AFRICA BULLETIN

MAY 2021

ALN

Algeria Set to Launch Call for Tenders for Renewable Energy IPPs

The Algerian government is preparing to launch a call for tenders for independent power producers (IPPs) to select companies to produce 1,000 MW of renewable energy, with some conditions for foreign investors. In terms of renewable energy production, Algeria lags behind its Moroccan and Egyptian neighbours. But the country wants to diversify its electricity mix. This is what justifies the call for tenders that Algiers is currently preparing. The aim is to obtain a new installed capacity of 1,000 MW. This electricity will be produced from renewable sources, the most abundant of which in this North African country is solar. The tender will be divided into ten lots of 100 MW each and will allow projects with foreign financing.

The government is preparing to set up a bankable electricity purchase agreement for the IPPs that will be selected at the end of the process. According to Mouloud Bakli, president of the Algerian think tank Club Energia, these investors will however have to meet certain requirements, such as the use of equipment manufactured locally in Algeria. These are mainly solar panels, assembly structures and electrical cables.

SIGNIFICANCE

According to the government, the project will allow Algeria to position itself on the international market, in addition to meeting the national demand for energy and preserving its fossil resources.

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EGYPT

Egypt to Offer First Sovereign Sukuk Worth Over USD 2 Billion

Egypt is expected to issue the first sovereign sukuk in its history at the beginning of the new fiscal year, with a value of up to USD 2 billion, according to the Finance Minister, Mohamed Maait. He also added that this would first require the launch of a sukuk company and a Shariah committee.

Egypt government debt instruments attracted foreign investments of as much as USD 29 billion up to the end of May, according to the Minister, who also added that the government could also issue so-called "green bonds." His remarks come a day after Egypt issued one-year dollar treasury bills at a value of USD 540.6 million, with an average return of 3.088 percent.

SIGNIFICANCE

The sukuk will help finance the country's deficit as well as facilitate investment in projects. In its budget for the fiscal year beginning in July, Egypt forecasts an overall deficit of 6.7 percent of GDP, down from 7.7 percent in the current year. The country is investing in several mega projects, including a new capital, and expects borrowing needs to rise by 7.1 percent to USD 68.1 billion according to the budget.

The sukuk could be offered in local and foreign denominations on public or private offerings in both the domestic stock exchange and abroad.

Sukuk could offer a cheaper source of funding for Egypt compared to local currency treasury bonds, says Allen Sandeep, the head of research at Naeem Brokerage.

ETHIOPIA

Ethiopia Grants New Telecoms Licence in Bid to Revamp Sector

Ethiopia has granted an operating licence to a consortium of firms including Kenya's Safaricom, Vodafone and Vodacom, a move that will end the state's monopoly over its telecoms sector. The consortium bid USD 850 million for the licence. Prime Minister Abiy Ahmed, who is running for a new term in hotly anticipated national elections, hailed the news on Twitter, saying the consortium's bid offered the highest licensing fee and a very solid investment case.

He added that the consortium would bring the largest infusion of foreign direct investment in Ethiopia to date. Abiy's government planned to award two new telecoms licences, but in late April, it announced it had received only two bids after some firms that initially expressed interest - including France's Orange and the UAE's Etisalat - opted not to submit. The consortium that has now been granted a license is set to create up to 1.5 million new jobs and bring USD 8.5 billion in investment over 10 years. It will provide 4G and 5G internet services, and by 2023 a low-orbit satellite will be put in place to provide nationwide 4G coverage

SIGNIFICANCE

According to Prime Minister Abiy, the consortium is expected to bring the largest infusion of foreign direct investment in Ethiopia to date, as well as take Ethiopia fully digital is on track. The new telecoms licenses are expected to bring an infusion of cash, jobs and infrastructure investment.

GHANA

Ghana to Become Hub of Pharmaceutical Production in Sub Saharan Africa

Ghana is expected to become the hub of pharmaceutical production in Sub Saharan Africa (SSA) on the back of COVID-19 vaccines. According to Fitch Solutions, the country continues to work towards its aim of establishing itself as a pharmaceutical hub on the continent. The creation of a pharmaceutical industrial park for pharmaceutical firms to determine giant-scale operations is subsequently a testimony. Global vaccine demand has placed countries with local manufacturing capabilities in a stronger position to guarantee access. In this respect, Ghana's local industry is limited, however, on 19 April 2021, the Pharmaceutical Association of Ghana (PMAG) appealed to the government to strengthen local vaccine production. The move is expected to help guarantee a reliable source of vaccines for the country and the SSA region. Ghana has also started feasibility studies to manufacture its vaccine for COVID-19 and to reduce Ghana's and Africa's reliance on foreign vaccines in the long term. The Ghana National Chamber of Pharmacy last September signed a Memorandum of Understanding with a construction firm for the creation of a pharmaceutical industrial park. Furthermore, President Akufo-Addo in November tasked the Pharmaceutical Society of Ghana to position the country to become the centre of generic drugs production across Sub Sahara Africa.

