INSIDE AFRICA

Now is the time to invest in Africa

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EAGLESTONE

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In-depth:

Africa needs more private investment. Here's how to make it happen

We know the story all too well: Africa needs to scale up private investment—rapidly.

We also know the numbers. The continent will require some $100 billion in new infrastructure each year going forward if it is to close its infrastructure gap. Yet less than half of that is currently financed. And with a labor force that is expanding by 20 million people a year, and rapid urbanization along with it, Africa's infrastructure needs are only poised to grow.

The backstory is also familiar: Africa holds enormous potential for private investors. Since the turn of the millennium, it has been among the world's fastest growing regions. And although growth in some parts of Africa is fragile for the moment, the continent has an improving business environment, expanding internet connectivity, rising incomes, and shifting consumption patterns. These enduring trends have created an abundance of commercial opportunities across the continent, transforming it into a market and opportunity that investors cannot afford to ignore.

Piecing together the puzzle

So, with all the opportunities for growth, and the need for much more investment, why is there still a shortage of private sector investments in Africa? Why do institutional investors remain hesitant to break new ground and invest full scale in African infrastructure? And why has foreign direct investment to the continent fallen off, from around 6 percent of the world's FDI stock four decades ago to just 3 percent today?

Finally, why don't more private investors use the instruments offered by Development Finance Institutions?

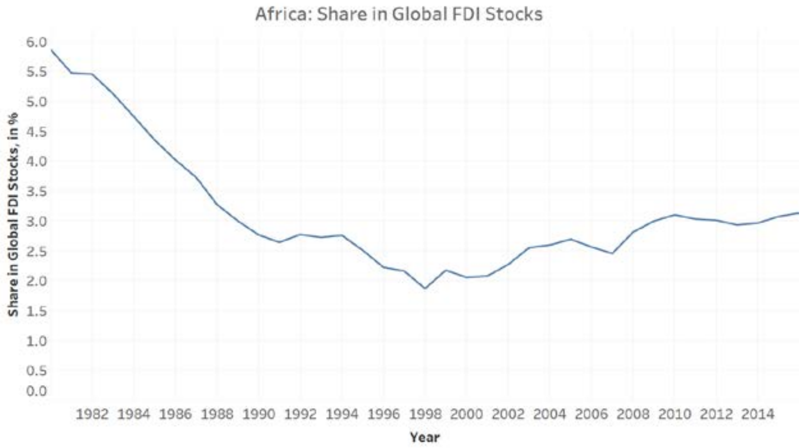


Image: IFC calculations based on UNCTAD data

There are no easy answers to these vexing questions.

One part of the puzzle is simple, however, and it involves an information gap. Investors looking to get involved in emerging markets often encounter—and are discouraged by—a general lack of information. They don't know what to expect, what instruments from Development Finance Institutions are available to support them, and how to get help in preparing projects for investment.

And while significant support exists that can help overcome these obstacles, many potential investors are unaware of - or even confused - about where and how to obtain this support. Development Finance Institutions provide much of it, yet to many investors these institutions and their many programs remain a jumble of abbreviations.

Development Finance Institutions have a multitude of financial products geared to lending, investing, mitigating risk, blending commercial with concessional funds, providing advisory services, and supporting project preparation. But the challenge for the private sector and other willing investors—simply put—is to obtain an overview of just what is available This is difficult terrain even for development experts.

A simple toolbox

To help bridge this information gap, the German G-20 Presidency has asked the International Finance Corporation to create a simple toolbox with straightforward and accessible information about the many programs available to investors, firms, and governments looking to engage with the G20 Compact with Africa countries. These countries include Cote d'Ivoire, Ethiopia, Ghana, Morocco, Rwanda, Senegal, and Tunisia—with more to follow.

Improving the conditions for private investment in Africa, with an emphasis on infrastructure, is central to the Compact. And the goal of the toolbox is to provide an accessible overview of where to go for financing and support of private investments.

The toolbox —which is an inventory of available instruments—is based on substantial inputs from all the multilateral development banks engaged in the region, as well as the International Monetary Fund and the Association of European Development Finance Institutions. It was compiled with the twin goals of providing transparency and closing the information gap facing governments, investors and businesses.

The toolbox also outlines the relevant knowledge platforms related to scaling up infrastructure in the Compact with Africa countries. Engaging with platforms such as the Sustainable Development Investment Partnership is critical to closing the information gap. By doing so, private investors and multilateral development banks can create and maintain a strategic dialogue about the key issues for mobilizing private finance for sustainable infrastructure.

Three steps for the future

At the end of day, all actors share the same agenda—to facilitate private investments in Africa. Only strong African leadership and ownership can create enabling environments and scale investments, but development partners can have an important supportive role.

Going forward, at least three steps are necessary to further transform African infrastructure into a truly tradeable asset class.

First, investors need to be provided with better insights into the performance of assets in the infrastructure space, including credit default rates. Knowledge about asset performance is essential for investors to assess the balance of risk and return that guides all private investments.

Second, Development Finance Institutions need to work to standardize and simplify their products. Naturally, standardization should not limit financial innovation, but there is substantial room to make products easier to access for both current and future clients. Increased user friendliness of products is a common responsibility, and one that can bring significant benefits to Africa.

Third, there is a need to work upstream to create a policy environment that promotes commercially viable projects. Without bankable deals, investments will simply not flow at a sufficient scale.

Platforms like the Sustainable Development Investment Partnership, with its unique membership of public and private actors, can be critical to moving this three-fold agenda forward. The G-20 emphasis on the Compact with Africa provides an excellent basis for common action. (By Morten Lauridsen, Principal Economist, Economics and Private Sector Development, International Finance Corporation, World Economic Forum)

IMF, WORLD BANK & AFRICAN DEVELOPMENT BANK

Policy reforms urgently required for increased private investment in agriculture and agribusiness in Africa, says Blanke

Jennifer Blanke is the Vice-President, Agriculture, Human and Social Development at the African Development Bank (AfDB). On the occasion of World Food Day, October 16, she spoke on how to make agriculture the game changer to check migration, create wealth and employment.

How does World Food Day align with the Bank's High 5 priorities?

The purpose of World Food Day is to promote worldwide awareness and action for those who suffer from hunger and the need to ensure food security and nutritious diets for all. The theme of this year's World Food Day is 'Change the future of migration; Invest in food security and rural development'. This purpose and theme are well aligned with two of the Bank's High 5 priorities: Feed Africa, and Improve the quality of life for the people of Africa.

With more than 70% of Africans depending on agriculture for their livelihoods, it is imperative for the sector's full potential to be unlocked, and by doing so help to vastly improve the lives of Africans. Accordingly, one of the goals of **Feed Africa** is to eliminate hunger and malnutrition by 2025. In this regard, the Bank is framing its agricultural operations within a government-enabled and private sector driven business-oriented approach, based on a deeper understanding of the obstacles, potential and investment opportunities.

Since Africa's economic growth has not been rapid or inclusive enough to create enough jobs and improve the quality of life, the Bank is building the technical skills of Africans so that African economies can realize their full potential in high-technology sectors. In addition, the Bank will nearly triple its annual climate financing to reach $5 billion a year by 2020, to ensure climate-friendly agriculture development, among others.

What message would the Bank like to share with African leaders and stakeholders on this day?

Due to the finite nature of mineral resources such as gold, diamonds, crude oil, etc., African countries must diversify their economies. This cannot be done without a significant emphasis on agriculture given that the great majority of Africans depend on it for their livelihoods. However, there is need for a profound paradigm shift in transforming African agriculture and agribusiness. Increased food demand and changing consumption habits driven by demographic factors such as urbanization (internal migration) are leading to rapidly rising net food imports, which will grow from US $35 billion in 2015 to over US $110 billion by 2025 if trends are left unchecked.

Developing a viable and vibrant agriculture and agribusiness in Africa is both a challenge as well as a massive market opportunity for businesses. This includes smallholder farmers, who are the largest private investors in agriculture and produce 80 percent of staple food in Africa. For agribusinesses to make the most of the opportunities, there must be a sustainable shift from subsistence agriculture to a productive for-profit agricultural industry that allows farmers (small, medium and large, plus SMEs) to take part in and benefit more from the market economy.

Agriculture must be seen as a business, not as a way of life. Africa is in a position to build these markets in an environmentally sustainable way, while supporting women by giving them greater access to land, financial services and improved technology. And given that African smallholder farmers are on average about 60 years old, Africa's food security depends on attracting young people into agriculture and agribusiness and empower them. Governments can support these shifts through the right enabling environments via policy reforms for increased private investment in agriculture and agribusiness. And also by better articulating the importance of agriculture for their economies in their interaction with the public.

Is the Bank participating in any events to mark World Food Day?

On the invitation of the Minister of Agriculture and Rural Development of Cote d'Ivoire, the Bank over the weekend joined other developing partners such as the Food and Agriculture Organization, World Food Program, International Fund for Agricultural Development, International Organization for Migration, and others in a day-long set of activities organized by the government in a seaside town of Jacquesville, 45 kilometres west of Abidjan. The highlight of the activities was the tour of the stands where processed food and cash crops as well as animal and marine products were exhibited. The statements by the Minister of Agriculture and development partners highlighted the need for government to invest in agriculture to create jobs and stem the scourge of migration that has undermined the security and economies of African countries.

What have been the Bank's greatest achievements in the last two years in the area of food security?

From 2010 to 2014 alone, the Bank helped African countries to develop their agricultural sectors via: 101 billion square metres of water mobilized for agriculture, 8,791 km of access roads constructed to link markets to production centres, 12 countries supported to develop improved fisheries, 25 countries supported to develop improved livestock,5,349,223 hectares of protected areas designated, 47,604 hectares of community forest plantations, 35 projects approved with

climate proofing elements, 582 renewable energy schemes elaborated, and mainstreaming gender in the Bank's agriculture projects from 83% to 100% .
Yet we can do much more by taking these projects to scale and through better catalysing much more private sector investment. And this is the goal of the Bank's Feed Africa transformation agenda. We are no longer talking about small businesses, but big businesses in various countries, big investments. This will be supported by a major effort to identify the best and most applicable agricultural practices that exist, take them to scale and replicate them throughout the continent to massively increase agricultural productivity.

