INSIDE AFRICA

Now is the time to invest in Africa

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In-depth:

How can we use analytical approaches to generate urban climate investments in Africa?

As the world rushes to reduce the negative impacts of climate change, ambitious sub-national actors are rising to the fore. The recent One Planet Summit [1] exemplifies this trend. Earlier this month, urban leaders joined CEOs, financial institutions, researchers, Heads of State, and more in the adoption of the Africa Pledge [2], calling for immediate voluntary actions and a specific commitment to invest in sustainable infrastructure across the continent. After all, the infrastructure investments we make today set the agenda for how cities will grow in the future. [3]

For example, Sub-Saharan Africa is largely rural, but is also the region with the fastest urbanization rates. Currently, almost 40 % of the people live in cities in Sub-Saharan Africa, but this is expected to grow to 60 % or more by 2050 [4]. So while urbanization provides economic and social opportunity, it can overburden traditional municipal resource and service delivery approaches.

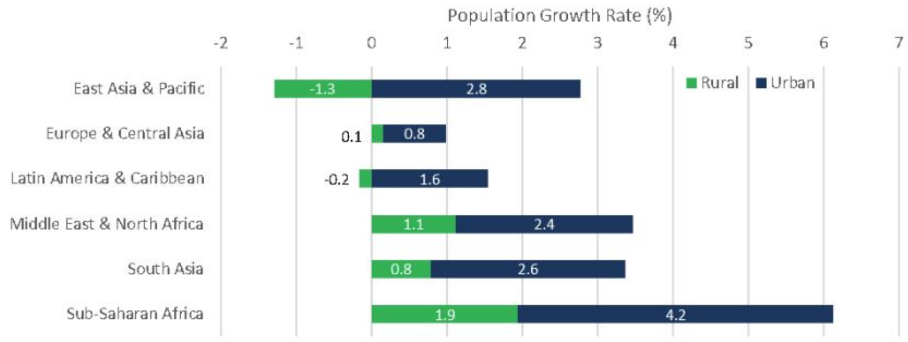


Figure 1: Urban and Rural Population Growth Rate - excluding high income countries (Source: World Development Indicators [4])

Fortunately, challenge also brings opportunity. And a recent IFC analysis found that cities in Sub-Saharan Africa have the potential to attract more than $1.5 trillion in climate-related investments by 2030 [5]. But the key question remains, how can cities ensure sustainable development while reducing the GHG impacts of their future growth? Or in short, how do cities become climate-smart?

In order to figure out what kind of investments will be the most impactful, IFC assessed community GHG emissions for 14 African cities. Using an early prototype of a city-specific version of IFC's EDGE [6] tool (based on the World Bank Group's CURB [7] tool framework), we wanted to highlight the extent of the challenge, determine potential measures, and quantify their benefits in terms of GHG emission reductions at the city level.

Let's look specifically at the large port city of Cotonou, Benin. By looking at Cotonou's GHG inventory, we were able to find out where most of Cotonou's emissions were coming from (hint: the building and transport sectors), and this helped us recommend the most suitable mitigation measures.

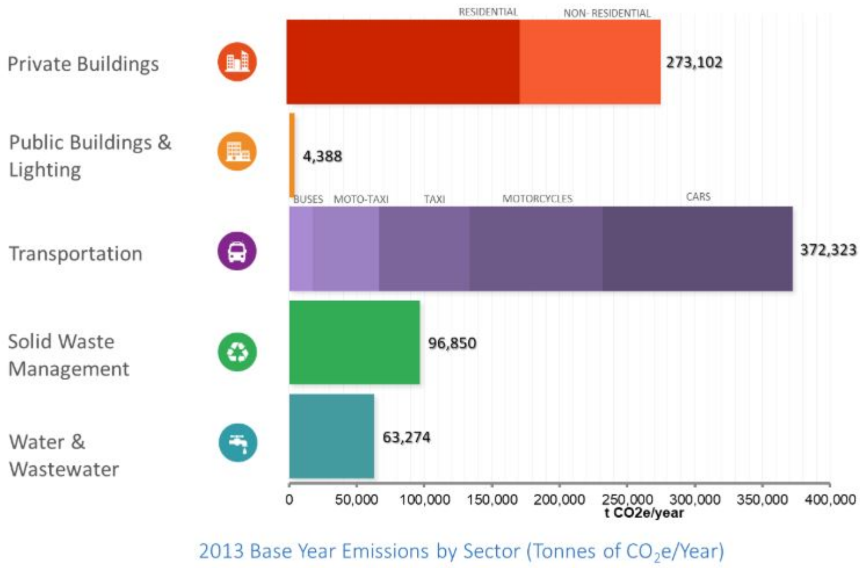


Figure 2: Community Emissions Profile for Cotonou, Benin (Source: EDGE Cities)

Some recommendations include the promotion of solar rooftops, public transportation, green building standards for new construction, energy performance labels for existing buildings, improved solid waste and waste water treatment, and vehicle electrification. Each action has a corresponding emissions reduction potential and an estimated investment amount (see Table 1). This kind of targeted information can help cities like Cotonou create cost-effective yet impactful development plans, and if implemented, could reduce Cotonou's emissions by 30% compared to 2040.

Action	Action Description	Emissions Reduction in 2040 (tonnes CO_2e/year)	Investment ($M)
Solarification	• Install 1.5 kW PV panels on 20% of all roofs • 20% electricity matrix provided by solar PV	197,591	$60
Promotion of Public Transportation – Passenger Mode Shift	• Change 30% of automobile trips to Bus, BRT and bicycles trips • Change 35% of motorcycle trips to Bus, BRT and bicycles trips • Change 5% of regular buses to BRT type	171,310	$212
Composting of Organic Waste	• Moving 70% of organic waste to composting from unmanaged dump • Moving 15% of organic waste to anaerobic digestion + waste to energy biogas use • Recycling 55% of plastic waste	127,502	$33
Green Building Code (New Residential, commercial buildings and informal residential)	• Including change to 100% LED; improve to energy efficient appliances, heating, cooling and building envelope.	47,699	$350
Energy efficiency refurbishment in existing municipal buildings and streetlights	• EE refurbishment program for municipal buildings, to improve to energy efficient appliances, heating, cooling • Replacement of 100% street lights to LED	25,290	$60
Improve water delivery and wastewater treatment	• Improved Efficiency for Water Conveyance Pumps, Sediment removal for Latrine System, and Pre -Treatment Technology for Direct Discharge • Include Wastewater biogas recovery to Energy, Wastewater treatment type switching.	15,618	$0.36
Vehicle fuel switch- Electrify transportation	• 50% of the motorcycles will be electric • 100% of the buses will be electric	76,650	$1,500

Table 1: Action Summary for a Climate-Smart Cotonou (Source: IFC)

Next, we took the same approach for the remaining cities in the study and found that the transport sector had the highest emissions reduction potential globally, as illustrated by the purple wedge in Figure 3.

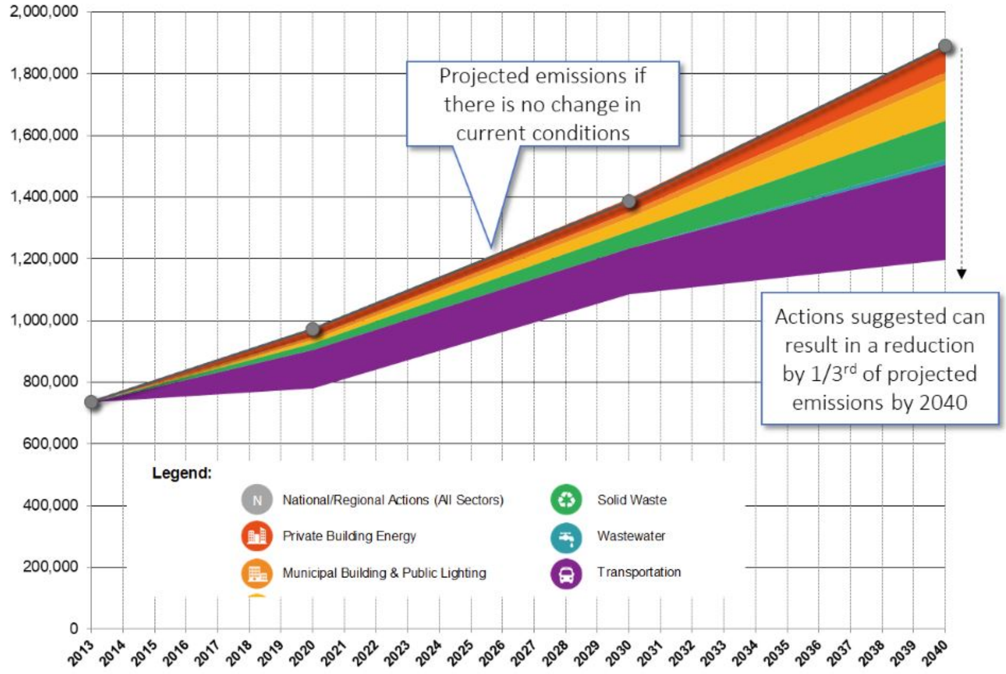


Figure 3: Potential emissions pathways (Source: EDGE Cities, IFC Climate Business Department. 2019)

We also uncovered some interesting factors that impact how cities score across sectors in comparison to each other (see Figure 5). For example, the potential to reduce emissions in the buildings sector is heavily dependent on the existing electricity fuel mix and demand-side energy efficiency. Cities like Addis Ababa, Ethiopia and Kinshasa, Democratic Republic of the Congo (DRC) showed lower building-related emissions (the orange segment) due to higher integration of hydropower-derived electricity in their energy mix, whereas cities like Nairobi, Kenya have less (see Figure 4).

Urban transport (purple segment), however, accounts for a large portion of emissions across the majority of the 14 cities, and therefore has the greatest scope for emissions reduction in this case. Policies that encourage use of public transportation, vehicle electrification, and improved vehicle fuel efficiency can help drive emissions down. There are also co-benefits: greening urban transport can reduce traffic congestion and improve local air quality, which can make cities more appealing to new residents.

While our analysis shows that emissions from solid waste (green segment) and wastewater (blue segment) represent fewer current emissions, they have high reduction potential and livability co-benefits. For Kinshasa, DRC and Kigali, Rwanda, where waste and wastewater constitute a relatively high share of emissions, solid waste and wastewater management can drastically reduce the GHG footprint. Effective approaches include improving recycling, waste and water management practices and investing in more efficient waste infrastructure.

