INSIDE AFRICA

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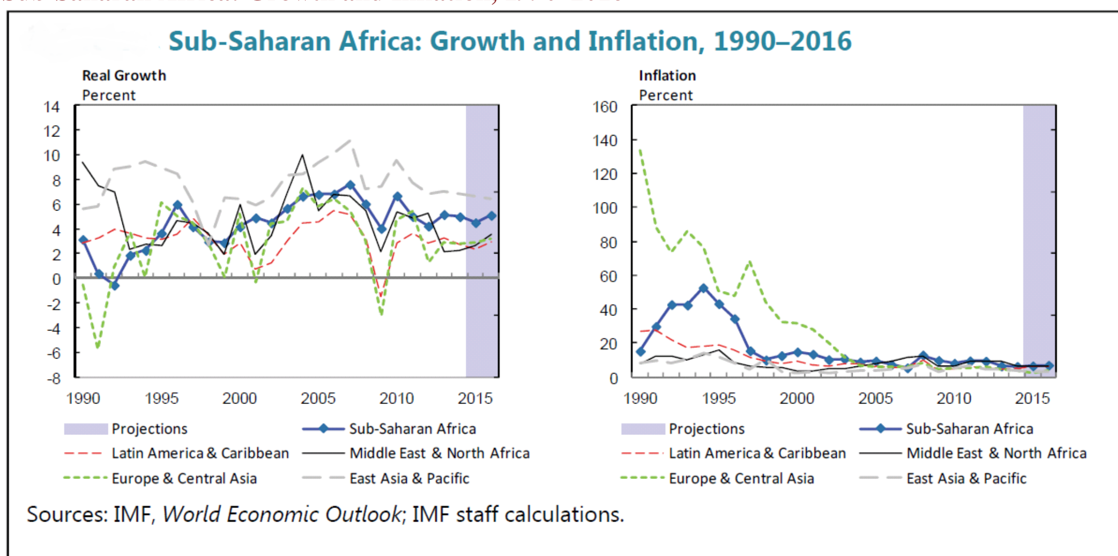
In-depth:
Sub-Saharan Africa: Growth and Inflation, 1990–2016



Sources: IMF, *World Economic Outlook*; IMF staff calculations.

Since the 1990s, sub-Saharan Africa (SSA) has been among the world's fastest-growing regions. For the first time since the 1970s, a large number of countries in SSA have been enjoying an extended period of strong economic growth. The recent pace of growth represents a sharp break with the falling living standards and macroeconomic instability of the 1970s and 1980s—a period when the region fell behind developing countries in other parts of the world. The acceleration in growth has been accompanied, and facilitated, by a sharp reduction in inflation, which in most SSA economies is now typically in the single-digit range, despite persistent vulnerabilities to food and fuel price shocks.

Among the key factors contributing to this turnaround in economic fortunes were the improved macroeconomic policies in many countries. These include the strengthening of fiscal positions, the enhanced emphasis given to containing inflation, the liberalization of exchange controls and unification of exchange rates, and the building of foreign reserves to help contain the impact of adverse external shocks. These shifts in domestic policies were facilitated by international debt relief initiatives, which freed up fiscal space and mitigated against external payment pressures in several SSA countries.

The acceleration in economic growth has been accompanied by an expansion of access to financial services—particularly commercial banks, which have been traditionally, and remain, the backbone of financial systems in SSA. Indeed, as noted by Beck and Cull (2013), banking in SSA has undergone dramatic changes over the past 20 years. Financial liberalization and related reforms, upgrades in institutional and regulatory capacity, and more recently the expansion of cross-border banking activities with the rapid development of pan-African banking group networks have significantly changed the African banking and financial landscape. Once dominated by state-owned institutions and distorted in their operations by restrictive regulations, banking systems in SSA are now deeper and more stable, and the incidence of systemic banking crises have declined dramatically in the past two decades. In fact, banking systems in SSA survived relatively unscathed the turmoil of the global financial crisis, despite indirect pressures through international trade linkages.

Yet, despite these remarkable achievements, concerns persist that this progress may not have been significant enough to sustain future growth, that several countries still display shallow banking systems with insufficient depth and instruments, that financial inclusion— that is, the extent of access to financial services and products by the majority of the population—is still limited, and that high costs, short bank lending maturities, and limited competition remain a drag on the development of a competitive and diversified economic structure in many countries of the region.

The banking sector in sub-Saharan Africa

The banking sector in sub-Saharan Africa has expanded steadily over the past decade. Helped by reform efforts (Kasekende 2010), the depth and coverage of financial systems—as measured by all the standard indicators of financial development, such as the ratios of private sector credit to GDP and broad money (M2) to GDP—have substantially improved over the period 2000 to 2013, albeit from a low base. The Table, however, shows that, on average, SSA countries continue to have a shallower financial system than in other developing regions of the world.2 This evidence reflects, in particular, the performance of SSA middle-income countries (MICs), recording an average
M2-to-GDP ratio of 45 % in 2012 against about 65 % elsewhere. The catch-up of SSA low-income countries (LICs), instead, appears broadly in line with other regions. This is likely to reflect a combination of small absolute size, low economic diversification, and infrastructure weaknesses, which represent critical bottlenecks to the development of African financial markets above a certain size.

Sub-Saharan Africa: Indicators of Financial Development by Income Group, 1995–2013

	Average of 1995	Average of 2003	Average of 2013
Domestic credit provided by financial sector (% of GDP)			
Sub-Saharan Africa LIC	19.9	23.7	27.2
Sub-Saharan Africa MIC	42.3	48.2	48.6
Other LIC	24.7	28.8	33.8
Other MIC	43.2	43.6	60.7
Money and quasi money (M2) (% of GDP)			
Sub-Saharan Africa LIC	22.9	29.6	34.5
Sub-Saharan Africa MIC	34.5	40.4	44.9
Other LIC	28.2	33.2	49.8
Other MIC	43.0	50.8	64.6

Source: IMF, International Finance Statistics.
LIC = low-income country; MIC = middle-income country.

Financial Sector Supervisory Standards in Sub-Saharan Africa and Morocco

Countries in SSA are at different development levels with regard to their financial sector regulation and supervision standards and operate at varying stages of international standards implementation. Whereas a number of countries have moved to International Financial Reporting Standards, implementation of Basel II standards has been completed in only a handful of countries. An important part of depositor protection, namely depositor insurance, is missing in the majority of countries.

Summary of Supervisory Standards by Country

	Accounting Standard	Capital Adequacy Standard [1]	Basel Core Principles [2]	Deposit Insurance	Asset Classification [3]
Angola	National	No Basel II yet	<50%	No Dep. Ins.	< 90 days
Botswana	IFRS	Basel II in progress	>80%	No Dep. Ins.	90 days
Burundi	IFRS Plan	Basel II in progress	<50%	No Dep. Ins.	> 90 days
Cape Verde	IFRS	Basel II in progress	50–80%	No Dep. Ins.	< 90 days
CEMAC	IFRS Plan	No Basel II yet	N/A	Implemented	> 90 days
Comoros	National	Basel II in progress	N/A	No Dep. Ins.	N/A
Dem. Rep. of the Congo	National	No Basel II yet	N/A	No Dep. Ins.	90 days
Eritrea	N/A	N/A	N/A	No Dep. Ins.	N/A
Ethiopia	IFRS Plan	No Basel II yet	N/A	No Dep. Ins.	90 days
Gambia	IFRS Plan	No Basel II yet	N/A	No Dep. Ins.	90 days
Ghana	IFRS	No Basel II yet	<50%	No Dep. Ins.	90 days
Guinea	National	No Basel II yet	N/A	No Dep. Ins.	N/A
Kenya	IFRS	Parts of Basel II/III	50–80%	Implemented	90 days
Lesotho	IFRS	No Basel II yet	N/A	No Dep. Ins.	90 days
Liberia	IFRS	Basel II in progress	N/A	No Dep. Ins.	90 days
Madagascar	National	No Basel II yet	N/A	No Dep. Ins.	90 days
Malawi	IFRS	Basel II	50–80%	No Dep. Ins.	90 days
Mauritius	IFRS	Basel II	50–80%	No Dep. Ins.	90 days
Morocco	IFRS	Parts of Basel III	>80%	Implemented	90 days
Mozambique	IFRS	Basel II	50–80%	No Dep. Ins.	> 90 days
Namibia	IFRS	Parts of Basel II	N/A	No Dep. Ins.	90 days
Nigeria	IFRS	Basel II in progress	50–80%	Implemented	90 days
Rwanda	IFRS	Basel II in progress	>80%	No Dep. Ins.	90 days
São Tomé and Principe	IFRS Plan	Basel II in progress	N/A	No Dep. Ins.	N/A
Seychelles	IFRS Plan	No Basel II yet	N/A	No Dep. Ins.	90 days
Sierra Leone	IFRS	No Basel II yet	N/A	No Dep. Ins.	90 days
South Africa	IFRS	Basel III	>80%	No Dep. Ins.	90 days
South Sudan	National	No Basel II yet	N/A	No Dep. Ins.	N/A
Swaziland	IFRS	No Basel II yet	N/A	No Dep. Ins.	90 days
Uganda	IFRS	No Basel II yet	50–80%	Implemented	90 days
Tanzania	IFRS	No Basel II yet	>80%	Implemented	90 days
WAEMU	IFRS Plan	No Basel II yet	50–80%	No Dep. Ins.	> 90 days
Zambia	IFRS	No Basel II yet	>80%	No Dep. Ins.	90 days
Zimbabwe	IFRS	Basel II in progress	N/A	Implemented	91 days

Sources: IFRS.org (Jurisdiction Profiles, April 2014) and Pricewaterhouse Coopers report "IFRS adoption by country" (April 2013); FSI Survey on Basel II, 2.5, and III implementation (Financial Stability Institute, July 2014); Standards and Codes Database; Demirgüç-Kunt et al (2015); IMF Financial Sector Assessment Program and Technical Assistance reports.
Note: IFRS = International Financial Reporting Standards; CEMAC = Central African Economic and Monetary Community; WAEMU = West African Economic and Monetary Union.

[1] The Financial Stability Institute conducts a survey on the current status report on implementation of Basel II, 2.5, III for non-BCBS/non-European Union jurisdictions and publishes unedited responses. The column is based for Basel II on answers to Pillar 1 (standardized approach for credit risk, basic indicator approach, and standardized approach for operational risk), Pillar 2, and Pillar 3.

[2] This category shows percentage of compliant or largely compliant Basel Core Principles and is based on assessments against the 2006 Basel Core Principles methodology undertaken as part of Financial Sector Assessment Programs during 2007–12.

[3] This category indicates the threshold of "number of days in arrears" after which loans are classified as nonperforming loans.

IMF, WORLD BANK & AFRICAN DEVELOPMENT BANK

The fortunes of Africa will determine the success of the Sustainable Development Goals

Much of the focus of the UN Summit to chart a way forward on global development will be on Africa. As the wider world looks beyond the expiry of the Millennium Development Goals to the new Sustainable Development Goals, poverty eradication remains a gigantic challenge for Africa. Over 400 million people in Africa live in extreme poverty – that's about 4 in 10 of its population – comprising a third of the world's poorest people. The success or failure of the New York Summit will ultimately be measured by whether the new Sustainable Development Goals are making a difference in Africa in the years to come. Africa's economies are growing at an average of 5% per year, yet inequality is increasing all over our continent. The success of the fortunate few is obscured by the sense of exclusion by the majority. Hundreds of millions of people are left behind. Most of them are women and young people. They do not feel the impact of economic growth in their lives. Our collective challenge is to drive inclusive growth – growth that will lift millions out of poverty.

The Sustainable Development Goals which will emerge from the New York Summit accurately reflect Africa's development priorities. They target a comprehensive and ambitious development agenda. Our task is not just to implement them, but to respond to a continent's aspirations, too.

In my new role at the helm of the African Development Bank, I am implementing a ten-year strategy designed to bring about nothing less than the economic transformation of this continent, built on growth that is both inclusive and green. The strong growth we have seen across the continent since the Millennium counts for nothing if it is neither shared nor sustainable.

Here are the five pillars of the vision I set before the Bank at my swearing in on the first day of this month.

First, we have to light up and power Africa.

Energy is the engine that powers economies and creates a prosperous society. We must do more to power Africa. Africa cannot stand by with such massive resources for both conventional and renewable energy and yet be known for the darkness, not the brightness, of its cities and rural areas. Factories lie idle for lack of power. The lack of energy has impeded Africa's industrialization. Hundreds of thousands, especially women and children, die every year from the effects of smoke, simply trying to cook meals for their families. Potential is wasted on our streets as small businesses owners, all hard-working Africans, spend most of their hard-earned incomes paying for energy.

Second, we have to integrate Africa.

Our aspirations are to deliver more equitable, quality growth and development to see all Africans prosper. The Bank will foster regional integration through smart regional infrastructures, including development of regional energy markets, transnational railways and highways to link economic activities among countries. We must work with regional member countries to improve policies and regulations that will facilitate the deepening of regional financial markets. These actions will expand the size of Africa's regional markets and reduce the costs of movement of goods, services, and people, sparking a phenomenal boost in intra-African and global trade, and reducing inequalities between regions and countries.

Third, we have to feed Africa.

It is inconceivable that a continent with abundant arable land, water, diverse agro-ecological richness and sunshine is a net food-importing region. We must transform the perception of agriculture, so that it is seen as a wealth-creating, viable business option. Through the development of agro-allied industrial zones, Africa can move away from exporting primary commodities, and transition towards producing value-added products. Africa will expand its ability to export processed cocoa not cocoa beans, processed coffee not coffee beans, and textile instead of cotton. Africa will move up the value chain of wealth, diversify its economies, expand foreign exchange earnings, and reduce food import bills, boosting the fiscal and macroeconomic stability of its countries.

Fourth, we have to industrialize Africa.

We must build the African private sector to create wealth. By developing financial markets and leveraging private capital markets, businesses will be able to access long-term financing crucial to invest in the machinery, equipment and working capital we need. Unlocking the potential of small, medium and large businesses, Africa will fast-track industrial growth and development. As businesses pay taxes, domestic resource mobilization will grow to support national and regional development from within Africa.

Fifth, we have to improve the quality of life of the people of Africa.

Africa must use the skills of its people to transform its "demographic dividend" into "economic dividends." Africa is the youngest continent, with an estimated 60% of its population between the ages of 15 and 24. But by some estimates, more than half of Africa's youth are unemployed, underemployed, or inactive. This serves as a stark reminder that Africa is rapidly losing its future growth by underinvesting in education and quality job creation. We must invest in Africa's youth to build skills and encourage entrepreneurship, while providing access to the financial resources necessary to unlock their creativity and unleash the power of their enterprises. We will embark on innovative programs and financing approaches to accelerate job creation and unlock economic prosperity from Africa's greatest demographic asset. The High 5s, I call them. They are achievable. They are fundamental to Africa, and Africa in turn is fundamental to the SDGs. This continent is their testing ground.

Akinwumi Adesina is the new President of the African Development Bank.

South African wind energy farm lights up over 120,000 homes while saving carbon emissions: AfDB/CIF-funded

Project snapshot

Country: **South Africa**

Sector: **Renewable energy**

AfDB and related financing: USD 95 million (USD 45 million from AfDB, USD 50 million from the Climate Investment Funds), part of a larger USD 365 million AfDB/Clean Technology Fund loan agreement signed in 2011

Outputs:

- construction of 46 wind turbines, Skaapvlei substation and 44 km 132kV distribution line

Impacts:

- additional supply of 100 MW to the national power grid
- reduction in almost 6 million tons of greenhouse gas emissions over its 20 year expected operating life
- average annual energy production of about 298,000 MWh, enough to supply power to electrify about 124,000 standard homes

Situation: In recent years, the South African electricity sector, once operationally efficient, ran into major capacity constraints. As a result, power rationing and other measures instituted to prevent the electricity system from collapsing affected the entire economy, especially the country's mining industry, leading to shutdowns of some of the largest mining operations, putting thousands of jobs at risk. In addition, climate change is affecting South African life, especially the poor population, and the country is a major emitter of greenhouse gases, generating its electricity largely from coal. As the world's eighth largest emitter per capita of greenhouse gases (GHGs), the emission rate is at almost ten tonnes of carbon dioxide per person per year – 43% more than the global average.

In response, South Africa has made a bold voluntary commitment to combat climate change. It aims at reducing GHG emissions by 34% by 2020 and 42% by 2025. To support these goals, Eskom, South Africa's public electricity utility, committed USD 50 billion in investments over a five-year period to increase the then-current electricity capacity by 12.5 % while aligning with the country's commitment to transition into a low carbon economy. Given the climatic conditions in the country, potential wind power was estimated at 80 terawatt-hours (TWh) and was therefore considered a viable solution for renewable power generation.

