INSIDE AFRICA

28 October 2016

Now is the time to invest in Africa

EAGLESTONE SECURITIES

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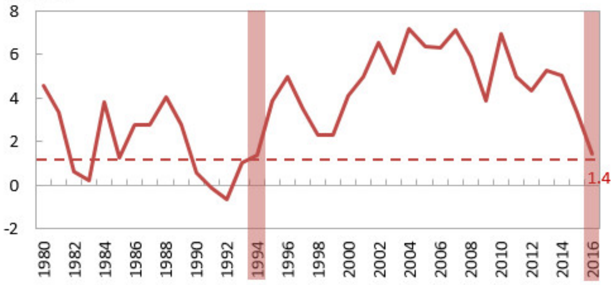
Sub-Saharan Africa: Policy Adjustment Way Out of Growth Slump

- Growth at lowest level in more than 20 years
- Many non-commodity exporters still performing well
- Policy adjustment essential to boost growth in most-affected countries

Growth in sub-Saharan Africa is set to slow to its lowest level in more than two decades, the IMF said in its latest Regional Economic Outlook for Sub-Saharan Africa.

Chart 1
Real GDP Growth in sub-Saharan Africa is at its lowest level since 1994.
(Percent)



Source: World Economic Outlook database.

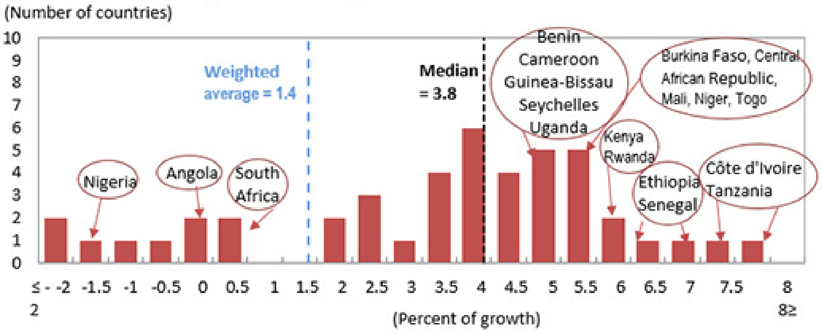
The report projects average growth to fall to 1½ % in 2016 (see chart 1), less than half of last year's growth and far below the 5 % plus experienced during 2010-14. GDP per capita will also contract for the first time in 22 years, according to the report.

The head of the IMF's African department, Abebe Aemro Selassie, said there are two main factors behind this sharp slowdown: "First, the external environment facing many of the region's countries has deteriorated, notably with commodity prices at multi-year lows and financing conditions markedly tighter. Second, the policy response in many of the countries most affected by these shocks has been slow and piecemeal, raising uncertainty, deterring private investment and stifling new sources of growth," Selassie said.

Multispeed growth

Yet, the report shows the full picture of sub-Saharan Africa is one of multispeed growth in which regional aggregate numbers hide considerable diversity in economic paths across countries (see chart 2).

Chart 2
While sub-Saharan Africa's largest oil-exporting countries are struggling, many non-commodity exporters continue to experience robust growth.
(Number of countries)



Source: World Economic Outlook database.

Non-commodity exporters, around half of the countries in the region, continue to perform well with growth levels at 4 % or more. Those countries benefit from lower oil import prices, improvements in their business environments, and strong infrastructure investment. Countries such as Côte d'Ivoire, Ethiopia, Senegal, and Tanzania are expected to continue to grow at more than 6 % for the next couple of years.

Most commodity exporters, however, are under severe economic strain. This is particularly the case for oil exporters like Angola, Nigeria, and five of the six countries from the Central African Economic and Monetary Union, whose near-term prospects have worsened significantly in recent months despite the modest uptick in oil prices. In these countries, repercussions from the initial shock are now spreading beyond the oil-related sectors to the entire economy, and the slowdown risks becoming deeply entrenched.

Conditions in non-oil commodity exporters also remain difficult, including in South Africa where output expansion is expected to stall this year. Likewise, growth in the Democratic Republic of Congo, Ghana, South Africa, Zambia, and Zimbabwe is decelerating sharply or stuck in low gear. The challenges for several of these countries have been compounded by an acute drought affecting large parts of eastern and southern Africa.

Implementing prompt, comprehensive adjustment

The report shows that growth could recover to close to 3 % in 2017 if policy makers, especially in the region's largest economies, take strong action in the coming months.

While many of the hardest-hit oil-exporters have taken steps to adjust to the new reality of low commodity prices, Selassie said by and large, the adjustment has been too slow and incomplete. "Given the scale and persistent nature of the shock and limited policy buffers, a growth rebound will require a much more sustained adjustment effort, based on a comprehensive and internally consistent set of policies to reestablish macroeconomic stability," he said.

For countries outside monetary unions, the report urges central banks to allow the exchange rate to fully absorb external pressures, and tighten monetary policy where needed to tackle sharp increases in inflation. The report also stresses the need to durably reduce fiscal deficits. For countries within monetary unions, where the exchange rate tool is not available, the burden on fiscal adjustment to deal with the shock is likely to be considerably greater still, and the report stresses that central bank financing of excessive fiscal deficits needs to be sharply curtailed.

Countries in the region that have continued to enjoy strong growth have also seen fiscal deficits widen and debt levels increase in recent years, largely due to stepped-up development spending. In those countries, the report shows there is a need to strike a better balance between increased investment spending needs and debt sustainability.
In two background studies, the Regional Economic Outlook also examines the evolution of exchange rate regimes in sub-Saharan African countries during the past 35 years, as well as the region's high vulnerability to natural disasters and policy measures to mitigate their impact. *(IMF)*

Angola: Country Outlook

POLITICAL STABILITY: There is a danger of increasing protests given the country's continued fiscal difficulties in the current environment of low oil prices, particularly in the early part of the 2017-21 forecast period. Frustration is growing most rapidly among the poor, but disquiet is also rising among middle-class Angolans, who have enjoyed good livelihoods in return for their tacit support of the president, José Eduardo dos Santos, and the ruling Movimento Popular de Libertação de Angola (MPLA). The authorities appear increasingly aware of the risk that heavy-handed crackdowns on critics could act as a catalyst for more sustained instability, and have thus adopted a slightly more nuanced approach in some high-profile cases--such as the conditional release in the second half of 2016 of 17 jailed youth activists. However, this should not be overstated, and there is little doubt that the MPLA (via the security services) will continue to act strongly to suppress anything that it perceives as a serious threat to its hegemony, particularly in the run-up to the 2017 elections.

ELECTION WATCH: The next legislative election is scheduled to take place in August 2017. An increasing number of voters--especially young people--feel excluded from the country's post-war oil boom (which, in any case, is now in abeyance). However, this is unlikely to translate into an opposition victory at the polls. The main opposition party, União Nacional para a Independência Total de Angola (UNITA), lacks dynamism, and while Convergência Ampla de Salvação de Angola-Coligação Eleitoral (CASA-CE) has a strong following among youth and private business figures who have not benefited from MPLA patronage, it faces a number of legal challenges. In addition, the MPLA in effect restricts the political space and exploits its grip on power. The passage by parliament of a package of laws that will impose strict new rules on journalists--and which also apply to Internet content--must be seen in this context. The government has made no secret of its wish to clamp down on social media sites, to which opposition groupings have turned in an attempt to circumvent the MPLA's domination of the traditional media.

INTERNATIONAL RELATIONS: Relations with the international community will be subject to periodic tensions given concerns over the MPLA's heavy-handed efforts to maintain its hegemony. Despite this, Angola will continue to seek to consolidate relations with key strategic partners and to diversify access to international finance. It will continue to prioritise relations with the US, because of its global superpower status and the presence of US oil companies in Angola, and fellow Lusophone states, including Brazil and the former colonial power, Portugal. China will also remain a highly important partner--to the extent that a substantial slowdown in Chinese growth represents a serious downside risk.

POLICY TRENDS: A fundamental rebalancing of the economy is needed, and will remain the focus of ongoing Article IV negotiations with the IMF--although the authorities appear to have ruled out a three-year extended fund facility (EFF) with the Fund, which would have been likely to include more stringent demands regarding transparency and exchange-rate deregulation.
Nonetheless, the IMF will continue to encourage the authorities to restore macroeconomic balances and build up reserves, reduce the non-oil fiscal deficit and foster greater exchange-rate flexibility, supported by tighter monetary conditions to contain inflation. In the longer term, the authorities will be encouraged to improve the efficiency and transparency of public spending, and to create a business-friendly environment that will enable the private sector to lead economic growth. Angola's move towards accession to the New York Convention, which allows firms with arbitral awards from overseas to apply them in Angola, is a positive development, but broader moves to improve the business environment will take time to implement, even if the political commitment is there, not least because of constraints such as weak human capital, poor regulation, inefficient power supply, prevalent corruption and the crowding-out of private investment by the public sector.

ECONOMIC GROWTH: Growth during the 2017-21 forecast period is expected to recover somewhat after registering an estimated expansion of just 0.6% in 2016. As oil prices recover, slightly more solid government and private consumption growth should see growth edge up, to 3% in 2017 and 3.5% in 2018, although the rise could be more substantial should the agreement by OPEC in September 2016 to limit production lead to a more substantial increase in oil prices. The Economist Intelligence Unit expects growth to slip back to an average of 2.7% in 2019-20, given more moderate local output increases, compounded by an expected recession in the US and an ongoing slowdown in Chinese growth that will unnerve global markets and lead to a renewed moderation in oil prices.

<u>INFLATION</u>: After a sharp spike to an average of more than 30% in 2016, inflation should trends downwards in 2017-21. We expect the monetary policy committee of the Banco Nacional de Angola (BNA, the central bank) to maintain a relatively tight policy stance, as underscored by five interest-rate rises during 2015 and two 200-basis-point increases in 2016, while the government has announced some measures to combat inflation, including the introduction of price controls on some goods and a centralised flour-sale system. That said, the decline is unlikely to be rapid. The kwanza's continued weakness against the US dollar will push up the cost of imported goods, while high government spending in the run-up to the election in 2017 and a partial recovery of global food and non-food commodity prices in 2017-18 will also generate inflationary pressure. All told, we expect inflation to moderate to 10.3% in 2018 as rising oil prices lead to improved dollar availability and reduce slightly the pressure on the local currency. Thereafter the rate of decline will moderate, to a still high 7.7% in 2021.

<u>EXCHANGE RATES</u>: We expect the official exchange rate to depreciate to an average of Kz208.5:US$1 in 2017, from an estimated Kz171.5:US$1 in 2016. The formal rate of the kwanza remains at an all-time low against the dollar--reaching Kz166.7:US$1 in late September--but amid continued shortages of US currency the gap with the black-market rate remains substantial, with the latter running at around Kz600:US$1--more than three times the official rate. The BNA's ability to support the kwanza through market intervention in 2017 and beyond will depend on the level of foreign-exchange reserves. According to official data, international reserves have stabilised at around US$23.7bn--equivalent to around eight months of import cover, but still well down on the level of US$28bn at the end of 2014.

<u>EXTERNAL SECTOR</u>: Angola is expected to run current-account deficits throughout 2017-21. Although oil prices will recover in 2017-18, before dipping slightly again in 2019-20 and rising in 2021, the rebound will not be as substantial as after the 2009 price crash, meaning that the current account will not return to surplus as rapidly. After their sharp dip in 2014-16, total export earnings--dominated by oil--will bounce back in line with prices in 2017-18, while remaining well below their 2012-13 peak. Imports will also bounce back, reflecting a slight rise in government-led capital investment in the moderately more supportive oil price environment--although the ongoing devaluation of the kwanza is likely to continue to limit consumer demand. The trade surplus as a percentage of GDP will largely fluctuate in line with international oil prices and will end the forecast period at 15.7%--although this is less than half the 2010-14 average. *(Economist Intelligence Unit)*

IMF, WORLD BANK & AFRICAN DEVELOPMENT BANK

IMF Calls for Prompt Policy Action to Secure a Rebound in Growth

- Regional Outlook: Sub-Saharan Africa faces slowest growth in 20 years, but quite a few countries still perform well
- Sub-Saharan Africa growth in 2016 forecast at 1.4% is well below population growth rate
- In African resource exporters' economies, prompt, sustained policy adjustment is needed; oil producers hardest hit

Economic growth in sub-Saharan Africa in 2016 is set to slow to its lowest level in more than 20 years, the International Monetary Fund (IMF) said today. According to its October 2016 Regional Economic Outlook for Sub-Saharan Africa titled Multispeed Growth, average growth in the region is projected to be just 1.4 %—well below population growth, and in sharp contrast to the high growth rates of recent years. "The slowdown reflects two broad factors," said Abebe Aemro Selassie, Director of the IMF's African Department. "The external environment facing many of the region's countries has deteriorated, notably with commodity prices at multi-year lows and financing conditions markedly tighter. In addition, the policy response in many of the countries most affected by these shocks has been delayed and inadequate, raising uncertainty, deterring private investment and stifling new sources of growth."

Mr. Selassie cautioned, however, against a swing from the strong optimism of recent years to excessive pessimism today: "The fuller picture is one of multi-speed growth, with the aggregate growth number masking considerable diversity across the region. Indeed, most non-commodity exporting countries—representing close to half of the countries in the region—continue to perform well, with countries such as Côte d'Ivoire, Ethiopia, Senegal, and Tanzania foreseen to continue to grow at more than 6 %. Most commodity exporters, however, are under severe economic strain. In particular, the near-term prospects have worsened significantly in oil exporters in recent months, as the pain from the initial oil price shock is now spreading to the entire economy, and the slowdown risks becoming deeply entrenched. Conditions in many non-oil commodity exporters also remain difficult, including in South Africa where output expansion is expected to stall this year."

Looking ahead, Mr. Selassie noted that a modest pick-up in economic activity is likely, provided strong policy action is taken: "Subject to reforms being initiated quickly in the coming months, growth would recover close to 3 % in 2017. But to make this happen, the hardest-hit countries, especially oil exporters, need to act promptly. Given the scale and persistent nature of the shock, and as existing buffers have been exhausted, a comprehensive three-pronged adjustment effort is needed urgently: Strong fiscal adjustment, enhanced social protection policies, and structural reforms to facilitate competitiveness and diversification. Further delays in addressing the elevated macroeconomic imbalances are certain to undermine growth prospects further and delay a robust and job-rich recovery."

