17 March 2017

INSIDE AFRICA

Now is the time to invest in Africa

EAGLESTONE SECURITIES

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In-depth:
INVESTING IN AFRICA
The Key to Getting More Power to Africa

Jay Ireland and Elizabeth L. Littlefield agree trust is the main element needed to draw foreign investment

It's estimated that Africa needs $600 billion in infrastructure investment between now and 2030, largely for power generation. Many such projects face local opposition over environmental impact and displacement of people. Investors, for their part, worry about whether country leaders will stick to the terms agreed to in hammering out deals.

Neanda Salvaterra, a reporter for The Wall Street Journal, discussed plans and concerns about African power development with Jay Ireland, president and chief executive of GE Africa, and Elizabeth L. Littlefield, former president and CEO of the Overseas Private Investment Corp., the U.S. government's development-finance agency. Edited excerpts follow.

Frequent uncertainty

MS. SALVATERRA: What lessons can foreign investors learn from African power projects in general?

MS. LITTLEFIELD: These are very difficult deals to do, obviously, and they take an awfully long time. The temptation in many projects is that once a country has had the experience of developing a project and they're seeing a lot of investment interest, they want to go back and renegotiate the tariffs that were negotiated with a pioneering developer who came in long before that country got hot.

That's probably one of the most damaging things that can be done. Because uncertainty is public enemy No. 1 for a private investor.

Power Supply

Installed electrical generating capacity, 2015, in gigawatts

	AFRICA	PCT. SHARE	REST OF WORLD	PCT. SHARE
Natural gas	77.7	39.6%	1,530.6	24.7%
Coal	44.5	22.7%	1,906.3	30.8%
Oil	37.4	19.1%	408.0	6.6%
Hydro	28.3	14.4%	1,179.3	19.0%
Nuclear	1.9	1.0%	401.8	6.5%
Bioenergy	0.6	0.3%	117.8	1.9%
Other renewables*	5.8	3.0%	659.2	10.6%
TOTAL	196.2		6,197.2	

*Wind, solar, geothermal, and tide and wave

Source: International Energy Agency World Energy Outlook 2016 THE WALL STREET JOURNAL.

MS. SALVATERRA: Some of these price tariffs that end users are paying can be quite steep. Are they paying reasonable tariffs?

MS. LITTLEFIELD: This issue of trust and trustworthiness, for me, is the most important thing between governments and developers in the power sector in Africa. Both sides have a lot they can do to improve. On the private sector side, it is true, I think, that some developers have taken advantage of information asymmetries or whatever to push through transactions that were probably not fair at the very beginning.

But I like to think that's an unusual case. On the flip side, when it comes to trust, people used to think that the regulatory framework was the most challenging thing and the biggest concern of developers. Now when we talk to developers from OPIC and the other direct foreign investors, it's actually not at all the regulatory framework, it's execution capability and political will.

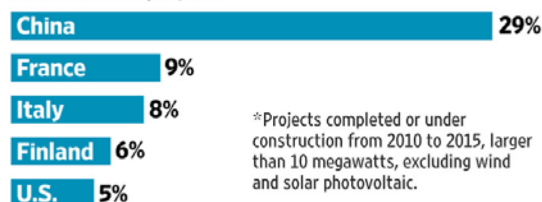
Because we recognize that the political will to offer cost-covering tariffs, to award concessions and contracts, takes a lot of guts for a leader, and often there's really no incentive for them to do that, for me it's really trust and trustworthiness: the trust to be brave and do the right thing from a private-sector perspective on the one hand, but also ensuring that private-sector operators aren't taking advantage of the situation.

Success is possible

MS. SALVATERRA: Can you give us an example of countries that have done a good job at this?

MR. IRELAND: Kenya is probably one. They have separate companies—a generation company, a distribution company, and a transmission company. Each one has its own financial incentives and understanding, and capability to make the right decisions of investment, etc. So I think that's one.

South Africa, with Eskom [the state-owned power provider] also. But in a lot of ways the industry is basically subsidizing the consumers, where in the U.S. it's pretty much the opposite. The



payment for power for U.S. industrials is much cheaper than I would pay as an individual. It's the opposite in South Africa.

MS. SALVATERRA: How can we get the private sector to invest in transmission?

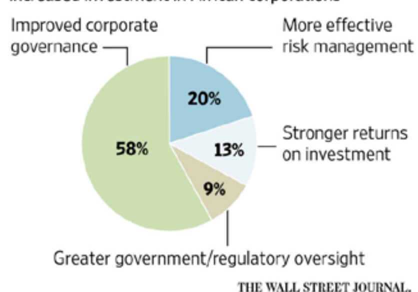
MR. IRELAND: That's a good question. We're not interested. The issue is, it's expensive. It typically is done by development institutions, or governments, or whatever. It gets back to what Elizabeth said, which is the political will. We've all seen it in Africa. Tariffs slowly climb up, election time comes, boom, tariffs decrease. So the private sector's sitting there going, "Well, back to the uncertainty issue." You can't make a 20-year investment decision on something that's going to fluctuate like that every four years for elections, or whatever it might be.

MS. LITTLEFIELD: Off-grid power has had such a boom in recent years that in many cases that's going to obviate the need for transmission grids to continue to be built. And in fact, some of the emphasis folks were making particularly in South Africa is on improving the quality of the grid, not just extending it. Because in many cases the grids are so unreliable that they need development. There are people within reach of the grid that already aren't able to get power. Off-grid, for me that's the most exciting new development in power in Africa. *(By Ms Salvaterra, Wall Street Journal)*

The Five Keys to a More Prosperous Africa

Akinwumi Adesina, president of the African Development Bank, lays out his vision for economic growth and a better life for Africans

As president of the African Development Bank, Akinwumi Adesina has a vision of how the bank can help the continent reach its economic potential and provide a better life for its people. He laid out that vision in an interview with Matina Stevis, Africa business correspondent for The Wall Street Journal. Here are edited excerpts of their conversation.



MS. STEVIS: For the past year and a half or so, you've been heading up an institution that is extremely important for the continent of Africa. Tell me about the last year and a half.

MR. ADESINA: Five things are very important for me—the High Fives strategy of the bank.

First is to light up and power Africa.

Second is to feed Africa, because I come from an agricultural background, and I know it makes no sense to be spending $35 billion a year importing what you should be producing and exporting, right? And if you don't do anything about that, by 2025, Africa will be spending $110 billion importing food. Goodness, for what reason? So that's our second priority, is to help Africa feed itself, become competitive in agriculture.

The third is to industrialize Africa. Of course, you can't have that if you don't have power. And so industrializing Africa would mean, instead of selling cocoa beans all the time, it is actually making money from chocolates, because that market for cocoa is highly unstable. But again, I've never seen the price of chocolate go down. The price of chocolate always goes up.

I've never seen the price of shirts or nice dresses go down, they always go up. But the price of cotton always goes down. So it makes no sense to be exporting raw materials and complaining that you are poor. We must industrialize.

Another one is regional integration. Because Africa has to trade with itself. Only 13% of trade today is within the continent. But for that, you need good roads.
And finally for me, the most important of these High Fives projects is to improve the quality of life of the people of Africa. A week before I took on my job as president of the African Development Bank, I went to Senegal, to a place called Gorée Island.
This is the place where they took the slaves, and they threw them into the boats. And I got back into my car and I said to myself with all the emotions involved, "Well, all these folks went from here against their own will." But today, you've got literally tens of thousands of young Africans that are, of their own will, jumping on rickety boats and going through the Mediterranean.
And thousands of them are dead at the bottom of that Mediterranean Sea. Now, that's clearly not the Africa I want. I want an Africa that can create jobs, that can make a lot of young people use their skills well, that can create hope. An Africa where they can stay. And so that's why we are investing, as the bank, in a massive effort today, called Jobs for Africa's Youth. The goal is to help countries to generate 25 million jobs over the next 10 years
MS. STEVIS: What are your plans to reform the African Development Bank to be the competitive institution it can be, and use and leverage its local knowledge?
MR. ADESINA: First and foremost, we have developed a new development and business model for the bank, which basically is to decentralize the bank. The bank is now decentralized. It's closer to its clients.
We've got regional offices in West Africa, East Africa, Central Africa, North Africa and Southern Africa. The African Development Bank is the voice of Africa on development. And the greatest thing we have is not money, it's knowledge. And knowledge is power. And so I want our bank being there constantly with countries to be able to do that. That's going very, very well.
And we restructured the bank and created a whole new vice presidency [just for electric power]. Because I know without power, Africa is going nowhere.
You're looking at a bank that is leaner, that is faster, that's more efficient, that's more impact-driven. *(By Ms Stevis, Wall Street Journal)*

IMF, WORLD BANK & AFRICAN DEVELOPMENT BANK

World Bank Supports Rural Electrification to Decisively Curb Poverty in Mozambique

- *World Bank supports the expansion of photovoltaic solar energy programs, connecting over 500 rural health centers and 300 schools throughout the country*
- *The $120 million International Development Association-funded program contributed to building new transmission lines and distribution networks, expanding access to electricity*
- *The Bank also supports the use of environmental-friendly cooking stoves, which brings down pressure on wood fuels, reduces deforestation, and protects women and children against carbon monoxide and volatile particles emanating from coal*

MAPUTO, March 1, 2017─Families of the little village of Damo in the Moamba District, some 90 kilometers away from the capital of Mozambique, remember the times when firewood and kerosene lamps were the only sources of light to illuminate the interior of their homes. With World Bank support to the Government of Mozambique's Energy Development and Access Project (EDAP), life in this and many other villages across the country have changed dramatically in recent years.
"My life is not the same anymore," said Laura Chissico, a resident of Moamba district who recalls how life has changed for better. "Now that we have electricity, we have been able to earn 5,000 to 7,000 MTs (about $60 to $100) a month from the sale of 'badjias' and other cookies. We even started to use a conventional oven that allowed us to diversify our products and expand the business."
As many other residents in Moamba and other districts impacted by the project─including those in the provinces of Cabo Delgado, Niassa, Manica, and Inhambane─Laura used "xiphefo," a homemade unreliable kerosene lamp, as the main source of light, rendering almost impossible any

public or commercial activity at night in the district. With investments in new distribution lines, installation of transformers as well as new connections, her life, and those of many other rural residents across the country, has turned around completely.
Schools, Health Centers, and Businesses Among the Biggest Beneficiaries
José Filimone, a wood artisan in the Maputo province, who owns a small business with over 10 workers, is another satisfied beneficiary who tells us how his business is thriving these days thanks to electricity. "We are now using electric tools, which means working faster and getting better finishing quality, something that hardly ever happened before," he recalls visibly happy. "We have bigger orders today, and our lives improved significantly."
The World Bank is currently in the second phase of a $120 million program called Energy Development and Access Project aimed at improving access to electricity in Mozambique. As part of this project, which is about to close, 42,500 new clients from peri-urban settlements have been added to the network. Investments under the project include the expansion of existing networks in fast-growing areas as well as in large cities, including over 400 kilometers of new transmission and distribution lines. Other areas benefiting from World Bank support are the improvements of institutional and regulatory capacity in the energy sector, as well as efforts to extend access to energy in rural areas through off-grid renewable solutions such as photovoltaic solar panels installed in the provinces of Inhambane, Manica, Cabo Delgado, and Niassa, connecting over 500 health centers and 300 schools.

The Nexus Between Poverty and Energy

In Mozambique, poverty is concentrated in rural areas. The authorities established that accelerating and expanding access to rural electricity is key in fighting poverty. As part of this thrust, Mozambique is one of the countries in Sub-Saharan Africa with the highest rate of new connections, averaging 120,000 new connections per year over the past five years. The authorities' energy-mix plan is to maximize hydropower potential, especially through the Cahora Bassa dam as the primary source of electrification while also investing in alternative sources of energy. To that end, the government approved recently the Renewable Energy Strategy which seeks to boost energy access to rural areas.
Solar power offers great potential for Mozambique and remains largely untapped in the country. The authorities have recently set forth their medium term energy-mix plan which includes 55% of renewables by 2030. The World Bank has also provided support for planning, policy, and institutional development of Mozambique's power sector. This includes assisting in the elaboration of the National Rural Electrification Strategy and investment programs. In addition, the Bank is also working in coordination with the government's Energy Fund (FUNAE) in promoting the use and distribution of cooking stoves, in an initiative aimed at, among other things, bringing down pressure on wood fuels, reducing deforestation, as well as protecting women and children against carbon monoxide and volatile particles emanating from coal, which is widely used for cooking throughout Mozambique.