Objective: Since 2011, AfDB and the World Bank in partnership with the Climate Investment Funds, the French Agency for Development and Eskom, have worked to sustainably increase the country's energy supply to improve access to electricity, economic growth and the living conditions through the construction of the Sere Wind Farm.

Project's current status:

According to Eskom, by April 2015 the farm had achieved its full commercial operational capacity of 100 MW, in line with the commitments by Eskom in terms of both time and cost. Since the energising of the first wind turbine in October 2014, Sere has contributed over 160 gigawatt hours of energy to the national power grid.

Project's specificity: One of the largest wind energy projects in South Africa and the first of its kind for Eskom, it is comparable to any in the world in terms of cost, time and quality. In addition, the project is promoting regional integration as it is expected to facilitate the replication of such technology elsewhere in the region, most notably in Botswana and Namibia.

Lessons learnt: Effective project planning and development is critical for ensuring timely project completion and within budget.

First AfCoP Steering Committee takes stock of progress of US $12.6-million project

Members of the African Community of Practice (AfCoP) Steering Committee met on September 14 in Abidjan to review performance and provide strategic guidance on the African Development Bank-executed AfCoP project.

The AfCoP project, valued at US $12.6 million, is geared at promoting results-based development, evidence-based decision-making, and regional integration on the continent through knowledge and best practice solution sharing. Funded under the multi-donor African Development Fund, it is implemented by the AfCoP Secretariat, which is managed by the Bank's Quality Assurance and Results (ORQR) and Human and Social Development (OSHD) Departments.

Steve Kayizzi-Mugerwa, the Bank's Acting Chief Economist and Vice-President, and AfCoP Steering Committee chair, highlighted the AfCoP project's uniqueness in enhancing regional integration and managing for development results capacity on the continent. Echoing his sentiments, Quality Assurance and Results Department Director Simon Mizrahi emphasized the importance of the project as it responds to the Bank's commitment to support the development effectiveness agenda in regional member countries, including strengthening transparency and accountability. Human and Social Development Acting Director Sunita Pitamber encouraged the Steering Committee members to explore options for improving the project's delivery, effectiveness and sustainability.

Sharing on the project's progress, Victoria Chisala, Division Manager for Results Reporting and AfCoP Secretariat Coordinator, cited its contributions in improving public financial management, monitoring and evaluation, and policy coherence across Africa. A second meeting of the Steering Committee is planned for October 2015.

AfDB Vice-President Solomon Asamoah discusses US-Africa economic relations at the Woodrow Wilson International Center

On September 10, 2015, African Development Bank Vice-President for Infrastructure, Private Sector and Regional Integration, Solomon Asamoah, participated in a panel discussion hosted by the Wilson Center for Scholars in Washington, DC, titled: The US-Africa Leaders' Summit One Year On: Progress, Challenges, and the Way Forward for Economic Relations. VP Asamoah's presentation focused on progress made and key issues that hinder US economic/business engagement with Africa. He also emphasized constraints on the African side such as infrastructure deficits, policy inconsistencies and the shortage of bankable projects as areas which require further improvements. The role of private equity funds in growing companies and boosting economic development in Africa was also mentioned. He also highlighted the Bank's vision and top five priority areas for the next five years under its new President, Akinwumi Adesina, to bring about real and positive change on the continent. Other panelists included: Jay Ireland, President and CEO, GE Africa, and Member, President's Advisory Council on Doing Business in Africa; Don Gips, former US Ambassador to the Republic of South Africa from 2009-2013; Richard Sezibera, Secretary General, East African Community; and Dr. Witney Schneidman, Member, Africa Program Advisory Council and Senior International Advisor, Covington and Burling LLP.

Expanding geothermal development in Kenya: a model for replication

Project snapshot - Menengai Geothermal Development Project

Country affected: **Kenya and East African Rift Valley**

Sector: **Clean energy**

AfDB related financing: **USD 124 million** from the AfDB and **USD 25 million** from the Climate Investment Funds

Outputs:

- expected additional generation of 400 MW steam power through IPPs, equivalent to 26 % of current total installed generation capacity

Expected impacts upon completion:

- increased additional energy supply to meet the needs of 500,000 Kenyan households, 300,000 small businesses and 1,000 GWh for other businesses and industries
- 2 million tons of CO^2 per annum avoided

Situation: Although Kenya produces just enough power to meet its current demand for households and businesses tied to the grid, it is constantly plagued with power outages that cause not only inconveniences, but a loss of income for those businesses that depend upon it. A large part of the problem is the country's reliance on hydropower, which fuels about half of Kenya's installed capacity. Since there is no reserve margin for reduced hydropower generation in times of drought, the government must pay for emergency generation. Given its cost, it is not a viable long term solution. While only 13 % of Kenya's current power supply comes from geothermal energy, tapping the resource's full potential could produce five times the population's entire demand.

Objectives: Since 2011, AfDB in partnership with the Climate Investment Funds, the French Development Agency, the European Investment Bank and the Government of Kenya, has been working to help diversify Kenya's energy mix; provide clean, reliable, low-cost power; and strengthen the national grid by increasing national installed renewable power by approximately 10 %, consistent with Kenya's green growth vision. More specifically, the project aims to develop the Menengai geothermal steam field to produce enough steam for 400 MW of power that will be generated by the private sector as independent power producers.

Project's specificity: The Menengai project is the first project to be approved under the Climate Investment Funds' Scaling-up Renewable Energy Program for low-income countries. It has helped establish, and has been the first project to test, a new model to fast-track the development of geothermal resources in the East African Rift Valley. The model entails the financing of the early stage and high-risk activities mainly related to drilling by development finance institutions, such as the AfDB using concessional financing, which in turn paves the way for private investors to step in and convert the steam into power. The Bank is using this experience to contribute towards future geothermal plans in the Comoros, Djibouti, Ethiopia and Tanzania.

Benin's President, Boni Yayi, visits AfDB: "Energy is Alpha and Omega for Africa's prosperity"

African Development Bank Group President, Akinwumi A. Adesina, received Benin's President, Thomas Boni Yayi, on September 15, 2015 at the Bank's headquarters in Abidjan. Boni Yayi said he "had come to deliver a congratulatory message to the AfDB's newly elected President." He also said Benin needs the Bank's assistance in vital sectors such as energy, transport and agriculture.

Democracy in the region, development of the energy sector, climate change, transport, agriculture and industry were at the centre of discussions during the two-hour meeting, as were discussions on the ways and means for the private sector to support these vital sectors. Benin has achieved impressive economic growth in the past five years, with reasonably low inflation. But the country's most pressing challenges include acute infrastructural bottlenecks – particularly in transport and energy; a deficient fiduciary environment impeding private sector development; and an under-performing agricultural sector hindering poverty reduction efforts.

Some 1,000 megawatts of energy is needed to smoothly run Benin's economy, which currently depends on Nigeria and Ghana for power. "There is a real need to move towards renewable energy," Boni Yayi said. "The AfDB has put in billions in financing key sectors such as urban transport, agriculture and water," Boni Yayi said, underscoring that the AfDB has been the partner of choice to Benin. "But there are very significant challenges in the energy sector, which we see as the Alpha and Omega for our country's development. "My country direly needs our Bank in this sector to bring greater development and opportunity to its citizens. There will be no prosperity in Africa as long as we lack energy," Boni Yayi said. "I am impressed by your commitment in the energy sector and your strong will to light up 5 million people in your country," AfDB President Adesina said, commending the President of Benin for his leadership. "Benin's Government has made progress in bringing greater development and opportunity to its citizens," he said, "but there is need to speedily solve energy problem which I see as our biggest priority. Adesina said: "With the fall of commodity prices," Adesina said, "it is essential to industrialize Africa and reduce exports. The AfDB is committed to provide the necessary assistance to member countries in this dynamic. Agriculture must be used, not to manage poverty, but as a business for macroeconomic stability. Donors should increase the level of funding. Our countries, for their part, must also increase their budget level and have more political will." Boni Yayi's visit follows an earlier visit to the institution by his Prime Minister, Lionel Zinsou, who shared perspectives with Adesina on Bank-financed projects in the country and on cooperation.

IMF Executive Board Completes First Review Under the Stand-By Arrangement and Standby Credit Facility Arrangement for Kenya September 16, 2015

The Executive Board of the International Monetary Fund (IMF) completed the first review of Kenya's performance under the program supported by the Stand-By Arrangement (SBA) and an Arrangement under the Standby Credit Facility (SCF). The 12-month SBA/SCF with a combined total access of SDR 488.52 million (about US$687 million) was approved by the IMF's Executive Board on February 2, 2015 (see Press Release No. 15/29). The authorities intend to continue treating both arrangements as precautionary. The Executive Board's decision makes available an additional SDR 54.28 million, bringing the cumulative amount available under the arrangements to SDR 434.24 million (about US$610.7 million) for the Kenyan authorities to draw on in the event that exogenous shocks lead to an actual balance of payments need. In completing the review, the Executive Board approved the authorities' request for the waivers of the non-observance of the continuous performance criterion on external arrears and the modification of performance criteria for end-September 2015.

Following the Executive Board discussion on Kenya, Mr. Min Zhu, Deputy Managing Director and Acting Chair, said: "Kenya's economic performance has remained satisfactory despite headwinds from rising volatility in global markets and domestic security challenges. Real GDP growth has been robust, and, notwithstanding the recent shilling depreciation, inflation has remained within the authorities' target range. External buffers to date have remained adequate. "The authorities' fiscal program for 2015/16 seeks to address persistent security challenges and infrastructure bottlenecks while preserving macroeconomic stability. The authorities' commitments to contain current spending and mobilize additional revenue are welcome and should contribute to mitigating excess demand pressures. Over the medium term, continued efforts are needed to boost fiscal space to accommodate development priorities and an orderly process for devolving fiscal responsibility to lower tiers of government while maintaining public debt sustainability. "Public financial management reforms—in particular, strengthening capacity at the National Treasury's Debt Management Office and the introduction of the Treasury Single Account—should be decisively implemented. The authorities have taken a number of steps to strengthen expenditure control and improve the efficiency of public spending. However, counties' access to the Central Bank of Kenya's (CBK) overdraft facility could complicate monetary policy implementation. "Recent decisive steps by the central bank to tighten monetary policy are appropriate. These steps will help contain the impact of the recent shilling depreciation on domestic prices and anchor inflationary expectations. The central bank remains committed to refraining from intervening in the foreign exchange market except for smoothing excessive exchange rate volatility. "The authorities' commitment to improve the central bank's stress testing framework is important to address potential risks associated with balance-sheet effects of the recent currency depreciation. Efforts to strengthen supervision of banking groups operating outside Kenya are also welcome in light of the rapid expansion of Kenyan banks abroad. The recent exchange rate volatility puts a premium on monitoring corporate borrowing from abroad."

IMF Staff Concludes Visit to Senegal September 16, 2015

An International Monetary Fund (IMF) mission led by Mr. Ali Mansoor visited Dakar from September 2–15, 2015 to conduct discussions on the first review of the three-year arrangement under the Policy Support Instrument (PSI) approved in June 2015. The mission met with the Prime Minister, as well as with the ministers responsible for economy and finance, planning, monitoring the PSI, the budget, energy, tourism and air transportation, the BCEAO National Director, other senior government officials and representatives of Senegal's development partners. The mission wishes to thank the authorities for their warm hospitality, as well as the close working relationship and climate of openness in evidence throughout the discussions.

At the conclusion of the visit, Mr. Mansoor made the following statement:

"Macroeconomic performance during the first half of the year has been broadly satisfactory. Sub-annual indicators suggest that economic activity is faring well. Inflation was low at 0.6 % at end-August 2015. PSI program implementation continues to be satisfactory; all the quantitative criteria and indicative targets for end-June 2015 have been met, including the fiscal deficit target. It should not be noted, however, that while tax revenues are increasing in relation to the first half of the previous year, they remain lower than anticipated. "The economic outlook remains favorable with a rate of growth of above 5 % in 2015 and of 6 % in 2016. This reflects the initial implementation of the *Plan Sénégal Emergent* (PSE), strengthened trade with Mali, and falling oil prices. Inflation is expected to remain moderate. The IMF team welcomes the authorities' determination to continue pursuing an appropriate fiscal policy, while retaining their initial fiscal deficit target of CFAF 389 billion (4.8 % of GDP). For 2016, the fiscal deficit target has been set at 4.2 % of GDP. "Discussions between the authorities and the mission focused on economic policies and structural reforms that should enable Senegal to achieve the growth targets set forth in the PSI. The mission emphasized that doubling and sustaining growth rates at 7 or 8 % as envisaged in the PSI will require maintaining a sound macroeconomic framework in addition to accelerating the reforms required to promote private investment, including foreign investment. "With respect to government finance, the mission welcomes the authorities' commitment to further mobilizing revenue and streamlining public consumption to support the financing of public investment and social spending. The mission is also pleased with the authorities' determination to improve the quality of government expenditure and press ahead with structural reforms with the aim of putting Senegal on the road to strong, sustainable, and more inclusive growth. The mission emphasized the importance of further efforts to enhance economic governance, and in particular, to formalize the intervention framework for distressed enterprises. The mission further stressed the need for performance contracts to be signed with all enterprises receiving financial support from the government. "IMF Staff will recommend to Management that the report on the first review under the PSI-supported arrangement be submitted to the IMF Executive Board for discussion, scheduled for the first half of December 2015."

AfDB approves US$ 121 million for electricity expansion to rural households in Uganda

The African Development Bank (AfDB) Group Board approved on 16 September 2015 a US$ 121 million loan and grant to help Uganda's government improve access to electricity for rural households, businesses and public institutions to ultimately improve the livelihoods, economic opportunities and access to social services in rural communities. The Bank Group allocated a US$ 100-million loan and an additional €10.205 million grant mobilized by the AfDB from the Sustainable Energy for All (SE4All) window of the EU-Africa Infrastructure Trust Fund (EU-AITF).

Only 14 % of Ugandans nationwide and seven percent in rural areas have access to a reliable energy source. The limited access to electricity and high energy costs are hampering economic development, entrenching inequality and impeding the improvement of livelihoods and further contributes to the high cost of doing business in the country. To address this situation, the government is implementing various measures, such as its Vision 2040 to achieve an 80 % electrification rate by 2040, the five-year National Development Plan targeting 30% overall access by 2019/20 and the 10-year Rural Electrification Strategy and Plan (RESP-2) targeting to increase the current electricity access in rural areas to 26% by 2022.

The AfDB financed Uganda Rural Electricity Access Project will build about 1,147 km of medium voltage and 808 km of low voltage distribution networks and provide last-mile connections to the grid for over 58,206 rural households, 5,320 rural business centers and 1,474 rural public institutions (schools, health centers and administration offices). In addition, it will support the scaling-up of "inclusive and green" connections by supplying and installing ready-boards for those who cannot afford household wiring and allowing households to pay connection charges in installments to intensify connections for more than 99,000 new customers near the existing grid in electrified rural and urban areas.

The project financing plan also includes a component to support key sector institutions namely, the Rural Electrification Agency, in its ability to execute and monitor viable feasibility studies and social and environmental assessments, as well as that of the Electricity Regulatory Authority to conduct studies to determine appropriate tariff levels. Speaking after the approval, Alex Rugamba, AfDB Director of Energy, Environment and Climate Change Department said, "The development of sustainable energy infrastructure to address key constraints hindering economic transformation is central to AfDB's work in the region. This project financed in partnership with the EU will advance implementation of the government-led, sector-wide approach and ongoing harmonization process in Uganda's energy sector to drive economic development and improve livelihoods of rural Ugandans." The Uganda Rural Electricity Access Project is one of several projects designed by Government of Uganda to meet 26% access target in rural areas by 2022 under RESP-2.

A reliable electricity supply to encourage investment in Côte d'Ivoire
Project snapshot - Azito Power Project
Country: **Côte d'Ivoire**
Sector: **Power and Energy**
AfDB and related financing: *The total project total cost is USD 430 million, financed through an 80% debt and 20% equity. The Bank extended a senior loan of USD 40 million and the project was financed alongside several development*

finance institutions (International Finance Corporation, BIO, Asian Development Bank, The Emerging Africa Infrastructure Fund), The West African Development Bank [BOAD], DEG, FMO and Proparco).

Outputs:

- *Conversion of the existing simple-cycle power plant of two 144 MW gas-fired turbines to a combined-cycle power plant, thereby increasing the capacity of the facility to approximately 430 MW.*
- *The conversion of the Plant to combined-cycle plant will save 728,000 tons of CO2 per year.*
- *Up to approximately 600 workers should be hired at the "peak workforce" phase of the construction period.*
- *The project will add approximately 140 MW capacity, without requiring any additional gas supply*

Situation: The Azito Power Expansion Project involves the expansion of an existing 288 megawatt (MW) gas-fired power plant located in Côte d'Ivoire, into a combined cycle plant, with the addition of a 140 MW heat-recovery steam turbine. The project is the third phase in the construction of the Azito power generation facility, with two earlier phases completed in 1999 and 2000.

