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INSIDE AFRICA

Now is the time to invest in Africa

EAGLESTONE

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In-depth:
Africa's Arrival

According to a new report by the African Development Bank, the continent's 54 countries grew by 2.2%, on average, in 2016, and 3.6% in 2017; in 2018, the AfDB report predicts, growth will accelerate to 4.1%, supported by some of the world's fastest-growing economies. Has Africa's moment finally arrived?

The African Development Bank (AfDB) has just published its African Economic Outlook for 2018. This year's revamped publication – shorter than usual, analytically well-structured, and written in lucid prose, without hyperbole – in some ways mirrors Africa's own transformation, as it raises hopes that we may at last be witnessing the continent's long-promised economic arrival.

Africa's rise has been a long time coming. In the 1960s, hopes were high. The remarkable leaders of the independence generation – such as Ghana's Kwame Nkrumah and Kenya's Jomo Kenyatta – received advice from the world's top economists. The Caribbean-born Nobel laureate Arthur Lewis became Nkrumah's Chief Economic Adviser.

In India, we read about these leaders' friendship with our own post-independence prime minister, Jawaharlal Nehru, and the hope for a new dawn for all emerging economies. And many emerging economies did indeed take off. In the late 1960s, some East Asian economies surged ahead. Beginning in the early 1980s, China began its decades-long rise. And, from the early 1990s, India's economy also began to grow robustly, with annual rates reaching the 9% range by 2005.

But Africa remained stagnant, mired in poverty. Ironically, it was the continent's resource wealth that hampered economic progress, as it fueled conflicts among governments and insurgents eager to control it. The resulting political instability attracted outsiders keen to exploit governments' weakness. As the Indian poet and Nobel laureate Rabindranath Tagore put it in his 1936 poem "Ode to Africa," which played on perceptions about who is "civilized," the continent fell prey to "civilization's barbaric greed," as the colonists "arrived, manacles in hand/Claws sharper by far than any of your wolves."

Finally, at the turn of the twenty-first century, things began to change for Africa. A few dynamic leaders, democratic stirrings, and emerging regional cooperation led to a decline in poverty and a pickup in growth. Commodity exporters faced a setback around 2014, when prices plummeted. But this turned out to be a blessing in disguise, because it forced countries to diversify their economies and increase production – factors that supported renewed growth.

According to the AfDB report, Africa's 54 economies grew by 2.2% in 2016, on average, and 3.6% in 2017. In 2018, the AfDB predicts, average growth will accelerate to 4.1%, while the World Bank expects Ghana to grow by 8.3%, Ethiopia by 8.2%, and Senegal by 6.9%, placing these countries among the world's fastest-growing economies. And these figures are not wishful thinking: in 2016, Ethiopia's GDP grew by 7.6%.

Of course, serious challenges remain. South Africa, the continent's strongest economy, is now facing the difficult task of tackling its deep-rooted corruption. Yet, with the African National Congress now apparently determined to replace President Jacob Zuma's scandal-ridden administration with one led by the party's new leader, Cyril Ramaphosa, there is reason for hope.

More broadly, many African countries need to find ways to create more employment – and fast. The share of the working-age population is rising faster in Africa than in any other

region. This "demographic dividend" has immense potential. But if job creation stalls, the unemployed or under-employed are likely to become frustrated – a recipe for conflict.
Consider the case of Tanzania. Thanks to President John Magufuli's effort to mobilize more domestic revenue to support increased development spending, the economy is doing well. But, with roughly 800,000 individuals entering the labor force each year, Tanzania needs much more working capital, better infrastructure, and educational reform aimed at ensuring that workers have the skills, resources, and opportunities to secure decent jobs.
The same is true of Ethiopia. In the last couple of decades, the country has made great strides in export-led growth, supported by a growing industrial sector and large investments from China. Now, it is poised to take over as the economic powerhouse of East Africa. Yet the urban youth unemployment rate stands at 23.3%. Left unchecked, this situation could easily end up fueling ethnic conflict and political turmoil.
Another, related challenge concerns resource mobilization: countries need funds to invest in infrastructure, human capital, and the creation of trade and digital links within and beyond Africa. The AfDB report estimates that, for infrastructure investment alone, the continent needs some $170 billion per year, which is $100 billion more than is currently available. As it stands, Africa receives a total of about $60 billion in foreign direct investment each year.
To close the gap, African governments must attract more money. That will require establishing effective regulatory structures that facilitate long-term borrowing and repayment, while ensuring that lenders do not exploit borrowers, as has occurred everywhere from rural India to the United States mortgage market.
The challenges are daunting, to say the least. But there are lessons that African countries can learn from one another. For example, Ghana's smooth transfer of power after the December 2016 election set a positive democratic example. Nigeria's Lagos State and Tanzania have done a good job of mobilizing internal resources for development. Add to that the emergence of an indigenous intelligentsia in the region, exemplified by organizations like the AfDB, and it seems that Africa's moment may have arrived at last.
(By Kaushik Basu, former Chief Economist of the World Bank, is Professor of Economics at Cornell University and Nonresident Senior Fellow at the Brookings Institution. - Project Syndicate)

IMF, WORLD BANK & AFRICAN DEVELOPMENT BANK

African Development Bank approves ZAR 140-million loan to support African Local Currency Bond Fund

AfDB funding seeks to promote local currency bond issuers and develop domestic capital markets across the continent
The Board of the African Development Bank has approved a ZAR 140-million loan (about US $10 million) to the African Local Currency Bond Fund (ALCB Fund), to further enhance the Fund's portfolio and promote the development of domestic capital markets across the continent.
The senior loan with a seven-year tenor including a two-year grace period, will support opportunities for local African corporate issuers to access and diversify their long-term funding sources in local currency and crowd in local institutional investors.
The ALCB Fund was incorporated in December 2012 by German Development Bank (KfW) on behalf of the German Federal Ministry of Economic Cooperation and Development and is licensed as an open-ended Fund, domiciled in Mauritius with initial paid-in capital of US $47 million.
The Fund is designed to promote local currency bond issuers in high-impact sectors by providing technical assistance to facilitate corporates bond issuances and champion best practice across various domestic debt markets. Geographically, the Fund is expected to invest in all African

countries where local currency bonds are possible. It has invested in Botswana, Ghana, Kenya, Zambia, Lesotho, Senegal, Côte d'Ivoire, Nigeria, Uganda, Malawi, Gabon and Togo. As of December 31, 2017, the Fund had made 27 investments across 19 companies and in 10 currencies.

The products and services offered by the ALCB Fund are designed to improve access for non-sovereign issuers to long-term funding in local currency, reduce currency and maturity mismatches and increase local financial intermediation.

Through the funding, the African Development Bank will help to broaden and deepen Africa's local currency corporate bond markets, thus supporting local capital market development in Regional Member Countries. The Fund will catalyze investments in critical sectors such as renewable energy, housing, health, education, the financial sector and agriculture in line with the Bank's **High 5** priorities: Light up and power Africa, Feed Africa, Industrialize Africa and Improve the quality of life for the people of Africa.

The transaction also provides an opportunity to leverage the Bank's financing through ALCB Fund's co-investments with local institutional investors such as pension funds and insurance companies; thereby amplifying the scope and impact investments.

The Bank's contribution to the Fund will complement existing initiatives to mobilize domestic institutional savings and stimulate non-sovereign local debt capital markets development across Africa. This will ultimately help grow private sector financing through capital markets.

African Development Bank to reach 29.3 million Africans with electricity by 2020

• 3.8 million Africans provided access to electricity in 2017, says President Adesina

• Plans for 10,000 MW of solar power systems across the Sahel

In line with its **High 5** development priorities and, in particular, its agenda to **Light up and power Africa**, the African Development Bank plans to reach 29.3 million people in Africa with electricity by 2020.

The President of the Bank, Akinwumi Adesina, made this disclosure at the High Level Event on "New Way of Working: From Vision to Action-National, Regional and Global Dimensions" at the United Nations Economic Commission for Africa in Addis Ababa, Ethiopia, on Sunday. He pledged support for the **New Way of Working** as "crucially important" and indicated that it requires a new way of tackling development issues.

United Nations agencies signed a "Commitment to Action" document at the World Humanitarian Summit in which they agreed on a New Way of Working in crises.

"The African Development Bank is today at the forefront of investing in renewable energy in Africa. The share of renewable energy in the Bank's energy portfolio increased from 14% when I became President in 2015 to 100% last year," President Adesina said. "Our support last year alone provided 3.8 million Africans with access to electricity. And, with adequate financing, we expect to reach 29.3 million people with access to electricity between 2018 and 2020."

