INSIDE AFRICA

Now is the time to invest in Africa

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EAGLESTONE

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In-depth:

Africa has a new free trade area. This is what you need to know

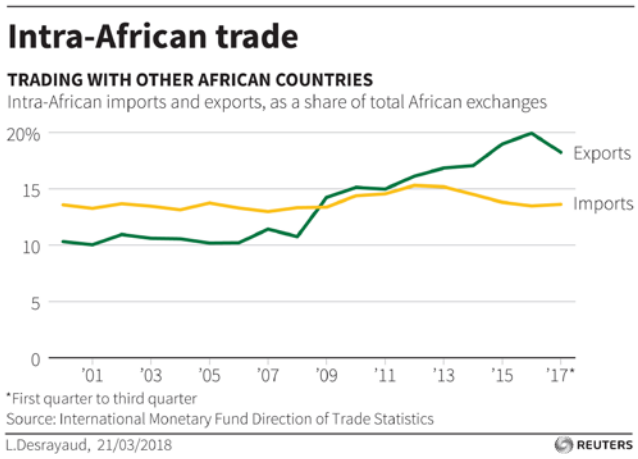
African leaders have just signed a framework establishing the African Continental Free Trade Area, the largest free trade agreement since the creation of the World Trade Organisation.

The free trade area aims to create a single market for goods and services in Africa. By 2030 the market size is expected to include 1.7 billion people with over USD$ 6.7 trillion of cumulative consumer and business spending – that's if all African countries have joined the free trade area by then. Ten countries, including Nigeria, have yet to sign up.

The goal is to create a single continental market for goods and services, with free movement of business persons and investments.

The agreement has the potential to deliver a great deal for countries on the continent. The hope is that the trade deal will trigger a virtuous cycle of more intra African trade, which in turn will drive the structural transformation of economies – the transition from low productivity and labour intensive activities to higher productivity and skills intensive industrial and service activities – which in turn will produce better paid jobs and make an impact on poverty.

But signing the agreement is only the beginning. For it to come into force, 22 countries must ratify it. Their national legislative bodies must approve and sanction the framework formally, showing full commitment to its implementation. Niger President Issoufou Mahamadou, who has been championing the process, aims to have the ratification process completed by January 2019.



Cause and effect

Some studies have shown that by creating a pan-African market, intra-Africa trade could increase by about 52% by 2022. Better market access creates economies of scale. Combined with appropriate industrial policies, this contributes to a diversified industrial sector and growth in manufacturing value added.

Manufacturing represents only about 10% of total GDP in Africa on average. This falls well below other developing regions. A successful continental free trade area could reduce this gap. And a bigger manufacturing sector will mean more well-paid jobs, especially for young people. This in turn will help poverty alleviation.

Industrial development, and with it, more jobs, is desperately needed in Africa. Industry represents one-quarter to one-third of total job creation in other regions of the world. And a young person in Africa is twice as likely to be unemployed when he or she becomes an adult. This is a particularly stressful situation given that over 70% of sub-Saharan Africa's population is below age 30.

In addition, 70% of Africa's youth live on less than US $2 per day.

The continental free trade area is expected to offer substantial opportunities for industrialisation, diversification, and high-skilled employment in Africa.

The single continental market will offer the opportunity to accelerate the manufacture and intra-African trade of value-added products, moving from commodity based economies and exports to economic diversification and high-value exports.

But, to increase the impact of the trade deal, industrial policies must be put in place. These must focus on productivity, competition, diversification, and economic complexity.

In other words, governments must create enabling conditions to ensure that productivity is raised to international competitiveness standards. The goal must be to ensure that the products manufactured in African countries are competitively traded on the continent and abroad, and to diversify the range and sophistication of products and services.

Drivers of manufacturing

Data shows that the most economically diverse countries are also the most successful.

In fact, diversification is critical as “countries that are able to sustain a diverse range of productive know-how, including sophisticated, unique know-how, are able to produce a wide diversity of goods, including complex products that few other countries can make.

Diverse African economies such as South Africa and Egypt, are likely to be the drivers of the free trade area, and are likely to benefit from it the most. These countries will find a large continental market for their manufactured products. They will also use their know-how and dense industrial landscape to develop innovative products and respond to market demand.

But the agreement on its own won’t deliver results. Governments must put in place policies that drive industrial development, particularly manufacturing. Five key ones stand out:

Human capital: A strong manufacturing sector needs capable, healthy, and skilled workers. Policymakers should adjust curriculum to ensure that skills are adapted to the market. And there must be a special focus on young people. Curriculum must focus on skills and building capacity for entrepreneurship and self-employment. This should involve business training at an early age and skills upgrading at an advanced one. This should go hand in hand with promoting science, technology, engineering, entrepreneurship and mathematics as well as vocational and on-the-job training.

Policymakers should also favour the migration of highly skilled workers across the continent.

Cost: Policymakers must bring down the cost of doing business. The barriers include energy, access to roads and ports, security, financing, bureaucratic restrictions, corruption, dispute settlement and property rights.

Supply network: Industries are more likely to evolve if competitive networks exist. Policymakers should ease trade restrictions and integrate regional trade networks. In particular, barriers for small and medium-size businesses should be lifted.

Domestic demand: Policymakers should offer tax incentives to firms to unlock job creation, and to increase individual and household incomes. Higher purchasing power for households will increase the size of the domestic market.

Resources: Manufacturing requires heavy investment. This should be driven by the private sector. Policymakers should facilitate access to finance, especially for small and medium enterprises. And to attract foreign direct investment, policymakers should address perceptions of poor risk perception. This invariably scares off potential investors or sets excessive returns expectations.

Increased productivity

The continental free trade area facilitates industrialisation by creating a continental market, unlocking manufacturing potential and bolstering an international negotiation bloc.

Finally, the continental free trade area will also provide African leaders with a greater negotiating power to eliminate barriers to exporting. This will help prevent agreements with other countries, and trading blocs, that are likely to hurt exports and industrial development. (By Landry Singé, World Economic Forum)

IMF, WORLD BANK & AFRICAN DEVELOPMENT BANK

The Islamic Development Bank to finance $185 mln projects in Tunisia

The Islamic Development Bank has agreed to lend Tunisia $185 million to finance developments including an electricity project, an official told Reuters. The bank agreed to finance an electricity link worth $150 as well as the construction of hospitals in Kasserine and Kef worth $34 million.