Mr. Selassie stressed that sub-Saharan Africa remains a region of immense economic potential, but that a comprehensive and internally coherent set of policies to reestablish macroeconomic stability is needed in the hardest-hit countries. *(IMF)*

African Water Facility turns waste management into strategic input for local production value chain in Ethiopia

The African Water Facility (AWF) held a three-day event from September 28 to 30, 2016 to launch the Improved Sanitation Value Chain (ISVC) project, which aims to serve the urban poor in Arba Minch Town, one of the major cities of Southern Ethiopia. The AWF €1.5-million grant to the ISVC project will contribute toimprove sanitation and faecal waste management for more than 21,000 Arba Minch citizens while boosting the local businesses and agricultural production with the provision of eco-friendly and affordable fertilisers.

This project will help the municipality of Arba Minch address urgent sanitation needs at a time when its basic infrastructure and service levels are still largely inadequate, leaving more than half of the population without access to improved toilet facilities. Arba Minch – with a population of around 100,000 people – is among the fastest-growing towns of Ethiopia. The project will help increase water supply and sanitation service provision in the area, streamline interventions, build capacity from both public and private stakeholders, and meet critical infrastructure gaps.

The IVSC project will also improve the municipality sanitation planning by targeting the improvement of the sanitation service chain including the construction of improved toilets, better transport service for human excreta and increased production of compost for reuse. Moreover, the ISVC project will focus on increasing the various private services provided along the sanitation value chain, from waste collection, to transportation and processing. This will be done by helping small private businesses better leverage the income potential of the sanitation business and earn additional profits from the sale of the by-products of urine, faecal and organic waste as compost and fertiliser.

The launching event gathered key stakeholders from the Arba Minch Town Municipality and University, local civil society organizations and NGOs involved in sanitation-related activities, Gamo Gofa Zone, Omo Micro Finance Institute, hospitality and transport sectors, an organic fruit-exporting farmers' association, a solid waste collecting association, and private sanitation and greenery enterprises. The launching workshop presented to the participants the AWF rules and procedures, in particular those related to procurement, disbursement and financial management while offering a platform to discuss and collaborate on the project's practical implementation issues.

"With this project the AWF is spearheading wider application of many years of research towards full sanitation coverage in Ethiopia, and Africa," said Franz Höllhuber, AWF Water and Sanitation Engineer, during the launching ceremony. "In the past, the focus was on increasing sanitation coverage, with much less attention placed on the downstream processes of collection, treatment and safe re-use (or disposal) of waste. By looking at waste as a resource, sanitation provision becomes a much more viable, effective and financially attractive enterprise."

Ato Ezo Emako, Arba Minch Town Mayor, concluded the event by adding, "The Administration and population of Arba Minch are committed to make best use of AWF resources to put the recent Strategic Sanitation Master Plan into practice and address the challenges resulting from fast growth, youth unemployment and insufficient basic services through the sanitation value chain approach."

Studies on Africa's transport sector highlight opportunities for investment

The Infrastructure Consortium for Africa (ICA) held a one-day workshop at the African Development Bank (AfDB) headquarters in Abidjan, Côte d'Ivoire, to discuss findings of three studies on opening up aviation services, urban transport development, and trade facilitation.

The theme of the September 28, 2016 workshop was "ICA: Support to Transport Sector". The event was attended by Bank officials from the following five departments – the NEPAD Regional Integration and Trade Department, the Corporate Information Management and Methods department, the Transport and ICT Department, the Agriculture and Agro-Industries Department and the Private Sector. Field staff and members of ICA Secretariat staff were also present.

The primary purpose of the Workshop was to exchange ideas on the three studies commissioned by ICA. The first study on opening up Aviation services in Africa shares insights into barriers prohibiting the expansion of effective aviation services across Africa. The study on **urban transport development in Sub-Saharan Africa** identifies specific opportunities for investment to improve sustainable urban transport and mobility in five African cities, namely Accra, Addis Ababa, Dakar, Dar es Salaam, and Lagos. The survey on trade facilitation assesses the current transport and trade facilitation constraints in the West African Monetary Union (UEOMA) region and proposes solutions for improvement.

Participants reflected on how to implement key recommendations of the studies.

These include: Establishing a consensus-building platform with key stakeholders at both regional and national levels to develop solutions in the aviation sector; Hosting an investors' conference to discuss opportunities for improved urban transport projects delivery and; Establishing a unified tracking system that will see implementation of a centralized system to allow members track transactions, exchange data in real-time, and make electronic payments

In his concluding remarks, Mohammed Hassan, the ICA Coordinator, emphasised the importance of "disseminating findings of the three studies, sharing the recommendations, but most importantly, identifying investment opportunities in Africa's transport sector. "Our all-inclusive consultations will undoubtedly help to fast track project delivery within the Bank, and improve coordination, which is key to success when we engage external stakeholders and audiences," he said. Hosted by the AfDB, ICA was launched at the 2005 G8 Gleneagles Summit. Its mission is to help improve the lives and economic well-being of African people by supporting and promoting increased infrastructure investment from both public and private sources. It also acts as a platform to increase infrastructure financing, helping to remove policy and technical barriers. In addition, the ICA facilitates greater cooperation among stakeholders, and fosters knowledge exchange through monitoring, reporting and sharing best practices.

AfDB with GEF helps to harness the potential of Africa's transboundary water resources

On October 25 at the Global Environment Facility (GEF) Council meeting, the GEF approved the funding of USD 6.3 million for a regional project co-financed with the African Development Bank (AfDB). Funded by the International Waters (IW) window of the GEF, the project aims to strengthen transboundary cooperation and integrated natural resources management in the Songwe River Basin, shared by the countries of Malawi and Tanzania.

The Songwe River is a valuable local and regional water course that is facing growing pressures by human and climatic stressors, placing both communities and natural habitats within the catchment at risk. Over the past years, the Governments of Malawi, Tanzania and other partners have been progressing with the preparation of the Songwe River Basin Development Program (SRBDP) embedded in the Shared Vision towards 2050, aimed at supporting sustainable economic growth and poverty alleviation in the basin by tapping into its developmental potential and managing the mounting environmental challenges. The SRBDP is growing into a major collective river basin initiative envisioning significant multi-purpose water resources and energy infrastructure, the establishment of a permanent joint river authority, and investments aimed at improving livelihoods and economic growth. The SRBDP's stated objective is to develop the basin through a comprehensive, integrated, green and inclusive approach.

The GEF IW funds will aim to improve transboundary management of the basin and reduce degradation of the catchment arising from unsustainable natural resources activities. It will build on the interventions of the past years, making a strong contribution to the SRBDP and initiating implementation of the basin's Shared Vision 2050. The IW project will focus on institutional capacity development of the river basin commission, improvements in water and land conservation practices, and enhanced cooperation and dialogue. "The GEF funding comes at a very timely moment to assist in actuating interim SRBDP objectives and initiating implementation of its strategy" stated Mahamat Assouyouti, AfDB/GEF Coordinator, "The GEF funding seek to establish the foundation of the river basin vision and future investments under the SRBDP. The AfDB will continue support to the two countries for the implementation of the investment plan through resource mobilisation from different sources".

Specifically, the IW funds will: (i) strengthen institutional capacities and mechanisms for basin planning, monitoring, collective management and transboundary governance; (ii) foster water and land conservation to safeguard water and soil quality while enhancing agricultural productivity, improving livelihoods, and reducing habitat loss; (iii) develop flood management/risk attenuation and monitoring in the basin; (iv) promote institutional development, support and associated capacity building to the basin commission and at district level; and (v) enhance knowledge and learning at all levels.

Since 2007, the partnership between the GEF and the AfDB has been growing fast, working to generate environmentally smart and transformational change in Africa. As of end 2016, the overall portfolio of projects funded by GEF and managed by the AfDB amounts to USD 309 million, leveraging more than USD 2.7 billion in co-financing. Furthermore, this project also contributes to AfDB's efforts in harnessing the potential of Africa's many transboundary water resources and enhance the Bank's water-related interventions to realize aspirations of the Ten Year Strategy.

AfDB and Norad shed light on private sector development actions

The African Development Bank (AfDB) and the Norwegian Agency for Development Cooperation (Norad) hosted a seminar on Private Sector Assistance: Current Evidence on Additionality on Monday, October 24 in Oslo.

The Independent Development Evaluation (IDEV) of the African Development Bank Group (AfDB) and the Norwegian Agency for Development Cooperation (Norad) Evaluation Department, joined forces to synthesize the wealth of existing evaluative evidence from 33 evaluations of donor support for private sector development. The objective of this initiative was to mine this evaluative knowledge and share it with key stakeholders including policy makers, development partners, senior management and the public. The seminar, which drew on the findings of the synthesis report Towards Private Sector-Led Growth: Lessons of Experience, brought together over 80 participants including Norwegian policy-makers, private sector, academia, civil society and the media, in addition to African diplomatic missions present in Oslo.

This seminar spurred a dialogue on key issues such as risks, opportunities and challenges that the private sector faces. It also impelled the role of donor support in alleviating major constraints faced by the private sector, as well as the relevance, efficiency, effectiveness, impact and sustainability of private sector development interventions. The appropriateness of the mix of donor support instruments and how development partners would work together to ensure that the private sector creates shared growth and contributes to poverty reduction, were highlighted by the seminar as

well. It particularly focused on the issue of additionality (both quantity and quality) and catalytic effect. Difficulties for identifying appropriate metrics and measuring them were also highlighted.
Per Øyvind Bastøe, Evaluation Director at Norad, moderated a debate which included AfDB's General Evaluator, Rakesh Nangia; Balbir Singh, Senior Adviser, Evaluation Department, Norad; Katja Christina Nordgaard, Director, Section for Economic and Commercial Affairs, Ministry of Foreign Affairs; and Ola Nafstad, Head of Department, Strategy and Analysis, Norfund.
According to Norad Per Bastøe, Evaluation Director, "This seminar has led to an enriching discussion not just with the policy-makers, but also with other key stakeholders including the private sector and civil society. It is a testimony to the effective partnership between the AfDB and Norad's evaluation departments. This is just the start of a dialogue on how we can ensure additionality of our interventions and create catalytic impact." Rakesh Nangia concluded that "The Norad and IDEV teams worked closely together to prepare this seminal piece that highlights lessons of experience from more than 30 evaluation reports conducted by bilateral and multilateral development partners. It is my hope that this synthesis will guide future initiatives by developing countries, at both a policy and transaction level, in support of private sector development."

Korea scales up its financial assistance for Africa's economic transformation
The African Development Bank (AfDB) and the Korean Ministry of Strategy and Finance have signed an Exchange of Letters announcing Korea's replenishment of a grant of USD 18 million to the KOAFEC Trust Fund for the year 2017-2018.
The KOAFEC Trust Fund is AfDB's largest bilateral fund. Under the agreement, Korea will support the Bank's strategic priority areas, commonly known as the "High Fives", which seek to address the socio-economic challenges in Africa. The assistance, will among other things, develop Africa's value chains, agro-poles and special industrial zones.
The replenishment brings to USD 78 million the total amount provided by the KOAFEC Trust Fund to the African Development Bank. The fund has supported capacity building, technical assistance to African countries, as well as promoted the sharing of Korea's economic development models with Africa. The Trust Fund has boosted a wide range of projects in transport, energy, water, agriculture and agro-industry. Speaking at the ceremony, which took place within KOAFEC conference, AfDB President Akinwumi Adesina lauded Korea for its support and long-standing partnership with the Bank. "Korea is a strong partner for Africa's development. You are dependable partners. You care, and you deliver," he noted. The country joined the African Development Bank and African Development Fund in 1982 and 1980, respectively.
Having transformed its economy through policy reforms in industrialization, Korea will strengthen Africa's ICT capacities through training and skills transfer, and will support regulatory framework development to woo private sector participation so as to enhance manufacturing and industrialization in Africa. Il-ho Yoo, Korea's Deputy Prime Minister and Minister of Strategy and Finance, reiterated his country's support to Africa, citing the important role of the Trust Fund in strengthening the relationship between Korea and Africa. "We understand the challenges facing the continent. In order to ensure that African countries enjoy inclusive growth, we will share our knowledge on how we achieved transformation," he said. Yoo noted that his country's development support for Africa would reflect the AfDB's five priorities which are aimed at achieving Africa's transformation in 10 years. These are Light up and power Africa, Feed Africa, Industrialize Africa, Integrate Africa, and Improve the quality of life for the people of Africa.
The signing ceremony also saw President Adesina, the Korean Ministry of Strategy and Finance, and four African countries (Kenya, Uganda, Tanzania and Ethiopia) re-affirm their commitment to co-financing four projects in the water, energy and agriculture sectors. Under the agreement, the Government of Korea will provide a concessional loan of USD 155 million to finance these projects through the Korea Exim Bank's Economic Cooperation Development Fund (EDCF).
Kenya will receive up to USD 25 million to support development of multipurpose water resources, while Uganda's share of USD 30 million is expected to boost agriculture and forestry conservation programs. For Tanzania, USD 50 million will assist in the construction of power transmissions grids. Ethiopia's USD 50 million allocation will go to the development of agro-industrial parks.

AfDB approves Somalia Infrastructure Fund
The African Development Bank Group (AfDB) has approved a framework document for the establishment of the AfDB Multi-Partner Somalia Infrastructure Fund.
The political and economic situation in Somalia in the last two decades has severely affected all sectors in the country, including infrastructure. The devastating civil war that lasted for more than 25 years led to challenges, including high levels of poverty and human depravation caused by a combination of limited social and physical infrastructure, nascent industrial production and financial sectors, and adverse climatic conditions. Somalia's fragility has been driven by a number of factors, including protracted conflict, sporadic violence and insurgency, political uncertainty due to inter-clan tensions and rent-seeking, inadequate human and institutional capacity, and nascent public financial governance.
The Somalia Infrastructure Fund, approved on October 3, 2016, is part of a comprehensive, coherent and coordinated multi-partner initiative to assist Somalia in consolidating peace and moving along a path of long-term development. The

Somali New Deal COMPACT, endorsed in Brussels in September 2013 by the Federal Government of Somalia and its international partners, sets out a commitment to implementing a strategy that brings together development, humanitarian, diplomatic and peace-keeping stakeholders around common goals.
The COMPACT established a new financial architecture for intermediating economic reconstruction and development finance assistance to Somalia. The new financial architecture entailed the establishment of a Somali Development and Reconstruction Facility (SDRF), which will house three separate Multi Partner Trust Funds administered by the AfDB, World Bank and United Nations.
The Somalia Infrastructure Fund will mainly focus on infrastructure rehabilitation and development in Somalia, with specific investments in the Energy, Water & Sanitation, Transport and ICT sectors, as well as related institutional capacity-building. These investments are critical for rebuilding Somalia's economy, and will help create employment opportunities and establish a conducive environment for peace and state-building in the country. The Bank's comparative advantages in infrastructure, particularly its ability to intermediate development finance and convene dialogue on policy and institutional issues, positions itself well for scaling-up the provision of infrastructure services in Somalia.
Over the last two years, the Bank has made significant progress towards establishing the Fund. Infrastructure needs assessments have been completed and validated for all the Energy, Water & Sanitation, Transport and ICT sectors. Findings from these assessments have now been consolidated and discussed with the Somali Authorities and other stakeholders to develop an initial (five-year) pipeline of projects (of about US$ 350 million) to be financed through the Fund. This pipeline of projects will also form the core of projects under the Infrastructure Pillar of Somalia's new National Development Plan, 2017-2019.
Initial seed financing for the Fund has been provided by the UK's Department for International Development and the Islamic Development Bank. The Bank intends to scale up its resource mobilization campaign for the Fund, by convening a Donor Roundtable meeting in November 2016, and a subsequent Infrastructure Investment Conference in early 2017.

