August 2018

INSIDE AFRICA

Now is the time to invest in Africa

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In-depth:

The Pursuit of Inclusive Growth in Africa

Tao Zhang, IMF Deputy Managing Director

BRICS Summit, South Africa

July 24, 2018

As Prepared for Delivery

Introduction

Ladies and gentlemen - good afternoon.

It is an honor to be in South Africa for the BRICS Summit. I would like to thank Caixin for hosting this important panel on securing inclusive growth in Africa.

Africa is a continent that holds immense opportunity. It has a huge demographic dividend, plenty of natural resources, and untapped potential in many sectors. Countries in the region have made considerable progress in development, but the job is not over.

In my remarks, I will focus on the priorities for ensuring sustainable development. And, make no mistake, the number one economic priority for Africa is development. This means further improvement in living standards, growth that is inclusive, and sustainable financing from its partners.

I. Global context – recovery becoming more uneven

Let me start with the global outlook. We recently released our growth forecasts for the world economy.

Global growth is projected at 3.9 % in 2018 and 2019, in line with our April forecasts. But the expansion is becoming less even, and its rate appears to have peaked in some major advanced economies.

In the United States, growth continues apace at 2.9 % this year and 2.7 % in 2019. However, momentum in the euro area, Japan, and the United Kingdom is weaker than we anticipated six months ago.

Growth in emerging and developing economies is expected to remain strong at 4.9 % this year and 5.1 % in 2019.

Sustained momentum is expected to be seen in this region as well. Overall growth in sub-Saharan Africa is projected at 3.4 % this year, rising to 3.8 % next year. With growth rates exceeding those of population, many countries should see increases in per capita incomes.

Yet even among this dynamic group of emerging economies, growth prospects are becoming more uneven. Rising oil prices, escalating trade tensions, higher yields in the United States, and market pressures on emerging markets' currencies are challenging the outlook. Think of the recent experience of Turkey or Argentina.

These challenges are likely to persist, and this is why we see rising downside risks to the outlook even in the near term. An escalation in trade tensions can derail the global recovery and further depress medium-term growth.

At the same time, financial conditions remain accommodative. Spreads are still compressed, valuations in some markets stretched, and volatility low. However, these conditions can change suddenly. Countries with higher debt could be especially affected by tightening in global financing conditions.

Clearly, the global backdrop is challenging for the sub-Saharan Africa region. This provides more urgency for policies to lock in recent achievements and provide opportunity to all its citizens.

II. Sub-Saharan Africa – significant progress

Before we look at how to secure a brighter future for the region, let's step back for a moment to see how far it has come. Over the last two decades, the region has made great progress in improving economic and social conditions.

For instance, real per capita incomes have risen 50 % on average in the region. Importantly, per capita income doubled in Mozambique, Angola and Rwanda, and tripled in Ethiopia. These are remarkable gains.

At the same time, infant mortality rates fell dramatically – from 108 to 55 per 1000 live births for the region as a whole. Countries like Angola, Malawi, Liberia and Rwanda saw the largest improvements.

During this period, growth was supported by reforms and improved macroeconomic policies. It also benefited from a boom in commodity prices that helped commodity exporters, and increased trade and investment flows.

These are great achievements, yet much more is needed. The region needs to create sustained, strong and inclusive growth to achieve the UN Sustainable Development Goals and reap the demographic dividends.

Africa is the youngest continent in the world. This is both a challenge and an opportunity.

By 2035, the number of sub-Saharan Africans reaching working age of 15-64 years will exceed the rest of the world combined – adding about 110 million workers. This is a trend with potentially significant implications for both the region and the world, in terms of new markets and investment opportunities.

Yet realizing the full potential of these demographic trends means creating 20 million jobs every year through 2035. This is twice the average number of jobs created every year during 2011-2017.

III. Unleashing opportunity in Africa – the way forward

So how can the region capitalize on its demographic potential to attain the SDGs and achieve higher and more inclusive growth?

In my view, this will require upholding the multilateral spirit of cooperation by all parties involved. Countries in the region should do their part by getting their house in order; and development partners should help by ensuring 'sustainable' sources of financing.

What does this mean in practice? For countries in the region, it means reducing macroeconomic vulnerabilities and raising growth potential. And here I see two important priorities. One for the short term; the other for the long term.

The first priority is to reduce vulnerabilities from debt . It is urgent. Public debt ratios have increased markedly over the past five years – from an average of 30 % of GDP to over 50 % currently.

In some countries, the increase in debt is driven by development and infrastructure needs. In other countries, it reflects the impact of the large decline in oil prices in

2014. And in others, it was the migration of off-balance sheet liabilities to the public sector.

If the growing debt trends in Africa continue, rising interest costs from higher debt would divert resources away from education, health and infrastructure.

The priority therefore is to reduce vulnerabilities from debt. The emphasis should be on domestic revenue mobilization and improved debt management. This will create space for investment in physical and human capital and social spending.

Many countries in the region have seen significant improvements in collections. Tax revenues are above the tipping point of 13 % of GDP in two-thirds of the countries, compared to just one-third in 1995. Still, this leaves more than 16 countries with less than 13 % of GDP in tax revenue.

At the same time, oil exporters have seen a sharp decline in their revenue intake, from 31 % of GDP in 2012 to 18 % in 2016. Clearly, the emphasis on domestic revenue mobilization needs to be sustained.

The second priority to raise long-run growth is to revive private investment.

For many years, low levels of private investment were offset by public expenditures. Yet, faced with growing public debt vulnerabilities, it is unclear how long this trend can continue. Some countries have pursued public-private partnerships, but these efforts have had varying success.

At the same time, initiatives such as China's Belt and Road Initiative and the G20 Compact with Africa provide an opportunity to support private investment. This includes institutional reforms that can encourage foreign direct investment and support public-private partnerships.

But for these initiatives to be effective, sub-Saharan African countries should ensure a transition from public to private investment. This requires maintaining macroeconomic stability and improving regulatory and insolvency frameworks. It also means increasing intra-African trade and deepening access to credit.

Here, Africa can offer the world important lessons on financial inclusion. We have recently published a paper that pulls together lessons from 16 pilot countries in Africa on policies to expand access to credit.[1]

Facilitating this handover from public to private investment also requires alternative, non-debt creating ways of financing the region's large infrastructure needs. By some estimates (AfDB), these needs amount to US$130-170 billion per year. Such financing should minimize risks to economies in the region.

Conclusion

There is tremendous potential to catalyze private funds for infrastructure investment. And longer-term, non-debt creating capital investment will not only help address the infrastructure needs of the region. It will also deepen capital markets, promote further trade integration, and provide significantly higher returns to incremental capital.

The IMF will continue to support the continent in these development efforts through policy advice, capacity building, and financial support where needed. We will also collaborate with other international financial institutions and development partners to support the region in realizing its demographic potential, and achieving sustained and more inclusive growth.

This would be a huge opportunity – for Africa and the entire world.
Thank you.
[1] IMF 2018. Macrofinancial Linkages in Shallow Markets: Experience from the African Department's Pilot Countries. Departmental Paper 18/12. (IMF)

IMF, WORLD BANK & AFRICAN DEVELOPMENT BANK

African Development Bank commends Afreximbank's efforts to advance intra-African trade

The **African** Export-Import **Bank (Afreximbank) has become a reputable and solid regional development finance institution, meeting significant financing needs in trade development and trade finance in Africa, says President of the African Development Bank, Akinwumi Adesina.**

Afreximbank and the African Development Bank have enjoyed a collaborative and productive relationship since its inception 25 years ago. In recent years, the African Development Bank has supported Afreximbank with trade finance packages of $450 million in 2017, $280 million in 2014, a $150 million Line of Credit in 2010 as well as a $250 million support package to mitigate trade risk.

Adesina, who spoke at a gala dinner at the 2018 Annual Meetings and 25th Anniversary of Afreximbank in Abuja, assured that the Bank will remain supportive, steadfast, and strong in its assistance for the export-import bank's continued growth.

"The recent positive Moody's rating is a signal of how well Afreximbank is managed, and the mark of the shareholder's confidence is further manifested in the increase of Afreximbank's capital base," Adesina said. As a founding parent, the African Development Bank is proud of its instrumental role in laying Afreximbank's foundations and the achievements that the institution has made as its strategic partner, particularly in trade finance in Africa. Adesina said.

The Bank is also collaborating with African Union Commission, Economic Commission for Africa, Regional Economic Communities, Afreximbank and other partners to ensure that African countries can offer better trade facilitation, increased trade finance, and beneficial policies to increase trade.

The President said: "this is especially so in the trade finance space. We need to be smarter and faster in responding to growing opportunities and emerging challenges faced by majority of the continent's small businesses."

Adesina said the signing of Africa's Continental Free Trade Area (AgCFTA) agreement in March 2018 by the majority of African countries will enable Africa to trade more with itself and also enhance the continent's attractiveness as an investment destination.

African countries are showing resilience as exemplified in the share of intra-African trade, which has increased from 10% in 2000 to 16% last year.

Since the AgCFTA was signed, the African Development Bank has earmarked US$ 4.5 million to help boost intra-African trade and create more synergies with the Bank's High 5 priorities.

"We need to significantly expand intra-African trade. For example, the equivalent figure for Europe is close to 80%. For this to happen, Africa needs to be bolder in its approach and broaden its appeal by reducing administration and transaction costs, especially at borders, as well as overcome market segmentation and improve the overall investment climate."

The 25th anniversary celebration witnessed a critical US$500,000 grant agreement collaboration between the African Development Bank and the Afreximbank.

The project, funded by the Fund for Private Sector Assistance (FAPA), is aimed at promoting the development of 'factoring' as an alternative trade finance instrument in Africa. The investment confirms the African Development Bank's commitment to support extra- and intra-Africa trade promotion. "If Africa is to integrate and improve the living standards of its people, we must use innovative financial solutions such as factoring and credit insurance, which offer keys to unlock the growth of small and medium-sized enterprises in Africa," President Adesina stated.

He spoke on how finance and investments are at the very sharp end of economic transformation, pointing out that the Bank is opening another highway to African investment through the Africa Investment Forum (AIF), scheduled for November 7-9, in Johannesburg. “The Africa Investment Forum, Africa’s investment marketplace, will provide a unique platform for investment negotiations, finance, transactions, and a marketplace for closing deals to accelerate the economic development of Africa.”
The President of Afreximbank Bank, Benedict Oramah, extolled the unflinching support of the African Development Bank , adding that both institutions share a common vision − a reason Afreximbank aligns its goals to the **High 5** priorities of the Bank.

