INSIDE AFRICA

Now is the time to invest in Africa

27 November 2017

EAGLESTONE SECURITIES

CONTENTS

BRIEFS

Angola

- IMF gives good mark to Angolan government's economic measures
- Russian companies invest in fertilizer business
- Alrosa discovers more than 200 mineral abnormalities
- Angola plans to create a National Petroleum Agency
- New beer factory in Angola produces Portuguese brand Sagres

Cabo Verde

- Portuguese company interested in Cape Verdean shipyard company Cabnave

Mozambique

- Mozambique's inflation slows to 8.35 % y/y in October
- Companies from China, UK and South Africa sign agreement to invest in Mozambique
- Vale Moçambique extracts 10 million tonnes of coal between January and October
- United Arab Emirates announces intention to invest in Mozambique
- Portucel to build US$3B pulp mill in Mozambique
- Government of Mozambique signs port and railway contracts with Mota-Engil

Nigeria

- Nigerian economy grows 1.4 pct in Q3
- Nigerian annual inflation slows for ninth month, to 15.91 pct
- Dangote sells Nigerian noodle plants to rival for $12 mln
- Facebook to open Nigerian hub next year in African tech drive

South Africa

- South Africa eyes BRICS partners to build new $10 billion refinery
- Fitch keeps South Africa's credit ratings unchanged at BB+, stable outlook
- S&P Cuts South Africa Debt Rating, Moody's Issues Warning

Zimbabwe

- Zimbabwe inflation rises to 2.24 % y/y in October
- China's Dongfang Electric, Power Construction Corp sign deal for Zimbabwe plant

In-depth:

Why does Africa's industrialization matter? Challenges and opportunities?

The African Development Bank Group (AfDB) will join other organizations to commemorate Africa industrialization day on 20 November 2017.

The objective is to raise awareness on the challenges and opportunities in financing the region's industrialization, one of the prominent pillars of the **Bank's High5s**. It is also an opportunity for the Bank Group to elaborate on how to galvanize support for promoting Africa's industrialization for improved living conditions of Africans.

Africa is a land of opportunity. The continent is well endowed with natural resources necessary for a resource-based industrialization. The continent is sitting on more than US$82 trillion in discovered natural resources, with the potential to contribute US$30 billion a year in government revenues over the next 20 years. Africa also possesses other natural resources – minerals, rivers, forests, fisheries, etc., in vast quantities worth significant amount. The value added of its fisheries and aquaculture alone is estimated to be more than US$24 billion. However, many countries continue to export raw materials with little value addition. For example, Africa exports 69% of the world's raw cocoa beans but only 16% of ground cocoa, which is typically worth 2-3 times more per ton than raw cocoa. Transforming the agriculture sector in Africa towards agro-allied industrialization could open markets worth more than US$100 billion a year by 2025. Agribusiness can thus be the engine of Africa's structural transformation while creating decent non-agricultural jobs, increasing income, feeding Africa, and alleviating poverty. Therefore, agribusiness can be the engine of Africa's structural transformation while creating decent non-agricultural jobs, increasing income, feeding Africa, and alleviating poverty.

***Demand for manufactured goods is growing*:** Africa recorded the fastest growth in imports of manufactures (141% in absolute terms) with an increase in its share of total world imports by 1 percentage point to 3.2% over 2005–2014. Yet, African economies are remarkably import-dependent for even basic products, ranging from apparel to shoes and electronics.

Infrastructure deficit: Africa faces an acute infrastructure deficit, which are estimated to account for 30% to 60% of productivity losses of firms and 40% to 80% of this is due to the energy sector in half the countries. Poor energy quality imposes additional costs on companies such as idle workers, spoiled materials, lost production, damaged equipment, and restart costs. Between 2010 and 2016 there were on average 8.5 power outages a month, with an average duration of 4.1 hours. The cost of power outages is estimated at 5.4% of annual sales. To deal with these cuts, 51.3% of firms use their own generators for about 13.4% of their electricity consumption, increasing their costs. Preliminary and partial AfDB estimates suggest that Africa's annual infrastructure investment needs amount to at least US$100 billion.

***Investing in human capital*:** Lack of appropriate skills is one of the main constraints Africa faces for investing in manufacturing activities. The continent boasts only few scientists and engineers in sectors that drive African economic transformation. For example, the share of students in science subjects such as engineering, manufacturing and construction ranges from as low as 3% in Burundi to only 12.8% in Morocco compared with Germany, Austria, Mexico, and Malaysia, all above 20%. By 2060, the African population is expected to reach 1.6 billion, more than 70% of which will be under 30 years of age. This demographic structure can be turned into an economic dividend if this abundant workforce is endowed with the appropriate skills. So, investment in human capital must be a priority for developing countries aspiring to transform the structure of their economies.

***Unfavorable business environment*:** The business environment has improved considerably in recent years in a number of African countries. For example, thanks to consistent reforms, the time needed to start a business came down from 63 days in 2005 to 27 days in 2016, and the cost of business start-up procedures, from 198% of per capita gross national income to 54%. Despite the progress, there is much more to do in regulation, financing, fighting corruption, and securing investments. The business environment can be improved by establishing a single contact point between government and existing or new manufacturing firms.

Inadequate financing for industrial development: Access to affordable credit is one of the most binding constraints in Africa, mainly due to information asymmetries for project profitability and lack of collateral or credit history, underdeveloped financial market, low remittances. In the formal sector, micro, small and medium-sized enterprises face a credit gap in excess of US$ 136 billion. Among other constraining factors, long-term and equity financing is especially rare in Africa. Almost 60% of loans in Africa are short-term and less than 2% of loans are for more than ten years.

Major challenges ahead: bold actions and smart policies needed

Industrialization is pivotal to Africa's long-term development and broadening and deepening the manufacturing sector will build more resilient economies. Africa is endowed with vast resources – in agriculture, mining, and maritime resources, which if properly harnessed, can stimulate a resource-based industrialization strategy. Industrial development will simultaneously require coordinated actions in various areas of the economy, including the establishment of forward and backward linkages, particularly with the agriculture and mining sectors. Industrial parks and clusters can especially play an important role unleashing Africa's growth potential. This will require investment in both soft and hard infrastructure, focusing on energy production, transport and ICTs, and improving regulatory environment to stimulate competition.

The Bank's 'Industrialize Africa' represents Africa's bold vision and ambitious strategy to truly transform the continent. The objective of this industrialization strategy is to facilitate a shift from low to high productivity activities – from agriculture to agro-industries; raw mineral resources to high-value semi-processed/or processed exports. The overarching objective is to help raise industrial GDP by 130% by 2025 (15% per annum) to US$1.72 trillion and drive Africa's overall GDP from US$ 2.2 trillion to US$ 4.6 trillion. In turn, this will raise GDP per capita growth by 4% per annum. This will require increasing capacity of African firms to compete regionally and globally by building capacity of and increase funding to SMEs. At country level, bold structural reforms are needed to improve the business environment and upgrade labor and entrepreneurship skills as well as production technology.

November 20 was declared Africa Industrialization Day by the 25th Ordinary Session of the Assembly of Heads of State and Government of the Organization of African Unity (OAU), predecessor of the current African Union, in Addis Ababa, Ethiopia, in July 1989. On December 22, 1989, the UN General Assembly also proclaimed this date to be Africa Industrialization Day, first observed on 20 November 1990.

It is a day when African governments and organizations gather to examine various ways to stimulate the industrialization process in Africa. This special day attracts large attention across the world and special seminars, meetings and other types of events are held throughout Africa.

The central theme of this year's event is "African Industrial Development: A Pre-Condition for an Effective and Sustainable Continental Free Trade Area (CFTA)" (2017)

African Economic Growth Rides on Wireless Rails

A telecommunications boom is lifting an industry and a continent.

In Kenya, hundreds of thousands of people are rising out of poverty as mobile-money services turn subsistence farmers into businesspeople. A similar dynamic drives Ethiopia, the fastest-growing economy in Africa, where the gross domestic product is forecast to climb 8 % in 2019. Borrowing costs in Ghana plummeted almost 2.5 percentage points during the past 12 months amid an unprecedented gain in GDP that's been led by the growth of the telecom industry.

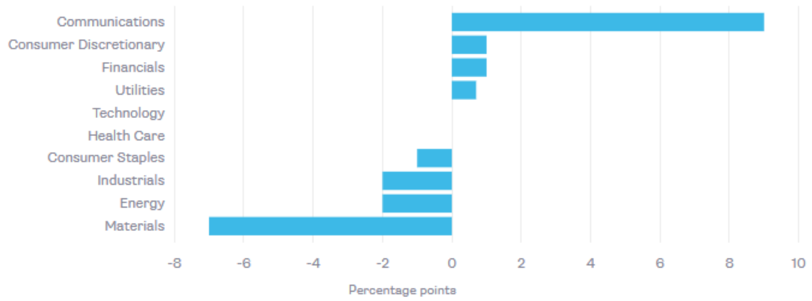
From the Atlantic to the Indian Ocean, hand-held phones are letting people become their own ATMs, increasing economic activity by enabling payments for food, travel, school and business. Wireless communication is driving economic growth in sub-Saharan Africa much as the railroad did in the 19th-century U.S., accounting for almost a tenth of global mobile subscribers and a growth rate that's beating the world.

The transformation is reflected in the more than 1,300 publicly-traded companies that make up corporate Africa. The value of communications firms increased during the past five years to 25 %

of the total market capitalization of African companies, up from 16 %, according to data compiled by Bloomberg. Materials and energy, the natural-resources benchmarks that defined the region since its colonial days, diminished to a combined 18 % from 27 % during the same period.

Where the Growth Is

Change in market cap weight of African companies by sector, 2012-2017



Source: Bloomberg

Nowhere is the trend more pronounced than in Ghana, where the value of products and services produced by the information and communication sector surged 239 % since 2012, according to data compiled by Bloomberg, by far the fastest growth of any economic sector. Such explosive growth helped Ghana improve its creditworthiness and lower the average cost of public and private borrowing to 6.7 % from 9.1 % during the past 12 months. The economy continued to expand at a rate of 6 %, and economists surveyed by Bloomberg say it will grow another 6.7 % next year, almost double its 3.5 % rate in 2016.

Ghana's Telecom Boom

Increase in the value of products and services produced by the fastest-growing Ghanaian industries, 2012-2017

Information and communication	239%
Financial and insurance	85
Health care	58

Source: Bloomberg

Both the region and the industry are benefiting. Kenya-based Safaricom isn't the biggest of the world's telecommunications giants -- its annual sales are about 3 % of the average of the world's 60 largest carriers. But its products and services are changing Africa, boosting its bottom line and attracting global investors. Analysts say that Safaricom's revenues will rise 10 % next year, more than triple the average of those 60 telecommunications giants, after a sales increase of 13 % in 2016.

The company is more profitable than most of its 60 global peers, turning $100 of revenue into $23 of net income in 2016, twice the average. While its shares have gained 104 % since 2014 -- more than 4 times the group average -- Safaricom still trades at a 33 % discount to its global rivals on a price-to-earnings basis, according to Bloomberg data.