Business plan competition seeks clean energy entrepreneurs in West Africa
During ECOWAS Sustainable Energy Week held in Accra, Ghana (October 17-19), the Private Financing Advisory Network (PFAN) launched its third annual West Africa Forum for Clean Energy Financing (WAFCEF-3) business competition. The competition is open to all businesses and entrepreneurs operating and registered in any of the ECOWAS countries as well as foreign individuals and entities with projects in those countries. This competition is made possible through the support of Power Africa, the United States Agency for International Development (USAID), the Private Financing Advisory Network (PFAN), the African Development Bank's (AfDB) Sustainable Energy Fund for Africa (SEFA), and the ECOWAS Regional Centre for Renewable Energy Efficiency (ECREEE).
Only clean energy proposals requiring an initial capital investment in excess of US $1million are eligible. Shortlisted projects will attend a project development and financing workshop and will receive free individual professional mentoring to further develop their business plans. Submissions are due Monday, December 12, 2016.
During the final event that will take place in 2017, up to ten winners will present their business plans to investors, industry specialists and business executives interested in funding clean energy. These private sector judges select the top three projects to receive West African Clean Energy Financing awards. The first edition of the WAFCEF event was held in 2013. The winner was SMEFUNDS GEB (Small and Medium Entrepreneurship Fundamentals – Green Energy and Biofuels), a Nigerian start-up and the first cooking fuel production facility to produce bio-ethanol gel cooking fuel from waste products. The start-up was awarded a SEFA grant of US $580,000 to support advisory and technical studies for business expansion. The second WAFCEF competition was held in 2015 and the winner was Ivoire Hydro Energy, a project developer in Côte d'Ivoire, proposing the design, construction and operation of a 44-megawatt hydropower plant on the country's Bandama River. WAFCEF is fully aligned with AfDB's New Deal for Energy for Africa, which priorities include scaled-up early stage support to projects providing access to modern, clean and reliable energy in the continent.

INVESTMENTS

Goldman Sachs on whether Africa's risks are worth the rewards
Just over four years ago the editor of Goldman Sachs' Fortnightly Thoughts publication wrote: "We believe meaningful opportunities for Western consumer companies exist as Africa's household consumption grows rapidly… and that failure to invest now will see others rush in." At the time, this was a sentiment held by many global investors – high commodity prices had fuelled strong growth. Publications such as Forbes often referred to Africa as "the last investment frontier" and companies were advised to take advantage of first-mover opportunities. However, just four years later, much of the optimism around Africa has died down as low oil and commodity prices have reduced export revenues considerably – resulting in slower growth and local currency volatility. Last week**, Colin Coleman, Goldman Sachs' managing director for sub-Saharan Africa**, shared his thoughts on investing in Africa at the Thomson Reuters Africa Summit in Cape Town. Here is what he had to say.

Is the risk worth the reward?

Despite the challenges that emerging markets have faced recently, Coleman thinks that global sentiment is improving, with Brazil forecast to come out of the recession next year and China and India emerging as “bright spots”. So how does Africa compare in this global context? For investors with a long-term approach, the continent’s large, rapidly growing, under-serviced consumer base is still an attractive option. However, slow growth combined with high risk remains a deterrent. “I would say Africa sits in an environment where emerging market investors want to go… but they are very concerned about risk-weighted returns,” he said. “The actual overall growth rate has dipped probably to more like 3%. So the real growth rate in Africa is disappointing, and the political risks and other risks in Africa have elevated.”

Dollar shortages impeding business

Markets such as Angola and Nigeria, which rely on commodity exports to increase their foreign exchange reserves, are now experiencing a shortage of foreign currencies (mostly US dollars) due to lower commodity prices. Not only has this led to some multinational companies struggling to access the foreign currencies needed to get their profits out of the country, but Coleman noted that it has also resulted in suppressed imports and local currency volatility, as seen in the naira/dollar exchange. “So that environment is not one conducive to multinationals operating in Nigeria, for example.” He added that these environments can also fuel local ownership and production debates, which could impact taxation – the taxation dispute facing Randgold Resources in Mali resulted in the Malian government closing the group’s offices in Bamoko, the country’s capital. “So these issues of tax, ownership, local content and so forth, are also tied somewhat to macro-flows. Now, it is one thing in a growing economy and a growing economic environment to drive those issues; it is another thing in a suppressed economic environment. And obviously one is fighting over a pie that is shrinking, rather than trying to drive a larger growth pie.”

East Africa doing well

One area of optimism on the continent is east Africa. The region has managed to escape some of the knock-on effects of lower commodity prices seen in west Africa, with countries such as Kenya and Rwanda focusing on improving their business environments. “In east Africa we are seeing quite a lot of growth… and I hear very good things about the east African experience from many companies,” said Coleman. “At the same time there is concern about government issues and security – particularly in east Africa – and the potential outbreak of terrorism in that area around Somalia, Tanzania, Kenya.”

South Africa’s contestation

South Africa’s political turbulence and slow growth are concerning foreign investors. December’s three-finance-minister shuffle cost the market billions of rand. This year has been characterised by violent student protests, events such as last week’s fraud summons of the finance minister, Pravin Gordhan, and President Jacob Zuma’s interdict preventing the release of Public Protector Thuli Madonsela’s state-capture report. The climate could result in the country being downgraded to junk status by credit ratings agencies.

However, the country’s strong institutions are something to feel optimistic about, noted Coleman. He highlighted that relatively “muted response” on the rand exchange rate after last week’s events as an example of this. “So actually this tells you quite a bit about the progress that we are making in terms of this democracy sustaining. I would say this year has been a very evidential demonstration of the strength of all of our institutions, the constitutional chapter nine, the public prosecutor, the ability of the IEC to run a good election …the absolute strength of the independence of the reserve bank… and the strength of the business community and liquidity of markets which have continued in the face of these things.” *(By Kate Douglas, How we made it in Africa)*

Foreign investment: Is it spurring African growth?

In its World Economic Outlook for October, the International Monetary Fund (IMF) downgraded the growth rate in the sub-Saharan African region to an estimated 1.4% for 2016, from 3.4% in 2015. This will mean that unlike the previous years, sub-Saharan Africa will under-perform compared to the estimated global average growth rate of 3.1% in 2016.

After years of a high economic growth rate, it would seem that Africa is at a cross-road, and the path taken will determine whether it will continue on its growth trajectory or begin a downward spiral. According to the United Nations Conference on Trade and Development (UNCTAD), despite the global economic slowdown, global foreign direct investment (FDI) for 2015 increased by 38% to US$1.76tn. Developing countries have been able to attract 43.5% of this amount, about $765bn.

Despite the global FDI increase, Africa has been able to attract only about $55bn, representing 3.1% of the total. This is about the same amount of FDI as over the last few years. The five African countries that received most of this FDI are Angola, Egypt, Mozambique, Ghana and Morocco. China on its own is a major investor in the African continent and the five African countries that received the greatest portion of the Chinese investment are Nigeria, Algeria, Ethiopia, Angola and Egypt. If we examine these investments in more detail, we find that 35-40% of the foreign investment is in natural resources – mainly mining, as well as oil and gas.

Over the last 15 years, Africa’s two major oil producers, Nigeria and Angola, have received roughly $32bn and $16.5bn respectively from China. From the beginning of 2000 to the financial crisis in 2008, both countries grew at a very fast rate – an annual average of about 10.2% for Angola and 9.1% for Nigeria. At their peaks, Angola grew at 22.6% (in 2007), whereas Nigeria grew at 33.7% (in 2004).

However, since the financial crisis in 2008 and the start of the economic reforms in China in 2010, demand for commodities has slowly decreased; and with Saudi Arabia ramping up supply in 2014, the drop in the price of oil was drastic. As a result, growth in these two countries has dropped dramatically.

For 2016, the IMF is forecasting that Nigeria will contract by 1.7%, whereas Angola will have no growth. Growth in Nigeria and Angola is mainly commodities-focused and, unfortunately, the dividends of the boom times have not been used judiciously to diversify and invest into the other pillars of their economic development.

For 2015, according to the World Bank and the IMF, six of the world's 12 fastest growing economies are in Africa – Ethiopia, Democratic Republic of the Congo (DRC), Côte d'Ivoire, Mozambique, Tanzania and Rwanda. Of these six countries, Rwanda comes out top in Africa in three international indices for 2016 – The Mo Ibrahim Index of African Governance; The World Bank's Ease of Doing Business ranking and the World Economic Forum's Global Competitiveness Report. For a small landlocked country that did not attract massive amounts of foreign investment, Rwanda must be commended for achieving a relatively high growth rate of 6.4% in 2015. Four countries – DRC, Côte d'Ivoire, Mozambique and Tanzania – are focusing on commodities. DRC depends on copper mining, whereas Côte d'Ivoire greatly benefited from its agri-commodities in the last few years. In east Africa, Mozambique and Tanzania are relative newcomers to the oil and gas industry.

In the current commodities downturn, the benefits of these newly found resources will not be in the immediate term. Moreover, the 'tuna bond' scandal in Mozambique has tarnished its image of a high potential-growth country. Over the last 16 years, Ethiopia has been growing at an average annual rate of 9%. Between taking power in 1995 and until his death in 2012, former Prime Minister Meles Zenawi led Ethiopia out of poverty and laid the foundation for a high growth path. He was the mastermind behind the major infrastructure project that is the $6.4bn Grand Ethiopian Renaissance Dam. This project will eventually produce 6,000MW of hydro-electricity for the country and region. Zenawi also shrewdly leveraged Ethiopia's relationship with China. Ethiopia has been a major recipient of Chinese investments since 2000, with a cumulative amount of nearly $17bn invested into the country.

Ethiopia has also tapped into China's know-how when it comes to building its infrastructure. Last year, the first light rail train system in sub-Saharan Africa was opened. This $475m piece of infrastructure was built and funded by China. Moreover, China is providing assistance to build another rail line, linking the 656 kilometres between Addis-Ababa and the Red Sea Port of Djibouti. Ethiopia is responsible for 30% of the financing, which amounts to $1.2bn. Besides these infrastructure projects, Ethiopia has been able to attract Chinese manufacturing companies leaving China due to the rising costs of labour. Slowly but surely, Ethiopia is building the foundation of its textile manufacturing base. Not only is this providing employment, but it is also bringing export revenues and investment from international companies like H&M, Levi Strauss and others.

Another country that is laying the foundation of a manufacturing base, particularly in the automotive industry, is Morocco. In 2015, Morocco grew at 4.5%. Its annual average over the last five years is 4%. Last year, the country was a major destination for foreign investment, with a total FDI of $3.2bn. A significant amount of this investment is in automotive manufacturing. French car manufacturers Renault and PSA Peugeot Citroen invested about $1.5bn and $630m for their respective factories. By 2020, Morocco aims to create about 90,000 jobs in the automotive industry and export about $10bn worth of cars. Like Ethiopia, Morocco is investing massively in infrastructure, particularly in the energy sector. The first phase of what will be the world's largest solar power station, Ouarzazate, was completed at the beginning of this year. The whole solar power project will eventually produce about 580MW at a cost of $9bn. Over the last few years, Africa's growth has decelerated. On the one hand, yesterday's leading African countries have become today's laggards, despite some of them having received massive amounts of foreign investment. But on the other hand, in face of the current global economic slowdown, some rising African countries show that great political leadership and structural economic reforms are required to move forward. Only then will these countries be able to create an environment conducive to attracting foreign investment – one that will eventually provide competitive advantages, as well as maintain a high and sustainable growth rate in the future global economy.