In Mozambique, Promoting Value Chains in Tourism and Agriculture is Starting to Pay Off

- *Progress in reducing poverty has been severely limited in Mozambique's rural areas.*
- *The vast majority of the country's rural residents are engaged in small-scale, subsistence-level agriculture.*
- *A World Bank Group project sought to make growth in Mozambique more inclusive by targeting small and medium-sized businesses outside of Maputo, as well as by providing specialized training and value chain development in agriculture and tourism.*

WASHINGTON, March 1, 2017—All signs seem to be pointing to strong economic progress in Mozambique: Economic growth averaged 7.9% per year between 1993 and 2014; foreign direct investment increased significantly between 2005 and 2013, peaking in 2013 at more than $6 billion; and progress has been made in reducing poverty; the country's poverty rate decreased from 68% to 52% between 1997 and 2009. The capital city, Maputo, has seen luxury hotels and skyscrapers

starting to dot the skyline, as the government's efforts to cater to tourists and foreign investors have borne fruit.

But for the rest of the country beyond Maputo, the story is more complex. While Maputo has reduced its poverty rate to 10% over the last decade, progress has not been as strong in other provinces. Life for people in many rural areas has seen little progress: Two provinces – Zambezia and Nampula – are home to 38% of the country's population but account for almost half of its poor.

A recent World Bank Group project in Mozambique – the Competitiveness and Private Sector Development project – sought to energize economies outside Maputo province by promoting broad-based growth; by focusing investment on specific agricultural products; and by developing workers' skills to expand employment opportunities in the promising tourism sector.

Through a $25 million credit, the six-year project that began in October 2009 achieved noteworthy progress in three distinct activities:

- It set up a matching-grant program that provided 847 grants for technical assistance and training to Micro and Small and Medium-Sized Enterprise (MSME) owners with an average value of US$4000 per grant;
- It promoted the tourism sector in Inhambane province by developing tourism-related skills (e.g. financial accounting, management) for more than 1,300 people (nearly 900 of whom were from the private sector) and trained subsistence-level horticulture farmers on how to get their products to market;
- It established the National Fruits Training Center in Nampula, where 695 residents were given practical training and development services in tropical-fruits business operation.

The Nampula center provided small-business owners with general training on business management, quality and logistics, and provided farmworkers and supervisors with product-specific training in the production of bananas, pineapples, mangoes and papayas. It also hosted a demonstration farm where local producers could observe modern farming techniques and apply them to their own plots.

"Without a sustained focus on developing specific sectors of the economy, the rural areas of Mozambique seemed destined for continued stagnation," said David Bridgman, Practice Manager for the World Bank Group's Trade & Competitiveness Global Practice in Africa. "By taking a concentrated approach in key sectors – agriculture and tourism – and in specific geographic areas that have potential in those sectors – Nampula and Inhambane – we felt the economy would be able to unleash some of its untapped potential."

The MSME Matching Grant Program

Capacity remains a serious challenge for small businesses in Mozambique, and the project aimed to tackle this by utilizing grants that connected entrepreneurs with much-needed business services. The Government of Mozambique identified three high-priority groups for the grant program: manufacturing, women-owned businesses, and enterprises located outside the Province of Maputo.

The program reached 363 unique firms and supported 847 total grants with an average grant size of $4,000 – primarily for the purpose of improving such business practices as marketing, promotional materials, website development, and the training of employees. Half of the enterprises reached by the program were located outside of Maputo, and 27% were run by women. Enterprises in a variety of sectors, including services, hotels and tourism, industrial, ICT, and agro-processing received grants.

Businesses benefiting from the program saw, on average, a 23.5% greater increase in sales by revenue compared to the control group of MSMEs that did not benefit from the program. This outcome is above the target set of 10%.

"In the first phase, the project supported the design of publicity materials and catalogues and provided training on customer service," said Cacilda Correira of the Bride and Groom Costume Store in Maputo Province. "In the second phase, the project supported my participation in attending trade fairs in Brazil and China. This led to expanding my women's product line and introducing the

men's product line. With all this support, I feel that I was able to realize my dream for my business."

Tourism in Inhambane

Despite the region's natural beauty and appeal to value-conscious tourists, Inhambane lacked trained personnel to work in the tourism industry. The Competitiveness and Private Sector project contributed to overcoming this vocational-skills gap by training people through more than 40 courses and workshops in tourism-related skills. Cumulatively, the project trained more than 1,300 people and certified 800. Upon graduation from the program in November 2015, 74% of those certified went on to gain employment in the province's labor market.

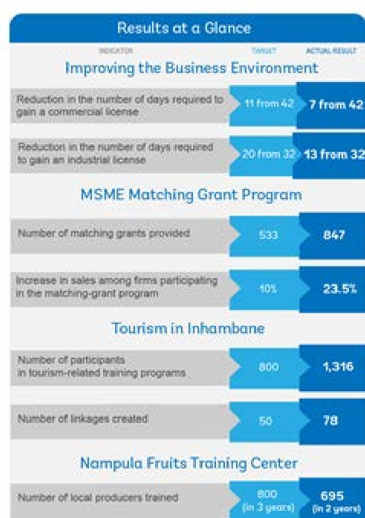
According to Mazen Bouri, World Bank Group Senior Financial Sector Specialist and project lead, "The training offered in Inhambane was of very high quality, and it prepared participants well for employment in the region's labor market."

"The project supported training to our employees on management and financial accounting," said Joao Sotho of the Massala Beach Resort in Gaza Province. "This led to increased productivity and efficiency. Our gross margin improved substantially."

The project also created an opportunity to link tourism with local agriculture and horticulture by training local subsistence farmers – primarily women – to use greenhouses to improve the quality and production of local produce. With improved produce, these local farmers were better equipped to supply the businesses that cater to tourists with fresh, local tropical fruits. That helped the farmers increase their household incomes, while strengthening their capacity to produce more fruits and vegetables with fewer losses. A total of 78 linkages were established between newly trained farmers and tourism-related business which helped subsistence level farmers bring their goods to market.

In addition, as a result of increased capacity, producers were also able to begin exporting their fruit to new markets abroad.

"The project support helped us obtain the necessary quality certification in order to export our fruit produce to Europe," said Christoph Cicarelli of C&C Agro-Alimentar in Inhambane Province. "There were some additional costs attached with meeting the quality standards, but it was well worth it, given the increase in our sales and new markets that were opened."



Results at a Glance

Indicator	Target	Actual Result
Improving the Business Environment		
Reduction in the number of days required to gain a commercial license	11 from 42	7 from 42
Reduction in the number of days required to gain an industrial license	20 from 32	13 from 32
MSME Matching Grant Program		
Number of matching grants provided	533	847
Increase in sales among firms participating in the matching-grant program	10%	23.5%
Tourism in Inhambane		
Number of participants in tourism-related training programs	800	1,316
Number of linkages created	50	78
Nampula Fruits Training Center		
Number of local producers trained	800 (in 3 years)	695 (in 2 years)

Nampula Fruits Center

The Nampula Fruits Training Center, established as part of the project as a public institute, aimed to offer experience-based training and development services in the tropical fruit industry. The Center has trained 695 participants, to date, through seminars and other training events.

Training offered by the Center helped battle malnutrition, with many of the trainees going on to plant their own farms based on what they learned at the Center. As a result of the training center, fruit available for family consumption is expected to increase from 50 tons to 150 tons per year (valued at US$40,000 and US$120,000).

In addition, specific training provided to 24 local producers is expected to result in US$3,900 in annual sales for a single producer – which amounts to US$325 per month, or about five times the established minimum wage (US$66 per month) for Mozambique's agriculture sector.

With increasing interest from both the public and private sectors to invest in fruit production, it is expected that there will be more efforts to promote the expansion of this industry in other regions of the country. To prepare its labor force for these opportunities, the government is aiming to replicate this approach with additional training centers.

"The project helped me to brand my various products," said Judite Celeste of WISSA Tipicamente Mocambicana in Nampula Province, "and this helped me overcome a major obstacle and allowed me to compete with imported products."
"Mozambique has a great deal of untapped agricultural potential, but it is a country facing many complex challenges," said Bouri. "This project was successful because it adopted an integrated approach – with applied training, community outreach, partnership with existing agribusiness investments, and adoption of technologies for the local context. It should also be emphasized that this is a long-term endeavor, and a continued partnership between the public and private sectors is essential to ensure the sustainability of the results attained."

The African Water Facility Supports Mozambique's resilience to climate change and reducing vulnerability to floods in Inhambane and Chimoio
The Government of the Republic of Mozambique and the African Water Facility (AWF) has entered into a grant agreement for a feasibility study on Urban Sanitation, Drainage and Solid Waste Management in Chimoio and Inhambane. The grant agreement was signed on January 27, 2017 by the Minister of Economy and Finance Adriano Afonso Maleiane and the Country Manager for the African Development Bank Joseph M. Ribeiro. The project was launched in workshops in Maputo on March 8, in Chimoio on March 9 and another one will be held in Inhambane on March 14. This AWF €1.6-million grant project will contribute to improve livelihood conditions and climate change resilience for the 310,000 citizens of the Municipalities of Chimoio and Inhambane. This will be achieved by reducing the risk of flooding and improving the public health.
Recurring floods. Mozambique is regularly affected by severe floods. Recently, the Inhambane Province's local population was severely impacted by the strong winds and flooding brought about by the Tropical Storm Dineo. Such event, reinforces the need to mitigate the impacts of climatic disasters. The effects are aggravated by a combination of insufficient storm water drainage, sea intrusion and old and collapsed sanitation systems. Further, Sanitation coverage is low in Mozambique. In urban areas only 55-60% of the population has access to sanitation services. In recent years, this has been aggravated by declining support allocated to sanitation services.
Commenting on the project, the AWF Acting coordinator, Jean-Michel Ossete, said, "The AWF Development Plan and Feasibility Study for Urban Sanitation, Drainage and Solid Waste Management project will pave the way for investments aimed at improving climate resilience and health in the two municipalities. This will be achieved through improved services in sanitation, drainage and solid waste management. Not only will we reduce the risk of flooding but we will also improve people's health. The Development Plan covering the next 20-25 years will lead to increased investments in climate change adaptation, specifically in sanitation, drainage and solid waste management infrastructure and services, to the tune of €30 million by 2020."
Optimizing the project implementation for better results. The project launching events in Maputo and Chimoio involved the main stakeholders of the project, including representatives from Mozambique's National Directorate for Water and Sanitation, the AWF and the African Development Bank, the project's executing agency, Chimoio municipal authorities and other selected ministries. The launch workshops were organised to ensure an efficient and smooth implementation of the project.

How an AfDB-funded project is building water-resilient systems in Malawi
More than 500,000 trees have been planted as part of efforts by the African Development Bank (AfDB) to combat climate change and build water-resilient systems of rural communities in five districts of Malawi. Fourteen catchment management committees have also been created, and more than 200,000 people have benefitted from awareness-raising activities thanks to an AfDB-funded project. "Building water-resilient infrastructures has been central to the AfDB's work in Malawi. In alignment with the country's National Adaptation Program of Action (NAPA), the AfDB designed the Sustainable Rural Water and Sanitation Infrastructure Project for Improved Health and

Livelihoods (SRWSIHL) to empower local communities particularly women and youths to adapt further to the devastating effects of climate change," says Oswald Chanda, Officer-in-Charge of the Water Development and Sanitation Department (AHWS). "So far, these interventions have significantly contributed to building the resilience of affected communities through the rehabilitation and expansion of water and sanitation infrastructure as well as improved hygiene practices. These are smart ways of assisting the rural communities to climate proof and ensure inclusive access to water supply and sanitation in the five districts concerned," says Chanda.