World Bank supports two projects in Angola
The World Bank has provided Angola with funding of US$280 million for the second Institutional Development Project for the Water Sector (PDISA2) and for the Commercial Agriculture Development Project, with a contract signed on Thursday in Luanda.
The document was signed by Finance Minister Archer Mangueira, the president of the Credit Guaranty Fund, João Júlio, and the World Bank representative in Angola and Sao Tome and Principe, Oliver Lambert, according to the Angop news agency.
Archer Mangueira said that the two financing agreements will make an important contribution to the Angolan economy, at a time when there are great challenges to economic diversification, and will be included in the 2018/2022 National Development Plan.
The Commercial Agriculture Development Project is part of a broader programme which, according to the finance minister, also has funding from the French Development Agency in the amount of 79 million euros.
The additional funding of US$150 million for PDISA2 will help to increase coverage of the drinking water supply in nine cities across the country, covering Lubango, Ndalatando, Dundo, Luena, Moçâmedes, Cuito, Huambo, Malange and Uíge, according to Lambert.
The representative of the World Bank pointed out that the funding will also increase the institutional capacity of provincial water and sanitation companies, the National Water Directorate, the Electricity and Water Regulatory Institute and the National Water Resources Institute of Angola.
The US$130 million to be invested in the Commercial Agriculture Development Project will, in turn, contribute to increased productivity and market access for eligible beneficiaries along two established road corridors.
The two corridors are Luanda-Bengo-Kwanza Norte-Malange and Luanda-Bengo-Kwanza-Sul-Huambo-North of Huíla, linking the main agricultural area of the central plateau to the most important urban markets in Luanda. (Macauhub)

Mozambique calls for ADB’s support to introduce a new farming model
Mozambique has requested the support of the African Development Bank (ADB) to introduce a new model of agricultural exploration in the country, during a meeting on the island of Sal in Cabo Verde (Cape Verde) between the Mozambican president Filipe Nyusi and the chairman of the ADB Akimune Adesina, according to Radio Moçambique.
Nyusi mentioned a BAD-funded project in Ghana, “which establishes an agro-industrial area geared not only towards the domestic market but also to exports and integrated development, which includes access roads and the construction of facilities for processing production, thus adding value.”
President Nyusi said he was interested in having a technical team from the ADB travel to Mozambique to provide advice in this specific area and added that he had a very productive conversation that also covered industrialisation and youth employment.
Nyusi and Adesina also took advantage of the meeting held on the sidelines of the 12th Summit of Heads of State and Government of the Community of Portuguese Speaking Countries (CPLP) to

assess the status of the partnership between Mozambique and the ADB, according to the radio station.
Rádio Moçambique cited Nyusi as saying that the ADB official confirmed financing for the construction of the Mueda-Negomano highway in the province of Cabo Delgado. (Macauhub)

IMF Executive Board Completes the Fifth Review under the Extended Credit Facility Arrangement, Approves US$0.9 Million Disbursement, and Concludes the 2018 Article IV Consultation with the Democratic Republic of São Tomé and Príncipe

- São Tomé and Príncipe's medium-term economic outlook is favorable.
- Structural reforms and prudent fiscal policy are key to maintaining macroeconomic stability and boosting growth to reduce poverty.
- Implementing measures to contain financial losses at the state-owned electricity and water supply company (EMAE) will minimize contingent fiscal liabilities and improve external balance.

The Executive Board of the International Monetary Fund (IMF) today completed the fifth review of the arrangement under the Extended Credit Facility (ECF) for São Tomé and Príncipe. The Board's decision enables the immediate disbursement of SDR 634,285 (about US$0.9 million), bringing total disbursements under the arrangement to roughly SDR 3.81 million (about US$5.3 million).
The ECF arrangement for São Tomé and Príncipe in the amount of SDR 4.44 million (about US$6.2 million or 60 % of the country's quota at the time of approval) was approved on July 13, 2015 (see Press Release No. 15/336) to support the government's economic reform program for stronger and more inclusive growth.
The Executive Board today also concluded the 2018 Article IV consultation with São Tomé and Príncipe. A press release will be issued separately.
Following the Executive Board's decision, Mr. Mitsuhiro Furusawa, Deputy Managing Director and Acting Chair issued the following statement:
"São Tomé and Príncipe's economy continued to grow steadily in 2017 and the medium-term outlook is favorable. However, continued structural reforms and prudent fiscal policy are key to maintaining macroeconomic stability and boosting growth to reduce poverty and generate employment.
"The authorities have taken some encouraging steps to correct past policy slippages. The collection of past tax arrears from large taxpayers will not only help safeguard the fiscal targets but also strengthen the integrity of the tax collection system. Additional efforts are needed to address revenue shortfalls, while expenditure control measures should be enforced to prevent the recurrence of domestic arrears. The ratification of the VAT law by the Parliament as soon as possible will be essential to prepare the ground for the introduction of the VAT in 2019, which together with a closer monitoring of large taxpayers, will help revenue mobilization. Further fiscal consolidation and borrowing only on concessional terms and at a measured pace will be key to reducing the debt burden overtime.
"The authorities have made progress on other structural reforms—notably, the approval of the public-private partnership law and adopting a Tourism Development Strategy to promote inclusive growth. Implementing measures to contain financial losses at the state-owned electricity and water supply company (EMAE) will minimize contingent fiscal liabilities and reduce dependence on oil imports, which along with continued fiscal consolidation, will help rebuild reserves buffers."

SME's will benefit from a US$20-million African Development Bank loan to Uganda Development Bank

The African Development Bank has approved a US$20 million loan to the Uganda Development Bank Limited (UDBL), the first development finance institution established by the **Government of Uganda** in 1972.

The financial package comprises of a 10-year US$15 million Sovereign Guaranteed Line of Credit for on-lending to projects in various sectors and a US$5 million Non-Sovereign Line of Credit to support a financing program for SMEs. The Non-Sovereign Line of Credit will also trigger a Technical Assistance programme of up to US$1 million to help improve UDBL's credit risk management and underwriting processes. This should help improve loan quality, corporate governance and UDBL's capacity to track development outcomes.

The transaction will give UDBL leverage to provide long term funding to deserving customers and industries where long tenured funds are scarce due to the perceived risk profile of SMEs. It also reinforces its role as a national development bank in implementing Uganda's National Development Plan and complementing the institution's efforts to diversify its funding base and mobilize resources from external sources.

Historically, UDBL intervenes in the agriculture and agro-processing, hotel and tourism, education, health and manufacturing sectors, among others. The support will enhance the country's private sector development as beneficiaries' businesses and revenues grow, with the associated positive impact on government's tax income.

The facility aligns with the African Development Bank's Uganda Country Strategic Paper (CSP) 2017-2021 and Financial Sector Strategy (2014-2019). It also supports Uganda's Vision 2040, which aims to transform Uganda from a low-income agriculture- dependent economy to a prosperous middle-income industrialized nation.

The Loan will also advance the country's financial inclusion, gender and social welfare aspirations. It will further contribute towards provision of quality and low-cost education and health services, helping to narrow the widening social and income gaps in the country.

The African Development Bank support to UDBL is consistent with three of the Bank's High 5 priorities: "Feed Africa", "Industrialize Africa" and "Improve the quality of life of the people of Africa".

Mmakgoshi Lekhethe, Executive Director at the African Development Bank for Lesotho, South Africa and Swaziland, remarked that, "The Uganda Development Bank is clearly a well-managed institution with an experienced management team in place. I am particularly impressed with the diversity of the bank's SME portfolio…"

Ghana: Tourism Development Project
IDA Credit: $40.0 million equivalent
Maturity: 30 years, **Grace**: 5 years
Project ID: P164211
Project description: The project will help improve the performance of tourism in targeted destinations in Ghana.

Ghana: Energy Sector Transformation Initiative Project
IDA Credit: $20.0 million equivalent
Maturity: 30 years, **Grace**: 5 years
Project ID: P163984
Project description: The project will help strengthen the capacity of the energy sector to implement sector reforms, and improve energy sector planning and coordination in Ghana.

Guinea and Mali: Interconnection Project
IDA Credit to the Republic of Guinea: $37.5 million equivalent
Maturity: 38 years, **Grace**: 6 years
IDA Grant to the Republic of Guinea: $37.5 million equivalent
IDA Credit to the Republic of Mali: $4.5 million equivalent
Maturity: 38 years, **Grace**: 6 years
IDA Grant to the Republic of Mali: $4.5 million equivalent

Project ID: P166042
Project description: The project will help increase electricity supply to the Eastern part of Guinea; enable electricity trade between Guinea and Mali; and increase Guinea's electricity export capability towards other West African Power Pool (WAPP) countries.

The African Development Bank loans 20 million euros to Cabo Verde to boost local economic development

The African Development Bank and Cabo Verde have signed a 20 million euro loan agreement to revitalize the economy of the West African coastal island.

The loan, signed 2 August 2018 in Abidjan, is part of a two year programme of up to 40 million euros to be disbursed in two equal instalments in 2018 and 2019. The funds will help the new Cabo Verde Strategic Plan for Sustainable Development (2017-2021), which the Bank is supporting through its private sector competitiveness and local economic development programme.

"This programme aims to strengthen the contribution of the private sector and local entities to growth and job creation," said Marie-Laure Akin-Olugbade, the Bank's Director-General for West Africa. "It will help to facilitate business activity and competitiveness, will accelerate local development and will increase the contribution of decentralization to growth."

"The signing of this agreement is very important for the consolidation of the Cabo Verde economy. The private sector competitiveness and local development programme will help to put our country's growth on a sound footing." Inácio Felino Rosa De Carvalho, Cabo Verde's Ambassador to Côte d'Ivoire, said in response.

Carvalho added that the support would lead to an improved quality of life for the people of Cape Verde.

The Cabo Verde government has invested heavily in infrastructure in recent years in a bid to diversify the economy of the island. The challenge now is to empower the private sector to drive further growth, job creation and poverty reduction.

The Bank's active portfolio in Cabo Verde, is worth over 85.4 million euros, disbursed to energy and transport projects as well as water and sanitation, agricultural and governance sectors.

The Republic of Cabo Verde is composed of 10 volcanic islands and eight islets located in the central Atlantic Ocean, some 450 kilometres west of Senegal. It has a land area of 4,033 square kilometres, and 700,000 square kilometres Economic Exclusive Zone (EEZ). The population is estimated at 500,000, 55.7% of whom are located on the main Santiago Island.

INVESTMENTS

China Pledges $14.7 Billion in Investments to South Africa

- Eskom, Transnet both secure financing from Chinese banks
- Rand gains as much as 1.2 % on news of investment pledge

China pledged to invest $14.7 billion in South Africa and grant loans to its state power utility and logistics company as the two nations seek to strengthen economic ties and increase trade. The rand gained.

The commitment follows similar promises from Saudi Arabia and the U.A.E. and bolsters President Cyril Ramaphosa's campaign to lure $100 billion in investment to South Africa over the next five years, as he seeks to boost a flagging economy ahead of elections next year. The investment pledge and loans, the biggest yet from the Asian nation to South Africa, were announced after a meeting between Ramaphosa and his Chinese counterpart, Xi Jinping, in Pretoria. "China is ready to invest and work with South Africa in various sectors," Ramaphosa, who took office in February, told reporters. "We also recognized that although trade figures have grown steadily over the past few years, bilateral trade has not reached its potential."

Xi is on an official state visit to South Africa ahead of the 10th summit of the BRICS nations -- Brazil, Russia, India, China and South Africa -- that begins in Johannesburg and will also aim to bolster trade and political ties. China is South Africa's biggest trading partner.

Investment Summit

Cash-strapped power utility Eskom Holdings SOC Ltd. secured a $2.5 billion long-term loan facility with China Development Bank, taking the funding it's secured to almost two-thirds of what it needs for this year. Port and freight rail operator Transnet SOC Ltd. agreed to a long-term loan with Industrial & Commercial Bank of China Ltd., and Naspers Ltd., the biggest investor in Chinese internet giant Tencent Holdings Ltd., signed a multi-currency facility accord with Bank of China.