Richard Li is a partner at Steel Advisory Partners in Singapore. This article was written specifically for the NTU-SBF Centre for African Studies, a trilateral platform for government, business and academia to promote knowledge and expertise on Africa, established by Nanyang Technological University and the Singapore Business Federation. (How we made it in Africa)

Export companies sign agreement with the Angolan Development Bank

The Angola Development Bank (BDA) and the Community of Angolan Exporting and Internationalised Companies (CEEIA) in Luanda signed an agreement to allow increased exports and the internationalisation of a higher number of Angolan companies, Jornal de Angola reported. The agreement focuses on exchanging information between the two institutions, identifying business opportunities, negotiating financing facilities for export production and export support and internationalisation of Angolan companies. The president of CEEIA, Agostinho Kapaia, said at the end of the ceremony that this agreement will allow regular institutional cooperation between the signatories, to promote domestic production and allow surplus production to be exported. At the ceremony, the Minister of Trade, Fiel Constantino recognised the need for companies to be supported in surplus production and increasing exports. The CEEIA brings together exporting and internationalised companies in Angola and the BDA is a public development bank that provides funding for the implementation of national investment projects in the non-oil sector to contribute to the diversification of the national economy and sustainable development. *(Macauhub)*

Angola is seventh-biggest destination for foreign investment in Africa in 2015

Angola was the seventh-biggest destination for foreign direct investment (FDI) in Africa in 2015, according to the Africa Investment Report 2016 published by the Financial Times. Angola attracted foreign investment projects worth US$2.7 billion in 2015, absorbing 4% of the total funds invested in Africa. The biggest foreign investor in Angola was French oil company Total E&P, with US$2.2 billion, which became the third biggest foreign investor in the whole of Africa. After Egypt (US$14.5 billion) came Nigeria (US$8.6 billion), Mozambique (US$5.1 billion), South Africa (US$4.7 billion), Morocco (US$4.5 billion), Ivory Coast (US$3.5 billion) and Angola (US$2.7 billion). The study showed that 495 companies invested in Africa, an increase of 6 % compared to 2014. Although investments have diversified the extractive industries still topped the list of FDI, accounting for 23% of total foreign direct investment. The biggest number of projects was focused on South Africa, which attracted 118 investment projects, or 17% of the total by number. This was followed by Kenya (12% of projects), Morocco (10%), Egypt (8%), Nigeria (7%), Ghana (6%), Mozambique (4%), Ethiopia (4%), Ivory Coast (4%), Tanzania (3%) and Uganda (3%). *(Macauhub)*

Mozambique wants to attract Chinese companies to industrialise the country

The Mozambican Institute for Export Promotion (Ipex) aims to attract Chinese enterprises to process and produce goods in the quantity and quality required by the markets, said the president of the institution speaking to Mozambican news agency AIM. João Macaringue, who was in Macau to take part in the Fifth Ministerial Conference of the Forum for Economic and Trade Cooperation between China and Portuguese-speaking Countries (Macau), which took place on 11 and 12 of this month, noted that the trade balance between Mozambique and China is very unbalanced, and China is "one of the main countries where most of the products we consume come from." "Our ability to penetrate the Chinese market remains very low, so we intend to invest in attracting the knowledge they have in manufacturing, processing and export," said the president of Ipex. The delegation of Mozambique to Forum Macau, headed by Prime Minister Carlos Agostinho do Rosario, included 14 entrepreneurs from sectors such as agro-processing, tourism, consulting and services. "All these entrepreneurs each held over three meetings and all reached agreements in principle that at a later stage can give good results," Macaringue said, adding that "there are clear intentions of doing business with Chinese companies." The President of Ipex was also quoted by AIM as saying that the Chinese entrepreneurs concerned are expected to visit Mozambique in order to confirm the business potential promoted by their Mozambican counterparts. "We have to monitor national entrepreneurs in their interaction with Chinese entrepreneurs to enable them to move ahead with their intentions, especially since the government of Mozambique is calling for industrialisation to add value to raw materials and create more jobs," Macaringue concluded. *(Macauuhub)*

Kensa free trade zone to boost intraregional trade

establishment of a free trade zone between Kenya, Egypt, Nigeria and South Africa (Kensa) – the four largest economies on the continent – will drive intraregional trade and exports. Speaking at a Team Export South Africa workshop in Midrand, Department of Trade and Industry director-general Lionel October explained that the idea of a Kensa free trade zone arose from the need for greater intra-Africa trading, which is currently below 15% of its trade. He noted that Europe's intraregional trade stood at about 60% to 70%, with Germany only exporting about 30% of its goods outside Europe. "That's the reason we are poor as a continent; when we buy from [overseas countries], the money leaves the continent, but if it stays within the continent, it develops the capacity to buy," he noted. Further, October said trade on the continent was still too slow. He further pointed out that the playing field in intraregional trade needed to be levelled, as South Africa was exporting about R8-billion of its manufactured and agroprocessed goods to Kenya, but only importing R200-million worth of goods from that country. "We are working on [establishing] the free trade area, which will hopefully be concluded by the end of the year," he added.

ECONOMIC BRIGHT SPOT

October singled out the manufacturing sector and associated exports as an economic bright spot in the "gloom" of the current economic situation. "In the second quarter, we were saved from a technical recession when the manufacturing sector grew 8%. "We aren't out of the woods yet, but we are laying a basis. Before you can export, you must produce. Industrial strategy needs to lead our trade policy," he added. October said that even the most embattled manufacturing sectors, such as the textile and footwear industries, which had suffered significant job losses in recent years, were experiencing an improvement. He said that the R25-billion investment in the automotive industry, "now a common story", was also an example of how the manufacturing sector in the country has been revived. *(By Megan Van Wyngaardt, Engineering News)*

Mauritius: Foreign direct investments grow 69% in first half of 2016

Foreign direct investments in Mauritius reached 7.96 billion rupees (US$222 million) in first half of 2016, up 69% compared to the same period in 2015, data released by the National Investment Council on Oct. 27th shows. The increase mainly results from booming investments in the real estate and financial services sectors, standing respectively at 5.03 billion rupees and 2.01 billion for the period considered. “Most of FDIs comes from developing countries, especially from China and South Africa, unlike in the past where it used to come from developed nations,” the National Investment Council said, highlighting that FDIs are set to keep growing driving up the number of major projects such as smart cities and that of African Leadership University. Since its independence in 1968, Mauritius recorded a 5%-6% annual average growth rate. The former British colony thus moved from being a low-income nation whose economy was based mainly on agriculture, to a middle-income country, with a diversified economy resting on a developing industrial and finance sector and on medical tourism, real estate and outsourcing. *(Ecofin Agency)*

BANKING

Banks

Angola’s BIC Bank plans to open branch in Macau

Angolan bank Banco BIC wants to open a branch or set up a local bank in Macau, in the short to medium term, and is making contacts with this in mind, the bank’s chairman, Fernando Teles said in Macau. Teles, who travelled to Macau to take part in the Conference of Financial Area Businesspeople and Officials from China and the Portuguese-speaking Countries, also told Angolan news agency Angop it made sense to have a physical presence in Macau, given its role as a platform in the relationship between China and the Portuguese-speaking countries. “The Angolan banks already have a presence in Africa and Europe, but in China there is nothing, so we are making efforts to find a partner in Macau to open a bank here, a branch or a local bank,” said the chairman of Angola’s largest private bank by number of branches. Teles said that his bank’s interest in the Chinese market was “very significant” as, as well as Macau and Hong Kong, “there is the country’s mainland, which is a large market and a strong economy.” The Conference of Financial Area Businesspeople and Officials from Chin and the Portuguese Speaking Countries was held under the theme “Innovation of the financial services model. – Promotion of cooperation in industrial capacity between China and Portuguese-speaking countries.” *(Macauhub)*

Atlas Mara Target Crane Is Taken Over by Uganda Central Bank

Crane Bank significantly under-capitalised, regulator says. Lender remains open and depositors’ money will be protected Uganda’s central bank took control of Crane Bank Ltd., which was said to have been in talks about selling a stake to Bob Diamond’s Atlas Mara Ltd., adding to a string of African bank failures this year caused by the economic slowdown and low commodity prices. Crane is “significantly undercapitalized” and poses a risk to the nation’s financial system, the Kampala-based Bank of Uganda said in a statement on its Twitter account. It’s suspended the bank’s board and appointed new management, saying the “continuation of Crane Bank’s activities in its current form is detrimental to the interests of its depositors.” The central bank is following regulators in Nigeria, Zambia, Kenya and Mozambique that have stepped in to prop up failing lenders and remove management as the slump in sub-Saharan Africa deepens, exacerbated by low oil and metals prices and a slowdown in China, one of the continent’s biggest trading partners. Crane Bank is a closely-held company controlled by Sudhir Ruparelia, one of Uganda’s richest men.

At Crane “operations will continue normally,” the regulator said, adding that it will continue to protect the interests of depositors to maintain the stability of the financial sector. Last week, the Bank of Uganda issued a statement to try stop a potential bank run after people took to social media urging depositors to withdraw cash.

Diamond’s Interest

The lender, Uganda’s fourth-largest, said in September it was looking for a strategic equity investor with a regional or continental network. Atlas Mara, the African financial services company co-founded by former head of Barclays Plc Bob Diamond, is in talks to acquire a stake, a person familiar with the matter said, asking not to be identified because the discussions are private. “Maybe that’s why they were looking at it -- the bank was in trouble and they thought they could buy it for a cheaper price and they would recapitalize it,” said Ayodele Salami, who holds Atlas Mara among the $450 million of African equities he oversees as chief investment officer at Duet Asset Management in London. “Now that the bank has gone into curatorship, it’s still entirely possible for them to buy it. The central bank might be so happy to give it away to you and not have to put its own money into it. Crane Bank, which has almost 500,000 accounts and 46 branches in Uganda, made a loss of 12.5 billion Ugandan shillings ($3.6 million) last year as impairment charges almost quadrupled to 50.4 billion Ugandan shillings and operating expenses rose 43 % to 103.7 billion Ugandan shillings. *(By Renee Bonorchis and Donal Griffin, Bloomberg)*

Mitsubishi UFJ Said to Weigh Adding Bank Offices in Africa Push

Mitsubishi UFJ Financial Group Inc. is considering opening offices in Kenya and Morocco to boost its African business as Japanese companies seek natural resource and infrastructure-related opportunities on the continent, a person with knowledge of the matter said.

Japan’s largest bank has begun studying the possibility of opening the offices in the countries and no decision has been made, the person said, asking not to be identified because the deliberations are private. MUFG is also considering increasing staff numbers at its offices in South Africa and Egypt, according to the person. Expanding the office network may help the bank to gather the information it needs to support Japanese companies operating in Africa, a region with diverse economies and governments, the person said. MUFG currently manages operations such as project finance in Africa from its regional headquarters in London.

Jun Watanabe, a spokesman for MUFG in Tokyo, declined to comment. MUFG signed cooperation agreements with investment agencies in Morocco and Kenya this year, as low growth prospects at home prompt Japan's biggest lenders to look overseas for profit. Japan will invest $30 billion to boost Africa's economic growth and infrastructure over the next three years, Prime Minister Shinzo Abe said in August at the Tokyo International Conference on African Development held in Nairobi, Kenya's capital. *(By Gareth Allan and Shingo Kawamoto, Bloomberg)*

Côte d'Ivoire: Rothschild & Cie Bank well-positioned to arrange privatization of BHCI

Procedure related to the sale of stake held by Ivorian state in the capital of Banque de l'Habitat de Cote d'Ivoire (BHCI) should speed up after piloting advisor is picked. According to a source with knowledge of the case, international business bank Rothschild & Cie might be the one to advise the State via its privatization committee regarding its exit from the bank's capital. Rothschild & Cie will be using its expertise and its impressive contact list to find and pick a reference investor to purchase the State's interests in the lender.

In this regard, the plan drawn when decision to privatize BHCI came up, during council of ministers held on December 23, 2015, states that the Ivorian state will sell its entire 55.9% stake in the bank with 51% to a reference investor while remaining 4.9% is to go to the bank's staff. Moreover, it was decided that BHCI which provides property loans will divert to universal banking services.

It should be mentioned that the privatization program launched in Cote d'Ivoire since 2013 is nothing new to Rothschild & Cie. Indeed, the business bank located 23 bis, Messine Avenue in Paris, has been assisting for months now, as financial advisor, the Ivorian state via the privatization committee in selling its stake in Versus Bank. Rothschild & Cie has been mandated to lead the sale of 67% of Versus Bank's capital to a reference banking group focused on SME/SMIs. The selected group is tasked with recapitalizing Versus and developing an ambitious and credible recovery plan. As for remaining 33%, the privatization committee will pick itself local investors interested in financing SMEs and SMIs. *(Ecofin Agency)*

Morocco: Banque Centrale Populaire and AfDB to inject $100M in Africa's intra-regional trade

Moroccan banking group Banque Centrale Populaire and African Development Bank (AfDB) have committed to finance intra-regional trade in Africa. The agreement signed during King Mohammed VI's visit to Tanzania between representatives of the two parties is for a $100 million precautionary line divided equally between the two actors. This week, AfDB announced about $378 million of financing commitments for African nations. $25 million was granted for a regional project which aims to improve safety and transport related to fishery at Lake Victoria. $1.58 million (950 million CFA francs) was given to Togo to support economic empowerment of women and $350 million disbursed for Abidjan's health program. *(Ecofin Agency)*

Markets

Capital market wants to help finance the Angolan government

Projecto Bonds (Bonds Project) could help the government of Angola to raise funding for public works related to energy, water supply, sanitation and road and rail transport, said in Luanda the chairman of the Capital Market Commission (CMC). The CMC recently signed a memorandum of understanding called Projecto Bonds with Banco Económico (former Banco Espírito Santo de Angola), Millennium Atlântico and Standard Bank of Angola to finance public infrastructure programmes, through public-private partnerships.

The chairman of the CMC, Vera Daves, said the financial mechanism will involve the private sector in financing infrastructure or projects that have a high potential for profitability, with easily embedded costs. "Financing infrastructure projects by using the capital market to issue bonds is the purpose of the Bonds Project, which will allow the creation of public-private partnerships to carry out works that to date have been exclusively the responsibility of the State," said Daves.

Daves said the projects that will be invested in had yet to be identified, but added that once the Memorandum of Understanding has been signed, both the Capital Market Commission and the signatory banks will begin analysing opportunities. "When the projects have been identified, the CMC will simply be the promoter and, when the prospecting is complete, the banks will be free to organise the specific bond issues," he said.

A Word With Lagarde and Mozambique Bonds Become World's Best

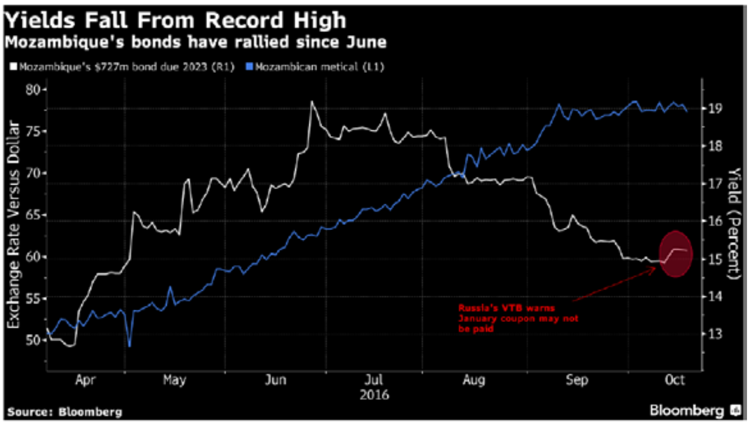
- Investors see thaw in relationship with IMF over hidden debt
- VTB says there are doubts country will honor January coupon

It didn't take long for investors craving higher yields to overcome their fear of Mozambique's debt.

The southern African nation's Eurobonds have gone from being the worst performers in emerging markets to world-beaters in a little over three months. That's a sign investor confidence is returning even after the Russian bank that underwrote the securities said it didn't know if the cash-strapped Mozambican government in Maputo, the capital, would be able to honor the next coupon payment in January. A meeting last month between President Filipe Nyusiand International Monetary Fund Managing Director Christine Lagarde in Washington may have marked the thawing of relations with donors, who suspended aid after the discovery of $1.4 billion of undisclosed loans to state-backed companies. Nyusi indicated willingness to allow an independent audit of the country's debt, a precondition for a resumption of loans, the IMF said. "Mozambique will be able to make the coupon payment, but the market is likely to remain volatile beyond that point," said Delphine Arrighi, a portfolio manager at Old Mutual Global Investors, which oversees $32 billion but is steering clear of the Mozambican bonds for now. The country "has to work hard to repair the trust lost with the IMF, involving some strong concessions, for which we're not sure how much political will there is," she said.