AfDB approves US$ 100 million Line of Credit to Kenya Commercial Bank

The Board of Directors of the African Development Bank (AfDB) today approved a US$ 100 million Line of Credit (LOC) to Kenya Commercial Bank Limited (KCB).
The line of credit resources will provide much-needed liquidity support for the development of infrastructure and energy projects as well as support value-addition in manufacturing and providing the youth. The project is therefore an important contribution towards enhancing job creation as well as facilitating financial access to businesses.
Kenya's economy is one of the most vibrant on the continent because of its diverse and resilient characteristics. The economy enjoys a unique feature whereby both the corporate segment and established SMEs drive economic growth. The bank's role is also critical in jobs creation, enhancing output diversification, developing indigenous entrepreneurship and forging trade ties within the region and globally. Availability of requisitely priced funds at matching tenors is therefore a key ingredient towards assisting these enterprises to thrive sustainably and eventually contribute towards economic development. The LOC will bolster KCB's ability to reach and serve deserving businesses in Kenya. Additionally, the AfDB will, through this LOC, contribute towards KCB's efforts to broaden access to financing for Kenyan businesses thereby helping to develop the private sector.
This intervention is well aligned with AfDB's Ten Year Strategy, 2013-2022, as well as one of the Bank's High 5 Strategic priorities of improving the living conditions of Africans. KCB is currently the largest bank in Kenya in terms of assets, customer deposits as well as loans and advances portfolio. It offers a wide range of products and services to retail, corporate, institutional and SME clients. The Bank is one of pioneers in alternative service channels including agency and mobile banking that promote financial inclusion. This has catapulted it to the position of market leader across several customer segments in Kenya. Approving the LOC, AfDB Board members emphasized the need for KCB to take the womenfolk along in all its interventions in Kenya and neighboring countries.

AfDB's agricultural transformation strategy to guarantee 513 million tons of additional food production - Adesina rallies support for technologically driven agriculture in Africa

The African Development Bank (AfDB) has developed a new initiative called the Technologies for African Agricultural Transformation (TAAT) initiative – a knowledge- and innovation-based response to the recognized need to scaling up proven technologies across Africa.
Already, 25 African countries have written letters to the AfDB confirming their interest and readiness to participate in TAAT, and help transform their agriculture. It will support AfDB's Feed Africa Strategy for the continent to eliminate the current massive importation of food and transform its economies by targeting agriculture as a major source of economic diversification and wealth, as well as a powerful engine for job creation.
The initiative will implement 655 carefully considered actions that should result in almost 513 million tons of additional food production and lift nearly 250 million Africans out of poverty by 2025.
TAAT will execute bold plans to contribute to a rapid agricultural transformation across Africa through raising agricultural productivity along eight Priority Intervention Areas (PIAs).

The commodities value chains to benefit from this initiative are rice, cassava, pearl millet, sorghum, groundnut, cowpea, livestock, maize, soya bean, yam, cocoa, coffee, cashew, oil palm, horticulture, beans, wheat and fish. “TAAT was born out of this major consultation and brings together global players in agriculture, the Consultative Group on International Agricultural Research, the World Bank, the Food and Agriculture Organization of the United Nations, the International Fund for Agricultural Development, World Food Programme, Bill and Melinda Gates Foundation, Alliance for a Green Revolution in Africa, Rockefeller Foundation and national and regional agricultural research systems, ” said AfDB President, Akinwumi Adesina, at a TAAT side event at the 2017 World Food Prize in Des Moines, Iowa. “It’s the biggest consolidation of efforts to accelerate agriculture technology uptake in Africa. Technology will address the variability and the new pests and diseases that will surely arise with climate change,” he said.

Adesina explained that TAAT would help break down decades of national boundary-focused seed release systems. Seed companies will have regional business investments, not just national ones, he said. “That will be revolutionary and will open up regional seed industries and markets.”

TAAT, he explained, is to be implemented through a collectively agreed central delivery platform, coordinated by the International Institute for Tropical Agriculture, with national, regional and international agricultural research centres. “TAAT is a transformative and landmark partnership effort. The African Development Bank, World Bank, AGRA, Bill and Melinda Gates Foundation, and the Rockefeller Foundation intend to mobilize US $1 billion to help scale up technologies across Africa.”

The Director, External Communications in the African Region of the World Bank Group, Haleh Bridi, described TAAT as a regional technology delivery infrastructure for agriculture, linking countries across agro-ecological zones.

Bridi stressed that Africa can learn from Asia, which had made “amazing strides” in its agricultural revolution. “This is why we are involved in the TAAT programme,” she said to resounding applause.

The Director for Agricultural Development at the Bill and Melinda Gates Foundation, Nick Austin, said, “Technology obviously evolves the journey to prosperity, the way economies transform and the way small-holder farmers engage.” “Locally, there are varieties. Locally, there are new technologies and solutions to small-holder farmers. We are in the position to play a key role in bringing the best technologies available and supporting new ways in delivering this to farmers. We are delighted and excited to be part of this initiative.”

The President of Alliance for a Green Revolution in Africa (AGRA), Agnes Kalibata, stressed that African governments should drive technological development in agriculture. “What TAAT is going to have to do is work with the governments. We have lots of institutions that are ready for these technologies. We should work with governments to ensure that the technologies are not just ready to work, but become available to their country people. I think that ensuring that the farmers get all the technologies they need to is going to be very important,” she said.

The President of the Rockefeller Foundation, Raj Shah, highlighted the impact of technology on agricultural yields.

INVESTMENTS

Angolan government to propose legislation to end monopolies

The Angolan government will submit to parliament a proposal for a competition law to bring an end to monopolies and other imperfections in the country’s market, the new Angolan president said in Luanda, cited by Angolan news agency Angop.

João Lourenço, in a State of the Nation address at the opening meeting of the First Legislative Session of the 4th Legislature of the National Assembly, said that the government would establish a legal framework to facilitate the operation of companies, which promote and defend free enterprise, competitiveness and competition in order to safeguard consumers’ rights.

President Lourenço also said that he will pay special attention to companies that face difficult situations and even struggle for survival due to the crisis, as they guarantee employment, the sustainability of families and keep the economy running. He reiterated that he will propose tax incentives for companies that decide to invest in the interior of the country, including those that promote cooperation between the city and the countryside, reducing regional imbalances and poverty, to increase employment and income for families.

In his speech, the Head of State also noted the government's programme for export promotion and import substitution, with the active participation of domestic and foreign investors, a strong focus on family agriculture and also on the mechanisation of production methods. (Macauhub)

Angola prepares new Industrial Property Law

The Angolan Institute of Industrial Property (IAPI) is preparing a proposal for a new Industrial Property Law to adapt it to international standards, Carla Luísa Louro de Carvalho, a technician from the Angolan National Directorate of Industrial Registration and Licensing, told Angolan news agency Angop.

Carvalho said the IAPI technicians are improving the previous law (Law 3/92) in order to update and adapt it to international standards and to do that are relying on the contribution of national companies and partners. "By the end of the year, IAPI believes the proposal will be technically complete, so that in 2018 it can be brought up for public discussion so that the country has a document that is in line with international standards, as Angola is party to international agreements and there are issues that are not covered in the present law," she said.

IAPI has registered for treatment and assignment of property rights, 60,000 brands, 1,200 establishment names, 350 industrial models 350, 150 industrial designs, the deposit of 4,000 patents (mostly foreign) and 50 utility models. In August of this year, the Angolan Institute of Industrial Property (IAPI) registered 60% of foreign brands and 40% of national brands. (Macauhub)

Mozambique discusses priority projects for financing with China

Mozambique, in coordination with the National Development and Reform Commission of China, is in an advanced process of evaluating priority projects already selected for further financing in the areas of infrastructure, energy, transport, agriculture and industrial parks, among others, the Mozambican ambassador to China has said.

Aires Ali said in an interview published in the summer issue of the Forum Macau magazine that Mozambique is open to receiving Chinese funding either in commercial form, through public-private partnerships or in the form of donations.

The Mozambican ambassador also considered that the People's Republic of China is a strategic partner for Mozambique's development process, particularly in infrastructure and energy projects, considering its experience and capacity in terms of state-of-the-art technology, resources investment and know-how.

Ali also said in the interview that China, which is a strategic partner of Mozambique, can financially support the improvement of the rail and port infrastructure of the three main development corridors (Maputo, Beira and Nacala) that allow access to the sea from land-locked countries, such as Zambia, Malawi, Zimbabwe and Swaziland.

The Mozambican diplomat also said that Mozambique plans to build new rail-port infrastructure, such as the Macese and Techobanine port project, linking Botswana, South Africa, Swaziland and Mozambique and the Beira-Machipanda rail link between Mozambique and Zimbabwe.

