

# MEMORANDUM

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## AFRICA NEEDS MORE CLOUT IN UN SECURITY COUNCIL

As world leaders gather in New York for their annual diplomatic rituals at the United Nations (UN), many have echoed President Jacob Zuma's call for the urgent reform of the UN's 15-member Security Council: the most powerful body in the organisation that determines where peacekeeping missions are deployed. The council is the only UN organ whose decisions are binding on all 193 member states.

Today, 86% of the UN's 106,245 peace keepers are deployed in nine African countries (out of 16 missions worldwide).

The three African powers on the council — Nigeria, Angola and Chad — have co-ordinated much better than in the past, reporting regularly to the African Group of ambassadors in New York, and initiating a process of consulting with the 15-member African Union (AU) Peace and Security Council in Addis Ababa.

As chair of the UN Security Council in August, Nigeria held an open debate on the security role of regional organisations, which echoed the calls of the June 2015 High-Level Independent Panel of Peace Operations to strengthen relations between the UN and African regional bodies.

This report was strikingly unoriginal in going over ground already covered by earlier UN panels. A Joint UN/AU Framework for Enhanced Partnership in Peace and Security is envisaged next year to ensure predictable funding, continued UN technical and planning expertise and a standardisation of the "re-hatting" of AU to UN missions. Africa, however, continues to be marginalised in UN decision-making that is often dominated by France, the UK and the US, which draft all the resolutions in 14 out of 18 dossiers relating to Africa.

In the Democratic Republic of Congo, there have been continuing tensions in the relationship between the UN mission and the government of Joseph Kabila.

A South African-led 3,000-strong intervention force (with Tanzania and Malawi) continues to play an important role in seeking to stabilise the volatile eastern Congo.

Instability has also continued in Burundi following Pierre Nkurunziza's controversial election to a third presidential term three months ago. France is the "penholder" in both of these cases.

In Somalia, UN logistical support of a 22,000-strong AU mission, as well as the deployment of a civilian UN mission in Mogadishu, have helped to foster co-operation in the country in a case in which the UK is the penholder.

The UN's eight-year presence in Sudan's volatile Darfur region has not halted the killings. The US, France and the UK continue to criticise Khartoum's obstructionism, while China, Russia and Chad have been more sympathetic.

South Sudan's civil war continues despite several regional peace accords. The US penholder has sought to pressure the government in Juba by threatening military and travel sanctions.

The UN mission in Liberia has been deployed there for 12 years. Most worrying, Liberia's army and police are still not in a position to take over security in the country by July next year, even as the UN prepares to reduce its troops from 4,811 to 1,240. Washington is the penholder in this case.

In northern Mali, the UN's 11,000-strong mission continues to face challenges from rebel and Islamist forces. France holds the pen in this case.

Nigeria is the penholder for the 10,000-strong African force established to fight Boko Haram. Abuja pledged \$100m to support the force, and has demonstrated some clout in this case.

Despite the presence of an 11,000-strong UN peacekeeping mission in the Central African Republic, slaughter by militias has continued. French troops in the country reportedly sexually abused children amid allegations of a cover-up. Soldiers from Morocco, Chad and Equatorial Guinea have also been implicated. France is the penholder in yet another former colony.

Finally, Libya has been anarchic since the North Atlantic Treaty Organisation (Nato) intervention in 2011. In a case of the fox guarding the hen house, the UK — which led the Nato intervention — is the penholder on Libya.

The UN Security Council must be urgently reformed. Africa and Latin America are the only major regions without veto-wielding permanent membership, even as 60% of deliberations focus on Africa.

The council must be expanded to include countries such as Nigeria, SA, Brazil and India, whose membership is, however, contested by other regional powers. (BD 05-10-2015)

## **BOTSWANA RATED WEAKEST IN GENDER STUDY**

The 2015 Ibrahim Index of African Governance (IIAG) released Monday shows that Botswana was weaker in the area of gender this year compared to 2014 largely due to decreased female representation in politics and the judiciary.

According to the release, Botswana is once more third overall out of 54 African countries, but with a reduced score of 74.2, down from 76.2 in 2014.

