Malawi, IFC Agree to Power 258MW Hydropower Project

World Bank's private sector financing arm, International Finance Corporation, has signed a joint development agreement with the government of Malawi to develop the 258MW Mpatamanga hydropower project on the Shire River in Malawi. The agreement was signed in coordination with the World Bank and with the support of SN Power and Power Africa. According to government sources, the Mpatamanga hydro facility will be competitively tendered and the procurement of the private investor is expected to be completed by December 2019. Thereafter, parties to the project, the Government of Malawi, IFC and the private investor, will have to solicit funds for it. So far, the Malawi Government, through the Ministry of Finance has set aside USD 200 million from the country's World Bank International Development Assistance window to be used on the project.

The total installed capacity for power generation in Malawi is approximately 362MW, of which 351MW is hydropower and 11MW is diesel engine generators. Few off-grid photovoltaic installations exist.

SIGNIFICANCE

According to the Malawi Country Commercial Guide, the country's power sector is severely constrained, with less than 10 percent of the population of 18 million having access to reliable power supply. The Mpatamanga project is set to inject a significant amount of electricity power to the country's interconnected grid, bringing much needed energy to households and business enterprises, which consistently cite weakness in the electricity sector as one of the major obstacles to doing business. The plant will also have a reservoir that is expected to facilitate the development of a planned irrigation scheme.

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ALGERIA

Anadarko's Bidding War Set to Improve Sonatrach's Investment Portfolio

Anadarko Petroleum recently revealed that it intended to reject its first suitor, Chevron, in a takeover bid after Occidental Petroleum came forward with an offer of USD 38 billion, a bid that topped Chevron's USD 33 billion offer.

The announcement by Anadarko's board soon after Occidental raised its offer is far from a final decision. Analysts said Occidental's latest offer could pressure Chevron to revise its bid, although Chevron has no incentive to do so unless the Anadarko board accepts the offer from Occidental. Further, the decision to accept Occidental's offer would require a vote by the shareholders of both companies, while Anadarko would have to pay Chevron a USD 1 billion break-up fee if its board went ahead to choose Occidental's offer.

Anadarko is the largest foreign oil producer in Algeria and its partnership with Sonatrach has so far discovered more than 3 billion barrels of oil as part of a Production Sharing Agreement that was signed in the late 1980s.

SIGNIFICANCE

As a member of the Organisation of the Petroleum Exporting Countries and a major gas supplier to Europe, Algeria has been struggling to lift its petroleum production to meet rising domestic demand, while foreign investors have often baulked at contract terms. The acquisition of Anadarko by either of the bidders will significantly strengthen state energy company Sonatrach's portfolio and efforts to develop its partnerships with foreign firms in a bid to boost output and exports, particularly its leading positions in large and attractive natural gas and oil basins.

ETHIOPIA

China Cancels Ethiopia's Loan Interest Payments

Ethiopia's Office of the Prime Minister recently confirmed China's cancellation of accumulated interest payments on all loans it provided to Ethiopia until the end of 2018.

The announcement was made by President Xi Jinping during his meeting with Ethiopian Prime Minister Abiy Ahmed in Beijing at the second Belt and Road Forum for International Cooperation. Late last year, China agreed to restructure some of the loans it had given to Ethiopia, including a loan for a USD 4 billion railway linking its capital Addis Ababa with neighbouring Djibouti. The Addis Ababa-Djibouti Railway is an important part of the belt and road scheme in Africa since it connects landlocked Ethiopia to the sea by linking Addis Ababa with the Port of Doraleh, a multipurpose port just west of Djibouti City, with terminals for handling oil, bulk cargo and containers.

SIGNIFICANCE

As a top destination for Chinese loans in Africa, analysts estimate that since the year 2000 Ethiopia has borrowed over USD 12 billion from China's state policy banks. The cancellation of interest accumulated as at 2018 gives some respite to Ethiopia, amid increasing debt pressure and efforts to restructure the loans it has so far with China, which has been criticised for opaque and aggressive lending practices that set a "debt trap" for countries that are financially vulnerable and hampered by a decline in government infrastructure spending combined with an increase in construction costs.