Safaricom's mobile-money transfer service, M-Pesa, launched in 2007, now has more than 25 million users in Kenya, a country where 80 % of the population lives beyond the reach of the electric grid. A 2016 study credited M-Pesa with increasing daily per capita consumption levels of about 2 % of Kenyan households that had been subsisting on less than $1.25 per day.

The study, by Tanveet Suri, an associate professor at Massachusetts Institute of Technology's Sloan School of Management and William Jack, an economist at Georgetown University, shows that mobile-money services relieve extreme poverty by enabling men and women to produce and sell goods and services in self-designed markets beyond the boundaries of their subsistence farms. The development is especially useful for women seeking financial independence in male-headed households, according to Suri.

Sub-Saharan Africa by the end of 2016 had 420 million unique mobile subscribers, equivalent to a 43 % penetration rate in the world's fastest-growing region, according to the London-based GSMA trade association of 800 mobile operators. Less than a fifth of individuals younger than 16 (who account for more than 40 % of the population across the continent) have a mobile subscription, GSMA says. That's why investors anticipate escalating earnings. Mobile technologies and services generated $110 billion in sub-Saharan Africa, equivalent to 7.7 % of GDP, and supported 3.5 million jobs last year.

Nowhere is the demography more favorable to mobile money. Ethiopia, Ghana, Kenya, Nigeria and South Africa include 420 million people, or 41 % of sub-Saharan Africa and 6 % of the world. The total GDP of these countries is $936 billion, or 66 % of the region. The population younger than 15 in these five countries ranges from 28 % to 44 %, compared to 25 % for the world, 19 % for the U.S. and 17 % for China.

Visa Inc., the world's largest payments network, said this year that it is planning to expand its mobile-phone application, mVisa, with lenders in 10 sub-Saharan markets, Bloomberg reported. At the same time, Shenzhen-based Huawei Technologies Co., said it is working with London-based WorldRemit Ltd, the money-transfer operator, to enable African expatriates to send cash home to more than 100 million users of the Chinese company's mobile-money service platform.

At a point when mobile phone penetration is 65 % for the world, sub-Saharan Africa's 43 % rate is why telecom investors are making the region their favorite. (With assistance from Shin Pei) (By Matthew Winkler, Bloomberg)

IMF, WORLD BANK & AFRICAN DEVELOPMENT BANK

IMF admits possibility of 2018 Mozambique support programme

The International Monetary Fund’s Mozambique representative says there is a possibility of initiating a programme with Mozambique in 2018, but that the IMF is waiting for criminal charges in the hidden debt scandal to be brought. “The IMF has never said that there would be no programme in 2018, nor did it say that it had abandoned Mozambique,” Aisen said, clarifying statements made by fund leaders during the annual meetings held in Washington in October.

The representative was speaking at the Financial Times investment and business summit in Maputo last week. “We have a good relationship, but having a financial programme now is not possible,” he said, while adding there should be “consultations under Article IV of the IMF charter” involving both parties later this month.

Article IV provides for annual consultations with member countries, in which assessments of macroeconomic performance are made.

In early 2018, after the conclusions of the meetings were referred to the IMF, the situation could be revised, “depending on the response to the information gaps” in the audit on hidden debts. “After that, maybe we can resume negotiations.”

The IMF and most of the traditional donors to Mozambique’s state budget suspended aid in 2016 after the disclosure of the ‘hidden debts’ amounting to two thousand million dollars assumed with state guarantees.

Partial audit results were released in June indicating irregularities and a lack of information from state-owned companies, and the matter has been stalled since. “The government can contribute by assuming a position of potential use of some resources in a structured, cohesive and coherent way, [a position which we] can take to our constituents in Washington, and so on,” Aisen said.

Asked whether it would be necessary for heads to roll in the matter of accountability, said that that was a sovereign matter in which the fund did not interfere. “Our issue is really lack of transparency,” he said. “There are ongoing investigations, the conclusion of which we await.” As for possible charges “we presume there will be, because President Nyusi said there is clear indication that there was criminal activity associated with this scandal”. Like other donors interviewed by Lusa in recent months, Aisen said that signing a financial programme with the IMF would give Mozambique credibility. (Club of Mozambique)

International aid supports recovery of the Angolan economy

Angola is receiving support from the International Monetary Fund (IMF) to normalise access by its banks to international money markets, a first step, according to analysts, towards a more comprehensive assistance agreement. The Angolan Minister of Finance, Archer Mangueira, confirmed in a recent interview that the government was assessing a new IMF programme, adding that it had yet to be decided if it would include financing.

The aim, according to the minister of the new government of João Lourenço, is to support macro-economic improvement, budgetary consolidation, monetary and exchange rate adjustment and the promotion of investments.

With the negotiations in an initial phase, the Economist Intelligence Unit (EIU) said that "a deeper involvement (of the IMF) through a formal programme would be positive for the country," and that its forecasts for the Angolan economy will reflect a greater likelihood of reform, if there is an agreement for assistance, with or without funding. The issue, it said, is the willingness of the authorities to "adopt the harsh reforms – and transparency," that would result from an agreement, said the EIU in its October report on Angola.

In April 2016 the government made a formal request for assistance from the IMF, but three months later abandoned the negotiations for an extended fund facility (EFF), a three-year programme which would allow access to a maximum of US$4.5 billion.

The head of the IMF mission to Angola, Ricardo Velloso, was in Angola last week for consultations under Article 4, a few weeks after the IMF announced it would support Angolan National Bank (BNA) in adjusting to "the standards and international best practices," non-compliance with which led to the end of relations with correspondent banks, in 2016, accentuating the currency crisis, by cutting the banking sector's access to the purchase of US dollars.

The Africa Monitor Intelligence newsletter reported recently that, with the current economic difficulties, measures to enhance the attractiveness of the country for foreign investment and improvement of its external image are considered a priority, especially in financial circles.

According to the same source, IMF aid to the balance of payments is considered crucial and, among the main measures expected in a future agreement, is the devaluation of the Kwanza, and the IMF will not support the government's programme without an intervention in the foreign exchange market (30% depreciation by the end of 2017 or the first quarter of 2018). International reserves recently reached historic lows, due to the sale of foreign currency to commercial banks by the Angolan central bank. (Macauhub)

AfDB Group approves €122m loan for Tunisia road improvement Project

The Board of the African Development Bank Group (AfDB) has approved a loan of €112 million to help finance the North-East Road Connectivity Support Project in Tunisia.

The project aims to make the Tunisian economy more competitive through supporting the growing demand for the traffic of goods and people in Bizerte as well as better mobility and improved connections between the northern and eastern regions of the country.

It is in line with three of the AfDB's High 5 strategic priorities. The first is 'Industrialize Africa' through developing nearby export-oriented industrial zones. The project will also 'Improve the quality of life for Africans' through cutting congestion and improving some neighborhoods. It will also contribute to the 'Feed Africa' priority through upgrading local agricultural land. The project is also in line with the Strategic Plan for Tunisia for 2016-21. "This project will further improve the mobility of people and goods in Bizerte and Beja, as well as in Jendouba," said Mohamed El Azizi, the AfDB's director general for North Africa, when the Board of the Bank approved the project. He added that: "in due course, the port of Bizerte is expected to become the premier port in Tunisia, so strengthening the competitiveness of the country's economy."

The total cost of the project is €277.29 million, with the European Investment Bank lending €123 million and the Government of Tunisia contributing €32.29 million.

In June 2017, the AfDB Board approved the Country Strategy Paper for 2017-2021, which sets out the context and the strategic framework for AfDB's interventions in Tunisia. The Bank's interventions revolve around two pillars: strengthening industry and value chains, and improving the quality of life in prioritized governorates.

IATA, African Development Bank sign MoU to advance Africa's aviation
MoU focuses on capacity building, improved safety, connectivity, infrastructure
The International Air Transport Association (IATA) and the African Development Bank (AfDB) have signed a memorandum of understanding (MoU) to establish a framework for collaboration to boost the aviation sector in Africa.
The MoU was signed in Abuja, Nigeria, on the sidelines of the International Civil Aviation Organization's World Aviation Forum, "Financing the Development of Aviation Infrastructure" by IATA's Director General and Chief Executive Officer, Alexandre de Juniac, and African Development Bank President *Akinwumi Adesina.*
The aviation industry in Africa currently supports US $72.5 billion in economic activity and 6.8 million jobs. Over the next 20 years, the industry is forecast to grow at nearly 6% per year. "This creates significant opportunities. But achieving this potential will not happen by chance; strong partnerships are key. The MoU with AfDB will help facilitate the growth and development of Africa's aviation industry. In so doing, it will expand prosperity and change peoples' lives for the better in the continent's 54 nations," de Juniac told the African Aviation Ministers, Africa aviation industry experts, and airline executives present at the signing ceremony.
Under the MoU, IATA and the AfDB will work in partnership to further Africa's economic and social development by helping build a safe, secure and efficient aviation industry. The two organizations commit to create and implement programs and projects, including technical cooperation for capacity building. Priority areas will include improving connectivity, safety and aviation infrastructure. "The aviation sector is especially important as it opens up doors to investors," said Adesina. "Very few invest where it's difficult to travel to. That's why ease of access via air travel is strongly correlated to economic growth. We must make regional aviation markets competitive and drive down costs, raise efficiencies and improve connectivity and convenience." "From Abuja, a new voice has arisen through this partnership: Africa's aviation time has come! Together, let's open up the skies of Africa, and together let's integrate Africa. By so doing, we will build stronger and more resilient economies," he said.
The African Development Bank has invested close to US $1 billion over the past decade in the construction and expansion of airport terminals, as well as aviation safety and aircraft financing. Additional Bank interventions in the aviation industry include grants for capacity building and coordination systems in 25 countries and 69 airports, that will help increase the number of International Civil Aviation Organization safety and security compliant airports from 3 to 20 by 2019.

AfDB calls for bold actions to improve air connectivity in Africa
The African Development Bank (AfDB) has called for bold actions to improve connectivity, market access, and cost reduction in Africa's aviation sector.
Pierre Guislain, AfDB Vice-President for Private Sector, Infrastructure and Industrialization, made this call at the **third ICAO World Aviation Forum** in Abuja.
The AfDB is partnering with the Nigerian government, the African Union Commission (AUC), and the New Partnership for Africa's Development (NEPAD) Agency to co-host the **third ICAO World Aviation Forum** from 20-22 November in the Nigerian capital.
The Bank has also reiterated its commitment to partner with stakeholders to boost the continent's aviation sector.
Guislain emphasized the critical role aviation can play to boost economic growth by integrating the continent's fragmented markets. "In the past ten years, AfDB has provide about $1 billion to the

African aviation sector. We have invested in airport construction or expansion in Morocco, Tunisia, Cape Verde, Ghana or Kenya, and in the improvement of air safety and navigation in the Democratic Republic of Congo (DRC) and West and Central Africa," he stressed. "We have also provided financing for aircraft acquisition by Ethiopian Airlines and Air Cote d'Ivoire."