The release shows that the same modestly downward trend is apparent in the ratings of the other top countries, as well as the continent as a whole. Mauritius once more took the top overall position with a score of 79.9 (down from 81.7 in 2014), followed by Cabo Verde at 74.5, down from 76.6 in 2014.

The IIAG Index consists of four overarching categories with 14 sub-indices.

In the four overarching categories, Botswana was 2nd in the areas of Safety and Security with a score of 82.7, ranking third in areas of Human Development with a score of 79.5, fourth in terms of Sustainable Economic Opportunity with a score of 66.1 and eighth in terms of Participation and Human Rights with a score of 68.7

Among the indices Botswana continued to score highest on the continent in terms of the rule of law and accountability, while coming in second in terms of public management and social welfare.

The index measures countries' performance in 14 indicators covering rule of law, accountability, personal safety, national security, participation, rights, gender issues, public management, business environment, infrastructure, rural sector, social welfare, education, and health.

Botswana most improved categories this year were in the areas of Human Development and Rural Sector. (APA 05-10-2015)

## **TURKISH GROUP BUILDS CEMENT PLANT IN MOZAMBIQUE**

The Limak Holding Group of Turkey has started building a cement plant in Maputo, Mozambique, which will have an installed capacity of 2 million tons per year, according to the group's website.

This cement plant is expected to start production in the first quarter of 2016 and the group will invest about US\$40 million in construction, according to a newspaper report published on the website.

Serdar Bacaksiz, a member of the Limak Holding Board of Directors, is quoted as saying that the group has been closely monitoring the African market and that investment in Mozambique could increase to US\$150 million to increase production to meet demand.

Besides Mozambique, in November the group will start construction of another cement plant in Côte d'Ivoire (Ivory Coast), in which it plans to invest US\$55 million.

Limak Holding is a Turkish conglomerate group working in construction, energy, cement and tourism, and its subsidiaries are Limak Cement, Limak Energy and Limak Tourism Group. (07-10-2015)

## **LAGOS WHIZZES SOW DIGITAL SEED**

When Ebola hit Lagos, Nigerian tech entrepreneurs Seyi Taylor and Bankole Oluwafemi were terrified. As rumours spread about the disease that was killing hundreds in nearby nations, the two decided to put a solution on the internet.

"We were concerned that it would take the health authorities ages to get info out, so we wanted to contribute something quickly," says Taylor, 35.

The first website he and Oluwafemi launched, Tech Cabal, has in three years become a go-to forum for Nigeria's community of tech entrepreneurs.

They say the site, with original blog posts produced by just four core staff, has 1-million page views a month.

So, using their coding skills and lessons learnt from running their first website, the duo patched together EbolaFacts.com in 24 hours. The site displayed basic facts about the disease and how to avoid exposure, and received 1.5-million hits in two weeks.

It had emergency phone numbers and — crucially — a flyer that could be printed to bridge the gap between Nigeria's digital community and the millions who do not use smartphones.

Companies hung the flyer in offices to inform staff, while members of the Youth Service Corps distributed the flyer in markets.

Oluwafemi, 28, said the reaction to the site was an "epiphanic moment" that taught them lessons about how to reach users.

African entrepreneurs are finding solutions to local problems with apps and websites that fill gaps, solve practical problems — and often generate income — without government help.

From the established tech hubs of Nairobi and Cape Town to a rapidly growing scene in Lagos, African tech entrepreneurs say their start-ups resonate with locals because they are made at home, not "cut and pasted" into an African market.

Less than two months ago, Taylor and Oluwafemi launched Zikoko, best described as Nigeria's version of BuzzFeed. In the first month, the site had 100,000 page views.

With exclusively Nigeria-focused clickbait, listicles and quizzes, the site is doing what BuzzFeed cannot do for Nigerians: "Telling you what's happening here in Nigeria," says Taylor.

The enthusiastic reception of the site has drawn the interest of local companies including banks, which are signing up to advertise on the site with short embedded videos.

"We think there's a huge opportunity to make a digital-first community a profitable business model," says Taylor. (FT 07-10-2015)

## **OVER 30 MALAWI POLICE JOIN DARFUR PEACEKEEPING MISSION**

Over 30 Malawi police officers have left for Darfur, Sudan for peacekeeping mission under the United Nations (UN).