Malawi’s rainfall patterns experienced significant variation in the past decades because of climate change. Prolonged dry spells, droughts, and floods became frequent occurrences, devastating many communities and further exacerbating poverty. More than 6 million Malawians were left with a shortage of food including water scarcity because of the recent El Nino effect.

Like elsewhere in Africa, the African Development Bank (AfDB) in collaboration with Malawi’s Government decided to act and build stronger and resilient communities to cope with this scourge. Among a series of AfDB-supported interventions in different sectors, it approved SRWSIHL in April 2014. This project among other goals seeks to increase the resilience of water supply systems in five districts, namely, Rumphi, Nkhotakota, Ntcheu, Mangochi, and Phalombe.

The project has supported the rehabilitation of catchment areas, the creation of catchment management committees and training of communities on the importance of protecting the catchments for water sustenance. These communities are also supported with alternative livelihood activities such as beekeeping and animal rearing. Not only does this generate income for families, but it also discourages deforestation for charcoal production.

Enhancing sector reforms, strengthening the capacity of women and youth, building sector knowledge for better decision making and empowering capacities of district councils and rural communities were also core objectives of this project. "The Bank has supported the government to implement the Decentralization Policy of 1998 specifically by empowering communities and district councils to develop and manage the water and sanitation services at the local level,” said Chanda. "More than 16,500 people have started accessing clean water from 60 boreholes which have been commissioned. 240,000 pupils are accessing improved sanitation services from 147 sanitation facilities constructed. Women who have the responsibility of water collection, have more time now for farming and girls can get to school on time," says Engineer Benson Nkhoma who leads AfDB’s operations in this sector in the Malawi Country Office.

Beneficiaries also noted that not only do they use more water than before, it is also of improved quality. Improved sanitation at village level has resulted in fewer cases of malaria. “I am a free woman, now,” one beneficiary said when asked how access had affected her life. She added enthusiastically that she now has considerably more time for her daily activities.

The Rural Water Supply and Sanitation Initiative (RWSSI) Trust Fund is contributing Euro 2.7 million to fund the project. Other funding came from the African Development Fund (ADF), the Nigerian Trust Fund and the Government of Malawi. The total financing of the project is Euro 25.61 million.

By the time this project will be completed in 2019, about 516,000 people are expected to have gained access to improved water supply and 575,000 to improved sanitation.

INVESTMENTS

Nigeria to open up government airports to private investment

Nigeria will open up its government-owned airports to private investment, the minister of aviation said as the capital's airport prepares to close for repairs after years of neglect.

All government-owned airports will be offered to investors who have "the wherewithal, the know-how, the technology, the capacity, the ability, the finance to put up huge fantastic edifices as airports with everything including hotels, just the way you see them abroad," said Hadi Sirika, Nigeria's aviation minister, at a news conference in the capital of Abuja. Sirika did not specify when the government airports would be opened to investment, or provide any other details. Abuja's airport is set to close for six weeks for repairs on the

runway, after it had become so damaged that international carriers were pulling their services or warning they may soon have to. Two days before the repairs begin, workers were still needing to fit electrics, seating and toilets to a new terminal at Kaduna, which will handle the capital's air traffic but lacks capacity. (By Paul Carsten, Reuters)

Angola: Spain wants to finance national projects

The Kingdom of Spain intends to finance, with USD 2 million, at least 41 national private investment projects identified by the Technical Unit for Private Investment (UTIP) in the sectors of industry, agriculture, tourism and construction.

The information was released by the director of the UTIP, Norberto Garcia, according to which investors have the global value of two million dollars, intended to be spent in the implementation of national private projects.

The official, who was speaking at a working meeting between the groups of Spanish financiers and Angolan businessmen, stressed that the projects have already been identified and will later be oriented towards their implementation. They, he said, "are legible by the conditions established by the financiers, especially the market guarantee". He pointed out that the UTIP has been promoting several working meetings on private investment projects with a view to finding investment funds in the international market, especially for those projects that do not have financing. Norberto Garcia added at meeting he aimed to establish partnerships between Spanish and national companies, strengthening the relationship between the main business associations of the two countries, boosting the economy and responding positively to the objectives of economic diversification.

The representative of Cyrus Empire Funds, Pascal Valentin, expressed the interest of his organization to create the first investment fund in Angola for the development of private projects, with a view to the economic and social growth of the country. He stressed that the fund will be made available to the Angolan business area, with a view to developing economic activities. Pascal Valentin explained that the main objective is to develop the various sectors of the Angolan economy, namely agro-industry, energy and infrastructures.

The working meeting between groups of Spanish funders and Angolan entrepreneurs, led by UITP director Norberto Garcia, is a result of good relations between the Republic of Angola and the Kingdom of Spain, aiming to strengthen the good business environment between the two countries. It also aimed to establish partnerships between national and Spanish companies, strengthen the relationship between the main Angolan business associations, especially in the sectors of industry, infrastructures and agriculture in its aspects of fruit growing, cereals, legumes and vegetables. Cyrus Empire Funds, located in Madrid, Spain, is an investment fund dedicated to the African Continent, aimed at increasing economic and social development. *(Angop)*

Poland wants to fund construction of seed factory in Lubango

Polish business class is planning to build an agricultural seed plant in Lubango, southern Huila province, said the vice-marshal of the Wielkopolska region, Leszek Wojtasiak.

Contacts are in progress for the construction of the factory in Mapunda ward in Lubango, said the deputy marshal. Leszek Wojtasiak, who would not disclose the costs of the project, the starting date and the capacity, said that the initiative is part of the protocol of cooperation signed last year by the governments of southern Huíla province and the region of Wielkopolska (Poland). The intention is to help the local government and the business group to reduce the seed imports as the province of Huila has conditions to produce them. He also stated that Wielkopolska region will sign in the forthcoming future a protocol of cooperation with the Mandume Ya Ndemufayo University for training in agriculture field as well as grant scholarships to students in this sector. The official put the profits at more than USD 60 million in the export of the surplus, should the region focus on big investment. *(Angop)*

Japan and Mozambique sign cooperation agreements

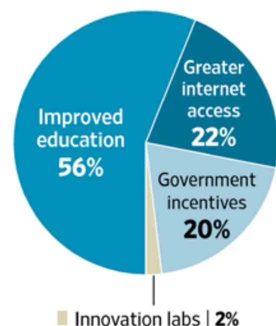
Mozambique and Japa in Tokyo signed two bilateral cooperation agreements focused on the development of infrastructure, as part of an official visit by President Filipe Nyusi to the country.

One of the agreements concerns the construction of roads and bridges in the province of Cabo Delgado, northern Mozambique.

Under the agreement, Japan will finance the construction of three bridges over the Messalo basin in regions known as Messalo One, Messalo Two and Maduede along National Highway 380, which connects the city of Pemba to the Palma district.
The second agreement is a memorandum of understanding and cooperation for the development of urban transport in the city of Maputo, Mozambican news agency AIM reported.
This memorandum involves the Mozambican Ministry of Transport and Communications (MTC) and the Municipal Council of Maputo together with the Ministry of Economy, Trade and Industry and the Ministry of Land, Infrastructure, Transport and Tourism of Japan.
The signing of two cooperation agreements was preceded by a meeting between Japanese Prime Minister Shinzo Abe and Filipe Nyusi who, leading teams from their respective governments, discussed bilateral cooperation. *(Macauhub)*

China Harbour Engineering Company and Sinohydro Corporation hired for projects in Angola
The China Harbour Engineering Company and Sinohydro Corporation have been hired by the government of Angola to carry out construction projects for basic sanitation, infrastructure and stabilisation of slopes in the city of Sumbe, the capital of Kwanza Sul province, according to a presidential order cited by the Africa Monitor newsletter. The work, whose award to Chinese companies will cost US$459 million, is required, according to the order, withbased on a need to move ahead with the government programme to improve sanitation and the urban fabric of the city of Sumbe, which has a population of over 200,000. The China Harbour Engineering Company (CHEC) has been selected for two lots of this work involving integrated infrastructure of the city of Sumbe, slope stabilisation and relocations, for US$311.2 million. A third lot of construction works was also awarded to China's Sinohydro Corporation for US$130.8 million, and the supervision and coordination of the works will cost 2.935 billion kwanzas (US$17.6 million). The authorisation signed by the President of Angola, announced that the companies will be hired directly by the Ministry of Construction, with the Ministry of Finance releasing the necessary funds. *(Macauhub)*

How to Encourage Innovation in Africa
Ndalo Media founder Khanyi Dhlomo and Mara Group founder Ashish Thakkar on where the potential is and what's blocking it
How is innovation in Africa different from innovation in Silicon Valley? And how can innovation in Africa be encouraged? Dan Keeler, frontier-markets editor of The Wall Street Journal, discussed those questions with Khanyi Dhlomo, founder and chief executive of Ndalo Media, a publisher based in South Africa, and Ashish Thakkar, founder of Mara Group, a pan-African investment group with operations in banking, real estate, infrastructure and technology. Edited excerpts follow.
MR. KEELER: *What about innovation in Africa? Khanyi, what sort of things are you seeing that are inspiring you?*
MS. DHLOMO: There's a lot of innovation happening in Africa. But it's not necessarily sexy in sort of the globally expected way. Much of the innovation is around solving problems and meeting real human needs.
For example, Fyodor Biotechnologies has created malaria testing kits designed for the African market. You can use them at home and they are urine-based. The company is producing about two million of them now.
MR. KEELER: *And those tests are, like $2 each, correct?*
MS. DHLOMO: Exactly, they're about $2 each. So I think for investors and for entrepreneurs to succeed in Africa, whether they are African or not, is to look at what are the needs that people have? Where are the struggles? Where's the pain? And create around that. Rather than taking products that are successful elsewhere and pushing them onto the market.
MR. KEELER: *Are you saying that Africa needs to deal with things like malaria and basic needs before you can do the sort of big, leapfrogging innovation?*
MS. DHLOMO: Because of some of the disadvantages that the continent faces, I think the real good work, the profitable and meaningful work, is coming from innovations that are aimed at really changing lives.
And it's not just about malaria, it's also about education. In South Africa, there's a company called Rethaka Trading that's incorporating solar energy into school bags for schoolchildren in rural areas. During the day, the bags are charged with solar energy. In the evenings, the same bags provide light for children to do homework in rural areas without electricity.



So that's an amazing innovation. And it's not necessarily about disease, it's about education and moving the continent forward. But it's not necessarily the kind of innovation that would come out of Silicon Valley, because those are not challenges that they deal with.

But the intellect, the creativity, is comparable.

MR. THAKKAR: We're actually creating real innovative solutions which are changing lives, which are being used on a day-to-day basis by our people across the continent. And I think we're seeing we're literally at the tip of the iceberg on this.

The fact that we're going to have, as a continent, 700 million smartphones within five years is going to be game changing. From edu-tech to health-tech to ag-tech, all of these things are not going to be luxuries, they're going to be norms. And I think that's what's going to change things.

When you think about commerce, the fact that by 2025, Africa's going to be spending $75 billion on online shopping just shows you the potential. Traditional retail is going to be disrupted. Lagos, 20 million people, how many shopping malls does it have? It's going to be disrupted. But in order for it to work, we've got to focus on the enabling ecosystem.

Enabling innovation

MR. KEELER: Let's talk about that enabling environment. What does that actually look like?

MS. DHLOMO: For me, the biggest enabler for African success is actually not necessarily external, in terms of money coming in. It's in Africans working together to unite markets and make it easier to trade between countries. There's huge potential there.

MR. KEELER: Talk a bit more about the environment that propagates innovation, that fosters it, Ashish.

MR. THAKKAR: It's several different things. There's access to capital, but in the form of debt, but also in the form of equity, it's still lacking. When you think about public policy, when you talk about breaking down borders, the East African community has been a fantastic example of how regional integration has happened pretty quickly, and it's actually really working and happening.

But is there such a huge demand that's being called upon from within inter-Africa trade? In my opinion, not yet. Yes, there is a demand, but is it really to that extent that we have to find a solution now?

