AFRICA BULLETIN

JANUARY 2019

ALN

Rwanda Signals Plans to Launch Own Satellite into Space

Rwanda is expected to launch its first satellite this year, after the May Transform Africa Summit, joining the list of few countries in Africa that have placed the devices into orbit. The initiative is in collaboration with the Japan International Cooperation Agency and the Japan Aerospace Exploration Agency. A team of five Rwandan engineers are currently at the University of Tokyo working with their Japanese counterparts on the project. They have been part of the design and building of the satellite.

RURA disclosed that another team of 15 engineers will be trained locally in satellite technology, starting February 2019. Rwanda will now join African countries such as Ethiopia, Zimbabwe, Kenya, South Africa, Ghana, Nigeria, Angola, Algeria, Morocco and Egypt, which have satellites orbiting the earth. All these individual country satellite projects are in line with the African Union African Space Policy, launched in 2017. It acknowledges the benefits of space exploration and recommends the use of satellites for development and economic progress.

SIGNIFICANCE

The use of technology transfer initiatives such as the one between Rwanda and Japan enables countries to develop their own, indigenous satellite manufacturing capabilities. Data collected via the satellite technology will assist in areas such as precision agriculture, communication, predicting weather patterns, including drought, among other sectors. Additionally, the launch of the satellite is sure to heighten the country's technological prestige. Only four countries in Sub-Saharan Africa have satellites orbiting the earth.

JANUARY 2019

AFRICA BULLETIN

ALN

TABLE OF CONTENTS

ALGERIA

Plans Warm Up to Expand Algeria's Solar Generation Capacity

Algeria plans to invite bids for several tenders for renewable energy projects this year as it seeks to meet the growing demand for electricity and gas for export. The plans are contained within the updated Algerian Renewable Energy Development and Energy Efficiency Programme, which includes a renewable energy installation of about 22,000MW by 2030 for the local market, up from about 350MW currently, with an export option as a strategic objective if market conditions allow.

According to official data, the increase in demand for electricity has averaged 6.91 percent annually over the past years, in a country where the population has been growing by nearly a million people per year.

The electricity regulation commission in Algeria has drawn up specifications, which are projected to make it possible to attract 70 investors exclusively in solar energy. Already, the state energy company, Sonatrach, has signed a memorandum of understanding with Italy's Eni to build solar power plants.

SIGNIFICANCE

Algeria currently uses gas to generate 98 percent of its electricity needs of 19,000MW. Increasing the current level of oil and gas exports is a top priority for the state, given that oil and gas account for up to 60 percent of the budget and 94 percent of Algeria's total overseas sales. Turning to solar power is also part of Algeria's drive to guarantee cheap retail energy prices which will go a long way in supporting the economy by reducing operation costs for the country's manufacturing and processing enterprises.

ETHIOPIA

Ethiopia's Mining Industry Reforms Breaking Ground

Ethiopia is keen to finalise reforms for its underdeveloped mining and oil sectors by April 2019 as it seeks to encourage more foreign investors, its Mines and Petroleum Minister, Samuel Urkato, has said. The country has already cut taxes for mining companies in recent years but the government wants to attract more foreign investment and ease a dollar shortage in the country. Recently, the government reduced the corporate income tax rate for miners to 25 percent from 35 percent, and also lowered the precious metals royalty rate to 7 percent from 8 percent.

Newmont Mining is among a number of gold companies now prospecting in Ethiopia and Norwegian fertiliser maker Yara International plans to build a potash mine and a fertiliser factory in the country. Danish cement mining company FLSmidth and Canadian East Africa Minerals have also been granted mining licenses.

SIGNIFICANCE

Ethiopia's mining industry, which has lagged behind other sectors, is set for a turn-around with multiple contracts awarded to foreign firms. Though still small, encouraging the mining sector is set to alleviate pressure on the economy, having earned USD 3.5 billion in foreign direct investment in the past five years, helped by new incentives that included updating the country's geological data, extending duty-free access to companies engaged in exploration and offering to build infrastructure to accommodate mining sites. Reports show that exports of garments and other products have struggled to take off, indicating that the economy is not generating enough dollars to pay for imports.

EGYPT

Mercedes-Benz to Rev Up Egypt's Automotive Market

German automaker Daimler's Mercedes-Benz Cars unit recently announced that it is developing plans to open a car assembly plant in Egypt, North Africa's largest economy, to expand its market share in the region.