Despite Africa's fragmentation with major economic centres geographically far from each other, the low level of connectivity and absence of significant airline hubs remains a real challenge for business people and ordinary Africans, he observed. "We all know that travelling in Africa remains inconvenient and costly. Today, a two and half hour flight from Lilongwe and Johannesburg costs 3 times more than a similar flight from Rome to London, for example," he noted.

Opening intra-African aviation and lifting remaining traffic restrictions is still a priority nearly 20 years after the Yamoussoukro Decision signed by 44 countries. The AfDB VP considers private sector financing and investment as critical and canvased a level playing field where there is an open and reliable access, as well as private airlines competing with state-owned operators. Liberalization of the aviation industry can spur regional integration and trade by bridging the 54 fragmented African markets, he noted. Guislain identified more open visa policies as another way to stimulate integration and foster regional passenger traffic.

According to the AfDB, the African aviation industry is hampered by high costs. Therefore, sustained growth of the sector would require a tough look at ways to cut costs related to high taxes, fees and charges and airport levies. They also include high costs especially for airlines, due in part to higher country and company risk as well as the small size of many African airlines. Nigeria's Minister of State for Aviation, Hadi Sirika, described aviation as the way to go to foster economic development.

INVESTMENTS

Companies from China, UK and South Africa sign agreement to invest in Mozambique

Ncondezi Energy Ltd has signed a non-binding offer with China Machinery Engineering Corp. and General Electric South Africa (PTY) Ltd for a project in Mozambique at a meeting held in Beijing, the company said in a statement issued in London. The signing of the document follows an announcement on 20 October that the parties had reached agreement in principle on the terms of the non-binding offer. The non-binding offer lays the groundwork for negotiations for the development, construction and operation of the project of a coal-fired thermal power plant with a capacity of 300 megawatts and an open pit coal mine in Mozambique's Tete province. A final agreement would mean that the China Machinery Engineering Corp. and General Electric South Africa acquire approximately 60% of the project, giving the two companies the responsibility of developing and managing it. Ncondezi Energy Ltd also said the two companies were selected as preferred partners because they have experience in the energy sector and have already been involved in the development of projects in Mozambique. (Club of Mozambique)

New hospital for northern Mozambique?

A hospital equipped with state-of-the-art technology could be built in one of Mozambique's northern provinces in partnership with the Office of the Wife of the President of the Republic, Isaura Nyusi, who concluded a working visit to the United States of America. The planned health unit will offer multiple modern health services and will help to relieve the pressure on large hospitals seeking to treat diseases that need specialised care such as cancer.

In a meeting with the delegation of the First Lady's Office, cooperation partners expressed their willingness to support Mozambique in solving population health problems, especially in rural areas.

Rashid Ahmed, who spoke on behalf of the partners, said there was a strong desire to support Mozambique and that these small gestures represented only the beginning of a relationship that was intended to last. Isaura Nyusi said the results of the visit to the United States were positive because of partners' willingness to help the country in the search for diagnostic solutions to diseases, one of its current main concerns. The First Lady said that during the discussions the partners showed a strong desire to collaborate and support Mozambique in responding to the challenges posed by the difficulties of access to health, with the emphasis on rural areas. Isaura Nyusi said the provision of diagnostic equipment was a manifestation of the commitment of the First Lady's Office to its role of supporting government efforts to solve the problems affecting the Mozambican population. "They are willing to continue this partnership long term and support us in everything that is needed for the health sector and other areas. We welcome their willingness to visit our country to find out about our concerns, and we can certainly develop other perspectives from there," the First Lady said. Isaura Nyusi said that challenges remained in improving health infrastructure and adapting hospital equipment for better diagnosis and subsequent treatment of diseases. The First Lady also said that the expectation was for continuous technological improvement in the health sector through the introduction of advanced technologies and training of staff in the operation and maintenance of equipment. (Club of Mozambique)

Mozambican parliament approves new Customs tariff

The Assembly of the Republic approved the proposal to amend Law 11/2016 of 30 December on the text of the Customs Tariff and its preliminary instructions, worsening or eliminating the exemption from import duties of products such as fish (horse mackerel), used or second-hand clothing and second-hand cars. The proposal was rejected by Renamo and the Mozambique Democratic Movement (MDM) but passed on votes in favour by Frelimo, the majority parliamentary group. This instrument establishes the customs duties and other charges levied on imported or exported products.

The document submitted to parliament by the Council of Ministers and presented by the Minister of Economy and Finance, Adriano Maleiane, eliminates the exemption from import duty of frozen mackerel, with a general rate of 20 per cent now being imposed on this product. The minister explained that the application of the tax was not aimed at increasing state revenue, but at encouraging the consumption of domestic fish and imports of horse mackerel from countries in the SADC region.

Currently, 93.7 % of horse mackerel imported comes from Angola, South Africa and Namibia, under the SADC protocol, which exempts this product. The remaining 6.3 % are purchased outside the African continent, such as Japan. "Irrespective of its origin, horse mackerel is exempt from VAT on importation and domestic sales, so as not to raise its price," Minister Maleiane clarified.

In the case of used clothing, the tariff will increase by 25 meticais per kilo, arising from the need to reactivate the textile industry in Mozambique, which at present suffers very low levels of production and investment. "The Government considers that the importation of used clothing is a transitory measure, inserted in a special historical moment," he said. The rate, says Maleiane, is designed to stimulate investors to create national textile companies, promote the emergence of new industries, encourage the consumption of local raw materials, broaden the tax base and thereby increase revenue for the state and create new jobs. Currently, the national textile industry is operating below 40 % of capacity and the government's intention is not to harm the citizen, but rather to boost national production.

As for the importation of second-hand vehicles over seven years old, the new tariff will apply a higher rate. The minimum value of the tax per unit of specific taxation for these vehicles varies from five to 350 thousand meticais, depending on the vehicle. Vehicles under the age of seven saw rates reduced to five %. The document presents this as an incentive towards vehicles with a maximum age of five years.

The taxes, which come into effect next year, also cover products such as Portland cement, whose import rate goes from 10.5 % to 20 %, but decreases from 20 to 7.5 % materials used in the printing industry, such as plates, sheets, strips, blades, ribbons and films .

Beer based on cereals sees reduced rates

The new tariff reduces fees for beers produced from cereal, including corn, as a way of encouraging the use of local raw material in the national beer industry. Malt beer shall be readjusted with the incorporation of at least 50 per cent of local cereals or tubers and 30 per cent or more of malt; malt beer with the addition of at least 50 % local corn and 25 % or more malt and opaque beers without malt. Reduced rates for new brewery undertakings are also foreseen for a period of three years after the start of the operation. The question of the protection of domestic products does not begin with the measures adopted by parliament. One recent debate over the protection of domestic production saw poultry farmers opt to slaughter of chicks as a result of imports, mainly from Brazil. The government limited imports to general satisfaction and without parliamentary criticism. (Club of Mozambique)

United Arab Emirates announces intention to invest in Mozambique

The United Arab Emirates (UAE) want to make large investments in Mozambique in various areas, such as agriculture, mineral resources and transport and communications, said in Maputo the ambassador of the Arab country.

Asim Al Rahmah, who was speaking during the official opening ceremony of the embassy of the United Arab Emirates in Mozambique, said that the act “marks the beginning of a new impetus for economic cooperation between the two countries.”

The ambassador stressed that to ensure that the investments can be a reality, the two countries recently signed some agreements, in particular on the promotion and reciprocal protection of investments and to avoid double taxation on income and tax evasion. Quoted by Mozambican news agency AIM, Asim Al Rahmah mentioned within the framework of bilateral cooperation the project for construction of a training centre in the southern province of Inhambane, which will provide vocational courses, costing US$2.5 million.

Also within the context of cooperation, negotiations are underway between the DP World group and the Government of Mozambique to boost the port of Nacala, in the northern province of Nampula. The ambassador also said that airline Emirates will begin direct flights to Mozambique in transportation and logistics, which, he said, will boost trade and investment for the benefit of both countries. (Macauhub)

Portucel to build US$3B pulp mill in Mozambique

Portucel Mozambique will build a new pulp mill in Ile-Namarroi, in Zambézia, Mozambique. According to the announcement, the mill will have a production capacity of 1.5Mt and a biomass power generation plant. The total investment is about USD 3 billion. Portucel will finance 80% of the project, while the remaining 20% are expected to be covered by the International Finance Corporation (IFC) of the World Bank group. Portucel Mozambique is controlled by The Navigator Company. The new plant expected to be operational by 2023, will more than double the global pulp production capacity of The Navigator Company (currently 1,440ktpa).

About Portucel Mozambique: The company was founded in 2009 by The Navigator Company (the former Portucel Soporcel Group). It is responsible for setting up Mozambique’s largest integrated forestry project for producing paper pulp and energy. (Club of Mozambique)

Replacement of imports in Angola depends on internal competitiveness

Angola plans to replace the import of construction materials through the use of its national productive capacity, only when its products are competitive in terms of quality and price, said in Luanda the minister of Industry, Bernarda Martins. “The promotion of Angolan exports is an orientation of government which is threatened by the lack of competitiveness of domestic industry which, moreover, is an impediment to the creation of an entrepreneurial culture,” said the minister, according to Angolan state news agency Angop.

Industrial competitiveness depends heavily on its legislative framework and the rules and applicable procedures, including the systems of licensing, industrial quality, standardisation, certification, the guarantee of protection of intellectual and industrial property and the effective functioning of industrial inspection.
Speaking at the opening of the 2nd Seminar of the Association of Industries of Construction Materials of Angola, the Minister stressed that the mid -term plan of the government, whose term runs from October 2017 to March 2018, makes reference to the production of building materials.
The meeting covered standardization and quality and the rules and regulations for construction, and guests attended presentations by the Angolan Institute for Standardization and Quality and the Angolan Engineering Laboratory. (Macauhub)

Government of Mozambique drafts regulation to control foreign trade
The government of Mozambique is currently drafting a regulation to control foreign trade operations and preventing illegal operations in the import and export of goods, said recently in Maputo the Minister for Trade and Industry. Minister Max Tonela, who spoke during the closing session of the ministry's 15th Coordinating Council said the regulation will allow for access to relevant information in a timely manner, on quantity, price, origin and destination of goods imported and exported. The decision to draw up a regulation arose as a result of work carried out in coordination with the Ministry of Economy and Finance and the Bank of Mozambique, which concluded there were weaknesses in the process of monitoring foreign trade. "Another challenge we face has to do with the adulteration of invoices," he said. The minister recalled that the country has a recurring balance of trade deficit, with the accumulated value of exports between 2006 and 2016 totalling US$33 billion and of imports totalling US$57 billion.
Mozambique's exports will continue to be based predominantly on products from large projects such as coal, natural gas from Pande/Temane, aluminium from Mozal, electricity, and heavy sands, among others, with traditional products, such as cashew nuts, fish and cotton, accounting for an increasingly smaller portion. (Macauhub)