The Ivorian privately-run power utility, Compagnie Ivoirienne de l'électricité (CIE), is the sole off-taker and will on behalf of the government pay all available capacity and energy produced by the plant. The Project will use existing infrastructure to evacuate the additional power from the power plant.

The project is being executed by an independent power producer, Azito Energie, under a government guaranteed 20-year take-or-pay Power Purchase Agreement (PPA). Azito Energie is an Ivorian limited liability firm originally majority-owned by Globeleq Generation Holdings Limited (owned by Actis Infrastructure Fund II) which is a global firm with extensive track record as an independent power producer in Africa. In February 2015, CDC Group and Norfund entered into a partnership which resulted in direct ownership of Globeleq Africa through Africa Power Limited.

Azito is a repeat client of the Bank and has benefited from senior debt amounting to USD 14 million toward the financing of Azito Phase 1 in 1998. That loan has been fully repaid together with all other debt obligations under Phases 1 and 2 of the facility.

Objective:

The aim of this project is to meet increasing electricity demand, especially through the development of the country's industrial base. It also sought to improve the reliability of electricity supply in order to consolidate privatization and encourage investors to finance other projects.

Project's current status:

The project implemented through an Engineer, Procure and Construct (EPC) contract with Hyundai of South Korea started construction in October 2013 and was expected to last 27 months. The plant has been constructed on time and within schedule with Commercial Operation Date declared on June 2, 2015. Construction has remained within budget with a significant amount of contingencies unused.

Project's specificity:

The project aligns with the African Development Bank's strategy for increasing Private Sector Operations support in low income countries and in particular fragile states.

The project also has strong development outcomes, including: (1) meeting Côte d'Ivoire's growing electricity needs, (2) providing a boost to a struggling economy after the crisis, (3) the availability of a reliable and affordable electricity supply contributing to improved delivery of social services, (4) the creation of direct and indirect employment, (5) more efficient energy production in term of CO2 emission due to the efficient combined cycle technology, and enhancement of the efficiency of existing assets, (6) potential for increased electricity exports in the West Africa Power Pool through interconnections, and (7) improved quality of life in Côte d'Ivoire.

African Development Bank Provides Support for Safe City Water and Sewage Treatment in Tanzania

The African Development Bank Group (AfDB) has approved a loan of US $211-million to help address the urgent need for improved water and sanitation in the city of Arusha in Tanzania. The sum represents 90% of the cost of the Tanzanian Government program to alleviate the threat of major environmental and health issues and improve the quality of life for Arusha inhabitants.

Arusha is a major regional hub. Since 2010, the Arusha Urban Water Supply and Sanitation Authority service area has almost expanded to cover 208km, yet the existing sanitation network covers only the Central Business District of the city and serves only 7.6% of the inhabitants. Capacity is severely stretched and the existing sewage treatment ponds are critically overloaded. Water coverage is also an issue, with less than 44% of Arusha inhabitants currently served. Consequently, it is estimated that water-borne diseases in the area account for about 40% of per capita health expenditure.

Accordingly, this strategic AfDB investment is designed to enable transformative improvement of water and sanitation services across Arusha city.

Over the program horizon, the improved facilities will benefit a resident population of more than 600,000 people in Arusha city and 250,000 additional people who commute to the city for business purposes. A new sewerage treatment pond system will be a major contribution to service delivery.

In line with the Bank's Ten Year Strategy to promote inclusive growth, the program includes targeted solutions in areas not covered by the sewerage system, in order to respond to the needs of all groups, including the economically disadvantaged. 100 sanitation blocks for Arusha city schools are budgeted in the sanitation program.

Improved access to water and sanitation services will complement other social services and will have significant gender dimensions. In Tanzania, women spend considerable time and energy collecting water and caring for family members suffering from water-related illnesses.

Improved water and sanitation in Arusha will lead to a reduction of sickness and associated health-care costs. It would also give women more time for productive endeavors such as adult education, empowerment activities and leisure.

Mohamed El Azizi, Director of the AfDB Water and Sanitation Department, said "The AfDB is a key member of the water sector dialogue with the Tanzanian Government and a long-term contributor to rural water and sanitation programs, with support from AfDB's Rural Water Supply and Sanitation Initiative. The AfDB Tanzanian field office will play an important role in the implementation and monitoring of the works".

Cooperating partners call for strengthened and strategic collaboration in the preparation of NEPAD infrastructure projects

Cooperating partners who provide financial support to the New Partnership for Africa's Development (NEPAD) Infrastructure Project Preparation Facility (NEPAD-IPPF) hosted by the African Development Bank (AfDB) have called for enhanced partnerships in strengthening the capacity of NEPAD-IPPF to increase the Facility's scope to prepare infrastructure projects for financing and implementation. This was at the Special Oversight Committee (OC) meeting of the NEPAD-IPPF on Wednesday, September 16 in Abidjan. Edmond Wega from Canada's Department of Foreign Affairs and Trade (DFATD) who is the current Chairperson of the NEPAD-IPPF's OC – the decision making body made of representatives of cooperating partners, the AfDB and the African Union Commission (AUC) – said, "Project preparation will remain key to unlocking investment because financing can only go to projects which are economically, financially, environmentally and socially viable". He said donors are committed to supporting a stronger, more efficient and better resourced NEPAD-IPPF. Birgit Holderied-Kress from Germany's KfW (German Development Bank) said Germany has and will remain a strong sponsor of NEPAD-IPPF because its role was critical. Joining other donors, Brian Baxendale of the UK Department for International Development (DFID), observed that "the need for project preparation in Africa is so fundamental that even if NEPAD-IPPF as an institution did not exist, a similar institution would have had to be created". NEPAD-IPPF which has been in existence for the past ten years, having been established in 2005, has committed US $100 million to preparation of projects in energy, transport and ICT which have generated investments of US $7.33 billion, which is a huge leverage effect. With respect to projects in the trans-boundary water sector, NEPAD-IPPF works closely with another Bank-hosted project preparation facility, the Africa Water Facility (AWF). Donors supporting NEPAD-IPPF are, Canada, Germany, the UK, Spain, Norway and Denmark. Solomon Asamoah, the AfDB's Vice-President for Infrastructure, Private Sector and Regional Integration, informed the Special OC meeting that the Bank was committed to transforming NEPAD-IPPF into Africa's premier infrastructure project preparation facility and that in this regard, the Bank has started to address some of the issues impacting on the performance of NEPAD-IPPF. These include release of US $12 million into the capital operations of NEPAD-IPPF in addition to hosting the Facility; two key appointments – that of Moono Mupotola as the new Director of the Bank's Regional Integration and Trade Department (ONRI), and the appointment of Shem Simuyemba as the new Manager of NEPAD-IPPF; and increased engagement with African Governments including African Regional Development Banks to make contributions to NEPAD-IPPF to complement donor financing. He called on NEPAD-IPPF to engage with Bank Sector Departments, potential financiers and policy-makers to ensure that projects that are prepared have a higher chance of reaching financial closure and therefore, moving to implementation bearing in mind that the ultimate aim of projects was development impact to improve the lives of people.

International Financial Institutions Back New Global Development Agenda with Stepped-Up Support

Multilateral Development Banks (MDBs) and the International Monetary Fund (IMF) hailed the adoption of a sustainable development agenda for the next generation and are fully committed to stepping up their support to ensure its success.

At the United Nations General Assembly in New York taking place from September 25-27, world leaders endorsed new Sustainable Development Goals on Friday, September 25, an ambitious agenda that aims to end poverty, promote prosperity and to protect the environment.
Leaders of the MDBs – the African Development Bank, Asian Development Bank, European Bank for Reconstruction and Development, European Investment Bank, Inter-American Development Bank, World Bank Group – and the IMF described the agreement as an historic landmark. "The well-being of our planet and its people are at the heart of the new goals. They point the way towards greater prosperity and equality and will ensure more robust and sustainable economic growth," the leaders said.
In July this year, at a Financing for Development Conference in Addis Ababa, the institutions unveiled plans to scale up their finance and support for countries seeking to achieve the development goals, pledging to increase their financial contribution to more than $400 billion over the next three years. They vowed to examine how they could increase their own financing and also to work to ensure a greater mobilization of domestic resources and expanded funding from the private sector.

INVESTMENTS

US companies invest US$16 billion in Mozambique

US private investment in Mozambique exceeded US$16 billion in the past decade, the deputy minister for Foreign Affairs, Nyeleti Mondlane said in Maputo, the Mozambican press reported. "So far, 24 projects have been approved that are likely to create about 4 million jobs, involving private investors in the United States, totalling US$16 billion dollars in the oil and gas sector, agriculture, industry, transport, tourism and services," said the deputy minister for foreign affairs.
The level of trade relations is also encouraging and both countries have recorded growth in trade, with exports of about US$62 million by Mozambique to the United States in 2012 to about US$144 million in 2013, said Mondlane speaking on the 40th anniversary of the establishment of diplomatic relations.
In turn, US exports to Mozambique fell from about US$254 million in 2012 to about US$205 million in 2013, Mondlane said cited by Portuguese news agency Lusa. The deputy minister of Foreign Affairs and Cooperation of Mozambique also pointed out that in the last ten years, the US had positioned itself as the largest contributor to official development assistance to Mozambique, totalling about US$2 billion in multifaceted support, focused on the provinces of Sofala and Zambézia in central Mozambique, and Niassa in the north. *(Macauhub)*

Goodyear to invest R670m in local plant, move truck tyre manufacturing

Goodyear South Africa will invest R670-million to increase production of high-value-added (HVA) consumer tyres at its Uitenhage manufacturing plant, in the Eastern Cape, relocating the plant's production of medium radial truck tyres (MRT) to other plants across the company's facilities in Europe, the Middle East and Africa.
Goodyear South Africa MD Jean-Jacques Wiroth confirmed that to allow for the expansion, there would be some impact on employees and that it had started consultations with unions.
"The truck tyres are a small part of our production here," he said. Goodyear would consult with the union representatives from the National Union of Metalworkers of South Africa and Solidarity and employees who were currently working in the MRT area to reduce the impact of the relocation by offering several alternatives. "At this point in time, we are not looking at incremental job creation, but we are focusing on our existing jobs and making our plant more sustainable," Wiroth advised. Subject to consultation, Goodyear expected to be substantially done with the investment plans by the end of 2016 or early 2017. The company does not anticipate a disruption to tyre services or supply during this period. Meanwhile, Goodyear noted that the investment plan would see the introduction of manufacturing technology from preparation to curing for the plant and would enable Goodyear to meet the strong and growing market demand for HVA consumer tyres in South Africa and the rest of the sub-Saharan Africa region. The tyre market in South Africa and the region overall was expected to experience double-digit growth through 2020 led by the consumer segment. Although Wiroth could not reveal the company's growth estimates, he told Engineering News Online that middle class consumers were driving growth. "The country's cars are getting incrementally sophisticated. You see high-end 4X4s more often, as well as in the surrounding countries, which [are] also experiencing unprecedented growth. "This is an important investment by Goodyear and is consistent with our strategy to serve the needs of our customers and the company's focus to invest in high-return projects that drive profitable growth," he added. The new technology and accompanying comprehensive employee training would further improve the plant's capability and capacity to produce low rolling resistance tyres that promoted fuel economy in vehicles to meet the growing demand from vehicle manufacturers and the replacement market, as well as meet the increase in market requirements for HVA 4X4 sports utility vehicle tyres. *(Engineering News)*

US Senators urge Zuma to budge on US poultry imports

US Senators Chris Coons and Johnny Isakson have again written to President Jacob Zuma urging him to open up the South African market to US poultry "expeditiously" to avoid South Africa losing lucrative export benefits to the US.

Coons of Delaware and Isakson of Georgia, both represent major poultry-producing states. They wrote their latest urgent appeal to Zuma as agricultural and trade officials from the US and SA were meeting in Pretoria to try to resolve the protracted dispute over US meat imports.
At stake is South Africa's continued enjoyment of trade benefits under the African Growth and Opportunity Act (Agoa) which last year allowed US$1.6 billion worth of South African exports into the US market duty free. Agoa, which was due to expire on September 30, was renewed earlier this year. But Coons and Isakson were instrumental in ensuring that South Africa would only continue to enjoy the benefits if it let in US meat exports – especially poultry- which have been blocked for several years. In June this year the two sides agreed in Paris on an annual quota of 65 000 t of US poultry. But South Africa continued to block the poultry imports, citing concerns about an outbreak of avian flu in the US. Pretoria has also maintained its long ban on imports of US pork and beef, also on health grounds. The veterinary experts from both sides are trying to thrash out those concerns in their meeting in Pretoria. Coons and Isakson wrote to Zuma that the Paris agreement had been welcome news to the entire US poultry industry. But they were disappointed that there had been no progress in addressing South Africa's complete ban on U.S. poultry due to avian flu. They pointed out that the review by the US Administration into South Africa's continued eligibility for Agoa was "another reason for swift action to be taken by South Africa". The two senators last wrote to Zuma in December, in the long poultry saga. The US is asking South Africa to "regionalise" imports of US poultry – that is to ban poultry imports only from those areas where avian flu has broken out. But so far South Africa has insisted it will not import any poultry from the US until the whole country is free of avian flu. Speaking before the meeting, Dr Eric Coleman of the US Department of Agriculture, (USDA) said: "Avian influenza is a global problem, not just a United States problem, and it's important that trading partners as well as the international community work together on it. We welcome the opportunity to continue the discussion and to achieve resolution to several long-standing issues." Dr Mark Davidson, also of the USDA, said: "We have 100 trading partners around the world that have taken no action against the US in regard to poultry trade and we have 38 partners who have implemented regionalization. "It is a worldwide standard that we have implemented, which has enabled us to safely trade poultry and poultry products." He added: "We are hopeful that we will be able to resolve the final technical issues that will allow us to begin the trade of poultry with South Africa again." Coleman and Davidson are both from the USDA's Animal and Plant Health Inspection Services – Veterinary Services, National Import and Export Services (APHIS-VS NIES) which deals with animal diseases as they relate to trade. The US embassy in Pretoria said in a statement before the meeting that: "Eliminating barriers to trade in poultry, pork, and beef will address issues under consideration in an out-of-cycle review process of South Africa's status under Agoa, will directly support South Africa's goals of achieving enhanced food security, and will benefit South African consumers with broader selection and lower prices." The "out of cycle review process" which the statement referred to is the investigation which the US administration launched at the direction of the US Congress to determine if South Africa should continue to enjoy Agoa benefits when the current version of the legislation expires on September 30. It is because of this looming deadline that the officials from both sides are meeting. Under the next Agoa legislation adopted earlier this year, the US can decide to keep South Africa in the programme, but can deny it specific benefits. The biggest item of South African exports to the US under Agoa last year were autos ($1.3-billion worth), though citrus and wine are also major exports. *(Engineering News)*

China maintains its support for the industrialization of Angola

China will continue to support the industrialisation of Angola under the current bilateral cooperation framework, the new Chinese ambassador to Angola, Cui Aiming, said in Luanda.
The diplomat, who was speaking after delivering his credentials to President Eduardo dos Santos, said Angola was a very important country in Africa and "also an important partner for China," according to Angolan news agency Angop.
Cui Aiming stressed that both Angola and China are currently going through a phase of transformation of their economies but gave assurances that this would in no way affect the fulfilment of existing cooperation programmes. "From now on we will further strengthen our cooperation in various fields, with emphasis on agriculture, market services as well as training of personnel," said the Chinese ambassador, who called for further promotion of mutual trust between Angola and China in the political arena. *(Macauhub)*

Mozambique receives financial support of US$273 million for 2015-20

The Programme Aid Partners (PAP) in Mozambique this year will provide US$273 million to support the General State Budget for the 2015-2020 period, under the terms of a memorandum of understanding (MoU) signed in Maputo.
The MoU was signed by the Mozambican Minister of Economy and Finance, Adriano Maleane along with the ambassador of Portugal, José Duarte, on behalf of the partners, who are no longer the G19 and have now become the G14, following the exit of Germany, Belgium , Denmark, the Netherlands and Norway. Duarte said that in 2004, the first year an MoU was signed, the amount donated was US$159 million, according to Mozambican news agency AIM.
Based on the previous MoUs, Mozambique about US$4 billion in General Budget Support, with average annual disbursements of US$400 million, equivalent to an annual average of 4 % of gross domestic product (GDP) and 12 % of total revenue. The Portuguese ambassador said the latest MoU was clearer and easier to use, both for Mozambique and the partners, whose responsibility is to manage its operation. "It is now a simpler structure that is more agile and light

and that will force everyone to be more efficient and should result in work that is more focussed on substance rather than the process itself," said Duarte. *(Macauhub)*

SMEs in Mozambique to have more funds available from 2016

Small and medium-sized enterprises (SMEs) in Mozambique will have over 572 million meticais (US$13.2 million) available to fund their activities, said the Director General of the Office for Accelerated Development Zones (Gazeda).