Currency Collapse

The $727 million of Eurobonds due in January 2023 lost 5.5 % in the second quarter, the most of 66 developing nations tracked by Bloomberg and the only loser among 17 sub-Saharan African countries. Since the start of July, they've gained 19 %, compared with the 2.6 % average for emerging-market sovereign debt. The 2023 yield has dropped 398 basis points to 15.2 % from a record 19.2 % on June 27. One of the world's poorest countries with an economy less than one-twentieth the size of neighbouring South Africa's, Mozambique is facing headwinds from the collapse in commodity prices and delays in developing offshore gas fields. Its currency, the metical, has plunged 38 % against the dollar this year, the biggest drop after Suriname's dollar. Growth slowed to 4.5 % in 2015, down from an average of 7.2 % in the previous decade, according to the IMF. "The loss of confidence from investors in the government has led to an almost complete stop in foreign direct investment at a time when the country is still running a 43 % current account deficit with almost no export earnings," Arrighi said.



The government hired Lazard Ltd. in July to assess its borrowings, which have more than doubled from 2012 to 86 % of gross domestic product, the highest among dollar-bond issuers in sub-Saharan Africa, according to the IMF. Still, investors including New York-based Alliance Bernstein LP believe that the Eurobond, which was only issued in April as part of a debt-swap deal, will be excluded from any potential restructuring. "I would guess that they're going to pay those Eurobonds," Marco Santamaria, a money manager at Alliance Bernstein, which oversees almost $500 billion of assets including Mozambican bonds, said in an e-mailed response to questions on Oct. 17. "They've definitely ring-fenced those previously undisclosed state-backed loans and will treat them differently to the Eurobond." Richard Creswell, a spokesman for Lazard, declined to comment. There are still plenty of risks. Moscow-based VTB Group, which along with Credit Suisse Group AG arranged the Eurobond sale in a debt swap aimed at lowering the country's borrowing costs, said on Oct. 13 there's no guarantee the $38 million coupon due on Jan. 18 will be paid.

Independent Audit

That coupon isn't the only problem. The IMF said Mozambique needs to agree to an independent audit of the two companies that borrowed the $1.4 billion of previously hidden loans -- Proindicus and Mozambique Asset Management -- to establish their financial state and ownership. The latter failed to pay $178 million of interest and capital in May. Yet as the only country in the world aside from Venezuela to offer dollar yields of more than 10 %, Mozambique is tempting to investors at a time when developed nations from the U.S. to Japan hold interest rates at or near record lows. "There's a growing view and belief in the market that they'll pay the coupon in January," said Kevin Daly, a London-based money manager at Aberdeen Asset Management Plc, which oversees about $9 billion of emerging-market debt. "That's supporting the bond price." *(By Paul Wallace and Matthew Hill, Bloomberg)*

IMF Says No Mozambique Aid Talks While Country in Debt Distress

- Mozambique Finance Minister Maleiane wants to restructure debt
- Exotix sees investors taking a 20 % haircut on loans

The International Monetary Fund will withhold any further funding to Mozambique, which told creditors this week it wants to restructure its commercial loans, while the country is still classified as debt-distressed, a spokesman for the lender said. "In line with Fund policies, we cannot disburse funds in a situation where we think the debt is not sustainable," Gerry Rice told reporters in Washington, according to a transcript of the briefing posted on the IMF's website. "As with any country, to be able to disburse we need to know that the debt is sustainable."

Mozambique's Eurobonds have fallen by as much as 24 cents on the dollar to 57.18 cents in the dollar since Finance Minister Adriano Maleiane told investors Oct. 25 that the country was in "debt distress" and wouldn't be able to make an interest payment on the debt due in January. The IMF halted aid disbursement after the government admitted to about $1.4 billion in undisclosed loans in April, prompting other donors to stop budget support too.

The government plans on reaching a deal with investors to restructure its external debt by the end of the year, to allow it to conclude an agreement with the IMF on a new program early next year, according to the Finance Ministry. This timing is "terribly ambitious," Stuart Culverhouse, an economist at Exotix Partners in London, said in a note to clients Friday 28th October.

The nation, which has appointed Lazard Frères and White & Case LLP as advisers to help with the planned restructuring, may seek relief for as much as 40 % of its total debt of about $10.1 billion, Culverhouse said. A "strong group of creditors" may be able to negotiate a 20 % writedown of the debt, he said. The IMF is ready to help the government in restructuring process, it said this week.

Another condition the IMF has given to resuming aid discussions with Mozambique is that the country agrees to an independent, international audit of its foreign debt. The government will issue a tender for a company to carry out the probe, Prime Minister Carlos do Rosario told lawmakers this week. *(By Matthew Hill, Bloomberg)*

Egypt to issue $2 bln in international bonds, roadshow in Nov

Egypt will issue roughly $2 billion in international bonds, less than previously announced, and will begin a roadshow for the planned offering in the second or third week of November, Finance Minister Amr El Garhy said. Egypt has been negotiating billions of dollars in aid from various lenders to help revive an economy battered by political upheaval since the 2011 revolt and ease a dollar shortage that has crippled import activity and hampered recovery. Egypt said in August it planned to issue $3 billion to $5 billion in international bonds at the end of September. Garhy told an American Chamber of Commerce event in Cairo that the bond was now likely to be marketed next month, and said later in the day that the amount would likely be lower than previously announced. "We're talking about $2 billion, give or take, but it will be in this range, depending on market circumstances," Garhy said later during a television interview. *(By Lin Noueihed and Eric Knecht, Reuters)*

ENERGY

Chicamba and Mavuzi power plants in Mozambique refurbished by the end of 2016

The refurbishment of the Chicamba and Mavuzi power plants will be completed by the end of the year, ensuring the growth and stability of the power supplied to the provinces of Manica and Sofala in Mozambique, said the Deputy Director of Electrification and Projects at Mozambican state power company EDM. Abraão Rafael, who is also the project's coordinator, told Mozambican daily newspaper Noticias that of the power stations' seven generator groups, five have been recovered, and of these three are already operating fully, and the work is expected to be finished in December. The works for the rehabilitation of the two plants, valued at approximately US$120 million, began in 2013 and advised by French-Norwegian consortium Cedelec and Hidrokarst Rain Power. With the completion of the work the two plants will allow an increase of approximately 20 Megawatts (MW) of energy at the Chicamba dam in Manica, and the Mavuzi dam in Sussendenga, Sofala province. The Mavuzi dam was built in the 1950s and a decade later the Chicamba was built land the installed generators are completely outdated because of their age. *(Macauhub)*

Tanzania: Intra Energy signs MoU with Sinohydro to develop Ngaka power plant

Australian miner Intra Corporation signed with Chinese power developer Sinohydro a memorandum of understanding (MoU) for the joint development of the 270 MW coal-fired Ngaka power plant. Under the MoU, Sinohydro which is the project major shareholder will conceive, build, finance and operate it. Tancoal Energy, subsidiary of Intra Energy will provide coal that will be used as fuel. It was revealed that the plant will need 1.2 million tons of coal each year to operate full throttle. The coal will be mined at the Tancoal-exploited mine situated 7 km from the power station. Energy generated will be transferred to national grid via a 220kVa transmission network. *(By Gwladys Johnson, Ecofin Agency)*

INFRASTRUCTURE

World Bank finances conclusion of dam in Mozambique

The contract for repair and completion of the Corumana dam in the Mozambican province of Maputo, is expected to be awarded in November, funded by the World Bank and work to begin two months later, said the Director-General of the Águas do Sul Regional Administration. Construction of the Corumana dam, located in the Moamba district, 100 kilometres from the city of Maputo, began in 1983, but was not completed because of the civil war, and stopped working at the end of 2015 due to the drought affecting the south and its inability to retain water. Helio Banze told Mozambican daily newspaper Notícias, that with the increase in population in the region covered by the dam, the government had decided it should be concluded and requested funding to the World Bank, and is now examining the proposals. Officials from the pre-selected companies recently went to the site, and their proposals for the construction of the six locks missing from the dam, essential equipment for the operation of the facility, should be delivered by November. Banze said that the main aim of this work is to increase the water storage capacity of from 880 million to 1.38 billion cubic metres, which will increase the availability of drinking water in the cities of Maputo and Matola, as well as in the Marracuene district from 70% to 90%. *(Macauhub)*

Guinea inks $770 mln contract with Chinese firm to develop main port

China Harbour Engineering Company (CHEC) signed a $770 million contract with Guinea's government to upgrade the port in the capital, Conakry, expanding Chinese economic influence in the West African iron and bauxite producer. Under the contact, CHEC, a subsidiary of China Communications Construction Co Ltd, will construct three docks, roads and other infrastructure in the eastern zone of the port, providing parking for up to 600 trucks. The port in Conakry handles nearly all goods shipped into Guinea, and to some landlocked neighbours like Mali. French logistics giant Bollore Group runs the port's adjacent containers terminal. "With the completion of this project extending the Autonomous Port of Conakry, it will become the largest in the sub-region," the CHEC director in Guinea, Ding Jialong, said in a speech at the signing ceremony in Conakry. Another Chinese company, China Water Electric, began construction late last year on the $1.5 billion, 515-megawatt Souapiti hydroelectric dam, a cornerstone of President Alpha Conde's infrastructure push in the power-starved country. Guinea's economy is still recovering from the blow dealt by the Ebola epidemic, which officially ended in June. The International Monetary Fund expects roughly 5 % economic growth this year, up from zero in 2015, driven by gains in the mining, agriculture and energy sectors. *(By Aaron Ross, Reuters)*

Sanral defends N2 Wild Coast toll road project economics

The South African National Roads Agency Limited (Sanral) this week reiterated the economic opportunities that will be created as a result of its N2 Wild Coast toll road project. This followed the release of a study, commissioned by Sustaining the Wild Coast that challenges the economic validity of the roads project.

Sanral southern region manager Mbulelo Peterson said the agency would review the report; however, already-in-existence reports “clearly” quantified the benefits of the contested “shorter and flatter new route”. “The detailed economic opportunities, which include conventional tourism, ecotourism, agriculture and other business opportunities, both locally and regionally, with regard to the project, are contained in various specialists’ studies by leading experts,” he said.

The reports further indicate the significantly reduced travel time, cost, carbon emissions and road fatalities and accidents. Further, Peterson stressed that the project was “not just” a Sanral initiative, but a Presidential Infrastructure Coordinating Commission-driven project as a national priority. *(Engineering News)*

Repairs on road between Beira and Machipanda in Mozambique finished in April 2018

Work to repair and improve the N6 National Road between the port city of Beira, in Mozambique’s Sofala province, and the border town of Machipanda, is expected to be finished in April 2018, Mozambican daily newspaper Noticias reported. Work on the 288-kilometre road, which began in April 2015, is expected to cost US$410 million and is funded by the Mozambican government and the EXIM Bank of China. Noticias said that 45% of the work was concluded and that by the end of the year a 60-kilometre section would be paved in the districts of Dondo and Nhamatanda, in Sofala province, where a 220-metre bridge is due to be built over the River Pungué. The refurbishment of the N6 road will also benefit neighbouring countries that use the port of Beira for imports and exports, including Zimbabwe, Malawi, Zambia, Botswana and the Democratic Republic of Congo. *(Macauhub)*

Angola invests US$25 billion in the recovery of its road network

Since 2002 Angola has invested about US$25 billion in the recovery of its road network, said the Secretary of State for Construction, António Teixeira Flor, during the technical-scientific events of the Eduardo dos Santos Foundation, held in Luanda. The secretary of state, quoted by daily newspaper O País said that in the coming years Angola still needed to invest about US$6 billion. Teixeira Flor noted that of the approximately 25,000 kilometres of primary, secondary and tertiary roads, about 18,000 kilometres have been rebuilt. The government official noted that in the last 14 years Angola had recovered 70% of its road network destroyed by the civil war that devastated the country. *(Macauhub)*

New watersupply centre increases production in the area of Maputo, Mozambique

Twelve neighbouring districts of the capital of Mozambique, Maputo, have been supplied with additional water since following the inauguration by President Filipe Nyusi of the Intaka Water Distribution Centre in the city of Matola, Mozambican daily newspaper Notícias reported. The Centre which cost about US$4 million (324 million meticals) was built by the government in partnership with the French Development Agency (AFD) and will serve 90,000 people living in the neighbourhoods of Intaka, Zimpeto, Khongolote, Boquisso , Mali, Cumbeza, Agostinho Neto, Muhalaze, 1 do

Maio, Matlhemele, Golhoza and Mucatine. The Intaka Distribution Centre increases production capacity from 240 million to 360 million cubic metres of water and the reserve capacity from 225 million to 295 million cubic metres. At the inauguration President Nyusi recalled that this year four water supply systems for the cities of Quelimane, Beira, Inhambane and Nacala (Nampula) had been enlarged, benefiting more than 30,000 people. The Ambassador of France in Mozambique, Bruno Clere, present at the ceremony revealed that the project is part of the extension of the project to improve the water supply system in Maputo and Matola, and announced that French participation in financing the project to extend the supply of drinking water to the Catembe township, which is expected to experience greater urban development after completion (in 2017) of construction of the bridge linking Maputo and Catembe. *(Macauhub)*

Ghana Seeks $398 Million India Exim Bank Loan for Rail Project

Ghana's government is seeking approval from parliament for a $398.3 million loan from the Export-Import Bank of India to construct a railway line between its main port and a lake which links the south and northern regions of the country. The 85 kilometer (53 miles) rail project between the coastal city of Tema and Akosombo at Lake Volta will be engineered and constructed by India's Afcons Infrastructure Ltd., Ghana's parliament said in its agenda document for Oct. 31, signed by majority leader Alban Bagbin. Lawmakers will discuss the loan while the country is in talks with the China Development Bank Corp. to revive a $1.5 billion facility for the development of energy infrastructure, Finance Minister Seth Terkper said. The loan will be repaid through gas supplies, he said. The government of President John Dramani Mahama, who is standing for re-election in December polls, is investing in infrastructure as the country banks on a ramp-up in oil output to accelerate economic growth. *(By Ekow Dontoh, Bloomberg)*