The agreement will be signed between Tunisia’s Minister of Development and the head of the bank, which holds its annual meeting in the country this year. (By Tarek Amara, Reuters)

African Development Bank approves a US $50-million Risk Participation Agreement for Commerzbank AG to address Africa’s trade finance market demand

The Board of Directors of the African Development Bank has approved a US $50-million unfunded Risk Participation Agreement for Commerzbank AG (Commerzbank). The Risk Participation will leverage Commerzbank support to African issuing banks seeking to expand their trade finance operations.
The facility will help address trade finance market demand in key economic sectors such as agriculture and manufacturing. It will also foster financial sector development, regional integration and boost government revenue generation. Stefan Nalletamby, the Bank's Financial Sector Development Director, said, "Commerzbank is a strategic partner for implementing the Bank's development mandate. This intervention will improve market access by African issuing banks, corporates and SMEs."
Most African banks are small and struggle to obtain adequate trade finance facilities from international confirming banks to support African importers and exporters. The African Development Bank's additionality lies in the use of its "AAA" credit rating to provide comfort to Commerzbank to increase its trade finance exposure to local African banks.
The portfolio of trade transactions supported will represent various economic sectors. The facility is thus well aligned with the Bank's strategic priorities – the "**High 5s**" that are aimed at transforming Africa.
The Risk Participation Agreement will run for three years as a 50/50 risk sharing arrangement. Counting rollovers, it is expected that the facility will support approximately US $700 million of trade in Africa over the period. This will be the African Development Bank's second Risk Participation Agreement with Commerzbank, a major player in the global trade finance market with a significant Africa footprint.

INVESTMENTS

AAA Group boosts hotel network in Sumbe

Sumbe - A hotel of the AAA group was inaugurated in the city of Sumbe, Cuanza Sul province, thus strengthening the local hotel network.

The three-star unit of the IU Hotel chain offers 60 rooms and the inauguration was carried out by the provincial governor of coastal Cuanza Sul province, Eusebio de Brito Teixeira, who at the time thanked the gesture of another private initiative aimed at the development of the province. In his turn, the chairman of the board of directors of the AAA Group, São Vicente, stressed that the hotel unit has a modern architecture that privileges comfort and well-being. Of the various rooms, according to the CEO of the AAA Group, the hotel has 60 rooms, the same number of beds, two meeting rooms, WI-FI internet services, a restaurant and a reception. The province of Cuanza Sul currently has a hotel network with more than 1.500 beds. (Angop)

Accor Buys Mantis Stake to Expand African Hotel Network

- Deal with Mantis forms part of emerging-market growth plans
- Accor intends to add another 100 hotels in next five years

Accor SA, Europe's biggest hotel operator, plans to buy a 50 % stake in South Africa's Mantis Group as part of its expansion plans on the continent.
The Mantis transaction will add 28 hotels to the group's portfolio that ranges from hotels and villas to luxury houseboats, Accor said. The Evry, France-based company sold off 55 % of its real estate business for 4.4 billion euros ($5.4 billion) in February to fund the deal and further its growth in emerging economies. "Mantis is a pioneer in customized, one-of-a-kind travel services in some of the most imaginative hotels across the world," said AccorHotels Chief Executive Officer and Chairman Sebastien Bazin in a statement. "With this strategic partnership, we are reinforcing the group's footprint in Africa."
The deal still needs regulatory approvals, according to the company. AccorHotels currently operates more than 200 hotels in the Middle East and Africa and aims to open another 100 in the next five

years to capitalize on the continent's growing population and economy, it said. Accor rose as much as 1.9 % to 44.23 euros in Paris trading, the biggest intraday gain in more than five weeks. (By Loni Prinsloo, Bloomberg)

Angolan company invests US$60 million in metallurgical complex

Algoa Cabinda Fabrication Services, Lda. has invested US$60 million in the construction of a metallurgical complex in the industrial park of Cabinda province to supply equipment and spare parts to the oil companies located in that region of Angola, the local press reported.

The project is located in an area of 20,000 square metres and in the future is expected to be extended to 60,000 square metres, with the aim of making it the largest industrial metallurgical complex in the country, according to daily newspaper Jornal de Angola.

The company's managing director and founder, Dieter Rohrich, said at the opening ceremony of the venture, located on the outskirts of the Fútila Industrial Park, which the parts and other spare parts produced at the complex are in line with international oil industry standards.

The president of the Association of Industrialists of Angola (AIA), José Severino, noted the contribution of Algoa in the structuring of the oil industry and said that the company's involvement in the Angolan market makes many oil sector companies' activities easier. He added that there are a number of constraints on importing equipment and spare parts and from now on companies can use a local supplier who has the technology, capital and experience in manufacturing and supplying these materials.

According to the Algoa Cabinda Fabrication Services, Lda. website the company has been present in Angola since 1971, and its activity is focused on rendering services to companies and oil groups operating in the country, particularly in the province of Cabinda. (Macauhub)

Angola seeks public-private partnerships in the transport sector

The Angolan government will promote the creation of public-private partnerships in the maritime, port and rail sector, the minister of Transport announced in Luanda, speaking at the opening of a meeting on the national transport sector master plan.

Minister Augusto da Silva Tomás said it was important to draw up a specific strategy for coastal shipping and transport of passengers and cargo on rivers, across the country, based on a business plan focused on reducing regional differences, improving mobility and increasing the income of rural populations, involving private entities with enough technology, resources and capacity for their execution. He noted the construction of the new Luanda International Airport (NAIL) and Cuito-Bié (Joaquim Kapanga) and Cabinda (Maria Mambo Café) airports, the launch of the public tender for construction of the M'banza Congo airport, restoration and modernisation of the Benguela railway and the implementation of a project to link this railway line with Zambia from Moxico province.

The minister, quoted by Angolan news agency Angop, said that it was necessary to update and implement the business and promotion plan for Luanda International Airport, with the aim of using it as a platform between Latin America and Asia and the distribution of traffic to neighbouring countries, particularly in southern Africa.

The Minister also wants to prepare the executive project to connect the Benguela and Moçâmedes railways and then onward to neighbouring countries, in order to create an integrated rail network that promotes the mobility of people and goods across the country and with neighbouring countries, with greater security and at lower costs. (Macauhub)

Nissan Eyes Bigger East African Market With Kenya Auto Plant

- Plans to assemble semi-knocked-down kits into 1-ton trucks
- Kenya is keen to develop an auto-manufacturing industry

Nissan Motor Co. Ltd. plans to start assembling vehicles in Kenya, bolstering government plans to develop a regional auto-manufacturing hub in East Africa's biggest economy. The Japanese automaker is the latest to target Kenya after Volkswagen AG, PSA Peugeot and CNH Industrial NV announced plans for assembly lines in the past 18 months. The facilities could cut new-vehicle costs to customers in some of the continent's fastest-growing economies, where vehicle ownership per thousand people is about a quarter of the global average.

Outside of South Africa, there isn't much automotive manufacturing on the continent because of challenges such as the volume of imported used cars, few vehicle-financing options and a patchy road network. In Kenya, sales of new units fell 20 % last year to 11,044.

Nissan will initially put together pick-up trucks from semi-knocked-down kits, or SKDs, if the government agrees to waive a 25 % import tax, according to Jim Dando, director of Africa operations for Nissan. "We're prepared to enter Kenya as an SKD assembler," Dando said by phone from South Africa's capital, Pretoria. "We're keen to move quite fast. We want to make this happen."

