AFRICA BULLETIN
FEBRUARY 2020

ALN

EGYPT

Egypt Poised to Provide Attractive Foreign Investment Opportunity as Economy Improves

Egypt is set to become the most attractive country to stock portfolio flows among emerging markets in 2020, ranking as the country with the fifth-largest concentration of foreigners and seeing the third-largest decline in interest rates according to a report by the Deutsche Bank. The report anticipates Egypt's growth rate to reach 5.8 percent and 5.9 percent in 2020 and 2021, respectively, up from 5.6 percent in fiscal year 2018/2019. The report also projected the headline inflation rate to continue its downtrend to reach single digit during 2020, attributing it to a decline in the exchange rate of the Egyptian pound against the dollar and the global drop of oil prices, along with government interference in controling prices of food products. Egypt's statistics body had previously announced that the annual consumer price inflation recorded 6.8 percent in January 2020, compared to 12.2 percent in January 2019.

SIGNIFICANCE

Egypt's economic activity, according to the report by the German-based bank, is supported by the growth of capital formation and improvement in net exports with the support of government and foreign investments in the construction and energy sectors. Egypt's dependence on fuel imports is anticipated to decrease due to its local production. New indicators in the report reflect how successful Egypt's economic reform program was in creating an environment for business performance raising the efficiency of the state's public finances, reducing debt, deficit and inflation rates, and improving the Egyptian pound's performance against foreign currencies. Within the near future stimulating areas will be opened, enabling the private sector's participation within the country's comprehensive development process, thus achieving sustainable growth based on production, export and foreign investment whilst creating more job opportunities.

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ALGERIA

Algeria Ratifies BRI Agreement with China to Enhance Business Cooperation

Algeria has ratified a memorandum of understanding (MoU) on the China-proposed Belt and Road Initiative (BRI). Government sources reported that the MoU was confirmed through a presidential decree signed by Algerian interim President Abdelkader Bensalah and published in the Official Gazette.

According to the decree, Algeria and China shall cooperate within the framework of the MoU in the fields of policies coordination, infrastructure interdependence and other areas agreed upon by the two sides. Proposed by China in 2013, the BRI refers to the Silk Road Economic Belt and the 21st Century Maritime Silk Road which are designed to build a trade and infrastructure network connecting Asia with Europe, Africa and beyond.

SIGNIFICANCE

China has been a major economic partner of Algeria as trade between the two countries reached USD 9.1 billion in 2018. During the first half of 2019, China remained Algeria's top supplier with exports worth USD 3.5 billion according to official figures released by the Algerian Customs.

It can be expected that the Algeria-China agreement will provide an excellent opportunity to enhance cooperation between the two countries as China pumps more investments into projects and business expected to provide job opportunities and revenue for the exchequer. Algeria has been constructing mega infrastructure projects that are likely to enable the country to take great profit from BRI.

ETHIOPIA

Safaricom Seeks Partners for Billion-Dollar Ethiopia Entry

Safaricom, a listed Kenyan mobile network operator, has opened talks with undisclosed investors to form a consortium that will this year bid for one of two Ethiopian telecoms licences due to the high entry costs that are likely to breach the USD 1 billion mark. The telco said it was racing to assemble the group of investors ahead of its Ethiopia bid, which is expected in April. Safaricom had last year talked of a joint bid in partnership with South Africa's Vodacom, which owns a 35 percent stake in the firm. However, sources at the company said that more firms could be involved in the consortium angling for a market that has attracted the interest of global telecommunication firms, including Vodafone, which owns five percent of Safaricom. Ethiopia plans to award permits later this year, opening the country's telecoms market to foreign investment for the first time.

SIGNIFICANCE

The country has consistently registered robust economic growth, averaging 10 percent in the past five years and its ongoing economic reforms look set to strengthen investor sentiment. The firm's mobile money transfer platform, M-Pesa, could transform the Ethiopian economy as it has done in Kenya, by allowing people to sidestep the banking system, send each other money and make payments using their mobile phones. The ability to access digital banking services would likely be a game-changer for Ethiopians whose banking sector is yet to have a money transfer platform.

GUINEA

China-Backed Joint Venture Prepare to Dig In at Simandou

China is close to granting approval to some of its biggest state-owned companies to start developing the northern area of Simandou in Guinea, one of the world's largest untapped iron ore deposits. A joint venture between Guinea's Société Miniere de Boke (SMB) and Singapore's Winning International Group, whose investors include Chinese aluminium producer Shandong Weiqiao and the Yantaï Port Group, secured in November rights to an area of the massive iron deposit. However, the partners have been unable to proceed as they need the official go-ahead from China's State-owned Assets Supervision and Administration Commission (SASAC), which oversees the largest government-owned enterprises.

China is actively pushing forward with the project and a decision should come soon, as SASAC is fine-tuning details, including how the project will be funded.