Aires Ali said that "it is the Government of Mozambique's concern to mobilise resources to improve the existing infrastructure in these corridors to respond to new demand resulting from its intensive use in the transport and handling of a variety of cargo, which includes the export of products from new discoveries in Mozambique, namely coal and gas, among others, and the import of a variety of consumer goods and for the development of industry in Mozambique and hinterland

countries." "As you can see, these are projects that require a lot of funding and, once again, China as a strategic partner of Mozambique is taking in them," he said.
The ambassador said that there are encouraging results of Sino-Mozambican cooperation in rice production in Gaza Province (Wanbao Project in Xai-xai and the Chókwé Irrigation Area) and also revealed that there are other projects in the pipeline on rice in Sofala province and on agro-processing in Mozambique. "Mozambique can take advantage of China's – Belt and Road – initiative by creating industrial parks, building access roads, linking production centres and commercial and consumer centres (…) by promoting the value chain for products through the transfer of technologies and promoting employment and well-being of the Mozambican population," he concluded. (Club of Mozambique)

China signs agreements with Mozambique and grants EUR 12.7 million for new airport
China will hand over EUR 12.7 million to Mozambique today for the construction of a new airport in Xai-Xai, capital of Gaza province, the Mozambican Ministry of Foreign Affairs has announced.
The donation will follow the signing of two documents: an agreement on economic and technical cooperation and a protocol for the partial pardon of Mozambican debt to China.
The signing ceremony will take place at the premises of the Ministry of Foreign Affairs and Cooperation in Maputo, and will be signed by Deputy Minister Nyeleti Mondlane and China's ambassador to Mozambique, Su Jian.
Mozambican President Filipe Nyusi announced on April 19 that an airport in the southern province of Gaza was urgently needed to serve as an alternative to Maputo International Airport. An airport in Gaza was "feasible, and not a luxury but an urgent need", he said, adding that it would be a revitalising factor for the local economy. (Club of Mozambique)

State still owes private sector companies 29 billion meticais – CTA
In a further attempt to pressure the Mozambican government into paying the debts that the state has accumulated over the last few years, the Confederation of Economic Associations of Mozambique (CTA) called a press conference to publicly reiterate its concerns.
In concrete terms, the state owes the business sector in Mozambique 29 billion meticais (about US$474 million), adversely affecting the functioning of these companies. The amount in question represents debts for goods and services supplied to the state since 2014.
Eduardo Sengo, Executive Director and CTA spokesman, told reporters on Tuesday that the lack of payment was aggravating the difficulties of running businesses at a time when they were already operating under difficult economic conditions. "It is an amount that worries us, because we have bills, expenses, and investments to make. The strange thing is that the state itself comes to collect taxes knowing that they already have the money" Sengo said.
According to Sengo, about 2,000 companies in Mozambique may be facing closure because they are paralysed by lack of funds currently in the hands of the state.
Sengo recalled that last year the government had promised to try to reduce its debt, but the word of the Minister Adriano Maleiane had turned out to be just a promise and a good intention. "The Minister of Economy and Finance promised that payments would start this year, paying 17 percent of the value this year, 50 percent next and the rest after that," Sengo remembered. He reiterated the call for the promise to be put into practise, because companies would otherwise be at risk of closing down. (Club of Mozambique)

Japan opens investment promotion office in Mozambique
The Japanese External Trade Organisation (JETRO) has opened an office in Maputo, Mozambique, intended to promote investments and the export of Japanese products.
The Japanese ambassador to Mozambique, Toshio Ikeda said on that occasion, he believed that the number of Japanese companies operating in Mozambique, which is currently 17, could substantially increase considering the good bilateral relations between the countries.

Ikeda recalled that the president of Mozambique and the Japanese Prime Minister had decided in March to increase bilateral trade. The Minister of Industry and Trade, Max Tonela, recalled, at the time that Japan has been a strategic partner through participation in major projects in the sectors of education, health, road, rail and port infrastructure, mineral resources, transport and communications, water and sanitation, among others. The JETRO office in Maputo is the first to be opened by the organisation in Africa. (Club of Mozambique)

BANKING

Banks

Angola's central bank in IMF agreement to prevent money laundering

Angola's Central Bank said that it has signed agreements with the International Monetary Fund to be provided with technical assistance to strengthen its banking supervision, the prevention of money laundering and the illegal financing of militant groups.
In a statement on its website, the central bank said the contracts would run for about two years and were aimed at restoring credibility in the Angolan banking sector and re-establishing relations with international financial institutions. (Reuters)

Angola's banking sector grows by 16% in 2016, Deloitte says

The value of total assets of banks operating in Angola increased by 16% to 8.70 trillion kwanzas in 2016, compared to 2015, according to a study on the Angolan banking sector presented in Luanda by consulting firm Deloitte.
The study entitled "Banking under analysis, new era and new ways" said that the state-owned Banco de Poupança e Crédito continued to lead the list with total assets of 1.69 trillion kwanzas. The value of the assets of five banks – Poupança e Crédito (BPC), Angolano de Investimentos (BAI), de Fomento Angola (BFA), BIC and Millennium Atlântico – grew by 23% compared to 2015, and in 2016 accounting for around 73% of the sector's total assets.
The study of the 25 banks operating in Angola in 2016 also reported that net income amounted to 174 billion kwanzas, an increase of around 55% over 2015.
The study reported that the weight of deposits in Angolan currency maintained the growth trend, to the detriment of foreign currency, now accounting for 67% of total deposits.
The total value of customer deposits in the national banking sector reached 7.04 trillion kwanzas in that year, representing growth of 16% over 2015, including the effect of the appreciation of deposits in foreign currency at the official exchange rate.
In relation to net lending to customers, there was also an increase compared to 2015, which amounted to 3.06 trillion kwanzas, or growth of 12% over 2015.
Budget Secretary Aia-Eza da Silva said during the presentation of the study that the assets of commercial banks operating in Angola in 2016 were the equivalent of around 63% of the country's Gross Domestic Product. (Macauhub)

Nigeria's Fidelity Bank takes charge on 9mobile loan after central bank request

Nigeria's Fidelity Bank has taken a 5 percent impairment charge on a 17.3 billion naira ($55 million) loan to Etisalat Nigeria, now called 9mobile, Fidelity Chief Executive Nnamdi Okonkwo said in line with a central bank request.
Etisalat Nigeria took out a $1.2 billion syndicated loan from a group of 13 local banks four years ago but has defaulted on repayments this year due to a currency crisis and recession in Nigeria.
A banking source told Reuters last week that the central bank had asked lenders involved in the loan to take a 5 percent provision as part of their third-quarter results.
Okonkwo said Fidelity Bank was also raising provisions across its loan book. "We are revising (the non-performing loan ratio) from sub-5 percent to sub-6 percent by end of the year, due to currency conversion and some risk on the oil and gas book," he told an analysts call held to discuss its nine-

month results. “We have seen some improvements in the transport sector and the consumer book.” Net loans stood at 753.8 billion naira as of September, up 4.9 percent from a year earlier. The bank was targeting 7.5 percent loan growth this year, Okonkwo said.
Fidelity Bank on Monday posted a pretax profit of 16.24 billion naira for the nine months through September, up from 9.83 billion a year ago.
The Nigerian Senate voted in favour of launching an investigation into the default of Etisalat Nigeria and into how its funds were used. Nigerian lenders have picked Barclays to try to find new investors for 9mobile, two banking sources told Reuters last week. Okonkwo also said the bank had submitted details of personal and business accounts that lacked complete identification to the central bank following a court order. He declined to say how many accounts were involved.
A court has ordered a temporary freeze on millions of bank accounts with incomplete identification documents and the forfeiture of funds in those accounts as the government seeks to ensure compliance with money laundering rules. The bank said it had notified customers about the court ruling and advised them to regularize their accounts. Shares in Fidelity, which has gained 85 percent so far this year, rose 4.5 percent on Wednesday to 1.62 naira. ($1 = 315.00 naira) (Reuters)

S. African health insurer Discovery awarded banking licence
South African health insurance group Discovery said it has been granted a banking licence, in a move that opens the way for it to pursue plans to set up a retail bank. Discovery said last year that it would spend 2.1 billion rand ($158 million) to set up a retail bank based on the “behavioural model” it uses in life and health insurance to reward members for their choices. Its shares rose 0.60 percent higher in early trade, in line with Johannesburg’s All-share index, which was 0.50 percent higher. Discovery said the granting of the banking licence is subject to specific regulatory conditions and still needs approval from South Africa’s Competition Commission. ($1 = 13.2952 rand) (Reuters)

Arab Bank finances power plant in Guinea-Bissau
The Arab Bank for Economic Development in Africa (BADEA) has granted Guinea-Bissau a loan of US$11 million for the construction of a power plant in Bissau, the government announced. The loan was signed in Washington by the Guinean minister of Finance, João Fadia during his participation in the Annual Meeting of the International Monetary Fund (IMF).
A statement from the Guinea-Bissau government also said that the minister had also been assured by the director-general of BADEA for the bank “to finance the agricultural sector in Guinea-Bissau, especially the production of rice.”
The power plant will cost a total of US$22.25 million and the Guinean government and a financial entity will fund the remaining sum of US$10.75 million. (Macauhub)

Markets

Nigeria sells five and 10-year bond at flat rate of 15 pct -DMO
Nigeria has sold a five and 10-year debt at a flat rate of 15 percent at an auction on Wednesday to curtail borrowing costs as inflation declines, traders said. The Debt Management Office (DMO) raised a total of 121.13 billion naira, more than the 100 billion naira it wanted to raise.
The DMO sold three billion naira of the 2021 paper and 97 billion naira of the 2027 paper at 15 percent. It allotted 21.13 billion naira of the 10-year debt on a non-competitive basis. Borrowing costs for the government have fallen from as high as 18 percent a few months ago as inflation has slowed, helping the state raise money to cover a gap in its budget. It expects a budget deficit of about 2.36 trillion naira this year, with more than half the deficit to be funded through local borrowing, as it tries to stimulate an economy battered by lower oil prices. Annual inflation eased for the eighth straight month in September, falling to 15.98 percent, with analysts expecting further declines in the consumer price index this year. Traders said the central bank planned to offer open market bills for 91- and 203-days to raise a total of 80 billion naira. (Reuters)

China writes off $36m Mozambican debt

China has agreed to write off Mozambique's $36 million debt in a deal formalized in Maputo. Under the accord the Chinese government agreed to waive Mozambique's obligations in terms of repayment of four interest-free loans worth 239 million yuan, equivalent to $36 million. The agreement was signed by Deputy Minister of Foreign Affairs and Cooperation, Nyeleti Mondlane, and the Chinese ambassador to Mozambique, Su Jian. Mondlane said that debt forgiveness is of paramount importance for contributing to a better reprogramming of the budget and application of the resources that the country has. Mozambique and China have been developing a wide range of projects, including in the traditional areas of infrastructure, energy and mineral resources, agriculture, tourism, transport and communications. For his part, Su Jian explained that China's goal is to reduce the debt pressure on the Mozambican government. This attitude, according to ambassador, could allow for the continuation of serious cooperation in a sustainable way between the two countries.

