MEMORANDUM

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SUMMARY

MOODY'S DOWNGRADES SOUTH AFRICA'S FIVE BIG BANKS

The financial services sector has had to bear the sins of the father once again, with Moody's slashing the ratings of SA's five largest banks and four insurance companies one notch on Monday night to bring them in line with the country's sovereign rating.

In the latest round of downgrades, the ratings agency cut SA's foreign currency debt to just one notch above junk with a negative outlook, signalling that it could cut the rating further when it is reviewed in a few months' time.

As rated companies move in lockstep with government's ratings, Moody's followed this action with ratings cuts to Standard Bank, FirstRand, Absa, Nedbank and Investec's long-term and short-term foreign currency deposit ratings.

Moody's said it expected sub-zero GDP growth this year, significantly below the government's targets. "These challenging economic conditions, combined with potentially weaker investor confidence, volatility in asset prices, and higher funding costs, will likely pressure banks' earnings and asset quality metrics going forward, and challenge their resilient financial performance so far," it said.

Cas Coovadia, MD of the Banking Association of SA, which represents SA's largest banks, said Moody's reasons for the downgrade confirmed that policy uncertainty, Cabinet upheavals and a continued lack of strong and ethical leadership on the part of the government had undermined the economy.

"Despite this, SA's banking system remains fundamentally solid and respected in the world. We are well capitalised and a recent World Economic Forum Global Competitiveness index found the South African banking system the second-most sound in the world," said Coovadia.

Moody's also revised its view of the financial strength of Old Mutual Life Assurance SA, Standard Insurance, MMI, and MMI subsidiary Guardrisk, citing their exposure to economic and market conditions in SA. Old Mutual Life and MMI's ratings remained a notch above the sovereign rating, reflecting their "relatively high" ability to share asset losses with insurance policyholders.

"There is limited direct impact on our business," said Risto Ketola, MMI's head of investor relations. "However, it [Moody's downgrade] has a negative effect on the overall economy, which indirectly impacts our business, since we are not immune to economic changes."

Old Mutual Life did not respond to questions.

Finance Minister Malusi Gigaba was scheduled to meet with business lobby group Business Unity SA (Busa) on Tuesday to discuss SA's economy.

The Treasury confirmed the meeting took place. "He is meeting various stakeholders, Busa being one of them, on the current economic climate," it said. (BD 13-06-2017)

ANGOLA GIVES TAX BREAKS TO REAL ESTATE PROJECTS OF CHINESE GROUP CIF

The China International Fund (CIF) has invested US$694 million in two real estate projects on the outskirts of Luanda that have allowed the construction of thousands of homes, according to a presidential dispatch that approves the tax breaks.

The presidential order from the end of May, quoted by Portuguese news agency Lusa, regulates the investment made by the China International Fund, the largest Chinese group based in Angola and with interests in a number of sectors.

The two real estate projects in which CIF has invested are the Vila Pacífica residential condominium in Viana and 5,800 homes in the KK project, near the Kilamba urbanisation, also on the outskirts of Luanda.

Under the presidential order, which approves the contract between CIF and the Technical Unit for Private Investment (UTIP), the Chinese group will benefit from a reduction of 42.5% in industrial, investment and real estate transfer tax (Sisa) payments over six years.

The China International Fund is a Hong Kong-owned investor group that describes its business as "large-scale projects of national reconstruction and infrastructure construction in developing countries." (13-07-2017)

MORE THAN 1,000 DIE OF MENINGITIS IN NIGERIA — AND THERE IS A SHORTAGE OF VACCINES

Hit by one of its deadliest meningitis outbreaks in years, with more than 1,000 deaths, Nigeria could struggle to contain future epidemics due to a shortage of vaccines, health experts said.

Africa's most populous country has recorded about 14,500 suspected cases and at least 1,150 deaths so far this year — up from 33 in 2016 — in two thirds of its 36 states, said the Nigeria Centre for Disease Control.

In April, Nigeria launched a mass vaccination campaign in its north-western states, but there is a limited global supply of affordable and long-lasting vaccines for the C strain of meningitis, said medical charity Médecins Sans Frontières (MSF).

At least 1.3-million meningitis C vaccines have been acquired to date, according to the government, yet aid agencies say several more million are needed to contain the outbreak. Previous vaccination campaigns to protect against frequent meningitis A outbreaks — more than 2,000 people died in 2009 — have allowed the C strain to become dominant and spread widely among the unprotected population, say several health experts.

"This outbreak is not just one of the worst in number of cases and deaths, but in terms of how far it has spread across Nigeria," Miriam Alia, a vaccination and outbreak response adviser at MSF, told the Thomson Reuters Foundation by phone.

The shortage of vaccines for meningitis C means they can only be used to respond reactively to such outbreaks, rather than to prevent future epidemics in high risk areas, she added.

Meningitis is the inflammation of tissue surrounding the brain and spinal cord, which can be caused by viral or bacterial infections. It spreads mainly through kisses, sneezes and coughs, and symptoms include fever, headaches and vomiting.

Lessons to learn

The introduction of the MenAfriVac vaccine in 2010, costing just 50c a shot, means meningitis A is now rare across Africa's so-called "meningitis belt" from Senegal to Ethiopia. Yet most vaccines currently used for meningitis C outbreaks in Africa are first-generation vaccines which are in short supply as they are being phased out in other parts of the world.