Portuguese company interested in Cape Verdean shipyard company Cabnave
Portuguese company Atlanticeagle Shipbuilding intends to compete in the privatisation of Cabo Verde's (Cape Verde's) shipyard company Cabnave – Estaleiros Navais de Cabo Verde, the chairman of the Portuguese company told Cape Verdean broadcaster Radio Morabeza. Joaquim Peres attended the 21st edition of the Cabo Verde International Fair (FIC), which took place from 15 to 19 November this year in the city of Mindelo, São Vicente Island, and told the station that Atlanticeagle Shipbuilding intends to take over the management of the Cape Verdean state company.The chairman of the Portuguese company said Cabnave has good infrastructure, is well located and "fits in our growth strategy," and added that "everything depends on the terms on which the privatisation of the company is carried out." In addition to ship repairs, which the company already carriesout, Peres wants to give a new dynamic to the shipyards of Cabo Verde, particularly through shipbuilding. The privatisation process of the naval maintenance company is suspended, after the current government opted to cancel the international public tender to deliver Cabnave under a sub-concession. The shipyard company has its headquarters on the island of São Vicente and the cancelled tender was oroginally awarded to Portuguese shipping company ETE – Empresa deTrafego e Estiva de Portugal. (Macauhub)

New beer factory in Angola produces Portuguese brand Sagres
Sociedade de Distribuição de Bebidas de Angola (Sodiba), which has as its shareholders the businesswoman Isabel dos Santos and her husband, Sindika Dokolo, has invested US$85 million in the construction of a brewery with capacity to produce 144 million litres per year in two filling lines, the Angolan press reported. One of the two filling lines is intended for the production of Portuguese beer Sagres, under an agreement reached in February this year with Portugal's

Sociedade Central de Cervejas (Centralcer) and under the supervision of its main shareholder, the Heineken Group. The businesswoman, who was removed as chair of the Board of Directors of state oil company Sonangol, attended the inauguration of the plant on the outskirts of the Angolan capital. Sagres will be the first Portuguese beer to be produced in Angola, and the product manufactured will have the same image as its namesake beer brand that is available on the Portuguese market. (Macauhub)

Peugeot launches joint venture to build cars in Algeria

Peugeot maker PSA Group signed a joint venture agreement with three Algerian partners to build cars in the North African country. The French carmaker said it would invest around 100 million euros ($117 million), equalling 49 pct of the joint venture's capital. The joint venture will set up a plant in the western Algerian city of Oran, where French automaker Renault opened a plant in 2014. The Algerian partners are Condor Electronics, Palpa Pro and Entreprise Nationale de Production de Machines-Outils (PMO), PSA said in a statement. The plant will start some production next year and be fully operational in 2019, PSA said.

The agreement was signed in Algiers as part of the France-Algeria joint economic committee (COMEFA), in the presence of French Foreign Minister Jean-Yves Le Drian and French Economy, Finance and Industry Minister Bruno Le Maire. They said France was seeking to boost investment in its former colony after losing ground to countries including China, Turkey and Italy. French firms including Renault, Alstom, and Sanofi were expected to sign deals in Algeria in the near future, Le Maire said. Algerian ministers present at the signing also said they hoped France would boost its investment in the North African country. "We need to point out the weakness of the partnership in our economic relations, including FDI (foreign direct investment)," Algerian Foreign Minister Abdelkader Messahel said. The agreement will enable PSA to achieve its goal of selling 700,000 vehicles in the Middle East and Africa region by 2021, PSA Executive Vice President, Africa-Middle East, Jean-Christophe Quemard said in the statement. Groupe PSA said it sold 383,504 vehicles in the region in 2016. ($1 = 0.8574 euros) (By Sybille de La Hamaide and Lamine Chikhi, Reuters)

Logistics service operator Rangel to invest EUR 750,000 in Mozambique

Portuguese logistics services operator Rangel announced today that it is to invest EUR 750,000 Euros in a new business in Mozambique, but without revealing further details at this point. The announcement was made on the sidelines of the opening of MOZEFO – 2nd Edition of the Economic and Social Forum of Mozambique, which runs in Maputo. "We are only going to reveal concrete news at the beginning of next year, but it is guaranteed to strengthen our operation in Mozambique," company CEO Nuno Rangel says in a note released by the company. The Portuguese company has invested EUR 2 billion in Mozambique since 2012, but intends to continue strengthening its logistics infrastructure here, he says. "We are here today in MOZEFO mainly as partners, but it is a reference and merit initiative, where we speak about and discuss the future of Mozambique in Africa, and where Rangel wants to be a dynamic and fundamental agent in the development of African countries," he adds.

Rangel has its own facilities in the cities of Beira and Maputo, moving around 3,000 TEUs per year, which, according to the company, makes it a leader in the transport of Portuguese exports to Mozambique. Rangel operates international land, air and sea transport services on five continents, with contracting companies providing logistics, air, sea and land transportation, warehousing, physical distribution, express and parcel services, customs formalities, fairs and exhibitions. With 1,500 direct employees, Rangel recorded turnover of EUR 158 million in 2016 and manages 263,000 square metres of logistics workspace. (Club of Mozambique)

BANKING

Banks

Angola: Banco Yetu deposit portfolio worth AKz 10 bln

Deposit portfolio of Banco Yetu, started in September 2015, reached 10 billion kwanzas in fiscal year 2016, said the chairman of Executive Commission.

António André Lopes attributed above figure to the trust the more than 7,000 clients placed on this financial institution. With current more than 10,000 clients, Banco Yetu predicts an increase in its deposit portfolio by the end of this year. The manager was speaking at the opening ceremony of the "Agência Nova Câmbios", a company tasked with providing products and services of Banco Yetu. Despite the crisis affecting the country, the manager said to expect a better exercise in 2017, in the view of the increase in the customer portfolio, as the year of 2016 was the first year of activity.

Under the new deal, Agência Nova Câmbios will provide various banking-related services as if it were a branch. The Angolan private-owned financial institution has six branches based in some country's provinces. Banco Yetu was created in June 2014 with a capital worth 3 billion Kwnzas. While Agência Nova Câmbios is a company specialised in the purchase and sale of foreign currency as well as providing service to the clients. (Angop)

Mozambique Central Bank is said to mull sale of Moza Banco stake

Mozambique's central bank, whose pension fund owns 80 % of Moza Banco SA, is considering the sale of a minority stake after it injects further funds in the failed lender, according to four people familiar with the matter. The sale could follow a rights issue next month in which the pension fund will be the only participant, the people said, asking not to be identified because the plans are private. Moza Banco's other investors, Novo Banco SA of Portugal and Mocambique Capitais, won't exercise their rights in the share sale, they said.

The pension fund wants to sell 20 % to 40 % of Moza Banco, the people said. Talks are still at an early stage and may not result in a deal, one of the people said. Moza Banco, Mozambique's fourth biggest bank, collapsed in September 2016 after its solvency dropped to zero. Despite interest from lenders around the continent to take over Moza Banco's assets, the central bank's pension fund injected 8 billion meticais ($131 million) into the lender in May, giving it the stake in the Maputo-based company.

When approached for comment, the central bank referred queries to the pension fund without providing contact details. The fund and the regulator share the same address, while the fund is chaired by central bank Governor Rogerio Zandamela. Novo Banco didn't respond to an email last week seeking comment; a spokeswoman for the Lisbon-based lender confirmed the company had received the request. Mocambique Capitais couldn't immediately be reached for comment.

Mozambique's state-run ethics body said in August that the central bank violated the law by selling Moza Banco to administrators of its pension fund, Kuhanha SA. The central banks sees the stake as a burden and wants to sell the bank to avoid a conflict of interest or censure from the ethics body, one of the people said.

Moza Banco is planning to raise 3.5 billion meticais in the rights issue that closes Dec. 15. Mocambique Capitais would be required to inject 373 million meticais to maintain its 10.5 % shareholding in Moza Banco, according a Nov. 7 letter signed by Prakash Ratilal, the chairman of the Maputo-based investment fund, and seen by Bloomberg. Shareholders have until Nov. 22 to express interest in participating in the share sale, according to the document. (Club of Mozambique)

South African Banks Prepare for Worst as Junk Rating Looms

- Lenders face credit downgrades to junk if country is cut
- Bank share prices and profit growth are already under pressure

South African banks are preparing for the worst when it comes to the threat of another downgrade of the country's debt. "FirstRand anticipated the downgrades since 2015 and has been working on a number of proactive strategies to mitigate the impact," said Andries du Toit, the treasurer at

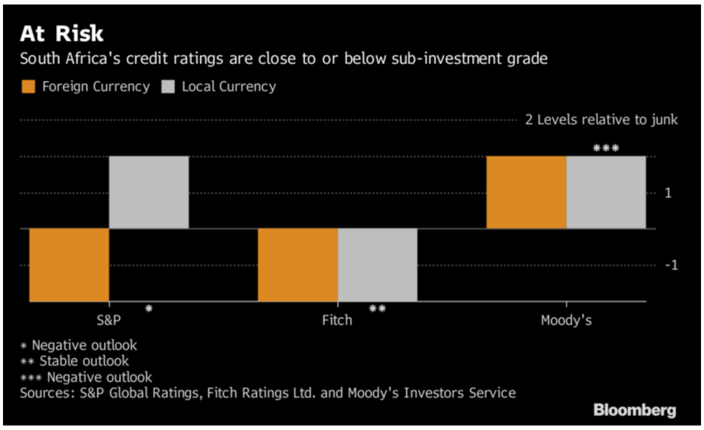
Johannesburg-based FirstRand Ltd., the country's second-biggest bank by assets. The measures included adjusting credit origination, and boosting liquidity and capital buffers, he said. The credit ratings of the continent's largest lenders such as Standard Bank Group Ltd., Barclays Africa Group Ltd., Nedbank Group Ltd. and FirstRand are inextricably tied to that of South Africa, where they make most of their profit. Banks also need to hold sovereign bonds for regulatory purposes, meaning that any increase in the government's borrowing costs immediately causes the capital the companies need to support lending to become more expensive.

In a move that may help establish a sizable offshore base, FirstRand last month offered to buy all of the U.K.'s Aldermore Group Plc for about 1.1 billion pounds ($1.4 billion). Although the purchase of the challenger to some of Britain's biggest lenders won't save FirstRand from higher costs in South Africa, it's a step to creating a platform to source offshore funding and to earn income in a currency other than rand. FirstRand increased its total Tier 1 capital levels to 17.1 % as of the end of June compared with 16.9 % a year earlier.

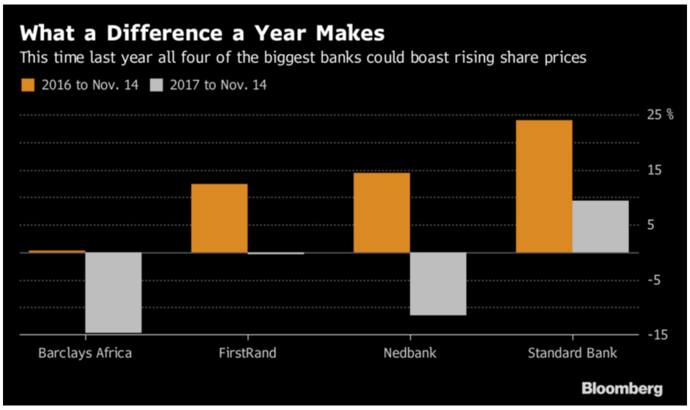
Pending Reviews

At stake for the nation's lenders is the credit assessment on the country's local-currency bonds, which account for 90 % of the government's issued debt. S&P Global Ratings and Moody's Investors Service, which are both due to announce their latest reviews on Nov. 24, still rate rand-denominated debt as investment grade.