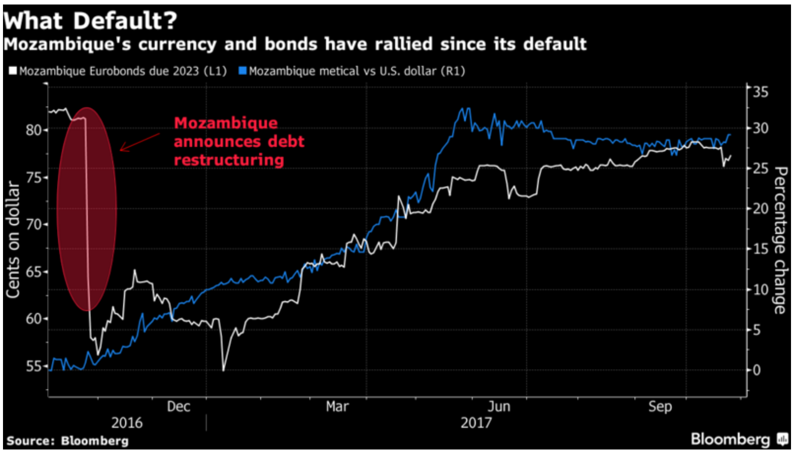
Meanwhile, China has pledged to give Mozambique €12.7 million for the construction of a new airport in Xai-Xai, capital of Gaza province as part of the debt pardoning. The airport construction will cost $60 million to be funded by China's Exim Bank Mozambique. (Club of Mozambique)

A Year Since Mozambique's Shocker, Bond Talks Head Nowhere

- Murky state loans mean IMF wary of giving bailout, Exotix says
- Bondholder group says Mozambique has means to pay them back

A year after Mozambique stunned investors by announcing a debt restructuring, talks with bondholders and the International Monetary Fund have led nowhere.

The gas-rich southern African nation has yet to start formal discussions, either with the investors who bought its $727 million of Eurobonds -- which the government defaulted on in January -- or the banks that provided about $1.4 billion of loans to two state companies. At least one local analyst who's worked on previous sovereign restructurings in Africa says talks might not start until 2020.



The impasse comes as bondholders wait for Mozambique to start negotiations with the IMF for a bailout program. Exotix Capital says the IMF probably won't budge, though, until the government comes clean about the state-guaranteed loans, which were taken on in secret in 2013 and 2014 and have partially gone missing, according to an independent audit. "We're in this state of quasi-suspension," said Stuart Culverhouse, the head of sovereign research at Exotix in London, who met IMF officials this month at the lender's Annual Meetings in Washington. "Nothing has been able to move forward. The IMF wants to help the country. But it can't just reward bad behavior."

Mozambique had hoped to reach a restructuring agreement by January this year and wanted to negotiate with private creditors as one group, whether they owned the bonds or the loans made to ProIndicus, a security company, and Mozambique Asset Management. But the bondholders insisted that they be treated differently and that the only instruments to get haircuts should be the loans, given that their legality has been questioned by Mozambique's attorney-general.

Gas Plan

Twelve months on, their stance hasn't changed. They believe the country, one of the world's 10 poorest, will have the means to pay them back once its 5-year plan to export liquefied natural gas gets underway.

Mozambique’s finances have been bolstered since the default by higher prices for coal and aluminum exports. That, along with tight monetary policy that’s enticing yield hunters, has made the metical the world’s second-best performing currency this year and lessened the burden of the government’s external debts.

The sovereign debt restructuring “has proved to be unworkable” because the government “sought to bundle the legitimate claims of the Eurobond holders together with the evidently suspect claims against certain state-sponsored companies,” the so-called Global Group of Mozambique Bondholders said in a statement. “Mozambique is clearly not in medium-term debt distress.”

GGMB was set up last year by investors holding the bulk of the bonds, including Franklin Templeton and New York-based hedge funds Greylock Capital Management LLC and NWI Management LP.

The securities, due in 2023, have been among the best performing sovereign notes in emerging markets this year, with their price rallying 29 percent. They fell 0.4 cents to 76.4 cents on the dollar as of 2:28 p.m. in London, up from a low of 50 shortly before the default.

Neither the finance ministry nor its advisers -- Lazard Ltd. and law firm White & Case -- responded to emails seeking comment.

The Whole Truth

Bond investors want to know “the full and true financial picture of the country,’’ said Lutz Roehmeyer, a money manager at Landesbank Berlin Investment GmbH, which oversees $14 billion of assets, including Mozambican debt. “How can one decide anything without full knowledge of the debt figures? But the bonds have traded up so the bondholders are happy. They see a bright future for the country after it cures its defaults.’’ He thinks a restructuring will happen over six to 12 months. Roberto Tibana, the founder of Analitica-RJT, a macroeconomic consultancy based in Maputo, the capital, is less optimistic.

Tibana, who advised Liberia on its restructuring a decade ago, doubts Mozambique’s ruling Frelimo party will divulge more information on the state loans before general elections in late 2019. President Filipe Nyusi, who has vowed to punish those implicated in the audit done by New York-based Kroll, was defense minister when they were issued. “This is the same regime that created the problem,’’ Tibana said. “Frelimo believes that the issue will die with time, donors will forget, and sooner or later everyone will be back to business. All in all, I see restructuring discussions being initiated no earlier than 2020.’’

More Losses

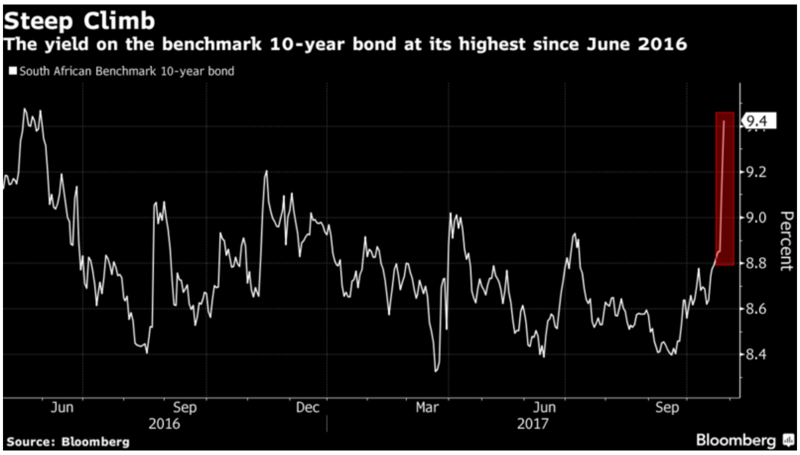
However long it takes, Culverhouse of Exotix says the bondholders may have to take greater losses than the current price of the securities suggests. He thinks Mozambique will eventually restructure all its foreign commercial debts together -- without giving the Eurobond holders special treatment -- and that the recovery value may be barely above 50 percent. “My feeling is that the process will be very long and convoluted and that the loans and bonds will be wrapped up together, implying lower recoveries on all of them,’’ he said. (By Paul Wallace and Matthew Hill, Bloomberg)

The Bond Market Hates the New Plan for South Africa's Finances

- Finance Minister signals flood of new debt to plug budget gap
- Yields may reach close to 11 percent in worst-case scenario

South African Finance Minister Malusi Gigaba took on the bond market, and he is losing.

As investors digested Gigaba’s intention to close a yawning budget gap by flooding the domestic market with an additional 122 billion rand ($8.6 billion) of bonds over the next three years, benchmark yields soared as much as 56 basis points to 9.42 percent, the highest in 19 months. That’s already closing in on the government’s own bad-case scenario of an 80-point jump in yields - and things could get a lot worse.



The market and rating companies "will hate" an increase in the debt ceiling, rising bond issuance, the lack of spending cuts, and the widening deficit contained in the budget proposals, Investec Asset Management said in a note to clients.

Foreign investors, who hold 41 percent of the country's 1.97 trillion rand of local-currency bonds, dumped 5.1 billion rand of the debt in the hours after Gigaba delivered his medium-term budget statement to lawmakers on Wednesday. That's the biggest one-day outflow since September 2011, at the height of the European debt crisis -- but it's small compared to what could happen if the debt gets downgraded to junk, forcing South Africa's exit from Citigroup Inc.'s World Government Bond Index.

That would spark outflows of as much as 200 billion rand as investors that track the index divest their holdings, according to a recent estimate by JPMorgan Chase & Co. If that happens at a time when rising rates in developed nations curb demand for emerging-market assets, yields on benchmark bonds may climb close to 11 percent and stay there, according to the worst-case scenario painted by South Africa's National Treasury. "A downgrade and exclusion from the WGBI seems as though it is a foregone conclusion in the market," Reezwana Sumad, an analyst at Nedbank Group Ltd., said in a client note. In addition, "South Africa's vulnerability to global and emerging-market risk sentiment cannot be ignored. Any turn in foreign sentiment would yield large outflows from the bond market, and consequently higher yields," she said.

Policy Uncertainty

S&P Global Ratings and Fitch Ratings stripped South Africa of its investment-grade foreign-currency assessment in April, citing concerns about policy uncertainty and lackluster growth, just days after Gigaba replaced Pravin Gordhan as finance minister. The deteriorating debt trajectory threatens to trigger a downgrade of the local-currency debt rating to junk by S&P and Moody's Investors Service. Fitch already assesses the local-currency debt as sub-investment.

Gigaba's budget proposals, which include lifting the projected debt ceiling to more than 60 percent of gross domestic product, from 54 percent, represent a "change in direction away from a focus on fiscal consolidation," Fitch said in a statement.

Before the budget, the median forecast of analysts surveyed by Bloomberg was for the 10-year bond yield to end the fourth quarter at 8.75 percent. The implied forward yield on Thursday stood at 9.47 percent, suggesting the market is already repricing for the risk of a downgrade. "The market has now re-priced to the realization that a downgrade is likely," said Malcolm Charles, a portfolio manager at Investec Asset Management.

To be sure, any further yield increases could be capped by investors holding off in anticipation of a central-bank rate hike as the weakening rand fuels inflation. Market expectations on policy, as measured by forward-rate agreements, swung from a cut to an increase over the next 12 months. The currency slipped 0.1 percent on Friday to 14.2573 per dollar, bringing its decline this week to 4.5 percent."The prospect of a sharp increase in local-currency bond issuance in the upcoming fiscal years is conducive to higher yields," said Absa Bank Ltd. strategist Mike Keenan, who predicts the 10-year yield will fall back to 9.07 percent by the first quarter of 2018. "But curve-steepening is being restricted by heightened rate hike fears associated with the weaker rand backdrop." (By Colleen Goko, Bloomberg)

Ghana extends debut energy bond sale due to strong interest- arrangers

Bids for an inaugural 6 billion cedi ($1.36 bln) energy bond being issued by Ghana will close on Friday, a day later than scheduled, due to high investor interest, transaction arrangers said. The government is issuing the bonds in seven-year and 10-year maturities as part of plans to raise 10 billion cedis to settle debts owed by state power utilities to banks and bulk oil distributors. The paper, for which bids opened on Tuesday, differs from standard sovereign issues by being backed by ESLA, a government-sponsored vehicle set up to raise fresh funds to clear the debt.

