AFRICA BULLETIN

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ALN

MOROCCO'S AEROSPACE INDUSTRY CONTINUES TO SOAR

The Moroccan Investment Development Agency recently attended the Farnborough Airshow to present the advantages the country has as a manufacturing destination for the aerospace industry.

Morocco has proved adept at selling the idea that its inexpensive labour pool can serve as an incentive to international investors, with China, the US and Canada among the nations to have benefitted. The aviation sector is now thought to amount to around 200 companies devoted to manufacturing ancillary and spare parts. The development of economic zones devoted to aerospace and other nascent industries has proved important in providing a platform for the growth of Morocco's growing aviation-related sector. These include Aéropole Nouaceur in Casablanca, and free zones Midparc, in the same location, as well as facilities in Tangier, Kenitra, Oudja, and Salé, all of which host aerospace players.

SIGNIFICANCE

Morocco is rapidly becoming a regional manufacturing and export base for international companies. The country's push for international investment in its aerospace sector may serve as a template for emerging nations seeking to develop domestic jobs and industry. The drive is further indicative of the country's ability to plan and execute large-scale projects in the aerospace sector and the launch of a new era of aerospace in Morocco.

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ALGERIA

Algerian Economy Out of Stagnation despite Earlier Grim Predictions

Contrary to predictions by international financial institutions, such as the International Monetary Fund and the World Bank, the Algerian government has reduced unemployment and kept inflation under control through an "easy money" strategy. The Bank of Algeria has bought assets, including government debt with a long-term maturity, and churned out more than USD 190 billion which is double the country's expected foreign currency reserves for the year, to cover the 2017 and 2018 budget deficits.

The policy, known as quantitative easing, is similar to expansionary monetary policies used by the US Federal Reserve and the European Union to jump-start the global economy during the 2008 financial crisis. International financial institution critics had earlier intimated that the policy would weaken the economy and cause massive inflation. Algeria turned to "easy money" to stabilise the economy during a period of low oil prices. .

SIGNIFICANCE

Official figures released in July indicate that the result of the "easy money" strategy have so far been impressive. Algeria's unemployment rate dropped 0.6 percent to 11.1 percent year-on-year during the first quarter of 2018. The economy also grew 1.3 percent during the same period and inflation slowed to 4.6 percent versus 5.6 percent year-on-year. According to the government, the policy to stimulate the economic activities by high spending has turned out to be conducive to reforms and private sector development, a good reason to stick to the policy.

BOTSWANA

Botswana, China Set to Broaden Bilateral Trade Ties

During the Botswana-China business forum in Gaborone in early July, Botswana's Minister of International Affairs and Cooperation, Dr Unity Dow underscored China as a key partner in its economic transformation. Sources indicate that Botswana imports goods predominantly in the textile and electronic sectors worth over USD 193 million yearly, whilst China is noted to spend over USD 28.9 million annually on Botswana's key economic resource, diamonds. China is also a major player in Botswana's construction industry.

The forum was attended by 70 business delegates mobilised by the China Council for the Promotion of International Trade. Both countries signed a Memorandum of Understanding to strengthen trade and investment ties on the areas of infrastructure development, manufacturing, financial services, energy, mining, agribusiness and Information Communications Technology.

SIGNIFICANCE

Botswana's keen interest to explore trade and investment opportunities is aligned with the key objectives of the forum, which include strengthening its bilateral relations with China, facilitating increased trade and businesses between the two nations, promoting foreign direct investment in both countries, and to create a platform for the formation of mutually beneficial business partnerships between Botswana and Chinese entrepreneurs and companies.

ETHIOPIA

Ethiopia Banks on GMO Cotton to Cushion Textile Industry

Ethiopia has approved the cultivation of genetically modified cotton, a move the government hopes will bolster its plans of using fashion to bolster its industrial future. The decision is likely to tilt the scales against its rival textile sectors in Kenya and Madagascar, now starved of the raw material.