The Bank President called on the UN Secretary General to join him in supporting the Green Climate Fund and the Global Environment Facility to also work differently, and step up support to co-pay for climate risk insurance for vulnerable African countries, noting that African countries, hit by climate change, are hard pressed to find funds to pay the insurance premiums.

The Bank has stepped up and will support African countries to pay for insuring themselves against catastrophic weather events that displace their public expenditures. It plans to provide US $76 million in 2018 for the payment of insurance premiums, with participating countries providing US $31.5 million and the African Risk Capacity Agency (ARC) providing US $16 million. Latest figures indicate that over 20 countries have indicated interest in participating in the Bank-supported initiative.

"An understanding of the link between environmental degradation, extreme poverty and youth unemployment is critical to a New Way of Working. Wherever these three elements are present, there is a 'Triangle of Disaster', in which unemployment, poverty and environmental degradation

chase each other in a downward spiral to dereliction, terrorism, violence and conflict," Adesina said.
"The African Development Bank brings this understanding to bear in its policies and programs. Africa's Triangles of Disaster must become 'Triangles of Prosperity,'" replete with "jobs, wealth and environmental resilience. That is why we strongly welcome the **New Way of Working** initiative."
The Bank has also committed to triple its climate financing to 40% of new approvals by 2020, and is deploying programs and actions to combat fragility and strengthen resilience.
This, the President explained, includes the Sahel region with a US $261-million program; the Horn of Africa with a $281.6-million program; and, for Lake Chad, now seriously affected by the degradation of its productive ecosystems, a US $101-million program to restore the productivity of the basin ecosystem.
The Desert to Power initiative spearheaded by the Bank aims to turn Africa's deserts into new sources of energy, by working with partners to develop 10,000 MW of solar power systems across the Sahel. The initiative is expected to provide electricity to 250 million people, with 90 million of these provided through off-grid systems.
"We have already started with development of a 50 MW solar power system in Burkina Faso," Adesina said. "The initiative will protect the Great Green Wall of trees established to protect against desertification in the Sahelian zone, from being cut down by energy-poor households for use as fuel wood. When completed, we expect this to be the largest solar power system zone in the world."
Last year, the Bank approved a special framework program called "Say No to Famine" worth US $1.14 billion. The Bank is taking a regional approach to addressing fragility, consistent with its new structure, and is using its Transition Support Facility to deliver development solutions to communities in conditions of fragility.

World Bank supports local development in Angola
The World Bank will pay out US$70 million to finance Angola's Local Development Project (PDL), under an agreement signed in Luanda by Finance Minister Archer Mangueira and the interim World Bank representative, Oliver Godron.
The PDL, to be implemented by the Social Support Fund (FAS) together with the Ministry of Land Administration and State Reform, will boost three components of basic social infrastructure financing over three years. This will include building hospitals and medical centres and residences for both nurses and teachers.
The director general of the Social Support Fund, Santinho Filipe Figueira, said the financing will also benefit local economic development projects, such as investments by some private initiatives in the agriculture and trade sectors.
Angolan news agency Angop reported that the second phase of the PDL will also fund community and health development agents as part of a pilot scheme to be implemented in the provinces of Uíge, Bengo, Luanda, Moxico, Malanje, and Lunda-Sul.
The previous phase of this project, which lasted five years, received World Bank funding of US$87 million. (Macauhub)

African Development Bank President briefs diplomatic corps in Côte d'Ivoire on progress and perspectives for Africa's development
The President of the African Development Bank Group, Akinwumi Adesina, hosted the annual luncheon of diplomats accredited to Côte d'Ivoire in Abidjan with an appeal on the Bank's member countries to contribute to the 7th General Capital Increase to enable the institution to realise its development objectives.
Welcoming the diplomats on behalf of the Board of Directors, management and staff of the Bank Group, Adesina shared perspectives on the performance of African economies, updated them on the institution's activities and highlighted emerging economic issues for the Bank and the continent.

"The African Development Bank, your Bank, is reforming, innovating, leading and delivering more for Africa than ever before. With the strong support for a General Capital Increase by our Board of Directors, Governors of the Bank, and you, the Ambassadors representing our shareholder countries, Africa will indeed experience a much brighter and impactful future," he said.

Adesina highlighted Africa's performance noting that the continent remains resilient to global economic headwinds and climate shocks as related by the Bank's **2018 Africa Economic Outlook** published in Abidjan on January 17, 2018.

Average GDP growth was 3.6% in 2017, up from 2.2% in 2016, he said. Eighteen African countries grew above 5% in 2017, and 37 others above 3%. Average GDP growth is projected to accelerate to 4.1% in 2018 and 2019.

Bank makes impressive development impacts

In 2017, the Bank achieved impressive development impacts. Its "**Light up and power Africa**" High 5 reached 4.4 million people with access to electricity. The Bank's "**Feed Africa**" goal reached 8.5 million Africans with access to improved agriculture technologies. "**Integrate Africa**" provided 14 million Africans with improved access to transport, while "**Industrialize Africa**" provided 210,000 small businesses with access to financial services. The Bank's "**Improving the quality of life**" High 5, provided 8.3 million Africans with improved access to water and sanitation, Adesina said.

The President also shared important landmarks on the Bank's ongoing reforms and achievements over the past two years:

- The Bank achieved its highest annual disbursement ever in its history at US $7.67 billion while maintaining its Triple "A" rating by the major global rating agencies.
- It invested US $1.39 billion in 31 operations in the energy sector in 23 countries representing a 30% increase over 2017.
- The institution launched its largest bond transaction, with a $2.5 billion 3-year global benchmark, followed by its largest ever 5-year global benchmark for $2 billion; and continues to grow its income, reversing a wo-year declining trend.
- In 2016, its net operating income rose to US $556.6 million, shot up to US $855 million in 2017, and increased by almost 54% over 2016, and 73% increase over 2015.

Currently, the Bank is spearheading the development of the Desert-to-Power initiative to harness electricity from the sun all across the Sahel, designed to generate 10,000 MW of power, connect 250 million people to electricity, including providing 75 million people with off-grid systems.

A generous General Capital Increase will enable Bank to do more

The Bank is "reforming, changing, delivering and leading," through the strong support it receives from it member countries, Adesina said, adding that such support will be most needed during the General Capital Increase to help the Bank do more for Africa.

"At a time that we need to ramp up support to Africa for the SDGs, the Bank needs more resources through a General Capital Increase (GCI). The message could not have been heard louder than when the Ministers and Governors of the Bank from West and Central Africa came to the Bank recently. They unanimously supported the General Capital Increase for the Bank," he said.

"The support of all shareholders will be crucial for the General Capital Increase of the Bank. The Bank should do more for Africa and we are working extremely hard to revamp the Bank, and put it in a much stronger position, with more highly capable staff and institutional capacity to deliver more … better and faster. Our ability to deliver in the past and now is a good indication that you can depend on us to deliver more in the future."

Johannesburg to host Africa Investment Forum in November 2018

To mobilize African and global pension funds, sovereign wealth funds and institutional investors, to invest in Africa, the Bank has launched the Africa Investment Forum (AIF) to be held November 7-9 in Johannesburg, South Africa. The transactional forum is expected to become Africa's premier investment marketplace, Adesina said, noting that several peer institutions have indicated their interest in participating in what could become Africa's largest private-sector investment accelerator.

In his response, the Dean of the Diplomatic Corps, Apostolic Nuncio to Côte d'Ivoire, Monsignor Joseph Spitieri, congratulated Adesina on his 58th birthday and commended the Bank for helping pull people out of poverty. "The success of your strategy encapsulated in the **High 5s** is testimony to your commitment to help people in Africa and reduce poverty," the cleric said. "We wish the Bank success in its endeavours to improve the lot of the most deprived people in Africa," he added.

INVESTMENTS

IFC extends $62 million loan to South Africa's Mercantile Bank

The International Finance Corporation (IFC) said it would extend a seven-year loan of 740 million rand ($62 million) to Mercantile Bank to boost lending to small and medium businesses (SMEs), with a focus on women-owned firms.

The IFC, a member of the World Bank, said in a statement the financing was part of an initiative to invest up to 40 billion rand into South African SMEs over the next five to seven years. ($1 = 11.9640 rand) (By Wendell Roelf, Reuters)

Construction of Hilton Praia is expected to begin in Cabo Verde in 2018

The construction of the Hilton Praia hotel may begin in 2018, three years after the first stone of the first five-star hotel in the capital was laid, following an agreement signed between the Cape Verdean government and TRG Praia, of The Resort Group PLC, which is promoting the project.