These are some of the other deals that were announced:

- Master agreement of $983 million for Industrial and Commercial Bank of China with Standard Bank of South Africa Ltd.
- Framework agreement of $3 billion on financing and insurance cooperation between China Export and Credit Insurance Corporation and Standard Bank
- Special facility agreement of $500 million for the development of small and medium enterprises in South Africa and other African regions

"China and South Africa relations are at a new historical departure point," Xi, who visited South Africa twice before, told reporters. "President Ramaphosa and I had a very productive discussion during which we discussed further taking forward our strategic partnership. We need to build closer high-level engagement."

China will support an investment summit that the African nation is hosting in October, he said. "The rand is firming because our president is making it rain," said Wichard Cilliers, a trader at Pretoria-based Treasuryone Ltd. "He has just secured another big investment, this time from China. That means new FDI inflows." (By Amogelang Mbatha and Pauline Bax, Bloomberg)

Proposed Law on the Basis of Privatisation of Angola submitted to parliament

The proposal for a Law on the Basis of Privatisation will be submitted for the approval of the Angolan National Assembly, the Angolan Parliament, and was assessed by the Council of Ministers, which met on Wednesday in Luanda, in a session led by the President of the Republic, João Lourenço.

The statement issued at the end of the meeting said that the bill is the legal statute that establishes the rules and procedures to regulate the privatisation process, with a view to updating the respective regime to the socio-economic context of the country and in light of the Constitution of the Republic of Angola.

The proposal is intended to regulate the privatisation and reprivatisation processes of public companies, social holdings held directly by the State or other public entities, as well as other public assets, thus promoting a reduction of the state's weight in the economy.

The prospectus for the issue of US$3 billion in Eurobonds last May, reported that the Angolan government intends to privatise 74 public companies in the medium term, especially in the industrial sector. Between 2013 and 2017 these companies provided the State with income of little more than US$23 million, but no list of companies was provided or a figure for the amount to be raised through their privatisation.

The privatisation and restructuring programme in the public sector will be prepared by the Institute for Asset Management and State Participation (IGAPE), which, as the name implies, will also manage the state's financial assets and stakes, according to a presidential decree signed off in June.

Last February Lourenço created the Commission for Preparation of the Implementation of the Privatisation Process in Reference Companies, which was charged with presenting the programme to be executed by the government in this area, to increase efficiency and reduce the costs of the state sector. (Macauhub)

Angola prepares introduction of eco-tax

The production/import of plastics, tyres and batteries in Angola will be subject to an eco-tax of between 0.25 % and 0.90 % of the product's value under a proposed law being drawn up by a technical group led by the Ministry of the Environment, the respective state secretary indicated.

The proposal was presented on Thursday by that group with a view to gathering input from civil society and entrepreneurs so the document can be improved. It is expected to take effect in 2019, following approval by Parliament.

The State Secretary for the Environment, Joaquim Manuel, said that charging the eco-tax would bring in revenue that can be used to reorganise solid waste in Angola, besides directing what is still produced in the country, reports Angop news agency.

The eco-tax is meant to guide producers in efforts toward "environment-friendly" production, Manuel said. Importers will likewise be encouraged to introduce products that are easy to process after use.

The proposal envisages levying taxes of 0.25 % on the production or import value of plastic packaging, 0.70 % on batteries, 0.80 % on tyres, 0.70 % on electric and electronic products, 0.50 % on oils and 0.90 % on vehicles. (Macauhub)

Brazil wants to increase the value of trade with Angola four-fold

Brazil intends to return to the levels of bilateral trade it had with Angola in the first decade of the century when it was worth US$4 billion, four times the current amount, the Brazilian ambassador to Angola said on Saturday in Luanda.

Paulino de Carvalho Neto also told Portuguese news agency Lusa that bilateral trade is currently worth almost US$1 billion and estimated the financing guaranteed by Brazil to the Angolan economy in the last 20 years at US$3 billion.

The ambassador said there was a need to diversify bilateral trade, avoiding the concentration of economic activities, either in investment or in import/export of goods, on just one or two products.

Carvalho Neto recalled that, until a few years ago, Brazil imported mainly oil from Angola, which has been declining because, in recent years, Brazilian oil production has also increased – currently producing around 4 million barrels per day, against the 1 million per day produced in Angola.

In the opposite direction, Brazilian exports to Angola are all from the agribusiness sector – meat, sugar and processed food. (Macauhub)

Icelandair proposes to buy 51% of Cabo Verde Airlines

Icelandair has presented a proposal for the purchase of 51% of the Cape Verdean flagship air carrier, announced Cabo Verde's Prime Minister Ulisses Correia e Silva, who gave assurances that Cabo Verde Airlines (TACV) will be privatised as planned.

The Prime Minister, in a state of the nation address, said that as the one-year contract with Icelandair ended, "the next phase, which is the negotiation for privatisation, has been completed," according to the Inforpress news agency.

Correia e Silva said that another company could start operating inter-island air transport, and there was already an expression of interest in this regard, noting that, despite setbacks, his government is focused on providing the country with a "good system of transport." "The management of the airports will be delivered through a concession and Cabo Verde Handling will be privatised, as part of a strategy of creating an air transport platform and development of the air transport sector, including investments in airports such as Praia, Santo Antão and Maio," he said, adding that the runways of São Filipe and Boa Vista airports will be illuminated.

In September, according to the Prime Minister, a tender will be launched for the concession of inter-island maritime transport lines, with investments in boats and regulation of the sector that will have a "strong impact" on the islands' economy. (Macauhub)

BANKING
Banks

Chinese credit supports Angolan State financing needs

Credit granted by Chinese banks will support the financing needs of the Angolan State Budget for this year, which should signal a multi-level policy shift for the country, according to the International Monetary Fund (IMF).

The IMF considers in its latest report on Angola that the financing needs of the Angolan state are "substantial" in 2018, but that "they seem to be manageable given the benign external environment."

Funding needs, according to the IMF, will be met by domestic credit, but also "by external sources, including China and other bilateral creditors, multilateral institutions, such as the World Bank and African Development Bank, commercial banks, and issues of foreign currency bonds worth US$2 billion."

External financing linked to public investment projects is "mostly secured," but the greater reliance on domestic bank financing, "may be difficult to achieve as commercial banks report being close to their limits of domestic exposure to sovereign risk," said the report.

The IMF added that it may be necessary to consider "exploiting the appetite" of the markets for more bond issues, which "would help further diversify the mix of sources of finance, ease the pressure on domestic debt markets and increase public debt maturity."

The National Assembly approved a budget for 2018 considered prudent by the IMF and other international institutions, aiming at an improvement in the primary non-oil budget balance of 2% of GDP.

In the report, the IMF stresses that since the election in 2017, the government of President João Lourenço, "has started to implement policies aimed at restoring macroeconomic stability and improve governance," including the fight against corruption.

Hit hard by the sharp fall in oil prices that began in mid-2014, the Angolan economy suffered, "an even greater erosion of budgetary and external buffers," before the August 2017 elections due to the fixed exchange rate policy followed until then.

The overall budget deficit increased to 6% of GDP and public debt, including state oil company Sonangol, reached 64% of GDP in 2017, while gross international reserves fell to the equivalent of six months of imports and the difference between the black market and the official exchange rate rose to 150% in 2017, noted the IMF.

The new government launched a macroeconomic stabilisation programme in early January, which foresees fiscal consolidation, greater exchange rate flexibility, a 60% reduction in the debt-to-GDP ratio over the medium term, improved debt profile through the management of liabilities, settlement of arrears of domestic payments and effective enforcement of anti-money laundering legislation.

According to the IMF, "structural reforms are properly aimed at promoting private sector growth," while the new government is making concerted efforts to improve the business environment.

Among the new measures highlighted in the report is a programme to diversify exports and replace imports, the Competition Law, which aims to end "monopolistic practices in key sectors such as telecommunications and cement production," and the Private Investment Law, "which eliminates barriers to foreign direct investment." (Macauhub)

AfDB approves $250m risk participation agreement with ABSA

The Board of Directors of the African Development Bank has approved an unfunded US$ 250-million Risk Participation Agreement with ABSA Bank Limited. This Risk Participation Agreement housed within African Development Bank's Trade Finance operations, will enhance African issuing banks' ability to leverage trade financing through a multi-sectorial approach.

When fully utilized, forecast estimates indicate that the facility will catalyze roughly over US$ 2 billion worth of trade in 3 years. The facility's alignment to address the acute market demand for trade finance in Africa through agriculture, transport and manufacturing is consistent with the

Bank's goals of ensuring that Africa industrializes, trades more, and is able to feed herself. By extension, this RPA will also foster financial sector development and regional integration.
Presenting the project to the Board, the Bank's Financial Sector Development Director, Stefan Nalletamby, made a robust case for how, through strategic partners like ABSA, the Bank's RPA instrument continues to facilitate trade on the continent; thereby helping to reduce Africa's trade financing gap. "This facility, through a 50/50 risk sharing approach, will help to promote broad-based economic growth on the African continent through increased facilitation of import-export activities of African corporates and SME's, and increase intra-Africa trade and regional financial integration in line with the Bank's Hi5 strategic objectives," he said.
Most African issuing banks are relatively small and face challenges in obtaining adequate trade finance facilities from international confirming banks to support African importers and exporters. De-risking (the idea of international banks reducing their credit risk stake in developing markets or leaving them altogether) has exacerbated this already dire situation especially for Africa's SMEs.
The Bank's additionality, therefore, lies in the use of its "AAA" credit rating to provide greater comfort to allow ABSA to increase its risk-taking appetite on local banks in Africa and provide them increased trade finance facilities. This consequently enhances the broadening and deepening of Africa's financial systems. (Club of Mozambique)

Bob Diamond's Nigerian Bank Expects to Accelerate Lending

- Lender writes down $177 million of non-performing loans
- Union Bank Nigeria sees lending book expanding 10-12% in 2018

Union Bank Nigeria Plc, the Nigerian lender owned by Bob Diamond's Atlas Mara Ltd., expects to boost lending for the rest of this year after a 64 billion-naira ($177-million) writedown in the first half caused its book to shrink.
UBN's loan book will probably expand 10-12 % this year by focusing on consumer goods, agriculture, agri-processing, services such as education and health, transportation, manufacturing and small businesses, Chief Financial Officer Oyinkan Adewale said on a conference call on Tuesday. It shrank 9 % in the first half compared to the end of 2017 because of the write offs.
The Lagos-based company's ratio of non-performing loans to total credit will improve to below 10 % for the full year from 10.8 % in the first half and 19.8 % at the end of 2017, he said. The real estate industry accounted for about 32 % of NPLs, the CFO said. (By Emele Onu, Bloomberg)