A change in either one of those evaluations could see South Africa removed from some indexes tracked by global investors, triggering outflows and pushing up borrowing costs. While the ratings companies could wait until after the ruling African National Congress's conference next month to decide on who will replace President Jacob Zuma, the agencies may be swayed to act sooner after National Treasury on Oct. 25 said that the budget deficit will widen and debt levels will climb.



The country's foreign-currency debt was downgraded to junk by S&P and Fitch Ratings Ltd. after former Finance Minister Pravin Gordhan was fired by President Jacob Zuma at the end of March. "Banks are cyclical investments so will be impacted by any downturn as a result of a sovereign downgrade and the resultant impact on the economy and our clients," said Mike Davis, Nedbank Group Ltd.'s executive for balance-sheet management. "We have, however, been aware of this risk for a long while and are well prepared for such an event should it happen."

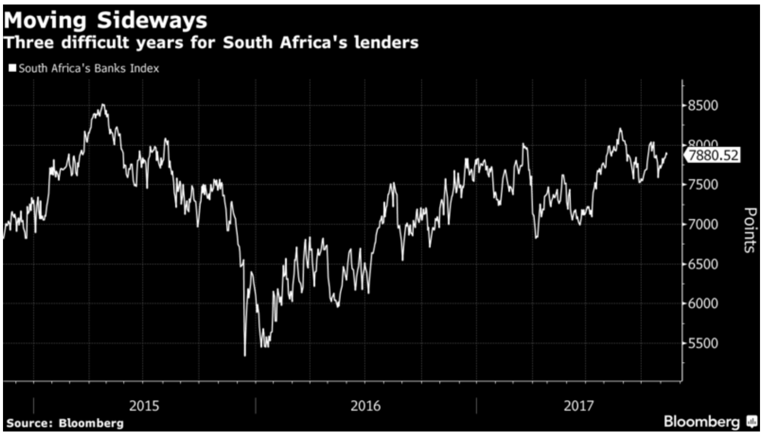


Nedbank, majority held by London-based insurer Old Mutual Plc, has been applying conservative lending policies with high levels of provisions, high capital buffers and diversified funding sources, Davis said. The lender had a core equity tier 1 ratio of 12.3 % at the end of June from 12.1 % a year earlier, and compared with 11.3 % in December 2015.

'Front-Loaded'

The lender has no plans to raise additional funding in the market this year, having "front-loaded" earlier in 2017 in anticipation of a credit downgrade, said Davis. Only about 8 % of its funding is raised in bond markets, with the bulk of it provided by deposits. Barclays Africa didn't respond to emailed requests for comment.

Even with operations across 19 other countries on the continent, Standard Bank still would not be able to achieve credit ratings above that of its home market, which accounts for about 70 % of its revenue, according to data compiled by Bloomberg. The rating of a bank “is linked by credit-rating agencies to sovereign exposures it holds,” said Arno Daehnke, the finance director of Johannesburg-based Standard Bank, Africa’s largest lender. “It is difficult to pierce the sovereign ceiling, even after the consideration of foreign-asset holdings.”



The pressure on the banks has been evident in their slowing profit growth and lackluster share prices. The six-member FTSE/JSE Africa Banks Index has climbed 1.3 % this year, compared with the all-share gauge’s 18 % rally to a record high. “The bank undertakes scenario planning on an ongoing basis, including the possibility of a downgrade of the sovereign local-currency rating to sub-investment grade,” Standard Bank’s Daehnke said. “The bank accesses a diverse source of retail and wholesale funding markets, and the mix is not expected to change materially in the next two to six months.” (By Renee Bonorchis, Bloomberg)

BIC Seguros premiums with 50 % growth

The volume of net premiums issued by BIC Seguros from January to October this year has surpassed Akz 2.5 billion, representing a growth of 50 % as compared with the same period of 2016. The insurance company, whose activity began on October 2014, has more than doubled its revenues, as a result of the operation of the 227 branches of Banco BIC throughout the country, where it markets its services and products. Despite the economic crisis that the country has been experiencing since 2014, Fátima Monteiro, president of the Executive Committee of BIC Seguros, told Angop that the good performance of the insurance company is a result of the care and rigour and the mutual respect established with brokers. The fact that the bank has brances in all provinces and municipalities, according to the official, allows BIC Seguros to attract customers and spread the knowledge and culture of insurance even in remote areas of the country. (Angop)

Markets

Capital Market under discussion in Luanda, Angola

The Angolan Capital Markets Commission (CMC) in Luanda will hold the Capital Market Forum 2017, an initiative intended to stimulate this activity in Angola, with a focus on the equity market and collective investment, the CMC said in a statement. The CMC recalls in its statement that the mid-term plan of the government has set one of its objectives for the financial system to “promote the stock market by means of privatisation of benchmark companies on the exchange.” The Angolan Debt and Stock Market , BFA-Gestão de Activos, Odell Global Investors, Banco de Poupança e Crédito e Media Rumo are the entities partnering with the CMC on this event which will be attended by representatives of the Angolan financial system and guests from various sectors of society. The Portuguese Securities Market Commission (CMVM) will be represented at the event by its vice-president, Filomena Oliveira. The President of the CMC, Mário Andradas, said that the initiative is part of the strategy to promote the Angolan capital market and aims to encourage national companies to issue securities, which will expand the available range of financial instruments in which investors can apply their savings. (Macauhub)

Kenya Government Takes Control of Kenya Airways in Debt Swap

- Government, banks agree to convert $405.3m of debt to equity
- Agreement dilutes shareholders including Air France-KLM

Kenya's government and domestic lenders agreed to convert $405.3 million of Kenya Airways Plc debt into equity, giving the state a controlling stake and diluting other shareholders including Air France-KLM.

The government, which has given Kenya Airways shilling and U.S.-dollar loans totaling $238.1 million, will increase its stake to 48.9 % from 29.8 %, according to statements published in the Nairobi-based Standard newspaper. Lenders owed $217.2 million will convert part of that debt into a 38.1 % holding. "The government of Kenya shall acquire effective control in Kenya Airways and it shall make an application to the Capital Markets Authority for exemption from the take-over requirements in compliance with the Take-overs regulations," Treasury Secretary Henry Rotich said. Kenya Airways, in which Air France-KLM has a 26.7 % stake, announced a $690-million reorganization last year aimed at returning the company to profit. The carrier posted a 26.2 billion-shilling ($253 million) loss in 2016 -- the biggest in Kenyan corporate history. Since the plan was announced, the airline cut jobs, reduced the size of its fleet to 39 aircraft from 47, canceled unprofitable routes and increased the focus on its African network.

The carrier is vying with with South African Airways and Ethiopian Airlines Enterprise, the continent's biggest airlines, to expand its pan-African network, which currently includes 47 destinations outside Kenya.

Convertible Loan

In addition to the debt-for-equity swap, the government and Kenya Airways entered a convertible-loan agreement for a remaining portion of state loans that will result in the issue of more shares at a future date, according to the statement. A similar agreement was reached with banks, whose stake will be housed in a company known as KQ Lenders Co., for $50 million of outstanding debt. "They're keeping the door open for a future debt-equity swap in case the current plan proves insufficient," said Abizer Sharafali, a senior research analyst at Nairobi-based Apex Africa Capital Ltd. "With the agreement, they don't need to start the whole process again." KQ Lenders also has no plans to make a take-over offer for the airline, according to the statement. Kenya Airways gained as much as 0.9 % and traded unchanged at 5.65 shillings by 12:49 p.m. in Nairobi. The stock has declined 3.4 % so far this year. (By Bella Genga, Bloomberg)

Central Bank of Angola introduces changes in the primary foreign exchange market

Fifty thousand dollars is the minimum amount that each Angolan commercial bank will receive per sale session to cover the transactions of private individuals and international bank cards, the Angolan central bank (BNA) said in Luanda. The BNA reported it had adopted this criterion based on the need to adjust the methodology and transparency in the allocation of foreign currency to commercial banks in the sessions – held every Thursday – while the auction system remains on hold. The value mentioned, the document said, relates only to the coverage of special operations related to trips, family support, health, education, and wages of foreign workers, consignment of cash and international cards. The statement notes that the total amount for transactions for these purposes shall be assigned based on the market share of the private individuals segment of each of the banks. Market share is calculated based on the variables of deposits and credit of the segment of individuals of each bank, using data from account settlement in the previous month. The BNA makes transactions in the primary foreign exchange market solely in euros, after US correspondent banks stopped trading dollars with the Angolan banking system.

Between January and September of this year, according to the BNA's figures, the commercial banks bought over 9.07 billion euros in foreign currency from the central bank, a monthly average of over 1 billion euros. (Macauhub)

Funds

Africa Capital Works Fund wins US$ 15m AfDB equity investment

The Board of Directors of the African Development Bank (AfDB) has approved a US$ 15m equity participation in Africa Capital Works Fund.

The investment will finance Sub Saharan Africa's mid-market companies in strategically selected sectors that offer the potential to be transformed into local and regional industry champions, over a longer than usual ownership period.

Launched by the independent alternative asset manager, Capitalworks Group, is a US$300m fund, targeting institutional and professional investors across the continent. The Fund, led by Joint Managing Partners, Beth Mandel and Nana Sao, will invest in financial services, agriculture, healthcare and manufacturing by deploying longer termed equity.

The general shallowness of African capital markets and the high cost of debt finance mean that Private Equity plays a central role in helping to unlock and grow the potential of individual companies and ecosystems. Furthermore, mid-sized African enterprises struggle to raise the long-term capital they need to grow through the multiple phases of value creation to achieve enterprise growth and jobs. The AfDB recognizes the significant imbalance between the supply of and demand for long-term capital in the rapidly growing and developing Sub-Sahara Africa economies and the mid-market companies within them and share ACWs' thesis that longer-term capital offers a better way to address this imbalance.

The investment in Africa capital Works offers significant potential for development impact and helps advance the strategic agenda of the Bank's **High 5** priorities with regards to Industrialize Africa, Integrate Africa, Feed Africa and Improve the quality of life for the people of Africa. More specifically, the investment will support; the promotion of financial inclusion through offering affordable and improved financial services for the unbanked; gender and social benefits arising from support to smallholder farmers; private sector development through improved access to finance for mid-cap businesses; as well as enhance regional trade by investing in regional companies thereby facilitating their growth across countries and regions.