EGYPT

Business Park Deal Reinforces New Administrative Capital Plans

Egypt recently signed a USD 834 million financing agreement with several Chinese banks to construct a central business park in the New Administrative Capital. The park is projected to include seven skyscrapers, with two administrative towers and five residential towers at a height of 206 meters on a building area of 600,000 square meters.

The New Administrative Capital was launched at the cost of USD 45 billion, and the infrastructure for the first stage of the project costs LE 130 billion (approx. USD 7.6 billion). It is scheduled to be completed by mid-2019 together with a third batch of housing units, after which the Egyptian government plans to relocate 51,000 state administration employees from 31 ministries and sectors to the New Administrative Capital's governmental district beginning 2020. Construction of the Administrative Capital is one of the top priorities of the government's sustainable development plan 2030 and is projected to be built over seven years.

SIGNIFICANCE

The new Administrative Capital is part of Egypt's plan to expand urban areas to deal with the country's rapid population growth rate and improve the nation's infrastructure. The project will be a vital component in encouraging the country's economic growth, enhancing the efficiency of production, transportation, and communication. It will further help provide economic incentives to shape public and private sector participants' investment decisions and the county's attractiveness to foreign investors.

GUINEA

Simandou Settlement Hoped to Kick-Start Guinea's Iron Ore Sector

A London arbitration court has ordered mining giant BSG Resources to pay a demand for more than USD 2 billion to Brazil's Vale in damages and costs over corruption claims linked to a dispute between the two companies on a joint venture to develop a huge iron deposit in Guinea's Simandou region. The award covers upfront payments Vale made to BSGR, ending a series of legal disputes over the mine and potentially paving way for successful exploitation.

In April 2010, Vale agreed to pay a total USD 2.5 billion for a 51 percent stake in BSGR's Guinean assets, which it then lost after an inquiry concluded it had won them through corruption. In 2014, the Republic of Guinea revoked that concession after a finding that BSGR had obtained the mining rights through bribery of Guinean government officials. Vale was found not to have participated in any way in that bribery.

SIGNIFICANCE

The Simandou region is home to some of the largest untapped high-grade iron ore deposits anywhere on earth, and if harnessed, observers believe it could potentially produce millions of tonnes per year, double Guinea's GDP and create thousands of jobs. However, the mine is yet to be successfully exploited. Legal disputes, corruption allegations and the absence of infrastructure to export the mineral have stifled development of the contested mine for years. Amid these challenges, it will be interesting to see whether the Vale-BSGR settlement will turn the tide of Simandou's future and lift the shroud on the benefits it could bring for Guinea and other mining companies, including Rio Tinto and Chinalco which have worked on Simandou for 22 years.

KENYA

IMF Tips Kenyan Economy to Hit USD 100 Billion in 2019

According to the latest statistical estimates by the International Monetary Fund, the size of Kenya's economy is projected to reach the KES 10.1 trillion (approx. USD 100 billion) mark for the year 2019.

This will mark the largest absolute expansion in recent years, with the gross domestic product (GDP) estimated to rise by KES 1.1 trillion (approx. USD 11 billion) from KES 9 trillion (approx. USD 89 billion) in 2018. If the IMF projections hold out, Kenya's economy could grow to KES 15.7 trillion (approx. USD 156 billion) in 2023.

Kenya's current economic growth momentum is being fuelled by massive investments by the government and the private sector amid a favourable macroeconomic environment featuring low inflation and controlled interest rates. The government continues to invest heavily in energy and infrastructure projects, including roads and the Standard Gauge Railway. A substantial part of private sector investment is being channelled into real estate. Sectors that have recently done well include agriculture, construction and manufacturing.

SIGNIFICANCE

A larger economy for Kenya, coupled with strong growth in the coming years, means better prospects for expansion of jobs, labour earnings, investment opportunities and delivery of social services by the government. Despite the growth projections, investment analysts have pointed out major risks facing the country, including rising public debt and a high rate of unemployment. Kenya's net debt is forecast to stand at KES 5.2 trillion (approx. USD 51 billion) this year compared to KES 4.6 trillion (approx. USD 45 billion) in 2018, raising concerns that it would have a negative impact in terms of taxes and interest rates.