Angola Securities Exchange records over AKZ 24 bilion fall

The Angola Securities Exchange (BODIVA) recorded in the month of July securities business estimated at kwanzas (AKZ)58,9 billion representing over AKZ 24 billion drop in relation to June.
According to the monthly report of the Secondary Market of Public Debt that reached Angop, BODIVA recorded AKZ 58.9 billion, with multilateral and bilateral market trading AKZ 42.8 billion and 16.1 billion respectively. In June this year, BODIVA closed transitions estimated at AKZ 82 billion being AKZ 20,2 billion recorded in the bilateral market, while AKZ 62 billion was made in the multilateral. Banco Fomento of Angola (BFA) remains in the top of the list of business wih over 481 business conducted since last year, ahead of Banco Angolano de Investimento (BAI) recording 57 and Standard Bank ANGOLA (SBA) with nine business performed.
BODIVA has already recorded over 1500 business from January to July estimated at AKZ 417.4 bilion. BODIVA as managing society of regulated markets, is tasked of promoting the development of the securities market and its derivate, so as to decisively contribute to sustained financing of Angola's economy. (Angop)

Portugal's state-owned CGD bank to reduce presence in Mozambique and Cabo Verde

The Portuguese state-owned bank Caixa Geral de Depósitos (CGD) will have to reduce its presence in Cabo Verde and Mozambique by the end of 2020, under the institution's revised 2017-2020 strategy plan authorised by the European Commission, the Finance Ministry announced in a

statement released in Lisbon. CGD is present in Mozambique via Banco Comercial e de Investimentos (BCI), with a 61.5 % stake, with the Portuguese Banco BPI holding 35.67 %, following the exit from its share capital of the Mozambican group Insitec in December 2017.
In Cabo Verde the Portuguese state-owned bank is present via Banco Comercial do Atlântico, market leader in the island country, with a stake of 52.5 %, and Banco Interatlântico, where it controls 70 %.
The plan to capitalise Caixa Geral de Depósitos using 3.9 billion euros of taxpayer money led to implementation of a strategy plan by the bank, which among other measures obliged it to leave four markets: France, Spain, South Africa and Brazil.
The Finance Ministry also reported that following contacts with the European Commission to modify CGD's strategy plan, "the public bank will continue to maintain the retail operation in France," where it counts 48 branches and more than 500 employees.
Because CGD returned to generating profits one year earlier than expected, the administration indicated it was ready to reconsider various commitments, a position Brussels has now accepted.
The units in Spain, South Africa and Brazil are now being sold. The off-shore units in Macau and the Cayman Islands have also been closed. BNU Macau, Banco Caixa Geral Angola, BCI Moçambique and the branch in Timor were considered "strategic international operations" under the agreement covering the period up to 2020. (Macauhub)

German bank opens 500 million euro credit line for Angola

German bank Commerzbank will open a credit line for Angola in the amount of 500 million euros, according to authorisation for the deal granted by presidential dispatch on 23 July, the international press reported. The document approves the framework agreement for financing a credit line to be signed between Angola and the German bank, one month before Angolan President João Lourenço is due to make an official visit to Germany.
The Angolan government said last May a negotiation process was underway with Commerzbank Aktiengesellschaft, Germany's second largest commercial bank, to secure financing of 500 million euros to cover German exports to Angola. Angola had already agreed at the end of May to obtain a US$700 million loan from Credit Suisse bank to cover strategic projects.
This financing is in addition to another similar one worth US$500 million dollars, authorised by a presidential dispatch of 2 May, with the UK Export Finance, for projects registered in the Public Investment Programme (PIP).
Earlier this month official announced Angola was negotiating to add US$500 million to the issue of US$1.25 billion in 30-year bonds issued in May, along with another issue of US$1.75 billion. (Macauhub)

SocGen, BNP Among Banks Exposed to Ivorian Cocoa Firm

- Lenders threaten to stop financing after shipper's collapse
- Ivorian banks exposed to more than $260 million in loans

Lenders in Ivory Coast are threatening to stop financing cocoa exports unless the government halts the liquidation of a local shipping company, with units of BNP Paribas SA and Societe Generale SA among banks exposed to debt that may not be repaid, according to people familiar with the matter.
Banks and the government are continuing talks after a court on July 18 ordered the liquidation of Saf-Cacao, which two years ago was the country's second-biggest shipper of beans, said the people, who asked not to be identified because they're not authorized to speak publicly about the matter.
The order was granted after an application by the industry regulator of the world's biggest cocoa producer, which is seeking to recuperate 7 billion CFA francs ($12 million) in debt, people familiar with the matter said last week. Banks are exposed to more than 150 billion francs in unpaid loans and are arguing that lenders stand a better chance of recovering the money if Saf-Cacao continues to trade, they said.

Saf-Cacao's debt to Ecobank Cote d'Ivoire totals about 15.5 billion francs and it owes 12.7 billion francs to the SocGen unit, said the people. It also owes 7.4 billion francs to the local unit of BNP Paribas SA, 38.5 billion francs to banks of Groupe NSIA, 13.1 billion CFA francs to Banque Atlantique of Cote d'Ivoire and 11.8 billion to Societe Ivoirienne de Banque, according to the people.
While Saf-Cacao has about 55,000 metric tons of cocoa in its warehouses, a portion of the stock is probably of poor quality and of little value after being locked up for months, said two people familiar with the matter.

Contract Defaults

Spokesmen for the units of Ecobank, SocGen, BNP, NSIA, SIB, Banque Atlantique and cocoa regulator Le Conseil du Cafe-Cacao in Abidjan declined to comment when contacted by phone. Government spokesman Sidi Toure and Saf-Cacao liquidator Alain Guillemain didn't answer calls seeking comment.
The liquidation of Saf-Cacao comes as banks are still recovering from last season's wave of contract defaults when shippers reneged on purchasing more than 200,000 tons of cocoa after betting wrongly that prices would rise. Non-performing loans in the banking sector rose to 9.9 % at the end of 2017, from 9 % the year before, according to the International Monetary Fund.
Saf-Cacao's liquidation signals a major turnaround for one of Ivory Coast's biggest cocoa exporters. The shipper slipped out of the top 10 exporters by size for the main harvest that ended in March, and was cited by KPMG in an audit commissioned by the regulator for 22,425 metric tons in contract defaults during the two years through September. (By Baudelaire Mieu, Bloomberg)

Markets

Angola considers setting up a Deposit Guarantee Fund

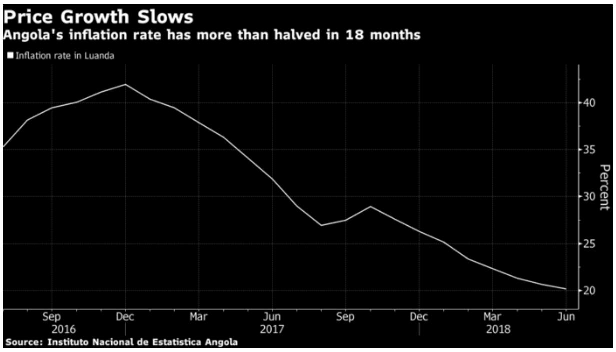
Angola plans to set up a Deposit Guarantee Fund, a public legal entity, according to a statement issued at the end of a Council of Ministers meeting held on Wednesday in Luanda.
According to the statement the aim of the Deposit Guarantee Fund is to guarantee the repayment of deposits at national banks if the banks themselves are unable to do so because of their financial situation. Portuguese state news agency Lusa news said the intention dates back to 2015, following the approval of the Basic Law of Financial Institutions of Angola (law 12/15), which came into force on 17 June of that year.
Article 69 of Law 12/15 sets out the creation of the fund "in order to guarantee the reimbursement of deposits made in participating financial institutions." The same article notes that it is the responsibility of the holder of executive power – the President of the Republic – to create it, but without defining rules for its operation or the amounts that will be guaranteed by the fund. In November 2014, the then governor of the National Bank of Angola, José de Lima Massano, suggested that all commercial banks in the country could contribute an amount equivalent to 0.03% of each deposit portfolio.
The intention was to guarantee up to 3 million kwanzas (US$11,800 at the current exchange rate), according to Lima Massano, who resigned in January 2015, establishing conditions to protect 90% of depositors of the Angolan banking system. (Macauhub)

Angola Cuts Borrowing Costs for the First Time in Four Years

- Central bank reduces rate by 150 basis points to 16.5%
- Inflation slowed for eight straight months through June

Angola's central bank cut benchmark borrowing costs for the first time in four years, and the same man who presided over the last easing in July 2014 is again in charge of policy.

The Banco Nacional de Angola's Monetary Policy Committee, led by Governor Jose Lima de Massano, reduced its key rate to 16.5 % from 18 %, it said in a statement on Tuesday. Massano,



who served as head of the bank for five years until January 2015, was reappointed in October after two previous governors each lasted less than 18 months in the job.

Inflation for Luanda, the capital, has slowed for eight consecutive months, reaching 20 % in June from a record-high 42 % in December 2016. The rate could fall even lower and the cost of credit is expected to decline, the central bank said.

In May, the central bank unified its marginal lending facility rate with the basic interest rate, which was 18 %, to form the new key rate known as BNA.

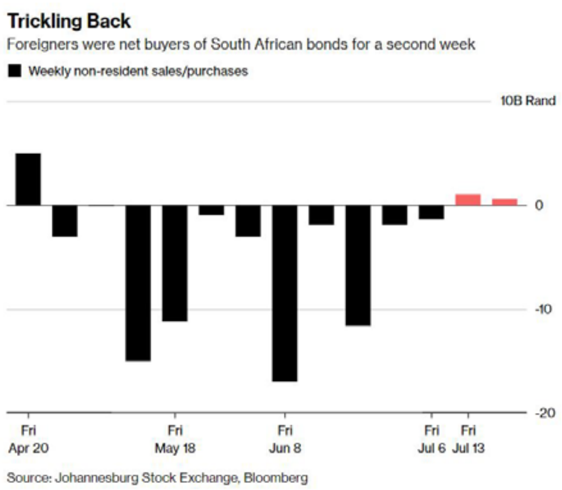
Under Massano, the central bank also ended a currency peg held since April 2016. The bid to end a shortage of dollars led to a 34 % drop in the kwanza this year, the biggest decline among 20 African currencies tracked by Bloomberg. The OPEC member's economy was battered by the crash in oil prices four years ago and is yet to recover. Angola sold $500 million of 30-year debt on Monday 16th July 2018. (By Rene Vollgraaff, Bloomberg)

Angola plans to issue another US$500 million in Eurobonds

The Angolan government is negotiating an additional US$500 million on the issue of US$1.25 billion in 30-year bonds issued in May, along with another issue of US$1.5 billion over 10 years, Reuters reported. Negotiations for the placement of this new issue are being conducted by Goldman Sachs, Deutsche Bank and the China Commercial and Industrial Bank (ICBC), the same ones that were involved in the previous issue. The second issue of Eurobonds received 500 purchase proposals from investors from the United States, Europe and Asia, with demand totalling around US$9 billion, according to the Angolan Ministry of Finance. The first time Angola issued Eurobonds, or sovereign bonds in foreign currency, was in 2015 when the country issued 10-year debt in the amount of US$1.5 billion. (Macauhub)

Foreign Money Is Trickling Back Into South Africa's Bonds

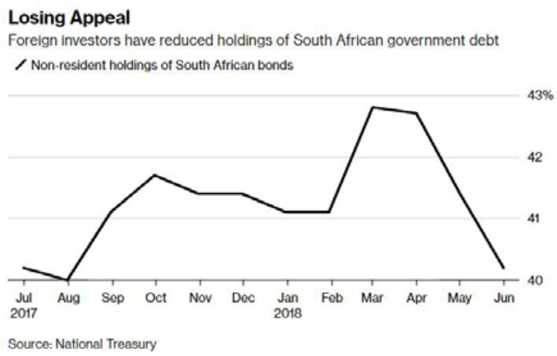
- Non-residents turn buyers for two weeks after record outflows
- Government debt gained 3 % in dollar terms in July



After almost three months of unabated selling, foreign investors are making a cautious return to South Africa's bond market. Non-residents were net buyers of the country's government debt for the second week running last week as emerging-market sentiment improved and inflation in South Africa fell short of analysts' estimates. The inflows have been small: about 1.6 billion rand ($119 million) since July 9, compared with almost 60 billion rand of outflows in the second quarter, according to Johannesburg Stock Exchange data. But the move marks a turnaround from 11 straight weeks of outflows sparked by a stronger dollar and rising U.S. Treasury rates.