Speaking during a farewell ceremony in the capital Lilongwe on Tuesday, Inspector General (IG) of Police, Lexten Kachama urged the officers to serve with professionalism during their tour of duty in Sudan.

"I would like you to be exemplary and avoid engaging in immoral behaviors that can lead to painting bad image of our country," he said.

He urged the officers to continue carrying the Malawi flag to spread the message of peace because their country is a star performer when it comes to peace.

Malawi under the UN has been sending its police officers for peacekeeping missions in several African countries. (APA 06-10-2015)

## **ANGOLA AND MOZAMBIQUE SET TO HAVE LOWEST ECONOMIC GROWTH SINCE 2009, IMF SAYS**

Angola and Mozambique are expected this year to record the lowest growth since the global financial crisis of 2009, of 3.5 percent and 7 percent, respectively, reported the International Monetary Fund (IMF) in its World Economic Outlook report.

The document, published Tuesday in Washington, said that Angola will grow 3.5 percent this year and next, while Mozambique slows to 7 percent this year, recovering to 8.2 percent in 2016 and experiencing exponential growth of 17.6 percent in 2020, when natural gas exports begin.

Angola is expected to see growth of 5.2 percent in 2020, showing that the decline in oil prices and the consequent impact on tax revenues will have lasting effects on the economic development of the country.

Cabo Verde (Cape Verde) is expected to grow this year by 3.5 percent, accelerating to a rate of 3.7 percent in 2016 and 4.2 percent in 2020 and Guinea-Bissau should have a growth in 2015, 2016 and 2020 of 4.7 percent, 4.8 percent and 5.0 percent, respectively.

São Tomé and Príncipe, the remaining Portuguese-speaking African country, according to the latest edition of the World Economic Outlook is expected to grow 5.0 percent this year, 5.2 percent in 2016 and 6.0 percent in 2020. (07-10-2015)

## **MEDITERRANEAN: SUPPORTING SME DEVELOPMENT THROUGH ACCESS TO INNOVATION AND ICT: UFM HOLDS MEETING ON INNOVATION, INFORMATION AND COMMUNICATION TECHNOLOGIES**

The Secretariat of the Union for the Mediterranean (UfM) and the European Institute of the Mediterranean (IEMed) are organising a high level meeting on “Innovation, Information and Communication Technologies” on 5-6 October in Barcelona.

In view of supporting SMEs’ access to innovation, the meeting, organised in the framework of the [UfM Mediterranean Initiative for Jobs – Med4Jobs](#), aims at sharing ideas and best practices that could inspire private and public actors of the region as well as other stakeholders to develop frameworks and tools that can further promote the use of information and communication technologies for entrepreneurship and job creation in the Mediterranean.

Participating actors and experts from the region will discuss how policy-makers can develop and reinforce a business and a framework that is favourable to innovation. (EU Neighbourhood 06-10-2015)

## **MALAWI: \$6.5M RADIO ACCESS NETWORK PROJECT COMPLETED**

Telecom Network Malawi (TNM) one of the country's major mobile service announced Tuesday that it has completed a three-year Radio Access Network (RAN) program across the country at a cost of \$6.5 million.

TNM's Head of RAN, Vishwajeet Deshmukh said the program which was aimed at replacing legacy equipment with modern state of the art outdoor Base Transceiver Station (BTS) has been completed successfully.

"At this stage, customers can now experience improved quality service because the performance of the network has improved," he said.

The modern equipment has bigger capacity that enables customers to access quality services without experiencing congestion, he said.

He added that the equipment is energy efficient and environmental friendly that consumes less power to transmit radio signals.

The new equipment is designed to adhere to international environmental standards and regulations.(APA 06-10-2015)

## ANGOLA CREATES CUSTOMS RISK MANAGEMENT CENTRE

The government of Angola will create a Customs Risk Management Centre to share information between agencies involved in trade with foreign countries, the Minister of Trade said in Luanda.

Minister Rosa Pacavira, who was speaking at a seminar on trade facilitation, said the aim of creating the Risk Management Centre was to ensure intelligent risk management when imports arrive in Angola.