SIGNIFICANCE

For over a decade, it seemed that Guinea's iron ore deposit at Simandou would never be mined, as it was caught up in wrangles between companies that held rights to it and authorities in the West African nation. With SASAC's approval to move forward with the project, major social and economic benefits can be expected to flow from the mine with local procurement of goods and services, local recruitment and training of the workforce, the upgrading of transport routes and infrastructure, and the resulting economic benefits from increased production and export income for the government.

KENYA

Kenya's US Exports Hit a USD 506 Billion Five-Year High

Exports to the United States (US) last year grew at the fastest pace in five years to hit a fresh high, making it the second biggest buyer of Kenyan goods. Earnings from goods ordered by the world's largest economy increased by KES 4.51 billion (approx. USD 44 million) to stand at KES 51.9 billion (approx. USD 506 million). The value of exports to the US, largely textile and apparels, overtook Pakistan, underlining improving trade ties between Nairobi and Washington. Kenyan exports to the US are largely under duty and quota-free Africa Growth and Opportunity Act (AGOA). Kenya and the US recently opened talks over a bilateral trade deal, which will be used as a model for other African countries when the AGOA window shuts in five years.

SIGNIFICANCE

The bilateral trade deal with Kenya has been able to modernise and open its economy to foreign direct investment and growth, enabling the US to develop a modern framework to govern trade relations with an important African partner. This could serve as a template for trade agreements with other African economies and allow the US to tap into the region's market potential and catch up to China's presence in this part of the world. With Kenya's economy growing at an average 5.6 percent for the past five years, and its leadership position as the trade heart of East Africa widely recognised, there is significant potential to expand the relationship.

MAURITIUS

Government to Promote Co-ops as Part of Economic Development Programme

Co-operatives (co-ops) and small and medium enterprises (SMEs) are expected to play a crucial role in driving modernisation and sustainability in Mauritius. Speaking before the country's National Assembly, the Minister of Industrial Development, SMEs and Co-ops, Soomilduth Bholah, highlighted the government's programme for 2020-2024, which aims to achieve an inclusive, high income and green Mauritius. The minister pointed out that, across the country, 700 active co-operatives are engaged in 40 different types of socio-economic activity.

The government is encouraging the adoption of energy efficient technologies, recycling, minimisation of industrial waste and compliance with environmental certification in order to promote greener production practices for an eco-friendly system. To support these efforts, the Mauritius Standards Bureau is collaborating with the regulatory authority to identify guidelines and standards for renewable energy with a view to implementing renewable energy standards.

SIGNIFICANCE

The economic development programme will encourage the co-ops to enter new sectors such as green energy. To encourage such initiatives, the government will install photovoltaic systems on 20 co-operatives free of charge and will further explore measures that might encourage them to produce solar energy. The government is also implementing a national export strategy while working on elaboration of export and investment promotion strategies for greater market diversification and broadening of the manufacturing base.

MADAGASCAR

USD 72 Million Grant Injected into Jirama Water Project

Madagascar is set to receive a USD 72 million grant from the European Union and European Investment Bank (EIB) to finance a major drinking water project in the capital, Antananarivo. The project, called Jirama Water III project, aims to improve access to drinking water and the quality and efficiency of the service. The agreement was signed between the Malagasy Finance Minister, and the Vice-President of the European Investment Bank (EIB).

Under the project, rehabilitation and extension of the Mandroseza I drinking water station will also be done, including the creation of a new reagent room and new pumps for drawing water from the Ikopa River. The EIB will provide USD 39 million and the European Commission USD 33 million. Part of the funds will be earmarked for technical assistance for the project. The project will see construction of five reservoirs with an average of 2,000 cubic metres. It will also enable the laying of 135 km of new primary and secondary pipelines throughout Greater Antananarivo and at least 44 km of degraded pipelines will be upgraded.

SIGNIFICANCE

According to EIB, the project will improve water supply and sanitation which will contribute significantly to increased business productivity and development within Madagascar's core economic sectors, including agriculture, industry and services. Immediate benefits include averted health related costs, and time saving associated with having water and sanitation facilities closer.

MOROCCO

Morocco Targets Economic Diversification to Secure Long-Term Growth

Morocco, a country whose economic growth has heavily been dependent on agriculture, phosphates and tourism, has implemented a series of reforms to diversify its economy through developing competitive industries and expanding its trading partners. The industrial acceleration strategy followed by the country has created an enabling environment for emerging sectors to become export engines, with the plan on its way to hit the target of increasing the contribution of industry to 20 percent of GDP by 2020, from 14 percent in 2014.

The plan has already met 81 percent of its goal to create 500,000 employment opportunities as international giants continue to invest in Morocco's industrial ecosystems, aimed at integrating the value chains and the consolidating the local relations between big firms and SMEs. Besides improving its business climate to attract more foreign investors, Morocco is also gearing up efforts to facilitate the access to finance by SMEs, which employ 80 percent of the active population.