Danilo Nalá, cited by Mozambican newspaper Notícias, said that a considerable part of the money available from 2016 comes from a fund for SMEs operating in the regions covered by the Zambezi Valley initiative and the Nacala Corridor, and the remaining portion, estimated at 44 million meticais, would be granted by the Office for Support to Small Investors (GAPI). This information was provided by the Director-General of Gazeda at the Nampula Investor Conference, which recently brought together over 300 government representatives, Mozambican and foreign businesspeople, academics and politicians, among others . *(Macauhub)*

Novartis launches chronic disease programme for poor countries

Drugmaker Novartis AG has begun a programme in Kenya, Ethiopia and Vietnam to supply 15 low-cost medicines to fight chronic diseases like diabetes and high blood pressure.

The Swiss-based pharmaceuticals group said its Novartis Access scheme would supply drugs for just $1 per treatment per month to governments, aid groups and others for a range of conditions that also includes cardiovascular and respiratory disease. The drug list include Novartis's valsartan for hypertension, vildagliptin for diabetes, and generics from its Sandoz division including tamoxifen for breast cancer. The company aims eventually to expand the scheme to 30 developing countries.

Responding to past criticism of the industry over the cost of medicines in low-income countries, many firms including Novartis, Roche and GlaxoSmithKline already provide drugs at lower prices than in the developed world.

Novartis chose Kenya, Ethiopia and Vietnam for their "great but diverse access challenges" and because it already has a strong presence or ties to non-governmental organisations there. "This will allow us to support the delivery of medicine by building awareness of key non-communicable diseases and strengthening healthcare system capabilities in these diseases, including diagnosis and treatment," Novartis said. It did not immediately return phone calls seeking details.

The United Nations has highlighted concerns over the developing world's ability to cope with escalating chronic disease, citing data showing about 85 % of premature deaths from non-communicable diseases occur in developing countries. Four-fifths of the world's 350 million diabetes sufferers are in developing nations, and the U.N. estimates more than 40 % of adults in many African countries have high blood pressure. Other companies have also publicised similar efforts. Amid pressure on the pharmaceuticals industry to do more, GlaxoSmithKline in 2009 agreed to slash drug costs for poor countries. Novartis's cross-town rival, Roche, is working with the government in Ivory Coast to provide medicines for breast cancer and hepatitis. *(Reuters)*

BANKING

Banks

Bob Diamond Stumbles on Road to Redemption in African Banking

Robert Diamond has had some grand ideas in his time, and this may be his grandest yet.

Diamond -- for some, a poster boy for all that went wrong at big banks -- is looking for redemption in global capitalism's hinterland. Three years after he was pushed out as chief executive officer of Barclays Plc, Diamond is assembling a lender spanning sub-Saharan Africa. It's a bold undertaking for someone a British government minister called"the unacceptable face of banking" in 2010. But Diamond has lost little of the swagger that made headlines during the financial crisis. Nor has he lost his appetite for risk -- or a good fight. It's "mission impossible," says Zoran Milojevic, an analyst at New York-based brokerage Auerbach Grayson & Co., who has been covering frontier markets for about 20 years.

The doubts aren't unreasonable. Shares in his investment vehicle, Atlas Mara Ltd., have more than halved since a December 2013 initial public offering in London, while the commodities boom that made Africa the last great growth frontier has collapsed. The 64-year-old American-born Diamond is also facing more experienced Africa hands at Standard Bank Group Ltd., Standard Chartered Plc and Ecobank Transnational Inc. Skeptics didn't prevent Diamond from turning a declining franchise into a global investment-banking powerhouse at Barclays, which he left in 2012 after the bank was fined for manipulating benchmark interest rates.

While banking in the world's poorest continent is far different from banking in Canary Wharf and on Wall Street, Diamond says his experience can overcome the inevitable obstacles. The group posted a first-half profit, swinging from a loss, as bad loans plunged. "We are good investors, and we are also really good operators," Diamond said in a Sept. 17 interview in Singapore. "Taking an investing and operating approach is not only unique but it is to protect the downside and really really enhance the upside of our investment."

Since he established Atlas Mara with Ugandan entrepreneur Ashish Thakkar, the British Virgin Islands-registered company has made about $500 million of purchases -- from Nigeria in the west to Rwanda in the east and Zimbabwe in the south. There will be two or three more acquisitions in the next year, Diamond said.

Untapped Markets

Diamond and his Dubai-based executives, including Chief Executive Officer John Vitalo, a U.S. Marine Corps veteran who used to run Barclays' Middle East business, and Brad Gibbs, a former managing director at Morgan Stanley, intend to exploit a largely untapped market. Just 34 % of African adults have bank accounts, compared with 94 % in rich countries, according to the World Bank. They're not alone believing in the potential for pan-African banking. Togo's Ecobank operates in 36 sub-Saharan Africa countries. Standard Chartered and Barclays are expanding across much of the continent, as are South Africa's Standard Bank and FirstRand Ltd. Still, the potential upside may remain just that for a while.

Tough to Integrate

"The whole premise that Africa is growing and that countries will trade more with each other is true," said Ronak Gadhia, a banking analyst at Exotix Partners LLP, a London-based investment bank focused on frontier markets. "But it's not happening at the moment and it might not happen for at least another five or 10 years." Then there's the slowdown in China, sub-Saharan Africa's biggest trading partner, and capital flight as investors anticipate the first increase in U.S. interest rates since 2006. Atlas Mara's first-half results were dragged down by the weakening of Zambia's kwacha and Mozambique's metical, both among the world's 10 worst-performing currencies against the dollar this year. Sub-Saharan Africa's growth rate will fall to 3.3 % in 2015, the slowest this century and a "very grim figure for a region often touted as the 'next China,'" John Ashbourne, an Africa economist at London-based Capital Economics Ltd., said in a research note on Sept. 7.

Overpaying for Stakes?

That means Atlas Mara probably overpaid for acquisitions, according to Auerbach's Milojevic. It increased a stake in Nigeria's Union Bank Plc, the country's 11th biggest lender by assets, to 30 % after buying an extra 21 % for $250 million, about book value, last year. Union Bank's stock, down 30 % this year, now trades at less than half its book value.

Atlas has plowed about $575 million into Botswana's BancABC, which has subsidiaries in Mozambique, Zambia and Zimbabwe, Rwanda's BRD Commercial Bank Ltd. and Union Bank, according to Renaissance Capital Ltd. estimates. The firm is in talks to buy Finance Bank Zambia Plc and is considering a stake in Mozambican lender Moza Banco SA, according to people with knowledge of the matter. It's also planning a $50 million investment in Ghana's Agricultural Development Bank, the country's Citi FM radio station reported. The aim is to have a presence in between 10 and 15 countries from seven on the way to "a 100 % integrated banking group with a single brand," Vitalo said in a Sept. 3 interview in Dubai.

Atlas Mara is "a hodge-podge mismatch of questionable investments at questionable prices," said Milojevic. Atlas Mara has lagged other African banking groups, falling 53 % to $4.98 in the past 12 months, while Ecobank's shares are down 15 % in dollar terms and FirstRand's have slipped 1.5 %. All of which has fueled frustration among shareholders. Diamond and his team were scolded on a conference call last month for not buying back stock even after Atlas Mara reported first half net income of $4.1 million. "The more upbeat you guys get, the lower your stock price goes," Leon Cooperman, chief executive officer of Omega Advisors Inc., a New York-based hedge fund, told them. "I have confidence in you. The market doesn't." Vitalo said the share decline stems from the lack of information Atlas could provide when it started as a special-purpose acquisition company. More recently, Diamond, who owns 2.4 % of Atlas, told Cooperman executives were barred from trading its shares, suggesting an acquisition was in the offing.

'Wall Street' Pay

Investors have also complained about compensation levels at Atlas Mara. "We're paying for the best talent, but we're not yet getting the results," said Ayodele Salami, the chief investment officer of Duet Asset Management Ltd., which oversees about $200 million of African equities, including Atlas shares -- which he received for his holdings in BancABC's parent. Atlas Mara executives earn no more than what they got in their previous jobs and are "absolutely not overpaid," Vitalo said. Vitalo was due to receive $1.53 million last year, according to Atlas Mara's 2014 report. By comparison, Barclays' Africa unit, which with $86 billion of assets is 34 times the size of Atlas, paid CEO Maria Ramos 28.57 million rand($2.07 million) last year. Keeping investors on his side will be crucial for Diamond, given that he may have to raise more capital if Atlas Mara is to buy majority stakes in the region's biggest economies such as Nigeria, Ghana and Kenya. "They've got a heck of a long journey ahead of them," Salami said. *(Bloomberg)*

Russian bank cancels merger of subsidiary with Angolan bank

Russia's VTB bank has cancelled the merger of its branch in Angola – VTB Africa – with Angolan bank Banco Privado Atlântico, according to the Reuters news agency, citing a statement issued in Moscow. "The two sides agreed to continue in the banking business separately due to changing market conditions," the statement said. In early 2014, the Russian bank announced that together with Russian conglomerate Rostec it would acquire a 20 % stake in Banco Privado Atlântico. The VTB Africa bank has two major shareholders – VTV Moscow with 50.1 % and António Carlos Sumbula, currently chairman of state diamond company Endiama, with 49.87 %, and there are three small stakes 0.01

%. VTB Africa was formally authorised to operate by the Angolan government at a meeting of the Council of Ministers on 25 October 2006. *(Macauhub)*

Markets

Angola plays down Fitch downgrade, cites stable outlook

Angola's foreign minister shrugged off a downgrade by Fitch Ratings and said authorities had taken the right steps to shield the oil-dependent economy from falling crude prices.

The ratings agency cut Angola's credit rating to B+ from BB- with a stable outlook, saying the nation's heavy reliance on revenues from oil exports left it exposed to sharp price decreases. "I'm not worried about the downward revision by Fitch, because the medium-term economic outlook is stable," Foreign Minister Georges Chikoti told Reuters. "Angola has already reacted well to oil dependence and the devaluation of the national currency," he added.

The central bank has repeatedly devalued Angola's kwanza currency in a bid to bolster foreign exchange reserves in Africa's second-biggest oil exporter. Earlier this month, the finance minister said the country needed to cut spending to match falling oil sales revenue. Oil output represents about 40 % of Angola's gross domestic product (GDP) and more than 95 % of export revenue. Global oil prices have been dragged lower by a supply glut driven by record pumping by members of the Organization of the Petroleum Exporting Countries (OPEC) as well as weak demand from China. *(Reuters)*

Two more join African Bond Index

This month Botswana and Namibia will join the African Bond Index, which aims to bring transparency to most liquid African bond markets. In February, the African Development Bank (AfDB) partnered with Bloomberg to launch the Index through the African Financial Markets Initiative (AFMI). The AFMI works to deepen the continent’s local currency bond markets and also strives to create an environment where African countries can access financing at variable terms. By providing transparent and credible benchmark indices, the AfDB/AFMISM Bloomberg® African Bond Index provides investors with a tool with which to measure and track the performance of Africa’s bond markets. Calculated by Bloomberg Indices, the index includes the Bloomberg South Africa, Egypt, Nigeria and Kenya local currency sovereign indices, considered as the four most liquid bonds in Africa. The expanded index will now include the six mostliquid sovereign bond markets in Africa and three subindices for different maturity ranges. To be included in the index, a security must have at least one year remaining to maturity and withstand price stability tests. *(African Banker)*

BPC-ABC Consortium to finance 275,000 companies

Consortium Angolan Savings and Credit Bank (BPC) and Angola Business Corporation (ABC) together with the Compagnie Bancaire Helvétique (CBA) of Switzerland, are mobilising financial resources aimed at creating 275,000 micro, small and medium-sized companies in Angola. The Swiss market was chosen to obtain finance for projects included in Angola’s National Development Plan for 2013–2017. Angola’s unemployment rate is 26%. *(African Banker)*

Nigeria's forex reserves down 3 pct in month to Sept 14: c.bank data

Nigeria's foreign exchange reserves fell 2.97 % to $30.69 billion by Sept. 14, from $31.63 billion a month earlier, data from the central bank showed. The reserves of Africa's top crude exporter were down 22.42 % from a year earlier. The central bank has used the reserves to support the local currency, selling dollars to bureau de change operators twice weekly in a bid to narrow the gap between the official and unofficial exchange rate. Reserves picked up shortly after President Mohammadu Buhari took office in May, which was attributed to efforts to plug leakage and demand management by the central bank. The central bank restricted access to foreign exchange and introduced tight control of the currency market to curb speculation and conserve reserves. *(Reuters)*

Nigeria central bank cuts reserve ratio to boost liquidity

Nigeria's central bank kept its benchmark interest rate on hold at 13 % but loosened monetary policy by cutting banks' cash reserve ratio to 25 % to ease liquidity shortages, governor Godwin Emefiele said. The vote to cut the cash reserve requirement from 31 % was by 7 to 3 votes of the monetary policy committee, he said, adding that the committee had voted unanimously to keep the main rate unchanged. Liquidity on the interbank market has dried up since authorities last week forced commercial banks to move government revenue to a Treasury Single Account (TSA) at the central bank, part of a drive by President Muhammadu Buhari to fight graft. "No organisation has been exempted from the TSA," Emefiele said, denying Nigerian press reports about alleged exemptions. *(Reuters)* He warned Nigeria might slip into recession next year unless measures were taken to boost growth in Africa's biggest economy. A sharp fall in oil revenues has whacked public finances, delaying public salary payments and putting pressure on the naira. *(Reuters)*

Banco Nacional de Angola sells fewer US dollars to commercial banks in July

The National Bank of Angola last July sold US$1.551 billion dollars’ worth of foreign currency to commercial banks, a year on year fall of 22.4 %, the central bank said in a statement released on its website. The Angolan central bank also said that commercial banks bought another US$209 million from their customers, compared with US$1.764 billion

acquired in July 2014. The total value of currency purchases by commercial banks from the National Bank of Angola and customers in July 2015 represents a decrease of 53.2 % compared to July 2014.
Of the total of US$591 million in targeted foreign sales, US$200 million went to pay foodstuffs, with the remaining US$391 million to pay for raw materials, air services, study grants, telecommunications, communications services, health, and international payment cards, among others. Sales of foreign currency to commercial banks result from the need for the National Bank of Angola to intervene in the forex market to cover operations defined as priorities by the government, in a context of decreasing foreign currency availability, with a view to avoiding a drop in stocks of food stocks and raw materials as well as the risk of stoppages of services essential to the functioning of the economy. In July the Angolan central bank sold US$78 million to exchange houses and remittance operators, through commercial banks. *(Macauhub)*

Zambian kwacha slumps after 'unsolicited' Moody's downgrade
Zambian assets slumped to record lows, hit by a ratings downgrade from credit agency Moody's that the country's government criticised as unsolicited.
The kwacha currency fell 5 % and Zambia's short-dated dollar-denominated sovereign debt dropped to 74 cents on the dollar after the cut late to B2 from B1, which moved Africa's second-biggest copper producer one notch deeper into non-investment grade territory. Moody's cited slower economic growth, low commodity prices, power shortages and expectations of worsening fiscal and debt positions.
While mindful of the need to maintain debt at sustainable levels, Zambian authorities said the downgrade "should be ignored because its correctness was not discussed with any authorized representative of the government."
The only rating agencies Zambia had relationships with and engaged with on policy matters were Fitch and Standard & Poor's, the government said in a posting on its Facebook page. Zambia's kwacha currency, hit by falls in the price of copper and a domestic power crisis, fell 5.6 % to a record low of 11.4200 per dollar. "Criticising Moody's wasn't the best step to take. A better way would be for Zambia to assure investors that they are taking steps to alleviate the rampant power crisis," Irmgard Erasmus, Cape Town-based Zambia analyst at NKC African Economics said. "With the central bank largely on the sidelines we expect the kwacha to continue to spiral unless we see more aggressive action from the central bank. We expect them to tighten liquidity. Absent of that you will see a panic-buying increase. "The central bank will have to step forward and we also need to see some vocal concern from the government." Prices for Zambia's dollar-denominated sovereign debt also debt hit record lows after the Moody's move.
Zambia issued a $1.25 billion 10-year Eurobond in July at a hefty 9.375 % interest rate to finance a budget deficit expected to swell to 20 billion kwacha by the end of 2015 from an initial forecast of 8.5 billion.
Moody's said in statement that Zambia had not initiated a rating request and did not participate in the rating process. It was not immediately available to comment on the response of the government, which did not react after Moody's affirmed Zambia's then B1 rating in May.
Zambian Finance Minister Alexander Chikwanda told Reuters earlier this month the economy was likely to grow by less than 5 % in 2015 due to the power crunch that has hit output from mining companies already facing a slide in global copper prices. The kwacha has halved in value over the past 18 months and hit a series of record lows recently amid a sharp selloff in commodity-linked currencies as top global consumer China's economy has weakened. The slide has renewed pressure on Zambia to diversify its economy, which relies heavily on copper exports. Foreign firms running mines in Zambia include Glencore Barrick Gold Corp and Canada's First Quantum Minerals. *(Reuters)*

Fund

Abraaj closes $375m fund
Dubai-based private equity firm the Abraaj Group closed its second dedicated North Africa private equity Fund at $375m.
Abraaj North Africa Fund II targets well-managed, midmarket businesses in Algeria, Egypt, Morocco and Tunisia that have demonstrated robust growth and the ability to become regional leaders in their field. It focuses on sectors that are likely to benefit from an expanding middle class, such as healthcare, education, consumer goods and services, business services, materials and logistics. It targets both majority and significant minority stakes in businesses that allow the Group to influence the strategic direction and growth agenda of its investee companies.
Among the backers of the fund, 63% of the capital came from European and North American investors, with global institutional investors, pension funds, sovereign wealth funds and development finance institutions participating in the fund-raising, Abraaj said in a statement. Abraaj is boosting its investments in Africa after raising $990m this year for its third sub-Saharan Africa Fund. Its total investments in the continent so far this year have reached $1.37bn. Funds raised in the region rose to $1.23bn last year, according the MENA Private Equity Association. *(African Banker)*

Amethis invests in Boulos Group
A consortium of investors headed by Amethis Finance has extended a convertible loan to Elephant Africa Holding, a holding company controlling 100% of both Bel Papyrus and Bel Impex, two of Nigeria’s leading tissue paper producers, part of the Boulos group of companies.