MINING

Low ore prices affect projects in Angola

The fall in the price of ore, such as iron ore, on the international markets has slowed the execution of projects such as the one in Cassinga in Huila province, and forced Empresa Nacional de Ferro de Angola (Ferrangol) to reassess them, said the president of the company. Diamantino Azevedo said that the price of minerals has fallen to such an extent that the company has had to review all plans already drawn up, including studies of economic feasibility, environmental impact and project implementation strategies. The situation led to a two-year stoppage at the Cassinga mine, but the company is now trying to take over the project, based on current conditions involving low operating costs and the State's greater focus on certain fees and charges. The president of Ferrangol said the problem was not cantered on taxes but on a set of variables, such as ore transportation to the port or from the mines to the steel industry, or of related costs such as electricity and gas. Besides Cassinga, he said, there is also an iron project in Kwanza Norte province, whose launch depends on ongoing negotiations with a private steel company that may develop it. The Cassinga project, in Cateruca in the province of Huila, has a potential of 15 million tonnes of iron ore, and it is also expected to contain gold, and prospecting work for this metal should be completed this year. Ferrangol is involved in prospecting, exploration, processing and marketing of metallic mineral resources (ferrous, nonferrous and precious), as well as others which are raw materials for steel production. *(Macauhub)*

Australia's Mustang Resources discovers more rubies in Cabo Delgado, Mozambique

Australian mining company Mustang Resources announced the discovery of 460 carats of rubies in the Montepuez district of Cabo Delgado Province in northern Mozambique. This is the first discovery of rubies from the analysis of 2,683 tons of material from the exploration zone of the Alpha deposit. The ruby deposit was discovered in July of this year and 13,000 tonnes of material has already been collected to be sent to the factory to detect rubies. The company estimates that each ruby carat will have a value of US$35,900. Mustang Resources said in a statement that it also intends to explore diamonds in a project in the Save River and a graphite project in Balama, Cabo Delgado. *(Macauhub)*

Gold mining in Jamba, Angola needs U$100 million investment

The start of gold mining in the Jamba municipality in the province of Huila, Angola needs an investment of US$100 million, Angolan daily newspaper O País reported citing Dinis Santos director of Empresa Nacional de Ferro de Angola (Ferrangol). The gold mining project, called Mpopo, has been handed over to Angolan precious metals company Somepa, which between 2010 and 2013 conducted prospecting, research and evaluation work in an area of 1,700 square kilometres of which it selected 80 square kilometres as the most promising and are expected to provide annual production of 22,215 ounces of gold. The prospecting work pointed to the existence of reserves of 5.8 million tonnes of gold-bearing ore that can be mined for 12 to 13 years. Santos also said that work was underway to find investors interested in the Mpopo project. According to the Ferrangol director as soon as investments for the start of commercial operation of the project have been secured, the mine can be up and running in a year and a half. Huila province, with an area of 12,700 square kilometres and a population of 100,000 people has large reserves of iron and gold. *(Macauhub)*

Tawana Resources raises $5.4 million to advance projects

Tawana Resources, active on the Uis lithium project in Namibia has announced a fundraising for AU$7.2 million ($5,484,669) to advance its projects. Fundraising will take place in two tranches, during which 60 million shares will be placed at $0.12 per share. The firm said added during the first step 29.6 million shares will be issued and in the second 30.3 million shares. Tawana will use proceeds from the first tranche to advance drilling program at its Cowan lithium project, conduct due diligence on the adjoining Bald Hill Mine, in Western Australia and complete drilling and metallurgy at the Uis lithium project in Namibia. Funds from the tranche 2 will solely be used to advance Australian lithium projects. The Uis project is estimated to hold a reserve of about 20 million tons coming from one the world's largest pegmatite mines. *(By Louis-Nino Kansoun, Ecofin Agency)*

OIL & GAS

ENI group plans to extract more oil in Angola

Italian group ENI will begin to extract more oil in the Angolan sea, with the future entry into operation of floating production, storage and offloading (FPSO) vessel, the group said in statement issued in Milan. The statement said to the ceremony to name the FPSO – "Armada Olombendo" – had been carried out in Singapore where it was built by Keppel and the vessel would soon start its journey to Angola. The FPSO was commissioned from Keppel by Bumi Armada of Malaysia, which for this purpose has taken on a loan of US$1.12 billion dollars, and the vessel will now be leased to the ENI group to extract oil in Block 15/06, 350 kilometres north of Luanda. The "Armed Olombendo," which was reconfigured from the supertanker "Armada Ali", has a storage capacity of 1.8 million barrels of oil. The Italian group is the block operator with a 36.84% stake and the remaining partners are Sonangol Pesquisa e Produção (36.84%) and SSI Fifteen Limited (26.32%). *(Macauhub)*

ExxonMobil will explore gas in area 4 of the Rovuma Basin in Mozambique

US multinational ExxonMobil will be a partner in the exploration of natural gas in area 4 of the Rovuma basin in Mozambique, the chairman of Mozambican oil and gas company ENH, Omar Mitha said according to daily newspaper Notícias. Area 4 of the Rovuma Basin is currently operated by Italy's ENI in partnership with Mozambique's ENH, South Korea's Kogas and Portugal's GALP. Mitha ranked ExxonMobil's entry as a big gain mainly due to the company's experience in the global production and distribution of natural gas. "We are talking about a major" player "in the global gas market, so this entry is a clear sign that our country is desirable. It is also expected that the context will change because, at the moment it is not favourable, as there is an excess of supply against demand and also because there was a change from a technological point of view, with shale gas gaining a certain dominance in the market," Mitha told Noticias. "ExxonMobil is already working in Mozambique and we have had regular meetings as partners firstly in the fifth tender in which it has fields in Angoche and in the Sofala and Zambezi blocks and, secondly, in relation to its entry in Area 4," said the Chairman of ENH's Board of Directors giving assurances that, in the case of Area 4, the US company will not have a minority holding. It should be noted that recently ENI and its partners signed a binding agreement for sale of Liquefied Natural Gas (LNG) to BP Poseidon, a company fully controlled by BP Plc. The Rovuma Basin is the most important in terms of gas reserves so far discovered in Mozambique representing about 180 trillion cubic feet of gas. A portion of these reserves are in Area 1, operated by Anadarko. The exploration of these resources, as outlined in current plans, could put Mozambique among the world's three largest producers of natural gas. *(Macauhub)*

Angola and Zambia to build oil pipeline between the two countries costing US$2.5 billion

A delegation from Zambia is due to visit Angola to analyse the start of the studies for construction of an oil pipeline linking the two countries over a distance of 1,700 kilometres, according to newspaper Novo Jornal. The Zambian Minister for Zambia Energy announced at a press conference in the Zambian capital, Lusaka, that construction of a pipeline to connect the Angolan city of Lobito, in Benguela province, to Lusaka, agreed in 2012 by the two countries and postponed since 2013 will finally move forward. The project has an estimated cost of US$2.5 billion and provides for daily distribution of 100,000 barrels of oil. Basali Ba Liseli Resources of Zambia announced in 2012 that it was interested in building the pipeline between Lusaka and the Sonaref refinery in the port of Lobito. Zambia has a single refinery with a processing capacity of 24,000 barrels of oil per day, which does not have the technology to refine oil extracted in Angola. *(Macauhub)*

Total, Glencore and Gunvor bidding for Chevron's South African assets

Total, Glencore and Gunvor are bidding for a 75 % stake in Chevron's South African downstream assets, which include a refinery, three industry sources told Reuters. U.S. oil major Chevron said in January it planned to sell 75 % of its South African business unit, which includes a 110,000-barrels-a-day refinery in Cape Town. The second bidding round in which actual offers were made closed on Sept. 30, the sources said, with a selling price estimated at $1 billion expected for the assets in South Africa as well as neighbouring Botswana. "Total, Glencore and Gunvor have bid for the assets," said one industry source close to the matter. A second source with knowledge of the transaction said: "These companies comprise the front-runners for the bid. We might possibly get a (preferred bidder) decision by the first quarter of next year." French oil major Total, crude oil trader Gunvor and Glencore, a mining and trading company, declined to comment. Chevron spokesman Braden Reddall said in an emailed response that the bidding process was continuing and "as a matter of policy, we do not disclose details of commercial activities". Financial advisor Rothschild

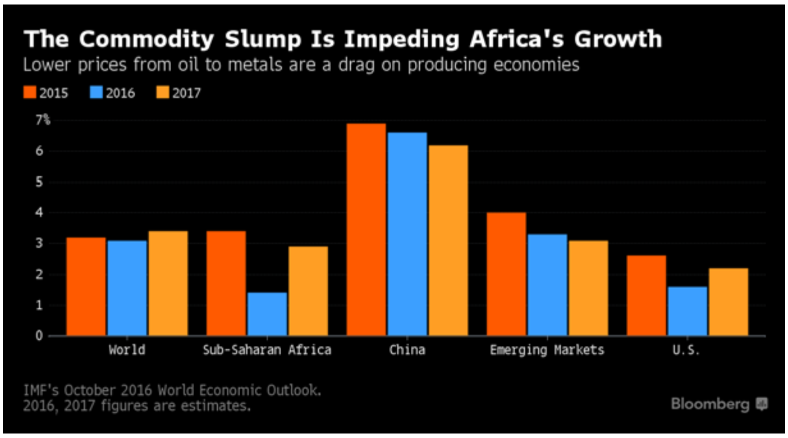
& Co is helping Chevron on the sale, which has also seen interest from Sasol, the world's largest gas-to-fuel producer, which said in July it was considering buying the majority stake. Chevron is a leading refiner and marketer of petroleum products in South Africa, the most industrialised country in Africa, where it has had a presence for more than a century. Besides the Cape Town refinery, Chevron also has interests in a lubricants plant in Durban on the east coast. Its network of Caltex service stations makes it one of South Africa's top five petroleum brands, according to its website. *(By Wendell Roelf, Reuters)*

Africa Must Face Reality of Low Commodity Prices, IMF Warns

African commodity exporters risk a “disorderly” hit to their economies if they don’t adapt to the reality of low prices, said a senior official at the International Monetary Fund. Some governments in sub-Saharan Africa have been slow to “internalize” the fact that prices of oil and other commodities are likely to remain low, said Abebe Aemro Selassie, director of the IMF’s Africa department. Countries need to let their currencies adjust to lower demand, while shoring up their budget balances, implementing reforms to improve competitiveness and cushioning the impact on the poor, he said. “The alternative is a more disorderly adjustment process when you eventually run out of foreign exchange, when you run out of fiscal space,” Selassie said in an interview in Washington. “These are very difficult political decisions, and we’re under no illusion that putting this in place is going to be easy.” Battered by the commodities slump and anemic global demand, sub-Saharan Africa’s economy is set to expand 1.4 % this year, the slowest pace in more than two decades, according to the Washington-based fund. Nigeria, one of Africa’s largest oil producers, is poised for its first annual contraction in about 25 years, while growth is expected to be roughly flat this year in South Africa, which is the continent’s biggest producer of gold, chrome and coal.

Oil Rut

While the price of crude oil has increased more than 35 % this year to about $50 per barrel, it remains at about half of a June 2014 peak. The Bloomberg Commodity Index has fallen more than a third since then. The IMF forecasts growth in the region will pick up next year to slightly less than 3 %, from 1.4 % this year, but only if authorities in the largest economies move promptly to correct imbalances and dispel policy uncertainty. The growth picture has split into a tale of “two Africas,” with the region’s 23 commodity-exporting economies under severe strain and the remaining 22 nations posting reasonably high growth, the fund said in an outlook for the region released. Selassie said policy implementation by commodity producers has been “inadequate and incomplete.” “In some cases, it’s basically an expectation that prices will recover, or there are some investments already in the pipeline in the oil sector,” said Selassie, a native of Ethiopia and veteran IMF economist who took over the Africa department last month. “There’s an expectation that an increase in production will make things better again.”



Governments have been cutting spending across the board to balance their budgets, rather than taking the preferred route of targeted cuts or durable steps to raise tax revenue, the IMF said in the outlook. Countries have been reluctant to let their currencies weaken as needed, the fund said. The IMF is concerned the economic damage of the commodities slump is becoming ingrained, undermining the chances of a strong short-term rebound. With foreign-exchange reserves dwindling and public debt accumulating rapidly, the return to growth depends “critically” on the availability of new financing, ideally on lenient terms, the IMF said.

Loan Programs

Africa’s second-largest copper producer, Zambia, expects to agree on a support package by March with the IMF after asking for the lender’s help. Ivory Coast, the world’s biggest cocoa producer, reached a staff-level deal this month with the fund for $674 million in loans. But countries such as Nigeria and Angola have so far declined to borrow from the lender. Nigeria has instead turned to the World Bank and China for financing, while Angola recently backed away from loan discussions with the IMF. Selassie said the fund isn’t discussing loans with either country. “What is most important is really the right policies are being pursued,” he said. “To the extent that you do those policies, you don’t need the sort of exceptional balance of payments support that the fund provides.” *(By Andrew Mayeda, Bloomberg)*

TELECOM

Kenya’s ride-hail market is giving globalization an African twist. And it’s paying off

As more global tech firms enter frontier markets, could greater local competition offset the disruptive downsides? What happens in Kenya’s digital ride hail market could serve as an indicator. As I reported in TechCrunch, Safaricom,