The Resort Group's consultant, Victor Fidalgo, said that it was a "long and complex" process that began in 2013, with the acquisition of the site and licensing of the work by the Praia Municipal Council. The document that sets out the obligations and incentives negotiated between the Cape Verdean State and the company, he said.

Fidalgo said that there are procedures that must comply with the standards of the Hilton Worldwide chain, but added that the process will be concluded this year "so that Hilton can authorise the beginning of the work," according to the Inforpress news agency.

The Minister of Tourism and Transport and Minister of the Maritime Economy, José Gonçalves, said that signing the document allows Praia to become a "tourism, conference and business point" because, despite being the capital of the country, there is a lack of accommodation.

Hilton Praia is expected to create around 150 direct jobs and will have 201 rooms, as well as restaurants, bars, leisure and entertainment areas, common and private pools, a SPA, health club, convention centre and meeting rooms. (Macauhub)

Mozambique joins the partnership agreement between the European Union and the SADC

Mozambique will stop paying customs duties on exports to the European Union (EU) after joining the Economic Partnership Agreement (EPA) between the EU and southern African countries on Monday, 5 February, the European Commission said.

Mozambique's membership means that every country in the Southern African Development Community (SADC) has now joined the agreement and makes it the first regional EPA in Africa to become 100% operational. This "means that Mozambique will not have to pay customs duties on exports," to the European bloc, the commission said.

The European Commission said that Mozambique has become the "last piece of the puzzle to be placed" in this partnership after the other five countries – Botswana, Lesotho, Namibia, South Africa and Swaziland – joined the agreement in October 2016.

The EPA "offers opportunities for SADC countries to create jobs, attract more investment, industrialise and integrate into global value chains, and on the EU side, European companies are increasingly investing in the region."

The European Commission also said that Mozambique will gradually, over a number of years, reduce or eliminate customs duties for many exports from the European Union. (Macauhub)

BANKING
Banks

JPMorgan plans expansion into Ghana and Kenya

JPMorgan Chase & Co plans to expand its African presence into countries including Ghana and Kenya, Chief Executive Jamie Dimon said in an interview. "You'll see us open in some countries we are not in, in Africa you'll be hearing about some of that stuff," Dimon told Bloomberg Television on the sidelines of the World Economic Forum meeting in Davos, Switzerland.

Dimon said the bank would target Ghana and Kenya, two countries in which local regulators have previously blocked the U.S. banking giant's expansion plans, according to media reports at the time.

The announcement follows JPMorgan's unveiling of a $20 billion investment plan which will see it hike wages, hire more, and open new branches as it takes advantage of sweeping changes to U.S. tax law and a more favorable regulatory environment.

The five-year plan will see the U.S. bank ramp up overseas investment in addition to its domestic growth plans, after it finished cleaning up troubled mortgages following the 2007-09 financial crisis. (By Lawrence White, Reuters)

Angolan government approves proposed law for repatriation of capital

The Angolan government has approved a draft law that gives overseas investors 180 days to repatriate their capital without any criminal or legal consequences, said the governor of the National Bank of Angola at the end of a Council of Ministers meeting in Luanda.

José de Lima Massano said that the draft law establishes incentives for these resources to be freely returned to Angola, as well as the instruments that, in the case of illegal funds retained abroad, can also be repatriated "without the authorities taking any criminal, judicial or other action."

"Once the period of 180 days has elapsed, the authorities will, in the case of illicit resources, use all means available to them, in accordance with the law, to ensure their repatriation in order to be integrated into the economy and support the development effort," he said.

The governor of the Angolan central bank also stressed that "the process is voluntary" and added that those who have resources abroad and want to repatriate can also do so freely.

Last January the authorities announced that Angolan citizens with undeclared foreign deposits of more than US$100,000 would be given a period of six months to repatriate without being subjected to any criminal, tax or foreign exchange investigation, in accordance with the draft law of the Extraordinary Regime of Tax and Exchange Regularisation. (Macauhub)

BNA revokes Casa de Cambio Mere Halima Lda licence

The National Reserve Bank of Angola (BNA) revoked the authorization to exercise the foreign exchange activity of Mere Halima-Casa de Câmbio Lda, for committing simple and serious infringements. The infringements relate to non-compliance with the basic laws of financial institutions and the fight against and prevention of money laundering and terrorist financing, as well as warnings and directives on the Financial Statements, Corporate Governance, Internal Control System, Report of Corporate Governance, Operational Rules of Foreign Exchange Bureaus and the Provision of Information via SSIF. As a result of the infractions, the BNA imposed a temporary disqualification from the performance of functions in the corporate bodies of financial institutions based in the national territory to Mr. Mahamoud Dramé, Director for a period of 18 months and to Silvino Francisco, Administrative Director, Diawara Fousseynou Manager and Van-Dúnem Paim, Accountant for a period of 12 months. (Angop)

Millennium bim starts 2018 with expansion of services in Nampula province

Millennium bim started the new year with the opening of another branch, continuing its strategy of expanding its service network in rural areas. The new branch is the bank's first in Ribaué district, Nampula province.

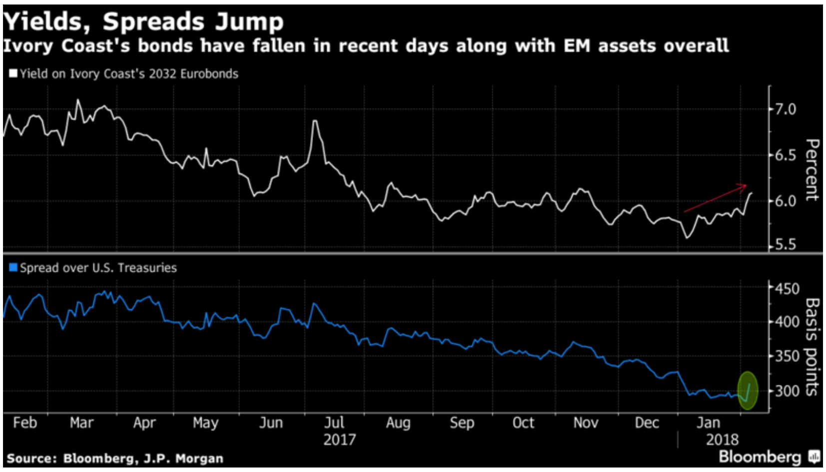
The Ribaué branch benefits and promotes the financial inclusion of the district's approximately 291,000 residents, who now enjoy access to all the bank's products and services in a more modern, comfortable space offering guarantees of safety and quality.
The new bank brings to 190 the number of Millennium bim branches in the country. In Nampula province alone, the bank has 19 branches providing the banking products and services needed by the province's estimated 6,103,000 inhabitants.
Throughout its 22 years of operation, Millennium bim bank has actively contributed to the upgrading of the country's banking system. Its objective is to continue investing in quality customer service and maintaining a solid, innovative and sustained strategy of expansion. (Club of Mozambique)

Markets

Ivory Coast Plans $1.2 Billion Sale of Eurobonds

- Country has yet to appoint advisers, targets roadshow in March
- West African nation weighs euro, dollar and CFA franc tranches

Ivory Coast plans to sell the equivalent of as much as $1.2 billion of bonds as the nation seeks to lock in borrowing costs before further U.S. Federal Reserve rate increases, according to three people familiar with the matter.
While the country hasn't yet appointed deal advisers, it wants to hold a roadshow for the sale of 850 million euros ($1 billion) to 1 billion euros of debt before the end of March, said two of the people, who asked not to be identified because the information isn't public. Ivory Coast will sell dollar and euro securities, and is considering a third tranche denominated in the euro-pegged CFA franc that's used in eight countries in West Africa, two of the people said.



Bruno Kone, a spokesman for the government, declined to comment when contacted by phone in the commercial capital, Abidjan.
The nation will join other sub-Saharan African issuers such as Nigeria and Ghana that are rushing to sell debt at a time when the Fed remains on its policy-tightening path, pushing yields higher. Rates on Ivory Coast's $1 billion of dollar bonds due March 2028 have climbed 53 basis points from a record low in January to 5.82 percent, driven up by the global sell-off of stocks and emerging-market assets that began Feb. 2.
Ivory Coast issued $1.25 billion of bonds due in June 2033 with a 6.25 percent rate and 625 million euros of eight-year notes yielding 5.125 % in an auction that attracted almost $10 billion in bids in June.
The yield on the 2033 bond climbed 3 basis points to 6.13 %yesterday, the highest since Nov. 22. (By Baudelaire Mieu, Bloomberg)

Zimbabwe negotiating $1.5 billion guarantee with Afreximbank - c.bank governor

Zimbabwe is negotiating a $1.5 billion guarantee with Afreximbank to ensure foreign investors' funds are protected, central bank Governor John Mangudya said.
Under new President Emmerson Mnangagwa, who rose to power following a defacto military coup that forced Robert Mugabe to resign in November, the government is trying to assure foreign investors that their money is safe in Zimbabwe.