When entrepreneurial demand actually insists on something happening, it happens. The African Union passport is a fantastic example. These were really entrepreneurs very frustrated with the fact that if you're a British or an American citizen, you can travel around our continent easier than you can as a fellow African citizen. It's mad.

Now that's happening. Many initiatives of that nature, when there's a serious demand being pushed by the mass, things will happen.

MS. DHLOMO: For far too long, Africa's been subjected to valid but external evaluations of competitiveness and entrepreneurship and innovation. And I think that people who understand the continent better, who live it and who understand where some of those supposedly negative aspects of doing business in Africa are coming from, should start putting together reputable indices and analyses of what's happening in Africa. That will just send out a much more informed and sympathetic view on doing business on the continent.

MR. KEELER: So it's almost like a little bit of self-confidence. More self-confidence will help innovators to say, we can really do this, we can make these changes from within.

MS. DHLOMO: Confidence, but also a genuine understanding of the dynamics of doing business in the different countries on the continent. *(By Mr Keeler, Wall Street Journal)*

BANKING

Banks

Lending cap, drought hurting Kenya's banks: Equity Group CEO

Kenyan lenders are facing severe turbulence, grappling with a government cap on commercial lending rates, and the impact of a drought, Equity Group Chief Executive James Mwangi said. Equity, one of the country's biggest by customers, saw its pretax profit edge up 3.75 % last year to 24.9 billion shillings ($242.22 million), as it boosted provisions for bad debts.

Mwangi said the cap on rates, at 4 percentage points above the central bank rate of 10 %, had made it difficult for banks to lend to risky customers. The government imposed the cap last September saying banks had high returns and they were not passing those benefits onto customers. "Bank management (teams) are sailors in deep waters," he told an investor briefing, adding a drought, which has left 2.7 million people in need of food aid, had depressed demand. Kenyan bank shares have slumped since the cap was imposed. The average valuation for banks has dropped by half to 0.9 times book value. Equity, whose return on equity had been surpassing the industry, is trading at 1.2 times book value, but analysts said the chief executive's bleak assessment could make investors question that premium. "The tone of voice has moderated from 'we will grow and sustain this growth from digitization, SME and micro (lending) above the industry' to, the current environment is challenging and therefore we are adjusting our strategy," said Francis Mwangi, a research analyst at Standard Investment Bank.
A focus on micro-loans to individuals and small businesses, and a growing mobile phone financial services business, called Equitel, had propelled Equity's faster growth.
Equity, which also operates in Uganda, Tanzania, Rwanda, South Sudan and the Democratic Republic of the Congo, saw its net loans inch down 1 % last year, as it reduced customer lending and boosted investments in government Treasuries.
Its net interest margin fell to 11.0 % at the end of last year from 11.7 % in September when the cap was imposed. It expects the margin to be 9-10 % this year. "This is now directly hitting profit and loss of the banks because you cannot pass it on to the consumer," said Mwangi, the chief executive of Equity. ($1 = 102.8000 Kenyan shillings) *(By Duncan Miriri, Reuters)*

Banks in stand-off with Etisalat Nigeria over problem loan
Nigerian banks have opposed a proposal by Etisalat Nigeria to convert part of a $1.2 billion loan from dollars into naira and want Abu Dhabi telecoms group Etisalat and its other shareholders to recapitalise it instead, a source said. A banker with knowledge of the negotiations told Reuters that the seven-year syndicated loan, on which Etisalat Nigeria missed a payment, has a dollar portion of $235 million which the telecoms operator wants to convert into naira to overcome hard currency shortages on Nigeria's interbank market. "Etisalat is asking for us to convert the dollar component to naira but banks don't want that option and have told them to talk to their parent to settle the loan," the source said, adding that regulators favoured the conversion.
The UAE's Etisalat own 45 % of Etisalat Nigeria, while Abu Dhabi's Mubadala owns 40 % of the company, which is due to meet its lenders for debt talks mediated by Nigeria's central bank and the telecoms regulator.
This meeting came about after authorities agreed with local banks to prevent Etisalat Nigeria, which was not available for comment, going into receivership. Nigeria has been running short of dollars as a result of lower global prices for oil, its major export. It economy entered a recession last year for the first time in 25-years. Most of the 13 lenders involved in the Etisalat Nigeria loan had raised dollars abroad to participate, meaning that further naira weakness would see them receive fewer dollars. The currency had lost half of its value since the loan, which matures in 2020, was made. Interest is due monthly and the next principal payment is due in May, the source said. Etisalat, which generates 3.7 % of its revenues from the Nigerian business, has questioned the rationale of investing more in it and may sell its stake, sources say. Etisalat had written down the value of Etisalat Nigeria last year to $50 million due to naira weakness, Moody's said in a note, adding that the default at the affiliate company did not affect the parent's credit profile. Etisalat owes GT Bank 42 billion naira, and Access Bank 40 billion naira. It owed Fidelity Bank 17.5 billion naira, the bank's investor relations team told Reuters. Etisalat Nigeria has 20 million subscribers, according to Nigeria's telecom regulator, making it the country's number four mobile operator with a 14 % market share. South Africa's MTN has 47 %, Globacom 20 % and Airtel - a subsidiary of India's Bharti Airtel - 19 %. *(By Chijioke Ohuocha, Reuters)*

Africa's Ecobank targets strong customer growth from mobile banking
Africa's Ecobank expects its new digital banking platform to help to boost its customer base across the continent to 100 million from 13 million by 2020, it said after announcing that it had signed up 1.5 million personal accounts through the mobile app. Ecobank has operations in nearly 40 African nations, some of which have been pressured by the commodity price slide and unfavourable currency swings that have prompted the bank to strengthen its focus on the relatively stable consumer market.

"We have brought financial services to the mobile phone ... to have instant account, payment and receipt across Africa," Ecobank's head of consumer banking Patrick Akinwunta said, adding that digital operations will also reduce the company's cost base.
The shares fell by 39 % in 2016 after a drop in nine-month pretax profit to $281 million in October from $398 million a year earlier. Though Ecobank generates about 40 % of its business in recession-hit Nigeria, where several lenders have adapted their business models after low crude prices put pressure on previously lucrative oil and gas loan books, Akinwunta said there potential for significant growth at low cost because only a third of Africans have bank accounts. *(By Chijioke Ohuocha, Reuters)*

Law obliges banks to return savings in deposited currencies
Banking sector has to give back the currency its customers deposited whenever they (customers) want it back, said jurist, Diógenes de Oliveira.
The legal expert, who quoted the Civil Code (articles 1185 and1189), said that when you make deposit in local currency (Kwanzas) you are entitled to get back kwanzas. According to him, this procedure also applies to the foreign currency. He said, the consumer can bring legal action without having to contract Lawyer and be exempt from legal costs and emoluments in the course of a Litigation procedure. It is a right that most Angolan consumers have but do not enforce it in the Consumer's relations, the jurist added. He stressed that relation between the costumer and bank is based on a contract. *(Angop)*

Markets

Kenya says $750 mln syndicated loan plan still on track
A plan by Kenya to borrow about $750 million through a syndicated loan is on track, a senior Treasury official said, dismissing concerns about delays in the process. The government picked Standard Chartered, Standard Bank, Citi and Rand Merchant Bank to lead the loan back in January. Banking sources in Nairobi told Reuters a plan to sign and issue the mandate for the loan last month had been postponed. "We are progressing as planned. No change of mind," Kamau Thugge, principal secretary at the Treasury, told Reuters when asked to comment on the loan. He did not offer more details. The East African nation said it would raise 150 billion shillings ($1.46 billion) from external commercial sources, to partly plug a fiscal deficit equivalent 9.7 % of GDP in its year to June 2017 budget. ($1 = 102.4600 Kenyan shillings) *(By Duncan Miriri, Reuters)*

Capital Markets Report: Green bonds to drive ethical investment
International efforts to tackle climate change are beginning to permeate capital markets more deeply. In particular, the popularity of green bonds has exploded over the past few years, with Asian, European and to some extent North American governments and corporations completing dozens of issues over the past year alone. Until recently, the African Development Bank (AfDB) was more or less the only enthusiastic supporter on the African continent. However, governments have begun to identify green bonds as an ideal source of funding in an era when debt financing is becoming more expensive and difficult to secure.
Abuja tests the waters
In December, Nigeria announced plans to issue its first green bond. The government aims to complete the N20bn ($63.1m) issue by the end of the first quarter of 2017.
It appears that Abuja is merely testing the waters, as the money will be used to support a very wide range of areas, including renewable energy schemes, tree-planting projects in the north of the country and an electric vehicle scheme in Abuja. The government hopes to secure the installation of 1,200MW of off-grid generating capacity in the north of the country over the next decade.
Shortly before relinquishing her post to become deputy secretary general of the United Nations, Nigeria's then environment minister Amina Mohammed told Bloomberg: "We are on track to sell the bond in the first quarter, a sovereign, and could have another by the end of the year … The exchequer can't get all the money we need. "That's why we must leverage these innovative ways to get funds from the international community." The government is trying to increase infrastructural investment in order to stimulate the economy, including through a 20% rise in federal government spending on infrastructure.
The world's first green bond was issued by the European Investment Bank as recently as 2007. According to Bloomberg New Energy Finance, just $2.6bn was raised worldwide through green bonds in 2012 but this figure rocketed to $46bn in 2015 and was forecast to reach to $55.6bn for 2016.

According to Environmental Finance's Green Bond Database, there was $168bn of green bond debt outstanding worldwide at the end of 2016. Most of the money raised has been used to fund renewable energy and energy-efficiency projects.

Research by the European Commission found that most of this money has been raised in the United Kingdom, France and China, but the range of issuers is still growing. On 22nd December, the Export-Import Bank of China (Exim Bank) issued its first green bonds, albeit for just RNB1bn ($144.9m) on this occasion. This is significant given that Exim Bank is a huge investor in Africa. The rate of 3.28% for the five-year bonds is just under the market average.

In some cases they have similar rates of return to mainstream bonds and so can offer the same rewards to investors. It is difficult to prove, but some proponents claim that green bonds can gain a few basis points of cheaper funding on both the primary and secondary markets.

Buyers of green bonds can also use them to support claims of sound environmental and corporate social responsibility strategies. Some bonds have been used to finance research and development, rather than specific projects or companies.

Green bond funds have been set up that could become important buyers of African green issues and could attract strong interest from development finance institutions. The European Commission believes that green bonds reduce the funding bottleneck for renewable energy projects and other environmentally positive forms of investment.

World Bank Group president Jim Yong Kim said: "We need a global financing system that's fit for purpose to factor in climate risks and opportunities. Developing a green bond market is key to mobilising the private capital flows needed to address climate change."

Support from Sweden

At the end of November, the AfDB issued green bonds worth 1.25bn Swedish krona ($140m). It was its fifth green bond issue and third in Swedish krona, and was mainly targeted at Swedish investors. The bond has a low yield of 0.413% and will mature in 66 months, with all money used to finance renewable energy and energy efficiency projects.

The bond has a low yield of 0.413% and will mature in 66 months, with all money used to finance renewable energy and energy efficiency projects. The AfDB's $500m green bond, which matured in October, was allocated to investors in its entirety.

One of the projects to have benefited from investment by the fund is the Ouarzazate concentrated solar power (CSP) project in Morocco, which will be the biggest CSP scheme in the world when completed, with 2GW of installed generating capacity.

AfDB chief treasury officer Keith Werner commented: "It was great to be back in the [Swedish krona] market for the first time since our inaugural trades in 2014. We had strong support from Swedish investors in our earlier trades and I was gratified to see this was the case once again. This issuance will allow us to continue to fulfil our development mandate in Africa with a focus on sustainability by financing projects with either a climate adaptation or mitigation component on the continent."

The Kenyan government has been in talks with international financial services companies since June regarding its first green bond issue. It plans to draw up its own legislation or regulations on the issue in the near future, both in order to attract investment into Kenya but also in order to position Nairobi as a centre for green investment.