Kenya's largest telecommunications company, entered the space in 2016 with its Little transit app, a homegrown competitor to Uber. The move set off an ongoing price and service battle across Kenya's burgeoning tech taxi market.
Uber has been expanding in Africa since 2012, and launched in Kenya in 2015 – bringing with it a mix of digital disruption pros and cons. On the upside, Uber has generally been well received in the East African nation, offering a modern transportation option to one of the continent's more tech-savvy populations (see Silicon Savannah).
Kenyans have taken over 1 million trips with Uber since its arrival. The app gets 100,000 hits a month in Nairobi, and Uber has created over 1,000 economic opportunities for drivers and partners in Kenya, according to Uber Africa spokesperson Samantha Allenberg.
In Kenya and other African countries, Uber is also testing unique service options not available to passengers in many of its global markets. These include cash payments, new safety measures, and mobile image direction apps. In 2016 Uber teamed up with Kenya's Sidian Bank in a partnership to bridge personal finance gaps, using driver performance markers to create credit profiles towards loans.
Of course, not everyone in Kenya has welcomed the San Francisco-based tech company. As in many other cities globally, some local drivers and cab services have pushed back on Uber for creating "unfair competition" on local wages and jobs. Anti-Uber protests (and even violence) have erupted. Earlier this year, the United Kenya Taxi Organisation issued an ultimatum to the Kenyan government to ban Uber from the country.
Enter Kenya's Safaricom in July 2016. Widely recognized for the success of its M-Pesa mobile money product, the company partnered with local software provider Craft Silicon to launch the Little ride hail app. Safaricom positioned the new service to aggressively take on Uber. It immediately offered cheaper pricing (55 Kenyan Schillings per kilometer to Uber's 60) and expanded services, such as free in-car Wi-Fi and a "female friendly" Lady Bug option, where women can request female drivers.
Safaricom also zeroed in on driver wages, perhaps the most sensitive aspect of Kenya's online taxi market. It announced Little would "take no more than 15% of drivers' earnings, compared to…Uber's 25%," in the app's launch release. Little's entry has spurred a tit for tat competition in Kenya's ride hail market on price and product offerings between Uber and the country's other viable digital-booking services. The first move was Uber's 35% price reduction, announced shortly after Little's launch.
The rivalry continues to reduce costs and expand service options, according to Bitange Ndemo, a professor at Nairobi University and a Kenyan ICT leader. "There is a lot happening in the competition between Uber and Little. Uber started an aggressive marketing campaign. Large billboards dot the city. The market is stabilizing and prices for both have significantly dropped," he said. "We also expect new innovations. They are both looking at how to get into the matatu [minibus] market. Little services can now be accessed through USSD," Ndemo explained, referring to the app's expanded compatibility from iOS, Android and Windows devices to non-smartphones.
The Little-Uber rivalry has also given drivers more leverage. The presence of two competing (and well-capitalized) digital ride hail operations has contributed to greater labour market mobility for them – a kind of vote with your feet (or wheels) option for those dissatisfied enough to switch to another employer. In August, drivers even formed an IT era union, The Kenyan Digital Taxi Association, to lobby executives at both Uber and Little on pay and employment matters.
A lot remains to be seen in Kenya's digital transit market. It will be interesting to follow whether local competition will – as the Forum's new San Francisco office director Murat Sonmez recently put it – "maximize the benefit…and minimize the downside" of innovation coming from global technology companies.
For the time being, the biggest winner in Kenya's ride-booking rivalry appears to be the country's citizens. The competition for passengers between the world's highest valued start-up and Kenya's largest telecommunications company is delivering local consumers cheaper and more reliable transport options, along with all kinds of new promos and IT product offerings. When it comes to digital transit in Kenya, globalization with a local twist could add up to a net positive for the people. *(World Economic Forum)*

MTN versus Nigeria
MTN's misadventures in Nigeria have become a cautionary tale for multinationals and governments in the region - but for which side is still a matter of some debate. Despite the telecoms company's successful negotiation to reduce a record $5.2bn regulatory fine to around $1.7bn in June, a new parliamentary investigation could bring further headaches. The wrangling is being watched warily by other multinationals operating in Nigeria's troubled economy, which sank into recession in August. After the initial settlement a number of Nigerian parliamentarians, displeased with what they believe was a lenient deal with MTN, promised further action.
Now, it seems, they are going to deliver: at the end of September, Senator Dino Melaye claimed the South African telecoms giant illegally moved some $14bn out of Nigeria over several years. The company denies all wrongdoing. MTN initially fell foul of Nigerian regulators after it failed to deactivate some 5 million unregistered SIM cards as part of the country's efforts to crack down on crime and the Boko Haram insurgency in the country's northeast. Nigeria's regulators initially fined MTN N1.04tn – about $5bn at the time, or 95 % of MTN's local earnings. This was summarily reduced to N700bn before negotiations ended at the N330bn figure.

The settlement was the result of a long and dramatic series of negotiations. They involved the promise of a local stock exchange listing for the company's Nigerian subsidiary. MTN also hired former US Attorney General Eric Holder to argue its case. The ongoing saga has been difficult for the company. MTN is currently sounding investor interest in a bond sale to raise money for the fine after recording its first ever half year loss in July. In the wake of the revised allegations, MTN's stock price on the Johannesburg Stock Exchange fell to its lowest levels since July 2010.
At the end of the day, the deal on the initial fine appeared to benefit both parties. That might now unravel. Nigeria's coffers badly need the influx of cash from the fine, and the country will benefit from the company's announcements of continued investment in infrastructure, such as expensive fibre optic cabling. A listing would also be a positive, boosting liquidity and visibility on the Nigerian exchange.
On the other hand, MTN needs access to Nigeria's sprawling market. The country accounts for 35 % of MTN Group's 2016 revenues, and it is keen to hold onto market share. In the wake of the scandals, Vodacom overtook MTN this year to become the region's biggest player.
Both sides needed a win in the wake of the fine, and it looks as though they got one. Unfortunately, whether owing to internal political power struggles between Nigeria's parliament and the executive branch or to misconduct by MTN itself, the positives of the deal could now be undone. Illicit financial flows drained an estimated $50bn out of Africa's economies between 2000 and 2008. Much of those funds were extracted through corporate channels. Legitimate and measured pursuit of unfair corporate manipulations are justified.
Leveraging these processes for political gain is not, however, and will do long term damage to economies already struggling to retain investment. Nigeria's politicians should take note and examine their motives closely. *(By Anna B. Wroblewska, This is Africa)*

Vodafone Egypt to pay half of 4G licence in dollars
Vodafone Egypt will pay half of the fee for its 4G mobile license in dollars, a company official told Reuters, satisfying a condition that initially held up final agreements for the spectrum sale. Egypt's telecom regulator said in August that companies interested in acquiring the 4G license would be required to pay 50 % of the licence fees in U.S dollars. Egypt needs hard currency after burning through its foreign exchange reserves and some multinational companies have struggled to repatriate dollars amid the currency shortage. Vodafone Egypt agreed to pay $335 million for the licence as part of the country's long-delayed plan to reform the telecoms sector. The company did not disclose at the time whether they had reached agreement over the dollar payment, but said new terms that eased their ability to buy additional spectrum required to operate the 4G services had sweetened the deal. "We paid 1.5 billion Egyptian pounds of the license value on October 15 and we will pay the remaining fee within the coming days in coordination with our parent company," the official, who declined to be identified, said. ($1 = 8.8799 Egyptian pounds) *(By Eric Knecht and Ola Noureldin, Reuters)*

AGRIBUSINESS

Increasing Agricultural Productivity in Sub-Saharan Africa Can Reduce Poverty, Spur Growth

- A new World Bank report shows that improving agricultural productivity in Sub-Saharan Africa remains an important strategy for reducing poverty, enhancing inclusive growth, and promoting structural transformation in the region
- Efficiency of public spending in agriculture needs to be enhanced for reaping richer returns, the report notes
- Using the successes of developing regions around the world, including some African countries, the report offers recommendations that could lay the foundation for economic growth

WASHINGTON, October 17, 2016 – Boosting agricultural productivity in Sub-Saharan Africa would raise farmer's incomes, lower food costs, and promote broader economic growth, according to a new World Bank report.
The report, Reaping Richer Returns: Public Spending Priorities for Africa Agriculture Productivity Growth, explores how effective, efficient and climate resilient public spending in and for agriculture can be the foundation for transformation and reducing poverty in Sub-Saharan African countries.
"A vibrant, sustainable and resilient agriculture sector is vital for Sub-Saharan Africa's economic future," said Makhtar Diop, World Bank Vice President for the Africa region. "To make a significant dent on poverty, enhancing the productivity and competitiveness of African agriculture must become a priority."
According to the report, the challenge is that government spending on agriculture in the region not only lags behind other developing regions, but subsidy programs and transfers tend to benefit the better off, with insignificant gains for agriculture, or for the poor.
"Sub-Saharan African countries tend to underfund high-return public good investments related to technology generation and adoption, strengthening markets, and rural infrastructure," said Aparajita Goyal, World Bank senior economist and co-team lead of the Africa regional flagship study. "Increasing the efficiency of public spending in agriculture while rebalancing its composition towards such investments could reap massive benefits in agriculture productivity."
Conditions are ripe for boosting the productivity of African agriculture, the report says. African regional markets are growing rapidly, driven by population, urbanization, and income growth, and are forecast to reach a trillion dollars by

2030. Prospects are also promising on the supply side, according to the report, since Africa's potential for agricultural prosperity is enhanced by an abundance of vital components.

The report uses the successes of African and other developing countries around the world to provide lessons for African agriculture, the quality of public spending and the efficiency of resource use. For example, input promotion during high agricultural productivity periods in Asian and South American countries addressed systemic constraints to productivity through integrated investments in improved technologies, extension services, water and soil management, and market linkages.

Sub-Saharan African countries could achieve greater impact with current investments by moving away from a heavy focus on fertilizer subsidies, the report says, and moving toward a package of complementary investments. Reforming the design and implementation of these subsidy programs while rebalancing government spending in favor of high-return core public goods and policies could produce significant gains. The report also recommends areas where African governments can redistribute spending to reap richer returns, including:

• Reducing the barriers to disseminating foreign technology and development domestic technology: With scarce budget resources, countries need to adopt policies to reduce barriers to spill-ins of technology from abroad, and encourage private investment in technology generation
• Invest in land governance: Significant investments will be needed to reverse soil degradation and depletion, so improving land security will be important to create conditions for sustainably boosting productivity
• Bolster extension: Encourage greater adoption of modern technologies to improve the effectiveness of extension services, including communication and learning activities organized for rural famers
• Improve post-harvest practices and market access: Investments in post-harvest processing facilities, access to markets, and accompanying infrastructure and policy reforms that foster commercial agriculture are critical for transforming African agriculture

In addition, the report notes that improvement of the policy environment through trade and regulatory policy reforms complements spending, by enhancing incentives for producers and innovators to take advantage of public goods that crowd in private investment. According to the report, shortcomings of the budgeting process itself also reduce spending effectiveness.

While enhanced public spending in agriculture can provide a solid foundation to increase agriculture productivity in Sub-Saharan Africa, the report points out that it is only one element for agricultural transformation, and must be complimented by a host of additional policies. In a poor policy environment, even spending in areas that otherwise have high returns will be unproductive or counterproductive, according to the report. *(World Bank Blog)*

AfDB approves US $25 million for project to make Lake Victoria safe for fisheries and transportation

On Tuesday, October 25, 2016, the African Development Bank approved a US $25-million loan for a multinational project to establish a safety-of-life communications systems for Lake Victoria. The largest lake in Africa accommodates a fleet of 70,000 vessels, mostly individual fishermen, but lacks any alert or rescue systems. Consequently as many as 5,000 people die in the lake each year. The loan will finance the extension of GSM (Global System for Mobile Communications) networks on the lake and the creation of 22 rescues centres in Tanzania, Uganda and Kenya, contributing to save lives and stimulate business for the benefit of the economy of the entire Lake Victoria basin. "The project will support the provision of safe, efficient transport links, and safe fishing activities that are essential to achieving the goals of poverty reduction and sustainable development," said Amadou Oumarou, Director of Transport and ICT department at the AfDB.

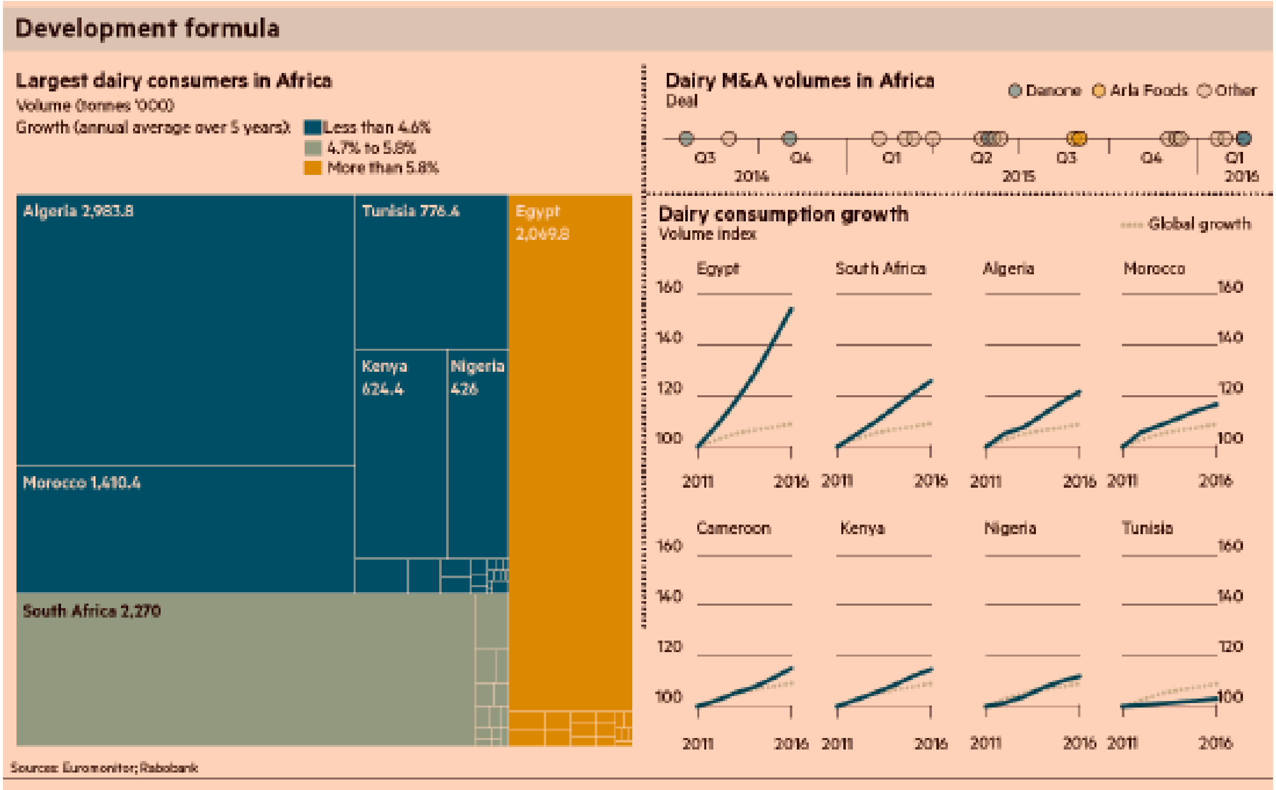
Lake Victoria plays a central economic role in the region. It has the largest freshwater fisheries in Africa, providing livelihood for three to four million people around its shoreline. The maritime routes also represent a great potential for trade and tourism industry. Nevertheless that potential remain partially untapped due to the lack of a comprehensive navigation and safety system to protect those who use the lake.