The country has allowed the cultivation of two hybrid types of BT Cotton, JKCH 1050 and JKCH 1047, which officials hope will achieve higher yields than conventional varieties and save the country huge import bills on raw materials and attract more investment to its textile industry. The Ethiopian garment industry is currently in a renaissance phase, attracting key global fashion brands scotched by rising cost of labour, raw material and taxes.

SIGNIFICANCE

Cotton pricing and quality has been a drawback to Ethiopia's aspirations of growing its textile industry, which is estimated to have the potential to attract more than USD 1 billion in exports. While it is projected that 2.6 million hectares of land in Ethiopia are suitable for cotton cultivation, only 130,000 hectares have been put under the crop. Ethiopia is now banking on the new cotton varieties to help fill up idle farmlands, whilst improving the livelihood of farmers and local textile industries. The government is confident that the introduction of BT Cotton will help fill the gap by resolving its shortage of raw material, partly due to disease and climate change.

GUINEA

IMF Lauds Guinea's Continued Strong Economic Growth

The IMF Executive Board has conducted its first review under the Extended Credit Facility (ECF) agreed with the Guinean authorities. The completion of its assessment of the country's economic performance has enabled the immediate disbursement of USD 24.3 million, bringing the total disbursements under the current ECF arrangement to USD 48.6 million.

Guinea's three-year ECF arrangement was approved by the Executive Board of the IMF on December 11, 2017, for USD 170.1 million at the time of the arrangement's approval, which is equivalent to 56.25 percent of Guinea's quota. Aiming to achieve stronger fiscal targets, the authorities aim at mobilising additional revenues, capturing mining revenues, containing non-priority spending and reducing untargeted energy subsidies, while scaling-up growth, supporting public investment and strengthening social safety nets.

SIGNIFICANCE

Guinea continues to demonstrate strong growth momentum and the medium-term outlook is favourable. The ECF arrangement is geared at strengthening the country's economic resilience and scaling up public investment in infrastructure, while preserving stability and promoting development of the private sector.

KENYA

High Input Costs Dampen Private Sector Activity

Kenya's private sector growth dropped to a six month low of 53.6 percent in July on account of high input costs due to limited supply of raw materials and a global increase in fuel costs. Data by the International Energy Agency shows that global oil prices have almost doubled since July last year when a barrel was quoted at USD 47.6, to a high of USD 79 mid last month. Organization of the Petroleum Exporting Countries quotes a barrel of oil at annual average of USD 68.31 up from USD 52.5 in 2017 and USD 40.6 the previous year.

The monthly Stanbic Kenya Bank Purchasing Managers' Index (PMI) shows operations in the private sector shrunk by 1.4 basis points from June's 55 points, the slowest since January 2018. The highest recorded activity was in April at 56.4 points. The monthly indicator is based on activity in the manufacturing and service sectors with readings above 50 signalling an improvement in business conditions, while any figure below this indicates poor performance.

SIGNIFICANCE

According to experts, the decline should not be a cause for alarm as the July PMI was still above the historical average since data collection began. They however caution that a further drop is likely in coming months if taxes as proposed in Finance Bill 2018 are effected. Other tax measures may still come through over the coming months, subject to pending court decisions, which would in turn increase production costs, with companies forced to increase commodity prices and cut on human resource.

MAURITIUS

Kenya and Mauritius to Ease Movement of Capital and Boost Global Competitiveness

A joint Mauritius - Kenya Trade Commission seeking to streamline movement of capital, goods and services has been inaugurated. Mauritius Foreign Affairs secretary UC Dwarka Canabady said the Commission will facilitate a review of existing legal challenges faced by Kenyan companies in Mauritius and vice-versa, adding that Kenya could benefit from use of the Mauritius International Financial Centre and the stringent financial laws that deter stashing of stolen cash in their banks but allow traders and other affluent individuals to invest in the financial markets.

Mauritius has been a popular haven for Kenya's wealthy with most multinational companies in Kenya having subsidiaries registered in Port Louis mostly due to its favourable tax regime with corporate tax at 15 percent and export tax three percent.