Alongside Amethis, EuroMena Fund III, the latest of The EuroMena Funds, a MEA- based PE fund, and other coinvestors participate to the investment. Once converted, the consortium will become a minority equity investor in the company. It is the first time the company has partnered with external investors.
The paper business was founded in 1987, and has grown rapidly, with a 35% share of the market. Currently it mainly serves Nigeria.
As part of its development strategy, the group intends to expand regionally while diversifying its local product range. “Potential acquisitions and strategic partnerships are already being considered and Amethis will use its network and knowledge of the region to the group’s benefit,” said Jean-Sébastien Bergasse, Amethis Investment Director.
Amethis is an investment vehicle dedicated to Africa with a total investment capacity of $530m. Co-investors include some its limited partners, and The EuroMena Funds, specialising in private equity investments in the Middle East and Africa. *(African Banker)*

INFRASTRUCTURE

China's CWE in Talks to Build $2 Billion Dam in Guinea

Guinea is in talks with China International Water & Electric Corp. to build a $2 billion hydropower dam that would almost double the West African country’s energy output, providing new capacity for the expansion of bauxite processing, said Lansana Fofana, an energy ministry official.
The 550-megawatt Souapiti dam would be CWE’s second project in the country, after it completed the 240-megawatt Kaleta dam about 120 kilometers (75 miles) north of the capital, Conakry, in July.
The Kaleta project tripled Guinea’s electricity production and boosted efforts to expand grid access to more of the country’s 12 million citizens. "The idea is to feed the mining industry," Fofana, the head of the two hydropower projects, said in an interview this month during an inspection of the 1,545-meter (5,069-feet) long Kaleta dam. "We want to build refineries for our bauxite. We will even be able to position ourselves as an energy exporter." Fofana’s deputy, Jiahua Liu, who is also CWE’s senior-most official at Kaleta, said in the interview that the Chinese company is interested in the Souapiti project.
It’s up to the government to decide who builds it, he said. Guinea has the world’s biggest reserves of bauxite, which is refined into alumina and then smelted into aluminum, and its mines are the backbone of the $6.6 billion economy. Souapiti will be built on the Konkoure river, about 2 kilometers upstream from Kaleta, with a reservoir big enough for both plants to function even when the river loses most of its flow during the six-month dry season.

China Interest

Export-Import Bank of China has shown interest in financing Souapiti, according to Fofana. It loaned three-quarters of the $526 million needed to build Kaleta, with Guinea’s government paying the rest. The project took three years to complete, during a time when an outbreak of Ebola killed 2,530 people in Guinea and delayed mining and other infrastructure investments. "We’re in talks with Ex-Im Bank and CWE," Fofana said. "We’re looking for other investors. We’re open to the world."
The government will probably pursue plans for a plant able to generate 550 megawatts, out of the three options under consideration, Fofana said. The biggest-capacity proposal would result in a flood plain requiring more than 15,000 people to be resettled, he said. Even so, with World Bank data showing that only a quarter of Guineans have access to the national grid, Fofana said it will take as long as 20 years until the entire country is connected.

Energy Self-Reliance

"In the next five years, the goal is to buy the energy independence of the country," Gabriel Curtis, the head of Guinea’s Private Investment Promotion Agency, said in an interview in Conakry. "Right after the elections, that’s going to be one of the first priorities." President Alpha Conde, who is standing for a second term in Oct. 11 elections, has made Kaleta a milestone of his presidency and has built an official residence next to it. He also promoted Fofana’s predecessor, Cheikh Taliby Sylla, to energy minister in October. "The Kaleta dam has undoubtedly boosted President Alpha Conde’s bid for re-election and raised confidence among foreign investors that the government can put the infrastructure in place for the large-scale exploitation of Guinea’s mineral resources," Bloomberg Intelligence economist Mark Bohlund said in an interview from London. The upbeat sentiment comes as miners look for ways to reduce costs amid a slump in commodity prices. The country’s mineral wealth also includes high-grade iron-ore deposits, such as Rio Tinto Plc’s untapped Simandou deposit. "With iron-ore prices sharply lower compared to a few years ago, the importance of cost efficiency has risen substantially," said Bohlund. *(Bloomberg)*

Portuguese group Mota-Engil awarded contract in Malawi

Portuguese construction group Mota-Engil has been awarded a contract worth US$200 million for construction of a dry port in Liwonde, southern Malawi, said in Lilongwe the Malawian Minister of Transport and Public Works.
Minister Francis Kasaila, cited by local media, said the dry port would have a significant impact on the country’s transport sector, that its construction would give jobs to many people and that, when completed, it would offer new business opportunities. “The dry port, a project now awarded to the Portuguese group, will reduce the cost of transport of goods unloaded in the port of Nacala, northern province of Mozambique by 60 %,” said Kasaila. *(Macauhub)*

Liberia's Port Shows Surge in Trade as Nation Recovers from Ebola

APM Terminals says a 30% jump in container volume through Monrovia demonstrates a gathering recovery after disease devastated the population and the country's economy

Liberia is seeing a surge in trade as it recovers from an Ebola epidemic that killed thousands and virtually halted economic activity for months, the manager of the country's sole container terminal said in an interview. The country was declared Ebola-free for a second time by the World Health Organization earlier this month, after a handful of cases were reported in July. Over 11,000 people died of the disease in three West African countries over the course of the outbreak.

Liberia's economy barely expanded in 2014 and is expected to grow at an anemic rate this year, down from more than 8% annual growth before Ebola. Still, container volumes are expected to jump roughly 30% this year, to about 100,000 twenty-foot-equivalent units, said George Adjei, who manages APM Terminals' port facility in the capital Monrovia.

Liberia is seeing a rush of imports as construction companies, food sellers and commodities producers stock up on foreign goods they couldn't obtain during the outbreak, Mr. Adjei said. APMT's facility receives 90% of Liberia's imports, the company says. "Last year the streets were empty" in Monrovia, he said. Now, "It's jam-packed."

The unit of Danish shipping and oil conglomerate A.P. Moller-Maersk A/S is betting on a return to pre-Ebola growth with a $120 million effort to modernize the terminal. The company won a 25-year concession to operate the facility in 2010, as the government sought to draw in the foreign investment needed to rebuild infrastructure from neglect during the country's civil wars, which ended in 2003. When APMT took over, the terminal's dockside walls had partially collapsed and little onshore infrastructure existed to house cargo.

APMT expects in 2017 to complete improvements to the area around the port, including paving over land near the terminal, installing modern container-tracking systems and building warehouses and other facilities. Mr. Adjei said the terminal is profitable but hasn't made back its investment yet.

Mr. Adjei said the global trade slowdown has affected traffic through Liberia's port, as the country's commodities-dependent economy has been battered by a steep drop in the price of iron ore, a major export. However, APMT expects shipping to pick up as the recovery effort continues, and as Liberia's transportation network improves. Roads are under construction to connect Monrovia to parts of the country's interior that produce iron ore, timber and palm oil, as well as population centers in neighboring Guinea and Sierra Leone.

Many of the roads are being built by companies from China, which is a major buyer of Liberian commodities. Those projects are still moving ahead despite China's economic turbulence, and they should boost cargo traffic through Monrovia's port as they are completed, Mr. Adjei said. "At some point [China's economy] will turn the corner, and we will be there," he said. *(Wall Street Journal)*

Senegal Plans New City to Ease Gridlock, Woo China Investors

On a plain dotted with rotund baobab tree trunks Senegal is planning its future. The government of the West African nation is laying the groundwork for a new city near the town of Diamniadio that's meant to ease congestion in the seaside capital, Dakar, home to almost a quarter of the country's 14 million people. With plans for a new airport nearby, a university, state ministries and a 50-hectare (123-acre) industrial park funded by China, it's the most ambitious infrastructure project yet of President Macky Sall, who's pledged to double growth by 2020.

Sall, in office since 2012, uses the slogan "Emerging Senegal" to define his policy of attracting foreign investment to reduce the country's dependence on fishing, agriculture and tourism and make Senegal a hub for French-speaking West Africa. Cairn Energy Plc has found an oil reserve off Senegal's coast that may produce as much as 100,000 barrels a day when it's fully developed. "It's the first time we are developing a project of this size," Ousmane Kasse, who heads the state agency in charge of the Diamniadio project, said in an interview. "We're preparing the site, and making land available to investors who wish to come here."

Diamniadio, a town of about 30,000 people, is expected to expand tenfold by 2018. The idea is to ease the urbanization pressure on Dakar, which was designed by the French colonial administration on a peninsula. Its narrow streets in the center haven't changed since the 1960s and can't cope with the amount of daily traffic, Ale Badara Sy, an urban planner, said in a phone interview.

China's CGC Overseas Construction Group is building the industrial park, and Chinese companies may set up operations in the area, Xia Huang, the Chinese ambassador in Senegal, said in an interview. Senegal has strong economic ties with China, with trade reaching $633 million in 2013, U.K.-based risk advisory group Maplecroft said in a report last week.

With the nation's economy forecast by the International Monetary Fund to expand at least 5 % this year, up from 4.5 % last year, the pressure on Dakar is only expected to intensify. "There's no space to build new schools or other public buildings," Sy said. "More and more companies want to leave the center and move to residential neighborhoods."

Soaring real-estate prices have made housing "inaccessible" for middle class Senegalese and caused a shortage in Dakar, Sall said in a March interview. Average rent in the city tripled between 1994 and 2009, according to a 2012 survey by Senegal's statistics agency, the most recent data available. Last year, Sall's government passed a rent-control law in a bid to curb prices.

The government hopes the construction of golf courses, fountains and shopping malls in the Diamniadio area will lure residents from Dakar. Relocating as many as 12 government ministries to the area, including energy and mining, should also help cut costs according to Dieynaba Diop, an urban planner at the project. “The state doesn’t have the means to have all its ministries in Dakar –- they are renting and it’s expensive,” Diop said.
Senegal’s first highway connecting Diamniadio to Dakar opened last year, as well as a conference center that hosted the annual summit of French-speaking nations. Next up is a $400 million regional express train that will connect Dakar to a new international airport that’s being built in Diass, near Diamniadio, and will be finished at the end of next year.
The Diamniadio project has attracted “hundreds of bids” from local and international companies since the plan was approved in 2013, including Germany’s state-owned KFW development bank, which plans to fund a $50 million solar plant in the area, according to Kasse. Some residents of Diamniadio have expressed concern that they will lose their farmland to investors and real-estate developers. “There’s a lot of speculation, with people buying the land, but the question is whether they will actually start building,” Sy said. “In itself, it’s a good project. But there’s always the risk they are creating a ghost city.” *(Bloomberg)*

EU raises funds to repair infrastructure in Mozambique
The European Union (EU) is seeking to raise about 300 million euros to support the recovery of infrastructure in Mozambique, said the European Commission representative in Mozambique, Sven Kühn von Burgsdorff. Von Burgsdorff told online newspaper Canalmoz that all of the funding would be used to repair roads, bridges, health facilities and schools destroyed by bad weather at the beginning of the year that seriously affected the central and northern areas of the country. The government of Mozambique has reported it needs US$500 million to repair a number of facilities destroyed by flooding. In addition to the infrastructure sector, the EU is also currently supporting several business sectors in Mozambique, mainly agriculture, having recently provided 4 million euros to support agricultural development in two districts of Maputo province. The initiative is being carried out in partnership with Banco ABC in the districts of Manhica and Magude, where the two institutions are financing a sugar production project involving 362 small-scale producers in an area of 530 hectares. *(Macauhub)*

Mozambique rejects commercial shipping in the Shire and Zambezi rivers
Mozambique rejected the Malawi’s government’s intention to use the Chinde and Zambezi rivers for commercial shipping, announced the Minister of Transport and Communications of Mozambique, cited by Radio Mozambique, representatives from Mozambique, Malawi and Zambia met in Lilongwe to analyze the results of a study commissioned from independent consultants on the navigability of those two rivers.
Malawi intended to obtain authorization from Mozambique to start shipping in the two rivers for river transport of imports and exports to the port of Chinde in Zambezia province, a distance of 240 kilometers.
After the meeting, the Minister of Transport and Communications, Carlos Mesquita said that the first major conclusion that the consultant arrived is that the Shire and Zambezi rivers are not commercially navigable in its natural form, and for that suggested the need to make a dredging about 1.5 meters in order to increase the depth. “To make the initial dredging is necessary to spend about 18 million dollars, then they need more 30 million annually to ensure the maintenance dredging, another 50 million dollars to clean up the vegetation that surrounds the two rivers, beyond other costs of investments in port and operating infrastructure, “said Mesquita. The consultant’s report also indicates that the steaming time in those two rivers will be just 36% per annum, ie the navigation is only possible in about four to five months, according to the daily newspaper Notícias. In view of these findings, Carlos Mesquita said not make sense to consider the two rivers are navigable commercially or spend large sums, especially as the goods are insured for 2015/2016 do not exceed 250 000 tonnes. *(Macauhub)*

Three mega trends in Africa’s commercial property development
With unprecedented interest and investment into Africa there is also a significant amount of investment into infrastructure development, though generally the emphasis is placed on major government-led projects that are aimed at offering a service, or increasing access to resources and assisting to open up key markets.
However, the knock-on effect of this ongoing focus on macroeconomic development is having a substantial impact on the next layer of infrastructure. From our vast multi-disciplinary experience across the continent, we have identified the following major trends that will influence Africa’s commercial property development well into the next decade.
1. Savvy retailers targeting growing middle class
Africa continues to experience exceptional growth and the number of people who are being lifted out of poverty as a direct result of the ongoing macroeconomic growth is adding numbers to Africa’s emerging middle class at an astronomical rate. In fact, according to a report by the World Bank, Africa has the fastest growing middle class in the world.
While there may be ongoing debates on whether the emerging middle class has regular disposable income and, what they may be spending their disposable income on; this hasn’t deterred the considerable interest and investment by developers, retailers and brands to establish themselves within key regions or countries in Africa. In fact, research by Broll Property Group indicates that African consumers are demanding better products and services from a greater

variety of brands and this – with the growing middle class – has intensified a number of investments into Africa's retail sectors and is driving the rise of the shopping mall on the continent.

We are seeing this trend take effect first hand; with a number of new shopping malls and/or retail commercial parks being developed – particularly within key pockets in the Southern, East and West African regions.

2. Expect a big drive towards "building green"

While Africa is said to be the world's final frontier for resources, much of Africa is still underdeveloped, remote and has little access to basic services such as power and water. To bring about change, African governments have certainly begun to realise the potential of renewable energy, with a number of projects that are under development – or already operational – that will plug "greener energy" into regional and national grids. On top of this, reserves of fresh water for the world are said to be stressed and while most countries on the continent have not (yet) been declared at risk, the reality is that water is not a renewable resource. In recognition of this a number of African governments have begun to place significant focus on water preserves for future generations – particularly during this phase of ramping up on mass infrastructure development on the continent.