The more effective and long-lasting vaccines against the C strain are pricier, and not readily available to respond to the epidemic in Nigeria, the World Health Organisation (WHO) claims. "The very limited supply of vaccines to control outbreaks of meningitis C can affect our ability to control these epidemics," said Olivier Ronveaux, a meningitis expert with the WHO.

Vaccine maker Serum Institute of India is working on a vaccine targeting five meningitis strains, which could be available by 2020 and turn out to be a "super-vaccine" if effective and as safe as MenAfriVac, health experts say. But this means that laboratories are not going to produce many meningitis C vaccines, as they will only have a market for three years, leaving current stocks low, said MSF's Alia.

In the meantime, aid agencies are working to contain the current outbreak in a country where basic healthcare is limited in rural areas. "We are also looking beyond the current outbreak, and learning lessons for future epidemics when it comes to aspects such as the positioning of resources and case management," said Modibo Kassogue of Unicef in Nigeria. (Thomson Reuters Foundation 13-06-2017)

BANKING SYNDICATE FINANCES DAM CONSTRUCTION IN ANGOLA

Angolan bank Banco de Negócios Internacional led the banking syndicate that granted a loan to the Ministry of Finance in kwanzas to the equivalent of US$400 million by issuing Treasury Bonds for up to 10 years, the bank said in a statement issued on Monday in Luanda.

The first tranche of 18.161 billion kwanzas (about US$97 million) was made available by Banco Millennium Atlantico and Banco Angolano de Investimentos, for the Laúca hydroelectric project under construction on the River Kwanza.

The Lauca hydroelectric project, construction of which began in 2012, covers an area of 24,000 hectares, including its reservoir. It has a projected production capacity of 2070 megawatts and is the largest civil engineering and energy project in Angola. Its estimated cost is US$4.5 billion.

The cost includes construction, production, supply and commissioning of the power transmission system from the Kwanza River, where the 960-megawatt Cambambe dam and the 520-megawatt Capanda dam are also located. (13-06-2017)

MOODY’S DOWNGRADE STRENGTHENS THE CASE FOR DEBATE ON THE ECONOMY IN PARLIAMENT

The decision by Moody’s to downgrade South Africa’s sovereign credit rating to "Baa3", with a "negative outlook", is more bad news, in a string of bad news, and is a clear vote of no confidence in finance minister Malusi Gigaba and President Jacob Zuma, the Democratic Alliance says.

DA finance spokesman David Maynier said the decision by Moody’s highlighted the fact that "political developments" had a negative effect on "institutional strength" which "casts doubt over the strength of and sustainability of the recovery in growth and stabilisation of the debt-to-GDP ratio over the near term".

"The ratings action means our long-term local currency debt, which forms 88.2% of our R2.2 trillion net debt, now hovers dangerously at one notch above ‘junk status’, with a negative outlook, following ratings actions by the two most important ratings agencies, Moody’s and Standard & Poor’s.

"We will not sit back and do nothing when the economy has slipped into recession, and when a staggering 9.3 million people do not have jobs, or have given up looking for jobs, in South Africa.

"And that is why we have written to the Speaker of the National Assembly, Baleka Mbete, calling for a ‘snap debate’ on measures to deal with the recession, ratings downgrades and mass unemployment in South Africa," Maynier said

In other reaction to the downgrade, the Banking Association of South Africa (BASA) said the decision by Moody’s to keep the country’s sovereign ratings above sub-investment grade was "good news in the midst of the recent news of our economy being technically in recession".

However, the country must not be lulled into a sense of complacency that detracts from addressing the critical issues that led to downgrades to "junk" status.

"We also warn that Moody’s has SA on a negative outlook," said BASA MD Cas Coovadia.

Boirth West University School of Business and Governance economist Professor Raymond Parsons said to restore SA’s investment credentials would require tangible and urgent progress on issues like rebuilding investor confidence, maintaining viable public finances and strengthening institutions in the period ahead.

"The rating agencies will be visiting SA again at the end of the year. If key conditions do not therefore begin to improve over the next few months, it raises the risk of another downgrade," he warned. (TMG Digital 11-06-2017)

EU GRANTS CABO VERDE A TEMPORARY WAIVER ON RULES OF ORIGIN FOR PRESERVED FISH

The European Commission has granted Cabo Verde (Cape Verde) a temporary waiver on the rules of preferential origin for prepared or preserved fillets of mackerel, bonito and albacore according to the implementing regulation published in the European Union’s Official Bulletin.

The waiver will last for a year (June 2017 to June 2018) for bonito and albacore and two years for mackerel, with retroactive effect from 1 January 2017.

Cabo Verde benefits from the Union's generalised system of preferences for the rules of origin. The waiver covers annual amounts of 2,500 tonnes of prepared and preserved mackerel or mackerel fillets and 875 tonnes of processed or preserved bonito and albacore.

On 27 September 2016 Cabo Verde a request for an extension of this waiver for a period of two years from 1 January 2017 until 31 December 2018, pending the new Economic Partnership Agreement between the EU and West Africa, signed on 30 June 2014, and the European Commission agreed to approve this request.

This new agreement will allow the Cape Verdean fish processing industry to comply with the rules of preferential origin using fish from other West African States. (13-06-2017)

MOODY'S CUTS SOUTH AFRICA BY ONE NOTCH

Moody's on Friday evening cut its sovereign credit rating for SA to Baa3 from Baa2, one notch above junk.