Initial pricing guidance for the seven-year tranche was 17.7 percent to 19.0 percent while the 10-year was pegged at 17.8 percent to 19.5 percent. "The book-building has been extended to accommodate enquiries by both local and offshore investors who are showing keen interest in the transaction," co-arranger Fidelity Bank told Reuters. Settlement of the bonds has also been shifted to allow investors enough time to process payments after pricing on Friday, it said. Ghana named Standard Chartered Bank and local lender Fidelity as lead managers for the bond in June. (by Kwasi Kpodo, Reuters)

Fund

Angola's Sovereign Fund has assets of US$5.05 billion as of 30 June

The assets of the Angola Sovereign Fund were valued at US$5.05 billion as of 30 June, 2017, according to a recent statement announcing investments made in the second quarter. The disclosed value of the Fund's assets, which was had starting capital of US$5 billion, is an increase of 1.2% over the US$4.99 billion recorded at the end of 2016. The statement said 48% of the Fund's asset portfolio was in sub-Saharan Africa, 28% in North America, 18% in Europe and the remaining 6% in the rest of the world. The Fund's net investment portfolio grossed US$67.27 million, with net investments in fixed income securities valued at US$891 million, accounting for 18% of the total portfolio. Net investments in variable income securities were valued at US$674 million, representing 14% of the total portfolio.

In all, US$459 million of the US$2.7 billion private equity portfolio was invested in assets in Angola and the sub-Saharan Africa region. The statement said that the major gains from the seven private equity funds were recorded in the Fund for Agriculture (US$0.11 billion), the Infrastructure Fund (US$0.12 billion) and the Silviculture Fund (US$0.04 billion), offsetting the capital depreciation of US$0.02 billion of the remaining four funds. (Macauhub)

Angola is the third largest destination for Chinese funding

Angola is the third largest destination for China's overseas funding, with a total of US$16.556 billion in the period between 2000 and 2014, according to a study by the AidData research unit of William & Mary University in the United States. Russia is in first place with US$36.623 billion followed by Pakistan with US$24.332 billion, and fourth is Ethiopia with US$14.834 billion, according to the same study.

Angola ranks fourth in terms of the number of projects funded by China, with 110 projects, overtaken by Cambodia with 168 projects, Pakistan with 121 and Zimbabwe with 120 projects.

AidData researchers also wrote that China donated or loaned US$354.4 billion to other countries over the 15-year period analysed, approaching the total amount granted by the United States of America, which stood at US$394.6 billion. “It can be said that the US and China are now rivals for their financial transfers to other countries,” said AidData executive director Bradley C. Parks. (Macauhub)

ENERGY

China International Fund Group invests in construction of thermal power plant in Angola

The China International Fund (CIF) will invest US$55.5 million in the construction of a thermal power plant to supply electricity to the cement plant it owns in Bom Jesus, outside Luanda, under a contract with Angola’s Technical Unit for Private Investment (UTIP).

The group has, however, signed a contract for the purchase and sale of electricity with public power grid company Rede Nacional de Transporte, which will buy 50 megawatts of the energy to be produced at the plant and will not be consumed by the cement plant. “The present investment contract aims to recognise the construction of a thermal power station for the self-generation of energy, which will have CIF Central Térmica as its vehicle company,” said the contract signed between the Chinese group and UTIP. The investment includes the creation of 65 direct jobs, 19 of which for foreigners, with the State committing to tax incentives such as a 37.5% reduction in the rate of Industrial Tax, payable over a period of six years. The China International Fund, founded in Hong Kong in 2003, is one of the largest Chinese groups operating in Angola, operating in several sectors. (Macauhub)

Engie Agrees to Buy Solar-Power Firm Fenix to Expand in Africa

- Hundreds of millions of dollars to be used for expansion plans
- Nigeria is being evaluated as next new market alongside MTN

Engie SA agreed to buy U.S. energy-technology start-up Fenix International to help fund the roll out of solar-power systems for Africans with no access to the electricity grid.

The French utility will provide capital and help raise debt to expand the electricity service into at least 10 African countries over the next five years, Fenix Chief Executive Officer Lyndsay Handler said in a phone interview. Courbevoie-based Engie decided on the all-cash acquisition after initially considering a smaller investment, she said, declining to provide the terms of the deal. “In order to achieve our goals we need hundreds of millions of dollars in equity and debt, and Engie is committed to provide what is needed,” the CEO said. “This is not about a big acquisition, it’s about reaching the over 600 million Africans that lack access to electricity.”

Fenix is evaluating whether to enter Africa’s most populous country of Nigeria alongside wireless carrier MTN Group Ltd., an early investor. The Johannesburg-based phone company helps Fenix target consumers that use its mobile banking application, who tend to be on lower incomes. The takeover by Engie will not change the relationship with MTN, according to Handler.

The acquisition is the latest example of growing investor interest in off-grid solar power in Africa, after Enel Green Power SpA started to roll out Tesla Motors Inc.’s home-power kits in South Africa earlier this year. Fenix markets its system as a cheaper and cleaner alternative to the kerosene lamps, candles and wood fires used by millions of people living in fuel poverty on the continent.

Engie, a former French gas monopoly, has been on an aggressive acquisition run for the past decade, investing in renewable energy options while selling coal-fired plants and exploration assets to shield it from commodity-price swings. It plans to spend 1.5 billion euros ($1.8 billion) on technologies including grid-scale battery storage, micro-grids and solar powered kits for Africa.

“Africa is a key continent for us to invest in,” said Engie Africa Chief Executive Officer Bruno Bensasson by phone. “There is an opportunity to make decent returns and profit. The telecommunications sector is probably the best example of this.” (By Loni Prinsloo, Bloomberg)

Arab Bank finances power plant in Guinea-Bissau

The Arab Bank for Economic Development in Africa (BADEA) has granted Guinea-Bissau a loan of US$11 million for the construction of a power plant in Bissau, the government announced.

The loan was signed in Washington by the Guinean minister of Finance, João Fadia during his participation in the Annual Meeting of the International Monetary Fund (IMF).

A statement from the Guinea-Bissau government also said that the minister had also been assured by the director-general of BADEA for the bank "to finance the agricultural sector in Guinea-Bissau, especially the production of rice."

The power plant will cost a total of US$22.25 million and the Guinean government and a financial entity will fund the remaining sum of US$10.75 million. (Macauhub)

INFRASTRUCTURE

Cement plant planned for Niassa

Niassa Province will have its first ever cement factory as of next year (2018). The US$20-million project will be built over the next 13 months and will employ about 500 workers, most of them local. The factory will produce 200,000-tons of cement, to be sold domestically and in neighbouring Malawi.

Speaking on Tuesday 10 October, at the laying of the first stone of this factory in Chimbonila, the Governor of Niassa, Arlindo Chilundo, spoke of the need for everyone to be involved in the creation of the enterprise that will catapult the development of the province. (Club of Mozambique)

Government of Mozambique announces port in Palma, Cabo Delgado

The Minister of Transport and Communications of Mozambique, Carlos Mesquita has announced that the district of Palma, in Cabo Delgado province, in the north of the country to the south of the border with Tanzania will have a commercial port.

According to Mozambican daily newspaper Noticias the minister said the port will respond to the development of the region and the maritime shipping services along the Mozambican coast.

Mesquita, quoted by the newspaper, recalled that in addition to maritime terminals, the projects of Liquefied Natural Gas (LNG), underway in the north of Cabo Delgado, require large investments to develop road and air transport to the region. The minister said the government was watching these situations closely, particularly the growth of movement at the airport of Pemba, in Mocímboa da Praia, also in Cabo Delgado province. Mesquita recalled, however, that local development cannot just be taken on by the government and issued a challenge to economic agents and local leaders to intervene and guarantee their own place in this development process. "We reiterate our commitment to do everything possible to ensure that the transport and communications sector will continue to be an active partner in facilitating the implementation of the established programmes, to ensure that projects for exploration and sale of LNG and its derivatives are a success," said the minister. (Macauhub)

Deck of Maputo-Catembe bridge in Mozambique laid earlier than expected

The last section of deck of the bridge between Maputo and Catembe will be laid ahead of schedule by about three weeks, the Mozambican press reported. The assembly of the 57 metal modules on the bridge's main deck took just 22 days, compared to an initial forecast was 45 days. The deck, which will cover a 600-metre suspension span, is estimated to weigh more than 7,000 tonnes. Each module is 12 metres wide, 26 metres long and 3 metres thick.

The deck links the towers built over the bay, in Maputo and Catembe, which are 135 and 137 metres tall, respectively. The metal cables that support the modules weigh about 2,000 tonnes each, and are over 1 kilometre long.

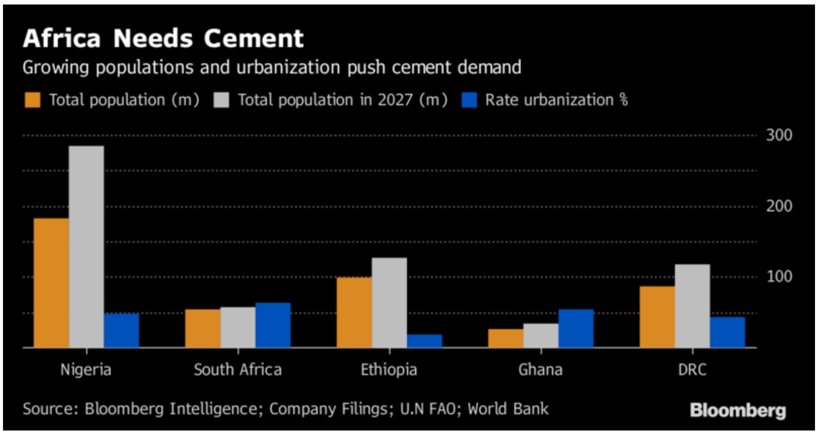
The company responsible for the work has given assurances that nothing will compromise the completion of the works in December, as scheduled in the initial phase of the project.