The passenger car assembly plant will be built by a local business partner and the company is developing its local expansion plans in collaboration with the Egyptian government, Mercedes-Benz said in a statement. Egypt is seeking to attract foreign direct investment and has introduced reforms to stimulate economic growth. The programme is backed by a USD 12 billion loan from the International Monetary Fund under which Egypt has made deep cuts to energy subsidies, introduced new taxes and devalued its currency.

SIGNIFICANCE

According to a 2017 survey from Research and Markets, the motor vehicle sector is an important contributor to the Egyptian economy, accounting for 3.7 percent of Egyptian manufacturing output and 1.8 per cent of manufacturing employment annually. Mercedes-Benz had halted its car assembly operations in Egypt in 2015. The decision to resume manufacturing and assembly of cars in Egypt is a confident step that reflects the improvement of the investment environment and the performance of business in Egypt. It will further have a positive effect on the country's credit rating, and will encourage other companies to come and invest in Egypt.

GUINEA

Nordgold to Invest USD 408 Million in Gold Mine

Russian miner Nordgold recently announced plans to invest more than EUR 360 million (approx. USD 408 million) in one of Guinea's largest gold producing mines known as Lefa. This comes after the mine received a new 15-year permit, effective from March 21 and valid until 2034, in line with Lefa's current life-of-mine.

Lefa has contributed almost USD 12 million towards local community empowerment and Nordgold intends to continue its investments with the aim of improving people's living conditions for the life of mine and beyond. Nordgold, which spun off from Russian steel maker Severstal in 2012, acquired the mine in 2010. Since then the company has invested over USD 1 billion in Guinea.

SIGNIFICANCE

The Lefa mine has heavily invested in developing road infrastructure and electricity networking within the local community. In addition, it has contributed towards improving the provision of local health services and education, including supporting fight against Ebola, as well as the creation of new medical facilities and some 40 schools. The mine has further plans to offer continuous support to the agricultural and food supply activities of the local citizens as well as organising access to fresh water through water boreholes drilling. Extension of the miner's licence further secures the jobs of about 1,200 employees and 730 indirect jobs.

KENYA

Iconic Retail Brands Fall off the Shelf Amid Stiff Competition

One of Kenya's leading supermarket brands, Ukwala Supermarkets, has applied to the court for the permanent closure of its business, revealing that it is unable to pay its debts that have amassed to nearly KES 1 billion (approx. USD 10 million). In November 2018, the struggling retailer filed for liquidation, informing the court that it had found it impossible to remain afloat, citing its indebtedness and inability to meet its financial obligations to creditors, suppliers and employees. The firm's assets are valued at just KES 19.3 million (approx. USD 193,000).

Under the shine of the near collapse of other pioneering supermarket chains like Uchumi and Nakumatt, has been the spirited entry of new foreign market entrants represented by the likes of French retailer Carrefour, South Africa's Shoprite and Botswana's Choppies supermarkets. The new players are making considerable inroads as notable players in Kenya's retail space, taking over a number of key outlet spaces once owned by the ailing local retailers.

SIGNIFICANCE

Retail suppliers, mostly local small-medium enterprises, have taken the heaviest bruising from the failure of Kenya's long-serving supermarkets which are sinking and taking with them substantial sums of cash owed for goods delivered and services rendered. The near collapse of the retailers has locked up nearly KES 40 billion (approx. USD 400 million) owed to suppliers according to the Association of Kenyan Suppliers estimates. The tax authorities are further exposed, claiming millions in Pay as You Earn and Value Added Tax arrears. Interestingly, the changes seem to be a representation of an evolving sector, as other ambitious local players, including Quickmatt, Tuskys, Naivas and Mulleys Supermarket, replace the old guards with plans to step up their expansion and compete with the foreign players.

MADAGASCAR

Madagascar's 2019 Economic Performance Looks Up

According to the 2019 Africa Economic Outlook, Madagascar's real GDP growth reached an estimated 5 percent in 2018, up from 4.2 percent in 2017. It is projected to slightly increase up to 5.4 percent in 2019. Inflation is projected to level off at an estimated 7.1 percent in 2019, down from 7.7 percent in 2018 and further decline to 6.1 percent in 2020.