In the commercial property market, smart developers will realise that "building green" and building for sustainability not only better enables the development to leverage on the power and water resources that are available, but it makes good business sense. Previously it may have been thought costly to make the upfront capital investments to go green, however, volatility in both the cost and availability of power and water is influencing a mind-set change – in that savvier consumers are realising the benefits of being more "green" and, for example, offsetting as much of their energy consumption as possible.

In the long-term, not only do green buildings enable the consumer to reduce their consumption, but building green also increases the propensity to reduce the carbon emissions emitted by these developments and provide increased resilience to uncertain service delivery. These are significant value adds to the consumer – and what benefits the consumer also benefits the developer/owner.

3. New urbanism will come to rural Africa

There's no denying that in recent years there has been an incredible migration to African cities and built up areas as growing populations seek access to jobs and basic services. In fact, the African Development Bank (AfDB) projected that by 2040 50% of Africans will live in urban areas, which means there will be an astronomical growth in the populations of Africa's already densely inhabited major cities.

While this migration and the ongoing rapid urbanisation across key markets in Africa are natural events that follow the macroeconomic growth, these events do place significant strain on typically old and insufficient infrastructure and resources in-and-around these cities and built up areas. This, coupled with the fact that several of the industrial drivers behind Africa's macroeconomic growth – including mining and agricultural activities in particular – are generally located away from urban areas, will drive a movement towards ruralisation or new urbanism.

A global design movement; new urbanism promotes the restoration of compact, walkable, mixed-use urban developments that bring residential neighbourhoods, retail and commercial parks back together in a healthy city environment. In South Africa – particularly in Gauteng – there are already several successful examples of mixed-use developments, including; Menlyn Maine, Steyn City and Waterfall. Although these examples do still fall within what would be considered urban or built up areas, taking a similar approach as new urban mixed-use developments to outlying cities or towns offer vast opportunities to tap into previously excluded property markets across rural-Africa.

Economic growth potential and the socioeconomic needs and demands of Africa's rapidly growing population will continue to determine major infrastructure projects, where we anticipate that industrialisation, consumerisation and the need to do these sustainably, will become driving forces behind commercial property development across Africa in the foreseeable future. *John Truter is the chief operating officer of WSP | Parsons Brinckerhoff, Structures, Africa*

ENERGY

Zambia to triple power generation in two years with solar

Zambia expects to triple power output to 6,000 megawatts (MW) in 2 years through expansion of solar energy by foreign investors, the head of its investment agency said. Erratic electricity supplies have hit mining in the continent's second biggest copper producer, where the bulk of its generation capacity of 2,200 MW of power is water-powered.

The power problems and copper price slide have driven the kwacha currency to record lows amid a selloff in commodity-linked currencies as top copper consumer China's economy has slowed. Zambia Development Agency (ZDA) Director General Patrick Chisanga said he had held "very positive" talks with an unnamed German company aiming to invest $500 million in a solar power plant but did not disclose its planned location. "It is planned that they could produce about 400 megawatts of power in two steps," Chisanga told Reuters. "This is still at discussion stage but the investor is very keen and we envisage that early in the first quarter of next year we should see some serious development on the ground."

Another group of investors from Italy were looking to set up a solar plant in the Lusaka South multi-facility economic zone and two others in the Western and Northwestern provinces. "The proposals they put on the table suggest to me that

these are very serious investors and they have the capability as well as the financial capacity to invest," he said, without giving details.

Added to that, power generation from Zambia's Kariba power stations has dropped due to low rainfall in the previous season, forcing Zambia to implement power blackouts. "This has been a wake up call for us. It has taught us that we need to diversify our sources of energy instead of relying on hydro which in turn relies on a good rainfall every year," he said. A number of new investments, including that by Africa's richest man, Nigeria's Aliko Dangote, whose firm has opened a cement plant, were setting up their own power plants and aiming to feed any surplus into the national grid. The ZDA had also issued an investment licence to Sunbird Investments Ltd which was looking to put up a $150 million biofuel plant using cassava, Chisanga said. "The totality of all this should help us to ramp up our production of power to the levels that we need to get to which is ultimately about 6,000 megawatts," Chisanga said. *(Reuters)*

Tanzania power firm TANESCO says aims to clear arrears by end-2016

Tanzania's state power supplier TANESCO said it expects to clear arrears to suppliers worth about $250 million by the end of 2016, helped by cutting reliance on imported oil and switching to cheaper, domestic gas-fired plants. Managing Director Felchesmi Mramba told Reuters the firm was talking to banks for refinancing to help meet the arrears, which have been a deterrent for new investors in developing gas fields and private power production.

TANESCO, which generates and distributes electricity, has cut arrears from almost $400 million in January 2014, helped by higher tariffs and by switching to gas. Plants using gas generate power at about 9-10 U.S. cents per kilowatt hour (kwh). For oil plants the cost is 40-45 U.S. cents. "That is why you will find all our focus now is to speed up generation using natural gas," Mramba told Reuters. "I believe we can pay all the arrears before the end of next year," he said, adding the government had also shown "strong willingness" to resolve the issue.

TANESCO's arrears are with private power and fuel suppliers, and have climbed over the years after dry spells hurt hydropower output and the government raced to fill the shortfall by building fuel oil or diesel plants. Tanzania's huge gas finds are ending a reliance on that stopgap, but experts say investors will remain cautious about developing gas fields to supply the Tanzanian market or building new private power plants as long the payment backlog remains. Mramba said cheaper-to-run gas plants meant the "generation equation will change completely" in helping costs match revenues. "We will be reliable payers," he said. He said TANESCO was talking to banks about refinancing to help clear part of the arrears, while other funds to make repayments would come from improving revenues. Mramba said TANESCO still faced challenges. A sharp devaluation in the shilling since the new tariff was agreed had hit revenues, because the firm was not able to pass on the extra costs to the customers without discussions with the regulator. Tanzania has installed capacity, including private suppliers, of 1,570 megawatts (MW). Of that, about 560 MW was hydropower. Most oil plants are being shut or converted.

Tanzania aims to add about 2,000 MW in gas-fired generation by 2018. By 2025, it aims to have installed capacity of 10,000 MW. Most new plants will be gas, but it also wants to use coal reserves and add other renewables, such as wind and geothermal. The expanding capacity will help meet domestic demand as the government connects more people to the national grid, just 40 % are connected now, and offer the opportunity to export to neighbours, such as Mozambique and Zambia, Mramba said.The government also plans to split TANESCO into three firms covering generation, transmission and distribution. Mramba said the first step was to separate the generation business, with a target date of 2017 for that step. *(Reuters)*

Zuma Names Novice Mines Minister Facing Critical Gold Wage Talks

South African President Jacob Zuma’s decision to appoint a new mines minister with no experience in the industry or national politics may destabilize critical wage talks at gold mines, analysts said.

The new minister, Mosebenzi Zwane, is a lawmaker whose previous political apex was in the government of the rural Free State province. He became a member of parliament this month. National newspapers including the Mail & Guardian and Business Day also allege Zwane is connected to the Gupta family, personal friends of Zuma with business interests in South Africa including computer systems and a uranium mine. "You need a really intelligent, experienced, strong and honest guy in there who carries his weight in the upper echelons," Peter Major, a mining analyst at Cadiz Specialized Asset Management in Cape Town, said in a phone interview. "This isn’t it. The odds are against him." Zwane’s appointment comes at a time when the mining industry in the world’s biggest platinum and manganese producer is in decline. Hit by low commodity prices and increasing wage demands, it was the second-worst performing industry in the second quarter, when the gross domestic product shrank an annualized 1.3 %. Mining also accounts for more than half of South Africa’s exports and employs about 446,000 people.

‘Fair Chance’

"We hope that we can hit the ground running because we had momentum," Gideon du Plessis, general secretary of the Solidarity workers union, said about Zwane in a phone interview. "We need to give him a fair chance." Thibedi Ramontja, director general at the Department of Mineral Resources, didn’t immediately return e-mails seeking comment. Zuma’s spokesman, Bongani Majola, said he may comment later. Gupta family spokesman Gary Naidoo was not immediately available to comment.

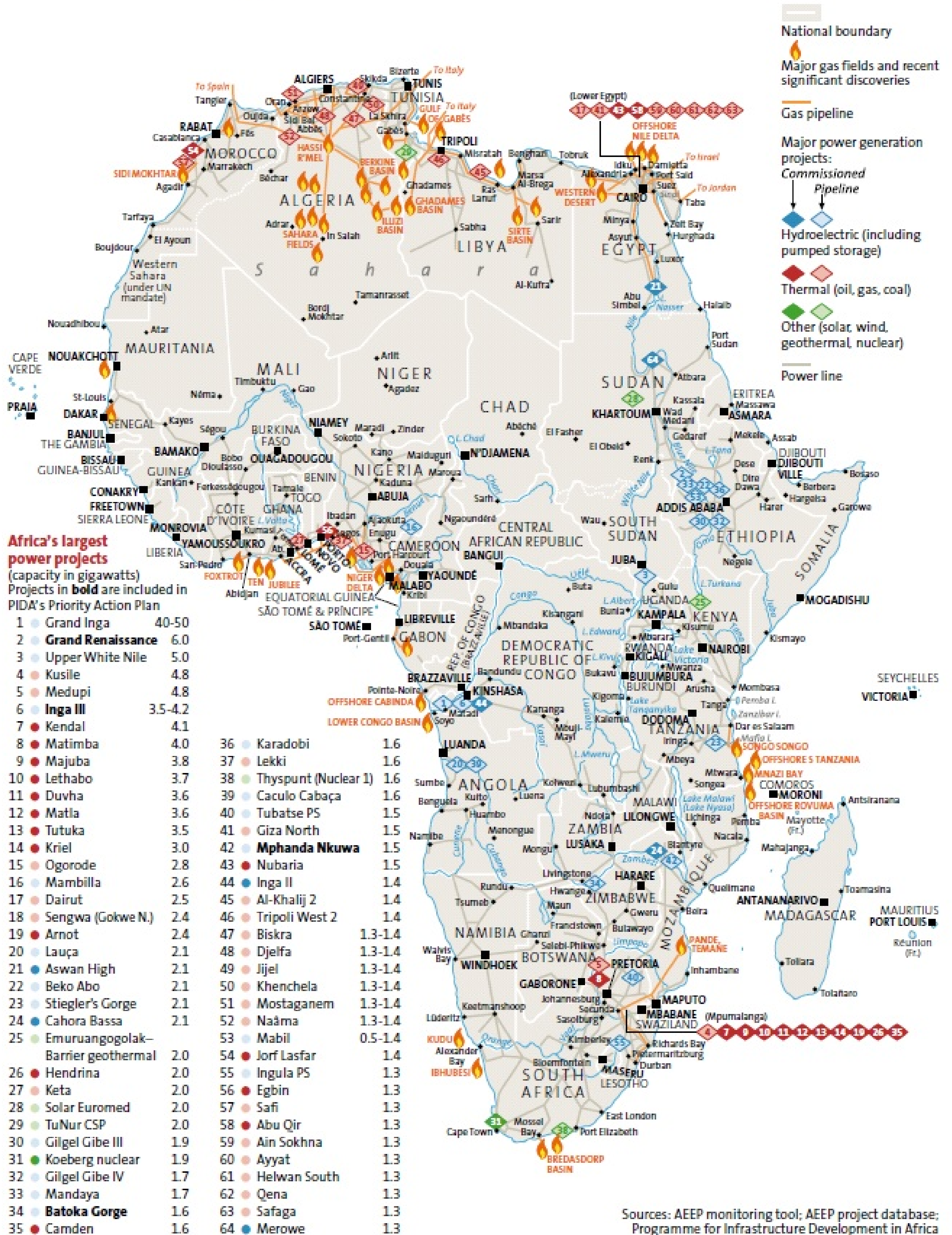
The outgoing minister, Ngoako Ramatlhodi, had made good progress during three months of mediation in sensitive wage talks between labor unions and gold companies, Hurbey Geldenhuys, a mining analystat Vunani Securities, said by phone. "The decision to change the minister when you've got wage negotiations at the gold mines and when you've got commodity prices quite low, that is not good," Geldenhuys said. "It could be disruptive. There was good progress by the previous minister and it would be a pity if that momentum were to be lost."

Airport Controversy

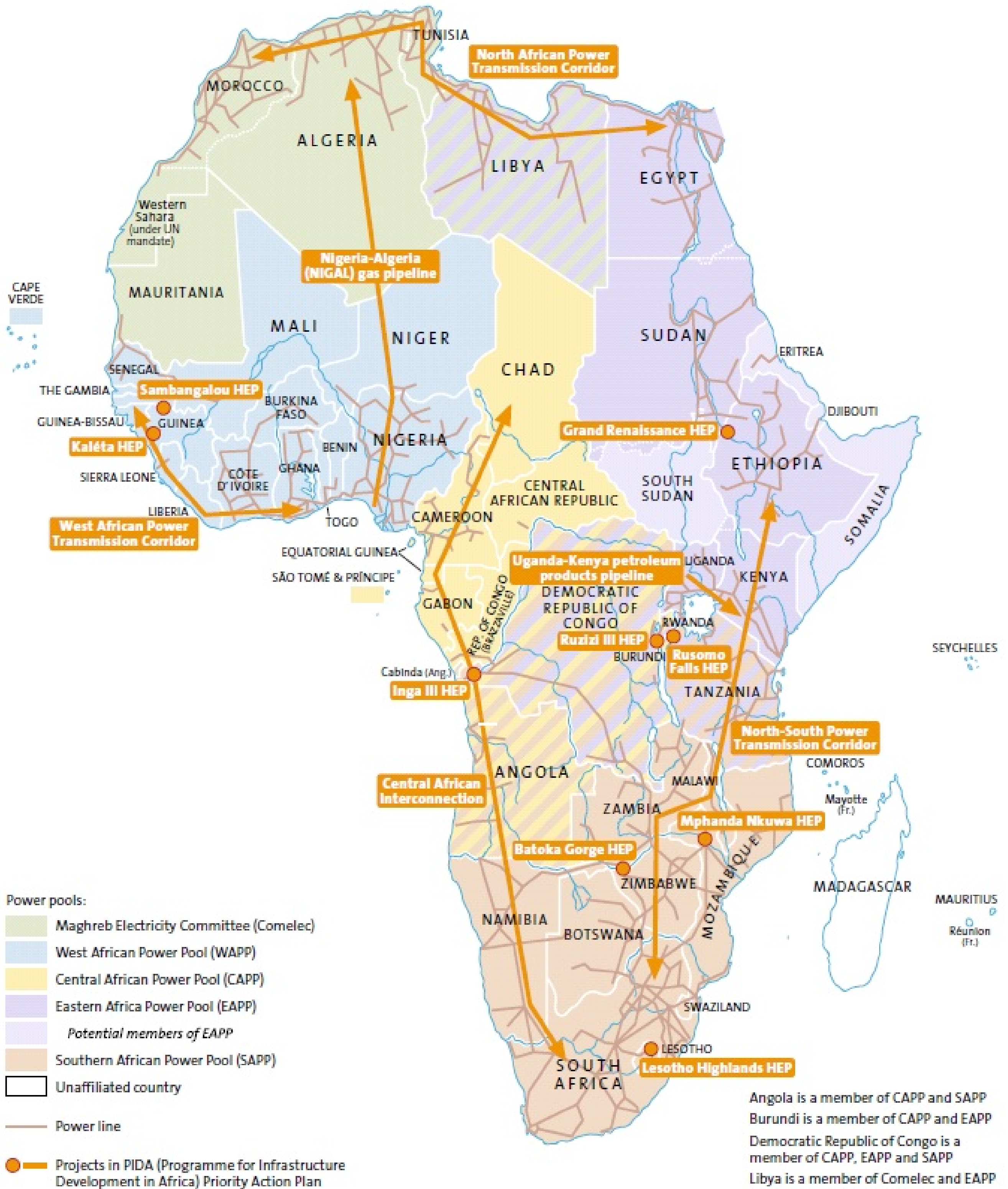
Opposition parties and newspapers joined the chorus of criticism, alleging that Zwane helped the Gupta family gain approval to land their private plane at a military air base in 2013 by writing a letter inviting wedding guests and suggesting they were coming to South Africa on government business. The Guptas issued a public apology after an Airbus carrying guests for the wedding of one of their relatives in South Africa landed at the Waterkloof Air Force base near Pretoria, the capital. Zuma denied authorizing the landing and blamed lower-level officials. "It is important to note that Zwane is allegedly close to the Gupta family, well-known financial backers of Zuma and the African National Congress," Eurasia analyst Mark Rosenberg said in an e-mailed note, referring to the ruling ANC party. The Economic Freedom Fighters, South Africa's second-biggest opposition party, said that "strong links to the Guptas" are necessary to gain a seat in Zuma's cabinet. "The pity is that we didn't know him at all," Du Plessis said. "All the things that we heard up until now were controversial."*(Bloomberg)*