Mangudya added that Zimbabwe, where Mnangagwa is trying to woo foreign investors, was also arranging a $400 million facility to ensure payments for critical imports and allow investors to repatriate funds. “Such guarantees and liquidity support are necessary to protect investors’ funds from country risk, and in doing so, enhancing investor confidence,” Mangudya said in a monetary policy speech.
Mangudya also announced a raft of measures that he said would help the economy, including increased financial support to small-scale gold miners and tobacco farmers. The two commodities generate the highest export earnings for the country.
The central bank governor also said the bank would work to reduce government’s borrowing from the bank. The government has overdraft of $1.2 billion instead of $800 million permissible under the law, Mangudya said. (By MacDonald Dzirutwe, Reuters)

Kenya to Pick Citi, JPMorgan to Advise on Eurobond Sale

- Issuance said expected to take place by end of first quarter
- Kenya may raise up to $3 billion; tenor as much as 15 years

Kenya mandated four banks including Citigroup Inc. and JPMorgan Chase & Co. to manage a sale of Eurobonds planned within the next two months, according to four people familiar with the plan.
The ministry also chose Standard Chartered Bank Plc and Standard Bank Group’s Kenyan unit Stanbic Holdings to help with the sale, said the people, who asked not to be identified because the appointment hasn’t been made public yet. Treasury Secretary Henry Rotich didn’t answer two calls to his mobile, while Treasury Director of Budget Geoffrey Mwau declined to comment when asked about planned sale.
The Treasury will seek to raise $1.5 billion to $3 billion in bonds, with a tenor of up 15 years, according to two of the people. JPMorgan, Citigroup, Standard Chartered and Stanbic declined to comment.
Kenya is increasing the amount of funding it raises from foreign sources as the central bank of East Africa’s biggest economy forecasts an acceleration in growth to 6.2 % in 2018. President Uhuru Kenyatta’s administration would be joining the likes of Angola, Ghana and Nigeria seeking to sell dollar-denominated debt to capitalize on rampant demand for emerging-market assets.
Kenya’s government plans to raise $3.2 billion from external sources in the fiscal year that ends June 30, according to the Treasury’s latest budget-policy statement. The government has already raised $750 million commercially this year through a loan from a syndicate of lenders led by Trade & Development Bank.
The funds will be used to settle five-year Eurobonds maturing maturing in June 2019, and retire a $800 million syndicated loan taken in 2016, the people said. Kenya sold $2.75 billion of Eurobonds in 2014, with $750 million maturing in 2019 and $2 billion falling due in 2024.
Yields on Kenya’s existing $2 billion of Eurobonds due in June 2024 have dropped almost 130 basis points over the past 12 months to 6.03 % by 2:56 p.m. on Wednesday 7th February in London. The rate fell to a record low of 5.45 % on Jan. 8. (By Adelaide Changole and Matthew Martin, Bloomberg)

Ghana sells 1.99 bln cedis worth of 5-yr local bonds at 16.5 %

Ghana sold 1.99 billion cedis ($448 million) worth of a fresh five-year domestic bond on Thursday 08th February and the major commodity exporter will pay a yield of 16.5 %, joint transaction arrangers said. Initial guidance for the bond, open to non-resident Ghanaians, was in the range of 15 % to 16.5 %. Total bids tendered for the paper were 2.01 billion cedis.
The government plans to issue a total of 11.13 billion cedis in the first three months of this year of which 8.96 million cedis are rollovers to restructure maturing debt.
Ghana, which exports cocoa, gold and oil is in its final year of a $918 million credit deal with the International Monetary Fund to reduce deficits, inflation and public debt which hit 70 % of GDP last year.

Settlement of Thursday's bond which matures in 2023, said co-bookrunners Barclays Bank Ghana. The others are Stanbic Ghana, Fidelity Bank, Databank and brokerage firm ICsecurities. ($1=4.445 cedis) (By Kwasi Kpodo, Reuters)

ENERGY

Laúca Hydroelectric Plant produces electricity for millions of Angolans

The start-up of the second generator group at the Laúca Hydroelectric Power Plant on the Kwanza river in Angola has provided about half of the electricity supply of the Northern Electricity System given about 4 million people access to power, daily newspaper Jornal de Angola reported.

Energy production reached a record 372,250-megawatt hours during the 2017 holiday season, an increase of 4.7% over the previous record in November, with the turbines' availability index reaching a record of 99.63%.

The operation and maintenance of the hydroelectric facility are carried out by technicians from the state company Empresa Pública de Produção de Electricidade (Prodel) who have received specialised training, with the contractor – Brazilian group Odebrecht – also participating in this task over the next three years.

The Laúca Hydroelectric Plant is a public work under the responsibility of the Office of Utilisation of the Middle Kwanza and is located at kilometre 307.5 of the Kwanza River, about 47 kilometres downstream of the Capanda Hydroelectric Plant.

The Laúca plant, which is considered to be the largest civil engineering project ever in the country and the second largest dam in Africa, will serve 8 million people, reaching the central provinces of Huambo and Bié this year.

The work was financed by a Brazilian credit facility and in its various phases, the project hired about 13,000 workers. It began in 2012 with Brazilian group Odebrecht as contractor. (Macauhub)

Nigeria to Start Building $5.8 Billion Power Plant in 2018

- Government in funding talks with China's Export-Import Bank
- Nigeria's power generation and transmission insufficient

Nigeria plans to start building a $5.8 billion hydro-power plant in the eastern Mambila region this year, after it agrees on loan terms with China's Export-Import Bank.

"We hope to break ground this year if we can conclude the financing," Power, Works and Housing Minister Babatunde Fashola said in a Jan. 23 interview in the capital, Abuja. "Contracts are in place. We are good to go."

Fashola told reporters in August that the Chinese lender would finance 85 % of the cost, and the Nigerian government the rest. China Civil Engineering Corp. will build the 3,050-megawatt power plant over five years, and the facility will include four dams measuring 50 meters (164 feet) to 150 meters high, and 700 kilometers (435 miles) of transmission lines, he said.

Nigeria, a country of 180 million people living with daily power cuts, is seeking to expand electricity generation to drive growth after the economy contracted in 2016 for the first time in 25 years. Fashola, a former governor of Lagos State, the nation's bustling commercial hub, was appointed in 2015 by President Muhammadu Buhari to take charge of the troubled power sector.

The government expects power-production capacity to increase to 8,600 megawatts in a year from 7,000 megawatts currently, Fashola said in the interview. In comparison, South Africa, with a third of Nigeria's population, has an electricity-generating capacity of more than 40,000 megawatts.

Distribution Capacity

Nigeria also plans to improve distribution capacity, currently at about 5,000 megawatts. Since the country is able to produce more electricity than it can distribute, some production capacity will remain idle until the government expands the network.

The government is looking to partner with private companies to invest in mini-grid projects and generate an additional 3,000 megawatts of electricity over five years, Fashola said. Investors are showing interest, he said, without further details.

A number of planned solar power projects have failed to secure funding and should be reassessed, according to the minister. State-controlled Nigeria Bulk Electricity Trading Plc signed preliminary power-purchase agreements in 2016 with private companies for 14 solar projects meant to generate 1,125 megawatts of electricity, but there have been issues over payment-related guarantees, Fashola said.

These should be redesigned to sell electricity not only to the government via the national grid but to customers in remote areas directly, according to the minister.

"They should rethink their models and begin to look at estates and communities," he said.

The government is also working on regulations to license suppliers of electricity meters to stop some distribution companies from billing arbitrarily, Fashola said. "We want to open the meter market because the core business of a distributor is not metering but distribution of energy." (By Sophie Mongalvy, David Malingha Doya and Antony Sguazzin, Bloomberg)

How to Wreck the World's Fastest-Growing Renewables Program

- South Africa utility leaves energy companies in the dark
- Annual investment of more than $5 billion slows to $4 million

Soon after it began in 2011, South Africa's renewable power program became the world's fastest-growing.