The creation of the Centre is part of a programme for ratification of the Trade Facilitation Agreement (TFA), of the World Trade Organization, which calls for elimination of physical inspections of shipments that include goods that pose no risk and have no tax burden.

The World Trade Organization also wants countries to use selective criteria for inspection, such as a harmonised system of goods, certificates of origin and customs valuation.

Pacavira, cited by Angolan state newspaper Jornal de Angola, said that the programme will now include two other projects, one of which to create a system to look up preferential tariff agreements.

This system will simplify identification of products that are covered by trade agreements and build on the proposal to expand access to information from the World Trade Organization and will make it easier to access the content of agreements which are only available in digital format.

The other project is to update and consolidate Angolan legislation on foreign trade, and the minister said Angolan trade with other countries is now quite complex and diverse in terms of the rules governing their operations and is constantly being changed. (07-10-2015)

## MEDITERRANEAN: EU CLIMATE CHANGE PROJECT TAKES PART IN UFM EXPERT GROUP MEETING

The EU-funded Clima South project (Support for Climate Change Mitigation and Adaptation in the ENPI South region) attended the third Climate Change Expert Group meeting of the Union for the Mediterranean held last week in Barcelona.

The meeting gathered UfM national focal points as well as representatives from stakeholders and civil society. The focus of this meeting was on adaptation.

This Expert Group was created to act as a regional platform, showcasing how a complex system of relevant initiatives, programmes and structures may be brought together in order to create synergies while including stakeholders, the private sector and various levels of governance, aiming to enhance regional dialogue and act as a catalyst for the identification, support and development of projects and initiatives, both in mitigation and adaptation.

The **Clima South project** seeks to enhance regional cooperation between the EU and its southern Mediterranean neighbours and among the partner countries themselves (South–South) on climate change mitigation and adaptation, mainly through capacity development and information sharing. The overarching goal is to support the transition of ENP South countries towards low carbon development and climate resilience. (EU Neighbourhood 06-10-2015)

## NAMIBIA'S CENTRAL BANK TO MODIFY BANKNOTES

The Bank of Namibia announced on Tuesday that it will issue a set of modified N\$10 and N\$20 banknotes as from October 20, 2015.

The change on the banknotes will be the removal of the diamond shape security feature which appears on the 2012 series and 2013 improved versions of the two respective banknotes.

The removal of the diamond shape feature is in line with the Bank's philosophy of continuous improvement and cost effectiveness informed by regular review of currency production, Ndangi Katoma, the bank's spokesperson said during a media briefing in Windhoek.

The modification was effected following an observation that the diamond shape feature of some new banknotes had been cracking after continuous folding and handling.

Now the diamond shape feature has been shifted outside the folding area to the right side.

This also involved the shifting of the glossy print mark to the left side next to the portrait of founding father, Sam Nujoma, Katoma explained.

Members of the public should take note that all existing banknotes namely Kaptein Hendrik Witbooi series, the 2012 new series and the 2013 improved N\$10 and N\$20 banknotes will continue to be accepted for payment of goods and services. This means that all four series of N\$10 and N\$20 banknotes will co-circulate in the market he added. (APA 06-10-2015)

### **MARITIME AND ENERGY SECURITY UNDER DEBATE IN ANGOLA**

The International Conference on Maritime Safety and Energy (CISME) starts Wednesday in Luanda and is due to end on Friday, 9 October, jointly organised by Angola/United States/Italy, according to official information.

A statement from the Angolan Ministry of Foreign Affairs, issued Tuesday in Luanda, said the conference aims to examine and recommend measures to develop African maritime security strategies. Internationally the event aims to identify gaps in regional platforms in terms of support and coordination of international donors and to establish priorities for the areas considered to be the most important and productive.

This conference is expected to adopt the "Luanda Declaration on Maritime Safety and Energy," a document that should reflect not only the position of the Angolan government but also the feeling and the views of all participants on maritime and energy security.