The bridge will be 3 kilometres long and its two access viaducts will be 2.3 kilometres long. Construction of the bridge, by the China Road and Bridge Corporation (CBRC), will cost US$725 million and was funded by the Export Import Bank of China (ExIm). (Macauhub)

African Construction Boom Lures Cement Giants to Circle PPC

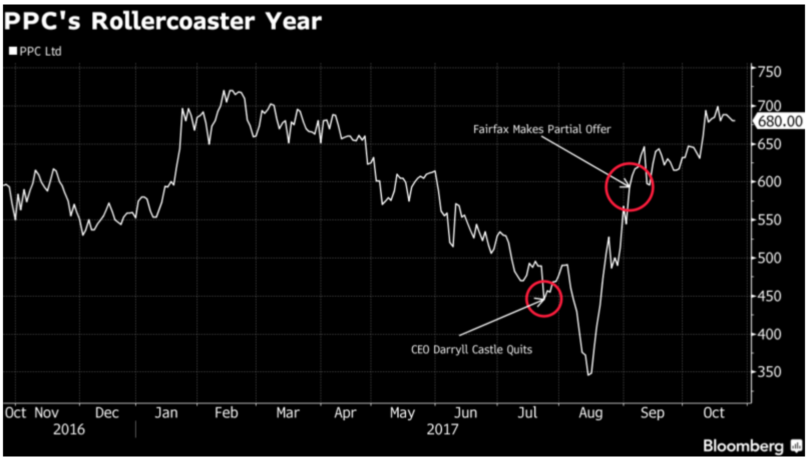
- LafargeHolcim, CRH among those tracking South African company
- PPC's growth prospects based on rise in regional cement use

South Africa's biggest cement maker, PPC Ltd., is an unlikely candidate for a takeover battle.
The supplier of building materials reported a loss in its last fiscal year, doesn't have a permanent chief executive officer and its home market has just come out of recession. Still, potential bidders are circling.
PPC has received one formal offer from Canadian insurer Fairfax Financial Holdings Ltd., which has pledged to buy a stake on condition it agrees to merge with a local rival. Other companies monitoring the situation include Switzerland's Lafarge Holcim Ltd., the world's biggest cement maker, Dublin-based CRH Plc and Titan Cement Co SA of Greece, people familiar with the matter have said. Nigeria's Dangote Cement Plc is also watching closely.
While the potential buyers have all declined to comment on the current status of their interest, PPC has given Fairfax until Nov. 22 to post its offer to shareholders. That will allow other bidders time to do due diligence on the company -- which has a market value of 10.8 billion rand ($768 million) -- and decide whether to proceed with a counteroffer, PPC said Oct. 3.
Grabbing their attention is PPC's extensive footprint on a continent with the potential to develop infrastructure at a blistering pace in coming decades. The 125-year-old company has supplied cement for major building projects in several African countries and has expanded with new plants in Ethiopia, Zimbabwe and the Democratic Republic of Congo. Its takeover would come amid an intensifying push for consolidation in the global cement industry that has seen two deals unveiled in the last month. "PPC has a good portfolio of assets," UBS analyst Kwame Antwi said. "Cement consumption on the continent is lower than most parts of the world, and Africa is also likely to experience some of the most rapid urbanization rates."



Cement use in Africa is less than 50 kilograms (110 pounds) per person, with some countries as low as 30 kilograms, according to London-based Bloomberg Intelligence analyst Sonia Baldeira. That compares with China's 1,737 kilograms per person and Europe's 230 kilograms. "You can see the huge potential that Africa represents in the next 50 years," she said.
Notwithstanding future prospects, PPC has struggled in recent years. The supplier was forced in 2016 to raise 4 billion rand ($291 million) in a rights issue after S&P Global Ratings cut its debt to junk. The company is well capitalized for the forseeable future and doesn't need to raise cash from shareholders a second time, Chairman Peter Nelson said in August, though the business continues to pay close attention to debt levels.

In response to their weak balance sheets, slowing demand in South Africa and expensive expansion projects, PPC and AfriSam Group Pty Ltd., South Africa's no. 2 cement maker, have been in on-off talks for a tie up for the past three years. Their combination has the support of the powerful Public Investment Corp, the Pretoria-based, state-owned biggest shareholder in both companies, which is seeking to create a South African industry champion. Fairfax's offer includes a pledge to recapitalize debt-laden AfriSam on condition PPC agrees to a merger.



PPC has supplied cement for major African projects including Harare International Airport in Zimbabwe and the Congolese Trade Centre in the Congo capital, Kinshasa, while Ethiopia is in the midst of a construction boom that's included the building of an urban railway in Addis Ababa.

Yet ramping up PPC's operations in the Democratic Republic of Congo has proved problematic due to lower government spending amid uncertainty surrounding the timing of delayed presidential elections. Cement prices in sub-Saharan Africa's largest country have also been depressed by cheap imports from neighboring Angola, PPC said in a presentation to investors.

Nigerian competitor Dangote made an indicative proposal to buy PPC last month, before abandoning the plan two weeks later. Yet Chief Executive Officer Onne van der Weijde said last week the Lagos-based firm retains an interest "at the right price".

PPC shares traded at 6.64 rand a share at the close on Thursday. That compares with Fairfax's offer for 2 billion rand of stock at 5.75 rand each, indicating that investors are anticipating a higher bid. Rowan Goeller, a Johannesburg-based analyst at Macquarie, values PPC at 7 rand a share. "The share price got too cheap and was trading significantly below replacement value of the underlying assets,' UBS's Kwame said. "Such a scenario will always attract the attention of bargain hunters."

The market in South Africa needs consolidation, Aliko Dangote, Africa's richest person and the owner of Dangote Cement, said in an interview with Bloomberg TV last month. His company, which already operates in South Africa through Sephaku Cement, has expanded rapidly outside of Nigeria in recent years, including into Ethiopia and Tanzania.

Major cement makers outside Africa have been in consolidation mode since the creation two years ago of LafargeHolcim from Swiss and French rivals. Last month, HeidelbergCement agreed to acquire Italian assets from Cementir Holding SpA and CRH agreed to take over Ash Grove Cement Co. of the U.S for $3.5 billion.

PPC's potential bidders are "spotting a unique opportunity to jump into South Africa and other huge potential markets, such as Ethiopia," said Bloomberg Intelligence's Baldeira. (By Janice Kew and Loni Prinsloo, Bloomberg)

MINING

Xtract Resources expands exploration of gold deposits in Mozambique

Mining company Omnia Mining has begun exploration for gold in alluvial deposits in the western half of the concession that Xtract Resources holds in Mozambique's Manica province, the concessionaire said in a statement released. Explorator, the Mozambican subsidiary of Xtract Resources, signed contracts with mining companies Omnia Mining and Moz Gold in June and Sino Minerals Investment Company in July to explore alluvial deposits.

Omnia Mining and Moz Gold have exclusive rights to explore the western half of the mining concession, while Sino Minerals Investment Company has the eastern half. These contracts are valid for a period of 10 years or until alluvial deposits are exhausted, with a five-year extension if deposits have not been exhausted.
The signed contracts stipulate that the gold mining companies must make monthly payments to Explorator, Lda, according to the amount of gold extracted. Sino Minerals began processing alluvial materials at one of the processing centres on 7 October, with Xtract Resources, a company listed on the London Stock Exchange's alternative investment market, expecting the Mozambican subsidiary to start making revenues next November. (Macauhub)

Angolan companies to explore gold in Huíla
Lafech Mining Resources, partnered wth Angolan state-owned company Ferrangol, had received authorisation from the Angolan government to explore gold in a 664-square-kilometre area of Chipindo municipality, in southern Huila province. The gold exploration concession was approved in September and represents an investment of US$7.5 million. This is the third gold exploration concession awarded by the Angolan government after those awarded in the province of Cabinda in northern Angola.
The first involves Mongo Mongo Mineração Limitada, which is owned by state-owned Ferroangol (20%), Southwind Limited (65%) and Sofispa (20%), assigning mining rights for gold prospecting in an area of over 195 square kilometres, and an investment of over US$4.2 million.
Two of the companies involved – state-owned Ferroangol and private company Sofispa – are involved in a second concession, Lombe Mining Limitada, which will prospect gold in an area of over 381 square kilometres also in the Cabinda enclave, investing US$5.6 million. The Limpopo gold mine in the Angolan province of Huíla is expected to enter industrial production by 2018, with an initial annual potential of more than US$29 million.
According Portuguese news agency Lusa, this is the first gold mine in Angola to be explored after independence in 1975, it covers a concession area of 1,930 square kilometres and is expected to mine 780,000 tonnes of ore, which may lead to production of 22,218 ounces of gold per year. (Macauhub)

Vale's coal production in Mozambique reaches 3.2 million tonnes in the third quarter
Coal production in Mozambique at the Moatize mine in Tete province hit a record 3.2 million tonnes in the third quarter of the year, up 5.8% from the previous quarter, Brazilian mining company Vale said. A report released by Vale said that against the same period of 2016, its coal production in Mozambique grew 38.3%. The report shows that Mozambique's coking coal production in the third quarter was 1.9 million tonnes, down 9.6% from the second quarter of the year.
In the same period the production of thermal coal was 1.4 million tonnes, or 37.7% more than in the previous quarter. The Brazilian mining group also noted that its logistics operations in Mozambique reached a record volume of transported cargo, of 3.5 million tonnes in the third quarter, after an increase of 15% on the previous three months. Vale's iron ore output reached a record 95.1 million tonnes in the third quarter of the year, or 3.3 million tonnes over the previous quarter. (Macauhub)