Africa's energy infrastructure

Africa's energy infrastructure

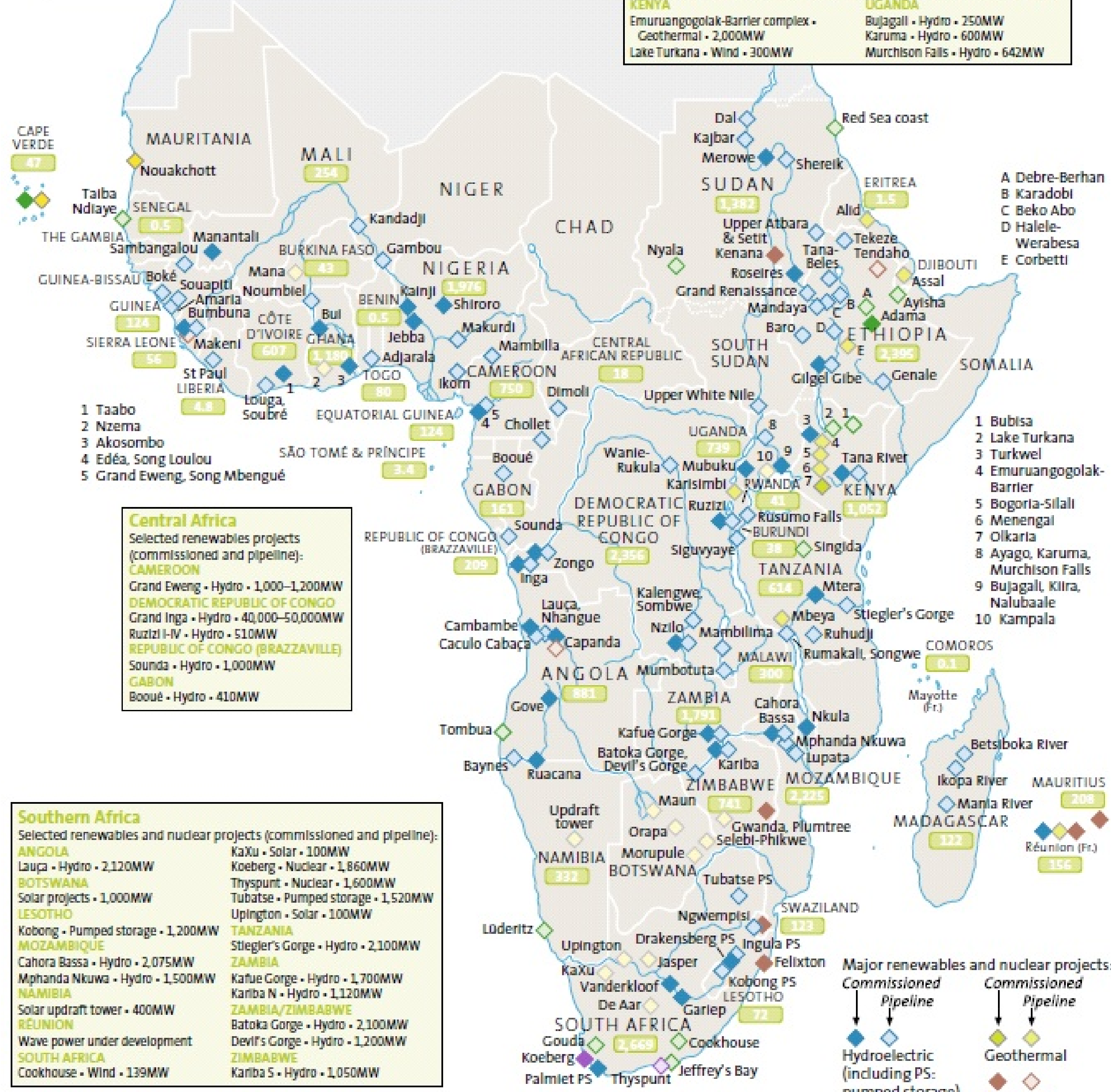


Power pools, power lines and PIDA projects



Sub-Saharan renewables projects

Sub-Saharan renewables projects



OIL & GAS

Equatorial Guinea Seeks to Adjust to Lower Oil Prices

- **Oil price shock comes on top of declining hydrocarbon production**
- **Effective fiscal adjustment should avoid across-the-board spending cuts**
- **Policies that leverage infrastructure could support sustainable growth**

Equatorial Guinea's oil-dependent economy is set to contract through 2020, under pressure from low oil prices, falling hydrocarbon production, and reduced capital expenditures, IMF staff economists said.

In their regular review of the Central African nation's economy, IMF staff said Equatorial Guinea's decade-long hydrocarbon boom is ending and economic activity has stagnated since 2009, with oil and gas extraction having plateaued.

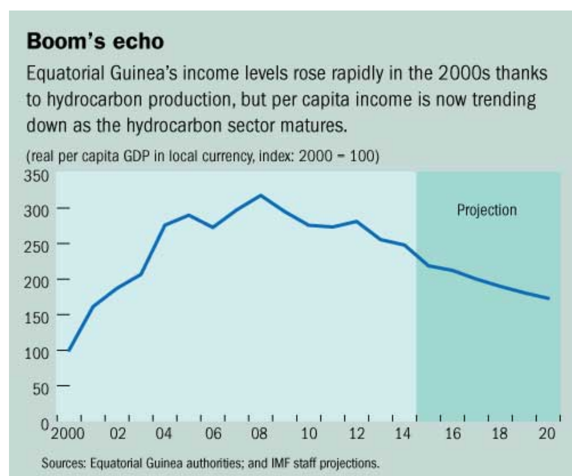
The report said Equatorial Guinea's outlook for 2015 is dominated by the confluence of lower international oil prices, a high dependence on oil revenues, and a rapidly diminishing government savings buffer. Upfront and substantial fiscal consolidation is unavoidable, particularly on high investment spending.

As a result, the country's economy is expected to contract by about 9½ % in 2015, and further by about 2 % per year during 2016–20 due to lower capital expenditures and falling hydrocarbon production.

Equatorial Guinea embarked upon a long hydrocarbon boom around the turn of the millennium that turned it into sub-Saharan Africa's third largest oil exporter and its wealthiest country in terms of per capita income (see chart). It has also enabled a large scaling up of investment spending on infrastructure.

While extensive investment has helped to put in place substantial infrastructure, Equatorial Guinea's social indicators are similar to those of low-income countries. Furthermore, hydrocarbon revenues are on the decline as oil and gas fields mature. These adverse trends have been aggravated by the price slump that is buffeting oil exporters around the world.

The report notes that Equatorial Guinea's era of buoyant economic growth is now receding, and the overriding theme of the IMF's recommendations is for policies to help navigate an environment of much lower anticipated revenue, and to allow Equatorial Guinea to better leverage its existing infrastructure to foster diversification and structural transformation.



Fiscal policy and the oil shock

The authorities have set out a tough 2015 budget that aims to more than halve capital spending and implement strong reductions in spending. For an effective adjustment, the country report stresses the importance of avoiding across-the-board cuts. Instead, it proposes allowing near-complete projects to be finished, while putting in place a rigorous process to evaluate the relative viability of new projects in terms of expected economic and social returns.

At the same time, the government should be looking at progressively shifting spending away from infrastructure toward public services and social projects, which would support human capital development that is essential for the competitiveness of the non-resource economy.

Reducing heavy dependence on the volatile hydrocarbons sector revenues should also be a priority. The authorities have already deployed a series of measures to eliminate widespread tax exemptions and modernize tax administration, and these efforts could be complemented by a comprehensive review of tax policies.

Leverage infrastructure

Equatorial Guinea's multi-year public investment plan—dubbed Horizonte 2020—has considerably improved transportation infrastructure and the provision of public utilities. This infrastructure constitutes a considerable advantage relative to other sub-Saharan African economies. Nonetheless, economic diversification has remained elusive so far, with hydrocarbons still accounting for more than 90 % of exports.

To leverage this infrastructure toward a more robust and diverse economy, the report recommends an ambitious structural reform agenda to boost competitiveness and attract potential investors, including

- Accelerating reforms to improve the business climate, in partnership with the World Bank;
- Supporting human capital development by promoting education, especially fully equipping and staffing newly built schools;
- Advocating for lower trade barriers among regional partners in the Economic Community of Central African States (CEMAC) and between CEMAC and other countries; and
- Seeking to partner with international financial institutions on investment opportunities.

Critical data weaknesses

The report urges priority efforts to improve Equatorial Guinea's weak socioeconomic statistics. Good data are essential to effective decision making, and the cost of ill-informed decisions is especially high in an environment where revenue is constrained. A lack of readily available information could also deter potential investors.

While building statistical capacity takes time, several steps can be taken in the short term, including wider publication of existing statistics and subscription to the IMF's General Data Dissemination Standards. *(IMF)*

Oil production target in Angola difficult to achieve in 2016

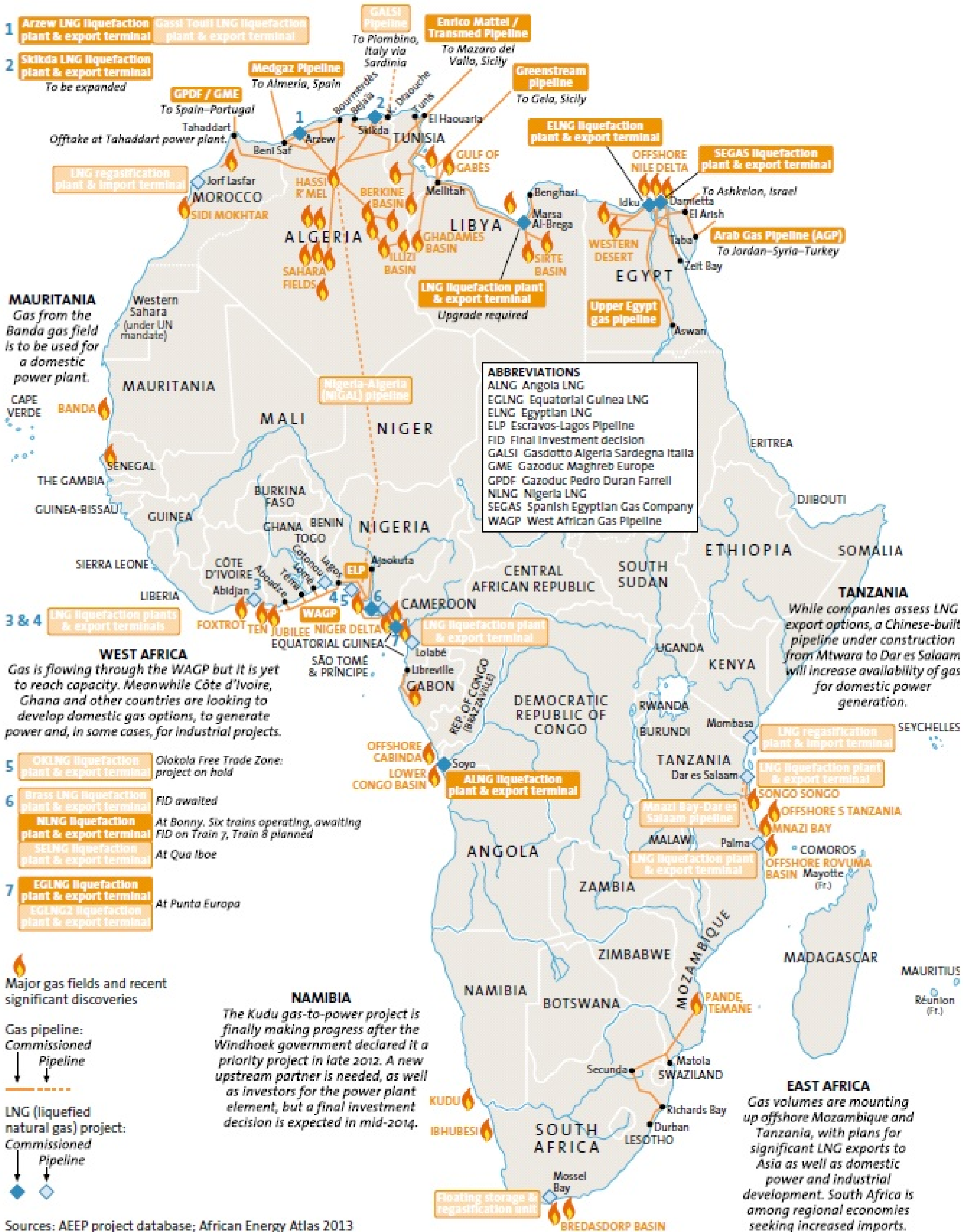
Angola is unlikely to produce 2 million barrels of oil per day in 2016, said the office of economic and financial studies of the Portuguese bank BPI, adding that this is "an overly optimistic goal." "The Angolan authorities remain hopeful in achieving an increase in average daily production to 2 million barrels per day by 2016, but this scenario could prove overly optimistic," according to the September analysis of the Angolan economy.

In the chapter on oil, the main source of tax revenues in Angola and that accounts for over 95 % of exports, the BPI analysts said, "Angola managed to slightly increase average daily production, which should help partly offset the fall in revenues," but noted that prices will remain low, undermining the country's public finances. "Oil production in the first quarter of 2015 rose to 1.76 million barrels per day and in the following quarter to 1.77 million," according to oil ministry figures cited in the report. These figures are positive, said the BPI analysts cited by Portuguese news agency Lusa, given that "in recent years, Angola had had some difficulty in recovering production levels because of technical problems and production falling at older wells." The problem, they said, was that "excess supply worldwide continues to threaten prospects for a recovery in oil prices," because "the latest forecasts are that the adjustment process between demand and supply in the market is slower than originally expected, with fears that the price will remain at lower levels than expected by the end of the year." *(Macauhub)*

Exxon Mobil Begins Production at Erha North Offshore Nigeria Project
Oil giant affirms its forecast for 2% production growth this year

Exxon Mobil Corp. said that it has begun production at its new Erha North project offshore Nigeria five months ahead of schedule, while affirming its forecast for 2% production growth this year. The deepwater project is located 60 miles offshore Nigeria and inclues seven wells, with expected peak production of 65,000 barrels of oil a day. It will be tied to an existing Erha North floating production, storage and offloading vessel, helping reduce infrastructure. Exxon said the project came in ahead of schedule and $400 million under budget due to the performance of its Nigerian contractors. The U.S. oil giant also affirmed its forecast for 2% production growth in 2015 to 4.1 million oil-equivalent barrels per day. While Exxon's profit has tumbled in recent quarters amid the drop in crude prices, its production has continued to grow. In the second quarter, the company's profit tumbled 52%, while production improved 3.6% to 4 million oil-equivalent barrels per day. Shares of Exxon, down 20% this year, added 1.5% to $73.98 a share in morning trading. *(Wall Street Journal)*

Natural gas infrastructure and trade routes



TELECOM

Huawei Plans to Complete Guinea's Fiber-Optic Network in 2017

Huawei Technologies Co. plans to complete a $238 million fiber-optic network in bauxite-rich Guinea in 2017, according to Tony Zhang, the company's director in the country.

China's largest maker of networking equipment started laying down the 4,000 kilometers (2,485 miles) of 40 gigabyte-capacity cable on July 25, Zhang said in a Sept. 9 interview in Conakry, Guinea's capital. The Export-Import Bank of China loaned the funds to pay for 90 % of the project, while the West African nation's government will provide the rest, he said. "This project will give the people high-speed Internet access," Zhang said. "It can help with microeconomic growth. The country has the needs." Guinea ranks as one of the least-developed economies in Africa. About a quarter of the population of 12 million has access to electricity, according to World Bank data. *(Bloomberg)*

RETAIL

Kellogg to spend $450 mln to expand in Africa

Kellogg Co is setting up a joint venture with the African arm of Singapore's Tolaram Group to bolster its breakfast and snack food offerings in West Africa.

Kellogg will also pay $450 million for a 50 % stake in Lagos, Nigeria-based Multipro, a food sales and distribution company owned by Tolaram, with an option to buy a stake in Tolaram's African unit. Tolaram Africa Foods owns 49 % of Dufil Prima Foods Plc, the maker of Indomie noodles, Minimie snacks, Power oil and Power pasta.

Kellogg said it intends to develop snacks and breakfast items for the West African market through the joint venture. The world's largest cereal maker will also get access to Multipro's distribution network in Nigeria and Ghana, and potentially in the Dominican Republic of Congo, Ivory Coast, Cameroon and Ethiopia. U.S. packaged food companies are increasingly looking to expand in emerging markets as customers in their biggest markets such as North America increasingly prefer cheaper private-label foods and cook more at home.