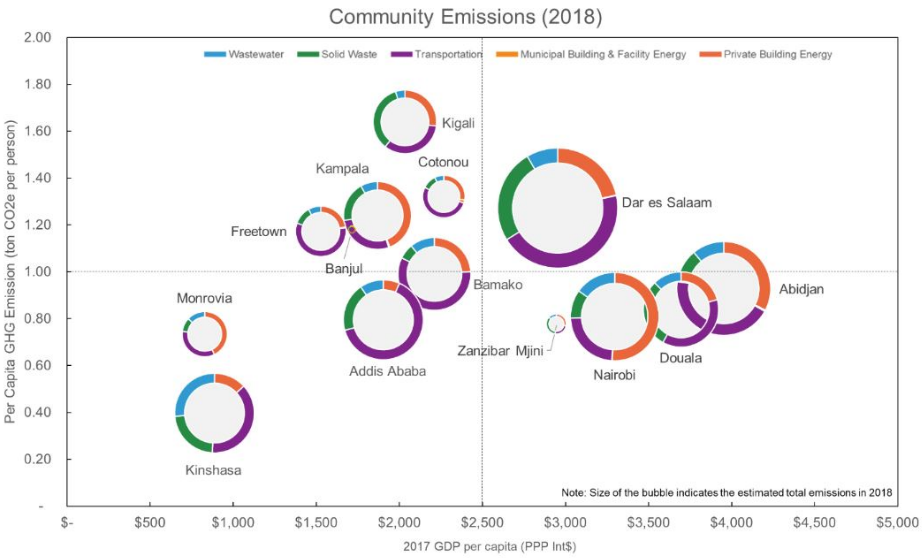


Figure 4: Community Emission Profile of Selected African Cities (Source: EDGE Cities, IFC Climate Business Department. 2019)

IFC is scaling up this type of analysis to cover more cities and integrate new variables like local particulate matter pollution and congestion. We also want to quantify investment needs for proposed measures and project their long-term economic benefits. Such a diagnostic and planning platform can help cities more effectively plan growth and frame investment decisions that enable them to become greener and more competitive.

Submitted by Prashant Kapoor, co-authors: Marc Forni

With thanks to Jagabanta Ningthoujam and Stefania D Annibali, Energy and Climate Consultants at the Climate Business Department in IFC, for their valuable contributions.

IMF, WORLD BANK & AFRICAN DEVELOPMENT BANK

IMF Executive Board Completes the Last Review of Extended Credit Facility for Ghana

- Ghana is concluding its four-year ECF-supported program.
- Executive Board decision allows to disburse the last tranche of SDR132.84 million (about US$185.2 million) to Ghana.
- ECF-supported program paved the way for a significant improvement of Ghana's macroeconomic performance, though challenges remain.

On March 20, 2019, the Executive Board of the International Monetary Fund (IMF) completed the seventh and eight reviews under the Extended Credit Facility (ECF)[1] supported arrangement. This will make available to Ghana the cumulative amount of SDR132.84 million (about US$185.2 million).

Considering the authorities' resolved to tackle difficult reforms, the Executive Board also approved the authorities' request for a waiver of the nonobservance of a few program targets.

Ghana's three-year arrangement was approved on April 3, 2015 (see Press Release No.15/159) for SDR 664.20 million (about US$925.9 million or 180 % of quota at the time of approval of the arrangement). It was extended for additional year on August 30, 2017 and is to end on April 2, 2019. The arrangement aimed to restore debt sustainability and macroeconomic stability in the country to foster a return to high growth and job creation, while protecting social spending.

Following the Executive Board's discussion, Mr. Tao Zhang, Deputy Managing Director and Acting Chair, issued the following statement: "The authorities have achieved significant macroeconomic gains over the course of the ECF-supported program, with rising growth, single digit inflation, fiscal consolidation, and banking sector clean-up. Continued macroeconomic adjustment should underpin these improvements, as the 2020 elections approach.

"In a sign of the authorities' commitment to fiscal consolidation, the end-2018 fiscal targets were met. Sustained fiscal discipline is needed to reduce financing needs and anchor debt dynamics. As

stronger revenue mobilization is critical, the submission of the tax exemption bill is welcome, but needs to be complemented by efforts to strengthen tax compliance. Fiscal space is needed to support priority programs, while off-budget expenditures should be avoided. “Progress on structural reforms needs to be intensified. Plans to improve public financial management and supervision of state-owned enterprises (SOEs), the establishment of a fiscal council, and the fiscal rule are welcome. Stronger monitoring of fiscal operations, including for SOEs, will help mitigate fiscal risks. “Debt management has improved, though reliance on foreign investors has increased Ghana’s exposure to market sentiment and exchange rate risk. Debt collateralization and revenue monetization should be limited to avoid encumbering revenues. Planned infrastructure projects should be transparently managed, be consistent with debt sustainability, and ensure value for money. “While achieving single-digit inflation is commendable, monetary policy should remain vigilant to guard against upside risks to inflation, also stemming from exchange rate developments. Rebuilding international reserve buffers, including through careful foreign exchange liquidity management, is welcome and critical to support greater resilience to external shocks. “The authorities deserve praise for strengthening the banking sector and for resolving nine banks. Completing the financial sector clean-up, as planned, will support the provision of adequate and affordable credit to the economy.
“The Fund congratulates the authorities for successfully completing the ECF supported program and stands ready to support Ghana in its quest for economic prosperity.”
[1] The ECF is a lending arrangement that provides sustained program engagement over the medium to long term in case of protracted balance of payments problems.

African Development Bank approves €12.5 million investment in Adiwale Fund 1 targeting Francophone West Africa

The Board of the African Development Bank has approved a €12.5 million equity investment in Adiwale Fund 1, a first-generation private equity fund targeting high growth potential Small and Medium Sized Enterprises (SMEs) in Francophone West Africa.
With a target fund size of €75 million, the Fund will take minority stakes in SMEs that are well established in their markets, have competitive advantage and can rapidly scale up.
The geographical focus of the Fund will be on a handful of countries where economic prospects, and the Fund’s networks, result in opportunities. Average deal size for the Fund will range from €3 to €8 million. Primary target countries will include Cote d’Ivoire, Senegal, Burkina Faso and Mali while secondary target countries will include Togo, Benin and Guinea. These countries are currently underserved by the global private equity (PE) market.
Across these economies, the Fund will target three key sectors: consumers (comprising consumer goods and services, education and health); business services (transport, logistics, IT, internet services, construction-related services) and manufacturing (pharmaceuticals, agri-processing, chemicals, etc.).
“The Bank’s investment in Adiwale Fund 1 would enhance the availability of financing and capacity support for SMEs in Francophone West Africa,” said Alhassane Haidara, Divisional Manager of Non-Sovereign Industries and Services at the African Development Bank.
Established in 2016, the Fund Manager, Adiwale Partners, houses a team of experienced West African nationals with several decades of combined private equity, operational, development finance and asset management experience in Africa, Europe and the United States.
With support from the Bank, the team is expected to drive value creation in investee companies through improvements in internal functions and implementation of best-governance practices.
From a development perspective, the Bank investment will provide growth capital to African SMEs, resulting in spill-over effects on job creation (direct & indirect, skilled & unskilled, men & women) and tax revenues. It will support local entrepreneurs with access to business management expertise and promote regional integration via the Fund’s support for companies looking to expand regionally. It will also boost best-in class corporate governance and human capital development, which ultimately unlocks top line growth and supports economic transformation.

The Fund’s investment strategy is aligned with the Bank’s High 5 goals of “Industrialize Africa, Integrating Africa and Improving the Quality of Life for the People of Africa”. It is in line with the Bank’s Ten-Year Strategy (2013-2022) objectives of promoting inclusive economic growth and productivity gains.
It is further aligned with the Regional Integration Strategy Paper for West Africa that aims to foster regional integration by investing in companies which will grow to become regional economic players.

African Development Bank approves $20 million investment in Uhuru Growth Fund, to build regional champions across West Africa
The African Development Bank has approved a US$20 million equity investment in Uhuru Growth Fund 1, a first-generation fund sponsored by Uhuru Partners Limited, a private equity firm, focused on high growth middle-market businesses across West Africa.
Uhuru Partners Limited is composed of an experienced indigenous team with strong local networks, extensive knowledge of the West Africa market and a track-record of SME investments in the region.
The Bank’s equity support will enable Uhuru Partners to make investment forays into consumer-facing and financial services sectors in West African countries including Nigeria, Ghana, Cote d’Ivoire, Senegal, Burkina Faso and Mali.
Investments of $5 million and above will be made in companies in these sectors, helping them grow into regional champions, and creating new, high-quality jobs.
The proposed investment will give the Bank approximately 10% of the Fund’s target capitalization of $200 million.
Equity capital is scarce in Africa but particularly so for smaller companies with revenues below $50 million. Private equity funds such as Uhuru will help address this void.
Uhuru’s compelling investment proposition is underpinned by several macroeconomic and institutional factors. These key factors include West Africa’s large aggregate population, rapid urbanization and youthful demographics, sustained economic growth and relative political stability.
The presence of Uhuru’s key executive and operational teams in Abidjan and Lagos is also perceived as a huge asset, enabling the team to effectively source investment opportunities in the Anglophone and Francophone economies of West Africa. The PE firm’s presence in the region’s largest and leading commercial hubs also enables them to get actively involved in the operations of their portfolio companies across the region.
Abdu Mukhtar, the African Development Bank’s Director of Industrial and Trade Development said the Bank’s investment will be instrumental to Uhuru’s $200 million fundraising exercise. “The Bank’s support of Uhuru Growth Fund will unlock capital from other development finance and commercial investors into a fund that will help strengthen West Africa’s economies, create jobs and drive development,” Mukhtar said.
The Fund’s investment strategy is aligned with the Bank’s Ten-Year Strategy (2013-2022), focusing on inclusive growth and creating broad-based prosperity, as well as the Bank’s Country Strategy Papers for target countries which seek inclusive growth, access to local SME finance and regional integration as the pathway to sustainable development of the African continent
The Fund’s strategy is also aligned with the Bank’s High 5 priorities to Industrialize Africa, Feed Africa, Integrate Africa and Improve the quality of life for the people of Africa.

African Development Bank approves $20 Million facility for Green Mini-Grid Program in Democratic Republic of Congo
The African Development Bank Board has approved the allocation of $20 million in loans to the Democratic Republic of Congo, to support renewable-based, mini-grid solutions to the off-grid cities of Isiro, Bumba and Genema.

The DR Congo Green Mini-Grid Program will serve as the pilot to an innovative private-led electrification approach to deploy renewable-based mini-grid solutions in the central African nation. The program will supply power to cities with sizeable populations, some of them with a few hundred thousand inhabitants, without any access to modern energy.

With limited grid coverage - around 10% nationally - many Congolese rely on kerosene or diesel fuel for their lamps, cookers and electricity generators. Less than 1% of rural and 35% of urban areas have access to electricity from the national grid. Sub-Saharan Africa averages 24.6% on-grid electricity coverage.

The Bank's financing will complement the UK's Department for International Development-backed Essor - Access to Electricity (A2E) initiative, which is a technical assistance program that supports the Government-led mini-grid auction and project preparation. The DFID support seeks to promote the proliferation of private-led green mini-grid projects in the DRC.

The Bank will provide a blend of private and concessional resources notably from the Green Climate Fund (GCF) and other development partners to the sponsors/consortia that will be selected in the auction process. The Board of the GCF approved $21 million for the program during its 21st Board Meeting in October 2018.

The Bank is also providing a US$1 million Sustainable Energy Fund for Africa (SEFA) grant to provide advisory services to the Government of the Democratic Republic of Congo for the procurement of solar PV mini-grid systems. The advisory services also encompass mini-grid regulatory framework development, project feasibility studies, extensive policy and regulatory level engagement.

Upon completion, the envisioned mini-grids that range from 3 to 10 MW will directly connect 21,200 households and 2,100 SMEs and public buildings, benefitting at least 150,000 people.