As expected, Moody's held its outlook on SA as negative, raising the fear of another downgrade in December.

Moody's said the key drivers for the downgrade were the "weakening of SA's institutional framework, reduced growth prospects reflecting policy uncertainty and slower progress with structural reforms".

It also highlighted "the continued erosion of fiscal strength due to rising public debt and contingent liabilities".

In the nomenclature used by S&P Global Ratings and Fitch, Baa3 equates to BBB-, placing the credit rating of South African government bonds in the "lower medium grade" range.

Moody's remains more positive about SA than its two main competitors who both cut their sovereign ratings from BBB- to BB+ in April shortly after President Jacob Zuma fired finance minister Pravin Gordhan and his deputy Mcebisi Jonas.

Moody's was originally scheduled to issue its ratings decision on April 7, but then on April 3 said it would delay its announcement to get more clarity on the effects of Zuma's Cabinet reshuffle. Moody's said at the time it was placing SA on review for a downgrade.

In Moody's rationale on Friday it said: "... recent events, particularly but not exclusively the abrupt March Cabinet reshuffle, illustrate a gradual erosion of institutional strength. The institutional framework has become less transparent, effective and predictable, and policymakers' commitment to previously-articulated reform objectives is less certain."

S&P differs from Moody's and Fitch in that it rates SA's rand-denominated debt — the bulk of government bonds — a notch higher than foreign-currency denominated debt.

S&P's BBB- credit rating for rand-denominated debt along with Moody's Baa3 sovereign credit rating means the bulk of SA's government bonds still escape the "two out of three" rule many large fund managers use to classify bonds as junk.

Moody's SA sovereign rating report came a week after S&P affirmed its April 3 downgrade on its scheduled review date of June 2. S&P held its outlook on SA as negative, meaning the country risks a further credit downgrade in December.

A concern raised in all three credit rating agencies reports is SA's lacklustre economic growth.

Moody's said on Friday the negative outlook was retained due to the continued downside risks for growth and fiscal consolidation associated with the political outlook.

"Over the medium-term, economic and fiscal strength will remain sensitive to investor confidence and hence uncertainty surrounding political developments, including prospects for structural reforms intended to raise potential growth and flexibility in fiscal expenditures."

Hopes of better rainfall after 2016's drought helping SA escape a second quarter of economic contraction were dashed on Tuesday when Statistics SA reported gross domestic product (GDP) fell 0.7% in three months to end-March.

Although agriculture's contribution to GDP grew 0.4% and mining's contribution grew 0.9%, all other nine components of GDP shrank.

Most severe was trade which contracted 0.8%, followed by manufacturing which contracted 0.5%.

Within a few minutes of the release on Friday the rand had fallen by about 10c to the dollar to R12.96 from R12.86 previously.

The Treasury said it has noted Moody's decision and called on all South Africans, including the private sector and trade unions to work even harder together to address the concerns mentioned by the ratings agency. It said that the foundation for a higher growth path and socio-economic development had already been made. (BD 09-06-2017)

ZIMBABWE BANS GRAIN IMPORTS TO PROTECT FARMERS

A year after a drought left millions in need of food aid, the government announces that local farmers have produced enough maize to meet domestic demand

Zimbabwe has banned grain imports to protect local farmers after producing enough to meet domestic demand, a government minister said on Tuesday, just a year after a devastating drought left more than 4-million people in need of food aid.

The Southern African nation's grain agency had also raised $200m from the government and private sector to purchase maize from farmers, the Herald newspaper said.

The national treasury last week forecast output of the staple maize at 2.1-million tonnes in 2017, from 511,000 tonnes in 2016.

"It is true we have banned all grain imports because we have produced enough this year and also because we need to protect our local farmers," Davis Mharapira, the deputy minister of agriculture said.

Mharapira said the Grain Marketing Board would pay $390 a tonne for white maize, almost triple the $143 for the September contract for white maize in SA, one of the countries from which Zimbabwe has previously imported maize.

The deputy minister said the higher price would encourage farmers to produce more maize while the import ban would make it impossible for dealers to buy the grain abroad and resell it at a higher price locally.

Zimbabwe has since 2001 been importing maize to meet domestic demand of 1.8-million tonnes, blamed in part on seizures of white-owned farms by the government of President Robert Mugabe that hit commercial agriculture production.

Mharapira said the national strategic grain reserve was holding 180,000 tonnes of maize, far below its targeted requirements of between 500,000 and 700,000 tonnes. (Reuters 13-06-2017)

NORWAY FINDS THE FATTEST RETURNS IN AFRICA'S FINANCIAL INDUSTRY

Norway's state-run development fund, Norfund, is finding the fattest returns in Africa are in the financial industry. The $2bn fund, which is, more and more concentrating its investments in sub-Saharan Africa, placed more than half its new capital last year in financial institutions. That focus helped salvage returns last year.

At the end of 2016, the fund had invested 16.8-billion krone ($2bn) in 124 companies, with renewable energy infrastructure investments the largest component. Financial institutions yielded 7.3% last year, while the fund saw an annual return of 2.9%.

"The financial sector has been the most profitable and has remained the best, even through difficult periods," Kjell Roland, CEO at Norfund, said in an interview last week.

The fund is becoming a growing power as annual contributions from the government are set to increase by 50% over the next four years. The capital and the returns are being ploughed into the least developed countries in an effort to promote economic growth. By contrast, Norway's much larger sovereign wealth fund, now at more than $900bn, largely invests in developed markets.