MADAGASCAR

China Paves Way to Rehabilitate Madagascar's Economic Corridor

Madagascar's Foreign Minister, Naina Andriantsitohain, and the Charge d'affaires of the Chinese Embassy in Madagascar, Chen Xiaolei, earlier in April signed a Memorandum of Understanding granting a preferential loan by China to Madagascar to finance the rehabilitation of the national road linking Vohemar to Ambilobe at a cost of USD 155 million.

Ambilobe is an important junction town with an active market on the north bank of the Mahavavy River. The RN5A is a 406 kilometre secondary highway in Madagascar, crossing the regions of Diana and Sava. The section from Ambilobe to Vohemar, with a length of about 150 kilometres, is unpaved and in poor condition, particularly after rainfalls. Vohemar, in northern Madagascar, is one of the regions which are the largest producers of Vanilla in the world, in addition to the production of cloves and cocoa.

SIGNIFICANCE

The rehabilitation of the national road will lead to the much needed connectivity between the regions of Diana and Sava. New and improved road infrastructure will have an impact on the ease of doing business in the country, as it will reduce the time it takes to transport vanilla and other cash crop products in addition to boosting access to new markets. The new road will also reduce commute time for business owners to deliver goods and services faster and at a lower cost to consumers.

MAURITIUS

MCB Closes USD 800 Million Deal to Diversify Funding Profile

Mauritius Commercial Bank (MCB) confirmed that it has received a USD 800 million syndicated loan facility from a pool of lenders spanning Europe, the Middle-East and Asia. This loan was arranged by Standard Chartered Bank and Sumitomo Mitsui Banking Corporation Europe. Proceeds from the loan facility will be used for general corporate purposes, including trade finance.

According to MCB, the initial target, which was USD 500 million, was oversubscribed with commitments in excess of USD 1 billion. The bank subsequently decided to upsize the transaction to USD 800 million in light of the significant commitments received.

MCB is one of the most traded stocks and the largest listed company on the Stock Exchange of Mauritius, with a market capitalisation of USD 1.9 billion, representing a share of 25 percent.

SIGNIFICANCE

According to sources at MCB, 24 geographically diverse banks participated in the facility, attesting to the international recognition of its investment-grade credit worthiness and confidence in the bank's strong fundamentals and international growth prospects. The facility will support MCB in further optimising and diversifying its funding profile, whilst executing on the delivery of its domestic and African ambitions.

MOROCCO

Morocco Plans USD 1 Billion Bond Sale after Five-Year Break

Morocco plans to raise at least USD 1 billion from an international bond sale this year, ending an approximately five-year hiatus, and switch to a policy of more consistent offerings to finance its broader economic overhaul programme.

According to the Ministry of Finance, the North African kingdom, which is the region's only investment grade sovereign, has mandated a consortium of banks for the bond sale, its first since 2014. It further plans to go to the market again in 2020 amid efforts to hold more consistent sales.

King Mohammed last year told the government to come up with a new growth model for the USD 105 billion economy as it steps up a crackdown on tax evasion. The International Monetary Fund, in the latest review of its precautionary and liquidity line arrangement with the country said that improved fiscal management and economic diversification have made the economy more resilient, though unemployment remains high, especially among the youth.

SIGNIFICANCE

The proposed bond sale comes as authorities review how state-owned enterprises can finance the nation's development plans and make them less reliant on government financing. As it stands now, the debt is counted as quasi-sovereign, limiting the administration's room to manoeuvre as the government struggles to revive growth that has been squeezed over the past two years by drought and weak consumer demand.

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 through Nigeria's Ministry 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, while at the same time boosts efforts aimed at creating jobs.