SIGNIFICANCE

Since Ghana is one of the only two countries in Sub Saharan Africa which produces active pharmaceutical ingredients, Fitch Solutions, believe these initiatives will significantly help to bolster pharmaceutical growth. In addition, increased localised production will help decrease the pharmaceutical trade deficit in the long term in the country.

KENYA

Treasury Removes 20 Percent Excise Tax on Bank Loans

The Treasury has scrapped the 20 percent excise duty on bank loan fees, setting the stage for a possible drop in the cost of credit to business and households. The removal of the excise tax is contained in the Finance Bill and will see banks save up to KES 7 billion (approx. USD 65 million) annually on taxes generated from fees charged on processing loans.

According to the Finance Bill, the first schedule to the Excise Tax Act, 2015 is amended in part three, in the definition of 'other fees' by deleting the word 'fees or commissions' earned in respect of a loan.

The 20 percent excise tax was introduced in 2018, triggering an increase in the cost of bank services, including loans, transfers — both local and international — over-the-counter withdrawals as well as ATM transactions and account operating fees.

SIGNIFICANCE

Bankers say the cut will ease pressure on lenders to raise loan costs given the fees that attract the excise duty account for an average of 2.5 percent of the overall lending rates. The Treasury has retained the tax on other fees not linked to credit processing like obtaining account statements, and cheque clearance, signaling it is keen on lowering the cost of loans in an economic setting where the government does not control lending rates. The government removed the cap on lending rates in November 2019 after it was blamed for curbing credit growth during its three years of existence. Should the tax be removed, it can be expected that banks will most likely reduce the fees charged on loans.

MOROCCO

Morocco, IRENA Partner to Boost Renewables and Green Hydrogen Development

The International Renewable Energy Agency (IRENA) and the Ministry of Energy, Mines and Environment (MEME) of the Kingdom of Morocco have today agreed to strengthen collaboration to advance knowledge in renewable energy and to accelerate the energy transition. Specifically, IRENA and Morocco will work closely to advance the national green hydrogen economy as the country aims to become a major green hydrogen producer and exporter.

Under the agreement, IRENA and MEME Morocco will work together to develop technology and market outlook studies, craft public-private models of cooperation in the hydrogen space, explore the development of new hydrogen value chains and lay the groundwork for the trading of green hydrogen at a national and regional level.

The two parties will also conduct joint analyses that further explore the socio-economic benefits of renewables, emphasising the development of new value chains, job creation at the national level and lessons learned to the broader region. Building on IRENA's global mandate, Morocco aims to strengthen South-South Cooperation through peer to peer and expert exchange, knowledge sharing, and the strengthening of regional initiatives.

SIGNIFICANCE

Under the strategic agreement signed by IRENA Director-General Francesco La Camera, and Morocco's Minister of Energy, Mines and the Environment, Mr Aziz Rabbah, the two parties will actively pursue green hydrogen studies and jointly explore policy instruments to engage the private sector at a national level in the green hydrogen economy.

NIGERIA

Nigeria in Accord with Oil Majors to Unlock New Investment

Nigeria has signed an accord with some of the world's largest oil companies that could unlock billions worth of dollars in investments in an offshore oil field. The Nigerian National Petroleum Corp. concluded agreements with Royal Dutch Shell, Exxon Mobil Total SA and Eni SpA to create a new production sharing contract for Oil Mining Lease (OML) 118, the company announced. The permit includes Bonga, a deep-water oil field that pumped about 90,000 barrels a day in February. The partners have so far deferred taking a final investment decision on the Bonga South West project, which could add 150,000 barrels per day to Nigeria's output and bring OML 118's total daily capacity to around 350,000 barrels. One of Shell's Nigerian subsidiaries operates the block.

The agreement is a watershed for deep-water oil exploration in Nigeria and settles long-running disputes between the Nigerian state and the international oil companies, NNPC said. It could clear the way for more than USD 10 billion of investment.