SIGNIFICANCE

The mutual agreement between Mauritius and Kenya is set to enhance joint ventures in manufacturing, training as well as services' exchange to boost global competitiveness via manufacturing of products for the export market. Officials have observed that the commissioning of daily flights between the two countries had already boosted business-to-business executive interactions setting the stage for higher trade volumes.

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MOZAMBIQUE

Nacala Corridor Transaction Opens Africa up for Business

The Moatize coal mine in Mozambique is projected to increase its production by 40 percent to 18 million tonnes a year, as well as reduce its transportation costs from mine to port, according to a statement issued by Rand Merchant Bank, once the rail segment of the Nacala Logistics Corridor, in western Mozambique, is in full operation.

The corridor is a 912 km railway line that is used to transport coal from the Moatize coal mine to the Port of Nacala, where a new deep-sea coal export terminal capable of loading large freighters in record time, has been built. The new line will see 60 wagons transporting coal to the port, from where it will be exported to Europe and Asia. The project's total cost amounted to about USD 5.15 billion.

SIGNIFICANCE

In addition to creating a secure dependable logistics corridor for the Moatize mine, the project has delivered significant benefits to the region, such as enabling a new freight and passenger corridor in Mozambique and Malawi. Over and above the immediate benefits of the corridor project, the Nacala transaction showcases the success and intent of global investors and stakeholders working together with African governments to deliver on development projects, a confirmation that Africa is open for business and investment.

NIGERIA

New National Carrier Set to Launch Operations by End of 2018

Nigeria has unveiled a new national carrier, Nigeria Air, nearly 15 years after the previous state-run airline, Nigerian Airways ceased operations.

The new airline will require an initial capital of between USD 150 million to USD 300 million invested in tranches over time from startup through the first years of operation and the government is seeking a strategic private investor sought through a public-private partnership process. In a statement, Minister of State for Aviation, Hadi Sirika, announced that the government would not own more than 5% of the new carrier. Set to launch operations by the end of 2018, Nigeria Air will serve domestic and international markets and it is expect to have a fleet of 30 aircrafts in five years with hubs in Lagos and Abuja, Nigeria's two main cities.

SIGNIFICANCE

Nigeria has suffered many setbacks in its many attempts to create a new national carrier since Nigerian Airways ceased operations in 2003. Steps to overhaul its aviation infrastructure and the handing over its operations to private managers are set to improve the business environment for the industry sector and appeal to intrepid foreign investors. The new carrier promises to create jobs in the country and improve on trade connectivity as the government exudes confidence that the carrier will be a much sturdier and efficient enterprise this time round.

RWANDA

Cross-Network Money Transfer Comes to Rwanda

Mobile money subscribers in Rwanda can expect lower transaction costs and convenience as telcos move to integrate their systems. Airtel Rwanda, Tigo Rwanda and MTN are seeking regulatory approval to roll out cross-network services like their counterparts in Kenya and Tanzania. These approvals will set the stage for the telcos to start commercial negotiations, agree on transaction tariffs and sign agreements with an independent switch provider, enabling them to embrace mobile money interoperability or the ability to offer services across networks.

Rwanda has chosen a spoke-hub model of interoperability, where an independent investor runs a switch that facilitates off-net mobile money services. According to the director of payment systems at the National Bank of Rwanda, the model has the advantage of economies of scale, not only linking mobile money operators but also banks and microfinance institutions.

SIGNIFICANCE

Approval for mobile money interoperability in Rwanda will allow mobile money operators and financial institutions to reach an agreement on tariffs and interlinking their networks. This in turn is expected to deepen financial inclusion, an agenda the government hopes to achieve. In addition, mobile money subscribers in Rwanda can expect lower transaction costs and convenience.

SOUTH AFRICA

New Competition Bill to Introduce Major Changes to Business Practices

The Competition Amendment Bill, whose main aim is to address high levels of economic concentration in the economy and the existing ownership profile of the economy, was officially introduced to the National Assembly on 12 July. The Bill explains far-reaching changes to the Act and also empowers the competition authorities to intervene in markets where they deem it appropriate.