The budget deficit was contained at an estimated 2.3 percent of GDP in 2018, compared with 2.4 percent in 2017, largely contributed by the government's measures targeting some low-priority expenditures. Total public debt, 70 percent of which is from multilateral creditors, fell from 38.4 percent of GDP in 2016 to 35.1 percent in 2018. The current account deficit deteriorated to an estimated 2 percent of GDP in 2018, due to a 19 percent rise in the value of oil imports and a 13 percent rise in the value of capital goods. Exports, which are dominated demand for textiles, vanilla, essential oils and mining products are expected to continue contributing to the island's GDP growth.

SIGNIFICANCE

According to the International Monetary Fund, Madagascar's public debt remains sustainable, with a moderate risk of external debt overhang. The island has a comparative advantage in some niche products such as cloves, lychee, vanilla, cocoa beans, green coffee, and essential oils that can be easily processed locally with high value added. Effectively implementing industrial policy and the special economic zone regime could turn this potential into jobs and economic growth. The African Development Bank notes that applying international norms and standards and eliminating nontariff barriers could boost trade with regional partners.

MALAWI

Malawi Rolls on to Marijuana to Lift Economy

In a bid to boost its economy, Malawi is set to become the latest African country to legalise marijuana farming. The country's parliament has drafted a bill on legalising industrial and medicinal hemp and is expected to be tabled with the national assembly in March. This move comes as tobacco, the country's major foreign exchange earner, starts to feel the impact of global anti-smoking health campaigns led by various organisations, including the World Health Organization.

Different stakeholders in the hemp industry have been calling on the government to speed up legislation on marijuana farming.

SIGNIFICANCE

The tobacco industry is struggling with the global shift away from cigarette smoking due to health concerns and Malawi is feeling the pinch, as commodity prices for tobacco take a hit. While prices at this year's auction were USD 1.58 a kilogram, in recent years prices have been as low as 80 cents. According to analysts, industrial hemp can offer much to the country's economy; it is estimated that an acre of 2,500 plants can fetch up an average of USD 5,000 in Malawi, making a valuable contribution to the economy. In Morocco, the trade employs at least 800,000 people, according to Bloomberg, and is worth USD 10 billion a year in sales. Other African countries including Zimbabwe, Lesotho and South Africa have either legalised or are considering legalising marijuana farming.

MAURITIUS

Mauritius Commercial Bank Sees Gold Mine in Kenya Deals

The oldest bank in Mauritius, Mauritius Commercial Bank (MCB), says it will take advantage of the rising number of Mauritian businesses setting up shop in Kenya to tap into more deals and grow its income from the region. MCB chief executive officer Alain Law Min said its local representative office, opened in 2014, is eyeing deals in syndicated lending and trade finance in various sectors, including manufacturing, finance, and oil and gas as it taps into growing economic links between these countries.

The local MCB office will also be offering consultancy for Kenyan firms looking to venture into Mauritius. It is reported that companies from Mauritius have adopted an aggressive economic expansion position in Kenya's financial sector over the last few years, collectively injecting approximately USD 100 million into the economy through acquisitions and investment in Kenyan firms. Mauritius has also been a popular haven for Kenya's super rich, 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 at three percent.

SIGNIFICANCE

During 2017, representative offices facilitated business worth KES 313.2 billion (approx. USD 3.13 billion). There was a notable increase in business activities facilitated by the representative offices in 2017 compared to KES 247.6 billion (approx. USD 2.48 billion) reported in 2016. This in effects shows that there were improvements in wealth and opportunity in Kenya, while Mauritius benefited from increased profits, developing relationships, and a greater level of market influence.

MOROCCO

SDX's Expansion Plans in Morocco Oiled by New Drilling Licences

SDX Energy, the North Africa focused oil and gas company, has announced that it has increased its presence in Morocco with the awards of the Moulay Bouchta Ouest and Lalla Mimouna Sud licenses. The Moulay Bouchta Ouest exploration licence, covering an area of 458 square kilometres, has been awarded to SDX for a period of eight years. SDX has a commitment to reprocess 150 kilometres of 2D seismic data, acquire 100 square kilometres of new 3D seismic data and drill one exploration well within the first three-and-a-half-year period.

SDX has also been re-awarded the Lalla Mimouna Sud licence, which covers an area of 857 square kilometres, for a period of eight years. This permit was part of the original group of concessions that SDX acquired as part of the Circle Oil acquisition in 2017. The concession expired after all the work commitments had been fulfilled and SDX reapplied for the acreage after the acquisition of additional 3D seismic in the area. The company has a commitment to acquire 50 square kilometres of 3D seismic data and drill one exploration well within the first three-year period.