Given its strategic importance the declaration will be a reference for Maritime Security in Africa and worldwide, the statement said, adding that at least 600 delegates from 60 invited countries invited are expected in Luanda, which is hosting the first event of its kind. (07-10-2015)

### **MOZAMBIQUE: NEW RESORT PUTS WILDLIFE PARK ON WORLD MAP**

President Filipe Nyusi of Mozambique has said the Diamond Mequfi Beach Resort in the district of Mecúfi, in country's northern Cabo Delgado province, will enhance the Quirimbas National Park and make it better known in the world as an attractive tourism destination in Southern Africa.

Nyusi is quoted by the state-controlled daily newspaper Notícias on Tuesday as saying the new resort would put Mozambique, particularly Cabo Delgado, on the list of must-see destinations for many foreign citizens, who for a variety of reasons including business tourism, leisure and others would stay in Mecàfi in the near future.

The Quirimbas National Park, with an area of just over 7,500 square kilometres, is considered one of the world's best conservation areas, although it is little known, despite its variety of land and marine species such as elephants and dugongs, reef coral and mangroves in its ecosystem.

Construction of the resort owned by Italy's Renco Group, started in 2013 and was completed in June.

The resort includes 40 rooms and 10 suites, a swimming pool and a restaurant and will eventually have

a water sports area, all of which required an investment of \$15 million. (APA 06-10-2015)

## MUGABE'S OLDEST ALLIES FEAR OUSTING HIM COULD SEE THEM SIDELINED

President Robert Mugabe's oldest allies favour letting the 91-year-old remain in office indefinitely rather than trying to oust him, even as Zimbabwe's economy collapses, members of the decision-making body of the ruling party said.

While frustrated by his resistance to changes needed to rescue the economy, they are concerned that if pushed out of office he would place allies, including his wife and younger politicians, at the head of government, sidelining them, three members of the Zimbabwe African National Union-Patriotic Front's politburo said. They asked not to be identified because the discussions are not public.

Doubts about Mr. Mugabe's competence surfaced last month when he read the wrong speech at the opening of parliament without realising he had delivered the same address a few weeks earlier. While Zimbabwe's economy is stagnating, with slumping consumer demand pushing the country into deflation and 83% of government expenditure going on civil servant wages, Mr. Mugabe this year reversed decisions by his ministers to cancel state worker bonuses and trim the capital's workforce by 5,000 people.

"Given the level of factionalism in Zanu-PF, there is no force strong enough to oust him," New York-based Eurasia Group Africa director Mark Rosenberg said by phone from Johannesburg. "If he doesn't die in office and he steps down beforehand, he will try control the process as much as possible and will probably succeed."

The southern African nation faces its worst economic crisis since its virtual collapse in 2008, when inflation soared to 500-billion%, prompting the government to abandon its currency in favour of the use of foreign exchange including the US dollar in early 2009. City residents are now subjected to power cuts between 4am and 10pm on an almost daily basis and revenue of companies ranging from fast food outlet operators to beer makers and sausage producers has slumped, sparking further price cuts.

"We're being taken to a very, very low point," Harare-based economist John Robertson said in an interview. "No one seems able to announce policies that may provide at least partial relief for fear of being contradicted by the president."

### Liberation war

While Mr. Mugabe promoted one liberation-war era colleague Emmerson Mnangagwa, 69, to the post of vice president at a December conference, he sidelined another, ousting former vice president Joice Mujuru, 60, from the party along with some of his oldest allies such as Didymus Mutasa, 80, a former speaker of parliament and cabinet minister.

Ms Mujuru fought in the war against white-minority Rhodesia and served in Mr. Mugabe's first cabinet in 1980 at the age of 24. She was married to Solomon Mujuru, the one-time Zimbabwean military commander who died in a fire in 2011.

At the same congress Mr. Mugabe's wife Grace, 41, was given the post of head of the party's women's league, entitling her to a politburo seat, while members of a group known as Generation-40, cemented their positions. Among the most notable G-40 members are Local Government Minister Saviour Kasukuwere and Youth, Indigenisation and Empowerment Minister Patrick Zhuwao. The group derives its name from the fact that most of its members are in their 40s and played no role in the war.

Zanu-PF and Mr. Mugabe have dealt with, and manipulated, power struggles since he unilaterally took control of the party in 1975 after the assassination of Herbert Chitepo in Zambia. The latest, though, worries the old guard because Mr. Mugabe is increasingly frail, often needing help to walk. Should he realise his frailty, they say, he may decide to empower his wife's G-40 allies.