Last year it formed Arise with the Netherlands' FMO and Rabobank to invest in the African financial industry. Its first acquisition was a 27.7% stake in CAL Bank in Ghana. It hopes to grow Arise to more than $1bn over the next five years.

Norfund is limiting its geographical reach to get more bang for its buck and increase local influence. It invests in joint ventures only, and has teamed up with Norwegian solar producer Scatec Solar in Mozambique and also set up a micro-finance alliance with the biggest banks and insurance companies in Norway.

"There aren't many places where you are able to pick up 5% to 7% returns over a long period of time," Roland said. "This is because the sector is well organised, pays a reasonable return on equity, and it's diversified." (Bloomberg 19-05-2017)

GADDAFI'S SON SAID TO BE FREED IN LIBYA, WHEREABOUTS UNCLE

Saif al-Islam Gaddafi, the son of deposed Libyan leader Muammar Gaddafi, has left the town of Zintan where he had been held since 2011 after being freed by an armed group, according to one of his lawyers and a statement from the brigade.

The lawyer and the brigade said he had been released under an amnesty law passed by a parliament based in eastern Libya.

The lawyer, Khaled al-Zaidi, said Saif al-Islam was headed to another Libyan city but he could not say where for security reasons.

Previous reports that Saif al-Islam had been released from Zintan turned out to be false.

A Tripoli court sentenced Saif al-Islam to death in 2015 for war crimes, including killing protesters during the revolution.

Zintan, which grew powerful through its role in the 2011 uprising and has been at odds with authorities in Tripoli, had refused to hand him over. (Reuters 11-06-2017)

EXTREME WEATHER THREATENS CAMEROON'S HOPES OF BECOMING A COCOA GIANT

Cameroon's plan to more than double cocoa production by 2020, moving the country up the global ranks of producers and improving incomes for its farmers, is under increasing threat from extreme weather, according to the state support company for growers.

Heavy rains have slowed expected output and rattled farmers, with many switching to food crop production to make a more reliable living.

"The rains have been so severe in recent times, coming even when least expected, generating production worries for both farmers and the government," said Jerome Mvondo, director-general of the Cameroon Cocoa Development Corporation, at an event in Buea, the capital of the country's Southwest region and its main cocoa-producing zone.

Cameroon is the world's fifth biggest cocoa grower behind the Ivory Coast, Ghana, Nigeria and Indonesia. According to government statistics, the crop accounts for about half the country's exports of basic products such as food, timber, fish and minerals.

Cocoa sales contribute about 250-billion CFA francs ($426m) to state coffers each year.

In 2012, Cameroon's government announced plans to increase cocoa production from around 225,000 tonnes annually to 600,000 tonnes by 2020.

But that goal is now threatened by erratic and prolonged rains, especially in the Southwest region. In the last 2015-2016 season, production was around 269,000 tonnes, Mvondo said.

Plans to plant an additional 100,000 hectares (247,000 acres) of new cocoa trees each year have fallen short, with the area under cultivation having grown by just 2,500-3,500 hectares since 2014, Mvondo said.

‘The rains come in any order’

Farmers say they used to worry that rain during the harvest would delay the drying of their cocoa beans, but now rains often take them by surprise at the heart of the dry season, when the cocoa plants flower and produce buds.

"The rains now come in any order, making it difficult for us to plant new crops, spray cocoa pods with pesticides against diseases and dry the cocoa bean naturally. This has really reduced our output and income," said Ajasco Nzeme, a cocoa farmer from Tombel, in Cameroon’s Southwest region.

"I am almost giving up cocoa farming. I had planned on expanding my cocoa farm by four hectares by 2018, but with the disturbing rains it is not worth the trouble," said Nzeme, who grows 40 acres of the crop.

Rains have been coming as early as February, rather than at the more common beginning of April, causing buds to fall off the cocoa trees and the pods to blacken.

"The farmers are even refusing free pesticides offered by the government for fear it will be washed away by the rains as soon as it is applied," Mvondo said.

Besides killing cocoa flowers and young pods, the unusual rain can affect the quality of the crop that is harvested, and force farmers to smoke-dry beans instead of drying them in the open air, farmers said.

Many farmers say they also face increasing difficulty getting their harvest to market on mostly earthen roads.

Andrew Ngomnkalle, a 59-year-old cocoa farmer in Tombel, said his yield had dwindled from 60 bags per acre in 2014 to 35 bags in 2016.

"I have been a cocoa farmer all my life but have never witnessed such confusion in the pattern of rainfall," he said.

Harvest losses, lower prices

Changing weather is also making cocoa more susceptible to pests and disease, said Zachee Nzohngandembou, executive officer of the Centre for the Environment and Rural Transformation, a nongovernmental organisation in Limbe that works with local farmers.

Losses from diseases and pests claimed between 30% and 40% of Cameroon’s harvest in the 2014-15 season, according to the National Cocoa and Coffee Board, which regulates cocoa and coffee production.

The farmers’ situation has been made worse over the past year by a slump of more than one third in the prices paid for the beans by exporters, following a downward trend in prices on the international market.

According to government data, a kilo of beans fetches about 900 to 960 FCA francs ($1.50 to $1.65) in production areas, down from 1,600 francs in 2012-13.