The CEO of the country's Capital Markets Authority, Paul Muthaura, has revealed that tax incentives are likely to be introduced on green bonds along the same lines as those offered on infrastructure bonds. Given that South Africa is the biggest destination for renewable energy investment on the continent, Kenyan officials are also seeking advice from Pretoria.

South Africa was the first African country to issue green bonds, in 2014. The Nairobi Securities Exchange has already suggested that green debt financing will be particularly aimed at securing investment in new geothermal power plants, which are ideal for injecting some stability into generation mixes that are becoming more reliant on solar and wind power.

First Moroccan issue

Morocco's state solar power agency, Masen, issued that country's first green bond in November, announcing the financing at the UN climate change conference (COP22) in Marrakesh. It will help to fund solar power projects in Boujdour, Laayoune and Ouarzazate.

Rabat has set a target of boosting the proportion of renewables in the production mix to 52% by 2030 and makes it clear that it views green bonds as an attractive method of raising at least part of the required

funding. The issue, which was under-written by the government, was completed through private placement to Al Barid Bank, Attijariwafa Bank, Caisse Marocaine des Retraites and Société Centrale de Réassurance.
A Masen spokesperson said: “This innovative funding mechanism makes Masen a climate bonds pioneer in Morocco and Africa, while diversifying the company’s sources of funds and providing finance for Noor Laayoune and Boujdour.” Moreover, in December, Morocco’s central bank, Bank Al Maghrib, bought $100m in World Bank three-year green bonds as part of its reserves management strategy. The governor of Bank Al Maghrib, Abdellatif Jouahri, said: “Having become increasingly aware of the effects of climate change at the COP22 Marrakesh, countries are now specifying how to achieve commitments made in Paris. Bank Al Maghrib’s investment in World Bank green bonds has been made in that context.”
The money raised is helping to attract part funding for Moroccan energy efficiency and renewables from other organisations. In December, the European Bank for Reconstruction and Development, Agence Française de Développement and the European Investment Bank all announced financing for Moroccan sustainable energy projects.

Growing appeal

Governments and multilateral banks are keen to offer something that is perceived as being more ethical. First it was Islamic bonds, and now green bonds could fit into the same investment space, possibly with an even wider appeal. It seems likely that ethical investment more broadly will become increasingly popular over the next few years, as environmental concerns, corporate social responsibility, gender equality and the treatment of animals become more important to investors and consumers. *(By Neil Ford, African Banker)*

Capital markets in east Africa: Developing the buy side

An important step in building capital markets is to develop the “buy side” among local investors such as pension funds and insurance firms.

Local institutional investors with longer-term investment horizons, especially pension funds, can contribute to the development of local securities markets. The pools of savings these investors manage can be potentially important sources of longer-term finance – for infrastructure, for example, which in turn drives socioeconomic development. A well-functioning buy side also reduces an economy’s reliance on foreign portfolio investors, increasing its resilience to shocks caused by sudden capital inflows and outflows. The Milken Institute recently surveyed institutional investors in four East African Community (EAC) countries– Kenya, Rwanda, Tanzania, and Uganda – to ask how they are managing savings across asset classes and countries. The residents of these countries are increasingly accessing pension and insurance products. By 2016, local institutional investors had doubled the total assets they were managing to $19bn compared to four years ago. The findings show that while there are clear signs that these investors are taking a more diversified portfolio approach across asset classes in managing this growing pool of savings, there is still significant potential for them to diversify further.
Nearly 60 % of surveyed investors hold some of their assets in listed equities, although surveyed insurers – life insurance firms, in particular – tend to hold a very tiny share in these securities. Nearly six in 10 surveyed pension funds hold no assets in corporate bonds. Even in Kenya’s relatively developed capital market, pension funds only held an average of 2.5 %. Survey participants accounted for just under half of total assets managed by the insurance and pension industries. We also wanted to learn how regulatory, capacity, market development, and other factors influence how these investors manage their portfolios. We specifically wanted to understand the actual – versus perceived – obstacles investors face in further diversifying across asset classes and within the EAC.
In most cases, regulatory investment limits are not the binding constraint preventing investors from diversifying their portfolios. The share of portfolios they allocate to public equities and corporate bonds, for example, generally falls well below any national regulatory caps.
Most institutional investors also set their own internal targets or ceilings by asset class, and these often fall well below national ceilings – as do the actual investments. Restrictive or unclear regulations can create challenges for local institutional investors in some cases. This tends to occur more when they look to invest across national borders within the EAC than across asset classes nationally.
Mostly, however, the findings point to a lack of investable products and capacity constraints rather than lack of demand as explanation for the relatively low investment in private sector securities. Investors also desire more products designed to better match their investment aims. Limited long-term investment vehicles can make it difficult for pension funds, in particular, to achieve a balanced portfolio where the terms of the assets they hold match their liabilities. Because pension funds tend to have liabilities that are longer-term, they are well suited to investing in assets with similar longer-term maturities and with less risk of unexpected

liquidity demands. We also asked institutional investors in these countries about the types of financial instruments they might have an appetite for. Three-quarters said they would be interested in a regional infrastructure "fund of funds" that would invest in cross-border projects in the EAC.
A fund of funds could pool resources from investors across the EAC and be structured to invest in a diverse portfolio of infrastructure projects across this region. Nearly two-thirds of participants said they also would also have strong appetite for a private equity/venture capital (PE/VC) regional fund. An intraregional fund of funds investing specifically in PE/VC in the EAC could make it easier for local institutional investors to diversify – through the fund – into this new asset class while managing some of the associated risk.
This kind of regional approach to creating investment vehicles geared to developing infrastructure in the EAC could also help develop the small institutional investor base in countries such as Rwanda. East Africa's pension funds, in particular, would benefit from the opportunity to diversify their portfolios and invest in a pipeline of well-managed projects across the region. Forging closer regional links across the EAC's capital markets may offer a way for small, less developed capital markets to achieve scale. The potential benefits associated with this regional approach to capital market development could include diversified risk in a wider market, more efficient and competitive markets, lower costs, and more opportunities to generate returns.
Further cooperation and, ultimately, integration of stock markets in the EAC could provide a way for these markets to overcome some of the obstacles impeding their development. By pooling the resources of small local capital markets, regionalisation could boost liquidity and the ability of these markets to intermediate capital for private sector and infrastructure development. Investors would gain access to a broader range of securities. Issuers would gain access to a larger number of investors. *(Jacqueline Irving is a director in the Center for Financial Markets at the Milken Institute)*

ENERGY

Solar Project in Mali Gets Loan From AfDB

The African Development Bank approved a concessional loan for a 33-megawatt solar project in southeast Mali that's being built by Norwegian renewable energy company Scatec Solar ASA and U.S. development institutions International Finance Corp. and Power Africa. The Segou solar plant is expected to supply about 5 % of the African country's electricity, equivalent to 60,000 households, according to a statement on Scatec's website. The partners have signed a 25-year power purchase agreement with state owned utility Electricite du Mali. The project is expected to cost 52 million euros ($55 million) to install, with 45 % to be funded with senior project finance debt and 30 % with concessional loans. The IFC is providing 13 million euros and has said it will arrange another 10 million euros. The remainder will be equity provided by the project partners. Scatec owns half of the project. IFC's InfraVentures fund has a 32.5 % stake and a local project development company Africa Power 1 will hold the rest. *(By Anna Hirtenstein, Bloomberg News)*

Sumitomo Corp will expand thermal power production in Mozambique

The production capacity of the Temane thermal power plant, in Mozambique's Inhambane province, will be increased from 15 to 110 megawatts, under a contract signed in Tokyo by Mozambique state power company EdM and Japan's Sumitomo Corporation, Mozambican news agency AIM reported. The contract stipulates that the Japanese group will be responsible for obtaining a soft loan of US$190 million, which will finance the work to increase the plant's capacity. The agreement was signed by the President of EdM, Mateus Magala, and a representative of the Japanese group that will carry out the expansion and is involved in the construction works of the Maputo thermal power plant under construction in the former premises of Sonefe (National Society for the Study and Financing of Overseas Projects). Magala said the next step in this project would be to secure a soft loan from a Japanese bank. The president of Mozambique said that the increase in the plant's production capacity would improve the quality of power supplied to the centre and south of the country, including the cities of Dando, Beira and Manica. *(Macauhub)*

Solar Power May Get Boost From Africa's Biggest Oil Exporter

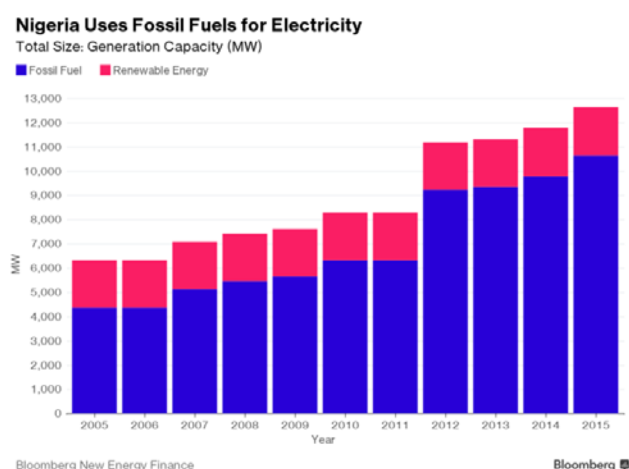
Nigeria, Africa's biggest oil exporter, may be about to turn sunward to generate more of its power. Senators in the capital of Abuja are debating allocation of $30 million to solar projects in this year's budget, according to the Renewable Energy Association of Nigeria. They're expected to provide funding for off-grid solar projects, photovoltaic manufacturing, and transmission upgrades, according to REAN Executive Secretary Godwin Aigbokhan. A decision is expected this month. "It just gives you an idea of how the government

sees solar as part of the total energy mix," Aigbokhan said in a telephone interview from Lagos. The country could receive about $2.5 billion of investments in utility-scale solar projects by 2018, he said. Just months after Nigeria announced plans to issue green bonds for renewable-energy projects, West Africa's biggest economy is debating how it could deliver clean power to more of its 180 million citizens. It's part of a growing list of Organization of Petroleum Exporting Countries, including Saudi Arabia and the United Arab Emirates, that are increasing the use of green power.

Nigerian officials say they want to generate as much as 1,200 megawatts of off-grid solar. The country's households and small businesses currently spend about $21.8 billion each year powering diesel generators to generate electricity, according to a study by German development agency GIZ. "The ubiquity of small diesel generators used to bridge gaps in grid-supplied power already makes solar panels that cut fuel costs an economic option," said Itamar Orlandi, head of frontier power research at Bloomberg New Energy Finance.

Project Activity

Nigeria has said it wants to increase the contribution of renewables to its energy mix to 23 % by 2025, from 13 % in 2015. Interest in solar has already increased, with more than $50 million of Chinese photovoltaic panels imported in the last two years, according to BNEF.



In January, the Niger Delta Power Company signed an agreement with Azuri Technologies to provide power systems for 20,000 rural households living without access to the grid. Nigerian Vice President Yemi Osinbajo said the deal underscored the government's commitment to providing access to electricity. Nigerian policymakers, who already privatized state power assets in 2015, are continuing to formulate incentives for utility-scale solar investors, according to REAN's Aigbokhan. "There are put-call option agreements in place and partial risk guarantees, so what should stop a foreign investor coming to Nigeria," he said.