SIGNIFICANCE

Of immediate impact is the fact that the powers of the Competition Commission and government are going to be strengthened, giving them more power to create guidelines on a number of contentious issues that have previously gone unaddressed. The Bill will also significantly affect how small and medium sized firms participate in the economy. It also seeks to drive deconcentration and transformation in markets.

SUDAN

Qatari Role in Developing the Sudanese Ports Welcome

Sudan has welcomed the efforts by Qatar to upgrade the Sudanese ports on the Red Sea in the East of the country through a strategic partnership between the two countries, making Sudan a vital economic anchor for the global economy. The State of Qatar is implementing large development projects worth USD 4 billion to modernise the port of Sawakin, which is the largest economic system that will transform the region to the world's advanced ports.

Sudan has benefited greatly from Qatar's advanced experiences in this field and will benefit more from the modernisation of the Red Sea coastal region, given that Sudan borders Chad, Central Africa, Ethiopia and South Sudan, all which are landlocked and do not have ports.

SIGNIFICANCE

In addition to creating job opportunities, this project is going to enable Khartoum to make optimum use of the preferential features enjoyed by the Sudanese ports on the Red Sea. In addition, Sudan will be opened up to major economies with the transformation of Sudanese ports into a global economic outlet for all vessels in the Red Sea.

TANZANIA

Tanzania to Receive USD 200 Million from Credit Suisse for Project Financing

Tanzania will receive USD 200 million from Credit Suisse Bank to fund its mega energy and infrastructure projects. This is according to the UK arm of the Swiss bank, which will lend the Eastern Africa government the facility in the 2018-19 financial year. The earmarked projects include the Standard Gauge Railway, purchase of aircrafts for Air Tanzania, the construction of the Rufiji Hydropower Project and the expansion of the country's major ports.

SIGNIFICANCE

Injecting the much required funds into these infrastructure projects is certainly bound to move the country closer to its development goal of becoming a semi-industrialised middle-income country. The developments will also serve to stimulate Tanzania's economic activities and across the region.

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UGANDA

SMEs and Projects to Benefit from a USD 20 Million AFDB Loan

The African Development Bank has approved a USD 20 million loan to the Uganda Development Bank (UDBL), the first development finance institution established by the Government of Uganda in 1972. A 10-year USD 15 million Sovereign Guaranteed Line of Credit will go to projects in various sectors and a USD 5 million Non-Sovereign Line of Credit will go to support a financing programme for SMEs.

The transaction will give UDBL leverage to provide long term funding to deserving customers and industries where long tenured funds are scarce due to the perceived risk profile of SMEs. Historically, UDBL has intervened in the agriculture and agro-processing, hotel and tourism, education, health and manufacturing sectors, among others.

SIGNIFICANCE

Of immediate impact is the fact that the USD 20 million loan will trigger a Technical Assistance programme of up to USD 1 million to help improve UDBL's credit risk management and underwriting processes. This is set to improve the quality of loans, corporate governance and UDBL's capacity to track development outcomes. In addition, this will reinforce the bank's role as a national development bank in implementing Uganda's National Development Plan and complementing the institution's efforts to diversify its funding base and mobilise resources from external sources.

ZAMBIA

USD 4.5 Billion Batoka Hydroelectric Project to Commence

Zambia and Zimbabwe have agreed to build a USD 4.5 billion hydroelectric scheme where the Zambezi River crosses their borders. It is expected that this project will greatly improve the country's current production of about 1, 200 megawatts of electricity against a demand of 1, 400 megawatts during peak period.

The Batoka Gorge project engineering and legal assessments were carried out in 2016, but there were delays in the implementation. Early this year, General Electric Africa approached the Parliament of Zimbabwe expressing interest to invest in the multi-billion-dollar venture.

SIGNIFICANCE

It is expected that 1.6GW of electricity, or about a third of the two countries' combined generating capacity will be generated from this project. This will in turn ease power shortages in Zimbabwe and Zambia, with a huge potential to supply other regional countries. In addition, the hydroelectric project is anticipated to create 6,000 jobs.

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