Africa Capital Works strategy is well aligned with the Bank's Ten-Year Strategy (2013-2022) as it contributes directly to achieving the Bank's inclusive growth vision. It promotes the Bank's Private Sector Development Strategy (2013-2017) by developing growth oriented enterprises as well as the Bank's Financial Sector Development Policy and Strategy (2014–2019) whose priority is to increase access to finance to the underserved and to deepen the financial market. (AfdB)

AfDB boosts African Agriculture and nutrition with US$ 10 million equity investment in Phatisa Food Fund

The Board of Directors of the African Development Bank Group (AfDB) today approved US$10 million equity investment in Phatisa Food Fund2 (PFF2) to boost agriculture and nutrition across Africa. PFF2 is a second generation Fund which builds on the success of its predecessor African Agriculture Fund (AAF), sponsored by AfDB along with other DFIs including the French Development Agency (AFD), the International Fund for Agricultural Development (IFAD), and the Spanish Agency for International Cooperation and Development (AECID).

Phatisa, PFF2s fund manager, is a South-Africa based private-equity, corporate finance and advisory company operating across Africa, incorporated in January 2008 as a limited company in Mauritius. "Phatisa" is Xhosa word for "helping to carry." PFF2 is targeting a capitalization of US$ 300 million to invest across Africa with a focus on Sub-Saharan Africa. It is projected to cover the entire African continent, with a sharper focus on Sub-Saharan Africa, relying on its presence in South Africa, Kenya, and Zambia, Mauritius and London and a new office opening in Côte d'Ivoire.

Presently, the Fund targets average investment amounts of US$ 20 million in Cote d'Ivoire, Ghana and Nigeria in West Africa; Kenya, Tanzania and Uganda in East Africa and Mozambique, Malawi, Zambia and Zimbabwe in southern Africa.

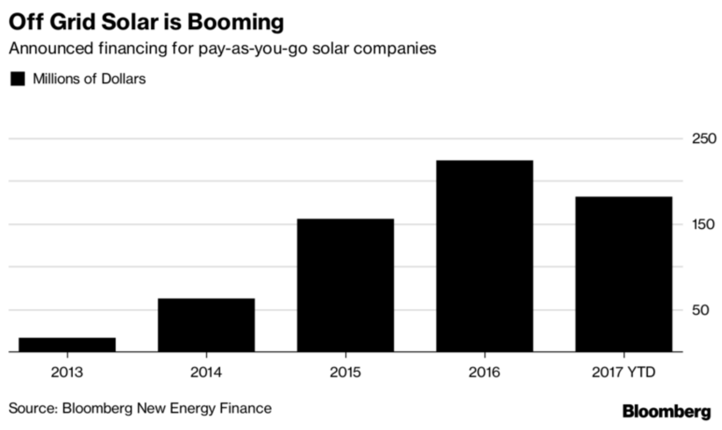
PFF2 will focus on food/consumer related investments including integrated food production, processing, services and inputs (seed, fertilizer & chemicals), mechanization, distribution, logistics and infrastructure, packaging, food services and retail. Considering the largely underserved needs of agricultural financing in Africa, the Fund's investment policy entails that the deployment of equity or quasi equity instruments to provide expansion capital in the majority of the cases.
PPF2's investment strategy is aligned with the Bank's High5 priorities of feeding and industrializing Africa. It is in line with the Bank's Ten Year Strategy, focusing on inclusive growth, strengthening agriculture and food security, and access to local finance, among other Bank strategies as well as government agriculture and agro-industry policies across African countries. (AfdB)

ENERGY

West Africa's Off-Grid Solar Market Boom Drives Lumos Expansion

- Dutch developer seeks new investors for Ivory Coast expansion
- Financing for pay-as-you go solar rose to record in 2016

West Africa's booming off-grid solar industry is drawing international investors eyeing expansion. Lumos Global, a Dutch off-grid developer that raised $90 million last year to start business in Nigeria, said its expanding in Ivory Coast this month. In both countries, Amsterdam-based Lumos is using a partnership with MTN Group Ltd. that allows customers pay for solar power with their mobile phones. "It's all very clear that this is a viable solution," said Lumos co-founder Nir Marom in a telephone interview from Lagos, Nigeria. "It's growing in all of Africa, specifically West Africa."



Sub-Saharan Africa has the lowest rates of energy access on the planet and is home to about half of the world's 1.2 billion people without reliable electricity, according to the International Energy Agency. The problem extends to businesses as well as households, cutting into productivity and growth. Startups across the region have started linking mobile phone networks with power developers to create pay-as-you-go models that expand access to electricity.
Since it launched its services in Nigeria in 2016, Lumos has sold 65,000 solar systems, providing power to as many as 250,000 people, according to the company. Similar demand may be found in the Ivory Coast, where about 40 % of people among the population of 24 million live without electricity, according to the World Bank. Lumos plans to use part of the equity it raised last year to fund its initial expansion while also seeking additional cash from banks, development finance institutions and private investors, Marom said, declining to say how much the company is seeking to raise. "Today in Nigeria we are already selling many hundreds of systems every day and we want to reach these levels and beyond in Ivory Coast," he said. "The need for these systems and the market demand is so huge that we are in constant fundraising." (By Olivier Monnier, Bloomberg)

INFRASTRUCTURE

Emergency dredging at Port of Beira underway

The Beira Port access channel is undergoing emergency dredging in order to allow larger ships to berth at the port. The operation will last six months, according to AIM.

The project is budgeted at around EUR 25 million, provided by Mozambican Ports and Railways (CFM). The work is being carried out by Dutch company Van Ôord Mozambique Lda, which won the international tender and whose contract began on 20 October with the mobilisation of the equipment to the Port of Beira. The work will be supervised by CFM.
According to the project overseers, the dredging will restore channel widths of 135 and 250 meters and depths of eight and 9.20 metres in the straight sections and Macuti curve respectively. Once dredging is completed, it is expected that Panamax-type ships of up to 60,000 gross tons will again visit the port. At present, only vessels up to 30,000 gross tons can be accommodated. After the emergency dredging, further maintenance lasting 18 months will be carried out by another contractor. Beira port serves as an entry and exit point for goods from Southern African countries without direct access to the sea such as Zimbabwe, Zambia, Malawi and the Democratic Republic of Congo. (Club of Mozambique)

S.African cement firm PPC's profits boosted by expansion in Zimbabwe, Rwanda
South African cement maker PPC Ltd reported a 36 % rise in half-year earnings, helped by a robust performance in Zimbabwe and Rwanda.
PPC, the subject of takeover approaches from local rival AfriSam, Switzerland's LafargeHolcim and Irish building materials firm CRH , said headline earnings per share for the six months ended September rose to 19 cents from 14 cents.
Headline EPS, a widely-used performance measure in South Africa, strips out certain one-off items.
Group revenue edged up 1 % to 5.2 billion rand ($375 million), while core profits or earnings before interest, tax, depreciation and amortisation rose by 4 % to 1.2 billion rand. "The period under review has been transformational for the group with our new investments in Zimbabwe and Rwanda contributing positively to our growth," Chief Executive Johan Claassen said.
The company has over the years pushed deeper into the rest of Africa as profit has slumped in its domestic market. In the year to end March it increased its cement capacity by 33 % in the year to end March after commissioning its Zimbabwean mill. Rwanda's sales volumes increased by more than 30 % in the period while Zimbabwe's were up by more than 25 %.
The firm, which has operations in six countries across Africa said new plants in Ethiopia and DRC have been completed and are in the process of being tested and commissioned. Claassen, who took over at the helm from Darryll Castle after his sudden resignation in July, said the firm has made significant progress in negotiating its debt obligations in South Africa and the Democratic Republic of Congo (DRC). "(In the DRC) we have a term sheet on the table, the term sheet needs to be finalised. It will give us a term holiday for 24 months," Claassen told Reuters.
In South Africa as well, the firm has received a term sheet from the funders for its 1.6 billion rand bullet payment due in June 2018. Group net debt has fallen to 4.4 billion rand, down from 4.7 billion rand at the end of March. (By by Nqobile Dludla, Reuters)

Government of Mozambique signs port and railway contracts with Mota-Engil
The Mozambican government and Thai Mozambique Logistics are today signing an addendum to the concession contract for the port and the railroad of Macuze, to be built in the centre of the country, in which the Portuguese company Mota-Engil is participating, an official source said. The signing will take place at the site where the deep water port of Macuze will be built, 35 kilometres north of Quelimane, capital of the central province of Zambézia.
The Moatize-Macuse railroad, with an initial planned length of 500 kilometres, was designed to carry from mines in the interior province of Tete. In August, the concessionaire announced an extension of 120 kilometres, proposed by mining companies and banks that finance the project, to extend the line to the Chitima region as well. At the time, the president of Thai Mozambique Logistics, Abdul Carimo, said that the review of the project had created conditions for the beginning of work next year. The Macuse deep water port will be able to receive vessels of large

draft that will mainly transport coal extracted from the province of Tete and serve neighbouring countries without direct access to the sea.
The work, budgeted at almost US$2.4 billion, will be executed by a consortium involving the construction company China Machinery Engineering and Mota-Engil, and is expected to be completed in 2021. (Club of Mozambique)

MINING

Lucapa Diamong Mining finds its eighth large diamond in Angola

The Lucapa Diamond Mining discovered the eighth diamond weighing over 100 carats (20 grammes) in the Lulo concession, in Angola's Lunda Norte province, which is of "exceptional value," the Australian mining company said in a statement issued. The 129.58 carat diamond was extracted from one of three washes on the Cacuilo River, said the operator of Sociedade Mineira do Lulo, with a 40% stake, which has as its partners state diamond company Endiama, with 32% and private Angolan company Rosas & Pétalas, with 28%.
This announcement, made together with the discovery of another large diamond, with 78.61 carats, in another area of Lulo, comes in the week in which the largest diamond found in Angola, in the same mining area, will be auctioned off. The diamond was bought in 2016 by Swiss jewellers De Grisogono, and was transformed into a gem of 163.41 carats which will be auctioned. The diamond, the 27th largest in the world, was originally 404.2 carats and seven centimetres in length when it was found, in February 2016, by the Australian mining company in Lulo. (Macauhub)

Alrosa discovers more than 200 mineral abnormalities

At least 240 abnormalities (locations with the possibility of holding vast mineral deposits) have been detected by the Russian mine prospecting and exploration firm Alrosa, under a cooperation deal with the Angola National Diamond firm (Endiama-EP). The information was released in Luanda by the Russian Federation deputy Prime Minister, Yuri Trutnev, at the end of an audience granted to him by the Angolan minister of Mineral Resources and Oil, Diamantino de Azevedo.
According to the Russian official, prospecting and a detailed study will enable to discover new mineral deposits in the country, adding that Alrosa has already invested over USD 15 million in geological prospecting.
The Russian Federation has generated a mining cooperation, which is one of the main sectors linking the two countries, this being the largest and most important project in the relation between the two nations. The visiting deputy prime minister added that Russian companies have started operating in oil prospecting and construction of civilian and military ships.
In the meantime, he said Russia has accepted the Angolan proposal to expand cooperation to other mineral resources. Endiama and Alrosa signed a mining investment contract for exploitation of diamonds under Luaxe project in May 2017 in the presence of Yuri Trutnev. The visit of the Russian official is aimed at strengthening and diversifying existing bilateral cooperation with Angola. (Angop)

Gemfields Mozambique ruby auction raises record 55 million dollars

The London-based mining company Gemfields announced that last week's auction in Singapore of rough rubies from its mine in the northern Mozambican district of Montepuez raised a company record of 54.96 million US dollars. Gemfields holds 75 per cent of the shares in Montepuez Ruby Mining Ltd.
The other 25 per cent are owned by the Mozambican company Mwiriti. Gemfields promotes itself as the world's leading supplier of "responsibly extracted coloured gems". It has specialised in Zambian emeralds and amethysts but has branched out into Mozambican rubies. Of the 76 lots offered at the auction, 71 were sold with an average price of 90.81 dollars per carat. According to a statement from the company, "the proceeds of this auction will be repatriated to MRM in

Mozambique, with the production tax due to the government of Mozambique being paid on the full sales price achieved at the auction".