Privatizing the power sector two years ago created room for developers like Erabor Okogun, the founder of Nemoante, to win projects. The Lagos-based solar developer signed a 120-megawatt power purchase agreement with the government in July last year and expects more opportunities. "Nigeria's working population is just over 70 million people," Okogun said in a telephone interview. "Any aspiring industrial nation typically requires about 1 gigawatt of energy for 1 million people, so providing sufficient power to those individuals alone is a 70 gigawatt opportunity." *(By Solape Renner and Tope Alake, Bloomberg)*

Cape Verde targets 100% renewables reliance by 2020

Cape Verde has set a target of generating all electricity from renewables by 2020, which would make it the first country in the world to do so. The government originally decided to focus on a transition to renewables in 2010, when it set a goal for the sector to produce 50% of all electricity by 2020. However, such has been the success of its strategy to date, that it has now decided to double the target. Existing oil fired plants are expected to be kept for back-up. Wind power development on the islands has been driven by Cabeólica, a company that the government set up in 2010. It now operates four wind farms with combined generating capacity of 25.5 MW on four of the nine inhabited islands: Santiago, São Vicente, Sal and Boa Vista. The $90m development costs were provided by the European Investment Bank and African Development Bank. Cabeólica is now owned by the government, the Africa Finance Corporation, the Finnish Fund for Industrial Cooperation and InfraCo, which is a donor funded development company that supports early stage infrastructure projects in developing countries. All output is sold to the state power utility, Electra, which also holds a stake in Cabeólica. While donors and development agencies have driven renewable energy development in many parts of Africa, the motivation in Cape Verde has largely come from within, although there has been some external funding. Now, however, the government is keen to attract greater foreign, private sector involvement.

Foreign investment

Delegations of French and Chinese companies have visited the country in the past four months to assess the potential for investing in several sectors, including renewables. Following a meeting with potential French

investors in December, Prime Minister Ulisses Correia e Silva said: "Safe, reliable, predictable and with political stability, these are the natural resources of Cabo Verde."
Cape Verde is being particularly innovative in one aspect of its energy strategy. Desalination plants currently consume 15% of all electricity production in the country and more capacity is likely to be needed as the tourist sector grows and the government seeks to fulfil its pledge of universal piped water supplies.
In order to compensate for fluctuations in wind power production, it plans to shut desalination plants down when wind speeds are low and maximise their use when wind power production is plentiful, effectively using water reserves as a form of energy storage.

Wider implications

It is difficult to say what impact Cape Verde's strategy will have on other African countries. As with other very small states, particularly island nations, it is very expensive for Cape Verde to import the fuel oil that has traditionally fuelled its power generation. Island microstates usually have little or no ability to import electricity. It can therefore make economic sense for such countries to fully tap their renewable energy potential, particularly as it is easier to secure funding for such schemes than other sources of power generation. Large continental states, however, have much more scope to trade in electricity, exchanging output from different technologies.
Cape Verde also benefits from plentiful and reliable wind and solar power resources, although the same can be said for large parts of Africa, particularly with regard to solar power. The goal has helped give Cape Verde a much higher profile. Cabeólica was named the Best Renewable Project at the 2016 Africa Energy Awards and the United Nations is now using the country to promote renewables around the world. Ana Monteiro, the head of Cabeólica's Environment, Social and Administrative Department, was invited to speak at the launch of the Carbon Neutral Now initiative at the United Nations in August. S.Vijay Iyer, the head of the World Bank sustainable energy department, said: "I congratulate Cabeólica for demonstrating what small islands can achieve to increase their resilience and protect their natural resources. I hope that others can learn from their innovation and resolve to fashion business strategies and solutions for the unique challenges of island states." *(By Neil Ford, African Business)*

INFRASTRUCTURE

Tazara railway needs $200m upgrade

The scale of the investment required to rehabilitate the Tanzania-Zambia Railway (Tazara) has become clear. New managing director Bruno Ching'andu has calculated how much money will be required to stabilise the operating company, aside from efforts to upgrade the line. It has debts of $700m and needs another $200m for new rolling stock and track improvements. Tazara was built in the 1970s by the Chinese government, with Chinese finance and workers. It was developed to give Zambia a means of exporting its copper, via the Port of Dar es Salaam, without moving it through Apartheid-era South Africa. It still carries Zambian copper but a lack of investment over many years has restricted revenue. The signalling and telecommunication systems, which have been vandalised over the years, are described by the company as "currently non-existent". Ching'andu said: "The debts which the authority acquired in the past have negatively affected the operations of the authority. But, if these debts could be cancelled, the institution can to get back to its normal operations." The Tazara Authority cannot raise the finance for the rolling stock and infrastructural improvements while it is so far in debt. The Zambian and Tanzanian governments paid several years' worth of outstanding fuel bills in the first part of last year, in addition to millions of dollars in employee salary arrears.

Extra capacity

In September, the Zambian government said that Tazara needed investment of $1.2bn over the next five years to turn it into a profitable commercial enterprise. Extra capacity is needed to reduce unit transport costs on the line, which currently has haulage capacity of 600,000 tonnes a year but which could carry 2m tonnes a year with the hoped-for investment.
The Authority expected to carry 381,000 tonnes of freight and 2,280,000 passengers, both interstate and commuter, in financial year 2016-17, generating revenue of $44.10m. Given China's role in the project, Beijing has been mooted as the most likely investor in the railway. Talks on Chinese investment have been held in recent years but no agreement on large scale finance has been reached, although Beijing did provide $40m at the start of 2016 to provide some working capital.
When the new management team took control they signed a performance-based contract with clear targets and a mission to run the railway on more commercial lines. Tazara Authority is interested in securing private

sector investment in public private partnerships (PPPs), particularly on its Dar es Salaam commuter services, where demand is rising quickly.

New contracts

Over the past few months, Tazara has concluded agreements with several companies to carry 180,000 tonnes of extra copper a year from Zambia to Dar Es Salaam. New copper carrying wagons are being rehabilitated to serve the contracts. Last May, the Tazara Authority had just 704 operational wagons out of a fleet of 1,094 but from June it began to upgrade 20 wagons a months at its Mpika workshop.

Ching'andu said: "The new orders confirm that we are moving in the right direction as far as restoration of confidence is concerned. The market is happy and that is encouraging. It is exciting that there is so much interest and desire to use the railways." The World Food Programme uses Tazara to carry food to Malawi via Zambia, while the Tanzania Fertiliser Company exports its products to Zambia using the railway.

Another step forward was made on 1 March when the Authority reached a deal with the trade unions representing its workers following a week of industrial action. Salaries are negotiated in US dollars but paid in local currencies. Currency depreciation has meant that wages have been significantly lower than workers expected. Tazara public relations manager Conrad Simuchile said: "The Authority will adjust the exchange rates upon which the salaries are based upwards, to achieve parity of remuneration between the workers in Tanzania and Zambia."

Aside from new investment, a recovery in copper prices would increase demand from the Zambian Copper Belt. However, Tazara could face competition from an alternative copper export route in the near future. The railway from the Copper Belt through Democratic Republic of Congo (DRC) and Angola to the Port of Lobito is being rebuilt. South Africa offers another alternative, either via rail or road. *(By Neil Ford, African Business)*

Filling of Lauca dam reservoir

Lauca Dam, under construction on the Kwanza River in northern Malanje province, begins the filling up process with the closure of tunnel number 2 to ensure river diversion.

The project will last 120 days to reach 830 meter high and storing 2.6 billion cubic meters, in order to start generating electricity. The 132 meter high project, covering an area of 24,000 hectares, including the reservoir, has the capacity to project 2,070 megawatts. Lauca dam is currently considered the largest civil and mechanical engineering project in Angola and is part of an Angolan Government investment worth USD 4.5 billion. The project comprises the construction, production, supply and commissioning of the energy transport system. Lauca is the third largest dam under construction on Kwanza River, behind Cambambe with 960 MW and Capanda (520 MW). The start-up of the main Lauca plant in July with six Generators of 334 MW each, and the Ecological Power Station with 67 MW in 2018, will benefit more than eight million people. The project will also benefit Industrial hubs under construction in the northern, central and southern regions of the country After the full completion of the seven dams, the installed power capacity will reach 7000 megawatts. *(Angop)*

Mota-Engil, CMEC of China Win $2.3 Billion Mozambique Project

- Railway will link town of Moatize to deep-sea port at Macuse
- Vale mines one of world's biggest coal deposits at Moatize

Thai Mocambique Logistics SA, which is developing a $2.3 billion railway and port to export coal from central Mozambique, awarded the construction contract to Mota-Engil SGPS SA and China National Complete Engineering Corp.

An agreement is expected to be signed next month, TML Chief Executive Officer Jose Pires da Fonseca said in an interview in the Mozambican capital, Maputo. The total cost of the project, which will include a deep-water harbor and a 500-kilometer (300-mile) rail line, will rise to $3.5 billion including the cost of machinery and staff, he said. "Thirty percent of the work will be financed by shareholders and the remainder by third parties," Fonseca said. The project doesn't have sovereign guarantees so the contractor will arrange financing. Standard Chartered Plc is the project's financial adviser, he said.

Construction of the railway line, from the town of Moatize in the central Tete province to Macuse in Zambezia province, is expected to begin in 2018 and last three years, Fonseca said. A Mota-Engil's spokesman declined to comment, and calls to CMEC went unanswered.

Vale SA of Brazil operates the world's fourth-biggest coal mine in Tete. Jindal Steel & Power Ltd. of India operates in Marara district in the same province and has a 25-year contract for a mine with an estimated 7

million tons ofreserves. Tete alone has an estimated 23 billion tons of coal, according to Mozambique's government.

Location Advantage

"The port of Macuse has the advantage of location," Fonseca said. "It is closer to the market, India and China, than Mozambique's competitors in coal production, Thailand and Australia." Thai Mocambique is 60 % owned by Italian-Thai Development PCL, the Bangkok-based company that in 2013 won a tender to build the project to help Mozambique boost coal shipments. The other shareholders of ITD are the Zambezia Integrated Development Corridor, known as Codiza, and state-owned Mozambique Ports and Railways. The onshore and offshore port facilities will be constructed on 1,000 hectares (2,741 acres) of land, while the entire development will have access to 22,000 hectares, Fonseca said. Rio de Janeiro-based Vale currently ships its coal along a 900-kilometer railway link that passes through neighboring Malawi, connecting its mines to a terminal it's built at Nacala port in northeastern Mozambique. *(By Borges Nhamire, Bloomberg)*

Portuguese-Chinese consortium builds railway and port in Mozambique

A contract to build a railroad and a deepwater port in Mozambique has been awarded to a 50/50 consortium made up of Portuguese group Mota-Engil and China Civil Engineering Construction (CCEC), said the chief executive of the concession company. José Pires da Fonseca, CEO of TML – Thai Mozambique Logistics, told Portuguese weekly newspaper Expresso the contract was worth US$2.3 billion and had been "awarded in a tender by the first Portuguese-Chinese consortium set up to carry out an international project." This work will take 36 months to build a 500-kilometre railway, linking the coal mines of Moatize to the port of Macuse, in Zambezia province, located 1,600 kilometres north of Maputo. "The railway line should start operating in 2021," said Pires da Fonseca, admitting that "initially the port of Macuse should process about 30 million tonness of coal, increasing to 100 million tonnes in the fourth phase." Pires da Fonseca told the newspaper that customers buying this coal from Moatize are steel mills in India, Japan and China and others, which are companies that manage thermal power plants, are located in India, Thailand and China. The consortium of Mota-Engil with CCEC won this tender against competing proposals from Brazilian construction company Andrade Gutierrez, the China Railway Construction Corporation (CRCC) and China Harbour Engineering Company, and from Turkish company Yapi and Korea's GS. The shareholders of TML – Thai Mozambique Logistics are Italian Thai Development, with 60% of the capital, Mozambican port and rail company CFM with 20% and the Zambeze Integrated Development Corridor (Codiza), with the remaining 20%. *(Macauhub)*

MINING

Tanzania gives coal mining licence to Dangote after President's order

Tanzania has awarded a coal mining licence to the local unit of Nigeria's Dangote Cement as part of plans to lower the company's production costs and ease disruptions caused by energy shortages. The cement maker suspended output in December, citing technical problems and high production costs, but has since resumed making the building material. "The process of allocating a coal mining area to the Dangote cement factory was completed on March 11," Tanzania's energy and minerals ministry said in a statement. "The company (Dangote) will be given a (coal mining) licence covering 9.98 km2 in the Ngaka area." The cement factory in the southeastern Tanzanian town of Mtwara, with an annual capacity of three-million tonnes, runs on expensive diesel generators and has sought government support to reduce costs.