SIGNIFICANCE

Morocco is a key growth region for SDX and the award of the additional licences offers significant underexplored hydrocarbon potential. The award gives SDX an opportunity to expand its existing operations in the country, which will see additional infrastructure development and the creations of jobs that can be tied to its growing facilities. Already, the firm confirms that it has an active work programme planned for Morocco in 2019, with a 12 well drilling programme set to commence soon. The new permits also enable SDX to further grow its reserves and production base in Morocco, generating significant export earnings for the government.

MOZAMBIQUE

SunFunder's USD 2 Million Deal Lights up Mozambique's Energy Mix

SunFunder, a solar finance company providing debt capital to solar enterprises in emerging markets, has closed a USD 2 million debt facility with SolarWorks!, a leading Pay-As-You-Go solar home system and energy services provider in Southern Africa.

The investment took an innovative multi-currency approach through a partnership with US-based currency hedging company MFX Solutions. It will be used primarily for working capital to accelerate the growth of SolarWorks! in Mozambique and marks the first transaction in that country for both SunFunder and MFX.

SIGNIFICANCE

Despite the fact that Mozambique has the largest power generation potential in Southern Africa, it has an electrification rate of less than 30 percent and limited availability of debt capital to support off-grid solar solutions. However, renewable energy sources occupy a growing share of the country's energy mix and SolarWorks! is expected to use the debt facility primarily for working capital to accelerate growth in Mozambique. The financing facility is anticipated to directly impact the lives of 65,000 people by supporting the industrial and commercial segments as well as middle income households with reliable power. From an environmental impact perceptive, the facility is also expected to displace at least 26 tonnes of carbon dioxide emissions in the process.

NIGERIA

Private Partnership Projects Make Inroads to Boost infrastructure

President Muhammadu Buhari recently signed an Executive Order to allow private companies to construct and refurbish roads across the country. The Executive Order is a Road Infrastructure Development and Refurbishment Investment Tax Credit Scheme that enables the Federal Government of Nigeria to leverage private sector funding for the construction or refurbishment of eligible road infrastructure projects. It focuses on the development of eligible road infrastructure projects in an efficient and effective manner that creates value for money through private sector discipline and guarantees participants in the scheme timely and full recovery of funds provided for the construction or refurbishment of eligible road infrastructure projects through tax credits.

In the pilot phase, six companies will construct 19 roads covering 794.4 kilometres. The Minister of Finance, Zainab Ahmed, who listed the roads at the signing ceremony, said the scheme is the outcome of efforts to think outside of the box and deploy new techniques to develop critical road infrastructure in the country. The six companies charged with the project's pilot phase in 11 states include Dangote Industries, Lafarge Africa, Unilever Nigeria, Flour Mills of Nigeria, Nigeria LNG and China Road and Bridge Corporation Nigeria.

SIGNIFICANCE

The scheme is widely viewed by stakeholders who have been engaged in the public and private sectors as a quick win in road construction and enjoys widespread acceptance as a means of accelerating growth within industrial clusters. Additionally, this order will allow the private sector to use their capital, know-how and their efficiency in terms of delivering roads in time. Furthermore, the Nigerian government will be saving billions in infrastructure development, which can be hoped will go into improving and developing other sectors.

SOUTH AFRICA

Clover Industries Receives Sweet Deal for Buyout

Clover Industries has received a buyout offer from investors led by Israel's Central Bottling Company (CBC) that values the South African company at ZAR 4.8 billion (approx. USD 358.6 million), giving a boost to President Cyril Ramaphosa's effort to lure foreign investment to the country. The acquiring group, Milco SA Proprietary, offered ZAR 25 a share for the Johannesburg-based dairy and drinks producer.

Post-transaction, Milco would be owned 60 percent by CBC, 15 percent by Brimstone, 11 percent by Ploughshare Investment, 8 percent by IncuBev and 6 percent by Clover management, who would reinvest a substantial portion of the proceeds from the sale of their Clover shares and share options into Milco.

Clovers' footprint extends across South Africa and sub-Saharan Africa, employing over 8,500 employees.