G-40 members including Mr. Kasukuwere have urged party supporters at rallies to chant, in the Shona language, "Munhu wese kuna amai", which translates as "everyone back mother", a reference to Grace. A failure to suppress the G-40 could hinder an economic recovery and prompt the defection of voters to a new party planned by Ms Mujuru or the opposition Movement for Democratic Change, the people said. The lifestyles of the group, which include mansions and sports cars, make them unpopular in a nation where about 72.3% of the people live on less than \$1.25 a day, according to the United Nations Development Programme.

For her part, Grace must win over the military, a task complicated by the fact that she has no struggle credentials. Both Mr. Mnangagwa and Joice Mujuru have the credentials and support in the army and air force. Should Mr. Mugabe die in office, generals are likely to stick with what they know, the politburo officials said.

Should Mr. Mugabe promote his wife to a more powerful position than head of the party's Women's League, Mr. Mnangagwa and Joice Mujuru would face a greater threat. The military will not readily contradict Mr. Mugabe while he is alive, the officials said. Such a move might give Grace and the G-40 a chance to oust Mr. Mnangagwa in a similar manner to the exit of Joice Mujuru from the party, they said. She was accused of plotting to assassinate Mr. Mugabe, an allegation she denies. (Bloomberg 06-10-2015)

### **REVIEW STATE DIVISIONS ORDER, EU URGES S/SUDAN'S KIIR**

The European Union has urged the President of South Sudan to revise his order to divide the states of his country from ten to 28, considering that as a violation to the peace agreement he signed in last August.

In statement issued on Tuesday by the spokesperson of the EU High Representative for Foreign Affairs, Federica Mogherini, the organization criticized the latest presidential decree as a violation of the peace agreement.

It slammed the so-called Establishment Order, in which Kiir decreed the division of South Sudan's ten states into 28 new states.

The announcement by President Salva Kiir of the presidential order to replace the 10 existing states with 28 new states goes against the spirit and the letter of the peace agreement signed by the Government of South Sudan on August 26" the EU statement said.

The peace deal stipulates that decisions on the structure of the government will be made during the permanent constitution-making process, under the oversight of the Transitional Government of National Unity and in consultation with the people of South Sudan" it argued.

The European Union therefore urges the President and Government of South Sudan to refrain from proceeding on this fundamental matter" it stressed.

The statement further condemned the resumption of hostilities in Unity State and called on the armed opposition to implement the security arrangements of the peace deal.

The opposition leader Riek Machar also considered Kiir's order as a clear violation of the peace agreement.

No official order has been circulated to the sub-authorities in South Sudan about the order despite President Kiir's announcement a few days ago on state TV.(APA 06-10-2015)

### **SPAIN HELPS GUINEA-BISSAU TO ACQUIRE THREE PATROL SHIPS**

Spain will help Guinea-Bissau to acquire three patrol vessels to combat illegal fishing in its territorial waters, under an agreement recently signed in Bissau by the Guinean government and the Spanish Embassy.

The agreement, signed by the Ambassador of Spain in Guinea-Bissau, Alfonso Lopez Perona and the Secretary of State of Guinea-Bissau Fisheries, Ildefonso Barros, stipulates that the ships will be paid with funds from the European Union and built by an unnamed Spanish shipbuilder.

Guinea-Bissau has a fisheries agreement with the European Union, under which a certain number of fishing vessels from European countries are authorised to fish in Guinean waters.

At the signing ceremony for the agreement, the secretary of state for fisheries pointed out that the three ships would carry out maritime surveillance in order to seize vessels engaged in illegal fishing in the country's waters.

The coordinator of Surveillance of Fishing Activities (FISCAP), Cipriano Fernandes recalled that a decade ago Guinea-Bissau did not have any patrol ships to control its waters. (07-09-2015)

## **SOUTH AFRICA: TRANSFER PRICING OVERHAUL WILL RALLY INVESTMENT**

Transfer pricing, a key tax risk facing multinationals in SA and the rest of Africa, has again reared its head as a tax problem and source of leakage from the continent. But is there a real incidence of transfer mispricing in Africa?