Amadou Hott, the Bank's Vice-President for Power, Energy, Climate Change and Green Growth said the Bank's financial support to DR Congo's off-grid electricity program would transform the country's energy sector and deliver high development impact. He observed that while helping to eradicate the use of diesel fuel in the target communities, the program will also foster the country's transition to low-carbon growth. "The innovative scheme under this program is also expected to demonstrate viability for private sector led mini-grid financing which will open up a market for mini-grid investment in sub-Saharan Africa. We hope to replicate the same model once this pilot demonstrates success", Hott remarked.

Daniel Schroth, the Bank's Acting Director for Renewable Energy & Energy Efficiency also added that, "The long-term and concessional financing provided by the Bank and the GCF, and potentially other donors, will enhance the commercial viability of the mini-grid projects while ensuring affordable tariffs. The Bank's significant commitment, which is in line with its mission to deploy well-structured, innovative financing to power the continent, will provide additional comfort to investors."

The DRC Green Mini-Grid Program is aligned to the Bank's New Deal on Energy for Africa agenda, Climate Change Action Plan and long-term investment strategy. These priorities aim to expand energy access, boost productive use of energy while weaning individuals, public and private entities off carbon intensive power generation.

The program also aligns with the Bank's 2013-2020 Country Strategy for DR Congo.

Mozambique - Energy for All (ProEnergia) Project

IDA Grant: $82.0 million equivalent

Co-financing: $66 million equivalent from Mozambique Energy for All Multi-Donor Trust Fund (MDTF)

Project ID: P165453

Project Description: The project will increase access to electricity service in Mozambique.

INVESTMENTS

Angola's Parliament approves Public-Private Partnerships Law

The Angolan parliament on Tuesday 19th March approved by a majority the draft Law of Public-Private Partnerships, the Angolan press reported.

The proposed law provides for major government oversight of the implementation of public-private partnerships so that the benefits derived from them serve the interests of the population, Angolan state news agency Angop reported.

The ruling MPLA party said it voted in favour of the bill because it focuses on restructuring the public sector, by using the resources and capacity for financing and management of the private sector, as well as the participation of the private sector in the area of public governance.

In the party's understanding, public-private partnerships, in the current economic environment, will encourage the private sector to invest in important projects that are feasible and to solve the State's current lack of financial resources.

The UNITA parliamentary group, which abstained in the vote, said that it believed that, as Angola did not have examples of successful public-private partnerships, it was difficult to assess the advantages and disadvantages of this model. (Macauhub)

Saudi Arabia's $69 Billion Plastics Bet Weakens Its Oil Hedge

Aramco's purchase of a big stake in Sabic hints at where Riyadh sees crude going in the future. The answer isn't especially appealing for either side

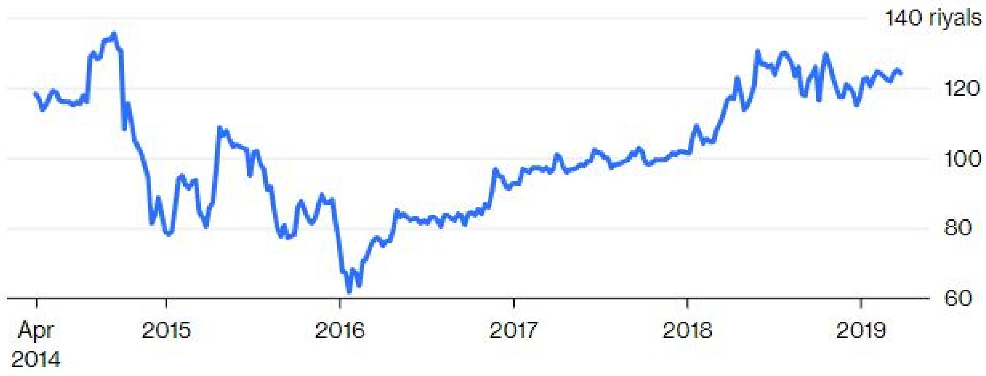
It's not every day that the world's biggest oil company buys the most profitable chemicals business.

Saudi Arabian Oil Co., better known as Saudi Aramco, will pay 123.4 riyals a share for the 70 % stake of Saudi Basic Industries Corp. held by the Public Investment Fund, the country's sovereign wealth fund, the suitor said in a statement.

On the face of it, that looks about as run-of-the-mill as 259 billion riyal ($69.1 billion) transactions can possibly get. The price is pretty much in line with the level at which Sabic stock has been trading over the past year. All three main players are essentially arms of the Saudi state, so in a sense the takeover is no more than a reshuffling of assets in the government treasury

Neither Too Hot Nor Too Cold

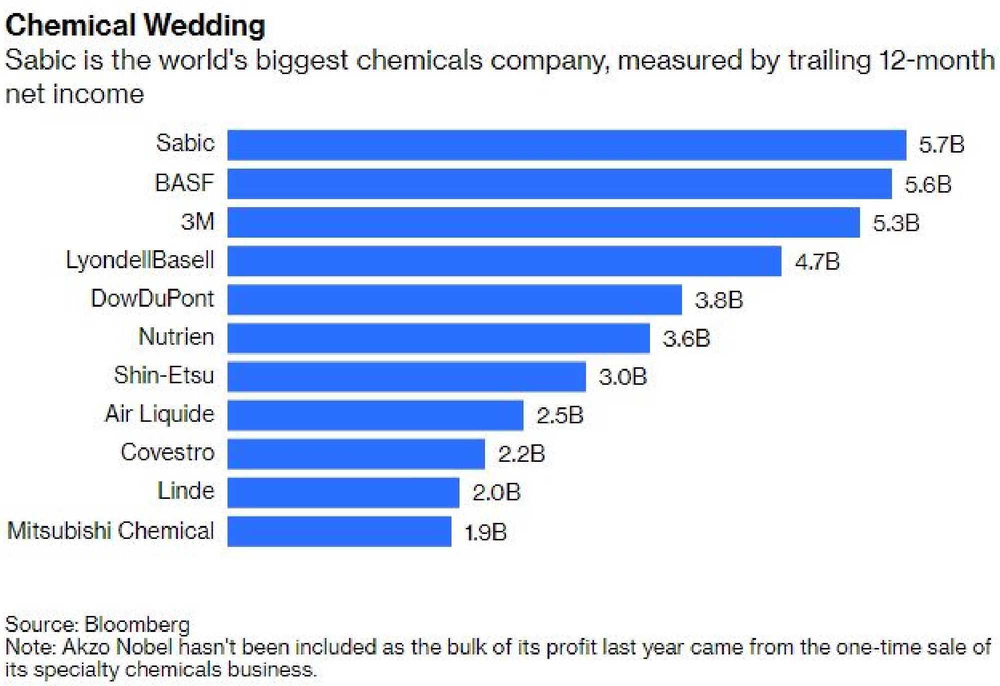
Sabic's takeover price is more or less in line with where its stock has been trading for a year



Source: Bloomberg

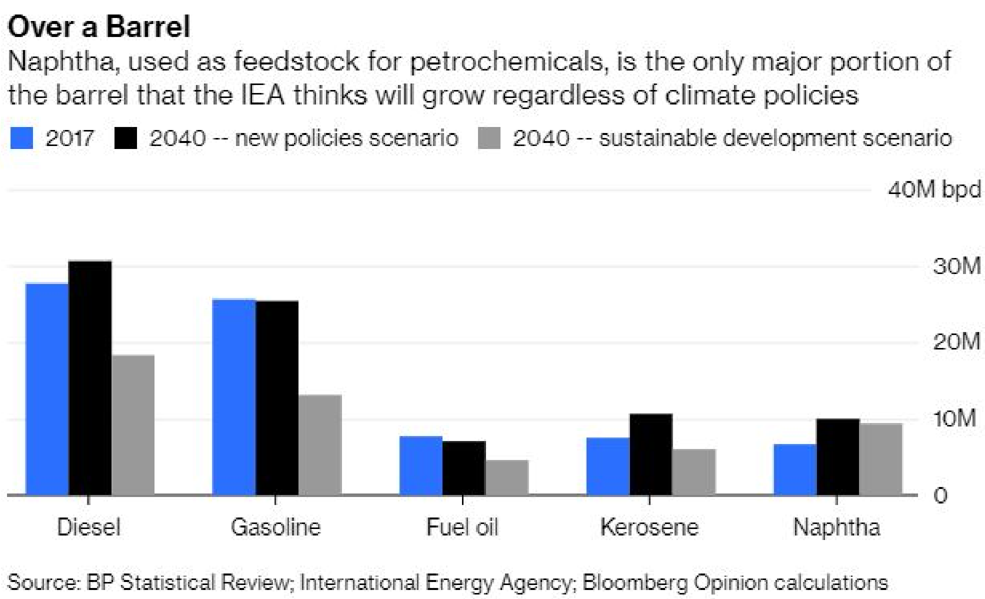
At the same time, it gives a clue to where Riyadh sees the oil market going – and the answer isn't especially appealing either to Aramco or Sabic.

One leg of the transaction is that Saudi Inc. is going short oil and long private equity. It's not clear yet how the transaction will be financed, but any deal will involve using Aramco's income and balance sheet to fund a gigantic cash payment to the PIF, which can in turn be spent on whatever projects Masayoshi Son and Stephen Schwarzman feel are crying out for capital.



As my colleague Liam Denning has written, that as much as anything should make you worried about the future of oil. If the best use of Aramco's capital is to invest in WeWork Cos. rather than, say, producing more crude, which currently earns margins north of 80 %, the future for oil demand looks very dark indeed.

The reason for optimism on that front is embodied in Sabic itself. Many of oil's traditional uses are already in decline: Consumption of fuel oil for heating and energy output peaked a generation ago. Even under current policies the world will use less gasoline in 2040 than in 2017, according to the International Energy Agency. (Something closer to complying with the Paris Agreement on climate change would cut gasoline consumption in half and reduce diesel demand by a third).

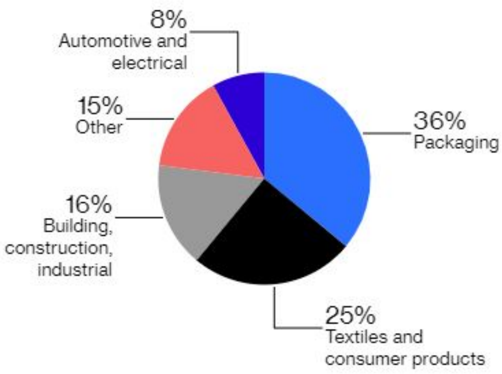


Chemicals, though, are a bright spot. Naphtha – the volatile mix of short hydrocarbons used as feedstock for plastics manufacturing and other petrochemicals – is the only major component of the crude barrel where the IEA expects to see consumption increase, regardless of action on climate change. Other companies, such as the world's biggest packaging business, Amcor Ltd., have been betting that consumer demand for plastics will prove resilient, despite concerns over climate costs.

That may well prove correct. Still, analysts of late have started to question whether the forecasts of demand growth for plastics are overblown. More parsimonious usage, reduced use of disposable bags and increased recycling could cut oil demand from petrochemicals by 20 %, according to Christof Ruhl, the former head of research for the Abu Dhabi Investment Authority.
About 400 million metric tons of new plastic are produced every year and 300 million tons of waste generated, with only 55 million tons of that total being recycled, according to a BloombergNEF report in January. Lifting the recycling rate for polymers to 60 % from its current 18 % would reduce oil demand by about 1.5 million barrels a day, based on the report's numbers – enough to take a substantial bite out of that projected demand growth.