Half-Finished Vehicles

Volkswagen, which returned to Kenya last year after a four-decade absence, is producing its Polo Vivo model from SKD kits. Nissan will submit a proposal to the government once market studies and due diligence assessments are complete, and may have an operational assembly line by the end of 2019 if it receives a green light. The company would work at an established plant, which would cost it about $20 million, rather than setting up its own facility, Dando said.

Investing in an existing plant for completely knocked-down kits, or CKD, would require as much as $100 million while a new factory would cost double that amount. Nissan prefers starting with half-finished vehicles as it builds market share and a skilled workforce, Dando said. Nissan executives are considering processing their vehicles at plants owned by Isuzu East Africa Ltd., Associated Vehicle Assemblers Ltd., which belongs to Simba Corp., and Kenya Vehicle Manufacturers, a venture between the government, Toyota Tsusho Corp. and Al-Futtaim Group, Dando said. Once established, the Kenyan facility will feed the Eastern Africa market, which is currently served by imports of light trucks from South Africa with other models coming from Japan. In addition to its plant in South Africa, Nissan has an assembly line in Nigeria.

One-Ton Trucks

The decision to begin assembling 1-ton pick-up vehicles is because Kenya's new-vehicle market is dominated by light commercial trucks. One-ton single-cab trucks made up almost 12 % of all new purchases in Kenya last year, according to the Kenya Motor Industry Association.

While there's great potential in the passenger-vehicle category the segment is inundated with cheaper second-hand imports, Dando said. Public-transport vehicles in Kenya are colloquially known as Nissan no matter their make, as the first imports of the privately owned minibuses in the early 1990s were usually used models from Japan. Nissan is also "looking cautiously" at Zimbabwe and Ethiopia as potential countries for local assembly, but has no timelines and is yet to make decisions on those markets. Many African economies have hit a rough patch, making them unattractive as manufacturing bases, Dando said. "There isn't much scope in Africa to start an assembly plant" in addition to those it already has beyond Kenya currently, he said. (By David Herbling, Bloomberg)

BANKING

Banks

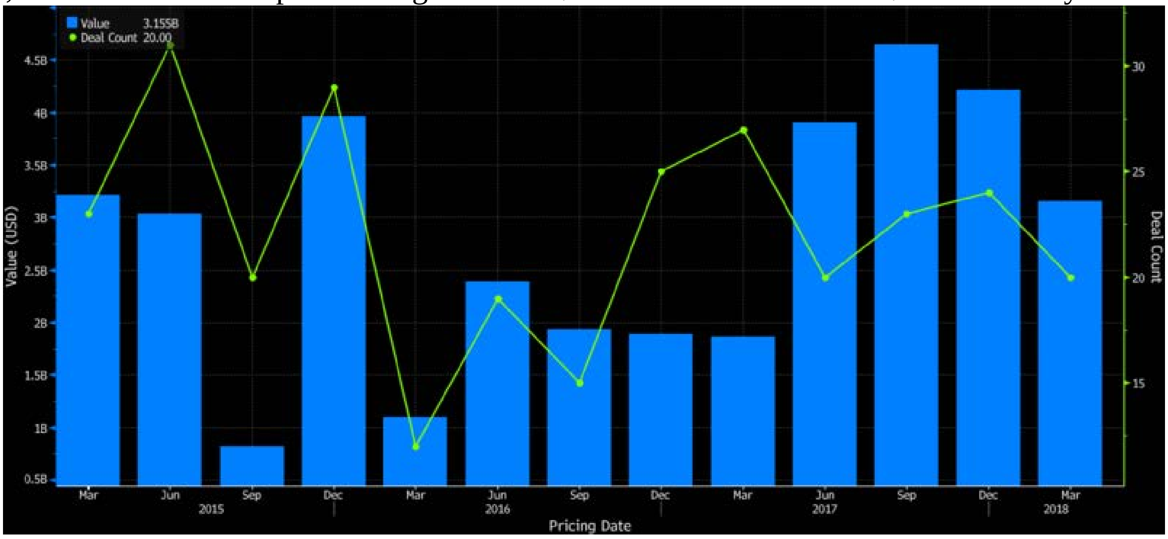
Banks See Fast Pace for Mideast, Africa Deals in Bumper Year

- Lower oil prices prompt push for funding from asset sales
- Some of biggest equity deals this year have been in Africa

Asset sales from Saudi power plants and football clubs to African energy firms are set to help deliver a bumper year for deals in the region.

Investment banks expect the pace of transactions in the Middle East and Africa to gain momentum after a busy first quarter. Mergers and initial public offerings in the first three months of 2018 were higher in value than in the same period last year, while bond sales were the second-highest on record, according to data compiled by Bloomberg. Bankers say that with a good pipeline of deals to work on, activity should increase further.

Globally, economic growth and relatively cheap funding have encouraged firms to buy rivals. In the Middle East, lower oil prices are prompting governments to seek external funding from bond and asset sales. IPOs raised $3.2 billion in the first quarter, making it the most active start to a year since 2015, the data show. Completed mergers worth $4.2 billion exceeded the $3.6 billion a year earlier.



This year was the busiest start for IPOs in the Middle East and Africa since 2015

"Momentum that built up over the course of 2017 continued into Q1 2018 with a number of successful debt and equity issuances," said Matthew Wallace, head of Global Banking for the Middle East, North Africa and Turkey at HSBC Holdings Plc. "The primary driver is investor demand. We continue to see high levels of flows into global emerging market funds, with investors drawn to the strong growth prospects for the region."

Asset Sales

Saudi Arabia is embarking on an economic overhaul that includes the sale of a stake in oil company Saudi Aramco -- that could be the largest IPO ever -- and the privatization of businesses including the stock exchange, power plants and football clubs. Energy Minister Khalid Al-Falih has hinted that the share sale, which Saudi officials have said could value the company at $2 trillion, may not occur until next year. Elsewhere, Abu Dhabi has been merging banks, sovereign wealth funds and is also looking to sell some of its investments.

Abu Dhabi sovereign fund Mubadala Investment Co. is planning the IPO of Emirates Global Aluminium this year, and potentially one or two other companies, Chief Executive Officer Khaldoon Al Mubarak told Bloomberg in February. Meanwhile, GEMS Education, the private school operator backed by Blackstone Group LP, hired banks for a potential listing this year, people familiar told Bloomberg in December.

"A number of sizeable equity capital market and M&A deals are being contemplated," said Faisal Rahman, co-head of the financing and solutions group for Central and Eastern Europe, Middle East and Africa, at Deutsche Bank. "Timing is a bit uncertain, but we expect 2018 to be a busy year."