In some remote areas, particularly in the Southwest region, prices can be as low as 700 francs.

Many farmers in Cameroon say they are deserting cocoa production for other cash and food crops.

"We have no choice than to concentrate on cash crops like plantains and cocoyam to be able to feed our families," said Nzeme.

Experts agree that worsening climate variability has become a major bottleneck faced by cocoa producers worldwide.

Global production decreased by 217,000 tonnes in the 2015-2016 season, to just over 4-million tonnes, a decline of 5% from the previous season, according to a November 2016 report by the International Cocoa Organisation.

In Africa, production is estimated to have fallen over the same period by 124,000 tonnes — almost 4% — to 2.9-million tonnes, with the drop attributed mostly to adverse weather conditions and an outbreak of black pod disease.

Nevertheless, the government says it still hopes to boost cocoa production by giving farmers better meteorological information so that they can make more informed decisions on when to plant and harvest.

Henry Eyebe Ayisi, Cameroon’s minister of agriculture, said the government is partnering with non-governmental organisations such as the Global Centre for Compliance, Hazards and Disaster Management to help farmers better understand climate threats.

A new programme will send monthly text messages to help growers better plan their farming activities in the face of changing weather conditions, Eyebe said. (Reuters 07-06-2017)

HUNDREDS OF HOTEL ESTABLISHMENTS IN ANGOLA ARE IN TECHNICAL BANKRUPTCY

More than 500 hotel establishments in Angola are in a state of technical bankruptcy, and the businesses may close in the short term, according to data from the Association of Hotels and Resorts of Angola (AHARA), quoted by Angolan newspaper Expansão.

A document prepared by the association said that the figure represents about 17% of a total of around 3,000 companies registered in the sector and added that the current economic situation of the country "is throwing several companies in the hotel and tourism sector into bankruptcy, leading to the dismissal of thousands of professionals."

The main cause, according to AHARA, is the near-shutdown of the economy that has provided very low occupancy rates, a daily average of 20%, a situation that they consider "catastrophic" for investors.

The secretary general of the Association of Hotels and Resorts of Angola, Ramiro Barreira, last April recommended hotel owners establish prices that are in line with people's purchasing power in order to increase occupancy rates.

Barreira pointed out that hotel establishments in some of the country's provinces have occupancy rates ranging from 5.0% to 15%, and that measures should be taken to increase this rate to at least 50%. (23-05-2017)

KENYA TOURIST LODGE SHUTS AFTER LAND INVASIONS, FOLLOWING MURDER OF OWNER

A lodge owned by a murdered British farmer in Kenya's northern Laikipia region announced its closure on Monday, after being overrun by herders for months, ahead of August polls in which some politicians have made land reform a campaign issue.

Tristan Voorspuy, a British army veteran, was shot dead on Sosian in March, one of dozens killed and injured in Laikipia as armed herders searching for grazing have driven their cattle onto private farms and ranches from poor-quality communal land.

"Since the beginning of the year, Sosian, among other properties in West Laikipia, has been battling mass land invasions, violence and vandalism," the Laikipia Farmers Association (LFA) said in a statement on Monday.

"Attempts by government forces to rebuff the invaders on a large scale have been unsuccessful thus far." Many residents of the area accuse local politicians of inciting the violence before elections in August. They say the men are trying to drive out voters who might oppose them and win votes by promising supporters access to private land.

Herders have illegally grazed more than 100,000 cattle on Sosian over the last five months, the LFA said, while also killing 13 elephants and shooting zebra, impala and buffalo.

Laikipia is Kenya's second-most important wildlife area after the famous Maasai Mara, and many large-scale landowners earn money from tourism as well as cattle ranching.

"We had a lot of serious shooting incidents in the last four months so it is not safe to bring any tourists," Richard Constant, one of Sosian's directors, told the Thomson Reuters Foundation in a phone interview.

Kenya dispatched its military to the area in March to help restore calm and disarm communities. The minister said the operation was going as planned.

Government spokesperson Eric Kiraithe said the government was doing all it could to restore order.

"Instead of invading private property, pastoralists should be willing to be taught how to manage the land they currently occupy," he said.

With increasingly severe droughts, population growth and the enclosure of public lands, many traditional nomads, who are often poor and illiterate, do not have grass for their animals.

Although rains have brought an end to months of drought in northern Kenya, large numbers of animals continue to graze illegally on Sosian and neighbouring farms, the LFA said. (Reuters 05-06-2017)

AFRICAN BANK RETURNS TO PROFIT

Unlisted African Bank, the hived-off "good bank" from the troubled microlender, swung back into profit for the six months to end-March.

After paying off a goodwill impairment of R1.9bn, the group was able to report that profit for the period amounted to R315m from a loss of R1.7bn announced in 2016.

The numbers were effectively for the period April 4 to September 30 2016, the group said in a statement on Tuesday.

Earnings from insurance operations were R280m from R33m in 2016.

Net customer advances balances was R19.7bn from R20.1bn while available cash balances, including surplus liquid assets, amounted to R11.7bn from R12.8bn.

The group reported a core equity tier 1 capital adequacy ratio of 32%.

CEO Brian Riley described the results as solid. "Credit risk remains firmly under control in the context of understandably muted new business volumes, due to the bank's conservative approach to credit in a struggling economy and the impact of regulatory changes," he said.