Implats buys stake in South Africa platinum project with option to take control
South Africa's Impala Platinum (Implats) said on Monday it would pay $30 million for a 15 percent interest in a platinum project in the northern Waterberg region and had an option to acquire a majority stake in the development.
South Africa's Chamber of Mines estimates that 65 percent of platinum operations in South Africa are losing money in the face of depressed prices and after years of soaring labour costs but Implats said the resource has "an attractive risk profile given its shallow nature." "This facilitates fully

mechanised production with the potential for the project to have amongst the lowest operating costs in the PGM sector," Implats, the world No. 2 platinum producer, said in a statement.
Mechanised operations are far less labour intensive, reducing exposure to high wage bills and the bouts of labour unrest which have rocked the sector in South Africa, home to about 70 percent of known global platinum reserves. The stake is being acquired from Platinum Group Metals Ltd and state-run Japan Oil, Gas and Metals National Corporation.
Implats said it would now carry out a "definitive feasibility study" (DFS) of the project. Following approval of the DFS, it will have 90 business days to decide whether or not to exercise its option to acquire majority control at a cost of around $165 million. (Reuters)

Nigeria Seeks to Boost Mining Reserves to Lure Investors

- Mines development part of government's economic recovery plan
- Nigeria seeks increased minerals output to end oil dependence

Nigeria plans to spend 15 billion naira ($42 million) over the next year to explore for minerals and attract investors into mining and reduce its dependence on oil, Solid Minerals Development Minister Kayode Fayemi said. "Because we are starting from a low base, we want to have a portfolio of exploration activities in place that could whet the appetite of the average investor who wants to come in," Fayemi said in an Oct. 18 interview in the capital, Abuja. They will be able to "drill down when they have that baseline information," he said.
President Muhammadu Buhari's government plans to support investments in the exploration of its priority minerals including gold, bitumen, iron, barite, limestone, lead and zinc, Fayemi said. The government is hoping to attract as much as 60 billion naira of private investment into mining, he said.
Tapping resources other than oil, Nigeria's main export, is part of the government's economic recovery and growth plan after the country went through its worst economic slump in 25 years as oil output and prices fell. Nigeria is Africa's biggest oil producer. The contribution of solid minerals to gross domestic product is expected to increase to more than 8 percent by 2020 from less than 1 percent year, according to the government.

Tax Holidays

To further encourage investors, incentives including tax holidays of as much as five years for new companies entering the market, duty free imports on mining equipment and mining licenses for 25 years have been put in place, the minister said.
Additional support for the industry is expected through a $600 million bond to be sold by the end of the year to raise more funds to provide required infrastructure and help accumulate data on minerals, according to the Haiha Fatima Shinkafi, executive secretary of the Solid Minerals Development Fund. "Nigeria is one of the lowest spenders on exploration as far as mining activity is concerned," Fayemi said. "This government is determined to turn the tide on that, because we're quite convinced of the opportunities."
Nigeria has at least 44 minerals that can be extracted in commercial quantities, according to the solid minerals ministry. Mining in the country is currently dominated by artisans, who produce gold, tin and others in small amounts. (By Solape Renner, Bloomberg)

OIL & GAS

Angola LNG launches sell tender for cargo loading next week –traders

Angola's liquefied natural gas (LNG) export plant has launched a tender to sell a cargo loading between Oct. 31 and Nov. 2, trade sources said. Bids for the tender, launched on Wednesday, must be submitted by Oct. 31 and the tender excludes delivery to Japan or South Korea, a trader said. (Reuters)

Equatorial Guinea signs contract with Kosmos Energy for offshore blocks
Equatorial Guinea has signed three new production sharing contracts with Kosmos Energy for offshore blocks, the first such contracts for Kosmos in the West African country, the ministry of mines and hydrocarbons said. “We look forward to working with Kosmos as we continue to push the boundaries in oil and gas exploration,” Gabriel Obiang Lima, the minister of mines and hydrocarbons, said in a statement. (By Wendell Roelf, Reuters)

Mozambique could double natural gas reserves by 2030
Mozambique could, by 2030, have discovered double current estimated natural gas reserves of 180 trillion cubic feet located in the Rovuma river basin off the north coast of the country, according to Mozambican daily newspaper Notícias.
The information was given by the Minister of Mineral Resources and Energy, Letícia Klemens at an international conference on the production and consumption of liquefied natural gas (LNG) in Tokyo, Japan.
According to Klemens, the government has selected markets in Asia, including Japan, to cover the expense of deepwater exploration, a process partially favoured by growing global demand for cleaner energy sources. “Our location is strategic to respond to markets in Asia, the Pacific and the Atlantic or to increase opportunities in the Middle East and the Indian subcontinent.
Therefore, we have been identified as a new emerging global focus for the supply of LNG. The Mozambican gas is of excellent quality, which gives it a competitive advantage in terms of cost,” she said.
A consortium led by Italian oil company Eni said in June it had made a final decision to invest in the sea off the northern coast of Mozambique, becoming the first major natural gas project to launch the implementation phase in the country. A floating extraction and liquefaction platform is being built and the operation in the Rovuma Area 4 is expected to start within the next five years.
The consortium announced the decision after securing the sale of all natural gas production for 20 years to oil company BP.
Another consortium led by US-based Anadarko has said a final investment decision for Area 1, a few kilometres further north, also in the Rovuma basin, will be made soon. (Macauhub)

AfDB and OpenOil launch report on how African governments manage extractive resources
The African Development Bank (AfDB) and OpenOil, a Berlin-based financial analysis firm, have jointly produced a report on how African governments use financial models to manage oil & gas and mining projects. The report was launched at the 13th Annual General Meeting of the Intergovernmental Forum on Mining, Minerals, Metals and Sustainable Development (IGF) in Geneva, Switzerland.
Over 150 experts and representatives of international development institutions, governments, civil society and extractives companies attended the launch. These included the World Bank, United Nations Environment Programme (UNEP), United Nations Development Programme (UNDP), United Nations Conference on Trade and Development (UNCTAD), Organisation for Economic Co-operation and Development (OECD). Mining companies and miners’ associations such as Newmont Mining Corporation, AngloGold Ashanti, Anglo American and International Council on Mining and Metals (ICMM) also attended. The joint report was presented by Pietro Toigo of the AfDB’s African Natural Resources Center and Olumide Abimbola from OpenOil. “This report is the first of its kind in Africa and we hope that it will stir debate within the continent’s mining sector and contribute to countries getting more out of their mining projects,” they told the participants.
The report, Running the Numbers: How African Governments Model Extractive Projects, analyses the capacity of 19 African resource-rich countries to use financial models, which simulate a simplified version of a real-world project in order to determine their financial benefits to the countries.

AfDB and OpenOil conducted a survey of nearly 50 government officials to illustrate not only how widespread use of financial models is, but also how their results are utilised to inform policy. “Financial models are essential throughout the life-cycle of extractive projects,” said Johnny West, Director of OpenOil. “They are not just important during the development of the fiscal regime, but also for the negotiation of fiscal terms with companies, for revenue forecasting, and for auditing and tax-gap analysis.” “This report not only stresses the need for African Governments to make efforts to close the information gap with extractive companies, but also shows where there are capacity gaps and how those gaps could be addressed,” Traore said, urging development partners to invest more in capacity building.

Also, there is a substantial gap in access to data that are key inputs for financial models in African countries, with the largest gaps in assessing information on capital costs and operating costs of projects.

In addition to the need to build in-house financial modelling capacity, the report suggests that governments need to improve internal business processes and address the large gap that the report shows exist between information available to different agencies, departments and ministries.

“This study forms a crucial part of the Center’s support to African countries in realising the full potential of their natural resources”, Traore said. “How are countries supposed to enter into negotiations with extraction companies that use financial models if the governments of such countries are not in possession of the latest and best models to calculate what a potential project is worth?” Toigo asked.

The report also encourages development partners to make capacity building in financial modeling a more significant part of their support to the management of extractive resources. Partners doing so already were encouraged to not just supply financial models as part of isolated technical assistance, but to also invest in equipping government officials with skills to create and use models.

Chad hires Rothschild to advise on $1 bln Glencore debt

Chad has hired Rothschild & Co to advise it on restructuring its external debt, namely a more than $1 billion loan from oil trader Glencore, four sources familiar with the matter said.

The International Monetary Fund has said the debt held by Chad, one of the world’s poorest nations that relies heavily on oil revenues, was unsustainable without restructuring the commercial, external portion.

An agreement on a restructuring had been expected to be completed last month, an IMF report said.

But the sources, who included two bankers, said the parties involved were aiming for the end of the year or early 2018. Glencore and Rothschild both declined to comment. Chad’s oil ministry directed a request for comment to its Finance Ministry, which also declined to comment. “The IMF is trying to lean on the country to share the burden with Glencore and the commercial lenders, but the country has little negotiating power,” one of the sources told Reuters.

The Glencore loan accounted for 98 percent of Chad’s $1.4 billion external commercial debt at the end of 2016, according to the IMF. The World Bank estimated Chad’s total gross domestic product last year at about $9.6 billion. Glencore began lending to Chad in exchange for crude in 2013 with a $600 million three-year prepayment followed by a $1.45 billion oil prepayment in 2014 to finance the state oil firm’s purchase of Chevron’s oil assets in the country.

International trading houses often lend to their partners, whether governments or companies, to secure business and gain better returns. But falling crude prices or other changes to the credit environment can turn such deals sour.

Chad’s key revenue stream was crippled by the fall in the oil price in 2014, prompting a restructuring of the loans with repayments extended to 2022. Chad produced about 110,000 barrels per day in 2016 and exports its crude via a pipeline through Cameroon, according to the U.S. Energy Information Administration. Even after restructuring those loans, the country has still struggled. Only 11 percent of its dwindling oil profits went into government coffers last year, down from about a third in 2015, the IMF reported in August.

At the end of June, the IMF agreed a new credit arrangement with Chad for a little more than $300 million. Chad has also received loans from the World Bank and the African Development Bank among others.

Spending crunch

The IMF has said it was unclear how existing debt payments were being calculated. “The debt service ... is determined in an opaque manner,” the IMF said in an August report. “Glencore, presumably in discussion with SHT (Chad’s oil firm), decides on the final allocation of payments to service the loan per oil shipment. The Ministry of Finance does not participate in this process and has little a priori information of the final amount paid to the Treasury, which varies significantly,” it added.

The IMF said that between 2015 and 2016, the amount allocated from oil sales to amortisation, interest and fees nearly doubled to about 60 percent.

A source familiar with the matter said debt costs changed from cargo to cargo partly because Chad has a trading contract and a debt contract with Glencore, which also has some exploration and production interests in Chad.