Africa Pick-up

Some of the biggest equity deals this year have been in Africa. Steinhoff International Holdings NV raised 7.1 billion rand ($596 million) by divesting a stake in South African financial services firm PSG Group Ltd, while Cape-Town based insurer Sanlam Ltd. raised 5.7 billion rand selling new shares. More deals look set to come from Africa. Nigerian energy conglomerate Sahara Group Ltd. said it revived plans for a share-sale last month, while the operator of Johannesburg's stock exchange expects improved sentiment following Cyril Ramaphosa's election as South African president to encourage companies to sell shares in initial public offerings this year. Citigroup Inc. is expecting to see its best year yet for investment banking in Africa, Miguel Azevedo, Citigroup's head of investment banking for the region, told Bloomberg in February.

Debt Markets

Sovereign bonds helped drive debt issuance in the Middle East and North Africa to more than $100 billion, its highest ever, according to data compiled by Bloomberg. Deal volumes in the first quarter of this year didn't match 2017 levels, but several large deals have yet to occur, including expected bond sales by Saudi Arabia and Qatar. "Debt capital markets have witnessed another great start of the year," said Sjoerd Leenart, head of Global Corporate Banking and regional head for Central & Eastern Europe, Middle East and Africa at JPMorgan Chase & Co. He expects to see M&A to pick up in the second half of the year, and said "the IPO pipeline is strong and should finish the year on positive momentum."

A period of slower economic growth in Saudi Arabia is also helping to make buyouts in the the region's largest economy more viable, as business owners accept lower valuations, bankers say. "Saudi Arabia has always been a tough place to do transactions because of the difference between sellers and buyers' expectations," said Yaser Moustafa, senior managing director at private-equity firm NBK Capital Partners. "Now we are seeing people consider what I'd call 'fair valuations' for the first time." (By Matthew Martin and Ruth David, Bloomberg)

Markets

Sagarmatha eyes $4 bln valuation in S.Africa's first e-commerce IPO

Sagarmatha Technologies Ltd, a South African company that owns newspapers, online shopping and classified platforms, is targeting a valuation of more than $4 billion in Johannesburg's first initial public offering of an e-commerce company. Sagarmatha said it plans raise 7.5 billion rand ($636 million) in a share placement of 189.3 million shares at 39.62 rand each, it said in a pre-listing filing on its website. Investors are to include Jim Rogers, the longtime Asian bull and co-founder of hedge fund Quantum Fund. Rogers has agreed to buy between 100 million rand and 150 million rand worth of shares while Harold Doley, who was the U.S. representative to the African Development Bank during the 1980s and founder of U.S investment bank Doley Securities, has given a similar undertaking.

The results of the placement are to be issued later, it said. The placement values the Cape Town-based company at nearly 50 billion rand, underpinned by one of the country's largest offering of newspapers that include The Star and The Sunday Independent. Sagarmatha will tap the Johannesburg equity market as investors and business leaders bet newly elected President Cyril Ramaphosa will follow through on promises to revitalise the economy and push through business-friendly policies.

The listing, penciled in for this Friday 6th April, would reduce the stake of top shareholder Sekunjalo Investments, a company founded by medical doctor Iqbal Surve in the 1990s, to as little as 60 % from 73 percent. It would also give investors an alternative to Naspers, a 1.3 trillion rand giant that owes much of that valuation to its one-third stake in China's Tencent Holding despite running e-commerce platforms online retailer Takealot in South Africa and MakeMyTrip in India. Sagarmatha said it would use 7.5 billion rand it hopes to raise from the sale of the 15 % stake in the IPO to scale up its existing platforms, buy new ones, pay down debt and roll out regional offices in east Africa. The company reported a loss before tax of 36 million rand in the 2016 fiscal year on revenue of 188.4 million rand. ($1 = 11.7950 rand) (By Tiisetso Motsoeneng, Reuters)

South African glassmaker Consol eyes stock market return

South African glassmaker Consol intends to float on the Johannesburg bourse, it said, a deal that could fetch around $2 billion and will mark its return to the market after more than a decade in the hands of private equity groups.

No date has been set for the flotation, which comes amid growing confidence among business leaders and investors that President Cyril Ramaphosa will follow through on his promises to revive the economy and bring policy certainty.
Private equity investors led by Brait bought Consol for 6.1 billion rand ($512 million) in 2007. They ditched its private equity ownership model by issuing shares to the public four year later. “Our development plans are for aggressive growth locally and through the rest of the African continent,” Chief Executive Mike Arnold said. Arnold said he expected volumes in South Africa, where the company’s four factories contribute most to its bottom line, to grow by 3 to 4 % per year until 2021. Consol, which also operates in Kenya and Nigeria, reported a 1.6 billion rand ($134 million) in core EBITDA earnings in the year to June 30, 2017, and the public offer could fetch between 12 and 15 percent of that, bankers said. Arnold declined to comment on the targeted valuation.

Blue chip clients

Consol, which counts blue chips such as Anheuser-Busch InBev, Diageo and Heineken among its customers, said the listing would allow shareholders to cash in on their 11-year investment in the company and raise money to pay down debt. Goldman Sachs and BofA Merrill Lynch are working on the listing, along with South African banks RMB and Standard Bank, who will market the deal to domestic investors. Other shareholders are the private equity arms of financial conglomerates Old Mutual and Sanlam and the state pension fund, Public Investment Corporation.
A successful floatation would be rare piece of good news for 30 % owner Brait, whose stock has been hammered by a concerns about its biggest shareholder Christo Wiese and the performance of its British retailer New Look. Wiese is tallying up losses from a share price crash in Steinhoff, a retailer in the throes of an accounting scandal which has left him seriously out of pocket and stripped off his billionaire status. New Look, acquired in 2015 in a $1.2 billion deal, is struggling to pay down debt and compete on a crowded British high street, forcing Brait to slash its net asset value last November. ($1 = 11.9172 rand) (By Tiisetso Motsoeneng, Reuters)

Ghana Weighs Panda to Samurai as $2.5 Billion Bond Sale Nears

- Islamic securities may be part of Ghana’s 2018 debt issuance
- Finance ministry heading to Japan for talks on bonds

Ghana is considering selling bonds from China to Japan as the country prepares to issue as much as $2.5 billion in foreign-currency debt this year. Last month, lawmakers in the West African nation gave approval for the Finance Ministry to proceed with a debt sale. Ghana will use $1 billion to help meet its 2018 budget and the remainder to refinance dollar bonds of as much as $1.5 billion should it be able to sell the securities at a cheaper rate. Apart from selling dollar debt, Ghana is weighing an issuance of Islamic securities, so-called Panda bonds in mainland China and Samurai notes in Japan, Finance Minister Ken Ofori-Atta said in an interview at a conference in the capital, Accra. “We have sukuk, Samurai and Panda bonds in the mix for the $2.5 billion envelope,” Ofori-Atta said. The ministry will visit Japan next week to explore “the possibility of issuing a Samurai bond as we continue investigating the other instruments,” he said. The world’s second-largest cocoa grower has appointed Citigroup Inc., JPMorgan Chase & Co, Bank of America Corp. and Standard Chartered Plc as head arrangers to market an upcoming sale of Eurobonds, people familiar with the matter said last month. The Eurobond sale will begin at the end of April, Ofori-Atta said. (By Ekow Dontoh, Bloomberg)

ENERGY

South Africa signs $4.7 bln of delayed renewable energy deals

South Africa signed long-delayed renewable energy contracts worth $4.7 billion with independent power producers, in the first major investment deal under President Cyril Ramaphosa.