This was the company's ninth ruby auction, which in total have raised more than 335 million dollars. According to the company's chief executive, Sean Gilbertson, "the strong revenues from this auction provide a solid boost to the Gemfields cash position and underscore the fact that market demand for responsibly sourced rubies from Mozambique remains in fine fettle". He added, "As always, we extend our thanks to our loyal customers, to Mwiriti Limitada – our partners in MRM – and to the government of the Republic of Mozambique for their collective efforts and support in making this auction and the outcome possible".

Gemfields is entirely owned by the private equity company Pallinghurst following a successful takeover bid in July. (Club of Mozambique)

Syrah Resources announces first production of bagged saleable flake graphite from Balama, Mozambique

ASX-listed Syrah Resources has announced the first production of bagged saleable flake graphite from the Balama project in Mozambique. "This is a significant achievement for Syrah, our subsidiary Twigg, and our host communities in Mozambique as the company moves into operations," says Syrah Resources CEO, MD Shaun Verner. "The development of Balama has been achieved through an extremely dedicated construction, commissioning and operations team, with great support from the local communities, investors, suppliers, government and other stakeholders. "We look forward to reliably and consistently supplying the global graphite market and our planned Battery Anode Material operation with the highest quality natural graphite." "Following the intermediate concentrate produced in late October, Syrah has now successfully commissioned the final stages of the flake circuit including polishing, filtration, drying, screening and bagging. "Flake graphite produced is within our expected grade range, in excess of 95% fixed carbon.

Remaining commissioning activities will focus on the fines circuit and further optimisation works. We expect our first shipment of flake product from Nacala Port in the coming weeks.

First cash receipts are expected in early 2018 with production of 160 000 to 180 000 tons in 2018, following customer qualification processes."

Construction progress

- All major project construction works are essentially complete, remaining construction activities limited to electrical and instrumentation works, completion of construction punch list items and verification checklists for the fines circuit
- Construction of Chipembe Dam pipeline (14 km) and pump station is complete
- Attrition cells are on site and civil works completed, with installation to commence after commissioning of the fines circuit
- Demobilisation of construction teams is well underway

Commissioning

- Commissioning sequence was prioritised for initial production of coarse flake
- Full ore commissioning of the combined crusher, primary mill, scrubber, classification, thickener and tails disposal to the tailings storage facility is complete and optimisation work is underway
- Ore commissioning of the flake circuit including flotation, polishing, drying, screening and bagging completed with first production of saleable bagged graphite achieved
- Chipembe Dam pipeline is fully commissioned
- During the commissioning phase, costs of Balama production offset by any revenue received will be capitalised on the balance sheet until commercial production is declared. Further details will be provided as commissioning draws to completion and production ramps up (Club of Mozambique)

Coal exports switch from Beira to Nacala

The export of coal through the central Mozambican port of Beira has declined by more than half because of competition from the new port of Nacala-a-Velha in the north of the country.

Interviewed by the independent television station STV, Jan de Vries, the chief executive office of Cornelder de Mocambique, the company that operates Beira port, said the initial forecast for 2017 was that Beira would handle five million tonnes of coal.

But the latest prediction is that only two million tonnes will be exported through Beira, entirely because the largest of the coal exporting companies, the Brazilian mining giant Vale, has switched all its exports to Nacala-a-Velha This was to be expected. Vale had invested heavily in a new railway from the Moatize coal basin in Tete province to Nacala via southern Malawi, and in a new custom-built coal terminal at Nacala-a-Velha.

One of the main advantages of the switch is that Nacala Bay is a natural deep water harbour that does not require dredging and so can accommodate ships of any size, while Beira requires regular dredging. “We are in a difficult situation, since Vale-Mozambique has opted for the exclusive use of the northern corridor”, said de Vries. “We just have the other two mining companies (Jindal and ICVL of India), and as a result the amount of coal handled in Beira has fallen by more than half”.

On the brighter side, the amount of containerised general cargo handled in Beira has risen from about 100,000 tonnes in 2015 to over 200,000 tonnes this year.

Emergency dredging began and should improve the port’s performance significantly. Currently the Beira access channel is only 5.5 metres deep which limits access to ships of no more than 30,000 tonnes. With the dredging, ships of up to 60,000 tonnes will be able to berth at Beira. Beira lies just north of the convergence of two major rivers, the Pungoe and the Buzi, which means that sediment is continually entering the harbour, and so redging too should be continual. “We hope that with this dredging, the costs of moving ships in our port will drop and we can attract more clients and greater financial power”, said de Vries. (Club of Mozambique)

Vale Moçambique extracts 10 million tonnes of coal between January and October

Vale Moçambique from January to October of this year has extracted about 10 million tonnes of coal from its mine in Moatize, in Mozambique’s Tete province, almost doubling the amount of 5.9 million tonnes extracted in the same period of 2016, said the subsidiary of Brazilian group Vale.

Rogério Sendela, one of the directors of Vale Moçambique, told Mozambican journalists that the target for this year was a total of 13 million tonnes of metallurgical and thermal coal, which is an increase of 120% compared to the quantity extracted in 2016.

Sendela said he was confident about reaching the goal, explaining that the “large” increase in production from one year to another was due to the company having, since the end of 2016, a second processing unit, coupled with the entry into operation of a twin-track railway line with capacity and operational safety levels well above that used since the start of operations.

Mozambican daily newspaper Noticias reported that the entry into operation of the Northern Logistics Corridor (CLN), which includes a twin-track railway line connecting Moatize to the port of Nacala Moatize, passing through Malawi, Vale is no longer solely reliant on the Sena Line, which connects the coal region of Tete to the port of Beira.

The twin-track railway line of the CLN has capacity to carry 18 million tonnes of cargo per year, while the Sena line allows Vale Moçambique to transport just 6 million tonnes. Currently, five trains with 120 wagons full of coal depart from Moatize to Nacala every day, a journey that takes about 30 hours, with each train carrying 7,560 tonnes of coal, which is exported to India, Japan and Brazil, as well as to other markets. (Macauhub)

Angolan mining company intends to extract 8 million carats of diamonds this year

The Sociedade Mineira de Catoca mining company intends, by the end of the year, to mine 8 million carats of diamonds, said the chief executive of the Angolan company, Russia’s Sergei Amelin.

Amelin, who was appointed CEO in March 2015, told Angolan news agency Angop that the sale of 8 million carats will represent a revenue in excess of US$138 million. The CEO of Sociedade Mineira de Catoca, one of the companies that most contributes to Angolan State funds, said the company planned "to continue to be among the top three in the world of diamonds in terms of turnover." Amelin said that the market value of diamonds in the rough in Angola last year totalled US$988.36 million, for a total of 8.7 million carats, leading to operating profit of US$194.9 million and net profit of US$134.6 million. Sociedade Mineira de Catoca, which explores the world's fourth largest kymberlite, has as its shareholders the Empresa Nacional de Prospecção, Exploração, Lapidação e Comercialização de Diamantes de Angola (Endiama), Russian group Alrosa and LL International Holding (Israeli group Lev Leviev). (Macauhub)

Battery Minerals raises A$20M to advance its Mozambique graphite projects

David Flanagan's Battery Minerals has raised A$20 million in a heavily oversubscribed placement to advance its Mozambique graphite projects. Hartleys and Morgans were joint lead managers to a placement of around 325 million shares at 6c per share to raise $19.5 million. The placement will be conducted in two tranches, with the second tranche requiring shareholder approval. Each new share will come of a free option, exercisable at 10c before the end of July 2018. Major shareholder Farjoy participated to maintain its 12.5% stake. "This capital raising is a key milestone in the company's strategy to become a graphite supplier to the lithium battery industry," Flanagan said. "The overwhelming support we have received from investors around the world reflects the quality of our project and its outstanding potential to tap into the lithium battery market."

A further $500,000 will be raised via a drill-for-equity agreement with contractor Mitchell Group Holdings, with shares to be issued on the same terms as the placement. Infill drilling is currently underway at both the Montepuez and Balama Central graphite projects. Montepuez is the more advanced of the two, with a value engineering study released last month outlining capital costs of US$42.3 million for an operation producing 45,000-50,000 tonnes per annum of graphite flake concentrate at operating costs of $337 per tonne.

Average annual earnings before interest, tax, depreciation and amortisation are expected to be in excess of $20 million and the payback period is set to be less than two years. "We have received a huge response to our strategy to develop a project with low capital costs, limited funding requirements and a short lead-time to production," Flanagan said. "This approach will enable us to maximise financial returns and minimise risks and time delays, enabling us to capitalise on the huge opportunity unfolding in the energy sector as quickly and efficiently as possible." The company is expecting the grant of the mining lease later this year, followed by the start of construction in April, and commissioning in the December quarter of next year.

Meanwhile, the company is also fast-tracking a definitive feasibility study at the Central Balama project for completion by mid-2018. Hartleys has a speculative buy rating for Battery and a price target of 29c. The stock started this month at 5.8c, rising as high as 8c last week. Shares were down by 10.5% this morning to 6.8c. (Club of Mozambique)

Mozambique Government wants to improve the mining licensing process

The processes of licensing and sale of mineral products legally in Mozambique will be improved so that the government can improve monitoring of artisanal and small-scale mining, the minister of Mineral Resources and Energy said recently.

Minister Letícia Klemens, speaking in the city of Matola, Maputo province, during a meeting with partners to assess the sector, said her ministry has so far granted 234 licenses on mining concessions and more than 4,000 licenses for prospecting and research. "Of the 234 licenses and mining concessions issued, we have only 10 in the prospecting phase for production, which is still very little. This reflection will allow us to analyse the constraints and identify the best way of inspecting all existing activities in the country, so that we have adequate information about the quantity and quality of existing resources," she said.

The minister recalled that the licenses reserved for Mozambican citizens have been “rented” to foreigners, “something that also adds to the difficulties we have in supervising our mineral resources.” The minister, quoted by daily newspaper Noticias said that the government intends to organise artisanal and small-scale operators in cooperatives, having already launched a pilot programme to grant licenses for mining “to see if this project is viable.” (Macauhub)

OIL & GAS

Government bolsters control of fuel business

The Mozambican State and the Swiss company SICPA-SA have signed a two-year contract for the marking of fuels circulating in the national territory.