RWANDA

Rwanda, Qatar Sign Aviation and Tourism Pact

Qatari Emir, Sheikh Tamim bin Hamad Al Thani, recently visited Kigali on a three-day tour, during which the signing of several bilateral agreements with Rwandan President, Paul Kagame took place. The agreements which span across sectors such as aviation, travel and logistics, culture, sports, and tourism, were made amid an increase in investments from the Gulf state.

In the aviation sector, Qatar's national carrier, Qatar Airways, will co-operate with RwandAir through Rwanda's Aviation Travel and Logistics, as well as its investment arm, Aviation Travel and Logistics. Doha will also become a major investor in Rwanda's Bugesera Airport as the Government of Rwanda seeks to attract more investment to fund the project. Expected to become the country's largest, the airport is co-owned by the government (25 percent) and Portuguese construction company Mota-Engil (75 percent). So far, more than USD 130 million has been injected into the project and the first phase of construction is estimated to cost USD 418 million. The second phase is estimated to cost USD 82 million.

SIGNIFICANCE

The Qatar-Rwanda agreement will bring the realisation of the Bugesera Airport closer. Rwanda continues to fundraise for this airport, which is expected to handle 1.7 million passengers per annum, almost double the country's current total traffic. This agreement will lead to faster trade, investment and tourism within the two countries as well as creation of more jobs for the aviation based industry. In addition, the agreement will improve Rwanda's relationship with Qatar in the aviation sector, which has continued to develop since Qatar Airways launched daily flights to Kigali in 2012.

SOUTH AFRICA

South Africa Struggles to Keep Eskom Lights on

State power monopoly Eskom was recently bailed out by the government with USD 355 million worth of emergency funds in order to meet a debt default. The April payment was intended to facilitate Eskom to pay bills due at the end of March and avoid a call on its existing guarantees after a loan expected from the China Development Bank failed to come through in time. Parliament agreed in principle to a USD 5 billion bailout for Eskom as the utility seeks approval for a 56 percent rise in tariffs over the next three years. April's bailout was an advance on these funds as the utility suddenly faced an acute crisis. Eskom had been due to receive a USD 500 million tranche of a USD 2.5 billion loan from the state-owned China Development Bank in late March; however, the bank was unable to timeously execute this planned drawdown due to its central bank exchange control requirements, resulting in Eskom experiencing liquidity challenges. The monopoly has massively increased its debt to finance wasteful capital spending, including expensive new power stations which suffered years of commissioning delays and enormous cost overruns.

SIGNIFICANCE

Eskom's woes are seemingly the biggest economic problem facing the government, which is under pressure to chart a new strategy for the money-losing utility while retaining the support of trade unions after businesses and consumers were left to battle with sudden and crippling power cuts. The government is also struggling to preserve South Africa's sole investment-grade credit rating with Moody's Investors Service, which has cited Eskom as one of the biggest risks to the economy. Successive ratings downgrades leave South Africa with a strategic industry drowning in debt, as foreign borrowing becomes more expensive.

SUDAN

Saudi, UAE pledge USD 3 Billion Financial Aid for Sudan

Saudi Arabia and the United Arab Emirates recently announced 3 billion dollars in financial support for Sudan. The oil-rich Gulf states pledged to inject USD 500 million into the Sudanese central bank and USD 2.5 billion to help provide food, medicine and petroleum products. The Abu Dhabi Fund for Development is set to deposit USD 250 million in Sudan's Central Bank as part of the grant's support aimed at shoring up the Sudanese pound. In recent years, Sudan has been hit by an acute lack of dollars, a key factor behind the nationwide protests that led to the toppling of Bashir by the army in April.

The Sudanese currency plunged even after the United States lifted its 20-year-old trade embargo on the country in October 2017. Expectations that the end of US sanctions would bring an economic recovery failed to materialise, putting pressure on the pound. The country of 40 million has been suffering from rapid inflation and shortages of cash, fuel and basic products. In addition, the country's economic crisis has deepened since the secession of South Sudan in 2011 which took away bulk of the oil earnings.

SIGNIFICANCE

Funds from this grant will go into financing 17 development projects in Sudan in the industrial, transport, energy, water and irrigation sectors. In addition, the USD 500 million bank deposit will support Sudan's weakening currency.