The signing of power purchase agreements for the 27 mostly solar and wind projects was held up for over two years under ousted president Jacob Zuma, who favoured a plan to build additional nuclear power plants.
It was also the subject of a last-minute legal challenge by the NUMSA labour union and Transform RSA lobby group, but a court rejected their application for an urgent interdict last week. The signing represents a victory for Ramaphosa, who has promised to unlock investment and kick-start economic growth since replacing scandal-plagued Zuma in February. “This will bring much-needed policy and regulatory certainty and maintain South Africa’s position as an energy investment destination of choice,” the energy ministry said in a statement.
Ramaphosa, a wealthy businessman, has prioritised revamping the economy and turning around struggling state-owned enterprises like utility Eskom, which will purchase power from independent producers as part of the deals agreed on Wednesday 4th April.
Opponents of the renewable contracts argued that Eskom could not afford the additional financial burden and that they would lead to job losses in the coal sector.
South Africa relies on coal-fired plants for more than 80 % of its electricity generation, while renewables contribute around 7 percent. Transform RSA, which opposed Zuma’s removal as head of state, said it would continue to fight the renewable deals and had appealed last week’s court ruling dismissing its application for an interdict. “Eskom simply does not have the liquidity, cashflow and strong balance sheet to support this hideous gamble on the fiscus and state electricity supplier,” Transform RSA president Adil Nchabeleng said. (By Alexander Winning, Reuters)

Mozambique: Renewable energies needed to expand access to electricity
Mozambique needs to invest in renewable energies to support the expansion of the electricity grid, which only covers 27% of the country the National Energy department said. The deputy national director of energy, Marcelina Mataveia, said the use of renewable energies was an essential part of the challenge of getting electricity to the country. The public electricity grid only reaches 1.7 million clients in a country with a population of 28.8 million people, according to official figures. Marcelina Mataveia said the fact that the country had enormous potential in energy resources, meant there had to be greater efficiency in managing them and ensuring access to energy in the more remote parts of Mozambique.
Solar energy is the most abundant source of renewable energy in Mozambique with potential to produce 23,000 gigawatts, the Energy Fund said. In 2015, the Energy and Sustainable Development Forum said that 80 of the population in Mozambique used biomass, a situation that contributed towards deforestation in the country. (Club of Mozambique)

Combined Cycle Thermoelectric Plant starts operating in Mozambique
The Maputo Combined Cycle Thermoelectric Plant started operations, Mozambican newspaper Noticias reported, adding that power production using natural gas will not begin until next August. Narenda Gulabe of state-owned power company Electricidade de Moçambique (EDM) told the newspaper that this phase is essential for the plant to start operating in August, and that next week test for gas injection into the system would begin, which will continue until it reaches the power required for the plant to be fully operational. “The energy to be produced in the next four days will be two to three megawatts, as only the first turbine is in operation, but from June we will be producing 106 megawatts,” Gulabe said.
The Combined Cycle Thermoelectric Plant will increase the supply of energy to the cities of Maputo and Matola. It is the first high-efficiency plant in the country and in southern Africa and will produce electricity from the natural gas produced in Pande and Temane, in the Mozambican province of Inhambane.
This project has an estimated cost of US$180 million, of which US$167 million is provided by Japan through the Japanese International Development Agency (JICA) and the remaining US$13 million will be provided by Mozambique itself. Financing granted by Japan in the form of a loan

has a repayment period of 40 years, including ten free years, with an annual interest rate of 0.01%. (Macauhub)

INFRASTRUCTURE

Congo Airport Manager Threatens to Suspend Operations Over Debt

Aeroports du Congo, a unit of Groupe Egis of France, threatened to halt operations at three airports it manages because of debts owed by the government. The state owes the company 5 billion CFA francs ($9 million), including value-added tax refunds and landing fees, Director-General Jean-Michel Ratron said in a statement emailed from the capital, Brazzaville. The company is unable to pay its own bills for water, electricity and security because of the debt, he said. Aerco operates three airports in Brazzaville, the port city of Pointe Noire and Ollombo. (By Elie Smith, Bloomberg)

Angola considers privatisation of the three national railways

The Angolan Government is considering the possibility of partially privatising the country’s three national railways, preferably to international or regional partners, especially in South Africa, who have the financial and technical capacity to ensure the future management of the companies, the Africa Monitor Intelligence newsletter reported.

Africa Monitor noted that the huge operating deficits that the three railways are experiencing, with insufficient income to pay wages, and the financial obligations arising from investment in rehabilitation and acquisition of rolling stock are considered a very heavy burden for the government.

Previously, the Angolan Government intended to deliver the management of the roads by direct sale to consortiums set up as PPP (public private partnerships). The department reported that the permanent operating losses suffered by the three railways are due to their low operating rates following their rehabilitation and refitting, which represented a total investment of US$3.5 billion.

Africa Monitor also pointed out that the irregular or infrequent movement of trains on the three lines is a result of structural factors and, in particular, the technical problems involved in the design and construction of roads, a shortage of specialised staff in the monitoring of work, and inadequate or poor quality of rolling stock.

The Luanda railway line was built by the China Railway International Group and cost US$600 million, the Benguela railway line cost US$1.8 billion and was built by the China Railway 20 Bureau Group Corporation (CR20) and the Moçamedes railway line, built by Chinese company China Hiway cost US$200 million. (Macauhub)

MINING

South Africa's Gold Fields to form Ghana joint venture with Canada's Asanko

South Africa’s Gold Fields said it will buy a 50 % stake in Asanko Gold Inc’s Ghana subsidiary and take a stake in the Canadian miner in a $202.6 million deal. Gold Fields said in a statement that as well as acquiring half of Asanko Gold Ghana’s 90 % interest in the Asanko Gold Mine, its Ghana subsidiary will also acquire associated properties and exploration rights in the African country. The deal includes an upfront payment of $165 million on closure of the transaction and a deferred payment of $20 million. Gold Fields’ subsidiary will also take a 9.9 % stake in Toronto-listed Asanko for $17.6 million in a share placement. (By Nqobile Dludla, Reuters)

S.Africa's Murray & Roberts awarded $312 mln in new mining projects

South African engineering and construction group Murray & Roberts, which is currently subject of a takeover bid, said it has been awarded 3.7 billion rand ($312 million) in new underground mining projects. The firm, which was previously awarded underground mining projects in North America and Australasia, said the additional contracts would be for diamond, gold, copper, salt and platinum mines. The projects are due for delivery in two to three years. ($1 = 11.8300 rand) (By Tanisha Heiberg, Reuters)

Trafigura signs three-year cobalt deal with Shalina Resources subsidiary

Commodities trader Trafigura has signed an offtake agreement for cobalt hydroxide running to December 2020 with Shalina Resources and its subsidiary Chemaf, based in the Democratic Republic of Congo (DRC), Chemaf said in a statement.