Last week, Tanzanian President John Magufuli gave government officials a seven-day ultimatum to allocate a coal mining area to Dangote within the mineral-rich Ngaka coal fields, which are licensed to another company. The Ngaka coal basin in southern Tanzania, an area covering more than 840 km2, is licensed to Tancoal Energy, a subsidiary of Intra Energy Corp, which is listed on the ASX. Intra Energy said it would work with authorities to hand over part of its licensed coal mining area to Dangote, but raised concern about what it called "special treatment" being given to the Nigerian cement maker by the Tanzanian government.

The Australian coal miner owns a 70% stake in Tancoal Energy, with the remaining 30% held by National Development Corp, a Tanzanian public investment firm. Magufuli also ordered state-run Tanzania Petroleum Development Corp (TPDC) to supply Dangote Cement with natural gas with immediate effect. Previous talks on gas supply had stalled because Dangote Cement wanted "at-the-well" prices for natural gas, according to TPDC. Dangote, Africa's biggest cement producer, has an annual production capacity of 43.6-million tonnes. It targets output of between 74-million and 77-million tonnes by the end of 2019 and 100-

million tonnes of capacity by 2020. In Tanzania, Dangote wants to double the country's annual output of cement to six-million tonnes. *(By Fumbuka Ng'wanakilala, Reuters)*

OIL & GAS

Ghana Mulls Doubling Capacity of Planned Second Oil Refinery

The operator of Ghana’s sole oil refinery said the planned capacity of a proposed second plant could be doubled as the West African nation targets exports to neighboring countries. Tema Oil Refinery will complete studies next year to build a 200,000 barrel-a-day plant in the port city, 30 kilometers (19 miles) east of the capital, Accra, Managing Director Isaac Osei said in an interview. Output at the existing 45,000 barrel-a-day plant has been slashed by an explosion at its crude distillation unit in January. “We need that refinery to strategically position ourselves to service other countries, especially land-locked countries,” Osei said in Tema. He declined to say how much the plant will cost or how it will be funded. Nations in the region such as Togo, Burkina Faso and Mali have no oil-refining capacity. Former President John Mahama said in May that a new plant would be designed with a capacity of 100,000 barrels a day. Ghana’s output of crude, which started in 2010, is forecast to reach more than 240,000 barrels a day by 2021 as operators such as Tullow Oil Plc increase output.

Infrastructure Investments

Osei, 65, was appointed in January following the election of President Nana Akufo-Addo the month before when his New Patriotic Party defeated the National Democratic Congress. The NPP has pledged to accelerate growth by investing in infrastructure and processing commodities that are produced locally such as oil. For now, production from the existing Tema refinery has been limited to 28,000 barrels a day, Osei said. “The broken furnace has been isolated and works on other components are under way,” he said. *(By Ekow Dontoh, Bloomberg)*

Exxon stumps up $2.8 bln for Mozambique gas gateway to Asia

Exxon Mobil Corp, the world's biggest publicly traded oil producer, has agreed to pay Italy's Eni $2.8 billion for a 25 % stake in a giant Mozambique gas field to strengthen its position supplying rich Asian markets.

Eni is currently the operator of Mozambique's Area 4 licence which, with 85 trillion cubic feet of gas in place, is one of the world's largest gas discoveries in recent years.

The offshore reserves - big enough to supply Germany, Britain, France and Italy with gas for nearly two decades - need a string of giant onshore and offshore liquefied natural gas (LNG) plants whose proximity to fast-growing consumer markets in Asia make the project highly lucrative.

The deal will put Exxon in charge of developing one of the world's biggest new sources of LNG after trailing peers such as Royal Dutch Shell, which is doubling-down on the growth potential of gas as the world switches to cleaner-burning fuels. "This strategic investment will enable ExxonMobil’s LNG leadership and experience to support development of Mozambique's abundant natural gas resources," Exxon Chairman and CEO Darren Woods said in a statement. The deal shows energy groups are still willing to invest in new production when the stakes are high enough, despite spending cuts put in place to offset the oil price slide. It will also give Mozambique the chance to transform itself from one of the world's poorest countries into a wealthier state and a major global LNG exporter. With billions of dollars tied up in developing its giant Zohr gas find in Egypt, Eni will also benefit from Exxon's deep-pockets and track-record of delivering complex LNG plants in remote areas on time and to budget.

The state-controlled company, which is selling down stakes in some of its prize discoveries to help fund growth and support dividends, has raised more than $9 billion in the last four years from disposals.

In 2013, Eni sold 20 % of its Area 4 stake to China's CNPC for $4.2 billion but since then oil and gas prices have come down sharply. "Mozambique is going to be one of the world's largest gas hubs in the next 10-15 years and Exxon has to be there," Mediobanca oil analyst Alessandro Pozzi said.

EXXON SAVVY

Under the deal, Eni will continue to lead all upstream operations in Area 4, while Exxon will be in charge of building the onshore LNG plants. Eni, which has previously estimated overall investments at around $50 billion, said it would remain in charge of building the floating LNG plant in the Coral field, part of Area 4.

Talks to bring on board a technically-savvy partner like Exxon have dragged on for months due to differences over valuations due to falling oil and gas prices. Last year, sources told Reuters Eni had wrapped up the deal with Exxon but it would not be announced for several months at Exxon's request. Exxon is

already present in Mozambique after winning exploration licences last year for offshore blocks to the south of Area 4. *(By Sai Sachin Ravikumar and Mark Potter, Reuters)*

Tokyo Gas group interested in natural gas from Mozambique

The Tokyo Gas Group plans to buy natural gas extracted in Mozambique under a programme to diversify its providers, said in Tokyo the group's chief executive as he welcomed the President of Mozambique, who is on an official visit to Japan. "Currently we have 12 contracts with supply companies from different countries but we are interested in the project in Mozambique in order to diversify suppliers who annually sell us 14 million tonnes of natural gas," added Kentaro Kimoto, quoted by Mozambican news agency AIM. The Minister of Mineral Resources and Energy, Leticia Klemens, who is part of the delegation of President Filipe Nyusi, told officials from the Japanese group about natural gas extraction projects in the Rovuma basin.

Also, the presidential delegation met with officials from Mitsui & Co, one of the shareholders of the Area 1 block of the Rovuma Basin, whose operator is US group Anadarko Petroleum.

In addition to a 20% stake in the Area 1 block, the Mitsui & Co group is involved in negotiations with Brazilian group Vale to acquire stakes of 15% in the Moatize coal mine and 50% of the Nacala Logistics Corridor. The latest figures for this deal are from September 2016 when the Vale group announced new terms for the agreement originally signed in 2014, under which it will receive US$768 million from the sale of those stakes to the Japanese group. *(Macauhub)*

Angola remains the biggest oil producer in Africa

In February Angola remained the leading oil producer in Africa, surpassing Nigeria, according to the monthly report on the oil market released by the Organisation of Petroleum Exporting Countries (OPEC).

After in 2015 Angolan oil production remained below Nigeria's, with 1.753 million barrels per day compared to 1.861 million barrels per day, in 2016 Angola was consistently the main oil producer in Africa, and ended the year with production of 1.73 million barrels per day compared to 1.577 million barrels per day in Nigeria. Production in February based on secondary sources amounted to 1.641 million barrels per day, a decrease of 18,200 barrels per day compared to figures from January, while Nigeria recorded 1.608 million barrels per day, with a monthly increase of 58,000 barrels per day.

Based on direct communication, Angola's production amounted to 1.649 million barrels per day, an additional 34,000 barrels per day compared to January, while Nigerian production reached 1.526 million barrels per day, with a monthly breakdown of 6,800 barrels per day.

Oil production in OPEC member countries, according to secondary sources, fell in February by 0.14 million barrels per day on month to 31.96 million barrels per day, with Saudi Arabia, Iraq, the United Arab Emirates and Angola recording the largest drops and Nigeria the largest increase. *(Macauhub)*

USA: Total president stresses confidence in Angolan market

The president of French oil company Total, Patrick Pouyanné, in Houston (Texas), expressed confidence in the strength and robustness of the Angolan market.

Patrick Pouyanné made these references to the press at the end of a meeting between delegations of Angolan oil company Sonangol, led by its chairperson of the Board of Directors, Isabel dos Santos, and France's Total, on the fringes of Ceraweek, which is one of the major experts meetings of the sector. He said that this was one of the aspects addressed at the meeting, noting that Angola is a good market for oil production and highlighted the fact that the company has been working in the Angolan market for some time.

In this regard, he mentioned the projects developed in Angola, with emphasis on the Kaombo, developed in ultra-deep waters in Block 32, whose investments are around US $ 15 billion. "We discussed the progress in the blocks and production", having also highlighted the work being done by the national oil company, aimed at reducing production costs. In this regard, he reaffirmed that Total's investments will continue, having in the meeting also addressed additional projects. Regarding the current market momentum, Total official highlighted the fact that people are optimistic about their progress, despite the volatility of prices in recent years. *(Angop)*

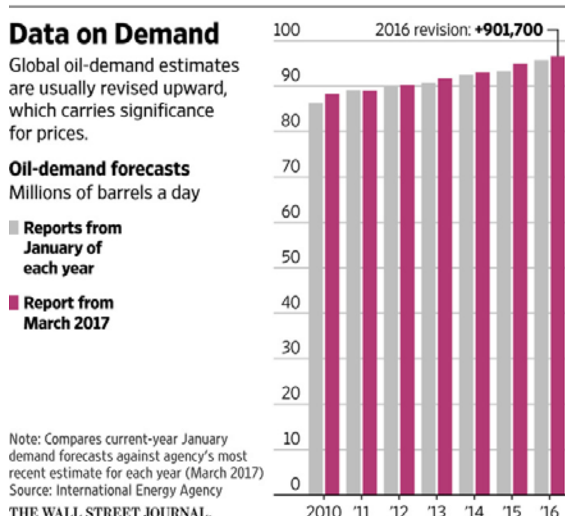
Agrikuvango Project plans to produce over 20,000 tons of products

At least 90,000 tons of wheat, 7,500 of corn and 6,000 of rice will be harvested this year in southern Lubango province's Kuvango Farm, which belongs to Rui Tyihongo Kapose Group.

ANGOP has learnt that part of that production will be transformed by the industrial area of this project. Rui Kapose, the creator of Agrikuvango project, who was spoke to ANGOP, said that the activity started with

850 workers, but it is expected that in the maximum phase of production the number reaches over 2,500. The project was Implemented in an area of 5,000 hectares, on the banks of the Kuvango River. It will also be dedicated to the production of peanuts, whose bark will be used to be processed into bio-fuel.
He stressed that the company motto is: "from the seed to the consumer", justifying the choice of location due to its geographical position and its climate potential. Rui Kapose said that that of the 5,000 hectares available, 75% will be for agricultural production zone, 10% for factory installation, warehouses and commercialization, 15% for the base. “The project’s mission is to position ourselves at the forefront of the agro-food industry, representing private initiative in line with the Executive's purposes”, said the manager.
The municipality of Kuvango, with 75,000 inhabitants, is located 356 kilometres to the east of Lubango City (the province’s capital), on the section connecting Huíla and Cuando Cubango provinces by road and railway. *(Angop)*

Why Oil Demand May Be Higher Than Expected
Oil prices may be boosted as demand is consistently underestimated, according to a Wall Street Journal analysis
Investors fretting about too much oil supply may get some cheer from demand, or at least the statistics that consistently underestimate it.
The International Energy Agency’s closely watched annual estimates of global crude demand have been revised up for the past seven years by an average of 880,000 barrels a day, according to a Wall Street Journal analysis.
Investors and analysts believe that the IEA will have also underestimated demand this year, suggesting that more oil is being bought than the market currently believes. “In recent years, we’ve seen oil demand being constantly revised higher and by the looks of it this year shouldn’t be any different,” said Rob Thummel, portfolio manager at Tortoise Capital Advisors, which manages $17 billion in energy assets. “This is a clear positive for oil prices.”