Bad Wrap

Packaging makes up more than a third of the world's plastic demand



Source: BloombergNEF

Worries about the sheer volume of single-use plastic waste help explain why the buzzword in the industry these days is the "circular economy" – the idea that polymers should be re-used and recycled rather than landfilled and incinerated.
As an independent company, Sabic has been committed to the same recycling agenda as rivals such as BASF SE, LyondellBasel Industries NV, and DowDuPont Inc. That made a lot of sense on purely commercial terms: Getting more of your feedstock from waste dumps rather than oil wells can look like a common-sense way of tapping alternative sources of cheap raw materials.
The argument doesn't hold up quite as well now. Making more use of recycled plastics risks antagonizing Sabic's controlling shareholder, which hopes to sell it as many as 3 million barrels a day for turning into petrochemicals.
Sabic looked like a smart way for Saudi Arabia to offset the risk of a future that's less dependent on crude demand. In hitching the business to Aramco, the government has weakened that hedge. (By David Fickling, Bloomberg)

BANKING

Banks

Angolan banking sector prefers public debt securities to client loans

Government debt securities accounted for 34.01% of assets of commercial banks operating in Angola at the end of 2018, almost double the percentage registered in 2013 (18.73%) according to figures from the National Bank of Angola.
The same figures cited by Angolan newspaper Mercado also showed that credit to customers, which in 2013 had a 40.85% share of commercial bank assets, accounted for 25.93% at the end of 2018.
The figures, which were disclosed in a recent presentation by the central bank to members of the diplomatic corps accredited in Angola, also showed that the weight of public debt securities in bank assets has progressively increased since 2013 to 22.03% in 2014, 27.62% in 2015, 30.31% in 2016 and 34.01% in both 2017 and 2018.

The drop in oil prices and the consequent loss of revenue for the state meant that the government began to issue more and more domestic debt to finance itself from 2014/2015 with commercial banks the main subscribers.

At the same time, banks have also been providing less credit to the economy – a recurring complaint from businesspeople – with the weight of this indicator becoming progressively lower in the assets of the system.

Customer credit was worth 40.85% of assets at the end of 2013, in 2014 it rose slightly to 41.20%, but in the following years, it fell – to 38.05% in 2015, 31.57% in 2016, 30.77% in 2017 and 25.93% in 2018.

The assets of the Angolan banking system rose in the period from 6.5 trillion to around 13 trillion kwanzas. (Macauhub)

African Bank Is Being Beaten Back Into Shape with Digital Plan

- Management wants to create a business attractive to investors
- Lender went into adminstration in 2014 after bad debts soared

African Bank Holdings Ltd. is joining the rush into digital banking to fail-proof the business and provide an exit for shareholders that resurrected the South African lender from its collapsed former parent.

The firm's unusual owners, which includes the South African central bank and six of the nation's largest lenders, stepped in to save it with an equity injection when African Bank Investments Ltd. went into administration five years ago. Now, as the business gets back on its feet, the bank's competitors will want a way out, whether that be an initial public offering or a takeover, said Chief Executive Officer Basani Maluleke.

"We're re-positioning the bank, so we can have that conversation with our shareholders when the time is right," she said in an interview in Bloomberg's Johannesburg offices. "Starting our new product offering is our immediate focus as we build the bank."

African Bank is staging its comeback in a much tougher economy and a crowded field as its bigger competitors and owners, including Standard Bank Group Ltd. and Absa Group Ltd., compete more aggressively to boost revenues. At least three new players are entering the industry, hoping to draw away customers with low-cost digital offerings.

'Very Pregnant'

African Bank's peers came to the rescue to protect the nation's financial system when too many of the lender's customers defaulted on their unsecured loans and it was unable to raise more cash on capital markets. Now, the bank is diversifying its revenue base away from unsecured credit, and trying to raise deposits to strengthen its funding base, Maluleke said.

"There's no question that unsecured lending will remain a significant contributor to our revenues over the medium term," the CEO said.

African Bank is launching a transactional-banking offering to clients and will add more products, such as additional insurance policies. The lender is partnering with Direct Transact Pty Ltd., a Pretoria-based provider of electronic-banking and payment processing services, and Portuguese financial technology firm, ebankIT.

"We're very pregnant with our digital-transaction banking product," Maluleke said. "It's being tested by employees and made available to some of our customers already."

Service Hubs

After tightening its credit risk appetite, African Bank is digging deeper into client data to find other ways of growing the business, Chief Financial Officer Gustav Raubenheimer said in the same interview. For example, it's extracting information from two different credit bureaus rather than just relying on one.

African Bank will also keep prices low and turn its 392 branches into service hubs where clients can seek advice, Maluleke said.

The company is aiming to grow non-interest revenue to more than 500 million rand by 2021, from 27 million rand at the end of September, and more than double its customer base to 2.5 million by then. “While changing our unique shareholder structure is important, it is not on the front burner,” Maluleke said. “Our aim is to first create an asset that investors will be keen to buy into.” (By Roxanne Henderson and Loni Prinsloo, Bloomberg)

Rothschild’s Kingston Eyes Part in Saving South African State Firms

- Kingston is stepping down as CEO of Rothschild South Africa
- Investment banker aims be more active outside the company

Martin Kingston, who on April 1 steps down as chief executive officer of Rothschild & Co.’s South African unit after 13 years, wants to help revive the country’s beleaguered state-owned companies.

Kingston, 61, will shift to executive chairman of the investment bank’s unit, and plans to wind down his executive responsibilities over the next two years before getting more involved with advising and mobilizing resources and skills for South Africa’s public sector. He already sits on the board of struggling South African Airways and is vice president of Business Unity South Africa, a lobby group.

“I don’t think we mobilize adequate resources to support some of the public companies that are facing very challenging circumstances,” Kingston said in an interview. “If there is a role for me to play I would frankly welcome it.”

South Africa’s state-owned companies became beset by skills shortages, unsustainable debt and bloated work forces during the nine-year tenure of former president Jacob Zuma, which ended in February last year. The country suffers regular power outages, a dysfunctional commuter train system and almost daily corruption scandals related to the firms. New president Cyril Ramaphosa has removed the boards of some of the companies and vowed to make them more efficient and stamp out corruption.

Silenced Voices

“We’ve got to take a clinical and hard look at the majority of state-owned enterprises,” he said. “If they don’t play a critical role we must move them to the private sector or have them taken out of the equation as a tax on the public purse.”

President Cyril Ramaphosa will need to take on his critics within the ruling African National Congress and labor unions that support the party in moving to streamline the government and its companies if he is to revive the economy, said Kingston. That will likely come after elections on May 8 where polls indicate that Ramaphosa is likely to win a strong mandate.

“Those who are ill disposed to restructuring, their voices will have to be heard, but silenced,” he said. “We don’t have time for a multi-stakeholder negotiation.” (By Antony Sguazzin, Bloomberg)

BRICS development bank approves $790 million funding for S.African projects

The development bank of the BRICS group of emerging economies has approved funding of $790 million for three South African projects, the bank’s president said.

“We plan to end the year with total loan approvals of about $2.3 billion in South Africa,” New Development Bank president K.V. Kamath told the bank’s annual meeting in Cape Town.

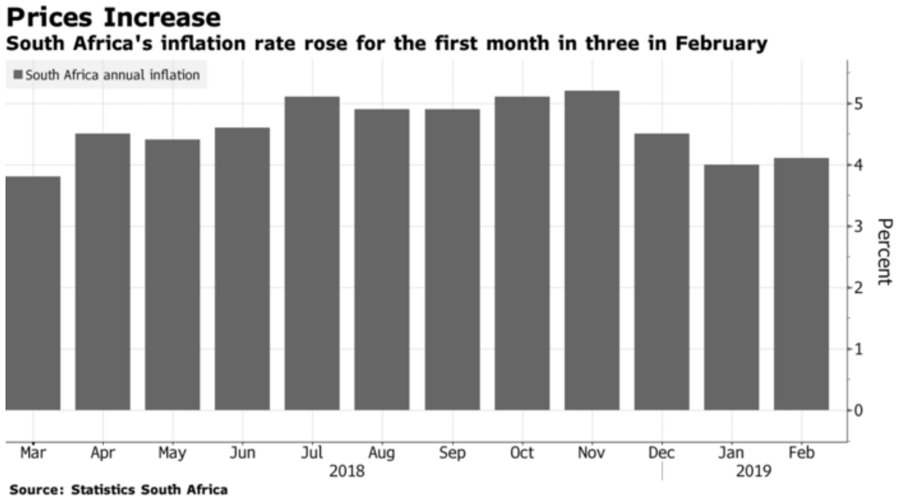
A bank source told Reuters that $480 million of the approved funding was for struggling South African state power firm’s Medupi coal-fired power plant. (By Wendell Roelf, Reuters)

Markets

South Africa's Inflation Rate Rises for First Month in Three

South Africa’s annual inflation rate rose for the first time in three months in February as food and transport prices increased.

Consumer-price growth accelerated to 4.1 % from a year earlier compared with 4 % in January. That matched the median estimate in a Bloomberg survey of 17 economists.



Key Insights

- Core inflation, which excludes the prices of food, non-alcoholic beverages, fuel and electricity, was 4.4 %, matching the prior month's rate.
- The South African Reserve Bank seeks to anchor inflation at the 4.5 % mid-point of its target range of 3 % to 6 % to allow for flexibility in dealing with price shocks.
- The central bank lowered its 2019 inflation forecast to 4.8 % in January from a previous estimate of 5.5 % largely due to lower assumed oil prices. However, higher-than-expected electricity-tariff increases could add a further 0.3 percentage point to the forecast, Reserve Bank Deputy Governor Kuben Naidoo said last week.
- The Monetary Policy Committee will next week vote on the key interest rate, which it held at 6.75 % at its previous meeting. (By Prinesha Naidoo, Bloomberg)

Cabo Verde Government wants to raise 500 million euros in financing

The Cape Verdean government intends to raise a minimum of 500 million euros with the first edition of the Cabo Verde Investment Forum (CVIF) next July on the island of Sal, the deputy prime minister and minister of Finance said in Praia.

Olavo Correia, who spoke in the capital during the presentation of the event, said that entrepreneurs have to prepare, "as an idea is not a project, and the project has to meet the necessary conditions so that it can compete for funding," according to Radio Morabeza.

"The projects have to be well put together, they have to have a good capital structure, they have to have a market, and the respective promoters need a record of success," the minister said.

The main aim of the investment forum is to form partnerships, particularly in the private sector, as well as to make and close deals, as well as to raise resources.

The CVIF organisation is managed by an executive committee, led by the National Planning Department, the Ministry of Finance and the Cabo Verde Stock Exchange, with the involvement of other organizations. (Macauhub)

President says Mozambique Sovereign Fund should function independently

President of Mozambique Filipe Nyusi says that any Mozambican sovereign fund should operate independently, transparently and predictably, guided by the law. A sovereign fund, he says, cannot be another source of confusion, and managers ending up in jail.

The president was speaking at the opening ceremony of a seminar on sovereign funds organised by the Bank of Mozambique and the International Monetary Fund. Mozambican and foreign managers and experts at the seminar will be discussing conditions for the constitution of a Mozambican sovereign fund built on revenue from mineral resources and natural gas.