Interest in cobalt reflects a shift in the automotive industry to electric cars (EV), powered by lithium-ion batteries which also require components made from the metal as well as other materials such as nickel.

Trafigura has already increased its foothold in nickel with an exclusive offtake agreement with Finland’s Terrafame, that also produces zinc and cobalt. “If as expected EVs account for an increasingly significant proportion of a growing global vehicle fleet from 2025, it will drive sharp rises in demand for nickel and cobalt,” Trafigura Chief Executive Jeremy Weir said in the company’s 2017 annual report. “That provides a very promising environment for our growing cobalt and nickel trading activity.” Chemaf specialises in cobalt and copper exploration. It produced about 5,000 tonnes of cobalt last year from its Etoile mine and processing plant in Lubumbashi, with production set to rise to 7,000 tonnes this year. More than 60 % of global cobalt production comes from the DRC. Trading and mining group Glencore, the world’s biggest producer of cobalt, has already signed major offtake agreements with Chinese companies. Trafigura traded 69.9 million tonnes of metals and minerals in 2017, up 18 % from 2016. (By Julia Payne, Reuters)

Zimbabwe to Compel Mining Companies to List on Local Exchange

- Nation won’t grant mine rights unless there’s a local listing
- Minister is entitled to cancel rights if information falsified

Zimbabwe wants mining companies operating in the country to list the majority of their shares on the local exchange as the nation with the world’s biggest platinum reserves after South Africa seeks to boost investment. “No mining right or title shall be granted or issued to a public company unless the majority of its shares are listed on a securities exchange in Zimbabwe,” the government said in the Mines and Minerals Bill before Parliament, received by email. Companies that are seeking mining rights and are already listed on a bourse outside the nation must notify the mines minister, and 85 % of the funds from the local listing must be used exclusively to develop the local right, it said.

Platinum and diamonds are key exports for an economy that has halved in size since 2000 after a chaotic and violent land-reform program slashed shipments of tobacco, corn and roses. Zimbabwe also holds substantial deposits of gold, chrome, lithium, coal and iron ore. The state is courting mining companies to participate in the industry and help boost the ailing economy after President Emmerson Mnangagwa replaced former long-time ruler Robert Mugabe in November.

Platinum producers including Anglo American Platinum Ltd. and Impala Platinum Holdings Ltd. slowed production as Zimbabwe’s economy grew more troubled and access to foreign currency dried up. Companies mining platinum and diamonds are already subject to 51 % local ownership. “The minister shall be entitled to cancel any mining right or title once it is proven that any person has falsified information,” the bill said. Anyone who fails to comply will be “liable to a fine equivalent to 100 % of cash raised at the foreign listing or to imprisonment for a period not exceeding 10 years, or both.” (By Godfrey Marawanyika, Bloomberg)

World’s Most Valuable Diamond Mine Set to Get Even Bigger

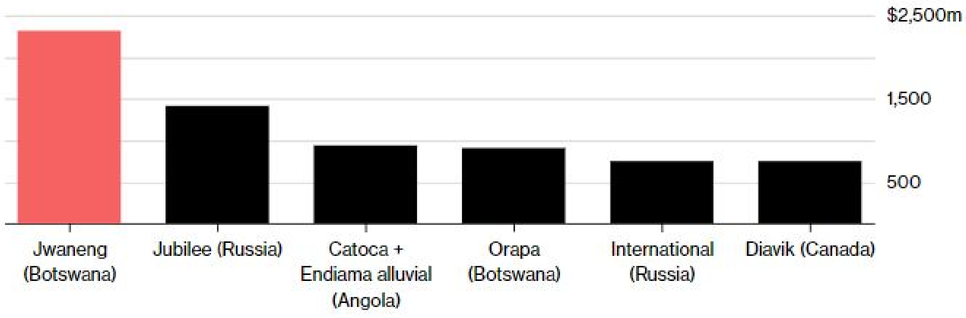
- Debswana seeks approval for Cut 9 project at Jwaneng
- Expansion will extend 36 year-old mine’s life to 2035

The world’s most valuable diamond mine is set to get even bigger.

Debswana, the joint venture between Anglo American Plc's De Beers unit and Botswana's government, is seeking permission to deepen the Jwaneng mine to 830 meters (2,700 feet), according to a notice published in local newspapers. The Cut 9 project will extend the mine's life by 11 years, to 2035, and allow the extraction of a further 50 million carats.

Gem Giants

Jwaneng was the leader by production value in 2017



Source: Paul Zimnisky Diamond Analytics

Jwaneng, which started full operations in 1982, is the world's largest diamond producer by value and currently 650 meters deep. Cut 9 will involve stripping away waste at the bottom of the mine, both widening and deepening the pit. The previous extension project, Cut 8, cost about $3 billion and reached gem-bearing ore in 2016, seven years after work started. The project will probably be financed internally, said Debswana spokeswoman Matshidiso Kamona. She declined to comment on the expected costs or schedule. Debswana has received provisional approval from the Department of Environmental Affairs, pending public review of its environmental-management plan, the notice says. Last year, then-Minerals Minister Sadique Kebonang said that government intended to include the financing of Cut 9 into its ongoing negotiations with De Beers for the renewal of the 10-year sales agreement covering output from the Debswana mines. The existing sales and marketing agreement ends in September 2020. De Beers largely funded the Cut 8 project, which involved stripping 500 million tons of waste to expose an orebody containing an estimated 100 million carats that will be mined until 2024, when output is expected to start from Cut 9. (By Mbongeni Mguni, Bloombegr)

Montepuez Ruby Mining launches US$10 million resettlement project in Namanhumbir

Cabo Delgado governor Julio Parruque laid the foundation stone of the resettlement village in Namanhumbir, Montepuez District, which will be the new home of the 105 families currently living in the village of Nthoro and are being moved as a result of a US$10 million investment by the Montepuez Ruby Mining Company (MRM). The new village in Namanhumbir and the associated farmland will occupy an area of 2,400 hectares.

On completion, the project will have 105 residential units with water and electricity supply infrastructure, a primary school, a market, a church, a mosque, a police station, a cemetery and a waste landfill. MRM is also developing a vocational training centre as part of its ongoing US$1.2 million community development programme.

The project should be completed in about 24 months, and its start also marks the beginning of a moratorium on families claiming entitlement to relocation.

In his speech Cabo Delgado governor Julio Parruque explained that "the process seems long and time consuming, but these steps are necessary to ensure that nothing fails and that your rights and benefits are safeguarded". "All resettled households will receive compensation, land for agricultural resettlement and the opportunity to participate in subsistence programs," he added. Each family will receive a land title (DUAT) for an area of 5,000 square metres, which includes the main house, all auxiliary infrastructure and 2 hectares of agricultural land.