U.S. oil prices last week fell around 9% on data that showed American inventories were still rising. The history of discrepancies underscores how oil markets often trade on incomplete data. The demand revisions have amounted, on average, to less than 1% of a giant market in which about 97 million barrels of oil are sold daily.
But the difference, if repeated this year, is important. The oversupply that has pressured oil prices for almost three years was estimated at around 1% to 2% of the market in 2016.
To be sure, the IEA may get its prediction right this year, and others release demand predictions that are used by investors. Still, there is little evidence that those other forecasts are more accurate. The U.S. Energy Information Administration’s forecasts have underestimated consumption over the past seven years, with the annual figures being revised up by an average of 2.3 million barrels a day, according to an analysis by The Wall Street Journal. A spokesman for the agency said the underestimation is due to lags in historical data and the lack of data from some countries, among other reasons.
The IEA’s data, though, is the most closely watched and is often used by oil analysts in their own reports. The agency estimates global oil demand based on data and statistical models. It then revises the statistics in monthly reports as more data become available. The Journal compared the IEA’s predictions for annual

demand made in January of each of the past seven years with latest available estimates for those years. Looking at predictions made in March and September over the seven years painted a similar picture of consistent underestimates.
Revisions of oil supply estimates are typically much smaller than for demand—and are often about correcting overestimates for crude production. The IEA's supply data has been revised down 60,000 barrels a day on average over the last seven years, according to the Journal analysis. That means the oversupply usually ends up being smaller than initially thought, another positive for those wanting higher oil prices. Matt Parry, a senior oil market analyst at the IEA, said that demand is harder to estimate than supply. It involves "billions of consumers world-wide and many millions of companies of all sizes, whereas supply can be estimated from the pre-announced expansion plans of a much, much smaller number of companies," he said. "Our accuracy has improved recently but there are so many moving parts in the market," he added.
The IEA has already raised its 2017 demand forecast once this year, by 200,000 barrels a day. But going by past examples—and with an upturn in global growth—the number could still be increased substantially, analysts said. "Continued upgrades to historic demand figures are particularly frustrating," analysts at Swiss bank UBS wrote in a recent report. The bank estimates that for 31 of the past 35 quarters, IEA data revisions have shown a tighter oil market than it initially estimated.
UBS believes that demand is also harder to pin down because around half of global oil consumption now comes from countries outside the Organization for Economic Cooperation and Development, where statistical gathering isn't well developed. The U.S., an OECD member state and the world's biggest crude consumer, produces weekly demand estimates—and they are often later revised.
Data revisions don't just happen in the oil market. A lot of official economic statistics are subject to regular changes as more data become available. The U.S. gross domestic product, for example, is often revised in updates.
But data revisions are particularly important for the oil industry now, given that the market appears finally on the verge of sapping its persistent glut.
The Organization of the Petroleum Exporting Countries and big producers such as Russia agreed in December to reduce their production in a bid to drain storage tanks around the world and push the oil price higher. While most market participants are currently focused on supply changes—from OPEC output cuts to U.S. shale growth—they should also look for changes in demand. "If the market players become more aware of the strong demand-numbers and the constant upward revisions to demand, it could be very supportive to prices," said Torbjorn Kjus, oil analyst at Norway-based DNB Bank. *(By Georgi Kantchev, Wall Street Journal)*

AGRIBUSINESS

Zimbabwe Budgets at Least $62 Million for Corn Purchases in 2017

Zimbabwe has set aside $62 million to buy corn from farmers after plantings of the grain increased 55 % from a year earlier, and will seek funds for additional purchases, according to Agriculture Minister Joseph Made. The state-run Agricultural Marketing Authority has been told to raise $80 million to fund further purchases of Zimbabwe's staple food, Made told a parliamentary committee. He didn't provide details of how the money would be raised.
Zimbabwe, which is usually a net importer of corn, produced 1.3 million metric tons of the grain last year, compared with its 2.2 million-ton annual requirements, according to the Ministry of Agriculture. The government has sought to increase output after the country suffered food shortages last year after the worst drought in at least two decades.
State agencies including the AMA and the Grain Marketing Board have instructions to pay farmers $390 a ton for corn, as the government seeks to encourage increased output, Made said. At $390 per ton, the $62 million would buy 158,974 tons.
Zimbabwe farmers increased corn plantings to 1.2 million hectares (3 million acres) this season, including 150,000 hectares planted under a government program overseen by Vice President Emmerson Mnangagwa. The plan sought to improve yields by increasing access to fertilizers and pesticides. More than half of the corn grown through the program is showing "very good" yield prospects, Made said. About 10 % of the southern African nation's corn crop has been threatened by an infestation of fall armyworm, a pest endemic to the Americas that has been reported in other countries in the region including Zambia and South Africa.
The country may harvest 3 million tons of corn this year, significantly exceeding its target, Mnangagwa said. That would be the largest harvest in at least 50 years, topping a 1980 record crop of 2.7 million tons,

according to U.S. Department of Agriculture and the United Nations Food and Agriculture Organization data.
The 3 million-ton estimate is “enthusiastic but unlikely,” Ben Gilpin, an official at the Commercial Farmers Union, said by phone. Unusually heavy rains are hampering harvesting of early-planted corn and armyworms remain a threat, he said. “It’s a good crop, certainly, but 3 million tons seems very ambitious.” *(By Brian Latham and Desmond Kumbuka, Bloomberg)*

Angola adopts concessions system in forest sector

The country has opted for the forest concession system that will coexist with the current licensing regime, a measure that resulted from the approval by the economic team of the Angolan government of the Law on the Forest, which repeals the previous legislation on the sector.
Under the new law, companies benefiting from the concession system may see this right extended for more than 20 years. To the Minister of Agriculture, Marcos Alexandre Nhunga, the concessionary companies will have more demands in terms of concessions.
One of the requirements, he continued, is the presentation of a business plan, an inventory of the area in which he will work and, after exploration, the reforestation of the region. As regards the power of granting licenses for logging, it is no longer a sharing between the Ministry of Agriculture and the provincial governments.
From now on, forest exploitation licenses are exclusively under the responsibility of the Ministry of Agriculture, which extends this power to the provincial departments of the sector, said Marcos Alexandre Nhunga, at the end of the 5th joint ordinary session of the Cabinet Council’s Economic Commission and the Commission for Real Economy. With this exclusivity, it is intended to avoid the proliferation of licenses and the loss of control over the exploited logging resources. The agriculture sector submitted a proposal for measures aimed at improving the forest resources management to the approval of the joint meeting of the Cabinet Council’s Economic Commission and the Commission for the Real Economy. These are measures aimed at disciplining the forestry sector, which includes licensing, production control, inspection, internal marketing, transportation and export. *(Angop)*

Ivory Coast to nearly double banana production in two years: industry official

Ivory Coast's banana output is expected to nearly double within two years thanks to the recent arrival of two large producers and initiatives to promote local farmers and regional trade, an industry official said.
Though Ivory Coast is better known as the world's top cocoa producer, it is also one of Africa's biggest banana growers, with the sector supporting thousands of jobs and exporting mainly to Europe. "With the arrival two years ago of two big companies ... and the installation of new small-scale planters, we expect to produce about 500,000 tonnes of bananas within two years," Emmanuel Dolly, executive secretary of the country's main fruit exporters' organisation OBAMCI, told Reuters. Ivory Coast produced about 280,000 tonnes of bananas in 2016. The two new companies, BANACI and SIAPA, both from the Antilles archipelago in the Caribbean Sea, should be able to produce a combined 200,000 tonnes in the next two years, Dolly said. Six large companies currently account for all of the country's banana production but Dolly said that 20 small farmers were expected to begin producing by early 2018 with financial backing from the European Union. They will produce an estimated 20,000-25,000 tonnes a year, he said.
Dolly also said that Ivory Coast aims to increase exports to neighbouring countries Senegal, Mali, Burkina Faso, Niger and Mauritania from an annual 20,000-25,000 tonnes to 70,000 tonnes but did not specify a time frame. "The exported volumes have progressed and we want to boost regional commerce to contend with competition from Latin American bananas on the European market," he said. Dolly added that Ivory Coast would seek to expand exports to Nigerian and North African markets. *(By Loucoumane Coulibaly, Reuters)*

UPCOMING EVENTS

Business Council for Africa - The Annual Debate 22 March 2017 - The Law Society London
The Annual Debate will focus on how Africa can respond to the challenges posed by global macroeconomic trends.
https://www.eventbrite.co.uk/e/the-annual-debate-2017-tickets-29044764673

FT African Infrastructure Financing and Development 2017 - London 23 March 2017
https://live.ft.com/Events/2016/FT-African-Infrastructure-Financing-and-Development-2017

The Africa CEO Forum 2-21 March 2017 in Geneva, Switzerland
http://www.theafricaceoforum.com/en/

Bonds, Loans & Sukuk Africa 5th & 6th April 2017, at the Cape Town International Convention Centre
http://www.gfcmediagroup.com/africa

5th Africa Financial Services Investment Conference 3-5 May 2015 Park Plaza Riverbank London
http://www.afsic.net/

African Utility Week 16-18 May 2017 CTICC, Cape Town, South Africa
http://www.african-utility-week.com/

AIX (Africa Investment Exchange): Gas 2017 Developing partners along the gas value chain 5-6 April 2017, London
https://africa-investment-exchange.com/aix-gas-2017/

19th annual Africa Energy Forum (AEF) from 7-9 June - Bella Center, Copenhagen, Denmark
http://africa-energy-forum.com/

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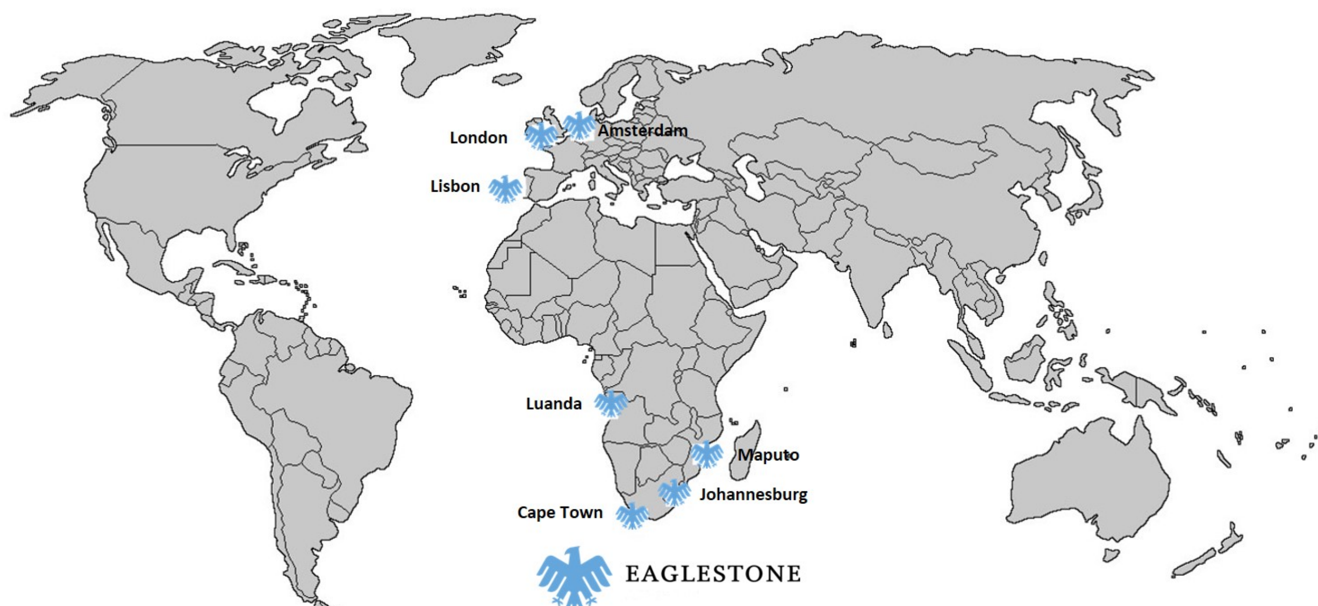

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Eaglestone was founded in December 2011 with the aim to be a committed partner for the development of businesses located primarily in Sub-Saharan Africa and to support the development of renewable energy projects on a global basis.

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

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