"Stabilization of sentiment has led to a reversal of flows back into bond markets" across most developing nations, said Richard Segal, a London-based senior analyst at Manulife Asset Management Ltd. "In South Africa, though, the lower-than-expected June inflation data was a positive and bullish surprise. Assuming the news flow remains relatively quiet then probably yes, inflows will continue."

While the threat of more tariffs between two of the largest economies in the world still lingers, South Africa's yields are high enough to compensate for the uncertainty in global markets. Among major emerging markets, only Brazil and Turkey, both rated sub-investment, offer better returns. South Africa's local-currency bonds are rated Baa3, the lowest investment level, at Moody's Investors Service.



The second-quarter sell-off saw foreign ownership of South African bonds dwindle to 40.2 % in June, from as high as 42.8 % in March, according to National Treasury data. Benchmark yields climbed about 85 basis points in that period as the debt lost 17 % for dollar investors.

So far this quarter, the country's bonds have earned a 3 % return, the best after Argentina, Brazil and Mexico among 19 emerging markets tracked by Bloomberg Barclays indexes. Those gains could accelerate in coming months, with Standard Bank Group Ltd. forecasting the yield on benchmark 2026 bonds at 8.3 % by year-end, from about 8.77 %. (By Colleen Goko, Bloomberg)

Mozambique Eurobond creditors' group proposes restructuring plan to Maputo

A core group of Mozambique's Eurobond creditors have made a restructuring proposal to the government, including extending maturities and adding instruments linked to future gas revenues, sources close to the negotiations told Reuters.

Mozambique admitted in 2016 to $1.4 billion of previously undisclosed loans, many of which went on upgrading maritime and military security. The disclosure prompted the International Monetary Fund and foreign donors to cut off support, triggering a currency collapse and leading to a debt default.

In March, the government outlined three scenarios to overhaul its debt burden but Eurobond creditors rejected them, baulking at a second writedown in as many years. A counter proposal by the Global Group of Mozambique Bondholders (GGMB) was sent to the government on Wednesday, according to two sources.

The proposal envisages pushing out the "bullet" repayment on the 2023 bond, some reduction in the coupons, and an instrument to allow bondholders access to a share of future fiscal revenues from Mozambique's vast gas resources. "There is a substantial cash flow relief to 2023 and that cash flow relief amounts to almost $1 billion to the maturity of the existing bonds," one source told Reuters, speaking on condition of anonymity.

Another source added the new Eurobond issued under the proposal would be bigger in size to account for capitalisation of past due interest, which by now amounts to nearly $200 million or about 25 % of the principal.

Meanwhile the instrument linked to gas-related revenues going to the government would only kick in once a certain threshold had been reached, with Maputo retaining at least 97 % of the gas earnings, the source added.

Neither source would give further details on size, maturity or other details.

The defaulted Eurobond, which is due to mature in January 2023, has just under $727 million outstanding and last traded at 82.5 cents in the dollar, according to Reuters data. Substantial offshore gas reserves were discovered off Mozambique more than a decade ago but progress in getting the infrastructure in place to tap them has been glacial. The country's Rovuma Basin boasts gas resources of around 180 trillion cubic feet, enough to underpin massive LNG export plants under development by Exxon Mobil and Anadarko Petroleum, with production expected to start in 2024. The steering committee of the GGMB is made up of hedge funds Farallon Capital, Greylock

Capital, Mangart Capital Advisors and Pharo Management as well as asset manager Franklin Templeton Investment Management Limited, according to GGMB's advisors. The steering committee members and other bondholders supporting its position represent over 80 % of the Eurobonds. Mozambique is being advised by Lazard. (By Karin Strohecker, Reuters)

Trade Finance: African Development Bank approves US$ 250-million Risk Participation Agreement with ABSA

The Board of Directors of the African Development Bank on Wednesday, 18 July 2018, approved an unfunded US$ 250-million Risk Participation Agreement with ABSA Bank Limited. This Risk Participation Agreement housed within African Development Bank's Trade Finance operations, will enhance African issuing banks' ability to leverage trade financing through a multi-sectorial approach.

When fully utilized, forecast estimates indicate that the facility will catalyze roughly over US$ 2 billion worth of trade in 3 years. The facility's alignment to address the acute market demand for trade finance in Africa through agriculture, transport and manufacturing is consistent with the Bank's goals of ensuring that Africa industrializes, trades more, and is able to feed herself. By extension, this RPA will also foster financial sector development and regional integration.

Presenting the project to the Board, the Bank's Financial Sector Development Director, Stefan Nalletamby, made a robust case for how, through strategic partners like ABSA, the Bank's RPA instrument continues to facilitate trade on the continent; thereby helping to reduce Africa's trade financing gap. "This facility, through a 50/50 risk sharing approach, will help to promote broad-based economic growth on the African continent through increased facilitation of import-export activities of African corporates and SME's, and increase intra-Africa trade and regional financial integration in line with the Bank's Hi5 strategic objectives," he said.

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The Bank's additionality, therefore, lies in the use of its "AAA" credit rating to provide greater comfort to allow ABSA to increase its risk-taking appetite on local banks in Africa and provide them increased trade finance facilities. This consequently enhances the broadening and deepening of Africa's financial systems.

About the Risk Participation Agreement

Under the RPA, the Bank and ABSA will share the default risk on a portfolio of eligible trade transactions originated by African Issuing Banks and indemnified by ABSA. The Bank's commitment under the RPA is to assume up to 50% of every underlying transaction issued by the said African issuing banks while ABSA will confirm such a transaction and bear not less than 50% of its underlying risk.

About Absa Group Limited

Absa Group Limited, formerly a Barclays PLC subsidiary, is listed on the Johannesburg Stock Exchange and is one of Africa's largest diversified financial services groups. Absa Group offers an integrated set of products and services across personal and business banking, corporate and investment banking, wealth and investment management and insurance. The group is present in 12 countries in Africa, with approximately 42,000 employees. (AfDB)

ENERGY

Angola buys electricity from the Democratic Republic of Congo

The Angolan city of Cabinda and the surrounding area will receive electricity from the Inga hydroelectric plant near the city of Matadi in the Democratic Republic of Congo under a bilateral energy cooperation agreement that came out of last February's meeting in Kinshasa, Angolan news

agency Angop reported. The agreement was signed by the Ministers of Energy and Water Resources of DR Congo, Igete Ifoto and of the Angolan Minister for Energy and Waters, João Baptista Borges, who on Monday met with the governor of Cabinda, Eugénio Laborinho, to prepare the reception of his Congolese counterpart. Since 2006, the governments of Angola and DR Congo have been holding meetings to resolve the energy situation in the Angolan province of Cabinda, with the construction of an energy transmission line from the Inga hydroelectric dam.
The construction of the Inga transmission line, passing through the port town of Muanda, has an estimated cost of US$20 million. The Inga hydroelectric facility currently has two plants with a production capacity of 1,800 megawatts each. Inga I started operating in 1972 and Inga II in 1982. The province of Cabinda currently has three dual system turbines (gas and diesel), which provide 95 megawatts of electric power to the entire region, which is not enough for local demand.
Cabinda is a coastal province of Angola that is separated from the rest of the country by a strip of land belonging to the Democratic Republic of the Congo, which borders it to the South and East, and to the north, the border is with the Republic of Congo (Brazzaville). (Macauhub)

Lauca dam yields 40% in first year
The Laúca Hydroelectric Plant, inaugurated on August 4, 2017, has produced 40.6 % of its annual capacity, reaching 3.5 million MWh. Based in northern Malanje province, the infrastructure predicts a production of 8.6 million MWh /year, after its completion. The 2,070 MW Laúca currently operates with two of the six 334-megawatt turbines. In the beginning of the commercial exploitation of Lauca dam allowed the reduction of the consumption of fossil fuels - 55% of the country's thermal production. This ensures more stability in energy production. Some 94% reduction in the black outs of the Northern Electric system, compared from August 2016 to July 2017 (pre Lauca) and August 2017 to July 2018 (post Lauca). AH Lauca is the national leader in energy production. It accounts for 40% of all the water production of the Northern System and guarantees more stability to the national electricity system. The filling process of Laúca reservoir was completed in April 2018. The world class availability AH Lauca achieved an accumulated availability index of 99.64%, between January and July 2018. (Angop)

Cameroon: Nachtigal Hydropower Project
IBRD financing:

- a payment guarantee: $100 million equivalent
- a loan guarantee: $200 million equivalent

Project ID: P157734
Project description: The project will help increase the availability of low cost renewable energy power and leverage private finance for the Nachtigal Hydropower Project. (World Bank)

Mozambique launches unprecedented open application for energy regulator head
The Mozambican government is launching an open application process for the post of chairman of the Energy Regulatory Authority (ARENE) on Wednesday, the first such move concerning a regulatory entity in the country. A note from the Ministry of Mineral Resources and Energy of Mozambique states that the future chairperson of ARENE will have a five-year term, renewable once only for the same period.
The announcement points out that ARENE's main activity is to regulate electricity subsectors, including those resulting from any source of renewable energy, liquid fuels, and the distribution and commercialisation of natural gas. "It is also the responsibility of ARENE to ensure strict compliance with the principles and standards applicable to the energy sector, in accordance with national legislation, and international standards and good practices; and to promote fair competition between public and private energy sector operators as well as contributing to national energy security," the text reads.