President Nyusi laid down the main guidelines for the sovereign fund, stressing that he did not want the establishment of any fund to be a source of disquiet in Mozambique.

The seminar is due to last two days, and tomorrow will be attended by a specialist who will address officials from the Bank of Mozambique and the Ministry of Economy and Finance. (Club of Mozambique)

Angola plans to stop guaranteeing loans with oil

Angola wants to stop using oil to back credit lines opened in its favour by other countries, particularly China, Brazil and Israel, said President João Lourenço.
The Angolan president mentioned, in particular, the case of China, given that the country has received many billions of dollars in loans from Chinese banks for the reconstruction of the country, after the end of the civil war. “The amount of oil we exported to China was equivalent to our debt to the country,” said Lourenço speaking to Russian news agency TASS.
Lourenço stressed that China’s loan repayment system is outdated and added that the government intends to change it. “This change will happen not only with China but also with other countries with which we have the same way of repaying loans, such as Brazil and Israel,” he said.
Lourenço concluded his statements to the news agency saying “we will stop the use of oil as a guarantee for the payment of credit lines.”
The Chinese ambassador to Angola wrote in a text published in daily newspaper Jornal de Angola that his country had granted Angola loans totalling over US$60 billion since the two countries established diplomatic relations on 12 January 1983.
Angolan Finance Minister Archer Mangueira reported in September 2018 in Beijing that Angola owed China US$23 billion. (Macauhub)

Mozambique’s ENH will receive state guarantee to issue Eurobonds

The Mozambican government will grant a State endorsement on the issue of Eurobonds by oil company ENH in order to guarantee its participation in natural gas projects, the Economist Intelligence Unit (EIU) reported.
EIU analysts also said that the continuing crisis of so-called hidden debts will not prevent the granting of a new state guarantee, this time to ensure the participation of that public company in the projects of the Rovuma basin.
State guarantees granted by the former government of President Armando Emílio Guebuza on two loans to two public companies – Mozambique Asset Management and ProIndicus – flouted Mozambican laws.
ENH has a 15% stake in the Area 1 block, led by the Anadarko Petroleum group, and its involvement in the financing of the project is estimated at US$2 billion, which the company intends to raise in international markets.
The EIU writes in its latest report on Mozambique that the project is financially secure, supported by credible oil companies, is transparent and has been approved by the Mozambican parliament.
Mozambique’s economic development is dependent on the start of the exploration of the natural gas reserves in that area of the north of the country, with the EIU predicting that the economy will “continue to drag” in 2019 with a growth rate of 3.7 %, before starting to accelerate from 2020 with 4.9% to reach 7.5% in 2023, the year in which operations are expected to start.
Exports will tend to fall slightly in 2019, as international prices of the two major products that make up the bulk of Mozambique’s exports, aluminum and coal, are expected to decline.
The implementation of State budgets should show deficits over the whole period under review – 2019/2023 – with a maximum of -9.0% of gross domestic product this year and a minimum of -3.7% in 2023.
The inflation rate, in turn, will tend to worsen slightly, with maximum and minimum values of 3.9% in 2020 and a maximum of 5.7% in 2022 and 2023, due, according to the EIU, to the depreciation of the metical against the world’s major currencies. (Macauhub)

ENERGY

BRICS Bank to Lend Up to $780 Million to South Africa's Eskom

- Lender will back two further projects at the utility in 2019
- NDB to boost loans to members by up to $8 billion this year

The New Development Bank plans to lend as much as $780 million to Eskom Holdings SOC Ltd. for infrastructure projects this year as the ailing South African power utility battles to keep power supply steady.

Eskom, which entered a seventh day of controlled power cuts, is contending with operational and financial challenges, threatening the productivity of Africa’s most-industrialized economy. The government is considering various interventions to turn the company around, including a $4.8 billion bailout over three years and splitting the organization into three parts to help contain costs.

The NDB, back by the so-called BRICS nations of Brazil, Russia, India, China and South Africa, is in talks with the government about loans that could alleviate some of the pressure on the country’s electricity grid, the lender’s president, K.V. Kamath, said by phone.

The development institution is rolling out a $180 million loan to Eskom to build transmission lines and is considering two further projects in 2019, he said. The first is a $480 million loan that will pay for retrofitting flue-gas desulfurization equipment to make the Medupi power plant compliant with new environmental standards. The second is a further $300 million facility to improve the country’s battery-storage capacity, Kamath said.

Critical Infrastructure

“Power is now a critical element in South Africa’s infrastructure and at this point in time it is imperative that we work with the government in alleviating this problem,” Kamath said. Medupi will have about 4,800 megawatts of installed capacity once completed.

The plan to split Eskom into generation, transmission and distribution units is heartening, Kamath said. “We are equally clear that this won’t happen overnight, so there is always a need to extend a hand during the transitioning process and that’s what we are doing.”

The funding planned for Eskom will make up most of the $900 million the NDB will extend in South Africa in 2019. By the end of the year, the lender will have roughly $2.4 billion of loans in the country, Kamath said. Eskom didn’t respond to requests for comment.

The NDB was started in 2015 to support sustainable infrastructure projects across its emerging-market members. The Shanghai-based bank will have extended $7.5 billion to $8 billion across its members by the end of year, bringing its total to assistance to BRICS nations to about $15 billion. (By Roxanne Henderson, Bloomberg)

Eskom's Brand New $2 Billion Power Plant Is Defective

- Eskom says Ingula units ‘derated’ to 245 megawatts each
- Contractor Voith Siemens consortium contacted to fix defects

One of South Africa’s newest power plants, designed to supply the grid during peak-use periods, is defective and has been limited to operate at lower capacity.

The deepest power cuts in more than a decade imposed by cash-strapped, state-owned Eskom Holdings SOC Ltd. this month reduced the chances of the continent’s most-industrialized economy posting a stronger recovery from last year’s recession. Eskom is battling to meet demand and is considered one of the country’s biggest risks.

The Ingula pumped-storage project, a hydropower plant, was completed two years ago as part of the government’s program to boost generation capacity, was designed to provide at least 1,332 megawatts during periods of peak demand. However, two of its four units haven’t been operating as they are in a “defects-correction period,” Eskom said in an emailed response to questions. “A defect has been identified on all four units and registered with the contractor,” which is Voith Siemens Hydro–Voith Fuji Hydro Consortium, the utility said. The units have been “derated” to 245 megawatts when multiple units are running, it said. That means that when all units are operational the plant is running at least 25 % below its installed capacity.

The country struggled through 10 days of power outages in March after failures at aging power plants, defects in new coal-power plants that cost billions of dollars and a cyclone that curbed electricity imports from Mozambique slashed supply.
A solution at the Ingula plant "is currently in the development stage," the utility said. Ingula generates electricity as water travels from an upper reservoir, through turbines and into a lower reservoir, from where it is pumped back up. The cumulative cost of the project was 29.3 billion rand ($2 billion) compared with an estimated 21.8 billion rand in 2010, according to Eskom's annual reports. (By Loni Prinsloo and Paul Burkhardt, Bloomberg)

Angolan bioenergy company exports ethanol to Europe
Angolan Bioenergy Company Biocom is for the first time exporting ethanol to Europe, under a contract with a European company that produces ethanol and biofuels, the Angolan company announced.
The contract involves exporting 8,500 cubic metres of ethanol, which, according to the statement released by the Angolan company, represents revenue of US$3.5 million. The statement stresses that this is the first time that Angola will export ethanol, "and is an initiative that aims to respond to the policies of the Support Programme for Production, Diversification of Exports and Replacement of Imports (Prodesi)." The company currently has a planted area of 24,000 hectares of sugarcane, has produced in the 2018 agricultural campaign 73,000 tonnes of sugar cane and 17,000 m³ of ethanol.
Biocom, which is located in the Cacuso district, 75 kilometres from Malanje, is one of the largest Angolan agro-industrial projects, led by Brazilian group Odebrecht, which owns 40% of the capital of the company. The remaining 60% of the capital is shared by Angolan private-equity group Cochan, with 40% and Angolan state oil company Sonangol, with 20%. (Macauhub)

INFRASTRUCTURE

Angolan government builds dams to reduce the effects of drought in the south of the country
The Angolan government plans to build two dams for a water reservoir in Cunene province to help overcome the effects of a drought affecting southern populations, the energy and water minister said. The aim, said Minister João Baptista Borges, is to store the water needed for human consumption, as well as for cattle raising and irrigation of agricultural fields. The minister also told Angolan state news agency Angop that another project is linked to the construction of a pipeline, in order to channel water to populations particularly affected by the drought that has been felt for at least four years. Borges said that the respective public tender to award the contract, which will have to be completed within three years, will be launched in a few days. Without specifying the estimated cost for this project, the minister said it required technical engineering solutions to transfer water from areas where it is relatively abundant to areas with large deficits. The deputy governor of Cunene province, Édio Gentil José, on 26 February declared a "calamity" due to the drought, which continues to affect more than 285,000 families, asking Luanda for more support and the definition of strategies to mitigate the phenomenon. (Macauhub)

Nigeria Wants $20 Billion Infrastructure Spend Over 10 Years

- Sets up ministerial committee for alternative funding
- Minister of Finance says govt will issue infrastructure bond

Nigeria plans to spend $20 billion on infrastructure over the next 10 years and will introduce an infrastructure bond in 2019 as Africa's biggest oil producer seeks to address challenges in revenue generation. "Our target is that we'd like to see infrastructure spending increase to the $10- to $20-billion range over the next 5 to 10 years because we think that's the level of our need," Okechukwu Enelamah, the minister for trade and investment, told reporters.

The government will partner with other stakeholders to raise funding. A committee comprised of the ministers of finance, budget, trade and investment and works, housing and power, and other government agencies was immediately set up to work out modalities.

They "will work together to get their recommendations to the cabinet on how to increase our infrastructure spending significantly," Enelamah said.

President Muhammadu Buhari, who was just re-elected, is seeking lawmakers' approval to spend 8.8 trillion-naira ($24.4 billion) in the 2019 budget. Upgrading inadequate infrastructure in Africa's most-populous nation is among his priorities for this second four-year term, along with improving security and strengthening an economy, which contracted in 2016.

Infrastructure Bond

The government will introduce an infrastructure bond this year, Minister of Finance Zainab Ahmed told a senate hearing on the 2019 budget. "There are challenges in revenue generation," Ahmed said. "We intend to borrow both locally and internationally, improve on our local borrowing, introduce an infrastructure bond and to identify new and enhance an existing revenue stream," she said, according to an account of the hearing posted by the Senate on its official Twitter handle.

Nigeria's 2019 budget, presented by Buhari in December, envisaged the government issuing about 1.65 trillion naira ($4.6 billion) of new debt, half of which would be in foreign currency.

While the West African nation has mostly used the Eurobond market for its external funding in recent years, it will prioritize borrowing from concessional lenders such as the World Bank and African Development Bank as it looks to rein in rising interest payments, Patience Oniha, the head of the Debt Management Office, said in an interview on March 19. (By Elisha Bala-Gbogbo and Anthony Osae-Brown, Bloomberg)

Mozambican, Angolan and São Tomé and Príncipe ports linked to the China Belt and Road initiative

The ports of Mozambique, Angola and São Tomé and Principe will be linked to the Chinese "´Belt and Road" initiative, which will have a "central hub" in East Africa, wrote researcher Paul Nantulya.