SIGNIFICANCE

Morocco's strong focus on industrial development and a varied export base has seen the country increase its investments and presence in international markets. Some of the most remarkable results were posted by the automotive industry as Morocco became Africa's largest car exporter in 2018. According to industry analysts, improvement in quality of education and strengthening overall governance in the country are two key areas that are expected to aid in this endeavour. This approach is meant to facilitate technology transfers as well as further business integration to improve quality and productivity.

MOZAMBIQUE

Mozambique Set To Earn USD 95 Billion in Natural Gas Revenues Over 25 Years

Over the next 25 years, Mozambique is set to receive about USD 95 billion in revenues from multinationals' investments in natural gas exploration. This is more than seven times the amount of country's current gross domestic product (GDP), which stands at about USD 15 billion. According to the Bloomberg financial information agency, the earnings are comprised of about USD 46 billion from the recently announced ExxonMobil consortium, in addition to USD 49 billion that the government estimates it would receive during the term of the contracts. Mozambique has also endorsed the participation of the National Company of Hydrocarbons in the consortia, with a value of USD 2.25 billion.

The Mozambican government recently approved the Rovuma LNG Development Plan, led by the oil majors Eni and Exxon Mobil, to exploit natural gas in the Mamba zone of Area 4 off the north coast. This is the third gas exploitation plan approved for the Rovuma basin, which is expected to have a significant impact on Mozambique's GDP in the next decade.

SIGNIFICANCE

The oil company projects in the north of Mozambique have the potential to transform the Mozambican economy, making the country one of the largest exporters of natural gas in the world. In addition, development plans based on the oil projects are an indication of the government's commitment to form, develop and employ national labour and provide gas to support the industrialisation of Mozambique.

NIGERIA

Nigeria, UK Seek to Expand Trade Links

Nigeria and the United Kingdom have agreed to fast-track key regulation to deepen the insurance market, expand the digital economy, and explore Naira-denominated financial instruments. The two countries signed a communique between Nigeria's Minister of Industry, Trade and Investment, Dr. Okechukwu Enelamah, and Foreign Secretary, Jeremy Hunt, who led the UK delegation.

Both countries will also endeavour to accelerate progress on franchise regulation to facilitate British brands' positioning and investments that deliver sustainable new jobs in Nigeria. Other areas of cooperation between the two countries that were discussed included the acknowledgment of sustained improvements in the efficiency of Nigeria's international airports, the United Kingdom's ability to increase airfreight capacity of its national carriers, and enabling Nigeria's non-oil exporters to reach third market destinations via London. The joint delegation also stressed the need for opportunities to showcase high-quality Nigerian and British goods and services in their respective markets, and for more Nigerian exports to comply with global standards.

SIGNIFICANCE

This bilateral relationship will support Nigeria's export diversification drive, pending critical trade facilitation improvements in the Nigerian ports. It will further attract investments by stressing the need for the country to continue with reforms and commitment to providing a conducive business environment. It is also an opportunity for Nigeria to present a strong pipeline of investable projects in the country that seeks partnership with British investors, and at the same time boosts efforts aimed at creating jobs.

RWANDA

Rwanda Searches for Alternative Sources of Imports

Rwandan traders are racing against time to find alternative sources of consumer goods and raw materials they used to import from China, as the corona virus disruption to supply chains begins to deplete stocks. Rwanda imports electronics and electrical equipment, machinery, building materials, ceramic products, footwear and textiles, furniture, vehicle parts among other products, from China. According to a monthly External Trade in Goods Report by the National Institute of statistics published in December 2019, the country imported goods worth USD 86.67 million from China, constituting 26 percent of total imports, and exported USD 1.14 million to the country.

SIGNIFICANCE

Although Rwanda's economy is projected to grow by double digits in 2020, it is expected to suffer a slow down just like its peers in the region that depend on China. The effect on supply chains also extends to some ongoing local projects which rely on the raw materials and equipment imported from China. In addition, Rwandair's suspension of flights to China has affected business travel and trade between the two countries. Prices of goods imported from China are also expected to go up in the coming months. With this in mind, the Rwanda's Private Sector Federation has identified countries such as Turkey, India, Dubai and Egypt as alternative sources of goods imported from China.

SOUTH AFRICA

New Tax Laws for South African Expats to Kick In

South Africans working outside the country are preparing themselves for amendments to the Income Tax Act set to come into effect from March 2020. As part of the review, which made minor administrative amendments to the Expat Tax laws, Treasury has confirmed that South Africans will be required to pay tax of up to 45 percent of their foreign employment income once it exceeds ZAR 1 million (approx. USD 75,000) per annum. This includes common expat benefits such as housing costs, cars, school fees, medical cover, flights to and from home and all other payments in kind. Additionally, the tax changes could also have an impact on South Africans who are permanently living abroad and currently qualify for an exemption, including those who may have assets in the country, depending on how the South African Revenue Service sees their tax affairs.