The note says that the candidate must be of Mozambican nationality, have a higher education qualification, preferably in Engineering, Economics or Law, as well as having a minimum of ten years of relevant experience a as senior manager in a respected organisation or similar operation.
The launch of the public tender is part of an effort to promote transparency in the hiring of managers of public entities. (Club of Mozambique)

INFRASTRUCTURE

China provides more than half of external financing for Mozambique's road network

Loans granted by China have become increasingly important in the maintenance and construction of roads in Mozambique and are expected to account for 53% of external financing in the road sector in 2018, the local press reported.
Daly newspaper A Verdade wrote that the government has a deficit of more than US$3 billion this year to fund construction, recovery and maintenance of just over 5,000 kilometres of roads considered a priority, and that China, the World Bank and Japan remain the only partners to support this strategic area of development.
Since April 2016, after the discovery of "hidden" debts endorsed by the previous government of Armando Guebuza, the main financiers of the sector suspended their support, particularly the countries of the European Union, but western banks also retreated, at a time when the use of commercial loans to build and improve the road network was gaining ground.
In addition to China, the exceptions to the shortage of financing for the road sector are the World Bank, the African Development Bank (AfDB), Japan, India and South Korea, as well as ongoing projects using European funds that were already underway, according to the newspaper. The State Budget has earmarked just US$90.2 million, about 2.0% of the total needed for the road sector, and the works in the road network must be financed by cooperation partners, initially with donations and loans under preferential conditions and, more recently, commercial finance. The newspaper reported that the government needs just over US$5 billion to cover the 47 infrastructure projects planned for 2018. The province of Tete would have the most routes, 920 kilometres, but the government was only able to raise US$23 million through the World Bank, out of the US$773 million that it needed.
The second province with the largest stretch of roads to be built in 2018 is Gaza, where the government has only been able to raise the US$76.1 million needed for post-flood recovery of 191 kilometres of roads. For Niassa province, which has the third largest stretch of roads planned for works in 2018, the government has secured funding for five of the seven scheduled projects.
The Mozambican road network consists of 30,345 kilometres of roads, of which 7,412 are asphalted roads and the remaining 22,933 are unpaved. Most of the paved roads belong to the primary network of national roads, the largest amount in the province of Tete (1,005 kilometres) then to the province of Zambezia, (885 kilometres), followed by the province of Nampula (815 kilometres). The government of Filipe Nyusi, under the 2015/2019 Five Year Plan, proposed to keep 75% of the road network in good condition, to recover 2,743 kilometres of national and regional roads, to asphalt 2,097 kilometres, carry out annual maintenance on 20,000 kilometres of national and regional roads and periodic maintenance on 5,000 kilometers as well as to build 48 bridges. (Macauhub)

Bridge over Maputo bay may be called "Maputo – Ka Tembe"

The Maputo Municipal Assembly (AMM) wants the bridge linking the two banks of the city's bay to be named "Maputo – Ka Tembe," and the proposal was presented at a meeting held by members of the Municipal Council of Maputo City (CMCM), according to Mozambican newspaper A Verdade. "Following several public consultations, the name Maputo – Ka Tembe prevailed," said the councilor for Urban Planning and the Environment, Luís Nhaca. After approval by the Municipal Assembly, the new name must be submitted to the Council of Ministers for

consideration. Construction of the Maputo-Catembe Bridge, with an initial cost estimated at US$315 million has already exceeded US$756 million, which was granted in the form of loans by the Export-Import Bank of China until the end of 2017.
The bridge, which will be the longest of its kind in Africa, was due to be inaugurated in late 2017 by President Filipe Nyusi, postponed to 25 June by director of the Maputo Sul company, then until the end of June by the mayor of Maputo and the current date set for its opening is now 31 July. The construction of the bridge was awarded to the China Road and Bridge Corporation group, which is also the contractor of the Maputo Circular Road, and the works started in September 2012. (Macauhub)

Angola opens up the creation of Logistics and Distribution Centres to the private sector
Logistics and Distribution Centres, with a central role in wholesale and retail supply and price formation, are open to the private sector in Angola, under new legislation already in force.
Presidential Decree No. 174/18 approving the Regulation on the Organisation and Functioning of Logistics and Distribution Centres (CLOD), defined as sites with support infrastructures for producers, distributors and other economic agents engaged in activities related to them and made up of supply markets, warehouses, distribution companies and the provision of services allowed by law came into force on 26 July.
According to the Legis-Palop+TL Regional Coordination, the installation of CLODs, which predominantly carry out wholesale and retail commercial operations for food and non-food products, may be privately run, with authorisation from the Ministry of Trade, which issues recommendations and directives to the managing body of the CLODs, which assume the nature of a public service.
At the same time, the initiative may begin with the State itself, through the Ministries of Trade or of Territorial Administration and State Reform or other legal entities governed by public law.
The Ministry of Trade is the competent authority to appoint the CLOD Board in the case of public management or to authorise the management of a private entity, which will be awarded through a public tender and exercised via a contract of sale and operation.
It will be the responsibility of the board or managing entity of the CLOD to decide the access by operators to it, including the allocation of a permanent commercial space, made official through a written contract that must include the fees to be paid.
The implementation of CLODs, considered as strategic instruments for the implementation of various policy measures, directly or indirectly related to the trade sector, is mainly intended to standardise activity in the wholesale, retail and other sectors, through the formalisation of the economy, particularly in terms of concentrating production and its role as main source of supply for trade.
Another goal, according to Legis-Palop+TL, is to make the price formation process more transparent and competitive, as a way of increasing domestic production, raising farmers' and industrial incomes, and gradually replacing imports.
The CLODs bring together in a single physical space wholesale and retail trade transactions and other related activities, rationalising and modernising the logistics and distribution circuits, and improving conditions of supply to the populations, providing better quality products, greater variety in hygiene and freshness, and, indirectly, at more favourable prices. (Macauhub)

AfDB releases US$990 million to asphalt stretch on the Cuamba-Muita road
The African Development Bank (AfDB) will release US$990 million to finance the asphalting of the Lichinga to Cuamba road's Muita-Cuamba section in Niassa province.
Minister of Public Works, Housing and Water Resources João Machatine said that this was the first tranche of more than US$3.3 billion in construction costs.
Machatine explained that the disbursement was dependent on administrative procedures, already completed, for the project, which runs until 2020. (Club of Mozambique)

MINING

Diamond-producing companies in Angola can freely sell up to 60% of production

Companies that extract diamonds in Angola can freely sell up to 60% of production under the new "diamond marketing policy," which has brought an end to the previous "Preferential Customers" regime, daily newspaper Jornal de Angola reported.

The new "**Diamond Marketing Policy**" specifically provides for the restructuring of the former system of "Preferred Customers" (those who had the most advantageous conditions for the purchase of rough diamonds), into another more appropriate for the marketing policy, through contracts for the regular purchase of diamonds for an extended period of time (from one to three years), with special rules.

The document, authorised by a Presidential Decree of 27 July, stipulates that diamonds from artisanal mining, through small cooperatives, are acquired exclusively by the national diamond trading company Sodiam, based on market price and the official price list, to be approved by the government.

In the new system for the sale of rough diamonds the sale by producers to "indicated companies or companies owned by them," is possible, according to the "authorised quota of up to 60% of production," using long-term contracts, duly authorised by the government, as well as to cutting companies located in Angola.

Auctions are also planned for the sale of diamonds with special characteristics. Angolan weekly newspaper Expansão recently reported that the diamond-producing companies operating in the country had lost estimated gross revenue of US$5 billion with the business model adopted for the sale of diamonds since 2007, in which they were obliged to sell to the preferred customers imposed by Sodiam, which bought them at a 30% discount on market prices. (Macauhub)

Angola's Sodiam posts turnover of US$316 million from diamond sales in the second quarter

Angola's national diamond prospecting, exploration, cutting and trading company, Sodiamposted gross revenue of US$316.52 million from the sale of diamonds in the second quarter of 2018, according to the company's chief executive Fernando Amaral.

The amount recorded in the second quarter, which is an increase of 23.3% compared to the US$256.59 million recorded in the first quarter, is 93.0% made up of industrial activity (US$295.39 million) and the remaining 7.0% (US$21.48 million) is from artisanal activity.

In the period under review, Sodiam sold 2.31 million carats of diamonds, of which 92% or 2.14 million carats came from industrial production and the remaining 8.0% or 169,270 carats from artisanal production. The chief executive, speaking on the sidelines of a trading meeting in the second quarter of 2018 and analysing the market outlook for the third quarter, said that the diamonds sold mainly came from the provinces of Lunda Sul (85%) and Lunda Norte (15%).

The average price per carat recorded in the second quarter was US$136.69, and for industrial production the price was US$137.45 and for artisanal production was US$126.94. These meetings are held quarterly by the Ministry of Mineral Resources and Oil in partnership with companies in the sector, in order to ensure greater transparency in the process of buying and selling rough diamonds and to monitor the sale of diamonds produced in Angola.

Sodiam was founded on 15 January, 1981, as the exclusive concessionaire of diamond mining rights. It is the successor to Diamang, a mixed capital company, which was created in 1917, during the period of Portuguese colonisation of Angola, and which operated until 1986. (Macauhub)

Angolan replaces Russian as head of Sociedade Mineira da Catoca

Angolan Benedito Paulo Manuel was appointed to the position of managing director of mining company Sociedade Mineira da Catoca replacing Russian Serge Amelin, during the General Meeting held on Thursday in Luanda, Angolan news agency Angop reported. Benedito Paulo Manuel, 51, is a senior official at Catoca, having held positions as head of training, the head of the programming office and deputy managing director for the social area, respectively.

With master's degrees in metal structures and management from universities in the Ukraine and Spain, respectively, the new managing director is the second Angolan citizen and the fourth person to occupy this position in the fourth largest diamond company in the world.
The Catoca General Meeting, which was led by the chairman of the Endiama Board of Directors, Ganga Júnior, assessed and approved the company's report and accounts for the 2017/2018 financial year and analysed the kimberlites of the Luaxe, Tchiuzo and Cat-E 42 concessions.
SMC's shareholders are state-owned diamond company Endiama and Russian group Alrosa, with equal holdings of 41%, with the remaining 18% held by LL International Holding B.V.
Headquartered in the municipality of Saurimo, Lunda Sul province, the company is the fourth largest producer of diamonds in the world and the Angolan leader with a share of 86.3% in volume and 60.3% in monetary value. (Macauhub)

Mozambican company discovers gold in the north of the country
Mozambican company Mwiriti, which owns a stake in Montepuez Ruby Mining, said it has discovered gold in prospecting conducted at the administrative post of Nairoto, Montepuez district, Cabo Delgado province, northern Mozambique, according to the Mozambican press. Mwiriti's report and accounts, quoted by television channel STV (Soico Televisão), said the company plans to raise more than US$100,000 to build a gravel-washing unit, although the size of the existing deposits in the area is not yet known. Mwiriti holds a 25% stake in Montepuez Ruby Mining, which owns a concession in Cabo Delgado for the exploration of rubies, in which British company Gemfields acts as operator. Gemfields, which since July 2017 belongs to the Pallinghurst group, has so far carried out ten auctions of rubies extracted from the concession, which provided a cumulative revenue of US$407 million. (Macauhub)

Canada's Fura Gems obtains another licence to prospect for rubies in Mozambique
The Canadian company Fura Gems has signed an agreement to acquire 100 % of a licence to prospect for rubies in the Montepuez district of Cabo Delgado province in northern Mozambique, the company announced in a statement. The deal was made with the company Azores Overseas Inc. Fura Gems will acquire 100 % of the capital of the subsidiary Mozambican Ruby Lda in exchange for payment of US$381,000 in cash and 2.5 million common shares when the purchase and sale contract is concluded. Fura Gems will also assume liabilities of Mozambican Ruby Lda. amounting to US$993,900, likewise when the deal is concluded.
Fura Gems announced earlier this month that it had become the company with the largest licensed ruby prospecting area (1104 square km) in Mozambique after completing the process of merging mining assets with the Australian companies Mustang Resources Ltd and Regius Resources Group Ltd.
The new mining licences were obtained by paying 15 million Australian dollars, 3 million in cash and about 12.7 million in the company's own shares. (Macauhub)

Canada's Fura Gems acquires nine ruby mining licenses in Mozambique
Fura Gems, of Canada, will become the company with the largest licensed area – 1,104 square kilometres – for ruby exploration in Mozambique, after the conclusion of a merger of mining assets with Australian companies Mustang Resources Ltd and Regius Resources Group Ltd, the mining company said in a statement.
Under the agreement, the Canadian company acquires nine mining licenses held by those two companies for US$15 million of which US$3 million in cash and about US$12.7 million in the company's own shares.
Dev Shetty, chief executive of Fura Gems, said in the statement that the nine new licenses, along with those already held, give the company the largest ruby mining area in Mozambique, in an area where there are some of the highest quality rubies in the country.