The researcher, in a study for the Africa Centre for Strategic Studies, said that East Africa, as "central hub" in the Chinese strategy, will be linked by "planned and/or operating ports, pipelines, railways and power stations built and financed by Chinese companies and lenders."

The importance of the region is highlighted by the already inaugurated Mombasa-Nairobi railway, as well as the electric railway line from Addis Ababa to Djibouti, where China has established its first naval base abroad and has interests in a deepwater strategic port.

According to Nantulya, the Silk Road will connect with the planned Chinese port infrastructure in Sudan, Mauritania, Senegal, Ghana, Nigeria, Gambia, Guinea, São Tomé and Príncipe, Cameroon, Angola and Namibia.

Another route links Djibouti to Gwadar, Hambantota, Colombo, Myanmar and Hong Kong, "The final arc of this corridor connects Walvis Bay to the Chinese port clusters in Mozambique, Tanzania and Kenya before also connecting to Gwadar." "These revitalised trade routes help China to diversify its supply chains and create a Blue Economic Passage to connect Africa to new shipping lanes in Pakistan, Bangladesh, Sri Lanka and Myanmar," Nantulya said. The researcher also wrote that the Belt and Road initiative, "also increases Beijing's control over critical global supply chains and its ability to redirect the flow of international trade," and that, "initiatives to open new shipping lines and expand strategic access to China's ports around the world," are central to those efforts.

In 2017, Chinese state-owned enterprises – already active in 40 ports in Africa, Asia and Europe – announced plans to buy or obtain stakes in nine foreign ports, all located in regions where China plans to develop new sea routes, including São Tomé and Príncipe, where a new deepwater port is planned.

In Africa, discussions on the Belt and Road have focused on supporting the continent's infrastructure needs, which the World Bank says require US$170 billion a year over 10 years.

Nantulya added that parliaments, public officials and other supervisory bodies in African countries should actively follow up negotiations with China so that negotiators are more receptive to local demands.
The initiative, he said, may have benefits for African countries, but "much will depend on the relationship between China and Africa being placed on an equal footing," as the Belt and Road is "first and foremost a Chinese geopolitical project to promote China's big strategy. " "The challenge for Africa is to define where its interests converge with those of China, where they diverge, and how areas of convergence can be shaped to advance African development priorities," the researcher concluded. (Macauhub)

MINING

Chinese company Qingdao Jinhui Graphite interested in a mining project in Mozambique

Triton Minerals has signed a memorandum of understanding with Chinese company Qingdao Jinhui Graphite Co. Ltd which could become a binding agreement within six months, the Australian company said recently.
The memorandum signed with "one of China's leading graphite companies with extensive experience in mining, processing and sales," came about after initial contacts made by Jinhui Graphite, followed by trade and technical meetings on the development of Ancuabe's graphite project in Mozambique.
The binding agreement includes an investment of up to 10% in the Ancuabe project, additional financing through debt or purchase of equipment, buying a maximum of 15,000 tonnes of graphite concentrate per year and technical collaboration to add value by supplying graphite to Chinese refractory and battery companies. Triton Minerals said in the statement that the project requires the approval by the Minister of Mineral Resources and Energy of Mozambique of the mining concession for an initial period of 25 years, which will be renewable for subsequent periods of 25 years.
In July 2018, the Australian company signed a letter of intent with MCC International Incorporation Limited (MCC), the foreign business arm of the Metallurgical Corporation of China Ltd group, to sign a future contract for engineering design, component acquisition and construction (EPC) in the graphite concession in Ancuabe, northern Mozambique. (Macauhub)

OIL & GAS

Angola's MPs approve amendments to the Oil Activities Law

The Angolan parliament approved proposals to amend the laws on Oil Activities and Taxation of Oil Activities, the local press reported. Angolan news agency Angop said the current development strategy of the sector has substantially altered the assumptions on which the sector models for management of oil resources have been based, both by the State and by the companies investing in oil exploration and production.
The change required an adjustment of Law 10/04 of 12 November – Oil Activities Law – to bring it into line with the current oil sector organisational model. The new wording of the Oil Activities Law sets out a new model for organising the sector with the creation of the National Oil and Gas Agency, which has been assigned the role of the national concessionaire to replace state oil company Sonangol. The legal diplomas in question were approved unanimously. (Macauhub)

Fuel subsidy to Angola's agricultural and fishing production enters into force in March

The subsidy on the price of fuel for fishing, a measure announced by the Angolan government last February, will enter into force in March, the Minister of Fisheries and the Sea announced in Benguela.

Maria Antonieta Baptista, who is concluding a visit to Benguela province, said she had found companies that use 1,500, 10,000 and even 50,000 litres of fuel for their business to operate normally, which increases production costs.
The Economic Commission of the Council of Ministers last February passed a decree laying down the procedures for granting a subsidy on fuels for agricultural and fishery production.
Meanwhile, the minister ordered an immediate halt to the construction of a large seafront project in that municipality, costing an estimated US$ 3 million, for “non-compliance” with legal procedures.
The project included a shipyard for the construction and repair of boats up to 70 metres long, a cold storage area of 4,200 square metres, a training centre, fish processing area, general workshop, engine room and a fuel tank with a capacity of 25,500 litres, among other support services, work on which was due to be carried out between September 2018 and November 2019.
The minister gave assurances that her office is unaware of any court case related to the project in question or what is planned to be built on the site, according to the Angop news agency. “The country has laws that have to be complied with, defining the entire Atlantic coastline of the country as a state land reserve, and only the State can authorise any works,” she said. The Angolan representative of the Angola Daping company said that the 29,000 square-metre plot was purchased from a third party, for 350 million kwanzas, with the consent of the Port Authority. (Macauhub)

Angola counting on Asian energy players for new oil exploration licensing rounds
Asian players in the energy sector have gained a substantial foothold in Mozambique´s liquefied natural gas (LNG) projects, but they have been less active in Angola´s oil sector. They are, however, expected to be active in Angola´s new oil exploration licensing rounds, to be launched in the coming months.
In the wake of substantial reforms, aimed at attracting foreign investment for the oil sector, which is largely the country´s major source of exports and foreign currency, a new Presidential Decree (No. 52/19) detailing the country’s oil licensing strategy for the next six years was released in February.The new decree defines the country’s new general strategy for the attribution of its petroleum concessions up until 2025, with the objective of “increasing the production of oil and gas” and “ensuring the substitution of reserves to replace the evident decline in production in recent years”.
From its peak of almost 1.9 million barrels per day (bpd) in 2008, Angola’s oil production has been decreasing to reach 1.478 million bpd, owing to the depletion of existing wells, and to a lack of investment in new developments since the beginning of the oil price decline in 2014, which led to a three-year recession in Angola.
The decree determines that in 2019 are to be awarded under public bidding blocks in the Namibe Basin (11, 12, 13, 27, 28, 29, 41, 42 and 43) and in the Benguela Basin (Block 10).
In 2020, it will be the turn of blocks in the Congo Basin (CON1, CON5 and CON6, onshore) and the Cuanza Basin (KON5, KON6, KON8, KON9, KON17 and KON20, onshore).
Subject to public bidding in 2023 will be blocks in the Congo Basin (CON2, CON3, CON7 and CON7, onshore) and the Cuanza Basin (KON1, KON3, KON7, KON10, KON13, KON14, KON15 and KON19, onshore).
The main oil producers in Angola are currently Chevron (US), ExxonMobil (US), Total (France), BP (United Kingdom) and ENI (Italy).
China’s no.2 oil and gas producer after PetroChina, Sinopec International Petroleum Exploration and Production Corporation (SIPC), a wholly-owned subsidiary of Sinopec Group, has a stake in Block 32, under exploration.
China Sonangol has a joint venture with Sinopec in Sonangol Sinopec International, which holds a 50% participating interest in Block 18 in Angola, operated by BP, that contains the Greater Plutonio, has interests in eight other oil blocks in Angola and one onshore oil block in Indonesia.

Angolan oil sector sources expect Chinese oil companies, as well as from other Asian countries currently active in securing energy sources worldwide, namely South Korea, India and Thailand, to take part in the new licensing rounds.
The new decree stipulates that petroleum concessions are to be awarded under three different modalities: public bidding, limited public bidding and direct negotiation.
The public tender and bidding avenue follow the legally-established procedure for the award of oil concessions under a competitive auction, in which state-owned Sonangol is entitled to a 20% stake in research operations in the case where it is not the operator of the block.
A second modality, for reasons of national strategic interest, will be a limited public bidding, restricted to a number of previously-selected companies, that applies to the blocks and contract areas that have been returned to the State.
In this case, eligible bidders will be selected from companies that have demonstrated knowledge, expertise and both technical and technological competence operating in Angola.
The procedure will apply in 2021 to maritime blocks 7, 8, 9, 16, 33 and 34, and to free area blocks 31 and 32, and in 2025 to blocks 22, 24, 25, 26, 35, 36, 37, 38, 39 and 40.
Finally, blocks 6, 30, 44, 45, 46 and 47 are open to direct negotiations, which must be concluded before the end of the first semester of 2019.
Successful companies must enter into a Service-at-Risk Contract and demonstrate relevant proven experience, expertise, technical and technological capabilities operating in Angola or other oil provinces.
With the goal of boosting investment in the oil sector, the government is also preparing the country’s first Marginal Fields Bidding Round.
The sector´s reform has entailed the approval of multiple legislation, including presidential decrees related to the governance and regulation of its oil & gas sector; establishing the framework for the exploration activities of the development areas; regulating the development of marginal fields and regulating the prospection, research, evaluation, development, production and sale of natural gas.
The main axes of reform were the simplification of procedures in order to expedite the start-up of new exploration and production operations and reduce associated costs in order to make investments in the local oil industry more competitive.
The reforms, led by SNL’s new CEO Carlos Saturnino and the oil minister Diamantino de Azevedo, resulted in an improvement in the levels of profitability of the oil majors in Angola and, in parallel, a new climate of confidence established between them and SNL, EP.
The new management of Sonangol, the national oil company, defined as a priority the development of the natural gas sector, and the raising of investments for the development of identified reserves.
The Cuanza basin, still under-studied, is the region with the highest potential natural gas fields, and where investments are expected to be strengthened.
In order to accelerate the development of new reserves, Sonangol has given priority to the amicable settlement of the legal dispute with Cobalt concerning blocks 20/11 and 21/09, paying USD 500 million to buy the blocks from the US oil company.
Contacts with interested oil companies to sell the blocks are still ongoing, and the winning company should contribute to the development of the sector´s master plan, at a time when there are concerns about the supply capacity to the Angola LNG liquefaction unit, in Soyo, which due mainly to the insufficient supply of natural gas, currently operates only at around 2/3 of its capacity.
Suspended due to negative prospects for the launch of new investments in the gas sector previously prevailing, the master plan should align gas production and consumption, covering the entire country.
As Soyo’s combined cycle power station, inaugurated in 2017, is supplied by Angola LNG to provide electricity to the cities of Soyo and Luanda, limitations on the operation of the unit may also jeopardize the already unstable operation of the power grid in the capital. (Macauhub/CLBrief)