The vocational training centre is expected to be operational by October 2018, offering training in construction techniques to about 300 Nthoro inhabitants so that they can join locally hired workers building the new village. The training will give the inhabitants a set of skills that can be used after the project is completed, such as masonry, plumbing and carpentry.
Event included a visit to the model home, which shows one of the housing categories to be built in the relocation village. The model house was approved by the Government Rehabilitation Commission (CTASR) after a process of public consultation of all parties involved in the rehousing process. MRM's Chairman Samora Machel Junior stated that "the resettlement project now beginning is the result of thorough work dating back to the beginning of Montepuez Ruby Mining's activities in Namanhumbir. We understood early on that it was necessary to find a stable social and economic solution for the communities living within the concession area, and for the surrounding communities too".
Since it started operations in February 2012, MRM has mobilised about US$130 million for the construction and operation of the mine and contributed a total of US$73 million to the Mozambican government in the form of corporate taxes and duties, equivalent to 26 % of income. The company had also, by June 30, 2017, invested more than US$1.7 million in local community development and environmental conservation. The initial development stage of operations has now reached "fully operational" status. (Club of Mozambique)

OIL & GAS

Sonangol selects best proposals for refinery construction in Angola

Angolan state oil company Sonangol has selected the seven best proposals for the construction of the Lobito and Cabinda refineries from among 16 proposals for the Lobito refinery, seven for the Cabinda refinery and seven others without specifying the intended project, according to a statement released in Luanda.
Sonangol said it had completed the first phase of the process to select partners for the construction of refineries in the cities of Lobito and Cabinda, with the list of the seven best proposals for each of the refineries being submitted to the government for appreciation, recommendation and decision.
"The preparation of the next phase of the process where clarification, due diligence, discussions and negotiations will be carried out between April and August 2018 is underway," the statement said.
The 14 best proposals selected came from a list of 28 submitted by companies and/or consortia, including companies from China, Portugal, Japan and South Korea.
From China, the proposals include the China Harbour Engineering Company, China Chemical Engineering Second Construction Corporation, China Petroleum Pipeline Engineering Company and CITIC Construction Company, from Portugal they came from Mota-Engil, from Japan from the Marubeni Corporation and from South Korea the Hyundai Engineering Corporation. (Macauhub)

Ghana contract takes heavy toll on Group Five, bridging finance in place

Construction and engineering company Group Five said the loss expected for the six months ended December 2017 would be R371-million more than the guidance provided in a March 1 trading statement, following continued difficulties at the Kpone project, in Ghana. The group said it expected to report a loss of around 773c a share and a headline loss of around 779c a share for the six months under review. The group said it had, since the March 1 update, received an independent assessment of the time and cost required to complete the Kpone gas- and oil-fired combined cycle power plant project, as well as the claims associated with the venture.
The increased loss includes additional resources allocated to the Kpone contract to ensure execution, as well as the cost of specialists, technical advisers and employees who will be on site for longer due to the contract finalisation delay.
The increase also includes additional costs to ensure acceleration to the earliest possible completion date, as well as unexpected costs, incurred outside of the group's control.

The final completion date for the Kpone contract has been set as June. Possible delay penalties at the project are capped at $62.5-million, representing the gross maximum penalty exposure possible, assuming the group is responsible for a six-month delay in completion of the contract. “This penalty does not reflect the counter, and other claims that the group is legally entitled to,” said Group Five. “Against these possible penalties, the group continues to progress its own contractual claims.” Group Five added that the Kpone contract, paired with ongoing pressure in the South African construction market and the further rationalisation of overheads, continued to place pressure on the company’s cash resources.
The company said it had secured up to R650-million in short-term bridge funding. “This will be sufficient to satisfy the group’s cash requirements on a sustainable basis.” In discussions with the JSE, Group Five has committed to release its interim results on April 12. (By Irma Venter, Engineering News)

Kenya Pipeline Plans Cooking-Gas Plants Worth $125 Million

- Two facilities proposed for capital and port city of Mombasa
- Nation moving cooking fuel away from charcoal and firewood

Kenya Pipeline Co. plans to build facilities worth $125 million to handle and store liquefied-petroleum gas with a view to boosting cooking-gas use in the rapidly urbanizing nation, Managing Director Joe Sang said.
The government in East Africa’s biggest economy has scrapped value-added tax on cooking gas and has subsidized the cost of 6-kilogram (13-pound) cylinders in a bid to make the fuel more affordable and attractive for its citizens, most of whom prefer cheaper charcoal, firewood and kerosene. For city dwellers LPG is more convenient and currently 30 % of Kenyans live in urban areas and the total number of people living in towns is expected to quadruple by 2045, according to the World Bank. “It will enhance the current inadequate LPG supply, distribution and storage infrastructure, as well as increased utilization of clean energy,” Sang said in an emailed response to questions.
Kenya’s monthly LPG consumption ranges between 15,000 and 23,750 metric tons, according to the Energy Regulatory Commission. The government wants to increase usage to 15 kilograms per person by 2030 from about 4 kilograms currently.
State-owned KPC is evaluating bids for the building of the plants, one in the capital, Nairobi, and the other in Kenya’s second-biggest city, Mombasa. Construction is scheduled to begin in October and the facilities will be ready by the end of December 2020, Sang said.
The $65 million depot in Mombasa will have capacity to store 25,000 tons of gas, rail and truck loading, and bottling facilities. The company plans to double the storage capacity once the plant is operational to meet regional demand from landlocked economies including Uganda and Rwanda. Nairobi’s $60 million plant will have capacity to store 10,000 tons of gas, and equipment to refill cylinders. The facilities will be Kenya’s first publicly owned cooking-gas terminals and will secure availability and stability of supplies for the region, as well as diversify KPC’s revenue sources, Sang said.

Green Finance

African Gas and Oil Ltd., a closely held company, has operated Kenya’s biggest LPG terminal, a 14,000-ton plant in Mombasa, since 2012. Oil marketers including Total Kenya Ltd, Libya Oil Kenya Ltd, Hashi Energy Ltd, Vivo Energy Kenya Ltd and National Oil Corp. also own smaller storage and bottling plants. To fund the plants, KPC may seek green financing from development institutions, though it has yet to settle on the funding mix for the project, Sang said. There’s growing investor appetite for green finance -- investment funding for projects that burnish environmental credentials while also giving a yield.
While LPG is derived from fossil fuels, it’s preferable in the country where forest cover is receding from logging for charcoal and firewood. Kenya’s forested area is 7.3 % against the recommended 10 percent, according to its Environment Ministry. “The opportunity to access green climate funds

from multilateral institutions will be explored as well as the project finance option," he said. (By David Herbling, Bloomberg)

AGRIBUSINESS

FIDA spends USD 50 million on agriculture

Luanda - The International Fund for Agricultural Development (FIDA) spent about USD 50 million to support agricultural projects in Angola.