Preliminary work has already been carried out by Mustang and Regius through their subsidiaries in Mozambique, Shetty said, adding that once this deal is completed "we intend to start a sample collection process in the coming months so that we can add a world-class ruby mine in Mozambique to our emerald mine in Colombia."
Fura Gems intends to invest up to US$25 million over a three-year period in a programme of drilling and sampling, as well as the reconfiguration of the facilities for washing collected gravel, among other activities.
The deal is expected to be completed by 30 November, and Fura Gems expects the sampling process will allow the auction process of the rubies extracted to begin in the third quarter of 2019. (Macauhub)

Xtract Resources announces an increase in gold mining in Mozambique
Sino Minerals Investment Company, a company contracted by Explorator, Lda, a subsidiary of British group Xtract Resources, to explore the eastern half of the Manica concession in central Mozambique, extracted 1,703 ounces of gold in the second quarter, a 42% increase on the 1,200 ounces mined in the first quarter, the British group said. Xtract Resources' chief executive Colin Bird said in the release that these figures represent a quarter-on-quarter increase in output, a three-month period that was affected by the rainy season in the country. Bird said that the first quarter was affected by the rainy season and the second quarter was affected by difficult gravel processing conditions due to the occurrence of gold in very small pieces and in a very dispersed way. Under the terms of the contract signed with Sino Minerals, Explorator, Lda receives 25% of all gold extracted and was entitled to 426 ounces, of which only 283 ounces were sold, providing revenue of US$291,000. (Macauhub)

AngloGold Says There's No Escaping Demise of South African Gold
- South Africa's gold mines are deep and labor intensive
- Country has been mined commercially for over a century

South Africa's gold industry, once the world's largest, faces an inevitable decline, according to the chairman of the country's biggest producer of the metal by market value.
Output will continue to shrink as miners chase ever-deeper ore bodies while struggling to keep costs down, said AngloGold Ashanti Ltd. Chairman Sipho Pityana. That means the Johannesburg-based company has decisions to make about its future in the country. "Gold is a sunset industry," Pityana said in an interview last week in Bloomberg's Johannesburg office. "It doesn't matter what you do, it doesn't matter how you do it, you are not going to be able to change that." South Africa's gold mines are the world's deepest and among the most labor intensive. The country's gold production dropped 16 % in May from a year earlier, falling for an eighth straight month, as aging infrastructure, depleted reserves and accidents raise costs and curb output.

Still, for producers that are able to mine safely, profitably and reward shareholders with returns, there may still be a future, Pityana said. Automation could offer the answer to mining super-deep reserves in the future, he said. AngloGold, the world's third-largest gold producer, gets about 13 % of its output from South Africa after selling mines to stem losses in the country. That's down from 43 % in 2007. The company's other mines stretch from Australia to Argentina and Ghana.

Major Debate
Given the challenges, some of AngloGold's investors have queried the value of investing in South Africa, compared with other countries such as Brazil, he said. "People are asking 'are you going to

split the two businesses?' It's an option that remains on the table, it's not an obviously decided matter," Pityana said. "All of those things are subject of major debate in our boardrooms, among the executives." Despite a reduced operational presence in South Africa, the company will probably maintain its primary listing in the country, Pityana said. While options for the main listing and any potential sales, purchases or mergers are always being looked at, "you take a view as a board when you really have to," the chairman said. "We are not in that place." (By Felix Njini, Antony Sguazzin, Sam Mkokeli and Paul Burkhardt, Bloomberg)

OIL & GAS

Fuel logistics in Angola opens up to private operators

The entry of private operators into the fuel logistics chain, through their liberalisation, means Angola will have more storage capacity, which is currently limited, the director general of the Regulatory Institute for Oil Derivatives (IRDP), Manuel Albino Ferreira said. The director general of the IRDP recalled that this activity is currently conducted under a monopoly by Sonangol Logística, a subsidiary of the state oil company Sonangol and added that what is intended in the future is to open this segment to other operators. Albino Ferreira said that liberalisation was intended to ensure greater competition in the sector, and opening the market to other players will put an end to monopolies that have adverse effects on the development of the sector, according to Angolan state news agency Angop. The new head of the IRDP also said it was necessary to start making large investments to create conditions for storage of fuels on land in order to substantially reduce or even eliminate floating storage.

Regarding the entry of new private operators, Ferreira said that within three months the Institute will have to present a proposal to revise the presidential decree currently in force.

The purpose of the IRDP is to regulate the oil products sector, and it is responsible for protecting the rights and interests of consumers in relation to prices, services and quality of service and promoting and fostering competition in order to improve the efficiency of the activities subject to its regulation. (Macauhub)

Oil provides income of US$5.729 billion in tax to Angola in the first half

Angola secured tax revenues of 1.47 trillion kwanzas (US$5.729 billion) from the sale of 233.87 million barrels of oil in the first half of 2018, according to figures from the Ministry of Finance compiled by Angolan news agency Angop. The highest monthly amount was recorded in June, when 299.84 billion kwanzas were collected, from the export of 47.39 million barrels of oil at an average price of US$75.15 per barrel.

In the first half of 2017, tax revenue from exports of 294.59 million barrels of oil totalled 793.23 billion kwanzas. In this period, the price of a barrel of oil fluctuated between US$49 and US$52, made up from taxes on income from oil (IRP), oil production (IPP) and oil transaction (ITP) charged to 13 operators. The General State Budget for 2018 was drawn up based on the projected price of a barrel of oil of US$50. (Macauhub)

FPSO Kaombo Norte goes into production in Angola

Angola's national oil company Sonangol, Total E&P Angola and its Block 32 associates have started oil production at the Kaombo Norte floating oil production, storage and offloading unit (FPSO) according to a statement. It is estimated that the production of FPSO Kaombo Norte, the largest deepwater project recently developed in Angola, 260 kilometres off the coast of Luanda, will reach production of about 115,000 barrels of oil per day, according to a statement from Sonangol.

The statement added that the second unit of its kind, the Kaombo Sul, also in Block 32, is due to go into production in 2019, with the combined production of the two units expected to reach 230,000 barrels of oil per day.

The two FPSOs, whose associated gas production is due to be shipped to Angola LNG, will be connected to 59 wells through one of the largest underwater networks in the world, and will develop the resources of six different fields (Gengibre, Gindungo, Caril , Canela, Mostarda and Louro), spread over an area of 800 square kilometres, in the central and southern areas of the Block.
Total E&P Angola is the operator of Block 32, with a 30% stake, and its partners are Sonangol P&P (30%), Sonangol Sinopec International 32 Limited (20%), Esso Exploração e Produção Angola (Overseas) Limited (15%) and Galp Energia Overseas Block BV 32 (5%).(Macauhub)

Mozambique's $49 Billion Gas Plan Stokes Anxiety in North

- Young, unemployed seen as easy recruits for shadowy insurgency
- Becoming major gas exporter may depend on regional harmony

A giant refrigerator will replace the village Jonas Alide Saide has called home for 70 years and he’s not happy about it.
As Mozambique’s plans to export natural gas gather pace, Saide’s northeastern settlement of Quitupo will make way for a plant planned by companies including Anadarko Petroleum Corp. Located on a site larger than Manhattan, the facility will extract and liquefy the offshore gas and generate most of the $49 billion the government expects from sales of the fuel over the next three decades.
But for Saide, the elder in the village of 1,500 people who are due to be resettled nearby, the $20 billion project has brought only anxiety. “We no longer have the strength and power to say anything -- our opinions are not heard,” he said in an interview under the shade of a mango tree. “We depend on fishing. We will no longer have access to the sea.”
How the government and energy companies handle such communities may be key to thwarting an emerging Islamist insurgency in the Cabo Delgado province, where the project is located, that’s seen more than 50 people killed this year. Beneath the region’s Indian Ocean waters there’s enough gas to make Mozambique the world’s fourth-largest exporter of the fuel. But residents include some of the world’s poorest people -- most of them young, and at least some potential militant recruits.
The group known as Ahlu Sunnah Wa-Jama, which means “followers of the prophetic tradition” in Arabic, is thought by researchers to have been behind the attacks, encouraged by radical Islamist leaders from places including Tanzania, Kenya and Somalia.

Beheadings, Burnings

Calling for Islamic law in a region home to both Christians and Muslims, it has emerged over the past year, razing villages and beheading men. Favoring soft targets and unsophisticated methods, it hasn’t targeted any of the gas projects that companies including Eni SpA and Anadarko are developing around Palma town, near the Tanzanian border, although it has attacked villages less than 5 kilometers (3.1 miles) away.
Communities living in poverty while billions of dollars are poured into energy projects may feed feelings of neglect, in turn creating a breeding ground for the shadowy group, according to Calton Cadeado, a lecturer at the Higher Institute for International Relations in Mozambique’s capital, Maputo. “You have a bunch of people there who are young with high expectations and how you occupy those people is something very uncertain for them and uncertain for their future,” he said in an interview in the city, about 1,850 kilometers south of Quitupo.

Nigeria Echoes

Mozambique’s minister of energy and mineral resources, Max Tonela, didn’t respond to calls and a text message seeking comment on the development plans and their possible repercussions.
Martin Ewi, an analyst at the Institute for Security Studies in South Africa, said Mozambique could learn from the history of Nigeria’s energy-rich Niger Delta, where tensions between communities, oil companies and the government since the early 1990s has sparked deadly unrest. “If these concerns are not integrated into this process we could have a similar situation to southern Nigeria in northern Mozambique,” he said. “The fact that these complaints have already started in

Mozambique, and given the current radical group, they are going to exploit the dissatisfaction of these communities and that will actually facilitate recruitment."

The elder, Saide, was one of only three locals who agreed to speak on the record during a recent visit to the area, after initially refusing for fear of reprisals. Several Palma residents reached by phone said they're still waiting for news of work related to the gas development.

Awaiting Work

Abdul Antonio, who's 30 and unemployed, said that while locals are being told to be patient, others from the capital had arrived to work. "They know how to drive trucks and we do not," he said. "Here in Palma there is no driving school -- we only know how to fish. We hope they give us training so we can work in the gas companies."

The World Bank in December flagged Mozambique's rapidly growing population as a challenge. The country has 29 million people, nearly half under 14 years old. That means 500,000 will enter the labor force each year over the next decade, according to the Washington-based lender. Economic expansion is stagnating at around 3 %, about the same as population growth.

President Filipe Nyusi, during a June 29 visit to Palma, tried to manage expectations over gas production, still at least four years away. "You cannot accept someone coming here to deceive you, saying that 'Palma is already rich'," he said in a speech. "It is like someone who expected very much to have a child. He knows that his wife is pregnant, he will have to wait for nine months for that child to be born."

Resettlement Plan

Faume Rachide Pongo, a local fisherman, said Anadarko had promised to keep residents up to date on the progress of the resettlement, but they hadn't received any recent information.