African Bank said it had experienced a lower yield on advances than forecast last year, given the bank's reduced risk appetite, favouring lower-risk customers that command larger loans over longer periods at lower yields.

It also had higher operating costs. (BD 23-05-2017)

US BUDGET CHIEF EXPLAINS DEEP FOREIGN AID CUTS

As the U.S. aid community braces for Tuesday's release of the White House budget proposal, budget director Mick Mulvaney offered some insight into why the Trump administration sees fit to slash foreign aid spending.

Speaking generally about programs slated for cutbacks, Mulvaney told reporters Monday that the White House is particularly skeptical of programs it feels haven't sufficiently demonstrated a positive impact, as well as programs the U.S. Congress has not authorized with legislation.

Mulvaney said this was "the first time in a long time an administration has written a budget from the perspective of people paying the taxes," instead of from the perspective of the people implementing the programs they fund. The Trump White House prioritized programs not according to the number of people they purport to benefit, but by whether or not they could be justified to a hypothetical "family in Grand Rapids, Michigan," the budget director said.

Plenty of political, military, business and diplomatic leaders have spoken out in support of a robust role for development investments in U.S. foreign policy. On Monday, the U.S. Global Leadership Coalition published a letter from 225 business leaders urging Secretary of State Rex Tillerson to maintain foreign affairs spending because it supports American jobs, they argued. Trump's own defense secretary, James Mattis, outlined the national security imperative for foreign aid when he was commander of U.S. Central Command, telling lawmakers, "If you don't fully fund the State Department, then I need to buy more ammunition."

Despite this show of support, U.S. foreign aid programs have consistently struggled to combat misperceptions about them among the American public. As Devex has frequently reported, U.S. citizens routinely overestimate how much the federal government spends on foreign aid. Large numbers of Americans have suggested the U.S. does "too much" about the rest of the world's problems, and the majority of respondents to some polls think the U.S. should let other countries deal more with their own problems.

Congress, meanwhile, has not passed a full U.S. foreign aid authorization since 1985, leaving it up to budget appropriators to determine spending levels and priorities for U.S. global development policy and programs. One of the reasons lawmakers have hesitated to go forward with authorization is their sense that American voters might hold it against them, Diana Ohlbaum, an independent consultant and U.S. development expert, told Devex.

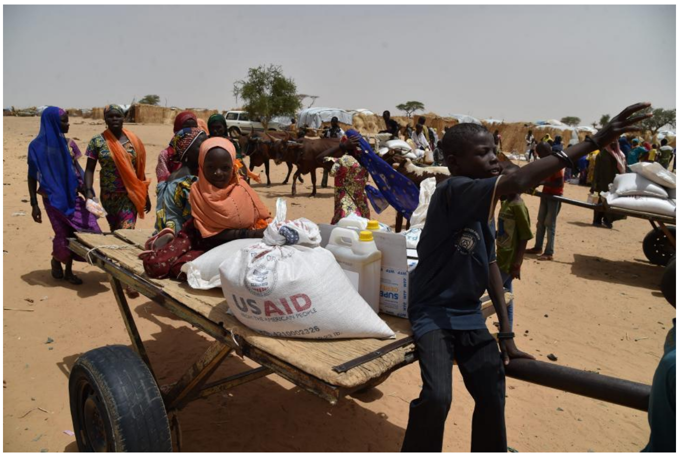
"It's much easier for Members politically if they only have to vote on foreign aid once (in an appropriations bill) rather than twice (in authorization and appropriations bills) — or better yet, if they can hide it away in an omnibus bill and not have to vote on it at all," Ohlbaum wrote to Devex by email.
The Trump administration sees unauthorized programs as those that have been permitted to live on past their expiration date, Mulvaney told reporters Monday.
The budget chief offered some insights that shed light on the administration's approach. Asked about a few domestic programs that did not see their budgets eliminated entirely, but instead significantly curtailed, Mulvaney explained that that was part of a plan to gradually withdraw federal support for those programs over time.
That could spell bad news for small U.S. development agencies including the U.S. African Development Foundation and the U.S. Trade and Development Agency, which found themselves on a list of agencies to be eliminated, but then saw some funding maintained in a leaked budget document last week, as Devex reported. While Mulvaney did not comment on these agencies, his remarks could be taken to suggest that a dramatic budget reduction is one step on the path toward elimination.
Mulvaney also addressed some changes in the way that assistance — particularly military assistance — might be structured for some foreign government recipients. The administration will propose to move several countries from a direct grant program to a loan guarantee program, Mulvaney said, adding that this will not be the case for Israel or Egypt.
Mulvaney will testify about the budget in the House and Senate on Wednesday and Thursday this week.
The budget director openly acknowledged that the president's budget request is more of a statement of administration priorities than a blueprint Congress is likely to adopt.
"Do I expect them to adopt this wholeheartedly? … Absolutely not," he said.(DEV 23-05-2017)

DONALD TRUMP'S FOREIGN AID CUTS COULD TURN AFRICA INTO A 'TERRORIST RECRUITING FIELD': AFRICAN BANK CHIEF

Cutting U.S. foreign aid to Africa could turn the continent into "a recruiting field for terrorists," the head of the African Development Bank (AfDB) tells *Newsweek* .