Total Wants to Drill for Oil in the World's Fastest Ocean Current

- Agulhas current can cause waves height of multistory buildings
- Company plans up to 4 exploration wells offshore South Africa

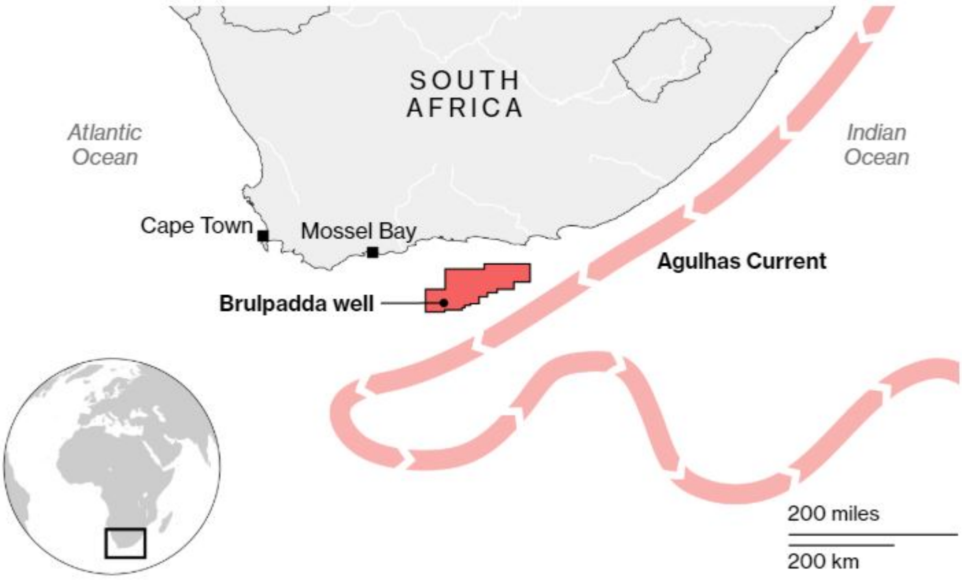
Total SA's discovery of South Africa's first oil in deep water could prove to be a bonanza for a country lacking crude reserves of its own and prompt a rush from other majors. That's if they're able to solve the engineering challenges of operating in one of the fastest ocean currents in the world.

The Brulpadda find, with reserves estimated at about 1 billion barrels of oil, is located in deep waters around 175 kilometers (109 miles) from South Africa's coastline. It could be enough to supply South Africa's refineries for almost four years and be a major boost for the country's struggling economy.

But the prospect is surrounded by the Agulhas current, a fast-moving flow of warm water where the Atlantic and Indian oceans converge, which travels the country's east coast and can cause waves the height of a multistory building. Total says it's found solutions to the problems, but not every explorer has the financial resources or harsh-environment experience of the French oil major.

Total Is Going With the Flow

The company contends with the fastest current where drilling has taken place



Sources: Agulhas and Somali Current Large Marine Ecosystems Project, Impact Oil and Gas

When Total returned for a second attempt in December, with the Deepsea Stavanger rig to finish a well, it employed previously unused engineering techniques. While rigs are usually carefully stabilized in the water by thrusters as drilling takes place, Total further secured the platform with a tug boat to provide support.

Rough Environment

Total had to cancel an initial drilling attempt in 2014. The highly anticipated attempt had to be abandoned because of mechanical failures caused by the rough environment.

The first try lasted a few months and cost about $190 million, according to Dave van der Spuy, resource evaluation manager at Petroleum Agency South Africa, which promotes exploration for the South African government.

The French oil major cited repairs needed to the Eirik Raude rig, and its commitment to another contract, as reasons for suspending activity.

While the North Sea is harsh, at least it's predictable, said Adewale Fayemi, general manager for Total E&P South Africa. "Here in South Africa, waves and currents are most of the time in opposite directions, which generates very bad seas and the wind can be very high and changes direction."

Second Attempt

The second time around, Total also used onshore high-frequency radar to keep ahead of the Agulhas current, Fayemi said. It also used a simplified riser system, which is a pipe that connects an offshore production structure on the water's surface to sub-sea facilities that could be accessed and repaired on location, specifically to avoid problems which ended the team's effort four years earlier.
"Total deployed a suitable rig for the operation and a sophisticated weather forecasting system, coupled with the presence of an on-site specialist, in order to more accurately assess prevailing weather and ocean conditions," Fayemi said.
The second attempt also took less time and was cheaper, costing about $160 million, according to Van der Spuy. "It's an incredible achievement in terms of engineering and in terms of taking a risk."
Total plans to acquire 3-D seismic for the license this year, to help determine its next prospects there, which it plans to follow up with as many as four exploration wells.
Sasol Ltd. and Eni SpA also jointly hold a license offshore South Africa and are analyzing seismic of the area "to help confirm the prospect and firm-up potential drilling," said Gilbert Yevi, Sasol's vice president of international exploration and production. "There is no doubt that the most recent discovery offshore South Africa is good news for the country," Yevi said. The two companies have submitted an environmental impact assessment for potential future drilling and are awaiting approval. (By Paul Burkhardt, Bloomberg)

Sonangol's new drilling rig under construction in South Korea
A new drilling rig of Angolan oil and gas company Sonangol to operate in deep waters, ultra-deepwater and the pre-salt layer, was named in Busan, South Korea, according to the Angolan press. Named "Libongos," a region of Bengo province where there are oil outcrops on the surface, the ship was designed to respond to the oil exploration programme, which should ensure new discoveries and consolidation of reserves for the future. The new ship, which will initially give jobs to some 1,200 workers, is being built at the Daewoo Shipbuilding Marine Engineering shipyards.
Sonangol chairman Carlos Saturnino said on the occasion that this project is another milestone in the re-launch of the Angolan oil industry, towards increasing production and national reserves. He also said that the start-up of the Libongos drilling rig will increase the range of integrated services in the primary chain, reducing dependence on external availability of oil exploration programmes. (Macauhub)

Agreement with Area 4 Block operators in Mozambique will be reached soon
The agreement between the Mozambican government and the Rovuma Area 4 Area operators is expected to be reached "soon," thereby allowing the natural gas project to go ahead, said the Minister of Mineral Resources and Energy.
Max Tonela, quoted by Mozambican daily newspaper O País, also said that the development plan presented will be approved in the coming weeks, "after almost five months of discussions around the document."
Approval of the development plan is crucial for making the final investment decision (FID), which had been estimated for the first quarter of 2019.
The newspaper wrote that the FID did not happen on schedule due to the failure of the first version of the block's development plan, presented by the oil companies in July 2018, as it contained many gaps and violated a number of requirements.
One of the points of contention between the Mozambican government and the consortium led by the ExxonMobil and ENI groups is related to the limit on natural gas extraction in that block.
In the development plan presented to the government, the oil companies demand to extract between 21 billion and 22 billion cubic feet of gas to feed the project, which is above the authorised limit of 12 billion cubic feet.

Tonela confirmed the deadlock, but without specifying the consensus reached between the parties, he said that the important thing is to determine which portion of the gas to be extracted will feed the domestic market.

The project is operated by Mozambique Rovuma Venture, a partnership whose shareholders are ExxonMobil, ENI and the China National Oil and Gas Exploration and Development Corporation, which jointly hold a 70% interest in the Area 4 block concession, with three stakes of 10% owned by South Korea's Kogas, Portugal's Galp Energia and Empresa Nacional de Hidrocarbonetos (ENH) of Mozambique. (Macauhub)

Ivory Coast to Conclude Licensing of Six Oil Blocks by Midyear

- Government in talks with French and Italian majors: Minister
- Country wants to increase local participation in oil industry

Ivory Coast plans to conclude the licensing of six oil blocks by June as the country seeks to increase crude output amid rising interest from supermajors to explore in West Africa.

The government is in talks with French and Italian majors about the blocks, Minister of Petroleum, Energy and Renewable Energy Abdourahmane Cisse said in an interview in Cape Town, declining to identify the companies. The country was nearing production-sharing deals for at least four blocks with Total SA and Eni SpA, people familiar with the matter said in November.

Ivory Coast has 48 demarcated oil blocks, of which four are in production and another 24 under exploration, Cisse said. Output averages about 70,000 barrels per day, but "the potential is a lot higher," he said.

Producers from BP Plc to Tullow Oil Plc are exploring in the world's biggest cocoa grower as operators are raising output to about 200,000 barrels per day in neighboring Ghana. Ivory Coast is seeking to diversify an economy whose exports are dominated by shipments of the chocolate ingredient and gold.

Local Participation

The government would like to increase the participation of local companies in its oil sector, even though it has no plans to make major changes to the sector's code, said Cisse. The existing code is "actually pretty good" and any future alterations will not cause harm to existing participants, he said.

There are no signs that presidential elections scheduled for 2020 are causing uncertainty among investors or prompting them to put decisions on hold, said Cisse. In 2010, ex-President Laurent Gbagbo's refusal to accept defeat in a vote triggered Ivory Coast's worst-ever crisis in which at least 3,000 people died during a five-month standoff. "We have six contracts that we're negotiating right now with majors," said Cisse. "It's a sign that they actually believe in the country, otherwise they won't be looking at it. We won't have a remake of 2010." (By Leanne de Bassompierre and Paul Burkhardt, Bloomberg)

Aramco to Acquire $69 Billion Sabic Stake in Record Mideast Deal

- Deal will help finance economic agenda of Saudi crown prince
- Transaction is for PIF's 70% stake in the petrochemicals firm

Saudi Aramco, the world's biggest oil producer, will buy a majority stake in local chemical giant Sabic from the kingdom's sovereign wealth fund for $69.1 billion, transferring a big slug of cash from one arm of the state to another to help finance Crown Prince Mohammed bin Salman's economic agenda.

The Middle East's biggest ever deal had been first mooted last year after the initial public offering of Aramco was postponed because investors balked at the crown prince's $2 trillion valuation. Aramco's purchase of the Sabic stake gets funds to the PIF by a different route.

