McDermott, Saipem and Chiyoda groups, has signed a contract with the Anadarko Petroleum Corporation group to provide services in the Area 1 natural gas project in northern Mozambique, the McDermott group said.
The US group, whose initial portion of the contract represents US$2 billion, also said that it covers the design of the engineering project, the acquisition of equipment and the construction of all onshore facilities, including two natural gas units with a capacity of 12.88 million tonnes per year.
The McDermott and Saipem groups have set up an office in Milan, Italy, where a joint team will lead the management of the project before taking responsibility for building facilities in the province of Cabo Delgado. Japanese group Chiyoda will only be tasked with providing consulting services to the CCS joint-venture.
The statement released by the US group said that work on the site will begin immediately after the Anadarko Petroleum group approves it, following the final investment decision expected in June.
The Area 1 block is operated by Anadarko Mozambique Area 1, Ltd, a wholly-owned subsidiary of the Anadarko Petroleum group, with a 26.5% stake, ENH Rovuma Area One, a subsidiary of state-owned Empresa Nacional de Hidrocarbonetos, with 15%, Mitsui E&P Mozambique Area1 Ltd.(20%), ONGC Videsh Ltd. (10%), Beas Rovuma Energy Mozambique Limited (10%), BPRL Ventures Mozambique BV (10%), and PTTEP Mozambique Area 1 Limited (8.5%). (Macauhub)

RETAIL

Carrefour franchisee to open first Ugandan store
Carrefour will open its first store in Uganda this year, expanding in the region after a successful launch in neighbouring Kenya, the Dubai-based operator of the French retailer's outlets said on Tuesday 18th June.
Majid al Futtaim (MAF), a United Arab Emirates-based mall developer that holds Carrefour franchise rights in 37 countries, opened its first store in Kenya in 2016, securing rapid growth in a country where just 30 % of retail transactions take place on the formal market.
MAF has already secured space at a large mall in the Ugandan capital Kampala and has hired 150 workers ahead of the launch of the store, said Hani Weiss, CEO of MAF Retail in a statement. "This announcement brings us a step closer towards realizing our long-term expansion plan for East Africa. Uganda is considered one of the fastest growing economies in Africa," Weiss said. A second store in the Ugandan capital will be opened early next year, he said. (By Duncan Miriri, Reuters)

TELECOM – TECHNOLOGY

Ethiopia Approves Law to Open Telecoms to Foreign Investors

Ethiopia's parliament approved a draft law that enables foreign companies to invest in the telecommunications industry of Africa's second-most populous nation.

The legislation establishes an independent communications regulator, accountable to the prime minister, that will be responsible for promoting competition.

Lawmakers Thursday 13th June "approved into law the Ethiopian Communication Regulatory Proclamation," Innovation and Technology Minister Getahun Mekuria said in a tweet. "This is a huge step in reforming the telecom sector."

Key Insights

- The legislation is the latest in a series of sweeping reforms Prime Minister Abiy Ahmed has implemented since he became leader two years ago, as he seeks to loosen state control of the economy. He's pledged to split the government-owned monopoly, Ethiopia Telecommunications Corp., and sell shares in the two new entities piecemeal to international operators.
- Ethiopia offers a rare opportunity for foreign investors to access one of the continent's biggest markets. With one of Africa's fastest-growing economies and more than 100 million people, it's coveted by firms including MTN Group Ltd. and Vodacom Group Ltd., the continent's largest mobile-phone companies.
- Vodacom unit Safaricom Plc, Kenya's biggest company by market value, is already providing Ethiopia Telecommunications with fiber connectivity and other services. The partnership has potential to be expanded, according to Safaricom Chief Executive Officer Bob Collymore.

(By Eric Ombok and Renee Bonorchis, Reuters)

Ethiopia to split state telecoms provider into two before privatisation

Ethiopia will split its state telecoms provider into two businesses before it is privatised, state-affiliated media reported on Monday 17th June, a key part of government's plan to open up one of the world's last major closed telecoms markets. The government will split Ethio Telecom into two business units along infrastructure and service sector lines, state-affiliated Fana Broadcasting quoted Minister of Finance Ahmed Shide as saying. State Minister of Finance Eyob Tekalign Tolina confirmed the report. Ethiopia could require as much as $2.2 billion to modernise its creaking, overburdened telecoms sector, Eyob told Reuters last week. Privatisation is one of the key reforms promised by Prime Minister Abiy Ahmed. He wants to encourage competition and foreign investment after decades of state-driven economic growth. Ethiopia passed a bill on Thursday 13th June outlining the scope of a regulator for the telecoms sector, a key milestone towards attracting outside investment in the nation of 100 million people. (By George Obulutsa, Reuters)

Brazilian group in talks to sell stake in Angola's Unitel

Brazilian group Oi has "been in talks" with potentially interested parties in the purchase of its 25% stake in Angolan telecom operator Unitel, the group said in a market statement.

Oi said it had not received a proposal from state-owned oil and fuel company Sonangol, which controls a 25% stake in that telecom operator.

The international press reported that the Oi group had received two proposals to buy Unitel, one of which made by Isabel dos Santos, who also controls 25% of Unitel, which is worth US$850 million. The second proposal was reported to have been from Sonangol and worth US$1 billion and purportedly submitted to the Board of Directors by the CFO and Investor Relations Officer Carlos Brandão at a meeting on 29 May. (Macauhub)

AGRIBUSINESS

Mozambique expects a significant increase in cashew production within five years

Mozambique plans to return to the cashew nut production levels it had in the 1970s over the next five years, said the national director of the National Cashew Institute (INCAJU). Ilídio Bande, quoted by Mozambican newspaper O País, also said that funds provided by the United States Agency for International Development (USAID), as well as a 60 million meticais credit line (about US$1 million) for producers, will encourage commercial production of cashew nuts.