SIGNIFICANCE

Taxpayers who will be most affected by the legislation are those in the Middle East or in countries where there is no double taxation agreement and in an attempt to avoid paying the expat tax, South African expatriates may opt to change tax residence status to that of non-resident. Financial analysts acknowledge a likelihood of organisations increasing their expatriates' packages and bearing additional costs to ensure that foreign assignments remain lucrative. Employers may also have to consider engaging resources from other jurisdictions. This law will also have an impact on South Africans who have permanently left the country and are yet to settle their tax affairs through financial emigration.

TANZANIA

SGR Project on Track as Government Secures USD 1.5 Billion

Tanzania has had a breakthrough in its standard gauge railway (SGR) external financing and the government no longer has to dig into its pockets to complete the USD 7.6 billion project. The government recently signed a facility agreement with Standard Chartered Bank for a USD 1.46 billion loan to finance the construction of the first and second phases of the project, covering a distance of approximately 550km from Dar es Salaam to Makutupora. Standard Chartered Tanzania acted as global co-ordinator, book runner and mandated lead arranger on the facility agreement that is the largest foreign currency financing raised by the Ministry of Finance to date.

SIGNIFICANCE

The continental high-speed train project is part of the AU's flagship Programme for Infrastructure Development in Africa (PIDA) launched in 2012. The railway line is intended to ease the transfer of goods between the port of Dar es Salaam and the cities of Kigali, Rwanda and subsequently to Bujumbura, Burundi, and to Goma, the Democratic Republic of the Congo. The programme aims to support the overall goal of Agenda 2063 designed to boost socio-economic transformation on the continent in the coming decades. PIDA will focus on smart and integrated corridor approaches, renewable energy, job creation, and digitalisation.

UGANDA

New Strategy to Revamp Uganda's Textile Sector Completed

Uganda has completed the development of a strategy for its cotton, textiles and apparels sector that could generate 50,000 new jobs with workers earning a combined amount of USD 50 million annually and USD 650 million in additional export revenues over the next eight years. With only two integrated textiles and garment plants operational, Uganda earns USD 20 million from lint and apparels exports annually. To meet the new set targets, Uganda will establish five new vertically integrated textile mills. The strategy seeks to stimulate large scale commercial cotton production while improving textile related infrastructure and business climate. It also aims to attract targeted foreign direct investment into the sector while supporting existing industrial players to develop into integrated value chains that export full value apparel products. Only 10 percent of the 30,000 tonnes of lint produced is currently processed into fabric, with production mainly serving the domestic and regional markets. Under the strategy, the proportion of processed lint would be progressively raised to 75 percent of production or 20,000 tonnes annually based on the current output.

SIGNIFICANCE

The reactivation of Uganda's textile industry presents an opportunity for the country to attract targeted foreign direct investment into the sector while supporting the existing industrial players to develop into integrated value chains that can export full value apparel products. Implementation of the new textile industry strategy will further boost the country's national income, allow the country to leverage on the Africa Growth and Opportunity Pact (AGOA) and significantly reduce the unemployment rate.

ZAMBIA

Zambia Electricity Generation Surges to Self Sufficiency

With a robust hydraulic and solar power generation industry in recent years, Zambia is now self-sufficient in meeting its electricity energy demand and the country's constant power cuts are now a thing of the past. In addition, the nation's capacity to produce electricity could soon be in surplus and has already stopped electricity imports from neighbouring countries such as Mozambique.

Zambia generates practically all its energy from its own primary resource: biomass, coal and hydroelectricity, with flagship plants such as the power station near the Itezhi-Tezhi Dam, in the south-east of the country, taking centre stage. The USD 375 million Itezhi-Tezhi hydroelectric generating station, which has a 120-megawatt capacity, has already increased the country's power generation capacity by 7.5 percent and supplied an extra 50,000 people with electricity. Zambia's success can further be attributed to a major energy project on the 2,750 km Zambezi River. The project, which has a projected output of at least 2400MW, is to be built upstream of the Kariba dam, close to the Victoria Falls, at a cost of USD 3 billion.

SIGNIFICANCE

Zambia has been working towards producing enough power to end the crippling daily blackouts and meet the consumer needs of its population of 17 million citizens. With blackouts now a thing of the past, the next step for the Government of Zambia includes plans for an energy surplus over the next two years. To meet this goal, it is exploring renewable energy sources such as solar power, where an ambitious programme is underway, involving the construction of mini solar plants with an overall capacity of 600MW at an estimated cost of USD 1.2 billion. Electricity output will be shared equally, with excess production sold to other member countries of the Southern African Development Community.

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