Government spending has halved in the past two years since oil prices plunged from more than $100 a barrel in mid-2014 to below $30 at the start of 2016. Oil now trades at $58 a barrel.

The spending crunch has come when Chad is fighting militant group Boko Haram, as well as facing a drought and a refugee crisis due most recently to those escaping Boko Haram attacks and conflict in the neighbouring Central African Republic. “Chad cannot afford to wait six months to restructure, it cannot even afford to wait less. A lot is riding on this,” one of the sources said. (By Julia Payne, Reuters)

AGRIBUSINESS

Mozambique aims to exceed pre-independence production of cashew nuts

Mozambique is expected to produce 200,000 tonnes of cashew nuts per year in the short term, said Prime Minister Agostinho Carlos do Rosário, who backed up his statement with investments being made in the cash crop.

The prime minister, who recalled that Mozambique had already exceeded that level of production before independence in 1975, said that Nampula is among the country’s provinces to produce the most cashews, with 60,000 tonnes or almost half of the current production of 137,000 tonnes. Rosário was speaking at the Nassuruma’s intensive cashew production field in Meconta district as part of his working visit to Nampula from Thursday to Saturday last week, according to Mozambican news agency AIM.

The Nassuruma nursery, which belongs to the Institute of Cashew Promotion (Incaju), produces cashew tree seedlings, and in the current. Rosário also visited Alfa-Agricultura, a South African company whose owners spent US$8.6 million on production of cashew nuts, vegetables and fruit on a plot of 1,080 hectares. (Club of Mozambique)

Mozambique plans to increase fish exports in 2017

Mozambique expects to export 14,000 tonnes of fish by the end of the year, an increase of 7% compared to 2016, when the country exported 13,000 tonnes of fish, Mozambican daily newspaper Notícias reported.

According to the National Institute of Fish Inspection (INIP), the increase is the result of a number of measures, including inspections that the authorities have put in place to ensure the increase of production. Speaking in Maputo, on the sidelines of a training session of the United Nations Conference on Trade and Development (UNCTAD), INIP director Lúcia Sumbana said that so far Mozambique has reached 60% of the export target set for 2017.

To achieve the expected results, according to the director, the fishing industry is working on seizing and collecting nets that are unsuitable for fishing, which devastate fishery products still in the

development phase. Sumbana also said that a fishing ban had been extended, allowing for more satisfactory results.
The fisheries sector accounts for about 4% of Mozambique's GDP. In 2016, Mozambique's fishing catches totalled 300,000 tonnnes, 30 tons more than in 2014. (Macauhub)

Africa's Economic Future Depends on Its Farms

Faster and more sustainable agricultural growth is essential for jobs as well as food.

When the economies of Nigeria and South Africa recently rebounded, it wasn't oil or minerals that did the trick. It was agriculture. Faster and more sustainable agricultural growth is crucial not only to the continent's economy, but also to its ability to feed and employ its surging population.
Agriculture still accounts for a quarter of gross domestic product and as much as two-thirds of employment in sub-Saharan Africa. In fact, agricultural growth has the biggest impact on non-farm income and reducing poverty.
Unfortunately, Africa's agricultural productivity is about half the global average, while population pressures and intense cultivation have degraded 65 percent of its cropland and 30 percent of its pasture. African agriculture, which is overwhelmingly rain-fed, is also uniquely vulnerable to climate change.
Growing more food in a more sustainable way will require buy-in from small-plot farmers, who account for 90 percent of all farms in sub-Saharan Africa. While there were three farmers for every city dweller in 1990, rapid urbanization means that by 2020 one farmer will have to feed two of his or her urban counterparts. Even as regional famines have revived debate about the need to scale up agribusiness, making small-scale farming more productive, sustainable and profitable will remain key to feeding and employing the continent.
The good news is that governments are spending more on agriculture, which Nigeria's previous administration dubbed "the new oil." Private investment is also increasing, both in cultivation and in offering farmers more options for buying seed and fertilizer and selling their crops. Foreign donors can help by reviving their agricultural aid, which has lagged in recent years -- especially by increasing support for universities and vocational programs. Joint efforts to restore degraded land are also gaining momentum.
Realizing Africa's vision of a continent-wide free-trade area would open up a bigger internal market. Cutting red tape, harmonizing standards, and making it easier for small farmers to get insurance and credit would also help. One innovative program in Kenya works with lenders and borrowers to include climate-smart farming practices in loan terms, protecting land while reducing the risk of default.
Of course, more roads, irrigation networks, ports and other infrastructure are also necessary to make farming more efficient. But progress does not necessarily depend on money spent. When it comes to Africa's millions of small farmers, even a cheap and reliable paper moisture meter -- vital for measuring whether crops are dry enough to store and avoid spoilage -- can make a huge difference. (By David Shipley, Bloomberg)

Land law is being misused in Mozambique – UNAC

Law no.19 / 97, of October 1, which regulates the use of land in Mozambique, is being poorly applied, with many citizens, especially small farmers, routinely seeing their fields seized for agribusiness investments and mining industry.
So said a group of national, academic and civil society participants at the 20th anniversary commemoration of the Land Law in Maputo.
According to Luís Muchanga, of the Mozambican Farmer's Union (UNAE), land law has frequently been violated in Mozambique, with peasants intimidated and not consulted when there agro-business or extractive industry investments are implemented in their area.
He said it was not a matter of changing the law, but of implementing it properly.

Addressing the theme from the UNAC perspective, Inácio Manuel began by acknowledging the government's efforts to improve peasants' land tenure through the Terra Segura programme implemented by the Ministry of Land, Environment and Rural Development.

He pointed out some constraints in the implementation of the law, such as the occasional existence of two people with title to the same land and individuals falsely posing as community leaders at public consultations for the granting of spaces for investment.

He said there was a need for the government to register the land to avoid future conflicts and address the favouring of agribusiness interests over family farming.

The Land Law should also include mechanisms to combat the intimidation and persecution of peasants, because they all speak as one in favour of eradicating situations where peasants are encouraged to give up their land.

Agriculture Vs Extractive Industry

Regarding mineral extraction projects in the country, the current mining law gives primacy to mineral resources over agriculture, thus contradicting the constitution, which states that agriculture is the basis of development in Mozambique.

On this point, participants were unanimous in demanding a revision of mining law since, in their view, mineral resources were exhaustible and agriculture was not.

Deputy Jaime Neto of the Parliamentary Committee on Agriculture Economy and Environment acknowledged the contradiction and said that his committee was working on the revision of mining law in order to address this. "We will improve legislation to abolish these constraints," he said.

Meanwhile, National Director of Lands Simon Francis said that there were indeed errors in the interpretation of the Land Law, but the government had been working with the population to avoid the violation of their rights.

As an example, he pointed out the Terra Segura initiative, launched in 2015 by head of state Filipe Nyusi in the shape of a land register detailing where the land is, who occupies it and what its potential is, the data collected being entered into a land information and management system.

The timeframe for this exercise is five years, but the registration process will continue for longer. "The achievements made during the 20 years of implementation of the Land Law can be summed up in the fact that today there is greater security in the possession of land for all of us. Today we know our rights and our obligations better," he said.

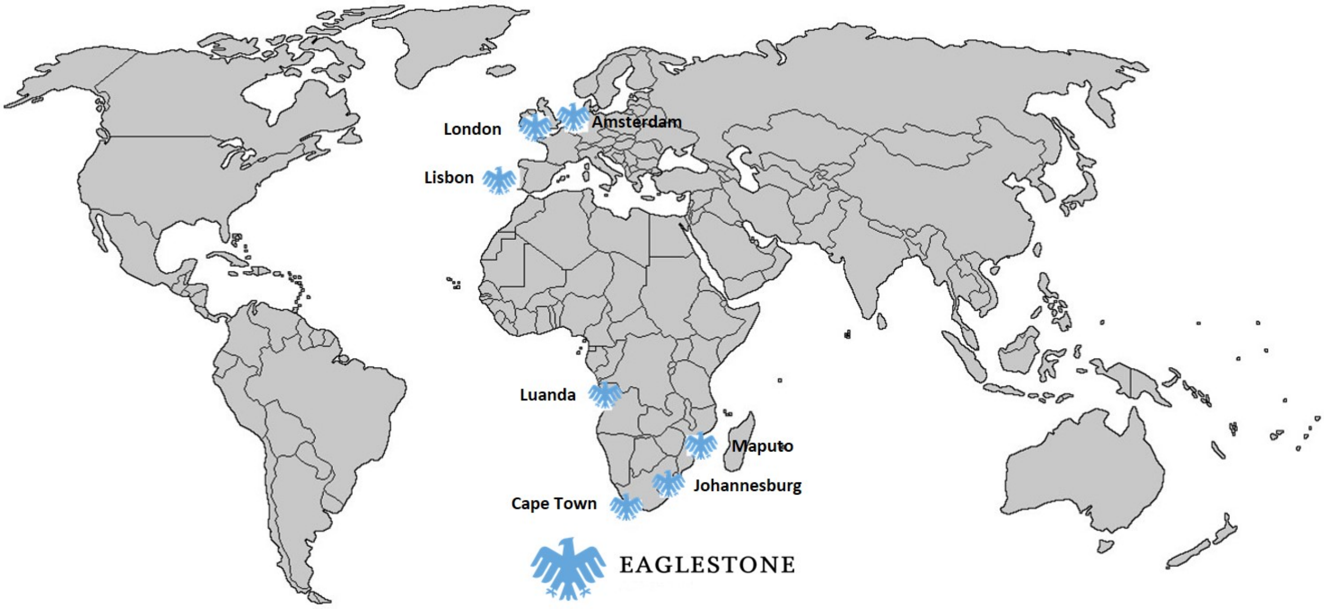
Francisco Mucanheia, president of the Parliamentary Commission on Agriculture, Economy and Environment, said that Mozambique was widely referred to as a country known for land grabbing, associated both with major projects and the growing interest of natural persons seeking land for present and future projects. (Club of Mozambique)

UPCOMING EVENTS

FT Mozambique Summit – Reducing investment risk through better business pratices, 9 November 2017, Polana Serena Hotel, Maputo
https://live.ft.com/Events/2017/FT-Mozambique-Summit

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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