Kellogg acquired a majority stake in Egyptian biscuit maker Bisco Misr for $125 million in January. Kellogg said it expects costs associated with the Tolaram deal to lower third-quarter earnings by 1 cent per share. The company's shares were down slightly in early trading on the New York Stock Exchange. Up to Monday's close of $66.73, they had fallen 4.4 % over the past 12 months. *(Reuters)*

SABMiller Gets Takeover Approach From Anheuser-Busch InBev
Deal would combine two of the world's largest brewers

Anheuser-Busch InBev NV said it had approached SABMiller PLC about a takeover, paving the way for a deal that would likely value SABMiller well in excess of its $75 billion market capitalization and create a brewing giant that would dominate much of the global beer market. London-listed SABMiller said AB InBev "has informed SABMiller that it intends to make a proposal to acquire SABMiller." It cautioned that no deal was certain. AB InBev soon followed with its own statement, saying it intends "to work with SABMiller's board toward a recommended transaction." No terms were disclosed. AB InBev and SABMiller are the world's two largest brewing companies, and a combination would trigger an intense antitrust review around the world.

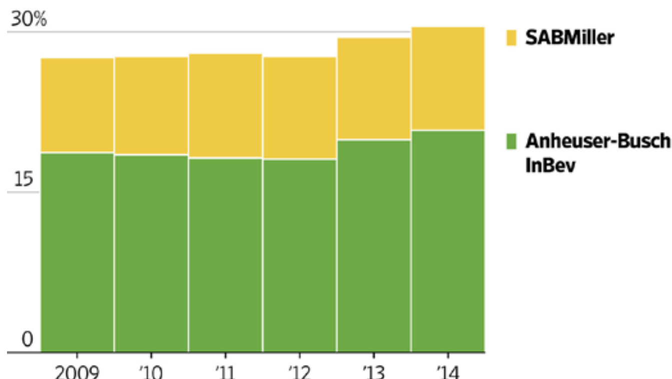
SABMiller—which makes over 200 beers including Peroni Nastro Azzurro, Pilsner Urquell and Grolsch—operates across six continents. Belgium-based AB InBev makes Budweiser and Bud Light and is the world's largest brewer by market share, with major operations around the world. It has 155,000 employees in 25 countries.

In the U.S., AB InBev and MillerCoors LLC—SAB's joint venture with Molson Coors Brewing Co.—control 70% of the market by volume, according to Bernstein. Combining the two groups' footprint in its current form would amount to roughly 30% of the world's beer market, according to Euromonitor. Shares in SABMiller soared about 23% after the midmorning statement, which it said was in response to media speculation. Shares in AB InBev were up more than 8% after a brief morning suspension. Shares in other brewers, which would be likely buyers of divested assets from a combined company, rose as well. Heineken NV was up 7% and Carlsberg A/B was up 4.8%.

An approach from AB InBev to SABMiller's board came within the last few days, according to a person familiar with the matter. There was no formal proposal or bid because the companies hope to maintain a friendly dialogue, the person said. There haven't been any meetings yet over a potential deal, the person added. A tie-up between the two beer giants has long been a subject of speculation, as the global mergers-and-acquisition market has roared back to life.

The Wall Street Journal reported last year that AB InBev had discussions with some banks about possibly financing a deal. At the same time, SABMiller had approached Dutch brewer Heineken about a deal but was rejected, in what was viewed by some as a takeover defense against an AB InBev bid.

This summer, ABI began asking banks to propose possible targets for them to acquire, including SABMiller, said a person familiar with the matter. Those moves followed a report in The Wall Street Journal earlier this year, saying 3G Capital Partners, which owns a major stake in AB InBev, raised about $5 billion from investors for a new takeover fund. Speculation renewed that a deal could be brewing after shares of SABMiller spiked. Some media outlets theorized that cancellations at two industry conferences in Boston and London by executives at AB InBev and Altria Group Inc., which owns a minority stake in SAB, could be the cause of the market turmoil.



After its shares moved, SABMiller was forced to put out a statement by the Takeover Panel, which determines the rules governing mergers and acquisitions in the U.K. It has set a deadline of 1600 GMT on Oct. 14 for AB InBev to either make an offer or withdraw.

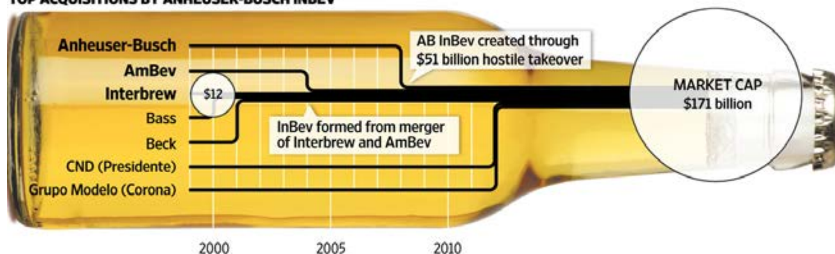
What could be the year's largest acquisition comes amid renewed deal fervor, with the global mergers-and-acquisitions market on pace to hit the highest levels on record. There have been $3.2 trillion worth of deals globally so far this year, up 29% from the year earlier period, according to data provider Dealogic. In the food-and-beverage industry, there has been $127.5 billion worth of deals so far, up 32% from the year-earlier period, Dealogic found. Bernstein analyst Trevor Stirling noted that SABMiller's share price has been "weak" over the past year, making a deal "much more affordable." Any proposal likely would have to be a mix of cash and shares, or an all-stock offer with a buyback after. For tax reasons, Altria and the Santo Domingo family—which own large stakes in SABMiller—would prefer to receive shares, Mr. Stirling said.

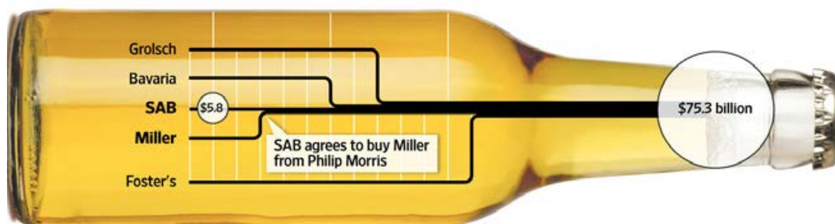
Although a tie-up between the world's two biggest brewers would hand control of nearly one-third of global beer supply to one company, analysts have said antitrust issues aren't insurmountable. AB InBev likely would have to sell SABMiller's stakes in two joint ventures, MillerCoors in the U.S. and CR Snow in China, which SAB co-owns with China Resources Enterprise Ltd. U.S. antitrust authorities would most certainly require a merged AB InBev and SABMiller to divest assets. AB InBev already has a roughly 45% U.S. market share, and MillerCoors LLC, in which SABMiller owns a 58% economic stake, has a roughly 25% U.S. market share. Molson Coors, which owns the other 42% of MillerCoors, would be the most likely candidate to acquire SABMiller's U.S. business. The Denver-based brewer of Coors Light and Molson Canadian has the right to increase its MillerCoors stake to 50% if SABMiller is acquired and hasn't ruled out increasing its stake in the past. A spokesman for China Resources Enterprise said he was "unable to confirm anything due to a confidentiality agreement between ourselves and SABMiller."

SABMiller also has joint-venture partners in Africa and Turkey, adding another layer of complexity to any takeover. It is also a major bottling partner of Coca-Cola Co. AB InBev, meanwhile, is a major bottler for PepsiCo Inc., Coke's chief soft drinks rival.

Buying SABMiller, which had a market capitalization of about $75 billion, would catapult AB InBev, valued at $170 billion, into market-leading positions in Colombia and Peru, as well as many countries in Africa where the Budweiser maker has little presence. In the Middle East and Africa, SAB has 40% of the market while AB InBev has just 0.6%, according to Euromonitor.

AB InBev has a history of reshaping the beer industry with large-scale acquisitions. In 2004, Brazil's AmBev and Belgium's Interbrew merged to create the global No. 1 brewer by volume, InBev. Four years later, the new company bought Anheuser-Busch in a $52 billion deal and became AB InBev, a cosmopolitan company based in Leuven, Belgium, but run by a mostly Brazilian group of executives in Manhattan. It later bought Mexican brewer Grupo Modelo SAB de CV in a friendly deal for $20.1 billion.





A takeover approach for SABMiller by AB InBev recently gained urgency amid slowing beer sales around the globe, including the U.S., AB InBev's most-important market, where small "craft" brewers are swiping market share.

AB InBev's net profit plunged 32% in the second quarter as sales contracted in four of the company's six markets, including the U.S. and Brazil. It blamed weak economic conditions and poor weather in several key markets, as well as a tough

comparison with a year-earlier period that included the soccer World Cup in Brazil.
The company's second-quarter revenue in the U.S. fell 1.7% to $3.6 billion as it struggles to revive the Budweiser brand. Even Bud Light, which accounts for nearly one of every five beers sold in the U.S. and has remained relatively strong, lost ground slightly in the quarter. *(Wall Street Journal)*

Angola and Mozambique are attractive countries for retail chains
Angola and Mozambique have attracted major international retail chains and, according to the "African Retail Development Index" drawn up by A.T. Kearney, are among the 15 most attractive African countries for this type of investment.
The consultancy puts Angola in 3rd place among the most attractive African countries for international retail chains, behind Gabon and Botswana, and ahead of Nigeria, taking into account factors such as the size of the urban population, business efficiency and risk to investors, in the study published this month in New York.
Angola has one of the fastest growing African economies and retail and real estate are booming the consultancy said noting, however, that the Angolan middle class is still "small" and consumer spending is also low.
The sharp population increase and average income in Angola has made chains such as South Africa's Spar, following the example of other South African groups such as Shoprite, decide to invest in the country, after Brazilian group Odebrecht was called in by the government to partner in the logistics management of state supermarket chain Nosso Super.
Among the major international chains that have been expanding in Africa are US company Wal-Mart, but also giants from South Africa such as Woolworths and Pick 'n Pay Stores.
In the study by A.T. Kearney, Mozambique emerged as the 15th most attractive country for these bonds.
The consultancy believes that the Mozambican retail sector is dominated by South African companies, particularly Shoprite, but also that the impact of economic growth, the highest in Africa, mainly related to mining activity is not felt to a great extent in the cities.
As in Angola, the Chinese community is strongly represented in the retail trade and has been investing in large stores.
In Mozambique a new hypermarket recently opened that is managed by "Number One Supermarket" offering food, beverages, household appliances and other products, following an investment of US$2 million in the city of Quelimane, capital of Zambézia province.
According to Mozambican newspaper Notícias, in the medium term Chinese investors want to build a similar project in the city of Mocuba in central Zambézia province. *(Macauhub)*

AGRIBUSINESS

Cashew nut harvest decreases impact of the current political crisis in Guinea-Bissau
The record level of the cashew nut harvest this year in Guinea-Bissau has cushioned the economic impact of the political crisis affecting the Portuguese-speaking West African nation, said the country's former finance minister. Geraldo Martins, who was finance minister before the government's resignation over a month ago, said that exports had already reached 170,000 tons, beating the previous record set in 2011. This new performance comes at a time when the price of cashew nuts is higher. "If the current political crisis has a solution in the coming weeks, the economic impact will be minimal," he told the Reuters news agency, referring to the fact that the country has been without a government for 36 days. Forecasts for the cashew season in Guinea-Bissau point to production of 200,000 tons. *(Macauhub)*

Chinese group CITIC modernises agriculture in Angola
Chinese group CITIC is in talks with the Angolan government to be granted 30,000 hectares of land to farm in Bié province, Chinese state news agency Xinhua reported. The agency said that the land would be allocated to rice production, as part of a project that has the financial support of Chinese banks.
The Chinese state group currently manages two major agricultural areas with a total of 20,000 hectares in the provinces of Uíge and Malanje, which are pilot areas for agricultural development in Angola. "Angola has a lot of rainfall and we are trying to recover its status as a major grain producer in Africa," said Liu Guigen, general manager of CITIC Construction Africa group that is involved in the project.
The CITIC farm in Malange, 380 kilometres from Luanda, is considered the most modern and advanced farming unit in Angola, having harvested over 10 tons of grain last season. The Uíge farm, in addition to agriculture, is also developing an animal husbandry project.
Angola consumes about 4 million tons of grain a year but needs to resort to imports from Brazil and Namibia, among other countries, as domestic production is only 1.5 million tons. CITIC Construction, which is now involved in agricultural development projects in Angola, was responsible for building the satellite city of Kilamba Kiaxi on the outskirts of Luanda, which involved investment of US$3.5 billion. *(Macauhub)*

Rice is the biggest food import into Sao Tome and Principe in 2014
Sao Tome and Principe spent US$5.6 million on purchasing rice in 2014, the archipelago's most imported food product, according to the West African nation's National Statistics Institute (INE).

Figures provided by INE to Macauhub in Sao Tome showed that rice imports for 15.7 % of purchases abroad in 2014, with a total of 8,427 tons and a cost of US$5.6 million, compared with US$4.2 million spent in 2013. Next on the list of biggest food imports, after rice, is beef accounting for 12 % of the total and costing US$4.3 million dollars and wheat flour with 9.7 % and US$3.5 million.
Japan is the largest supplier of donated rice to Sao Tome and Principe under an a food aid agreement worth an estimated US$3 million. The cash raised through the sale of Japanese rice is used to repair schools, health centres, roads and drinking water supply systems. *(Macauhub)*

Mozambique and Guinea-Bissau want to cooperate in the cashew sector
Mozambique and Guinea-Bissau plan to cooperate in the cashew sector, Mozambican daily newspaper Notícias reported, citing sources from both countries who took part in the International Cashew Conference held in the Mozambican capital.
The newspaper also reported that representatives of the two countries have initiated contacts and that Guinea-Bissau, the second largest producer of cashew nuts in Africa with an average of 200,000 tons per year, is seeking information about Mozambique’s experience in industrialisation of cashews.
Mozambique, the fourth largest African cashew producer and one of the leaders in cashew nut processing in Africa, intends to improve its knowledge of cashew production.
Africa produces half of the cashew nuts sold worldwide, estimated at 3 million tons, but only processes 10 percen of this production, and Filomena Maiopué, director of the Cashew Promotion Institute (Incaju) of Mozambique, advocated an increase in the processing in countries where cashews are produced, “to guarantee jobs and income that the population needs so much.”
The director of Incaju said during the conference that Mozambique plans to produce about 100,000 tons of cashews in the 2014/2015 season, 20,000 tons more than the previous season, but about half of what the country produced in the 1970s when was the world’s largest producer with 200,000 tons per year. Mozambique is currently fourth on the list of the largest cashew nut producers in Africa, a list that is headed by Ivory Coast, followed by Guinea-Bissau and Tanzania.
The International Cashew Conference is the world’s largest forum for the product, linking research with production and the market by discussing issues such as business, ethical trade and organic production. *(Macauhub)*

UPCOMING EVENTS

Innovation Africa 2015 – Devolping African Skills for the 21st Century, 30 Sept – Oct 2, Lake Victoria, Uganda
http://innovation-africa.com/2015/

FT Africa Summit 2015 London, 04 - 05 October 2015, at Claridge's Hotel
Sustaining the Momentum in what looks set to be a less benign external environment – with prices falling for many of the commodities African countries rely on for export earnings - will require governments to be more judicious in the way they spend scarce resources and more proactive in providing a competitive environment for business.
https://live.ft.com/Events/2015/FT-Africa-Summit-2015

Dubai: Super Return Middle East - The Largest Private Equity Event in the MENA Region: 4 - 7 October 2015

Katanga Mining Week, 20-21 October, Lubumbashi, DRC
The Katanga Mining Week focuses more on the local challenges of the province as well as the role of the mining industry in social development responsibilities. Katanga is the hub of copper and cobalt mining in the DRC.
www.ipad-katanga.com

Global Pacific & Partners' 22nd Anniversary Africa Oil Week/Africa Upstream Conference 2015, 26th- 30th October 2015, Cape Town International Convention Centre, South Africa
The longest-running and most prominent event held worldwide in or on the Continent for its fast-growing oil, gas-LNG and energy industry. *http://aow.globalpacificpartners.com/events/?fa=event&id=937&evid=938*

Future of Banking Africa, November 10th Intercontinental Lagos Nigeria
Africa is rising and is becoming the new banking destination.
www.futureofbankingafrica.economist.com

African Urban Infrastructure Investment Forum Nov 30 –Dec 3 2015, in Sandton - South Africa
http://ic-events.net/event/africa-urban-infrastructure-investment-forum-2015/

The Global African Investment Summit, 1-2 December 2015 Central Hall Westminster, London UK
www.tgais.com/africanbusiness

Mining Indaba 2016 Cape Town, South Africa -01 to 04 February 2016
http://www.saceec.com/events/view/mining-indaba-2016

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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

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