Almost $15 billion poured into clean energy in seven years, financing everything from wind farms to solar towers. New independent power producers mushroomed, signing electricity-purchase agreements with national utility Eskom Holdings SOC Ltd that were guaranteed by the government.

Then Brian Molefe, whom a subsequent graft probe would show was closely connected to President Jacob Zuma, became Eskom's chief executive officer in 2015. He stopped signing new contracts, saying the country didn't need more renewable production because it was too expensive. At the same time, power demand lagged as companies generated their own and the economy slowed. And Eskom was put in charge of an expensive nuclear-construction program championed by Zuma.

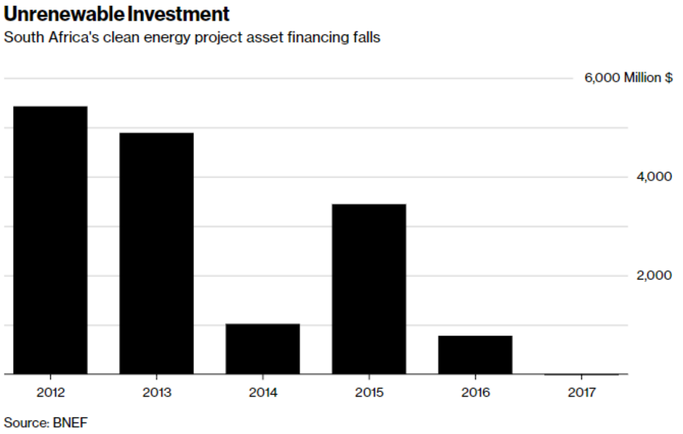
As a result, renewable financing dropped to a trickle of $4 million last year, with more than two dozen projects that were near the point of breaking ground still waiting. The freeze-out risks driving away badly needed investors – many of whom are now expanding elsewhere. "Eskom and the South African government have done potentially unrepairable damage to one of the most effective renewables auction programs in the world," said Victoria Cuming, head of policy analysis in Europe, the Middle East and Africa at Bloomberg New Energy Finance. "Even if the government proceeds with the auction scheme, political and policy risk will be much higher, increasing project costs and making it harder to secure financing." It's a painful example of the economic erosion occurring under Zuma. Graft and mismanagement of state-owned companies have scared off investors, and the country had its second recession in less than a decade earlier last year. Zuma himself is alleged to have taken more than $300,000 in bribes from arms dealers, and is trying to persuade prosecutors to drop charges of corruption, racketeering, fraud and money laundering. After some back-and-forth, Molefe was pushed out in 2017.

Cyril Ramaphosa, who assumed leadership of the ruling party last month – and thus became Zuma's probable successor – has started making efforts to reverse the damage. He called in November for an expansion of renewable energy to reduce carbon and create jobs, saying "we could again become the investment destination of choice for activities that are electricity intensive."

At present, investors are left with little more than hope. The Energy Department will make an announcement on the renewable contracts "once the decision is made," spokeswoman Nomvula Khalo said in an emailed response to questions.

While the role of renewables is still likely to grow in South Africa, delays "have put significant pressure on developers who have invested a great deal in development costs to date," said Nandu

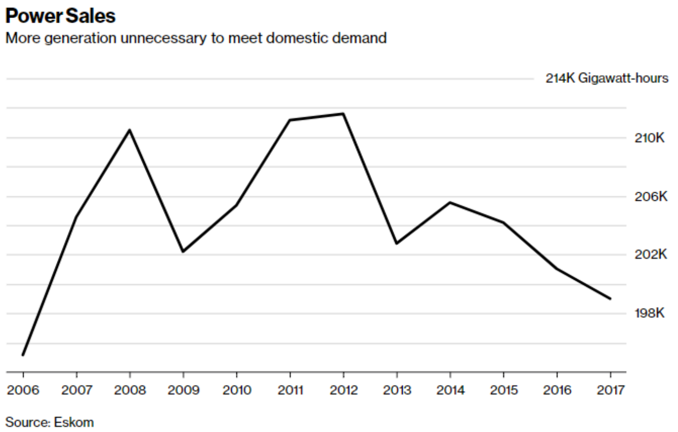
Bhula, deputy managing director for Southern Africa at Saudi Arabia's ACWA Power International, which is seeking to develop its second solar program in the country. "With all financing and technical contracts requiring renegotiation to remain valid, these costs continue to increase."



At the time the renewable program began, the national power grid was dealing with a shortage of capacity and overdue maintenance on its coal plants, which in 2015 resulted in sustained electricity cuts. The clean energy projects could be installed quickly, compared to the mammoth coal facilities the country had been building, usually both late and over budget by billions of dollars. The auction program was accelerated, with extra rounds added to bring more power generation as soon as possible.

But just a year later, enough coal-fired capacity had been added to the grid to end the blackouts, especially amid weak demand. Eskom had surplus power generation capacity. In media interviews, Molefe questioned the cost and reliability of renewables, and he started promoting nuclear power as a better alternative.

The loss of confidence in the program has been exacerbated by a revolving door in the energy ministry, said Siyabonga Mbanjwa, regional managing director of SENER Southern Africa, an EPC contractor for renewable projects. A succession of energy ministers – David Mahlobo was the third person to serve in the role last year – promised that the agreements with independent power producers would be signed, and failed. Zuma, in his annual state-of-the-nation speech in February 2017, also said the deals would be completed. There's been no result. "We have moved from having one of the most successful renewable-energy IPP procurement programs in the world to a deadlock that has resulted in job losses," Mbanjwa said in an interview. SMA Solar Technology AG closed its South African operations. Another plant that made wind turbines shut down. International firms such as ACWA and Enel SpA have maintained efforts to build their portfolios elsewhere, bidding for renewables deals throughout the continent in nations including Morocco and Ethiopia.



Energy policy must be consistent to make it attractive to foreign investors, Jasandra Nyker, CEO of developer BioTherm Energy, said at a government-organized energy conference last month. "When we have 'stop-start' strategies it kills the local supply chain," she said.

New leadership could help revive the program, according to Anton Eberhard, professor at the University of Cape Town's Graduate School of Business. Ramaphosa "is likely to stop the nuclear procurement and restart the renewables program, although probably at a reduced scale," he said. (By Paul Burkhardt, Bloomberg)

Ethiopian Geothermal Is Private Equity's Next $4-Billion Bet

- Billionaire hedge fund manager backing power developments
- Ethiopia's government planning to quadruple power supply

U.S. private equity and hedge funds are backing an effort by Ethiopia to turn itself into an exporter of electricity to the region, channeling at least $4 billion into geothermal projects across the nation.

The Ethiopian government has signed 25-year power purchase agreements with Reykjavik Geothermal Ltd., a developer led by Michael Philipp, the former head of Europe, Middle East and Africa for Credit Suisse Group AG. The company is backed by by billionaire hedge fund manager Paul Tudor Jones and Ambata Capital Partners, an investment firm run by Philipp.

Seleshi Bekele, the electricity and water minister, is seeking to quadruple Ethiopia's power generation by 2020 and expand power sales abroad that now bring in about $90 million a year. The government also is seeking to bring power to all households by 2025, up from about 30 % currently. "We're focusing on generating from renewable sources," Bekele said in an interview in London. "We want to be carbon neutral," he said, adding that he'd like emissions to remain at or below 2010 levels by 2030.

Ethiopia currently gets more than 90 % of its electricity from hydro-electric plants, benefiting from powerful rivers such as the Nile. It is now at the beginning of building out other forms of renewable energy, especially geothermal wells that tap the natural heat from underground rock structures in a rift valley that passes through the nation.

Growing Demand

"The demand is growing very rapidly -- 25 to 30 % every year, so we are trying to satisfy this demand," said Azeb Asnake, chief executive officer of Ethiopian Electric Power Corp. "We also have a lot of industrial parks coming up -- agriculture industry and the like -- with more than 12 under construction or under operation. We really need to provide power to all this demand."

It's not the first time Ethiopia set out ambitious plans for power generation. In 2014, Ethiopian officials told the the Financial Times they wanted 11 gigawatts of capacity within three years. Capacity today is about 4.3 gigawatts, almost double the previous figure. Bekele is now targeting 17 gigawatts by 2020.

Geothermal draws heat from underground and uses it to drive a power turbine. The technology is lauded as one of the only sources of energy that is both baseload and renewable, since geothermal wells flow constantly, unlike wind and solar power.