UGANDA

Inflation, High Oil Prices Raise Cost of Living

The month of April saw Uganda record high inflation as the effects of severe weather and high fuel prices took a toll on household and business spending. The country's overall month-on-month inflation rose to 3.5 percent in April from 3 percent in March. Notably, the average overall inflation for Uganda had edged down to 2 percent in March from 2.1 percent the previous month.

According to the Uganda Bureau of Statistics, the spike in food prices was as a result of an increase in pump prices for petrol, diesel and kerosene and drought conditions which prevailed in the better part of April 2019. According to the Bank of Uganda, risks to the inflation outlook include uncertain weather conditions, strengthening of the domestic market for goods and services and the volatile exchange rate. Analysts at the Africa-focused financial advisory firm StratLink said that adverse weather conditions experienced in the region pose a risk to the inflation prospects. In their market report for April, the analysts indicated a high likelihood of seeing drier than average conditions over much of Uganda.

SIGNIFICANCE

In addition to the prevailing errant weather conditions, economists have pointed to uncertainty over reduced global oil supplies and a surge in crude prices ahead of a key decision by the Organisation of the Petroleum Exporting Countries on whether to extend production cuts in June as driving factors for the rising cost of living. This could result in decreased purchasing power for citizens and increased costs of operations for domestic enterprises.

TANZANIA

Tanzania Terminates Bilateral Investment Treaty with the Netherlands

The Tanzanian-Netherlands bilateral investment treaty (BIT) expired on 1 April 2018, six months after the Government of Tanzania notified the Government of the Netherlands of its intention to terminate the treaty. The Netherlands had earlier issued a notice on its foreign relations website stating that despite efforts to seek a temporary extension of the existing treaty and/or a speedy start of renegotiation of the treaty, there had been no progress and consequently, it would expire.

Dutch and Tanzanian Civil Society Organisations (CSOs) had in the recent past voiced their concerns and pushed for the review of the treaty, which in their view was rigid and did not serve the best interests of Tanzania. In lobbying the decision makers in Tanzania, the CSOs wanted the treaty to be revised to state, among other issues, the right of the host country to introduce new laws, rules and regulations on investment which would apply to every investor, including those protected under the BIT.

SIGNIFICANCE

New Dutch investors in Tanzania and new Tanzanian investors in the Netherlands can no longer rely on the special protections provided under the now expired BIT. They will instead rely on the host national legislation for the protection of their investments and dispute resolution. Nonetheless, those who had invested in the respective host states before 1 April 2019 are still covered under the BIT for a further period of 15 years (until 1 April 2034). Tanzania has not yet given an indication whether or not it will negotiate a new BIT despite the Netherlands showing interest to negotiate.

ZAMBIA

Enel's USD 40 Million Solar Plant Powers Up

Enel Group has begun operations at a 34MW solar plant in Zambia, as part of Zambia's efforts to install and inject 600MW of solar power into the national grid over the next few years. The Ngonye plant, which is the Enel Group's first in the country, is set to generate 70 GW hours every year once fully operational. The project is part of the World Bank's Scaling Solar program and aims to diversify Zambia's electricity production sources and boost its solar-generation capacity.

Zambia is heavily reliant on hydropower, which generated 11,025GWh in 2016, according to the International Energy Agency. It is within this context that the government is looking to diversify its energy production. A 25-year power purchase agreement has been signed with ZESCO, Zambia's state-owned utility. The Enel Group said it had invested approximately USD 40 million in the project's construction. Enel Green Power is developing a number of renewable energy projects in Africa and has invested about USD 785 million to construct 900MW of wind and solar capacity between 2019 and 2021.

SIGNIFICANCE

Through this project Enel Green is boosting the government's ambitious push to improve access to electricity throughout the country, while diversifying its generation mix to hedge against severe drought and climate change effects. It will contribute to Zambia's sustainable development through renewable energy, help reduce power shortages whilst leveraging on the country's abundance of resources and cooperation with international and local partners within the framework of the Scaling Solar programme.

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