The purchase also subtly shifts Aramco's center of gravity away from its core business of pumping oil -- about one-in-10 barrels globally -- into the chemicals that are the building blocks of plastic

goods. Aramco is keen to push into petrochemicals as demand growth for gasoline and other fuels starts to slow because of the global fight against climate change.
"This transaction is a major step in accelerating Saudi Aramco's transformative downstream growth strategy of integrated refining and petrochemicals," Amin Nasser, chief executive officer of Aramco, said in a statement.
The deal values the Public Investment Fund's 70 % stake at 123.4 riyals per share, according to the statement. The remaining shares, list on the Saudi stock market, aren't part of the transaction and will continue trade publicly.
Aramco didn't say how it plans to finance the acquisition, but in the past the company has said it's likely to tap the global capital markets for the first time ever. If the Saudi state-owned company issues bonds in dollars, it will be forced to release detailed financial statements for the first time since its nationalization in the late 1970s.
Under the leadership of Yasir Othman Al-Rumayyan, the sovereign wealth fund is shifting its investment focus from domestic assets -- with stakes in the likes of Sabic and National Commercial Bank -- to international, funneling billions of dollars into high-profile overseas deals, including a stake in Tesla Inc. The fund lies at the heart of Saudi Arabia's effort to reduce its reliance on oil revenue under an economic transformation plan known as Vision 2030. In addition to running the PIF, Othman Al-Rumayyan is also a director at Aramco.
Aramco plans to invest $500 billion over the next decade, and much of that will be on refineries and chemical plants. The company wants to secure future demand for its barrels, and acquiring control of the Middle East's biggest chemical maker would bring it closer to its goal of becoming one of largest producers of raw materials used to make plastics.
Saudi Aramco may stagger payments for the Sabic acquisition, offering flexibility in how to finance the largest deal in the kingdom's history, Energy Minister Khalid Al-Falih said in January.
The company has very little debt, but is planning to issue international bonds for the first time. Saudi Aramco picked banks including JPMorgan Chase & Co., Morgan Stanley, Citigroup Inc., HSBC Holdings Plc and National Commercial Bank to manage the bond sale, people familiar with the matter have said. (By Matthew Martin , Dinesh Nair , and Archana Narayanan, Bloomberg)

TELECOM - INTERNET

Africa's Richest Woman Reappointed to Board of Unitel

- New Board to Elect Chairman After Taking Office May 6
- Billionaire Isabel dos Santos Faced Shareholder Discontent

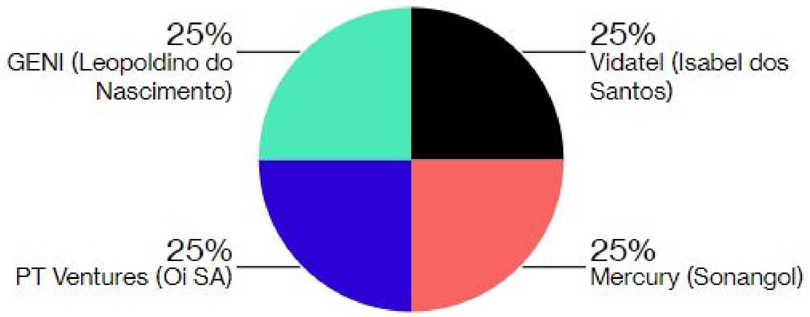
Africa's richest woman secured a fresh mandate as board member of Angola's biggest telecommunications company when shareholders met to discuss corporate governance in the wake of legal action by one of the firm's biggest investors.
The meeting at Unitel SA, in which Isabel dos Santos owns 25 % stake and has been chairwoman, came after an arbitration court ruled that Brazilian telecommunications company Oi SA was entitled to receive $654 million from other shareholders. The court said they violated several clauses of an agreement among Unitel shareholders and Oi didn't receive dividends it was owed.
Angolan state-owned oil company Sonangol, which owns a 25 % stake, has repeatedly said it wants a new board at Unitel, while Oi has publicly expressed its disapproval with management for withholding the dividends.
Unitel shareholders unanimously elected Isabel dos Santos and four other members to the board of the company. Miguel Geraldes, a former senior consultant at Huawei Technologies in South Africa, will replace Antony Dolton as general director of Unitel. The new board will take office on May 6 and elect a new chairperson, according to Unitel, which didn't indicate in its statement who is likely to be chosen.
The daughter of former Angolan President Jose Eduardo dos Santos, Isabel amassed a fortune during her father's almost four-decade rule and has an estimated net worth of about $2 billion,

according to Bloomberg. Besides Unitel, her business interests include media, retail, finance and energy, both in Angola and in Portugal.

President Joao Lourenco, who replaced dos Santos in 2017, has made the battle against graft the cornerstone of his administration, dismantling the influence of his predecessor's family over key sectors.

Unitel's Ownership Structure

Unitel is Angola's biggest telecommunications company



Source: Unitel

"We can't accept that a single shareholder with 25 % stake can take unilateral decisions at the company," Sonangol Chairman Carlos Saturnino told reporters on Feb. 25. "We need to reach an agreement to appoint a new board." (By Henrique Almeida and Candido Mendes, Bloomberg)

Angola builds Science and Technology Park in Luanda

The Angolan government plans to build a Science and Technology Park in Luanda, costing an estimated US$100 million, the Minister of Higher Education, Science, Technology and Innovation announced in Peniche, Portugal.

Maria do Rosário Sambo told Portuguese news agency, Lusa, that the construction of the park is part of the development programme for the sector until 2021, with the African Development Bank (AfDB) providing funding of US$90 million for the project.

The Angolan minister said construction of the park, next to Luanda airport, "will start as soon as the AfDB completes the international tender process, which is in the phase of selecting the competitors."

The official was speaking on the sidelines of a visit to the research centre of the Leiria Polytechnic Institute in Peniche, in the Portuguese district of Leiria, as part of a three-day visit to Portugal by an Angolan delegation during Angola-Portugal Science Week.

On the first day of the visit, "an agreement was signed with the University of Lisbon and the National Centre for Scientific Research of Angola so that masters and doctoral students can attend training courses at the University of Lisbon," said Sambo. (Macauhub)

Angola loses 800,000 mobile users between 2014 and 2018

Angola's two mobile telecommunications operators lost about 800,000 users between 2014 and 2018, the chief executive of the Angolan Communications Institute (INACOM) announced on Thursday in Luanda.

António Moniz Gonçalves said that the number of users fell from 14 million in 2014 to 13 million in 2016, before rising to 13.3 million in 2017 and falling again to 13.2 million in 2018.

Angola has two mobile operators, Unitel and Movicel, with 13.3 million users representing about half of the country's population.

The secretary of state for telecommunications, Mário Augusto da Silva Oliveira, quoted by the Angop news agency, said that the fall in the number of users was due to updating telephone numbers and the economic-financial crisis that the country is experiencing.

Meanwhile, Inacom recorded an increase in the number of fixed telephony users, from 161,000 in 2017 to 171,800 in 2018.
Regarding Internet access, Gonçalves said 4.4 million users were counted in 2017, which is expected to reach 5.9 million by the end of this year.
These figures were given at the end of a training session on statistical indicators of the International Telecommunication Union promoted by Inacom, which brought together technicians and officials from Angola, Brazil, Mozambique and Portugal. (Macauhub)

Germany to support digital economy in Angola
German technology can contribute to the development of the digital economy in Angola, increasing the country's productive capacity, said in Luanda the German deputy ambassador, Marco Mattheis.
Speaking to journalists, on the sidelines of the workshop "Digital Transformation in Angola: Industry 4.0", organized by the Higher Institute of Technology and Sciences - ISPTEC, the diplomat stressed that in the sectors of energy and mobility, there are many possibilities for Angola to enjoy from Germany.
Without citing any concrete investment, he said that Germany will study the possibility of a credit line, explaining that Siemens has several projects with academic institutions, highlighting the development of manuals on renewable energy, a requirement to develop the scanning.
Siemens Executive Director Sérgio Filipe said that the digitization is found in an incipient way, in Angola, in the oil industry, programmers, and can also improve the supply of energy to contribute to the improvement of life for all. "When we talk about diversification of the economy, we are convinced that it is the right way, when we talk about the diversification of the economy, I believe that the digitization can contribute to the productive capacity of the country, having the efficiency and effectiveness of what is being done" , he said.
The director general of ISPTEC, Euclides Luís, said that higher education institutions have an essential role in the development of technological solutions, through scientific projects, in the training of managers oriented to maximize the implementation and benefits of industry 4.0 and in aid to the Angolan state in the structuring of its mosaic of technological integration, reflecting the benefits in areas such as agriculture, health, education, energy, industry and cyber security.
The Higher Polytechnic Institute of Technologies and Sciences is an institution that results from a public-private partnership with the participation of Sonangol, and started its academic activities in 2012.
Its mission is to train qualified professionals committed to the sustainable development of the country through the generation and dissemination of knowledge. (Angop)

AGRIBUSINESS

Seed production can develop Angola's agricultural sector
Luanda - The development of the Angolan agriculture is fundamentally dependant on the production of seeds by local and foreign firms, said the minister of Agriculture and Forests, Marcos Nhunga.
According to the minister, 90 % of the seeds used in Angola is imported and that that amount is not enough to cover the country’s five million hectares of land.
The official, who was speaking to the press at the end of a roundtable on “Political Dialogue on Production, Availability and Farmers’ Access to Improved Seeds to Leverage Agriculture in Angola”, said the meeting was intended to find solutions to reverse the current poor local seed production.
In the meantime, the minister explained that the betterment of the seed production in the country needs to be made through the mobilization of the private sector to join the productive sector, mainly the bean and rice output as well as others that are part of the food diet.

“We need to have national companies that create partnership with companies of the region such as Zimbabwe, South Africa and Zambia, which are producer countries of the region”, said the official.
The official, who did not add further details on the amount the country spends, said it spends a lot of money to import seeds. However, it is still 50 % short to meet the need nationwide.
However, as regards seed production, the minister explained that the local producers could benefit from credit, a situation being assessed by the government.
Besides seeking to locally produce seeds, Angola is also gearing up for the production of fertilizers, pesticides and tractors assembly system among other essential tools for the development of agriculture in the country. (Angop)

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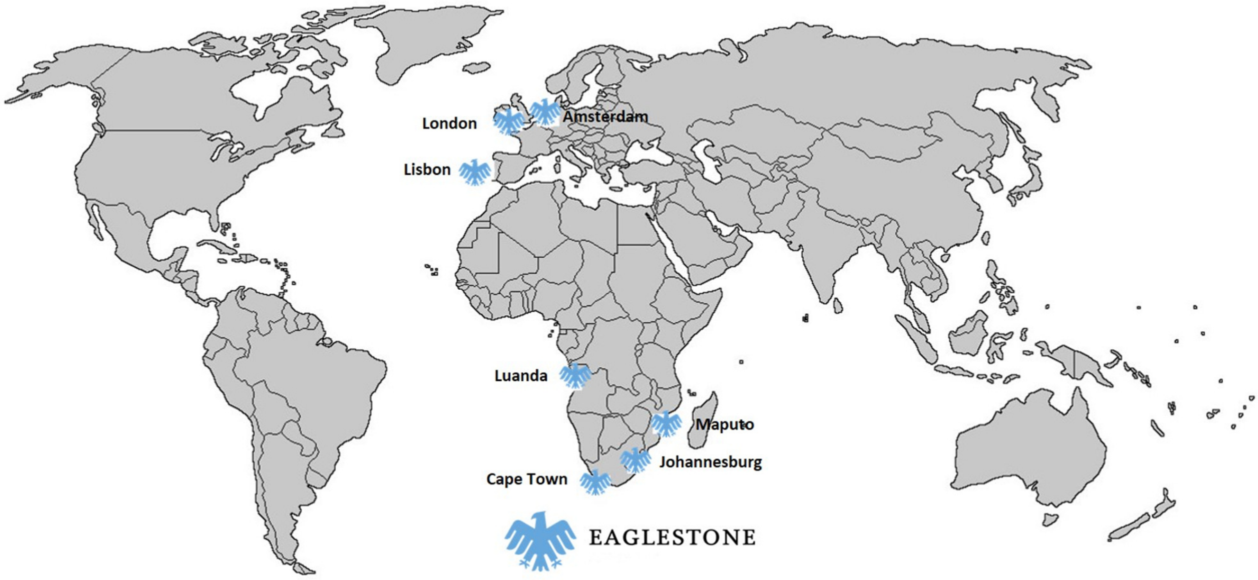

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The company has three business activities - financial advisory services, asset management and brokerage - and currently has offices in Amsterdam, Cape Town London, Lisbon, Luanda and Maputo

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