"Ethiopia has some of the best geothermal reserves in the world, certainly top 10, maybe top five," Michael Philipp, chairman of Reykjavik Geothermal, said by phone. "Geothermal is a very underdeveloped sector, only about 1 % of the world's reserves have been developed, so there's significant upside to getting that right."

Investment Flowing

Reykjavik Geothermal is an Icelandic company that's working on two projects in Ethiopia, Corbetti and Tulu Moye. Each is expected to cost about $2 billion. They will have capacities of 520 megawatts apiece, which together is about the same as a nuclear reactor working at full tilt, and will be located 250 kilometers (155 miles) south of the capital city of Addis Ababa.

Backers of Reykjavik Geothermal won't finance the projects alone. Philipp has raised $150 million by bringing in French energy and infrastructure investor Meridiam SAS, InfraCo Africa in the U.K., Icelandic Drilling Co. and African Renewable Energy Fund, which is part of the African Development Bank. He's seeking an additional $450 million and said he has received interest from pension funds, private equity firms, insurers and infrastructure funds

He's also looking to raise $1 billion of debt from development banks, such as the European Investment Bank and the Overseas Private Investment Corp.'s Power Africa program and about $500 million from export credit agencies. Philipp expects to reach financial close in 18 to 24 months.

- The projects are due to be working within seven years, with the first 50 megawatts online in two to three years
- Reykjavik Geothermal is also at early stages on a third project in Ethiopia
- Ethiopia is seeking investors for all the projects and will hold competitive tenders for renewables such as solar this year

- Support sought from World Bank's International Finance Corp.'s Scaling Solar project, which helped fund the technology in Zambia, Senegal and Madagascar (By Anna Hirtenstein, Bloomberg)

Botswana power plant expansion plan stalls over terms

A planned $800 million expansion of a coal-fired power plant in Botswana by Japan's Marubeni Corp and South Korea's Posco Energy has been put on hold due to a disagreement over terms, the energy minister said.

Marubeni and Posco Energy were due to start work in January last year on a project to add 300 megawatts to the current 600 megawatt Morupule B plant, which was built by the China National Electric Equipment Corp at a cost of $970 million.

The power station has often broken down, leaving Botswana to rely on diesel generators and imports from South Africa.

Energy Security Minister Sadique Kebonang told Reuters the government failed to agree with Marubeni and Posco Energy on a number of issues, notably a proposed $800 million state-backed guarantee to protect the companies' investments.

"The Power Purchase Agreement has now expired since the project failed to take off within a year from the date of signing as stipulated in the agreement," Kebonang said.

"It's not only the guarantee that was the problem. They wanted many other things which we could not agree to. It's a stalemate, each party will now review its options."

Officials at Marubeni and Posco Energy did not respond to request for comment. (By Joe Brock, Reuters)

INFRASTRUCTURE

Chinese-built expressway divides Uganda as debts mount

Traffic will soar above the muddy swamp between Uganda's capital and its international airport when a new Chinese-built highway opens in a few months' time, but the road itself is mired in controversy.

The government has partly funded the 51-km (30-mile) $580 million expressway with a loan, part of $11 billion in borrowings in the decade since the World Bank cancelled debts about a third that size as part of debt relief for poor states.

Uganda says the four-lane road is the jewel in the crown of an infrastructure programme that will boost economic growth; critics accuse President Yoweri Museveni, in power for 32 years, of squandering debt relief and mortgaging much-anticipated oil revenues before crude starts to flow in 2020.

China alone has loaned the east African nation nearly $3 billion and is in talks for $2.3 billion more as part of its vast overseas development Belt and Road scheme.

"Uganda will grind to a halt as a country because of Museveni's reckless borrowing. We're like a patient on life support," said opposition lawmaker Ibrahim Ssemujju Nganda, alluding to a debt warning from the central bank last year. The government says the criticism is misplaced. "We're not borrowing for consumption and luxury, we are investing," said Finance Ministry spokesman Jim Mugunga. "The heightened borrowing is deliberate, it's to put up modern infrastructure and push up economic growth."

The road

Uganda's first expressway should trim the two-hour trip between the capital and international airport to 30 minutes.

Begun in 2012, construction should end in May, missing the initial target by a year. But it is the price, rather than the delays, that has alarmed Uganda's auditor general, John Muwanga.

In a 2015 report, he noted the new road's cost per lane per kilometre was double Ethiopia's six-lane Addis-Adama Expressway, a road built by the same company -- the China Communications

Construction Co. Ltd -- with more features like underpasses and link roads. “The project costs could have been much lower if the contractor had been procured through competitive bidding,” said the report.
The company did not respond to queries and the Chinese embassy in Kampala was not immediately available for comment.
Patrick Muleme, head of design at state-run Uganda National Roads Authority, said single-sourcing was a requirement for China providing a $350 million Exim bank loan for the road. Muleme said challenges like a 1.6 kilometre bridge over a vast swamp had driven up the cost. “When you just see two projects and you compare costs it’s misleading because it doesn’t take into account the peculiarities and the unique features,” he said.
Other differences included variations in cost of materials, topography and land tenure systems, he said.
The auditor general’s report compared only the costs of construction between the two roads, not including $100 million Uganda spent on acquiring the land. Fred Muhumuza, a lecturer at Makerere University who helped carry out initial economic studies for the road, said the price was “insane”.
The expressway is designed as a self-financing toll road, but Muhumuza said there is not enough traffic to Entebbe, a staid, colonial-era lakeside town, that will pay tolls to avoid the more circuitous route. The Uganda National Roads Authority said charges have not yet been determined.

The debt

Slowing exports, declining agricultural output and bureaucratic dysfunction have all taken a toll on Uganda, along with what critics say is rampant corruption.
Economic growth slowed to 3.9 % in the latest financial year from 4.8 % the year before. This year, the central bank projects 5 % growth, still below the 7 % needed to absorb new entrants to the job market in the youthful nation of 29 million.
Twelve years after the World Bank forgave $3.5 billion, nearly all Uganda’s debt, external debt is now at $11.2 billion, according to figures from the central bank. “Uganda’s debt may be moving from a level of low to moderate risk of distress,” the bank warned last year.
Ratings agency Moody’s said in August that Uganda faced “deteriorating debt affordability, in part due to growth in non-concessional borrowing.” The warning followed Moody’s downgrade of Uganda’s long-term debt eight months earlier.
In the 2018/19 budget, interest repayments - at 17.3 % - will consume the largest chunk of domestic revenues.
The climbing repayments come as public hospitals suffer shortages of basic drugs and supplies. Teachers, doctors and other public servants have gone on strike over low and unpaid salaries.
Other mega-projects funded by Chinese loans include two new hydropower dams on the River Nile worth about $2 billion and a $325 million expansion of Entebbe Airport. Talks are ongoing to fund a railway at $2.3 billion.
Auditor General Muwanga has said one of the two dams under construction used “poor quality of concrete” and had “cracks in some sections.”
Yusuf Masaba, spokesman for ministry of energy and minerals, said any problems had been identified and corrected. He said, “cracks or any minor defects do not mean that we’re not getting value for money”. (By Elias Biryabarema, Reuters)

Mozambican government negotiates relaunch of the Moamba-Major dam works

The Mozambican government is negotiating with three international companies to conclude works on the Moamba-Major dam in Maputo province, the National Director of Water Resources Management (DNGRH), Messias Macie told Mozambican newspaper Notícias.
The construction of this dam on the Incómati River was suspended following the corruption case in Brazil known as “Lava Jacto,” which involved several construction companies, such as Andrade Gutierrez, which was as a contractor on this project.

The Brazilian National Bank for Economic and Social Development announced in October 2016 the suspension of the financing of 25 projects executed by Brazilian companies in foreign countries, which included Angola and Mozambique.
Later the Brazilian ambassador to Mozambique, Rodrigo Soares, said his country would honour its promise to finance the construction of the Moamba-Major dam, despite the fact that Brazilian projects in Mozambique and other countries were being re-evaluated.
Macie told Notícias that the government plans to complete the evaluation of the proposals quickly and take the necessary steps so that the works, "which are at a standstill due to lack of participation of the Mozambican government in the cost of the project, amounting to US$200 million," can be resumed.
The Moamba-Major dam, whose foundation stone was laid in 2014, will have capacity to store 760 million cubic metres of water, control the flow of the Incomati river, increase water supply to the cities of Maputo, Matola and Ressano Garcia and have a power plant to produce 15 megawatts of electricity.
Construction of the dam had an estimated cost of US$466 million, and Brazil had promised to provide US$320 million. (Macauhub)

MINING

Sibanye to Consider American Listing Along With More Deals

- Miner may look at New York or Toronto for primary listing
- External growth options in South Africa are limited, CEO says

Sibanye Gold Ltd. will consider moving its primary listing to North America from Johannesburg to allow the miner to tap capital in that market and help fund future deals.
The company's focus for now is on reducing debt following the $2.2 billion acquisition of U.S.-based Stillwater Mining Co., ensuring operations perform well and "bedding down" the proposed takeover of Lonmin Plc later this year, Chief Executive Officer Neal Froneman said in an interview.
But that doesn't mean Sibanye's dealmaking days are over. Once the Lonmin transaction is wrapped up, Froneman said he'll be looking for more gold or silver assets, potentially in the U.S., where President Donald Trump's policies have made investment more attractive, or elsewhere in the Americas.