The measure aims to curb tax evasion in the import and marketing of petroleum products, which have resulted in huge losses of revenue for the country. The signing took place last week in Maputo. Moisés Paulino, national director of hydrocarbons and fuels in the Ministry of Mineral Resources and Energy (MIREME), told journalists that the marking would start at the beginning of next year and would be done at the terminals at the moment of importation.

The aim is to differentiate fuel imported for domestic consumption from fuel in transit which is not subject to the payment of customs duties. “As a government, we are sure that there is tax evasion. There is a segment of fuel that was supposed to go to the market in the region, and for that reason is applied reduced rates, but that gets back to the domestic market and is sold illegally. On the other hand, there is adulteration of products, and we intend to eliminate both these situations,” he said.

Paulino said that the country spends about US$600 million annually on imports of fuels. “Because the sale of fuel for domestic consumption is in some cases subsidised by the state, the unmarked product has entered a circuit not controlled by the government and was therefore sold in neighbouring countries such as Zimbabwe and South Africa,” he said.

Miguel Nhane, general coordinator of fuel sealing and marking at the Tax Authority of Mozambique (AT), said the mark wold raise fuel tax revenues from 10 to 14 %. “That is, if the measure were to start this year, we would have an increase in fuel tax revenues from 18.6 billion to 26.04 billion meticais” “It is enough to say that even internally there are imports destined for consumption in specific subsidised sectors such as agriculture, fisheries and some industries, but that it ends up being used by mega-projects negatively affecting the socio-economic development policies of the country.” (Club of Mozambique)

Mozambique to approve Anadarko’s gas field plan this month – Minister Klemens

Mozambique will approve Anadarko’s development plan for an offshore gas field this month, an important step in the U.S. firm’s Liquefied Natural Gas project, energy minister Letícia Klemens said, cited by Reuters. The Golfinho field will supply gas to Mozambique’s first onshore LNG plant consisting of two initial LNG trains with a total capacity of 12 million tonnes per annum. Anadarko’s plant, which will cost around $15 billion, is due to be producing LNG by 2022 or 2023 but has suffered several delays, Reuters reports. (Club of Mozambique)

South Africa eyes BRICS partners to build new $10 billion refinery

South Africa wants the national oil companies of its BRICS partners to help build a new 400,000 barrel per day refinery that will be structured by senior debt and equity, energy minister David Mahlobo said. The idea of building a refinery in Africa’s most industrialised economy has been under consideration for almost a decade. “South Africa is at a tipping point regarding its refining capabilities,” Mahlobo said, adding that the cost of the new refinery was estimated at $10 billion in 2010. “The refinery can be structured with senior debt and equity,” Mahlobo told parliament’s energy committee. South Africa is a member of BRICS, a trading bloc that also includes Brazil, Russia, India and China.

In May, Mahlobo's predecessor Mmamoloko Kubayi-Ngubane said South Africa, a net importer of refined oil products, would consider West Africa and the Middle East, including Iran, for potential partners on a new refinery project. She said cabinet expects to decide by December whether to build the refinery that has never came to fruition because of a lack of equity partners. Mahlobo said some refinery owners in South Africa wanted to exit the domestic market, citing the high costs of upgrading refineries to meet cleaner fuel specifications. "The cost of the upgrades is estimated at over 40 billion rand ($3 billion) and 24 billion litres of liquid fuels are sold annually, so this can be funded through some type of levy," he said of ongoing talks with industry about a possible cost-recovery mechanism they have demanded. Royal Dutch Shell, BP, Total and Sasol are among the main refinery operators in Africa's most industrialised country. ($1 = 14.1095 rand) (By Wendell Roelf, Reuters)

Angola plans to create a National Petroleum Agency

The future National Petroleum Agency of Angola will allow state oil company Sonangol to concentrate on its main activity, which is to produce, process and market oil products, the Angolan Minister of Mineral Resources and Oil said last week. According to a statement released by the state company, Minister Diamantino Azevedo announced that a working group would be set up soon to prepare the establishment of the National Petroleum Agency. The minister was speaking at the presentation session of the new Board of Directors of Sonangol chaired by Carlos Saturnino, following the dismissal of the board led by businesswoman, and daughter of former president Jose Eduardo dos Santos, Isabel dos Santos. The session was attended by the Secretaries of State for Oil, Paulino Jerónimo, and for Geology and Mines, Jânio da Rosa Correia Victor. Saturnino said he had been given "very precise" guidelines from the President of the Republic, João Lourenço, including the need to "rethink the oil and gas business in Angola, rethink the Sonangol Group and redesign the most important parts of the oil industry in Angola,", focusing on its main activity. Sonangol controls about 20 subsidiary companies, is the largest business group in Angola with close to 10,000 direct workers, and also has shareholdings in various companies and banks, including Banco Comercial Português (BCP) Group and Galp Energia, in Portugal. (Macauhub)

Sasol pulls plug on $13-$15 bln US GTL project, to divest from Canadian shale

South African petrol-chemicals group Sasol has pulled the plug on all of its gas-to-liquids (GTL) greenfields projects including a U.S. one in Louisiana that carried a $13 billion to $15 billion price tag, the company said. Walking away from the project, which would have been the biggest investment abroad by a South African company, underscores the headwinds the industry is facing in a volatile market with generally depressed prices. "While our current GTL assets are generating good returns and cash flows, the value proposition for Sasol to build new GTL projects is uneconomic against a volatile external environment and structural shift to a low oil price environment," the company said in a statement. The company had previously delayed its final investment decision on the project because of low oil and gas prices.

Sasol will also divest from its Canadian shale gas assets which hit its 2016 earnings with a 9.9 billion rand ($715 million) impairment. "There will likely be further write-downs on it," Bongani Nqwababa, Sasol joint CEO and president, told Reuters. He cited prices and accounting requirements related to the pending sale as the main reasons.

But the company is forging ahead with its Louisiana ethane cracker project, which is now estimated to cost $11.13 billion to complete and will be the biggest foreign investment by a South African group. It is now 79 % complete.

The plant will take ethane, a component of natural gas, and turn it into ethylene, used in the manufacture of plastic products. Sasol said it had completed reviews on more than half of its global assets and they "have confirmed that the majority of the company's assets will be retained." The company, which pioneered the conversion of coal to fuel when South Africa was subject to

sanctions under apartheid, also said it saw no need to boost its crude oil refining capacity, which currently stands at 270,000 barrels per day in South Africa.
On the dividend front, the company is aiming to boost its payout ratio to 40 % of earnings per share by 2022 from 36 % currently, and then to progressively lift it to 45 %. ($1 = 13.8630 rand) (By Ed Stoddard, Reuters)

BP seeks stake in Cairn Energy Senegal assets
Oil exploration company Cairn Energy is in talks with BP to sell a 30 % stake in its deep water SNE field offshore Senegal, which could be valued at around $600 million, banking sources and a Senegal oil ministry source said. “We are aware that BP wants to acquire a stake in Cairn Energy, but they are awaiting validation by the state (of Senegal),” an adviser to Senegal’s oil minister, who declined to be named, told Reuters by telephone. He had no further details. However, Mamadou Faye, director of Senegal’s state oil firm Petrosen, said no formal request had yet been made by the companies. “There is no substance to reports concerning Cairn’s assets in Senegal,” a Cairn spokesperson said. BP declined to comment. Cairn’s share price rose around 5 %, BP’s was up around 1 %. Oil majors have been increasingly homing in on the waters off Senegal, as well as neighbours Mauritania and Gambia, where they suspect hundreds of millions of barrels lie.
A deal would further boost BP’s position in Senegal following a joint venture with Kosmos Energy in December last year, which revealed a major gas discovery in May. BP also has investments in two other offshore fields there. Senegal and Mauritania are two areas BP is targeting over the next decade and it plans to spend billions in the Tortue LNG project which is expected to produce its first gas in 2021.
The deep water SNE project is the first oil development in the West African nation. Cairn shares the project with Australia’s Woodside and FAR Ltd. The companies expect to start producing by 2021. Woodside, Australia’s biggest independent oil and gas producer, bought a 35 % stake from ConocoPhillips last year for up to $430 million, or $2.20 a barrel based on reserves of 561 million barrels at the time, before these were up graded to nearly 650 million barrels. FAR Ltd has said the project could start producing before 2021, and at a higher rate than flagged before. Oil majors including Total SA and China’s CNOOC Ltd have also been investing in the waters off this part of the West African coast. (By Tim Cocks, Reuters)

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AGRIBUSINESS

Mozambique ceases to import seeds for main crops

Mozambique will no longer import seeds for major crops starting in this agricultural season (2017/2018), said the head of the department of basic seeds of the Institute of Agricultural Research of Mozambique (IIAM). David Mariote also told Mozambican daily newspaper Noticias that the decision is intended to reduce the price of certified seed on the Mozambican market and ensure that a larger number of producers have access to quality seeds thus allowing for an increase in levels of production and productivity. Mariote said that the IIAM will put at the disposal of the 42 companies producing certified seed registered in the country 2,000 tonnes of basic seed of major crops, with emphasis on grains and legumes, based on which 65,000 tonnes of certified seed can be produced to then be supplied to producers. In addition to basic seeds for maize, sorghum, soybean, beans and vegetable to be produced in the main agro-ecological regions of the north, centre and south of the country, namely Lichinga, Gúruè, Angonia and Namaacha, IIAM will provide this season, 12 million of cassava cuttings, 2,000 orange pulped sweet potato seedlings unspecified quantities of vegetable seeds. The IIAM has the financial and technical support of various institutions and international organisations that operate in the country, including the United States Agency for International Development (USAID), Agra and the World Bank. Mozambique's annual needs are estimated at 467,000tonnes of different certified seeds to meet the needs of over 4 million registered active producers. (Macauhub)

São Tomé and Príncipe candidate to become world agricultural heritage

São Tomé and Príncipe plans to become world agricultural heritage, and a commission is preparing a "plan of action" to submit to the United Nations Food and Agriculture Organization (FAO) said in São Tomé an official responsible for the application. "We want to promote a dynamic application, through which the country will have access to several benefits," said Carlos Tavares, coordinator of the For Bio project (strengthening civil society in the conservation of biodiversity). "We, at this stage, are responsible for driving this process, but it is the government that then will lead this application process with the FAO, through a multi-sector committee that will be set up in the coming days," he added, quoted by Portuguese news agency Lusa. Last week the Commission promoted some seminars to "collect subsidies" for the aforementioned action plan expected to be completed this year. The intention is that within "the next two to three months" the candidacy of São Tomé and Príncipe for world agricultural heritage will be handed over to the FAO, which will then assess it. "The country must meet five requirements that comprise food security, biodiversity, landscape and traditions of the communities related to the agro-forestry system," said Tavares, who added he was convinced that within 12 to 18 months, São Tomé and Príncipe will be granted world agricultural heritage status. (Macauhub)

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UPCOMING EVENTS

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

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

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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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