SIGNIFICANCE

CBC's investment through Milco is a sign of confidence in the prospects for the local economy. Clover presents a uniquely attractive investment for Milco given its expansive distribution capability and strong market position for key brands. Milco's combination of its capabilities with those of Clover are set to unlock value through key strategic initiatives, which would primarily be aimed at accelerating sales, distribution and efficiency opportunities within Clover's product portfolio in South Africa, with expansion into select sub-Saharan Africa territories. Soon after the buyout offer was announced, shares in Clover increased by more than 20 percent.

SUDAN

East Africa Regional Airlines Suspend Ticketing in Sudan

Following violent protests that have rocked the Sudan since December 2018, Kenya Airways and Qatar Airways have suspended ticketing authorities in the country. Ticketing authority is the airline's authorisation to the International Air Travel Association accredited agent to issue tickets on its behalf. In withdrawing the authority, the two airlines cited difficulties in repatriating foreign currency and other trade-related challenges till further notice.

The protests in Sudan started in December after the prices of some basic commodities shot up and amid reports of violence, foreign governments have proceeded to advice against all travel to the country.

SIGNIFICANCE

While the suspension of ticketing authority by the two airlines is a major setback for the country that is already grappling with a fragile economic situation, more passengers will now have to use the national carrier, Sudan Airways, to travel within the country and across the region. It should be noted that Ethiopian Airways and Emirates are still operating in the country. If these carriers were to cease operations in the country, it would have an adverse impact on traveling traders, dignitaries and ongoing humanitarian efforts.

TANZANIA

Finnfund Boosts Sustainable Avocado Farming

Finnfund, a Finnish development finance company, is providing a EUR 2.5 million (approx. USD 2.9 million) secured loan to Africado, a Tanzanian avocado producer, to expand and develop its operations.

The price of coffee has fallen sharply in recent years primarily due to expanded production in Brazil and Vietnam. The impact has been felt in Tanzania's Kilimanjaro region where coffee farming has long been an important source of livelihood and the local farmers are now betting on avocadoes as an alternative cash crop. Avocado farming is providing Africado employees and its contract farmers with higher and more secured income than coffee production.

A press release from Finnfund says Africado fits with its target investments in developing countries because it promotes responsible agricultural and employment practices, while generating export income, strengthening the balance of current payments of the country.

SIGNIFICANCE

Avocado farming is proving to be a viable alternative for Tanzania's farmers whose livelihoods have been shaken by the plunging price of coffee. With the help of the new financing, Africado has started to expand and develop its operations. The company is looking to extend its avocado plantations and diversify to other avocado varieties and nuts. The humid tropical climate in the Kilimanjaro area provides ideal growing conditions where avocados flourish naturally; Africado's involvement and knowledge of commercial varieties will be an avenue to produce and market a better quality fruit with tangible economic value for the farmer and the government in terms of export earnings. With the new developments, it is further expected that the number of jobs will double and the farm output of the fruit will increase.

UGANDA

First Fully Digital Bank Launched in Uganda

Standard Chartered Bank has launched Uganda's first fully digital bank. In response to growing consumer demand for innovative banking services on the continent, the bank will launch its digital solution in four key markets during the first quarter of 2019 starting in Uganda in January, followed by Tanzania in February, with Ghana and Kenya to follow.

The system, which allows customers to open an account using their phones or computers within a period of 15 minutes without stepping in a banking hall, comes at a time when banks are leveraging on technology to recruit new customers.

To support the digital bank roll out across the four markets, aimed at driving digital adoption amongst new and existing clients focusing on young digital natives, the bank will also launch a marketing campaign titled "Be unstoppable, bank on the go!".

SIGNIFICANCE

The updated digital bank will be able to provide enhanced services including QR code and P2P payments, loan and overdraft facilities, and instant fixed deposits fast and effectively. Clients will be able to enjoy the convenience of banking on the go, anytime and anywhere, along with a consistent online experience. The roll out will also see the bank engage in strategic local alliances to create an appealing lifestyle banking proposition to provide clients offers across shopping, travel and dining.

SOURCES

https://www.afdb.org

https://www.voanews.com

https://www.businessdailyafrica.com

https://www.newtimes.co.rw

https://www.reuters.com

https://allafrica.com

http://www.theeastafrican.co.ke

http://www.solar-works.co.za

https://sunfunder.com

http://www.oilreviewmiddleeast.com

https://www.busiweek.com

https://punchng.com

https://www.nation.co.ke

https://www.standardmedia.co.ke

https://edition.cnn.com