The project will address that important gap by establishing a Maritime Communication Network (MCN), based on the existing mobile (GSM) enhanced coverage on the lake and signal location detection features. The SOS alerts will be given by SMS or phone call to the Maritime Rescue Communication Centres (MRCC) which will be established in Mwanza, Tanzania; or to two sub centers based in Kisumu (Kenya) and Entebbe (Uganda). These regional centres will then dispatch rescue boats based in one of the 22 Emergency Search and Rescue (SAR) stations distributed around the lake. "GSM is by far the most cost effective solution for maritime communications on Lake Victoria and the one that is most likely to be adopted by lake users," Enock Yonazi, Project Team Leader at the AfDB, said. To prevent accident, the lake users will also receive weather alerts by SMS or community radios. At completion, the project is expected to increase the GSM coverage of the Lake from 40% to 80% and mortal accidents are expected to be reduced five-fold.

Putting in place safe and secure maritime and transport infrastructure will contribute to the realization of the region's Development Strategy which is articulated in the Bank's High 5 priorities, especially the fifth priority – Improve the quality of life for the people of Africa. A part of the investment will contribute to the development of the East African Maritime Transport Strategy and the preparation of the Lake Victoria Transport Development Program, a long-term plan which will stimulate both public and private investments, especially in fisheries, lake transport and tourism.

European groups bet on Africa's appetite for dairy

At Anno Walivaka's two-acre family farm in a valley below Mount Elgon in western Kenya, daily milk production from its handful of cows has increased from less than 5 litres per animal to more than 15 within a decade. And Mr Walivaka is confident that soon "it could get to 20 or even 25 litres". Milk consumption in Africa is among the lowest in the world but, like the yield from Mr Walivaka's cows, it is on the rise.



Among those betting on the expansion of the African dairy sector are Arla Foods, the Danish dairy co-operative and French group Danone, as they look to the continent to spur growth.

On a visit to Kenya this month, Pierre-André Térisse, Danone's executive vice-president for Africa, said he remained optimistic on the long-term outlook even though the recent slump in commodity prices and tight foreign exchange availability in some countries has made the business climate in Africa "more difficult". He forecast that the company's revenues across the continent would rise by up to 10 per cent a year until 2020, and double that in West Africa. That is more than twice its global growth outlook. It made €1.4bn in revenues in Africa last year. Arla Foods, the Danish dairy co-operative, also has big hopes for the continent. It has set a target of increasing its annual revenues from sub-Saharan Africa fivefold within five years — from €90m last year to €460m by 2020.

Last year, Arla created joint venture companies in Senegal and Nigeria aimed at improving its distribution network for expansion into West Africa.

Analysts say that despite the challenges of climate and low income, the potential demand for dairy in Africa is considerable. Annual per capita milk consumption in Africa is 37 litres, compared with the global average of 104 litres, according to World Bank data. And the population of sub-Saharan Africa is set to double by 2050 and become much more prosperous. Kevin Bellamy, global dairy strategist at Rabobank, said, "Africa is definitely on the dairy map", in a report in July, in which he highlighted that 14 dairy deals were done in the sector last year, compared with just three in 2014.

That interest is spurred in part, he says, by the slowdown in China that has led dairy companies to look to other developing countries for growth. Milk production in Europe is also set to rise after the lifting of EU quota restrictions last year.

However, deal activity in the sector has slowed this year. "The low oil price and the strength of the dollar make dairy less affordable in the region, so I think Africa is going to be a longer-term play," says Mr Bellamy.

Danone, which first struck a deal in Morocco in 1953, has invested €1bn in Africa over the past two years, which has stretched its network across the continent. This year it became the majority shareholder in west Africa-based Fan Milk and bought Halayeb, one of Egypt's oldest cheese producers. It is also deepening its relationship with Brookside Dairy, a Kenyan company in which it acquired a 40 per cent stake for €130m in 2014 and which is one of the largest dairy processors and sellers in east Africa.

Analysts believe Danone will focus Fan Milk on yoghurt, with the intention of developing sales in Nigeria, where yoghurt accounted for 20 per cent of dairy sales of US$2.6bn in 2014, according to Rabobank. Danone is the world's biggest yoghurt maker by sales. "In Nigeria, Fan Milk was mainly an ice cream company," says Miguel Azevedo, head of African investment banking at Citi. "I imagine now that Danone is in control they will steer it towards a more yoghurt-focused business and redirect the country's strategy using their strength in that sector and their vast experience in the continent. "Yoghurt is a high-margin business and in line with current trends in favour of healthy products; consumption in Nigeria, under normal economic conditions, will massively increase."

Buying the stake in Brookside, which is majority owned by the family of Kenya's president, Uhuru Kenyatta, offers a springboard to further expansion. In 2015 Brookside bought the Ugandan dairy company Sameer Agriculture and Livestock; this year,it bought a majority stake in Inyange, a dairy, water and juice company in Rwanda. "We've got a very good relationship and it's a two-way street," says Muhoho Kenyatta, Brookside's executive chairman, of the links with Danone. "We take from their global experience and with milk collection, they're learning from us." Mr Térisse, previously finance director, attributes Danone's success to a "revolution" that began 18 months ago when all African operations were taken out of their respective product divisions and placed into a geographical-based unit, the only one in the company. This contrasts with rivals like Nestlé, which groups sub-Saharan Africa with Asia and Oceania, and north Africa with Europe and the Middle East.

A key part of Danone's African strategy, he says, is to "make products that are built by Africans, for Africans". "So instead of fresh yoghurt, let's look at long shelf-life," Mr Térisse says. "Instead of having nice cups, let's look at having pouches if they're more convenient. Instead of being only dairy, let's look at cereals — there are many traditions which are mixing cereals and dairy in Africa." This will help the company achieve another goal, namely to expand its customer base. "One of the key objectives we have is to play in the mass market," he said. "We want to be able to provide to very poor people very specific offers." But Danone also wants to use the continent as a type of laboratory; to "invent in Africa things that we are going to use elsewhere", Mr Térisse says. "The problem of Europe, of many parts of the world, is when you change you have many things to lose," he says. "In Africa if we change we don't have that much to lose but we have much to win."

'Not the right timing'

Despite Danone's success on the continent, Pierre-André Térisse, Danone's executive vice-president for Africa, is advising multinational companies to delay big investments in Africa until the challenging economic conditions in many of the biggest nations improve, writes John Aglionby in Kitale. "I don't think it's the right timing for people to make big bets and meaningful investments in Africa," he says. "I think yes our bet is the right one. I think other people will follow but I don't think it's going to be immediately." His view was echoed by Sir Tim Clark, the president of Emirates Airline, who said that some African routes might be cut or have their frequencies reduced if current conditions persist.

Charles Robertson, chief economist at Renaissance Capital, says Mr Térisse's stance was "understandable", given that the biggest three African economies, Nigeria, South Africa and Egypt, are either not growing or experiencing acute foreign exchange shortages — or both. "If you're a big multinational that's typically not wanting to invest, then it's easy to look at the top three in Africa and say, 'there's no point'," he says.

The International Monetary Fund this month cut its 2016 growth forecast for sub-Saharan Africa to 1.4 per cent, the lowest in more than two decades. Some countries, particularly in east Africa are still experiencing robust growth of up to 7 per cent, but, according to Razia Khan of Standard Chartered Bank, this "doesn't compensate for the performance of the major economies . . . where we see a disproportionate amount of earnings from multinational corporations".

(By John Aglionby in Nairobi, Maggie Fick in Lagos and Scheherazade Daneshkhu in London, Financial Times)

China donates agricultural centre to Angola

China has donated US$10 million to Angola for the construction of Agricultural Technology Demonstration Help Centre, under an agreement signed in Luanda by the director of the exchange office of the Ministry of Agriculture, Olinda Graciete dos Santos Sobrinho and the economic and business adviser to the Chinese Embassy in Angola, Li Yongjun. At the end of the ceremony, the Chinese ambassador to Angola, Cui Aimin, said the project, which aims to strengthen bilateral agricultural cooperation, mainly aims to provide technical training and enhance the industrialisation of agriculture. The facility to be built in the Experimental Farm of Mazozo of the Agronomic Research Institute in the municipality of Icolo and Bengo, Luanda, will occupy an area of 54 hectares, where areas for food production and processing will be built, demonstration area for cultivation and animal husbandry, as well as offices and accommodation. The centre, which will be equipped with agricultural machinery and other equipment needed for agricultural production, technical demonstrations, research and development, will begin construction next December and be completed two years later. ***(Macauhub)***

Cotton: Mozambique forecasts output of 70,000 tons for 2017/18 season

Mozambique's two main cotton farmers associations forecast output for the 2017/18 season at 70,000 tons. If confirmed, it would mean output for that season would have increased by 3,000 tons compared to that of ending 2015/16 season. Despite the slight increase, production is still far from the crop's golden age in the 1972/73 season when the country produced 144,000 tons of cotton. However, Mozambique's output for the crop could surge after decades slumping if the national cotton institute succeeds in achieving its ambition to raise output to 200,000 tons by 2020. Regarding sales prices for the coming season, the Cotton Association of Mozambique (AAM) and the National Forum of Cotton Producers FONPA) said they will be revealed in April 2017 as they meet. For the ending season, first grade seed cotton was purchased at 14.5 meticals per kilo and second grade seed cotton at 10.5 meticals per kg. Macauhub recalls that China and Bengladesh are Mozambique's main cotton buyers. *(By Aaron Akinocho, Ecofin Agency)*

Olam Mozambique provides work to 40,000 farmers

Olam Moçambique, a company that promotes the production and distribution of agricultural products in Mozambique provides employment to about 40,000 farmers. Sridhar Krishan, the managing director of the company, which is based in Singapore and has operated in Mozambique since 1999, told Mozambican daily newspaper Noticias that as well as financial support to farmers it also guarantees a buyer for their products. Olam Moçambique supports the production and annual sale of about 200,000 tonnes of agricultural products including sesame, peanuts, cashew nuts and boer-beans through direct financing of producers. Olam Moçambique also has two cooking oil refineries operating in the cities of Beira and Matola, in the provinces of Sofala and Maputo, respectively. The company also has three cotton ginning units in Beira, Ribáuè, Morrumbala and Guru, in Sofala and Zambezia provinces. In the cashew sector, Olam Moçambique wants to increase the producers it currently works with from 5,000 to around 20,000 in order to increase its sales volume from 12,000 tonnes per harvest to 18,000 tonnes. The company supports rice production in Mozambique that is distributed in the country as the "Mama Africa" brand. The company is also one of the largest rice importers covering Mozambique's needs for this foodstuff.Olam International is one of the largest agribusiness companies in the world with a presence in 70 countries, 60,000 employees, 16,000 customers and is considered one of the leading international suppliers of cocoa, coffee, cashews, rice and cotton. *(Macauhub)*

South Korean companies interested in investing in the farming sector of the Beira corridor in Mozambique

The Korea Rural Community Corporation (KRC), of the Republic of Korea, announced in Beira, Mozambique it wants to develop rice and corn crops and produce red meat, poultry and eggs along the Beira Corridor in Sofala and Manica provinces. Kwon Jaer Lee, director of the KRCC after a meeting with the governor of Beira, Maria Helena Taipo, said that by the end of the year the group will conduct a study and that the project will be set up in 2017. The director of KRCC did not give a figure for the investment planned by the South Korean company but said there were plans to produce and transfer technology to farmers so they can increase agricultural production. Lee also said that the company plans at an early stage to focus on improving rice production in order to reduce annual imports of more than 300,000 tonnes of rice to Mozambique. The South Korean mission, according to Mozambican news agency AIM, was in the Buzio district to visit local rice projects. The Director of Agriculture and Food Security of Sofala, Miguel Coimbra, said the province has areas and potential to accommodate the South Korean projects and noted that the main focus of the province is development of the rice crop. "Maize, cattle, poultry for egg production, cassava, beans and vegetables were other potential areas presented to the South Koreans," he said. *(Macauhub)*

Chinese company to build biomass power station in Guinea-Bissau

The government of Guinea-Bissau signed an agreement with Chinese businessman Xuguang Li, president of Shenyang Lan Sa Trading Co Ltd, for the construction of a biomass power plant to supply the cities of Bissau and Mansoa in the centre of the country. Under the agreement, the Chinese side is committed to producing an unspecified amount of rice, of which 67% will be for consumption and the remaining 33% to feed the power station.

According to Li Xuguang, the signing of this memorandum is the culmination of five years of studies conducted by his company on the feasibility of the project. The Minister of Agriculture, Rui Nene Djata said the deal comes in response to a call by the President of the Republic José Mario Vaz to intensify rice production to ensure food self-sufficiency in Guinea-Bissau. The Shenyang Lan Sa Trading Co Ltd, headquartered in the province and Liaoning in northern China, in 2012 signed with the government of Guinea-Bissau a series of agreements to build social housing, an industrial complex in the capital, rehabilitation of a cotton factory in Bafata and construction of water collection and distribution facilities in Bissau. *(Macauhub)*

Spanish company opens tuna processing plant in Mindelo, Cabo Verde

Spanish company Atunlo said it had opened a tuna processing plant in the city of Mindelo on the island of São Vicente in Cabo Verde (Cape Verde). The factory was inaugurated by partner José Antonio Pernas, attended by the Prime Minister of Cabo Verde, José Maria das Neves, according to the Faro de Vigo newspaper. The plant will have capacity to produce 40,000 tonnes of tuna per year, or roughly 100 tonnes per day with a capacity to process not only frozen tuna, but also to can about 3,000 tonnes of fish. Atunlo SL controls 51% of the capital of the Mindelo factory, the Ubago Group's Frescomar has 33% and Frigrove, controlled by Comercial Pernas (Coper), has 16%. The Mindelo tuna factory will give work to 300 people. *(Macauhub)*

UPCOMING EVENTS

5th Korea-Africa Economic Cooperation (KOAFEC) Ministerial Conference in Seoul – 24-27 October 2016

http://www.koafec-conference.org/main.asp

Private Equity in Africa Summit - Creating Value and Market Growth - London 26 October 2016

https://live.ft.com/Events/2016/Private-Equity-in-Africa-Summit

FT Mozambique Summit - Accelerating a return to growth and stability - Maputo 02 November 2016
https://live.ft.com/Events/2016/FT-Mozambique-Summit

The Africa Renewable Energy Forum – 2-4 November 2016, Marrakech, Morocco at Four Seasons Resort Marrakech
http://africa-renewable-energy-forum.com/

23rd Africa Oil Week – Africa Upstream – Cape Town 31st October – 4th November 2016
http://aow.globalpacificpartners.com/events/?fa=overview&id=966

Angola's International Fisheries and Aquaculture Fair 2016 runs from 24 to 27 November
Expecting more informations

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

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Disclosures

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

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

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