SIGNIFICANCE

The agreement is "a watershed" for deep-water oil exploration in Nigeria and settles long-running disputes between the Nigerian state and the international oil companies, NNPC said. It could clear the way for more than USD 10 billion of investment, according to the company. Through these agreements, stakeholders will have a clear and stable set of terms incentivizing further development of the OML 118 block and opening further opportunities in the prolific Nigerian deep water oil and gas industry.

TANZANIA

Tanzania Joins One Network Area for Lower Cross-Border Call Tariffs

Tanzania has finally joined the East African Community One Network Area (ONA), which promises cheaper calls across the bloc due to harmonised calling rates. This means that charges on roaming voice calls in Kenya, Rwanda, South Sudan, Uganda and Tanzania will be eliminated.

Pressure on Tanzania to join the network peaked at the June 2019 meeting of the EAC Transport, Communications and Meteorology Sector Council held in Kampala, where Dar es Salaam was given a deadline of March 31 to complete its analysis on the implementation of One Network Area. Tanzania decided to join the ONA late last year, and Foreign Affairs Permanent Secretary Stephen Mbundi wrote to the EAC Secretariat expressing interest in the deal. ONA had been implemented by Rwanda, Kenya and Uganda and later on South Sudan. With Tanzania having now signed up, the focus shifts to Burundi.

ONA requires mobile network operators to renegotiate and reduce wholesale tariffs and a waiver of excise taxes and surcharges on incoming voice traffic while establishing wholesale and retail price caps on outbound ONA traffic.

SIGNIFICANCE

ONA guarantees cheaper calls across the East Africa Community due to the harmonized calling rates. Easier and cheaper communication will in turn promote the ease of doing business in the region. Lastly, easier communication among the people of East Africa will go a long way in strengthening the integration process.

UGANDA

Uganda Secures USD 200 Million to Accelerate Digital Transformation

The World Bank approved USD 200 million in financing to expand access to high-speed and affordable internet, improve the efficiency of digitally-enabled public service delivery, and strengthen digital inclusion in Uganda. The new Uganda Digital Acceleration Project-GovNet (UDAP-GovNet) will support the extension of 1,000 km of the national backbone fibre infrastructure, an additional 500 km of fibre optic network links between towns, mobile broadband connections for 900 government administrative units and service centres in underserved areas, and 828 Wi-Fi hotspots in select locations to support access to online services among rural and peri-urban, underserved and unserved communities.

SIGNIFICANCE

With USD 140 million in financing from the International Development Association and a USD 60 million grant, the project will support the implementation of the governments' flagship initiative, GovNet, which contributes to the objectives of Digital Uganda Vision and the Digital Transformation Program under the National Development Plan III. It will help develop shared platforms for ministries, departments, and agencies to efficiently deliver digitally-enabled public services to citizens and businesses throughout the country. These digital platforms will create the foundations for better resilience and economic recovery by boosting the effectiveness of government e-services strengthen the digital inclusion of host communities by improving the availability of digital infrastructure and tackling demand-side factors like digital skills, affordability of internet connectivity, and accessibility of digital services.

AFRICA

Countries Show Significant Progress on Tax Transparency

African countries strengthened their ability to recover funds held offshore, directly boosting national tax revenues, according to the latest Tax Transparency in Africa report. The trend signals continuing progress in the fight against illicit fund flows out of Africa, worth an estimated USD 50 billion each year.

The Global Forum for Transparency and Exchange of Information for Tax Purposes, the African Union and the African Tax Administration Forum produced the report, in close partnership with the African Development Bank.

The report provides comparable tax transparency statistics to aid decision makers to address illicit fund flows. Thirty-four countries completed the survey for the 2021 edition, including six non-members of the Global Forum: Angola, Democratic Republic of Congo, Sierra Leone, Gambia, Zambia and Zimbabwe. It noted progress on two core tax transparency pillars: political awareness and commitment, and capacity to advance tax transparency and the exchange of information.

SIGNIFICANCE

Publication of the report is a timely contribution to the dialogue on tax transparency in Africa as it highlights the progress made by African countries in benefitting from the global improvements in tax transparency in their domestic resource mobilization efforts.

According to the report, despite disruptions caused by the COVID-19 crisis, there have been advances in transparency. In 2020, African countries for the first time sent more exchange of information requests than they received. It highlights the importance of international tax cooperation to combat corruption, tax evasion, money laundering, fraud, base erosion, and profit shifting and illicit enrichment.

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