"America has become a very friendly place from a mining point of view, that's one good thing that Trump has done," the CEO said on the sidelines of the African Mining Indaba in Cape Town. "We are already there, that could be another region for growth."
The Lonmin purchase would result in platinum-group metals accounting for more than 70 % of Sibanye's production by 2021, according to a presentation Froneman gave earlier in the day. The company remains bullish on the outlook for gold, so will seek a more balanced split, but external growth options in South Africa are limited, the CEO said.
Sibanye would probably consider a primary listing in New York or Toronto to gain exposure to a wider set of investors, while maintaining its Johannesburg listing, he said. Sibanye estimates it could reduce its ratio of net debt to earnings before interest, taxes, depreciation and amortization to 1 within about two years, depending on commodity prices, Froneman said earlier. That is the primary focus and would help boost the company's market value and purchasing power, he said. North America has good-quality gold and silver assets "and I have no doubt that we will find value,

that's what we are good at," he said. Sibanye shares have declined 19 % this year, more than the 8.5 % drop in Johannesburg's five-member FTSE/JSE Africa Gold Mining Index. (By Felix Njini, Bloomberg)

De Beers Eyes Zimbabwe, Congo After Gaining South Africa Permits

- Company was granted 16 new licenses in Northern Cape province
- Miner aims to extend search to Free State, North West, Limpopo

De Beers may follow its resumption of exploration for diamonds in South Africa's Northern Cape by looking at opportunities in Zimbabwe and in the Democratic Republic of Congo.

"I'm excited about what I'm seeing in Zimbabwe," said Phillip Barton, chief executive officer of De Beers' South African unit. "If we get licenses, we would have a further look."

The company is seeking deposits in South Africa after gaining 16 exploration licenses in Northern Cape province, and Barton said it wants to extend searches to Free State, North West and Limpopo, where De Beers is working on the $2 billion Venetia project. It's natural to look into nearby Zimbabwe, he said. "We have Venetia mine that's literally 20 kilometers from the Zimbabwe border," Barton said on the sidelines of South Africa's annual Mining Indaba conference in Cape Town. "Why would it be just on the one side?"

In addition, De Beers is considering seeking exploration licenses in Congo if the legal situation improves, as well as adding another ship to its fleet of five looking for marine deposits off Namibia. (By Felix Njini, Bloomberg)

Congo minister declines to say whether new mining code signed into law

The Minister of Mines for Democratic Republic of Congo, Martin Kabwelulu, declined to say whether President Joseph Kabila had signed a new mining code into law that the industry opposes because it will raise royalties and taxes.

The new code, which parliament approved late last month, could see royalties on cobalt, a vital component in electric car batteries, increase five-fold to 10 %. It also removes a stability clause in the current law protecting miners from changes to the fiscal and customs regime for 10 years. "Journalists ask me whether the president has promulgated the code. I won't answer that question here. The code is with the president," Kabwelulu told reporters and mining executives at a conference in Cape Town.

International mining companies in Congo, which include Randgold, Glencore, China Molybdenum and Ivanhoe, have said they will challenge the new law through international arbitration and are lobbying Kabila not to sign it.

Congo is the world's biggest source of cobalt and Africa's largest copper producer. The industry-led chamber of mines said that copper production rose 6.9 % in 2017 to 1.09 million tonnes, while output of cobalt jumped 15.5 % to 73,940 tonnes. Gold production rose 2.7 % to 23,270 kg, the chamber said. Low commodity prices in recent years hit Congo's resource-dependent economy hard, causing inflation to swell to more than 50 % in 2017, and the government is desperate to increase its revenue. The country's state mining company said this week that it intended to start renegotiating contracts with its international partners to boost its share of revenues. Kabwelulu likened the new code to a "bush fire", saying: "The fire is not going to destroy everything. There are plants that will keep their roots. New plants will grow."

Speaking after him, Randgold's Chief Executive Officer Mark Bristow urged the government to return to the negotiating table: "We can dance around, we can ignore the elephant in the room. Or we can find a real, proper solution for the DRC and its people."

Ivanhoe Executive Chairman Robert Friedland, whose company is developing one of the world's largest high-grade copper projects in southeastern Congo with China's Zijin Mining, said he believed a compromise could still be reached if stability clauses were respected. "I am happy to pay higher royalties. I'm not concerned about the level of taxation. That's not the fundamental issue," he said. "The issue is that mining requires stability. We just can't get there from here without stability." Pressed by reporters on the possibility of a new compromise, Kabwelulu would only say that the code had gone through all the necessary stages and was now with the president. (By Barbara Lewis, Reuters)

Mustang Resources completes study on graphite mine in Mozambique in June

Mustang Resources has completed its 11-hole drilling programme at the Caula graphite project in Mozambique, and the preliminary study is expected to be completed by June, the Australian mining company said in a recent market filing. "Once the preliminary study is completed, the definitive economic feasibility study will begin, and the drill holes made will make it possible to reveal the occurrence of graphite deposits estimated at 702,600 tons," the statement said. The filing said that the samples collected during the drilling "are being sent for assays and metallurgical tests."

Mustang Resources has a ruby mining concession in the same region where it now intends to extract graphite, which is located next to a mine operated by Syrah Resources, another company from Australia that has started bagging and exporting graphite. The occurrence of high-quality graphite deposits has led German company Graphit Kropfmuhl GmbH, an operating division of Advanced Metallurgical Group NV of the Netherlands under the name AMG Graphite, to relaunch graphite extraction at the Ancuabe mine in northern Mozambique in May 2017. The assets of AMG Graphite in Mozambique include a mining concession that includes the graphite processing plant in that district and a prospecting license in Nipacué, where there is a graphite deposit with reserves estimated at 900,000 tonnes. (Macauhub)

Coal terminal of Indian group Essar in Beira, Mozambique, starts operating in 2020

The first phase of the 10 million-ton per year coal terminal to be built at the port of Beira in central Mozambique's Sofala province, by Indian group Essar is set to start operating in 2020 following an investment of US$260 million, the CEO of Mozambique Essar Ports, Ltd said in Cape Town. At the South African Coal Exporters Conference, 2018 held in Cape Town from 31 January to 2 February Tej Nargundkar also said that the launch of the second phase of this project, where a similar investment is planned, will depend on the success of the first, according to the local press The CEO Mozambique Essar Ports, Ltd. stated that the port of Beira being unable to receive ships of more than 50,000 gross tonnage or with a draft of more than 12 metres was not an obstacle to the business, as most ports in India are also not deep-water ports. The main aim of the Essar Group's investment through Essar Ports, Ltd is to use the port of Beira to export coal mined in Moatize, Tete province, in response to increasing demand from India.

The port of Beira is located 580 kilometres from the Moatize coal basin and is served by the Sena railway line, recently overtaken by Brazilian group Vale to transport the coal mined at Moatize instead of using the railway that passes through Malawi and arrives at the deepwater port of Nacala, over a distance of 912 kilometres.