Anadarko's resettlement plan followed extensive consultations with the community and other stakeholders, in compliance with Mozambican legislation and good international practices, the company said. The Woodlands, Texas-based company made plans to allocate alternative locations for fishing that will be linked to the resettlement village by new roads, it said by email.

Anadarko recognizes "the whole concept of resettlement is sensitive" and is "committed to operating in a sustainable manner, with the support and involvement of all local communities," consulting the affected people at every step, it said.

It's crucial the government also explains the development and resettlement to Cabo Delgado's residents, cementing the idea of the state as a legitimate and concerned presence, according to lecturer Cadeado. The "government must communicate at the grassroots level," he said. "If you don't communicate, the likelihood for occurrence of rumors, some kind of gossip, some kind of misunderstanding is very high." (By Borges Nhamire and Matthew Hill, Bloomberg)

AGRIBUSINESS

Angola's new Forestry Regulation seeks to ensure sustainable management of forest resources

Angola's Forestry Regulation, approved by a Presidential Decree of 23 July, regulates the sustainable management of forest resources and establishes the rules on their conservation and rational use, taking into account environmental, social, economic and cultural aspects, according to the Regional Coordination of Legis-PALOP+TL.

The new regulations are in compliance with the Forests and Wildlife Act, approved in January 2017, with other regulations due to be approved soon, namely a new Hunting Regulation and two diplomas on Forest Fees and Hunting Charges.

Under the new regulation, felling or maiming of protected trees, which are classified as national monuments, is prohibited and subjected to fines. There is also a ban on clearing and deforestation, except in authorised cases, to set fires or to carry out fire clearance, except in specific cases when communicated in advance.

Exploration of the natural forest is also prohibited or limited during the period of vegetative rest (between 1 November of each year and 30 April of the following year), with some exceptions.

The regulation stipulates the obligation to remove or gather timber in the natural forest until the end of the forest season (between 1 May and 31 October of each year), a ban on forest exploration outside the area authorised by contract, which may be granted up to a maximum of 25 years.
It also provides for the prohibition of transit through Angola, whether by land, river, sea or air, of forest products from commercial farms in natural or planted forests, without a certificate of origin or a transit document.
Economic operators engaged in forestry activities are subject to a set of specific principles, including managing forest exploration in order to avoid or minimise negative impacts on ecosystems, and to make the management of forest resources compatible with overall forest management and land use and the management of river basins. (Macauhub)

African Development Bank funds agricultural projects in Angola
The African Development Bank (AfDB) will finance local projects in the Angolan agricultural sector starting in 2019, said on Wednesday in the city of Huambo the head of the delegation of the multilateral banking institution in Angola. Jean Marie, speaking at the end of a hearing granted by the provincial vice governor, Maricel Capama, also said that priority will be given to projects that include agricultural production, industrial processing and marketing. He said the funding will cover the country's 18 provinces, confirming that the feasibility studies carried out in recent years are being discussed with the provincial governments in order to find suitable strategies for the successful implementation of these projects.
David Tunga, director general of the Institute for Agrarian Development (IDA), said that the AfDB projects are part of a partnership established with the Ministry of Agriculture and Forestry, which is essential to enable the development of a value chain in the sector, within the context of the diversification of the national economy.
To that end, he said, three regions were selected, the first being the north of Angola (Uige, Zaire, Kwanza Norte, Lunda Norte, Lunda Sul and Bengo), the second in the centre (Huambo, Bié, Moxico and Benguela) and the last in the south (Huíla, Namibe, Kwando Kubango and Cunene).
According to the director-general of the IDA, taking into account its location, projects have already started in Cabinda province independently with an estimated budget of US$101 million. (Macauhub)

South Korea bank lends US$57 million to Angolan fishing company
Angola's Empresa Distribuidora dos Produtos da Pesca (Edipesca) will benefit from a US$57 million financing under a contract signed on Thursday between the Angolan government and the South Korean Export and Import Bank, the Minister of Fisheries and the Sea said. Minister Victoria de Barros Neto said that the financing agreement will solve the fish logistics and distribution problems of Edipesca, located in Boavista, Luanda, by providing funds so that the company can repair and build new facilities for processing and distribution of fish. This financing will solve problems of lack of hygiene conditions as well as make better use of all processing waste, transforming it into fertilizers for agriculture and fishmeal, said the minister, quoted by the Angop news agency. Barros Neto said that once the loan agreement has been signed, a public tender will be launched to select the company that will build the new facilities and repair the existing ones at Edipesca. Edipesca was created in 1984, when a model of planned economy was in force in Angola, to hold the monopoly on the distribution of fish to the northern and eastern regions of the country.
In 1991, due to changes in the political and economic framework (multiparty system and market economy), the company was privatised until 2004, when the Ministry of Fisheries took on responsibility for it as a way of becoming the fish market regulator. (Macauhub)

Mozambique to introduce a new agriculture model with AfDB support
With the support of the African Development Bank (AfDB), Mozambique hopes to introduce a new model of agricultural practice.

The interest was expressed following a meeting with the president of the African Development Bank (AfDB), Akinwumi Ayodeji Adesina, on the sidelines of the CPLP Summit, which ended on the island of Sal, Cape Verde. “There is a concept that the AfDB has financed in Ghana, with a lot of interest, where an agro-industrial area is established, with production not only for export, but also a method that uses technologies and knowledge, that develops the whole area, including access roads, agro-processing, the entire agricultural chain. So we want to see if technicians from Ghana can come to Mozambique soon to assist, advise and then see what can we do in this area, but we also want a focus on industrialisation, especially youth employment, which has been the focus of this Bank. So it was a productive conversation. Once again we remain firm to work with AfDBd,”president Nyusi said. Mozambique’s President Filipe Nyusi and Akimune Adesina spent time together evaluating the state of the partnership between Mozambique and the financial institution, with the AfDB reiterating on the same occasion that it would finance the construction of the Mueda-Negomano road in Cabo Delgado province. (Club of Mozambique)

Cashew industry will make more money for the state in 2018

Mozambique’s Institute for Cashew Development (INCAJU) is forecasting revenue of close to US$120 million this year, against US$109 million in 2017.

The forecast is backed by the improvement of prices in the market. In the domestic market, for example, the average price is around 63.87 meticais per kilogram, against 54.71 meticais in 2017.

To date, the sector has sold just over 124.6 thousand tons of cashew nuts, 84 % of its annual target. Almost all producing provinces have completed the process of sales of their production, except Gaza, Inhambane and Manica.

The plan is to sell about 150,000 tons of cashew nuts in 2018, 11,000 tons up from the previous year. Of the volume sold since the second half of October of last year (the start of the cashew marketing season), the northern province of Nampula accounted for more than half, – 51.1 % on the total current season sales. Cabo Delgado sold the second-largest amount, contributing 24 %, followed by Zambézia province with 13.68 %.

As in 2017, the cashews produced this year are considered to be of good quality by producers, though these continue to insist that the Mozambican government give more assistance to this strategic industry, in order to facilitate a return to the golden era of the 1970s.

In that decade, the crop reached an annual average of 216,000 tons, making the country the biggest cashew producer in the world. Currently, Mozambique occupies the eighth place. Côte d’Ivoire has led the world ranking since 2016, followed by India (the former leader) and Vietnam. Located in West Africa, Cote D’Ivoire’s cashew industry has an average production of about 725,000 tons, representing a 25 % share of the global market. India and Vietnam have a market share of 22 and 11 % respectively.

Ambitious plan

It is in this context that the executive has outlined a Strategic Plan for the Development of the Agricultural Sector (PEDSA 2011-2020) prioritising competitive and sustainable income for producers in order to achieve social and gender equality.

In the period, the government intends to reach production of 180,000 tons, and will to this end provide technical assistance to key players in the sector.

In parallel, an industry reactivation project is underway. In the next three years alone, the French Development Agency (AFD) will invest at least two million Euros in supporting small-scale producers. The AFD funding amount is aimed at developing competitiveness, and the economic, environmental, social and structural sustainability of cashew producers within an institutional framework that favours transparency of market information to facilitate entry into international trade. The project will also contribute to strengthening INCAJU’s institutional capacities at the central level through activities such as the development of information and monitoring systems and support for consultation with exporters and producer associations.

The other component of this project includes a pilot initiative on the outskirts of the Gilé National Reserve in the Gilé and Pebane districts of Zambézia province, whose aim is to improve production with environmentally friendly techniques, as well as the proactive structuring of producer and marketing networks. This project is a continuation of a 4.9 million Euro initiative to reactivate the cashew industry which was implemented between 2000 and 2007, and also supported by the French agency. (Club of Mozambique)

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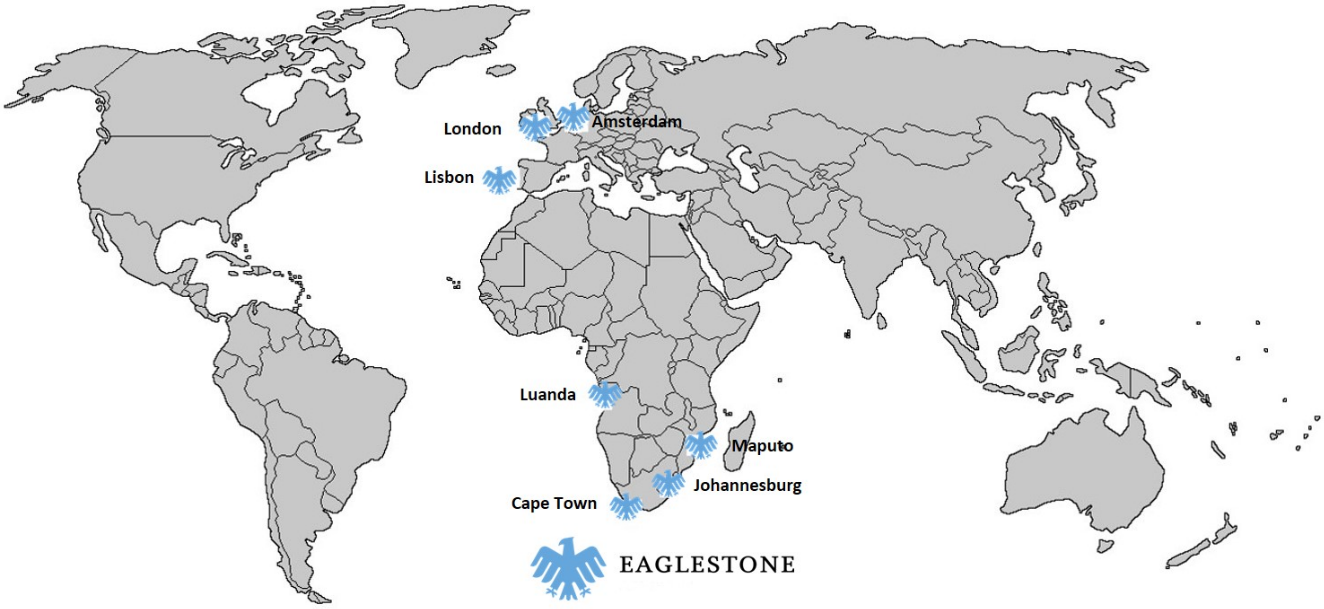

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Disclosures

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

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

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

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

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