Akinwumi Adesina, the president of the 78-member AfDB — Africa's version of the World Bank — says that cash from Washington plays a vital role in creating jobs in rural parts of Africa, where young people may otherwise turn to extremism when faced with unemployment and poverty due to environmental issues or conflict.
U.S. President Donald Trump outlined his economic vision for America with a "skinny budget" proposal in March, which envisioned cutting resources for the Department of State and USAID—the U.S. government's main disbursers of foreign aid—by 28 percent, partially to fund a $52 billion increase in military spending. The full budget is due to be unveiled on Tuesday.
Africa is the biggest regional recipient of U.S. foreign aid, drawing 32 percent of the total spent in the 2015 fiscal year. USAID and the Department of State gave more than $8 billion assistance to 47 countries in sub-Saharan Africa that year, which was spent on issues including security, fighting disease and nutrition.
A total $717 million was spent on response to the Ebola epidemic, which claimed more than 11,000 lives across West Africa.
"Everywhere you go where you have what I call a triangle of disaster—anywhere [where] you have high levels of extreme poverty, rural poverty in particular; high levels of unemployment in rural areas; and where you have environmental and climate degradation, you always have terrorists operating," says Adesina, speaking to *Newsweek* from Ahmedabad, India, where the AfDB is holding meetings to improve cooperation between the host country and Africa.
"Where you cannot create economic opportunities, these rural areas all across Africa where agriculture ought to be working will simply become a recruiting field for terrorists. I'm sure that's not in the interests of the United States nor any other country."

Several regions of Africa are blighted by Islamist terrorist groups: Al-Shabab in Somalia and Boko Haram in Nigeria and the Lake Chad region are both waging insurgencies, while multiple Al-Qaeda-linked groups are active in and around Mali.



Displaced people fleeing from Boko Haram attend a World Food Programme (WFP) and USAID food distribution at the Asanga refugee camp near Diffa, Niger, on June 16, 2016.

The U.S. provides billions of dollars in aid to Africa every year, but that could change under the Trump administration.
In a recent address to Department of State employees, Secretary of State Rex Tillerson said that the administration's main priority in Africa was national security and fighting militancy. "We cannot let Africa become the next breeding ground for a re-emergence of a caliphate for ISIS," said Tillerson, referring to the Islamic State militant group (ISIS).

Adesina says that the AfDB itself has committed $24 billion over the next decade to agriculture in Africa, aiming at industrializing the sector, creating more jobs and making Africa self-sufficient in terms of food production. But he says that the continent needs the continued support of the United States and others.
In particular, Africa needs international backing to deal with the impact of climate change ; Adesina says that the continent is "suffering disproportionately" from the negative impact of global warming, despite the fact it "didn't really contribute much at all" to harmful emissions.

In 2013, sub-Saharan Africa emitted 735.1 metric tonnes of carbon dioxide—a seventh of what the United States produced (5,136.35 metric tonnes). Yet the continent is predicted to be one of the hardest-hit by climate change, and Africa is already the home of three out of four countries at-risk of famine —Kenya, Somalia and South Sudan— where, along with Yemen, 20 million people face starvation.

African Development Bank (AfDB) President Akinwumi Adesina gestures as he addresses a news conference on the first day of the annual meeting of AfDB in Gandhinagar, India, on May 22.

Adesina says that cuts in U.S. aid to Africa could hamper the continent's fight against terrorism. Amit Dave/Reuters

Experts say that climate change has played a significant role in each country, though conflicts have also contributed to lack of food and stunted agriculture.

"Africa needs a lot more resources to be able to create jobs, support the revitalization of rural areas, and to adapt to climate change, because if we don't then the negative externalities on this for the world are going to be massive," says Adesina. "So cutting aid is not the way to go, it's providing aid in the right way to allow these rural economies to grow and create massive amounts of jobs for young people."

The Trump administration is yet to elaborate significantly on its policy towards Africa and the top Africa position in the Department of State, the assistant secretary for African affairs, remains vacant. Trump did host Egyptian President Abdel Fattah el-Sissi at the White House in April and has indicated a desire to visit the North African country, but Egypt is classified as part of the Near East, not Africa, according to U.S. diplomatic policy.

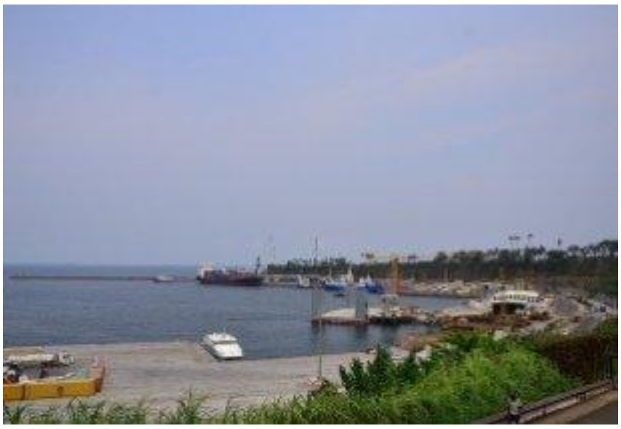
Trump's budget proposal would also entail the closure of several government agencies, including the U.S. African Development Foundation, which invested $53 million in projects across 30 African countries in 2016. But the budget outline would also maintain all current commitments to the U.S. government's program to treat HIV/AIDS in Africa— known as PEPFAR and which provides life-saving treatment for 11.5 million people—and secure U.S. contributions to a global fund fighting AIDS, tuberculosis and malaria.