The commercial production of cashew nuts increased from around 80,000 tonnes in 2014 and 2015 to around 142,000 tonnes in 2018/2019, and the national director of Incaju said that the distribution to producers of new seedlings in the last decade will have a positive effect on production.

Bande pointed out that, in addition to producing new seedlings to replace endangered or diseased trees, "we are annually spraying about 5.5 million cashew trees against pests and diseases."

The country has 17 plants to process cashew nuts with a capacity of 105,000 tonnes, and in 2018 at least 60,000 tonnes were processed in these units.

Mozambique was one of the world's largest producers of cashew nuts until the 1970s, with an annual production of around 200,000 tonnes, particularly in the northern part of the country, most notably Nampula province.

After the country's independence in 1975, there was a deep crisis in the sector, with nationalisations leading to the closure of many processing plants and an increasing scarcity of raw materials due to the aging of the cashew groves. The pests and diseases that struck the trees further aggravated the problem, so that Mozambique disappeared from the international cashew map for years. (Macauhub)

The millennials giving African farming an image boost

Farming has an image problem in large parts of Africa. For many people there, it's synonymous with poverty. So it's hardly surprising parents don't want their children to end up working the land.

Things may be starting to change, though. A growing number of African millennials are working to dispel the notion that all educated young people should aspire to professional desk jobs. The understanding that agriculture is key to the continent's long-term economic viability and growth is prompting an increasing number of African university graduates to choose careers in farming. The African Development Bank (ADB) says these millennials are a driving force for agricultural transformation in Africa - and it's spending $350 million to support them with training, advice and technology. They're known as "agripreneurs", and they're showing that growing the food the continent's 256 million undernourished people desperately need can be a rewarding career choice.

Huge potential

Africa has 65% of the world's remaining uncultivated arable land, an abundance of fresh water and about 300 days of sunshine each year, according to the ADB.

Yet in 2017, African nations spent almost $65 billion importing food. "This is unsustainable, irresponsible, and unaffordable. It is also completely unnecessary," says ADB President Dr. Akinwumi Adesina.

Although Africa produces almost three-quarters of the world's cocoa beans, for example, it receives just 2% of revenues from global sales of chocolate. Dr. Adesina says that if African farms were to achieve their potential, the continent could become a major food exporter, with significant economic benefits.

The rise of agripreneurs

Farming accounts for 60% of jobs in Africa and much of the work is undertaken by women. The Kenya-based African Women Agribusiness Network (AWAN) is working in 27 countries across the continent to give women access to credit to improve farms and raise production.

In Ghana, an organization called Guzakuza is helping women farmers to create jobs and produce healthy food for their communities. While in Tanzania, Nigeria and Ethiopia, the Oxfam-backed campaign Female Food Heroes is getting the message out with projects including a farming TV reality show that attracts millions of viewers.

Typical of the new generation of farmers is Richard Nunekpeku, founder of Ghana's Anyako Farms. He quit his highly-paid job with Samsung in 2013 to set up a farm cooperative that uses technology to manage irrigation and harvesting. "We have to make farming sexy," fellow Ghananian agripreneur Emmanuel Ansah-Amprofi recently told The New York Times.

Sowing the seeds of the future

African agri-tech is booming, according to a report published last year, with more than $19 million invested in the past two years and the number of start-ups more than doubling over the same period. Kenya, Nigeria and Ghana are the top three countries for agricultural innovation. Among the firms making an impact are Farmcrowdy, which raises finance for African farmers to buy land and expand production. Kitovu is an app that helps farmers to analyse the soil in order to boost yields before targeting buyers for surplus crops. And farmers can get someone else to plough their land using TrotroTractor, which matches tractor owners with people who cannot afford to buy their own. With populations in many African countries predicted to double by 2050, innovations like these are not only helping to change the perception of farming – they could prove crucial to the continent's future. (By Douglas Broom, WeForum)

Ethiopia 2019/20 coffee exports to rise to record high -USDA

Ethiopia, Africa's top coffee producer, is expected to export a record-high 4 million 60-kg bags of coffee in 2019/20, the U.S. Department of Agriculture attache in Addis Ababa said, as yields improve and the area dedicated to coffee farming increase. Production of coffee is expected to rise to 7.35 million tonnes in 2019/20, a 1.4% increase from the 2018/19 season. Exports account for just over half of overall production, and are forecast to grow 0.5% in 2019/20 from the previous year to reach 4 million bags. Coffee is Ethiopia’s most important export.

Exporters in the country are facing increased regulation, the USDA said, with the government banning several exporters in recent months for defaulting on their contracts and hoarding beans.

While supplies are greater this year thanks to higher yields due to better rains and the reduced prevalence of disease, the USDA’s forecasted yield of 0.82 tonnes per hectare comes in well below the government’s target of 1.1 tonnes per hectare, the report noted.

And production continues to face the broader threat of farmers switching to other crops. “One of the major challenges the Ethiopian coffee sector is facing is that many coffee producers, mostly from the eastern part of the country are tearing out the coffee bushes and replacing them with khat, a plant with stimulant properties,” the USDA said.

Meanwhile, domestic demand in Africa’s top coffee consumer is expected to remain robust, with the USDA expecting Ethiopian consumption to rise by 2.4% in 2019/20 compared to 2018/19.

To read the full report, click:bit.ly/2EWvzWP (by Ayenat Mersie, Reuters)

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