The new terminal will be fully mechanised from the unloading of the wagons to the storage and loading of the ships. The dock will be 300 metres long and 24 metres wide and the port will have a capacity of 700,000 tons in the first phase. (Macauhub)

Petra Diamonds seeks debt deal to avoid loan default

African miner Petra Diamonds is likely to strike a deal with its lenders that could include a waiver or a reset of its debt covenants within the next month, its chief executive Johan Dippenaar said The London-listed mining company said last week it had started negotiations with its lenders for debt agreements relating to its EBITDA for December 2017 and June 2018. The confiscation of a consignment of its diamonds in Tanzania and a labour strike at its South African mines were the main reasons that Petra flagged in October that it was likely to fall short of its loan obligations. "We are too tight with the covenants but we discuss with the banks all the time and we are confident that in a month or so we will have solutions to it," Dippenaar told Reuters on the sidelines of a mining

conference in Cape Town. “We have illustrated a business that keeps on growing and is able to service its debt, we are just at a turnaround point.”
Petra, which operates five mines in South Africa and Tanzania, reached peak capital expenditure in its last financial half year after seven years of investing more cash than it generated into expanding its operations. The company has spent nearly $1.5 billion over the last seven years at the Finsch and Cullinan mines. Dippenaar said Petra would now focus on cutting its debt, adding that acquisitions and explorations were not on the table.
Net debt at the end of December stood at $644.7 million but is expected to fall to $560–$600 million by the end of June. The company has a syndicated loan of about $120 million with South African banks.
Petra, which was accused of under-declaring the value of the stones, is caught up in an industry-wide crackdown by the Tanzanian government in an effort to reap more mineral revenue. Petra has denied the accusation.
The consignment, which was confiscated in September, has not yet been returned but the company resumed exporting other diamond packages after a brief government-mandated stoppage. Dippenaar said the Tanzanian government had concluded questioning its employees but it was unclear whether the full investigation was over. “We are hopeful that a resolution will come out in the six months to June,” he said. (By Zandi Shabalala, Reuters)

De Beers diamond venture puts Namibian mine on sale
Namdeb, a 50/50 joint venture between the Namibian government and Anglo American’s diamond unit De Beers, has put the Elizabeth Bay Mine on sale, a company spokesperson said.
The sale comes three weeks after the diamond miner wrote to staff offering voluntary redundancies that will affect at least 130 of its 1,700-strong workforce. (By Nyasha Nyaungwa, Reuters)

OIL & GAS

Mozambique approves plan for Afungi Industrial Zone to produce liquefied natural gas
The Mozambican government yesterday approved the development plan of the consortium led by the US oil company Anadarko to transform the Afungi peninsula in Palma, Cabo Delgado, northern Mozambique, into an industrial zone for the export of natural gas. “The objective is to allow the development of natural gas liquefaction activity, in order to make the exploration of Area 1 of the Rovuma Basin economically feasible,” Council of Ministers spokeswoman Ana Comana said.
The main expected gains “include the marketing of resources with an estimated revenue flow of US$30.7 billion from taxes and gas profits sharing by 2047,” she added.
The development of infrastructure, the creation of 1,500 jobs in the drilling, construction and operation phases are also highlighted as the main gains for Mozambique of the Area 1 project, whose costs are estimated at US$12 billion.
The consortium will explore the natural gas discovered deep in the earth’s crust under the seabed, 16 kilometres offshore from Cabo Delgado province.
Once drilled, the gas will be piped to the industrial zone to be built on the Afungi peninsula, where it will be converted into liquid and piped to special container ships for export.
The plan provides for two land-based liquefaction lines an annual liquid natural gas (LNG) production capacity of 12 million tonnes per year.
The final investment decision by the consortium is now awaited. The consortium has announced in recent months that it is closing pre-priced sales contracts for the gas it is going to produce in Mozambique.
The resettlement of the population living on the Afungi peninsula meanwhile began in November.
The consortium that operates Area 1 consists of North American Anadarko (26.5%), Japanese Mitsui (20%), Indian ONGC (16%), Mozambican state oil company ENH (15%), and smaller

shares from two other Indian companies, Oil India Limited (4%) and Bharat Petro Resources (10%), and Thai PTTEP (8.5%).
Another oil company consortium will explore Area 4, further south in the Rovuma Basin, and announced its final investment decision in June, kicking off the five-year countdown to the start of production forecast at 3.3 million tons per year. (Club of Mozambique)

Mozambique Approves Anadarko's $20 Billion Natural-Gas Plan

- Government endorses plan to develop northern gas deposit
- Andarko now needs to sign adequate purchase agreements

Mozambique's council of ministers approved the development plan for Anadarko Petroleum Corp.'s liquefied natural-gas project in the north of the nation, an investment estimated at about $20 billion.
The government announced the decision in a statement. The next major requirement that the Anadarko-led consortium has to meet before reaching a final investment decision on the Area 1 project is to sign enough sales and purchase agreements, according to the company.
Anadarko and its partners have agreed the price and volumes for 5.1 million tons a year of gas production, out of the 8.5 million tons required to reach financial close, the company said in a statement. During the last quarter of 2017, it signed a heads of agreement with Tohoku Electric Power Co. of Japan to sell it gas, the company said.
Exxon Mobil Corp. and Eni SpA are developing another gas project nearby Anadarko's. The development of Mozambique's gas deposits could make the southeastern African nation the world's fourth-biggest natural gas exporter. (By Matthew Hill and Borges Nhamire, Bloomberg)

Angola natural gas legislation being finalised: oil secretary
Angolan legislation on exploration and production rights for natural gas is "in its final stages," the president's oil secretary, Paulino Jeronimo, said. Angola does not currently have any legislation covering the rights of companies to explore or produce gas. Jeronimo added to reporters on the sidelines of a government event for the energy industry that the gas rights legislation would be passed to the executive arm of government this month. (By Stephen Eisenhammer, Reuters)

UPCOMING EVENTS

Third Africa Forum on STI: Building on Science, Technology and Innovation to Boost Private Sector and Socio-Economic transformation in Africa, will be held from February 10-12, 2018 in Cairo, Egypt. Co-organized by the African Development Bank and the Egyptian government, the event is also supported by the Republic of South Korea, Japan and other partners.

Africa Gas Forum 19 the February 2018 at the Sandton Convention Centre, Johannesburg and is aligned as an official side event of the annual Africa Energy Indaba.

Africa Energy Indaba, 20 – 21 February 2018 Sandton Convention Center, Johannesburg
http://www.africaenergyindaba.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)

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

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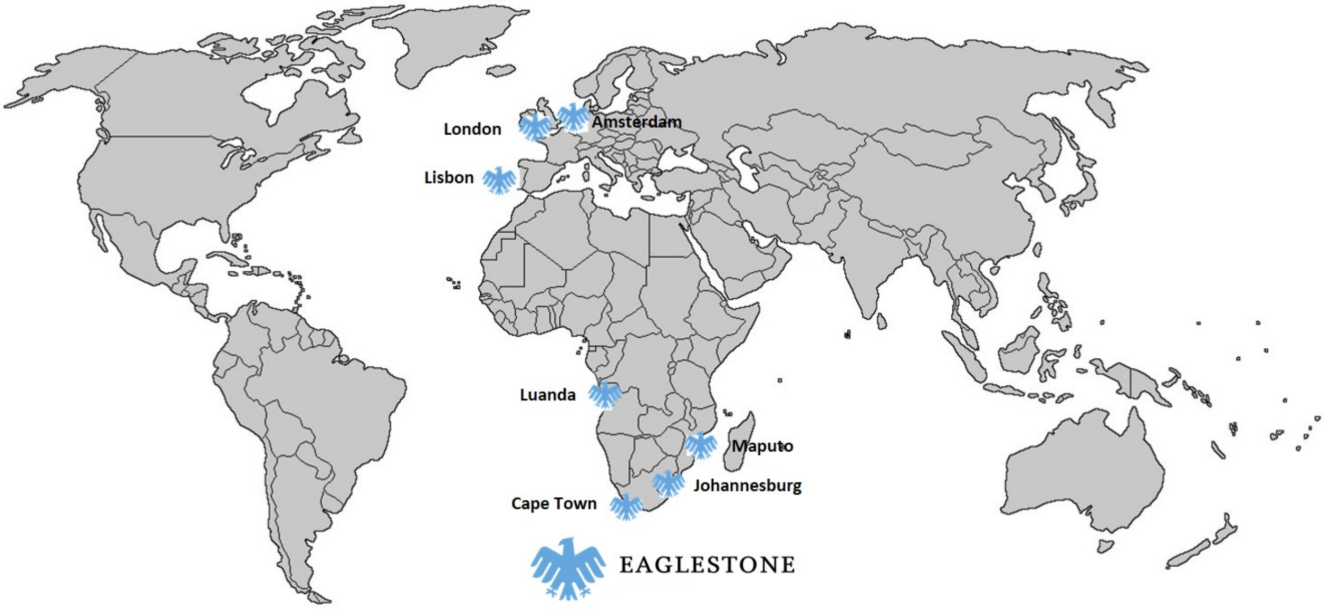

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Eaglestone was founded in December 2011 with the aim to be a committed partner for the development of businesses located primarily in Sub-Saharan Africa and to support the development of renewable energy projects on a global basis.

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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