This is part of an agreement signed between Angola and FIDA in Rome (Italy) in 2009 at the World Summit on World Security.

The information was released by the chairperson of the institution, Gilbert Houngbo while speaking at the end of a meeting with Finance Minister Archer Mangueira, attended by minister of Agriculture and Forestry, Marcos Nhunga. The project started being implemented in 2010. A Small Farmers and Marketing Development Project in the provinces of Cuanza Sul and Huíla, worth USD 38.2 million was financed until 2017. This also include FIDA's USD 28.8 million loan and a co-financing from the Angolan Government of USD 8.2 million and USD1.1 million of the beneficiaries themselves. He praised the projects jointly funded by FIDA and Angolan government, after a visit to the agricultural undertakings developed in the provinces of Malanje and Bié.

In turn, the Finance Minister Archer Mangueira considered FIDA a partner of Angolan government in supporting the development of rural communities. FIDA has funded six rural development programmes and projects in Angola since 1991, totaling USD 139.7 million, directly benefiting 261,600 rural households. (Angop)

Angola re-launches agricultural rice production complex

Manquete's agro-industrial complex for rice production in Angola's Cunene province, at a standstill since May 2017, will be re-launched later this year, when management is handed over to food production company Faz Angola, the director Agriculture, Rural Development and Fisheries of Cunene said in Ondjiva. Pedro Tiberio also told Angolan state news agency Angop news that the process of recovery of agricultural equipment as well as land is underway. This agro-industrial complex, originally approved in 2010 and now reactivated, has an area of 2,000 hectares, of which 1,500 hectares has been set aside for rice and maize cultivation and the remaining 500 hectares for construction of infrastructure and natural reserves.

With two units for processing and husking, cleaning, bleaching of packaging and equipment, the complex has three silos for storage, two of them for 3,000 tons of rice and one for 2,000 tons of corn.

The Manquete project was approved in 2010 by the Angolan government under the credit line from the China Development Bank (CDB), and China National Electronics Import and Export Corporation (CEIEC) was hired to put it into operation within 60 months, 36 of which for the training of technical and auxiliary staff. The agency also reported that the production shutdown was due to the CEIEC abandoning the project, as it did not comply with the five-year contract, at which time management was handed over to the Angola Sovereign Fund. (Macauhub)

Moamba to have EUR 30 milllion sugar production plant

From August of this year, Moamba district in Maputo province will have a sugar factory costing about EUR 30 million – more than two billion meticais – owned and run by Pure Diets Mozambique, an Indian company. *Pure Diets*' Mozambique Managing Director Subramanian Palanisamy, said the plant would feed the Mozambican and European markets. "This sugar is natural – we do not use chemicals during the production process," he told Maputo governor Raimundo Diomba when he visited the company's premises in Malengane, Sábiè administrative post.

The company currently has 400 employees, mostly working in the sugarcane fields, and expects to hire another 100 technicians. It has an area of 4,095 hectares for sugarcane production, and about 1,000 hectares set aside for the plant, but the company's director general says that at least 2,000 hectares are needed. At the end of his visit, Governor Diomba challenged farmers in the region to increase agricultural production in order to feed Maputo markets, increase their income and improve their living standards. The Maputo governor urged *Pure Diets Mozambique* to resolve land conflict problems with residents. "It is urgent that this matter be overcome, because this factory will benefit everyone, including the local population through job creation," he said.
The sugar sector in Mozambique has invested about US$800 million over the past five years. The country currently has four large sugar factories: Mafambisse and Marromeu in Sofala province, and Maragra and Xinavane in Maputo. (Club of Mozambique)

UPCOMING EVENTS

Africa Investment Exchange: Gas, 11 – 12 April 2018 RSA House, London
https://www.eventbrite.co.uk/e/aix-gas-2018-registration-36924810101

LSE Africa Summit 20th & 21st April 2018
https://lseafricasummit.org/

Africa Energy Forum 19-22 June 2018 in Mauritius
https://www.africa-energy-forum.com/

Mining on Top: ''EUROPE AS A PARTNER FOR AFRICAN MINING'' 3-4 July 2018, Geneva Switzerland
http://ametrade.org/miningontopafrica/

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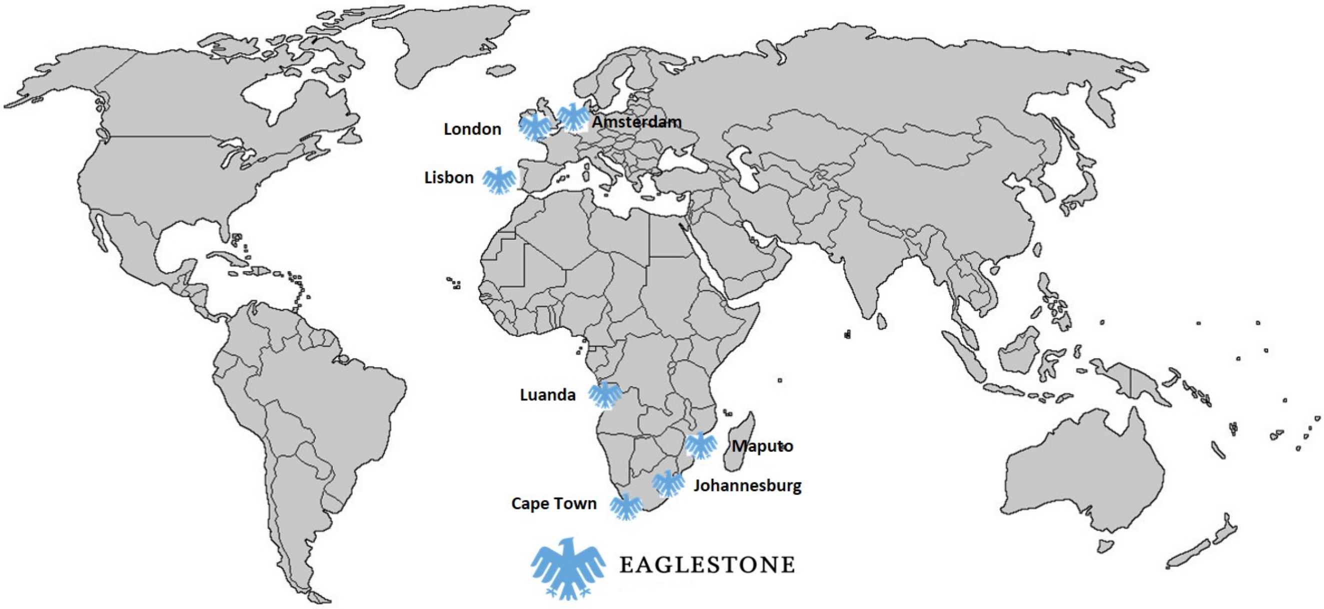

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The company has three business activities - financial advisory services, asset management and brokerage - and currently has offices in Amsterdam, Cape Town London, Lisbon, Luanda and Maputo

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