The proposal also envisioned a reduction in U.S. funding to U.N. peacekeeping operations, many of which are based in Africa. Washington currently contributes 28.57 percent of the annual $7.87 billion peacekeeping budget; the Trump administration wants to reduce this to a maximum of 25 percent.

Africa is home to nine of the 16 active U.N. peacekeeping operations. In some fragile states, such as Central African Republic, U.N. blue helmets are the only effective means of providing security to vulnerable civilian populations.(DEV 07-06-2017)

EXXONMOBIL ACQUIRES DEEPWATER ACREAGE IN EQUATORIAL GUINEA

The government of Equatorial Guinea has signed a production sharing contract (PSC) with ExxonMobil's affiliate, Exploration and Production Equatorial Guinea (Deepwater)



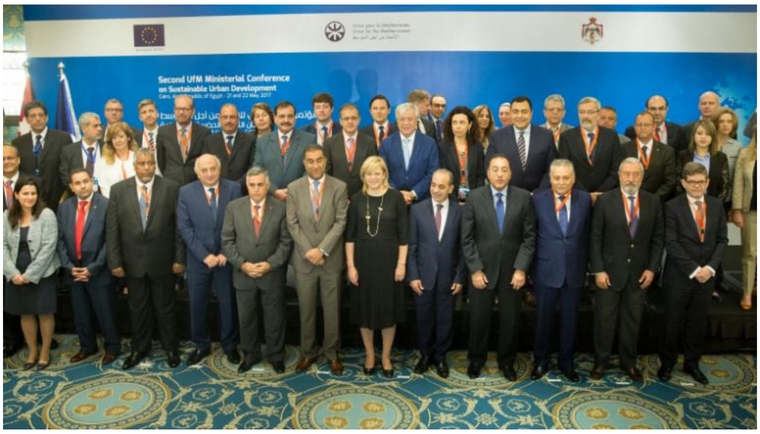
Offshore Equatorial Guinea has a long history of oil production

This PSC is the next step in developing oil resources in Block EG-11, a deepwater block located 36 miles west of Malabo. The block measures approximately 307,000 acres (1,242 square kilometres) and is adjacent to the Zafiro field in Block B.

Once the PSC is ratified by the government, ExxonMobil will be the operator with an 80 per cent working interest. GEPetrol holds a further 20 per cent working interest. The PSC includes a commitment to acquire new 3D data and re-process data from existing seismic surveys.

Local content is another important part of the PSC and, as such, ExxonMobil has undertaken to further develop the local workforce. The company has had a presence in Equatorial Guinea for more than 20 years. This includes a 71.25 per cent interest in the Zafiro field. GEPetrol has a 23.75 per cent stake and the government has the remaining 5 per cent. Zafiro is in water depths between 400 and 2,800 feet and has produced more than 1bn barrel of oil. (ORA 07-06-2017)

SUSTAINABLE URBAN DEVELOPMENT IN THE EURO-MEDITERRANEAN REGION: UFM MINISTERS AGREE ON A STRUCTURED FRAMEWORK FOR ENHANCED REGIONAL COOPERATION



Gathered yesterday in Cairo on the occasion of the 2nd Union for the Mediterranean (UfM) Ministerial Conference on Sustainable Urban Development, the Ministers in charge of housing, municipal affairs and urban development from the 43 UfM Member States agreed on a UfM Urban Agenda to step-up regional cooperation on sustainable urban development, with a view to delivering common responses to the pressing challenges facing urban areas, which are key drivers for stability and prosperity in the Mediterranean region.

At the Ministerial Conference, Ministers endorsed the final Declaration and adopted a comprehensive and operational UfM Urban Agenda for the Euro-Mediterranean region.

The UfM Urban Agenda represents an action-oriented roadmap for the future. It is aimed at addressing the multi-faceted challenges of the region, both at local and regional levels, through an integrated and holistic approach, as well as at ensuring urban sustainability and resilience with a greater socio-economic impact on the ground, thus improving the quality of life of the peoples of the Mediterranean region.

UfM Ministers agreed to set a structured framework for UfM cooperation efforts in the years to come, through the creation of the UfM Regional Platform on Sustainable Urban Development, its thematic platforms and working groups, as well as through the organisation of the UfM-IFIs (International Financial Institutions) Urban Development Project Committee Meetings. This will result in enhanced policy dialogue among UfM Member States, financial institutions, regional organisations and stakeholders from both the public and private sectors, and will translate it into concrete projects and initiatives.

The Conference concluded with the launch of the UfM labelled project “Imbaba Urban Upgrading”, which amounts to €100 million, for the urban regeneration of one of Greater Cairo’s most populated areas, through the improvement of the living conditions of its 2 million inhabitants within the Giza Governorate.

This launch also confirms of the good preparatory work done by the Urban Projects Finance Initiative (UPFI). Since 2014 UPFI operates under the umbrella of the UfM Secretariat and is managed by the French Development Agency (AFD) and the European Investment Bank (EIB) with the financial support of the EU. UPFI currently supports five UfM labelled urban projects of regional importance, including the “Imbaba Urban Upgrading”, helping them to access financing. (UfM 06-07-2017)

UfM projects

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The Memorandum is also made available by AHEAD-GLOBAL, BCA, Chamber of Tenerife (by posting it at the Africa Info Market), CCA - Canadian Council on Africa, CCA - Corporate Council on Africa (USA), ELO,HTTC,NABC (by posting selected news) and SwissCham-Africa to their Members.

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