Transfer pricing continues to be a hurdle for multinationals, especially those who wish to use SA as a springboard into Africa and was a hot topic at the recent transfer pricing summit in Johannesburg and the inaugural Africa Tax Research Network in Cape Town.

The international conference on financing for development held in Addis Ababa recently discussed the Africa Tax Administration Forum's focus on effective tax policy for the continent, referring to transfer pricing abuse in Africa as "illicit flows through trade misinvoicing".

The tax community is already facing possible policy changes through the base erosion and profit shifting initiative under way at the Organisation for Economic Co-operation and Development, which is being considered in many African countries.

In SA, the Davis Committee has issued several recommendations for measures needed, many of which seek to review and possibly tighten transfer pricing rules.

The South African Revenue Service has also extended the level of information needing to be disclosed in its IT14 returns and there is an aggressive audit environment to combat this perceived area of tax avoidance.

But how easy is it for multinational companies to shift profits from Africa through transfer pricing?

Many African countries rely on a source basis of taxation and high withholding taxes are attributed to this. This ensures that not only are payments effectively taxed in the jurisdiction in which they arise, but often at rates higher than the final tax liability. For instance, a withholding tax is often levied on the gross payment without consideration of expenses incurred in achieving that amount, which inevitably reduces the actual taxable income to a lower amount. This leads to increased effective tax rates for many multinational companies operating in Africa.

Further impediments are often in place through regulatory restrictions, which limit the amount of payments that can be made from certain African jurisdictions. This creates pressure on multinational companies in effectively implementing global pricing policies.

In addition, they run the real risk of double taxation if their home tax authority requires these policies to be implemented and seeks to make an adjustment irrespective of the impediments.

Many multinational companies would argue there isn't a real incidence of transfer mispricing in Africa, and that certain countries are getting more than their fair share of the tax take.

It is hoped that policy makers will soon recognise this and focus on aligning withholding taxes and regulatory restrictions with effective transfer pricing rules based on global precedent and creating an improved taxpayer experience across the continent.

This is critical for foreign investment in Africa. Multinational companies looking to invest want two key things: low reputational risk and tax certainty.

Accusing multinationals of stripping profits without substantiated facts creates a real reputational risk for any major multinational looking to expand into Africa.

Tax certainty is also of high importance as most multinationals have shareholders to answer to and need to manage the effective tax rate to ensure shareholder value.

All too often disputes with tax authorities in certain countries result in multinational companies disinvesting as the tax authorities are aggressive and unreasonable.

The recent spotlight on transfer pricing is a step in the right direction and will hopefully lead to recommendations for change.(BD 05-10-2015)

## **INDIAN FIRMS TO BUY NATURAL GAS FROM MOZAMBIQUE**

India's third largest oil refining company Hindustan Petroleum Corp. Ltd (HPCL) is negotiating the purchase of natural gas to be extracted in Mozambique to supply a future terminal in Gujarat, APA learnt on Tuesday.

According to local media reports, HPCL formed a partnership with Shapoorji Pallonji Port Pvt. Ltd to build a natural liquefied gas terminal in the port of Chhara, in Gir, Gujarat, with a capacity of 5 million tons that should be operational in 2019 following an estimated investment of \$850 million.

Official sources from Indian Oil Corp. Ltd, IOCL and Bharat Petroleum Corp. Ltd, BPCL say that negotiations are underway with Hindustan Petroleum Corp. Ltd, a company that plans to supply future natural gas terminal with a mixture of long term and spot contracts.

Natural gas must be liquefied before it can be exported and, once it arrived at its destination, it has to be regasified in order to be supplied to consumers, which requires construction processing plants both at the starting and arrival points.

Negotiations are taking place with the companies involved in Area 1 of the Rovuma basin in northern Mozambique, a block operated by US group Anadarko Petroleum where natural gas reserves of a global dimension have been discovered.

According to reports, the natural gas in that Mozambican block is expected to start being exported in 2021/22, and by 2019 until that date the Gujarat terminal will use gas from other sources, even if it is more expensive than the Mozambican gas.(APA 06-10-2015)

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